



ANNUAL REPORT

1 July 2017 to 30 June 2018

Contact Details and Distribution

Contact Council

To contact the Western Downs Regional Council you can:

1. Telephone our Customer Service Centre on **1300 COUNCIL** (1300 268 624) or 07 4679 4000 (interstate)
2. Visit in person at your local Customer Service Centre (listed below)
3. Find us on Facebook, Twitter and Instagram
4. Email Council at: info@wdrc.qld.gov.au
5. Write to us, addressing all correspondence to:

Western Downs Regional Council,
PO Box 551
Dalby QLD 4405

Customer Service Centre Locations

Local Communities – Local Service

Chinchilla — 80-86 Heeney Street
Dalby — 30 Marble Street
Jandowae — 22 George Street
Miles — 29 Dawson Street
Tara — 19 Fry Street
Wandoan — 6 Henderson Road

Distribution

Western Downs Regional Council's Annual Report is available in hardcopy or electronic format.

Printed copies of the report may be obtained for a fee by writing to: Western Downs Regional Council, PO Box 551, Dalby QLD 4405, or by telephoning **1300 COUNCIL** (or 07 4679 4000 from interstate) during normal business hours.

Alternatively, you can visit Council's website at www.wdrc.qld.gov.au to download a copy for free.

About This Report

As well as being a legislative requirement for Local Government, Council's 2017/18 Annual Report serves to keep our stakeholders, including: residents, ratepayers, business and industry, employees, community groups, and partnering government agencies, informed of our performance over the previous financial year.

This Annual Report focuses on Council's financial and operational performance for the 2017/18 financial year against the Corporate Plan 2017–2022, which established the strategic direction of Council's programs and initiatives into prioritised and measurable actions.

This was achieved by structuring the Corporate Plan around the following four strategic priority areas which were workshopped with the local members representing our region, together with our management team experts to create a clear link between Council's planned delivery and the needs and expectations of our local communities:

- Strong Economic Growth
- Active Vibrant Communities
- Great Liveability
- Financial Sustainability

Alignment to these four strategic priorities flowed into Council budgets and operational plans, to ensure Council delivered against a shared vision for the Western Downs.

How to Read This Report

This report is divided into five chapters designed to help you find the information you're looking for.

Chapter 1: Setting the Scene — includes a profile of the Western Downs region, Council's role within the community, and a Community Financial Report consisting of key points highlighting our financial performance.

Chapter 2: Your Councillors — includes a message from the Mayor, shows our Councillors and their portfolios, and responds to the statutory information required for Councillors' Governance.

Chapter 3: Our Organisation — shows our organisational structure, includes a message from the CEO, and responds to the statutory information required for Corporate Governance.

Chapter 4: Reporting the Organisation's Performance — outlines our strategic direction, summarises our achievements toward meeting the intent of the Corporate Plan, and provides an assessment of Council's overall performance by our Executive Team.

Chapter 5: Financial Reporting — includes our audited and certified General Purpose Financial Statements that detail Council's financial position for the year ending 30 June 2018.

Contents

CHAPTER 1: SETTING THE SCENE	4
The Region	5
The Role of Council	7
Community Financial Report	8
CHAPTER 2: YOUR COUNCILLORS	13
Mayors Message	14
Meet Your Councillors	16
Statutory Information – Councillors' Governance	17
CHAPTER 3: OUR ORGANISATION	19
CEO's Message	20
Council's Organisational Structure	21
Statutory Information – Corporate Governance	22
CHAPTER 4: REPORTING THE ORGANISATION'S PERFORMANCE	25
Council's Strategic Direction	26
Performance Outcome Highlights	27
Performance Assessment	34
CHAPTER 5: FINANCIAL REPORTING	38
General Purpose Financial Statements	39
Management Certificate	84
Independent Auditor's Report	85
Report on the Financial Report	85
Report on the Current-Year Financial Sustainability Statement	90

CHAPTER 1:

SETTING
THE SCENE

Windowae
QUEENSLAND



The Region

On the back of its proud history of agricultural productivity and manufacturing innovation, an experienced supply chain and modern infrastructure are just a few of the attributes being used to promote and attract external investment to the region. The tourism, agriculture and renewable energy industries have continued to fuel new economic activity as local business gets on with driving the economy forward.

The Western Downs is quickly becoming recognised as the Energy Capital of Australia, given advancements in renewable energy technology, legacies of the Coal Seam Gas Industry and Government incentives in relation to the provision of green, clean, renewable energy products. Council approved eleven (11) large scale solar power developments totalling more than 2,800 Mega Watts. There are additional development applications under assessment and numerous other projects at the pre-lodgement phase. More than 3,000 construction jobs are expected to be created as a result of this investment in the region, ensuring the long-term sustainability and diversification of the region's economy.

Positioned at the centre of a national transport network, the region's strategic location ensures greater accessibility and continued movement of freight within and through the Western Downs. Continuing upgrades to critical infrastructure such as the Warrego Highway and the Western Rail Line, together with National building projects outside the administrative boundary, including the Toowoomba Second Range Crossing and Brisbane West Wellcamp Airport, continue to improve the region's access to international markets.

Consistently low unemployment rates and affordable housing support opportunities for new residents to relocate to the Western Downs, and significant events and attractions also boost tourism and enhance the region's liveability.

The Western Downs region has continued to realise sustainable growth, delivering quality services and improving the region's natural, economic, social and cultural environment. The Western Downs means business.



People

Consistently enjoying population growth despite the trend of rural population decline, the Western Downs region welcomed 378 persons in the year to June 2017, representing a 1.1% increase from 2016. The past five years has seen the region's residential population grow 5%. Our residential population is expected to increase to 40,349 persons over the period to 2036, an average annual growth rate of 0.8%.



The region maintains one of the lowest unemployment rates (4.86% as at March 2018) in Queensland and remains significantly lower than the average for Queensland (6.2% as at March 2018).

The largest industries by employment are agriculture, forestry and fishing, and mining and construction. Together they provide 40% of the total jobs in the region.

Economy

Mining now makes the largest contribution to the regional economy, comprising (26.9%) of the region's \$3.3 billion Gross Regional Product (GRP) in 2016/17, followed by construction (17.9%), agriculture, forestry and fishing (16.2%), by Electricity, Gas, Water and Waste Services (7.9%).

Despite the recent contraction in direct expenditure of the mining and resources sector, the Regional Gross Product (RGP) of the Western Downs region has grown by 22.4% over the past five years (from \$2.7 billion in 2012 to \$3.3 billion in 2017).

Growth in Development Assessments equalling approximately \$1.066 billion during 2017/18 has seen a substantial increase on previous years, signalling strong local economic growth activity for the Western Downs.

Lifestyle

As voted by the residents of the Western Downs, it's the 'quality of life' and 'feeling of community' that are our region's greatest strengths. This is closely followed by 'clean living' with clean air and water identified by our residents, as another benefit of modern country living within our welcoming communities.

"The region maintains one of the lowest unemployment rates (4.86% as at March 2018) in Queensland..."

Adding to festivities across the region, Council provided support for a number of major events including the 2017 Opera at Jimbour, the 2017 Dalby Delicious & DELIGHTFUL Festival, the 2017 Tara Festival of Culture and Camel Races, the inaugural 2018 Big Skies Event (pictured below) and the 2018 Jandowae Timbertown Festival. These events are a successful draw card for visitors and regional communities alike, benefitting local businesses in the various towns.

Median house prices, approximately half those of Brisbane, are one of the region's lifestyle advantages, further enhanced by the subtropical climate where all four seasons can be enjoyed. Average summer temperatures are between 18 - 30 degrees C, cooling for the winter months to between 5 - 20 degrees C.

Proving the appeal of our family friendly lifestyle, 48 residential dwellings were approved to be built in the Western Downs at a total value of approximately \$13.8 million, in the 12-month period to June 2018.

While spread across a large geographical area, communities in the Western Downs boast an impressive range of modern facilities from aquatic and fitness centres to galleries, museums, cinemas and civic centres, delivering the convenience of metropolitan centres in a scenic rural environment.



The Role of Council

At Western Downs Regional Council we take our role as the front-line level of government seriously. It's important to us that we remain the most accessible level of government in our local communities, and that the decisions made today positively shape the region for the benefit of the generations to come.

We believe in and adhere to the following principles of local government:

- a) Transparent and effective processes, and decision-making in the public interest;
- b) Sustainable development and management of assets and infrastructure, and delivery of effective services;
- c) Democratic representation, social inclusion and meaningful community engagement;
- d) Good governance of, and by, local government; and
- e) Ethical and legal behaviour of councillors and local government employees.

Council's Mission

We are part of the community we serve, working together to provide valued leadership and services to our diverse region.

Our Mission says:

Who Council is — Leaders who operate strategically and staff who deliver operationally

Why Council exists — To responsibly govern our region and provide services that deliver liveability

What Council does — Deliver services that meet community needs through strategic leadership, informed decision making, and an empowered team

What is unique about Council — Councillors and staff live and work in the diverse communities that they serve

Council's Vision

An innovative team — connected locally, united regionally

Our Vision is for Council to be:

Innovative — Responsive and willing to take managed risks that lead to innovative solutions

Connected — In touch with our local communities and their needs

United — A regional entity, working collaboratively

Council's Values

As elected representatives and staff of Western Downs Regional Council our behaviour reflects our values:



Council's Strategic Priorities

The services, projects and initiatives that Council is committed to delivering are in response to the strategic priorities devised under the following four focus areas of delivery for the Corporate Plan 2017 - 2022:

STRONG ECONOMIC GROWTH

- There is confidence in our strong and diverse economy
- We're open for business and offer investment opportunities that are right for our region
- We optimise our tourism opportunities, unique experiences and major events
- Business and industry in our region live local and buy local
- Our region is a recognised leader in energy, including clean, green renewable energies

ACTIVE VIBRANT COMMUNITIES

- We are a region without boundaries, united in community pride
- Our community members are the loudest advocates for what's great about our region
- Our social, cultural and sporting events are supported locally and achieve regional participation
- Our parks, opens spaces, and community facilities are well utilised and connect people regionally
- A recognised culture of volunteerism is active throughout our communities

GREAT LIVEABILITY

- Our residents enjoy convenience of modern infrastructure and quality essential services
- Valued recreational spaces, sporting and community facilities are provided regionally
- A safe and well-maintained road network connects our region
- Our region remains an affordable place for families to live, work, prosper and play
- We're recognised as one of the safest regions in Queensland

FINANCIAL SUSTAINABILITY

- We are recognised as a financially intelligent and responsible Council
- Our long term financial planning guides informed and accountable decisions
- Our value for money culture enables us to deliver our core functions sustainably
- Our agile and responsive business model enables us to align our capacity with service delivery
- Effective asset management ensures that we only own and maintain assets that are utilised

The Annual Operational Plan was purposefully aligned to the priorities represented in the Western Downs Corporate Plan 2017 - 2022, ensuring delivery of a shared vision and creating local communities that our residents are proud of. Each of the four Strategic Priorities are explained in Chapter 4 of this report on pg 26.

Community Financial Report

This report summarises Council's financial position at 30 June 2018 in simple terms.

Council is committed to ensuring it is financially sustainable in the long-term and ensuring that the Region is affordable for our families to live, work, prosper and play.

For 2017/18, Council has delivered on these commitments with its finances strengthened and families having to pay low relative rates and utility charges for the delivery of services.

This Community Financial Report consists of the following five key statements or elements:

- Statement of Comprehensive Income (previously called the Profit and Loss Account)
- Statement of Financial Position (previously called the Balance Sheet)
- Statement of Changes in Equity (how Council's equity has grown)
- Statement of Cash Flows (how Council has used its cash)
- Financial Sustainability Measures (how we sustain Council's business)

Significant achievements for 2017/18 include:

- Delivered an Operating Profit of \$14.4 million (Recurrent Revenue of \$147.5 million less Recurrent Expenses of \$133.1 million)
- Reduced recurrent expenditure by \$3.1 million including savings in Employee costs and Depreciation expense
- Completed capital works of \$46.9 million
- Increased Cash balances by \$19.1 million after adjusting for a term deposit of \$19.0 million that matured in 2017/18, and
- Reduced debt by \$13.1 million.

Statement of Comprehensive Income (Income and Expenditure)

The Statement of Comprehensive Income details where Council received money from and how it was spent in delivering our services to the Region. Any residual is Council's profit or operating surplus which will be used, at some future time, to deliver services.

Financial Summary 2017/18

Revenue and Expenditure - Recent Results \$'million

Financial Year	2015/16	2016/17	2017/18
Recurrent Revenue	145.1	152.9	147.5
Recurrent Expenditure	145.0	136.2	133.1
Operating Surplus	0.1	16.7	14.4

Our operating surplus is the outcome which results from deducting our day to day costs including depreciation from our day to day revenues.

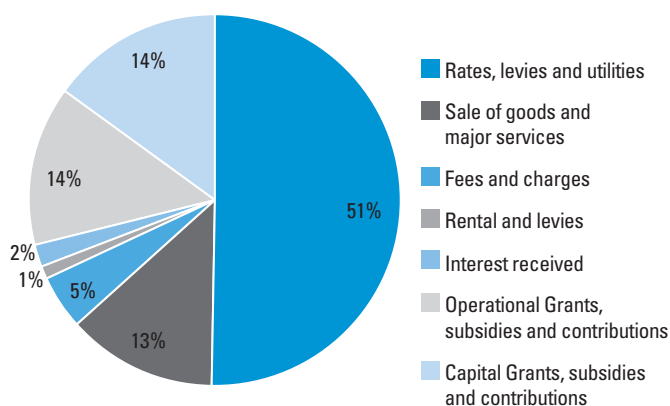
Revenue - Where does the money come from?

This year Council received \$172.4 million in revenue which consisted of \$147.5 million in recurrent revenue and \$24.9 million in capital revenue.

Recurrent or day to day income of \$147.5 million comprised:

- Rates, levies, and utility charges \$88.0 million
- Operational grants, subsidies, and donations \$23.4 million
- Sale of major services \$21.7 million including sales of gravel from our quarry and gravel pits, revenue for the use of our saleyards and revenue from contracts to maintain and upgrade main roads
- Fees and charges \$8.2 million
- Rental and levies \$1.7 million, and
- Interest received \$3.4 million.

SOURCES OF INCOME



Executive Summary of Revenue Key Highlights

In 2017/18 our total revenue decreased by \$15.4 million, due mainly to an additional 6 months of Financial Assistance Grants (\$9.0 million) being received in 2016/17 and a decrease in capital revenue with funded capital works declining.

Expenses - Where was the money spent?

We incur both operating and capital expenditure in delivering services to our community.

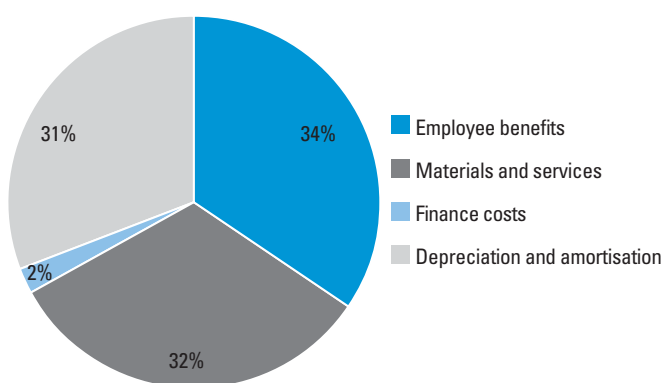
Depreciation expense is that component of our assets' (i.e. roads, bridges, buildings etc) service potential or life that is utilised over the course of the year.

In 2017/18 our operational expenditure decreased by \$3.1 million, due to savings in employee costs and depreciation expense.

Significant expenditure items during the 2017/18 year included:

- Recurrent or day to day expenditure of \$133.1 million including:
 - Employee costs of \$45.9 million
 - Materials and services costs of \$43.5 million, and
 - Depreciation and amortisation of \$40.9 million.

DAY-TO-DAY EXPENDITURE



- Capital expenses totalled \$19.1 million which mainly related to the write off of a water treatment plant, and road and bridge infrastructure that needed to be replaced.

Statement of Financial Position

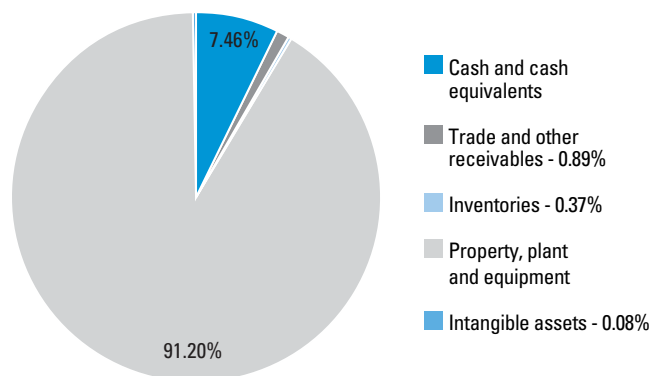
The Statement of Financial Position measures what we own (our assets) and what we owe (our liabilities), resulting in our net worth at the end of the financial year.

Assets: What do we own?

At 30 June 2018, Council's assets were valued at \$1,705 million and includes:

- Property, plant and equipment including intangibles \$1,556 million
- Cash and cash investments \$127.2 million, and
- Trade and other receivables \$15.1 million.

ASSETS 2017/18

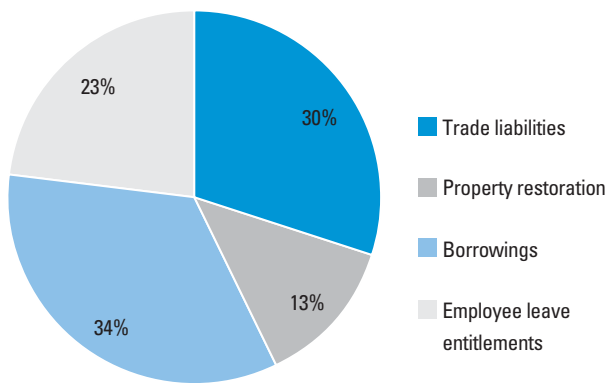


Liabilities: What do we owe?

At 30 June 2018, Council's liabilities totalled \$35.5 million which includes:

- Trade and other payables \$14.8 million
- Borrowings \$5.0 million
- Employee leave liabilities of \$8.7 million, and
- Provisions to restore Council's quarries and landfills \$7.0 million.

LIABILITIES 2017/18

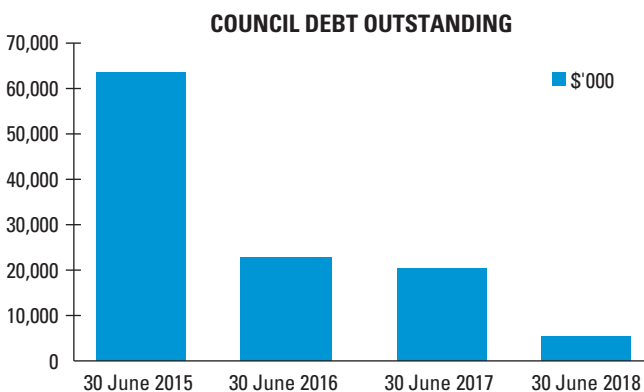


Our Debt

Like many other local governments across Queensland, Western Downs Regional Council has utilised loan borrowings to fund the construction of infrastructure to service the needs of our community. Over the last 3 years, Council has been in a position whereby it has been able to repay much of its debt.

Council is committed to ensuring the services it provides are delivered at the lowest possible cost. Reducing the size of Council's debt from \$63.290 million at 30 June 2015 to \$5.464 million at 30 June 2018 has resulted in significantly reduced interest costs thereby giving Council the ability to either improve services or for rate increases to be lower than they otherwise would have been.

The extent of our debt reduction is provided in the following graph.



Our Net Worth

We increased our net worth by \$113.1 million.

Our Net Worth \$ Million

Financial Year	2015/16	2016/17	2017/18
Assets	1,609	1,639	1,705
Liabilities	51	53	35
Community Equity (balance)	1,558	1,586	1,699

Statement of Changes in Equity

The Statement of Changes in Equity measures the changes in our net worth and shows the movements in our retained earnings and asset revaluation surplus.

The increase in our net worth by \$83.4 million was due to the net result of \$20.1 million, which includes our operating profit of \$14.4 million, and a revaluation of assets of \$63.3 million.

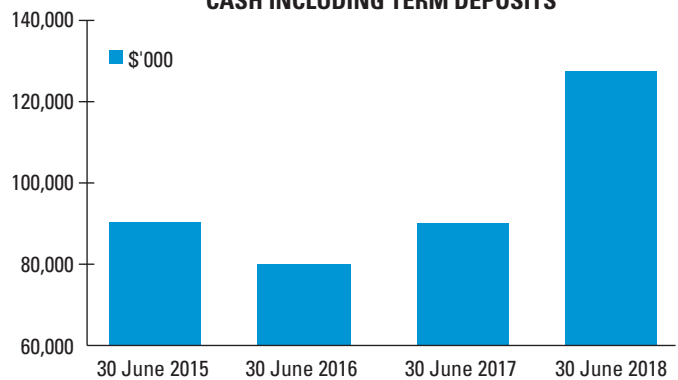
Statement of Cash Flows

The Statement of Cashflows shows how changes in our assets and liabilities and income affect cash and cash equivalents.

Our cash balance increased by \$19.1 million if the cash balance for 30 June 2017 is adjusted for the interest bearing deposit held with a bank (of \$38.1 million unadjusted).

The growth of cash is a result of net cash generated from our day to day operations of \$55.3 million together with capital revenues of \$26.6 million being significantly greater than the funding required for capital works of \$49.8 million and to repay debt of \$13.1 million.

CASH INCLUDING TERM DEPOSITS



At 30 June 2018, we had adequate cash to meet 11.5 months of operating and capital expenditure.

Financial Sustainability Measures

A local government is considered financially sustainable if it is able to maintain its financial capital (equity or net worth) and its infrastructure over the long-term. In forming a view of a local government's financial sustainability, a number of financial ratios are used.

Council's performance at 30 June 2018 against these key financial ratios is listed below:

Ratio	Benchmark	2017/18 Result	
Operating surplus ratio	0% to 10%	9.74%	✓
Asset sustainability ratio	greater than 90%	70.55%	✗
Net financial liabilities ratio	less than 60%	-76.67%	✓
Remaining useful life of assets ratio	30 to 40 years	37 years	✓
Council controlled revenue ratio	greater than 60%	65.24%	✓
Cash cover of operating expenses ratio	greater than 4 months	11.5 months	✓

The above table indicates that Council is operating on a financially sustainable basis. The only ratio in which Council fails to meet its benchmark is the Asset Sustainability Ratio. Failure to meet this benchmark may mean that there is an asset maintenance or replacement backlog. Council has a minimal capital maintenance and replacement backlog and has more than adequate cash (as indicated by its cash cover to operating expense, including depreciation ratio) to meet any unforeseen capital replacements and maintenance.

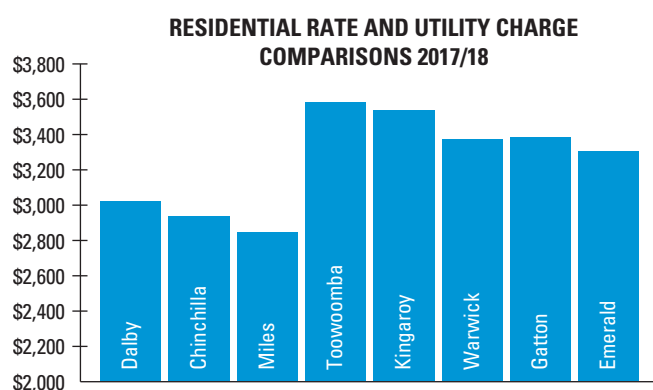
All other financial sustainable ratios are strong with outcomes well in excess of the benchmark or at the high end of the range if the benchmark is a range of outcomes.

Our region is an affordable place for families to live work prosper and play

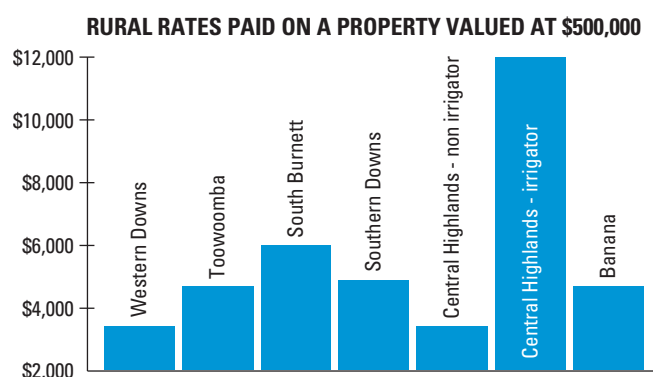
Council is committed to ensuring that the region is and remains an affordable place for families to live. The Region has an unemployment rate of 4.86% which compares to a State average of 6.2% (March quarter 2018). In addition, the average price of housing and median rents are well below the State average.

Where Council made the greatest difference however, is with respect to affordability of its services. In this regard, Council rates and utilities charges paid by residential and rural ratepayers are lower than the rates and utilities charges paid by residents of surrounding and similar councils.

The graph below shows the average residential rates paid in Dalby, Chinchilla and Miles compared to nearby towns and cities and those of Emerald. It indicates that Council is a very affordable provider of services compared to these towns and cities.



Similarly, our broadacre farms used for pasture or cropping pay lower rates than surrounding or similar regions. This is highlighted in the graph below.



Please note that an irrigator in Central Highlands would pay rates of \$21,975 on a \$500,000 property.

CHAPTER 2:

YOUR COUNCILLORS



Mayor's Message

As Mayor of the Western Downs Region, it is with pride that I reflect on the achievements and direction of this Council.

With our Corporate Plan 2017 - 2022, we are continuing to deliver on what matters most to our communities.

As the energy capital of Australia, we continue to attract national interest. The increasing number of solar farm applications that Council has been receiving is testament to the shift in thinking about new ways for land use across our region. To date we have approved 11 solar farms, with more to come. But it's not all solar: our region also boasts coal, gas, wind and ethanol energy, diversifying our economy and delivering real regional jobs.

Agriculture is the backbone of our economy on the Western Downs, with our region one of Australia's largest primary producers. A farmer myself, I understand the need to support our local producers wherever possible — that's why I'm pleased to see our ongoing commitment to the management of feral pests across the region, which at the half-way mark is currently on track to be even more successful than the 2016 program.

The region's intensive agricultural industry has also continued to grow, with the approval of an additional 36,500 head in feedlots across the region. The saleyards recently opened a new purpose-built bull ring to attract greater vendor opportunities to the region and has maintained National Saleyards quality assurance and European Union accreditation.

Manufacturing also continues to do well, with 123 manufacturing business in the Western Downs. The quality of the work is outstanding — products created right here are used Australia-wide and in niche international markets. This industry also provides excellent career pathways to keep our best and brightest in the region.

The art and cultural scene in the Western Downs is thriving, and our galleries across Dalby, Chinchilla and Miles are reflecting this renewed interest. Dogwood Crossing in Miles had people attending exhibitions in increasing numbers, which is great for the whole community.

We continue to find ways to enhance our region and the Adopt a Street Tree program has proven very popular across our region with over 960 trees being planted. One street has truly embraced the concept of beautifying their area, with residents actively helping to create a lovely street appeal for their families into the future.

Stemming from a community vision first thought of in the 70's, ground has been broken on the Chinchilla Botanic Parklands. The \$5.9 million Parklands is set to become a signature destination for community events and entertainment across the region, and will add to the beauty, heritage and liveability of the Western Downs. Featuring a custom designed Watermelon Water Play Area, Megafauna Discovery Space and 1,500 seat Amphitheatre, we're proud to be celebrating the unique identity and rich history of the region through the Parklands.

Knowing the vital importance of our transport network, we allocated \$31.4 million towards maintaining and upgrading our 7,600 kilometres of road. Maintaining these roads became easier with the upgrade of two Council vehicles fitted with cutting-edge technology for categorising and prioritising short and long-term works schedules. Our vibrant new town entry signs create a welcoming entrance for residents and visitors alike.

I look forward to working for, within and alongside members of our community to continue positioning the Western Downs region as a great place to visit, work, invest and live.



Mayor:
Councillor Paul McVeigh
Portfolio - Executive Services

Phone: 07 4679 4004

Mobile: 0408 700 392

paul.mcveigh@wdrc.qld.gov.au

“Stemming from a community vision first thought of in the 70's, ground has been broken on the Chinchilla Botanic Parklands. The \$5.9 million Parklands is set to become a signature destination for community events and entertainment across the region...”

Meet your Councillors for the 2017/2018 year

The Western Downs local government area is represented by eight elected Councillors and an elected Mayor who are responsible for the strategic direction of Council. There are no wards or divisions within the Western Downs region.

Council elections are held every four years with the most recent being held in March 2016.

For detailed information in relation to Councillor entitlements, remuneration packages, committee representation and meeting attendance, please refer to the next section of this report containing Statutory Information.



**Mayor
Councillor Paul McVeigh**

Portfolio - Executive Services
Phone: 07 4679 4004
Mobile: 0408 700 392
paul.mcveigh@wdrc.qld.gov.au



**Deputy Mayor
Councillor Andrew Smith**

Portfolio - Planning and Environment
Phone: 07 4679 4004
Mobile: 0438 755 896
andrew.smith@wdrc.qld.gov.au



Councillor Carolyn Tillman

Portfolio - Parks, Open Spaces and Cemeteries
Phone: 07 4679 4004
Mobile: 0401 662 352
carolyn.tillman@wdrc.qld.gov.au



Councillor Ian Rasmussen

Portfolio - Finance and Corporate Services
Phone: 07 4679 4004
Mobile: 0477 977 085
ian.rasmussen@wdrc.qld.gov.au



Councillor Ray Brown

Portfolio - Council Facilities
Phone: 07 4679 4004
Mobile: 0407 650 216
ray.brown@wdrc.qld.gov.au



Councillor Greg Olm

Portfolio - Works and Technical Services
Phone: 07 4679 4004
Mobile: 0477 977 082
greg.olm@wdrc.qld.gov.au



Councillor Donna Ashurst

Portfolio - Economic Development
Phone: 07 4679 4004
Mobile: 0475 268 207
donna.ashurst@wdrc.qld.gov.au



Councillor Kaye Maguire

Portfolio - Community and Cultural Development
Phone: 07 4679 4004
Mobile: 0475 007 555
kaye.maguire@wdrc.qld.gov.au



Councillor Peter Saxelby

Portfolio - Utilities
Phone: 07 4679 4004
Mobile: 0475 007 554
peter.saxelby@wdrc.qld.gov.au



As the community's elected representatives, the Mayor and Councillors are responsible for the successful management of the Western Downs local government area. To ensure Council's leadership is fair and equitable, and that decisions are made in the best interests of our region, Council is required to act in accordance with the *Local Government Act 2009* (the LGA), *Local Government Regulation 2012* and associated State and Federal legislation.

Council Meetings

Council makes decisions at Ordinary Meetings of Council which are held on the 3rd Wednesday of each month. The Ordinary Meetings are held at the regional Customer Service Centres on a rotational basis, and Special Meetings are convened where required.

Statutory and Advisory Committees operated comprised of Councillors and external parties. All such Committees operate under a 'terms of reference' and while they do not have decision making authority, their purpose is to provide recommendations to Council.

All Ordinary Meetings of Council are open to the public with a scheduled public gallery question time, whereby a member of the public may apply to address Council on a particular matter of public interest. Community deputations are also often received and can be arranged through the office of the Chief Executive Officer.

Council may at times resolve to temporarily close a meeting pursuant to section 275 of the *Local Government Regulation 2012* to discuss confidential matters, however all decisions about such matters are made in an open meeting.

Council meetings are carried out in accordance with Council's Meetings Policy which is available on our website - www.wdrc.qld.gov.au.

The date, time and location of all Ordinary and Special Meetings are published at least annually and are available on Council's website as well as at all Customer Service Centres. Special meetings of Council are

called as required, with the only item of business that may be conducted at these meetings being the business stated in the notice. The two Special Meetings identified in the 'Summary of Meeting Attendance' table below were in relation to the deliberations and adoption of the 2018/19 Budget.

A list of agenda items to be discussed at each meeting is also publicly available at least two days prior to the meeting, and the agenda reports (excluding confidential items) are published on Council's website at 9.30am on the morning of the Council Meeting.

Minutes of all Council Meetings are published on our website within the statutory ten days following the meeting.

A total of 12 Ordinary Meetings and two Special Meetings were held from 1 July 2017 to 30 June 2018.

Strategy Sessions

In addition to regular Council meetings, strategy sessions are also held to inform Council of important issues. These sessions are not a decision-making forum, and therefore allow detailed discussion to explore options and develop a better understanding of the issue. Decisions of Council can only be made during actual Council meetings.

Councillors are also representatives on numerous external organisation committees, as well as internal Council Committees, Business Enterprises and Groups - view the details at: <http://www.wdrc.qld.gov.au/about-council/councillors-connect/meet-your-councillors/>

Councillor Remuneration and Expenses Reimbursement Policy

Chapter 5 Part 3 of the *Local Government Regulation 2012* requires the Annual Report to detail the total remuneration, including superannuation contributions, paid to each Councillor for the financial year as well as expenses incurred in accordance with Council's expenses reimbursement policy.

Summary of Meeting Attendances by Councillors - 1 July 2017 to 30 June 2018

Councillor	Ordinary Meetings Attended	Special Meetings Attended
Cr Paul McVeigh (Mayor)	12 of 12	2 of 2
Cr Andrew Smith (Deputy Mayor)	11 of 12	2 of 2
Cr Greg Olm	12 of 12	2 of 2
Cr Ian Rasmussen	12 of 12	2 of 2
Cr Carolyn Tillman	11 of 12	2 of 2
Cr Ray Brown	12 of 12	2 of 2
Cr Donna Ashurst	11 of 12	2 of 2
Cr Kaye Maguire	11 of 12	2 of 2
Cr Peter Saxelby	12 of 12	2 of 2

There were no attendances via teleconference for the year.

Councillor remuneration is determined by the Local Government Remuneration and Discipline Tribunal on an annual basis.

Particular Resolutions

No resolutions were made under section 250 (1) related to the adoption or amendment of the Councillor Expenses Reimbursement Policy for this financial year.

The Councillor Expenses Reimbursement - Council Policy, is available by

following this link on our website: <http://www.wdrc.qld.gov.au/about-council/council-documents/policy-register/#C>

Expenditure from Councillor Discretionary Funds

Councillors do not have any formal legislated discretionary funds.

Overseas Travel

During this reporting period no Councillors travelled overseas for Council business.

Councillors' Remuneration, Superannuation, Expenses Incurred, and Facilities Provided 1 July 2017 to 30 June 2018

Councillor	Remuneration	Superannuation - 12%	Expenses Incurred	* Facilities Provided
Cr. Paul McVeigh (Mayor)	\$125,003	\$15,000	\$9,001	\$20,352
Cr Andrew Smith (Deputy Mayor)	\$78,126	\$9,375	\$5,335	\$20,352
Cr. Greg Olm	\$66,407	\$7,969	\$4,901	\$20,352
Cr Ian Rasmussen	\$66,407	\$7,969	\$1,820	\$20,352
Cr Carolyn Tillman	\$66,407	\$7,969	\$2,186	\$20,352
Cr Ray Brown	\$66,407	\$7,969	\$6,076	\$20,352
Cr. Donna Ashurst	\$66,407	\$7,969	\$4,375	\$20,352
Cr. Kaye Maguire	\$66,407	\$7,969	\$6,486	\$20,352
Cr. Peter Saxelby	\$66,407	\$7,969	\$1,180	\$20,352
Totals:	\$667,978	\$80,158	\$41,360	\$183,168

* Motor Vehicle

Complaints about Councillor Conduct and Performance

The roles, responsibilities and obligations of Councillors are set out in the *Local Government Act 2009*, with provisions relating to complaints about their conduct and performance outlined in Chapter 6.

There were no new complaints received during the 2017/18 year, as disclosed in the following table:

Complaint / Order and/or Recommendation Type	LGA Section	Number
Complaints assessed as frivolous or vexatious or lacking in substance	Section 176C (2)	0
Inappropriate conduct referred to the Department's Chief Executive	Section 176C (3)(a)(i)	0
Inappropriate conduct referred to the Mayor	Section 176C (3)(a)(ii) or (b)(i)	0
Misconduct complaints referred to the Department's Chief Executive	Section 176C (4)(a)	0
Complaints of corrupt conduct		0
Complaints heard by Regional Conduct Review Panel		1
Complaints heard by Local Government Remuneration and Discipline Tribunal		0
Other complaints dealt with	Section 176C (6)	0
Orders and recommendations by Regional Conduct Review Panel or Local Government Remuneration and Discipline Tribunal	Section 180 (2) and (4)	1
Orders of reprimand for inappropriate conduct	Section 181	0

Councillors for whom an order was made under section 180 and 181 of the *Local Government Act 2009*:-

Councillor	Description of the Misconduct or Inappropriate Conduct	Summary of Order
Cr Ray Brown	Councillor invoiced Western Downs Regional Council for accommodation costs incurred when he attended a Local Government Association of Queensland meeting in Brisbane.	That the Councillor make a written admission of error to the Council.

CHAPTER 3:

OUR ORGANISATION



CEO's Message

I am proud of the culture of innovation and excellence that our people are achieving at Western Downs Regional Council, and believe that as a result, our region is firmly on the map as one of Queensland's most economically vibrant, liveable and financially sustainable local government areas.

In the 2017 calendar year alone Council assessed \$2.19 billion worth of development applications, and investors from Australia and across the globe are standing up and taking notice. The key to Council's investment success is our modern, award-winning Planning Scheme, which takes a proactive approach towards development in our region. Recognised as one of the best in the state, our development assessment process is significantly faster than the statutory requirement, which we achieved by making our primary focus economic growth.

Council is committed to buying and hiring local wherever we can, and since 2016 our annual spend on local procurement has increased by \$3.3 million. Following on from the success of the 2016 event, the Regional Procurement Roadshow once again visited Dalby, Chinchilla

and Miles in July to promote business opportunities directly to our local suppliers and contractors. Our goal is to source as much as possible from the region, and we're committed to putting our money where our mouth is in terms of buying local.

The Western Downs is known for our diverse and vibrant events. The inaugural Big Skies festival lit up the region in April with thousands from across the country experiencing what makes us great from the ground up. A crowd favourite, the biennial Opera at Jimbour welcomed close to 10,000 people to the grounds of Jimbour House in 2017.

With a renewed focus on our unique experiences and major events, Council's improved Tourism Strategy means we'll continue to provide events right across our region to attract visitors near and far.

Once again, I am pleased to advise that our budget demonstrates that Council is financially and operationally sustainable both now and into the future.

Through diligent financial control, we have been able to reduce our debt by over \$50 million since 2015. This has eased the pressure on our operational budget and allowed us to continue to operate on solid foundations.

All our capital works were completed within budget, and we are continuously looking at ways to improve our systems and processes to reduce expenditure. A good example is our improved processes around reading water and gas meters, which has not only resulted in far more accurate readings and better capacity to isolate potential leaks, but has also translated to savings of \$180,000 per annum.

Another innovation we embraced is the installation of solar panels across our facilities, which is saving more than \$35,000 per quarter in electricity costs. In fact, our solar project earned us a place as finalists in the Local Government Managers Australia Queensland Excellence Awards.

Our region remains an affordable place to live, work, prosper and play, with our residential and rural rates and utility charges lower than nearby towns and cities.

As we move into another year, we will continue to put words into action as we explore new innovations, opportunities and projects that align with our strategic priorities, to strengthen our communities and continue building our future.

Ross Musgrove
Chief Executive Officer



"Through diligent financial control, we have been able to reduce our debt by over \$50 million since 2015. This has eased the pressure on our operational budget and allowed us to continue to operate on solid foundations."

Council's Organisational Structure

In consultation with our communities, the elected Council sets the strategic direction of the organisation under the authority of State Government via the *Local Government Act 2009*. Council's Corporate Plan 2017 - 2022 is our long-term vision for the Western Downs.

The Chief Executive Officer and Executive Team are responsible for carrying out the decisions of Council as well as providing professional advice on how to best achieve identified priorities within allocated resources.

In consultation with Council, the Executive Team and their staff develop annual Operational Plans and budgets aligned to the Corporate Plan. An assessment of progress against these plans is provided to Council each quarter via the Operational Plan Review, and annually to the community via this Annual Report. This Annual report accounts for the strategic priorities which were addressed in Council's 2017/18 Operational Plan.

To ensure our organisation is effectively undertaking its responsibilities, internal audits are carried out to appraise systems and processes, and to encourage a culture of continuous improvement. Overseeing internal audit activities, the Audit Committee provides an independent and external review of the corporate governance frameworks.

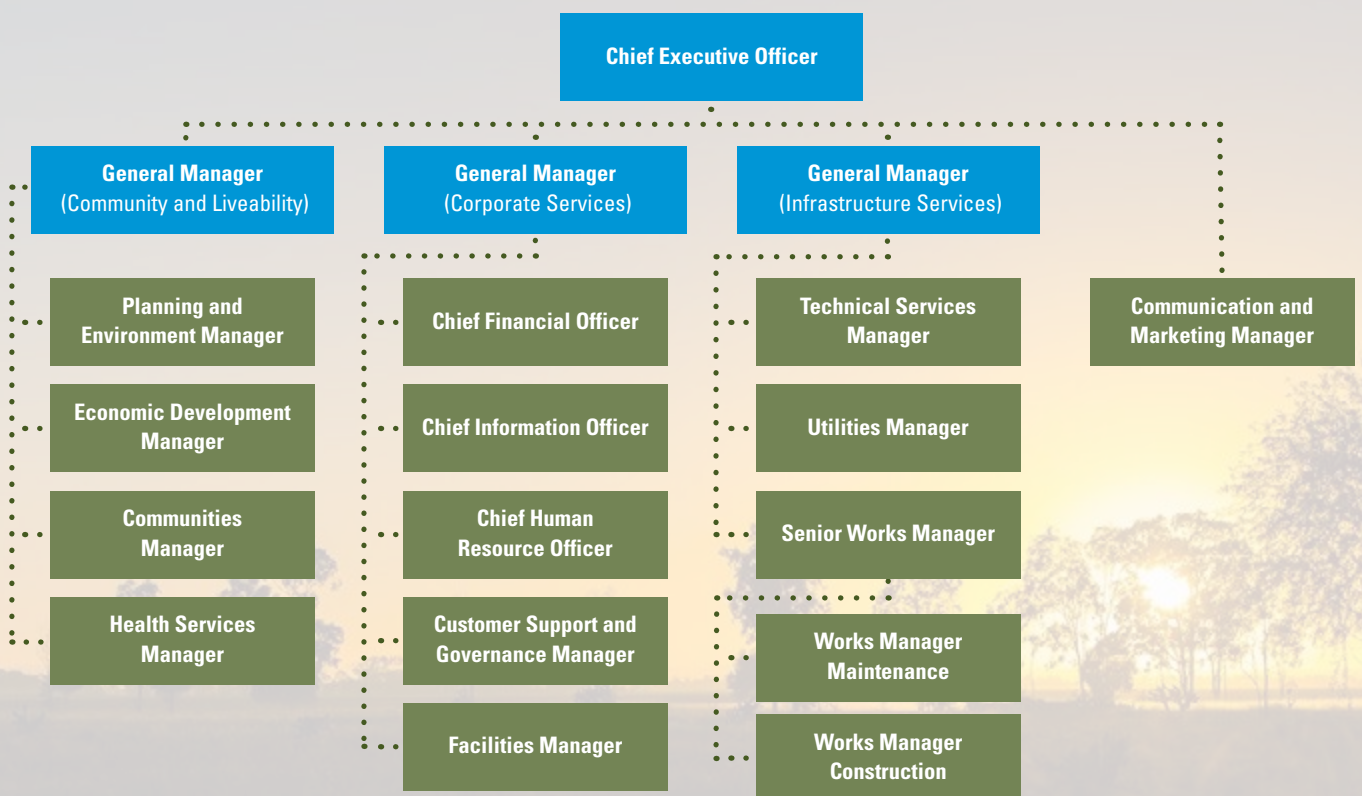
Western Downs Regional Council is structured into the following four divisions:

- Executive Services lead by the Chief Executive Officer
- Corporate Services lead by the General Manager (Corporate Services)
- Community and Liveability lead by the General Manager (Community and Liveability)
- Infrastructure Services lead by the General Manager (Infrastructure Services)

The Executive and Senior Management teams are responsible for the functions shown in the organisational chart below. Their role is to assist Council in making timely and informed decisions, backed by trusted advice and supported by effective and inclusive governance. As leaders of the organisation, the Executive and Senior Management Teams are responsible for ensuring their departments service the local communities effectively and efficiently.

Each division is further segmented into functional departments, as shown below.

Western Downs Regional Council Organisational Structure as at 1 July 2018



Statutory Information - Corporate Governance

Identifying Beneficial Enterprises

During this reporting period Council did not conduct any beneficial enterprises. A beneficial enterprise is one that Council considers is directed to benefit, and can be reasonably expected to benefit, the whole or part of its local government area.

Significant Business Activities

Western Downs Regional Council conducted eight significant business activities during 2017/18, as listed below:

- Commercial Works
- Waste Management
- Water
- Sewerage
- Gas
- Dalby Regional Saleyards@Western Downs
- Jimbour Quarry
- Washdown Bays

The competitive neutrality principle has been applied to these significant businesses with relevant adjustments made as a result. There were no new significant business activities commenced during the reporting period.

For a full list of business activities conducted by Council please refer to Chapter 5 of this report, see Note 25 'National Competition Policy' of the Financial Statements, on page 82.

Executive Team Remuneration

The Executive Team comprised the roles of Chief Executive Officer, General Manager (Corporate Services), General Manager (Infrastructure Services), and General Manager (Community & Liveability). Incumbents in these roles were engaged under performance-based maximum term contract arrangements. Gross remuneration packages for the 2017/18 financial year totalled \$1,176,334. Three remuneration packages were within the bands of \$200,000 to \$300,000, and one remuneration package was within the band of \$300,000 to \$400,000.

Overseas Travel

During this reporting period no staff members travelled overseas for Council business.

Administrative Action Complaints

As part of Council's commitment to dealing with administrative action complaints, and to improve internal processes, the organisation maintains a collaborative working relationship with the Queensland Ombudsman's office.

Complaints Management Process

The complaints management team are responsible for capturing and identifying complaints received by Council, either by phone, email, or in writing, and for ensuring they are responded to within the Customer Service Charter timeframes. The team also facilitates continuous

improvement throughout the organisation by engaging with departments to resolve complaints effectively. View Council's Customer Service Charter by following this link to our website: <http://www.wdrc.qld.gov.au/about-council/council-documents/>

Complaints received by Council during 2017/18 are listed in the table below.

The number of administrative action complaints made to Council	23
The number of administrative action complaints resolved by Council under the complaints management process	23
The number of administrative action complaints not resolved by the local government under the complaints management process	0
The number of administrative action complaints not resolved that were made in a previous financial year	0

Public Sector Ethics - Reporting

Council has a formal Code of Conduct for staff which incorporates the ethics, principles and obligations under the *Public Sector Ethics Act 1994*. Mandatory induction training for all new employees includes detail on the requirements and obligations of all staff under the Code of Conduct. All new employees completed corporate induction training during 2017/18. Council will continue to deliver education and awareness sessions to all employees on their ethical obligations as part of Council's commitment to the highest standards of public sector ethics.

Internal Audit

The internal audit function is established under section 105 of the *Local Government Act 2009*. It is an integral component of Council's corporate governance framework designed to add value to our business operations through continuous improvement. Internal auditing is an independent function within the Council, reporting directly to the Chief Executive Officer and the Audit Committee. Operating under a charter approved by the Council, the mission of the internal auditing function is to independently examine and evaluate Council processes and activities, and provide assurance to Council, Management and the Community.

The scope of work each year is set out in the approved internal audit plan, which is endorsed by the Chief Executive Officer and the Audit Committee, and approved by the Council. Audits and other activities undertaken during the financial year 2017/18 included:

- Risk assessment and development of annual internal audit plan;
- Regular progress reports to Audit Committee on implementation of audit plan;

- Regular progress reports and statistics on implementation of external and internal audit recommendations;
- Audit of ICT strategy and security (cybersecurity preparedness);
- Audit of property lease management;
- Audit of asset management;
- Audit of gravel and quarry operations;
- Audit of development planning & assessment and associated processes;
- Internal review of auction of surplus fleet assets at Dalby;
- Internal review of washdown facilities;
- Internal review of community grants;
- Internal review of workshop procurement practices

The Audit Committee

The Audit Committee was comprised of two Councillors and two external members.

The two external members were Mr Don Licastro (Chair) and Mr Neil Jackson (who was appointed in June 2018). Councillors Paul McVeigh and Ian Rasmussen were the appointed Council representatives on the Committee, with Councillor Andrew Smith as the alternate member.

Audit Committee membership for 2017/18 was as follows:

- Mr Don Licastro - Chair
- Mr Neil Jackson
- Councillor Paul McVeigh – Member
- Councillor Ian Rasmussen - Member
- Councillor Andrew Smith - Alternate Member

The primary objective of the Audit Committee is to help Council fulfil its obligations in corporate governance, and the oversight of financial management and reporting responsibilities imposed under section 208 to 211 of the *Local Government Regulation 2012*. The Committee met four times during the financial year, examined draft financial statements, and reviewed reports presented.

Registers

The following registers were kept by Council during the reporting period:

- Local Laws Register (s.31 of LGA 2009)
- Roads and Maps Register (s.74 of LGA 2009)
- Register of Cost Recovery Fees and Commercial Charges (s.98 of LGA 2009)
- Asset Register (s.104 of LGA 2009)
- Delegations Register (s.260 of LGA 2009)
- Register of Interests (s.289 of LGR 2012)

- Business Activities Register (s.56 of LGR 2012)
- Register of Beneficial Enterprises (s.41 of LGA 2009)
- Register of Pre-Qualified Suppliers
- Environmentally Relevant Activities
- Register of testable backflow prevention devices (s.38 of *Plumbing and Drainage Regulation 2003*)
- Register of details of onsite sewerage and grey water use facilities for which Council has given a compliance certificate (s.143 of *Plumbing and Drainage Act 2002*)

Financial Accountability

The Financial Statements of Western Downs Regional Council for the period 1 July 2017 to 30 June 2018, as audited by the Auditor-General, can be found in Chapter 5 of this Report, on page 39.

For the current-year Financial Sustainability Statement as well as the long-term Financial Sustainability Statement for 2017/18, please refer to the General Purpose Financial Statements, on pages 88 and 93 respectively.

The Auditor-General's audit reports about our Financial Statements and the current-year Financial Sustainability Statement can be found in Chapter 5 of this Report, on pages 85 and 90 respectively.

Community Financial Report

A simplified version of our financial performance for the period 1 July 2017 to 30 June 2018 as reported in our audited Financial Statements is provided in the Community Financial Report in Chapter 1 of this Report, on pages 8 to 12.

Grants to Community Organisations

Donations and grants paid to community organisations for the year totalled \$1,310,016.

Rates Rebates and Concessions

During 2017/18 special rates totalling \$87,091 were levied, comprising special charges for roads of \$74,166 and special charges for water of \$12,925

In accordance with Council policy, pensioner concessions of \$398,878 and community organisation concessions of \$382,650 were also granted this financial year.

More detail is provided in Chapter 5 of this Report, in the Financial Statements under Note 3 (a) 'Rates and Levies', on page 49.

Changes to Council Tenders

No invitations to change tenders in accordance with the *Local Government Regulation 2012*, were requested during the 2017/18 year.

Cooperation Between Local Governments

Through participation in the Downs and Surat Basin Alliance of Councils (DASBAC) and the Queensland Water Regional Alliance Program (QWRAP), Western Downs Regional Council jointly procured External Auditors to undertake mandatory audits of Council's Drinking Water Quality Management Plan for the Department of Energy and Water Supply. Council also committed to approximately \$7,000 in 2016/17, for a joint-venture institutional investigation of alliance models for Utilities. This is yet to be expended, with in-kind support being provided to date.

DASBAC members:

- Toowoomba Regional Council
- Southern Downs Regional Council
- Goondiwindi Regional Council
- Balonne Shire Council
- Maranoa Regional Council
- Western Downs Regional Council

In addition, while not a formal arrangement as defined in the regulation, Council also maintained an ongoing arrangement with South Burnett Regional Council with regard to skip bin collection and soil testing.

National Competition Policy

The financial performance of Council activities subject to competition reforms, namely commercial works and waste management, for the current and previous financial years is provided in Chapter 5 of this Report within the Financial Statements, see Note 25 under "National Competition Policy, on page 81.

At its Special Budget Meeting held 19 June 2017, Council resolved to:

1. Adopt the Code of Competitive Conduct Policy.
2. Apply a Community Service Obligation Payment to the following businesses during the financial year 2017/18:
 - a. Waste Management
 - b. Water

- c. Washdown Bays
- d. Dalby Regional Saleyards

3. Apply an additional community service obligation for the funding of capital obligations to the following businesses:
 - a. Washdown Bays
 - b. Quarry
4. Adopt the Dividend Policy, and subsequently apply Dividend payments from the following businesses during the financial year 2017/18:
 - a. Gas
 - b. Commercial Works
 - c. Waste water Services
 - d. Jimbour Quarry

During the reporting period no competitive neutrality complaints were received.

Particular Resolutions

Council made no resolutions during the year under section 206 (2) of the *Local Government Regulation 2012*, in relation to the value of Council's non-current physical assets.

Particulars of any direction given to commercial business units

Council's Code of Competitive Conduct Policy and Dividend Policy are available on the following links:

Code of Competitive Conduct Policy: <http://www.wdrc.qld.gov.au/about-council/council-documents/policy-register/#C>

Dividend Policy: <http://www.wdrc.qld.gov.au/about-council/council-documents/policy-register/#D>

Overall Performance Assessment

In Chapter 4 of this report, following the summary of the organisation's Performance Outcomes, the Chief Executive Officer provides an informed assessment of Council's overall performance against the Corporate Plan and annual Operational Plan, on page 27.



CHAPTER 4:

REPORTING THE ORGANISATION'S PERFORMANCE



Council's Strategic Direction

The Western Downs Regional Council's Corporate Plan 2017 - 2022 sets out Council's vision through four strategic priorities. These priorities are underpinned by the key success drivers that Council has committed to achieve, and which guide our Operational Plan.

As Council is just one key stakeholder in the delivery of our Communities' needs and expectations, the things Council is responsible for and contributes to, were identified and prioritised under each of the strategic priority areas; and then programs and deliverables under each of the priority areas were identified, to guide Council's operations for the term of this Corporate Plan.

Western Downs Regional Council is committed to delivering services, projects and initiatives in response to the following four strategic priorities of our Corporate Plan 2017 - 2022.

Council aims to play a primary role in building confidence in our communities and securing opportunities for our region.

We will also advocate for:

- A long term domestic and industrial water supply for our region
- A suite of regional health services providing our residents with 'Whole of Life' care
- Regional educational facilities and first-class educational services
- Community participation programs that engage and inspire our local youth
- Modern and efficient telecommunications services that meet the needs of our region

Measuring Our Success

Alignment to these four strategic priority areas and to our Mission, Vision, Values, Advocacy and Risk strategies flows into Council budgets and operational plans, ensuring that we deliver a shared vision for the Western Downs region. Our performance against agreed operational work priorities and targeted budgets for each financial year is measured quarterly.

This Annual Report provides our community and key stakeholders with a broad overview and assessment of our performance for the 2017/18 financial year against our Corporate Plan 2017 - 2022. Highlights of important achievements under each strategic theme are shown overleaf in the Performance Outcome Highlights table, and the Chief Executive Officer's assessment of our progress concludes this chapter.

Strategic Priority 1: STRONG ECONOMIC GROWTH

- There is confidence in our strong and diverse economy
- We're open for business and offer investment opportunities that are right for our region
- We optimise our tourism opportunities, unique experiences and major events
- Business and industry in our region live local and buy local
- Our region is a recognised leader in energy, including clean, green renewable energies

Strategic Priority 2: ACTIVE VIBRANT COMMUNITIES

- We are a region without boundaries, united in community pride
- Our community members are the loudest advocates for what's great about our region
- Our social, cultural and sporting events are supported locally and achieve regional participation
- Our parks, open spaces, and community facilities are well utilised and connect people regionally
- A recognised culture of volunteerism is active throughout our communities

Strategic Priority 3: GREAT LIVEABILITY

- Our residents enjoy convenience of modern infrastructure and quality essential services
- Valued recreational spaces, sporting and community facilities are provided regionally
- A safe and well-maintained road network connects our region
- Our region remains an affordable place for families to live, work, prosper and play
- We're recognised as one of the safest regions in Queensland

Strategic Priority 4: FINANCIAL SUSTAINABILITY

- We are recognised as a financially intelligent and responsible Council
- Our long term financial planning guides informed and accountable decisions
- Our value for money culture enables us to deliver our core functions sustainably
- Our agile and responsive business model enables us to align our capacity with service delivery
- Effective asset management ensures that we only own and maintain assets that are utilised

Performance Outcome Highlights 2017/18

Strategic Priority 1: STRONG ECONOMIC GROWTH

There is confidence in our strong and diverse economy

- Recommendations from an Industrial Land-Use Study for the region were adopted by Council, to ensure sufficient, and the right type, of industrial land to cater for business growth now and well into the future.
- Dalby Regional Saleyards @ Western Downs successfully passed an annual audit, maintaining National Saleyards Quality Assurance and European Union accreditation.
- Dalby Regional Saleyards @ Western Downs opened a new purpose-built bull ring to attract greater vendor opportunities to the region.
- Council partnered with Toowoomba and Surat Basin Enterprise (TSBE) and Food Leaders Australia to deliver a very successful Intensive Ag Conference in Dalby, attracting 130 attendees from the beef, pork and poultry industries, focusing on collaboration and driving innovation in the sector.
- Council implemented an Economic Development Strategy.
- Considerate effort was made to advocate for industry to live and buy locally.

We're open for business and offer investment opportunities that are right for our region

- Council supported the "Take AIM" workshops (Accelerating Innovative Mumpreneurs) - assisting them to access 'Seeds of Renewal' funding to deliver these workshops for start-ups.
- WDRC held a series of six "The Year Ahead" events, where Council updated over 360 business owners and community leaders on projects being delivered in their towns.
- The Region's Intensive Agricultural Industry continued to grow, with Council approving an additional 36,500 head in feedlots across the region.
- Through Council's partnership with TSBE, eight key business and industry events were held in the Western Downs Region.

We optimise our tourism opportunities, unique experiences and major events

- The inaugural "Big Skies" event was successfully delivered showcasing our Region, with planning for the 2019 event underway.
- Council hosted 15 Malaysian investors and their families to showcase what the Western Downs has to offer in terms of attracting investment, including tourism, feedlots and solar farms.
- Our Tourism Ambassadors contributed 8,270 hours of their time to assist in the running of our Visitor Information Centres (VIC), assisting 28,590 visitors across the region.
- A new Western Downs Visitor Guide (Regional Brochure) was developed to promote the Region.
- Community engagement through social media was undertaken, identifying and gathering new major event options for the Western Downs.
- \$240,000 funding was secured to undertake a Regional Tourism Market project, including a revamp of Council's tourism website and to develop a smart phone application.

Business and industry in our region live local and buy local

- Entrepreneurs Exposed 2017 was held in Dalby providing potential business start-ups and existing business operators the opportunity to liaise with national franchise organisations, network with like-minded entrepreneurs and access government assistance / tools for starting up their own business.
- Council helped promote and support Innovate Queensland's 'Ideas-Driven Business Workshop' to give new businesses the tools to take their ideas to the next level.
- WDRC partnered with the Dalby Chamber of Commerce to hold the successful Jobs and Training Fair.
- Doing our bit to support the businesses who do business with Council, we implemented internal process improvements resulting in suppliers receiving their payment 14 days earlier. Further, the increased use of corporate cards across the organisation meant more suppliers received payment the next day, rather than waiting 30 days.

Our region is a recognised leader in energy, including clean, green renewable energies

- Council together with TSBE hosted an enterprise event to highlight the mix of available and possible energy technologies in the Western Downs region. 200 attendees were briefed by major project owners working in gas, coal, renewable and alternative energies, on specific business/tendering opportunities, the timeframes for development, and how they can take advantage of procurement processes for goods and services.
- The region's 10th solar farm was approved by Council.

Performance Outcome Highlights

Strategic Priority 2: ACTIVE VIBRANT COMMUNITIES

We are a region without boundaries, united in community pride

- Council relaunched its half-yearly community newsletter under the new masthead 'Love Western Downs' in a new magazine promoting regional pride and positioning Council as part of the community it serves.
- #lovewesterndowns was officially launched in September 2017, with the community celebrating regional pride through local places and faces on its brand-new Instagram account: @westerndownsrc.
- The Regional Banner Pole Project promoted community events and community pride by creating a welcoming entrance to our towns, and being available for the marketing of community events and celebrations by local community and not-for-profit organisations across the region.

Our community members are the loudest advocates for what's great about our region

- Council supported the Dalby Chamber of Commerce to host a Ticker Tape Parade, honouring the 2017 premiership success of local Dalby sporting teams across the Rugby Union, AFL and Rugby League codes.
- Six graduating High School seniors were awarded a Western Downs Regional Council 'Community Spirit' Bursary to help with their future study, and an opportunity to work with Council during their university semester break.
- Council held the 2018 School Leaders Morning Tea for school leaders and representatives, leading community members, WDRC staff and our Councillors. The event provided an opportunity to network, connect and encourage skill development with our future leaders of the Western Downs.

Our social, cultural and sporting events are supported locally and achieve regional participation

- \$25,000 funding was secured for the Food & Fibre Festival in 2018
- Council produced an annual Communities local event and programs calendar, for local events and new initiatives such as Placemaking and Health and Active communities.
- Council provided support to the following major events -
 - 2017 Opera at Jimbour
 - 2017 Dalby Delicious & DeLIGHTful Festival
 - 2017 Tara Festival of Culture and Camel Races
 - 2018 Big Skies
 - 2018 Jandowae Timbertown Festival
- A "Pound Pets" initiative including free de-sexing, encouraged the community to offer homes to unwanted and unclaimed pound pets.
- Our region hosted the Commonwealth Games Baton Relay Community Stop, where the Mayor congratulated relay participants on being recognised for their contributions to our community.
- Council successfully hosted the "Magnificent 7 Sport Recreation Local Government Forum" in Chinchilla. Six neighbouring Councils joined us to form an inaugural Sport and Recreation Local Government Forum for Council staff.
- A strategic review of our Library Services across the region gave a better understanding of changing technology, the funding landscapes impacting library services, and how our communities will use library services in the future.

Our parks, open spaces, and community facilities are well utilised and connect people regionally

- The "Adopt a Street Tree" program proved popular, resulting in over 960 trees being planted across the region.
- The contract for the management of the region's six Aquatic and Fitness Centres was awarded to Swim Fit.
- Our Libraries hosted "The Fun Palaces" event across the region with a day of exploring science, robotics, art and many more hands-on interactive activities for families.
- The new Chinchilla Skate Park got underway - a \$300,000 project delivering a skate facility suitable for all skill levels, and a venue for community skating events.

A recognised culture of volunteerism is active throughout our communities

- Council hosted a volunteers morning tea to celebrate Volunteer Week and the significant contribution our volunteers make to our community. Council enjoys very significant support from volunteers across our Aged Care, Library and Visitor Information services.

Strategic Priority 3: GREAT LIVEABILITY

Our residents enjoy convenience of modern infrastructure and quality essential services

- Council upgraded its free guest Wi-Fi system to a more user friendly and accessible platform, which also has the capacity to provide Council with tools to engage with users and analyse data to improve service offerings.
- Tarcoola and Carinya Residential Aged Care Facilities were individually assessed by the Australian Aged Care Quality Agency and awarded the maximum three years full re-accreditation. The residents reported high levels of satisfaction to the Auditors and the staff were complimented on the clinical care, services, activities and management at both locations.
- Council approved the development of a dedicated medical centre for residents in Jandowae
- Council's Water and Waste Water management ensured the provision, delivery and appropriate treatment of these essential services in terms of convenience and safety to the community. This included:
 - Chinchilla - Water Treatment Plant Upgrade
 - Chinchilla - New Potable Water Reservoir
 - Tara - Installation of Cooling Tower Water Treatment Plant
 - Wandoan - Waste Water Lagoon Replacement with Poly Tanks
 - Regional - Water Main Replacement
 - Regional - Water & Waste Water Solar System Implementation.

Valued recreational spaces, sporting and community facilities are provided regionally

- Council secured \$2.85 million in State Government funding under the Building our Regions program, toward a botanic parkland for Chinchilla, halving the cost to Council on the overall project. Community consultation and master planning was finalised with three major contracts given for the landscaping, water play area and the electrical work packages.
- The region celebrated the old and the new revamped Jacko Cavanagh Bridge, with the addition of a five-metre viewing platform as part of a wider Myall Creek Parklands upgrade.
- \$2.59 million funding was secured under the 'Works 4 Queensland' (2017/2019) for the regional aquatic centre project, the Bunya Mountains lookout and the Thomas Jack Park toilet block.
- Local Government Grants & Subsidies Program Funding of \$1.07 million was secured for the Knowles Pavilion Upgrade. Refurbishment of the Knowles Pavilion is well underway and on track for completion in September 2018. Construction works are being undertaken by a local firm, using 88% local content. The upgrade will provide Dalby with an excellent multi-purpose facility at a much lower cost than alternatives.
- Through engagement with QGC, \$20,000 in funding was secured for the Tara Futures Group to develop a Master Plan for the Tara Lagoon Precinct.
- Council successfully negotiated with the Department of Transport and Main Roads (DTMR) to significantly increase the scope of landscaping originally planned as part of the current Warrego Highway Upgrade - with a landscaping design that will be more welcoming to motorists at Dalby's east and west entrances, while providing screening for residents along the upgraded Warrego Highway. DTMR committed \$1.5 million in funding to Western Downs Regional Council to deliver these works.

A safe and well-maintained road network connects our region

- Greenswamp and Bundi Road Bridges were completed by local contractors.
- The challenge of maintaining almost 7,600 kilometres of rural and urban roads across the Western Downs was made easier, thanks to two Council vehicles fitted out with cutting edge technology (cameras and gyroscopes) for categorising and prioritising short and long term works schedules - a proactive use of innovative technology.

Performance Outcome Highlights

Strategic Priority 3: GREAT LIVEABILITY (continued)

Our region remains an affordable place for families to live, work, prosper and play

- A very successful Opera@Jimbour was hosted in 2017, with approximately 10,000 people in attendance, attracting national attention and news coverage for the region.
- Australia Day 2018 was celebrated across the region with full day family friendly events providing a fun atmosphere for all those attending. A very successful and enjoyable Australia Day was had right across the region this year with over 1,800 community members attending, an increase of 3.1% on 2017, with the Chinchilla region experiencing a significant increase in attendance at the event.
- The Western Downs Regional Council Library Services hosted a successful "First 5 Forever Early Years - Language to Literacy" Conference in May, with over 170 delegates, aimed at improving confidence in communication outcomes for all Queensland children aged 0-5 years.
- The Region remains an affordable place for people to live, work, prosper and play with our residential and rural rates and utility charges lower than towns/cities in nearby regions and in resource regions.

We're recognised as one of the safest regions in Queensland

- CCTV monitoring was installed in the Chinchilla CBD to enhance the amenity and public safety of the area.
- Local Law No. 8 Waste Management was adopted by Council. The purpose of the local law is to protect the public health, safety and amenity relating to waste management across the Western Downs.
- Stage one of the Queensland Feral Pest Program was completed. The first year of a 2-year program was very successful with 555 landholders participating to cover over 865,000 hectares of land resulting in approximately 6,000 feral pigs and 350 wild dogs being destroyed.



Strategic Priority 4: FINANCIAL SUSTAINABILITY

We are recognised as a financially intelligent and responsible Council

- Our actual outcome for the year was better than budget due to expense savings (employee benefits, depreciation) and better than expected revenues from water consumption, interest due to higher cash reserves and increased sales revenue due to the Quarry, including the gravel pits, and Main Roads works. This meant that the budget for 2018/19 was delivered with quite low increases in rates and utility charges.
- Council reduced its debt by \$56 million, from \$62 million to less than \$6 million. At the same time, our cash position remains strong.
- Successful I.T. system disaster recovery testing was undertaken, overcoming several issues identified during previous testing in November. This test involved the completion of a full end to end test validating new high availability, and bringing councils RPO (Recovery Point Objective) to below 10 minutes.
- Business continuity plans were developed for Council's identified critical business functions to ensure that in the event of a major disruptive event, Council can continue to deliver vital services to the Community.

Our long term financial planning guides informed and accountable decisions

- Council adopted the 2018/19 Budget in June 2018. The budgeted operating surplus for 2018/19 is \$1.510 million or a 1.1% Operating Surplus Ratio. The Budget is underpinned by Rates and Utility Charge increases for 2017/18 of 1.5% which are the lowest we are aware of in Queensland. Council's long-term forecast anticipates continuing operating surpluses over the forecast period.

Our value for money culture enables us to deliver our core functions sustainability

- Local supplier spend was 53.7% of spend which compares to 50.6% in 2016/17 and 51.0% in 2015/16. For 2017/18, 29.1% (22.1% in 2016/17) of spend could not be made locally as no local supplier was available. Therefore 76% of the spend that could be made locally, has been spent locally, which is a significant improvement from 65% in 2016/17.
- Corporate card purchases increased to \$5.6 million encompassing 18,422 transactions. The cost differential per invoice, of processing for corporate cards as opposed to traditionally, is conservatively \$30, and has resulted in significant productivity savings. The use of credit cards for small transactions had a positive impact on cash flow for our suppliers, with one supplier noting that Council are the "quickest payers ever".
- Council received excellent outcomes around major procurement activities generating significant savings, particularly around waste management contracts, WAN and Wi-Fi network maintenance being delivered locally. Direct engagement strategies for tenders resulted in several successful tender outcomes in Infrastructure Services with prices well under budget.
- Contractor Panel reviews were completed with adjustments made to the panel members based on assessments of contractor performance.
- Council's Waste Transfer Stations at Dalby, Miles and Chinchilla were upgraded to EFTPOS payment facilities providing a better and more efficient service to customers whilst at the same time, reducing manual processes for accounts receivable. This resulted in productivity savings by not having to send out an average of 700 invoices each month, the majority of which were for approximately \$10.

Performance Outcome Highlights

Strategic Priority 4: FINANCIAL SUSTAINABILITY (continued)

Our agile and responsive business model enables us to align our capacity with service delivery

- Capital Works for 2017/18 were all completed within budget.
- Automatic timesheets have been introduced which has resulted in reduced processing time and workloads. Employees are only required to complete a Variation Timesheet when there is an alteration to their normal hours of work.
- Improved processes around the reading of water and gas meters translated to savings of \$180,000 per annum, resulting in far more accurate reads and better capacity to isolate potential leaks.
- Temetra water meter reading system was deployed resulting in a significant reduction in re-reads from 1,987 to 40.
- New software systems were deployed, including cloud-based technology, all increasing efficiencies, accessibility, service delivery and enablement generally.

Effective asset management ensures that we only own and maintain assets that are utilised

- Implementation of solar systems across Council facilities saved more than \$35,000 per quarter in electricity costs. Savings increased as further systems reached the commissioning stage during the fourth quarter of the financial year.
- Council recovered \$212,000 in unpaid agreement fees and rentals.
- Asset Management Plans were developed for all major asset classes and integrated into Council's long-term financial planning.



Our People

In addition to the above, Council is pleased to advise the following performance outcome highlights with regard to our People:

- Council's Business Trainee won the Trainee of the Year award for the Darling Downs South West Region.
- The Infrastructure Services Team were named finalists in two categories for the Institute of Public Works Engineering Australia - Australasia Excellence Awards:
 - The Dalby CBD Road Safety Review Project for 'Excellence in Road Safety' and
 - The Accelerated Capital Works Program for 'Excellence in a Water Project'.
- The Infrastructure Services Team was a finalist with Institute of Public Works Engineering Australia Queensland, for:
 - 'Innovation in Public Works' for the Works Reorganisation project, and
 - 'Public Works Projects Under \$2M' category (for the refurbishment of the Jacko Cavanagh Bridge).
- Customer Service Institute of Australia recognised Council as a finalist in the 'Australian Service Excellence Awards - Service Excellence Small Contact Centre' category.
- Our Customer Service team won the "Innovation in Service Delivery" Award at the 'National Local Government Customer Service Network Awards' and was a finalist in the "Team of the Year" category.
- Our Planning and Development Assessment Team, and our Strategic Planning Team, were finalists in the Planning Institute of Australia Awards for Excellence, with the Development Assessment Team winning the top award for Improving Planning Processes and Practices at the 2017 Queensland Planning Institute of Australia Awards for Excellence. Council also received a commendation for the Western Downs Planning Scheme.
- Our Community and Liveability General Manager, and our Business Systems Analyst, were finalists in the 2017 Downs Women in Business Awards.
- Council was a finalist in the LGMA Queensland Excellence Awards for the following projects:
 - Innovation Lab.
 - Solar Project Implementation.
- Council continued to support our communities' youth with funding through the "Skillings Queenslanders for Work" Initiative resulting in a large intake of trainees and apprentices. Council once again provided work placements for our "Community Spirit Bursary Students" during their University semester breaks across the region.



Performance Assessment

An informed assessment of how Council performed in 2017/18 against each of the strategic priorities expressed in the Corporate Plan 2017 - 2022, has been compiled by the Chief Executive Officer and is shown on the following pages.

Assessment Key

The following symbols indicate our progress at the end of the 2017/18 financial year:



ACHIEVED



ON TARGET



NEEDS IMPROVEMENT



SCHEDULED LATER IN CORPORATE PLAN CYCLE

Strategic Priority 1: STRONG ECONOMIC GROWTH

There is confidence in our strong and diverse economy	<ul style="list-style-type: none"> Western Downs was promoted as a region that is 'Open for Business' by showcasing business and industry success stories that demonstrate how strong local economies equal strong local communities. 	
	<ul style="list-style-type: none"> Development Assessment reforms were implemented to achieve better development outcomes for industry and our community. 	
We're open for business and offer investment opportunities that are right for our region	<ul style="list-style-type: none"> Access to the transport network to support industry was increased. 	
	<ul style="list-style-type: none"> Industry and business development opportunities were identified, and investment was facilitated. 	
	<ul style="list-style-type: none"> Government investment into major infrastructure projects was proactively sourced. 	
	<ul style="list-style-type: none"> Industry development through land availability was supported. 	
We optimise our tourism opportunities, unique experiences and major events	<ul style="list-style-type: none"> A lead role in media engagement and social media marketing was taken to optimise attendance at our major regional events. 	
	<ul style="list-style-type: none"> Community groups were supported to promote their local events effectively with our 'Western Downs Invites You' initiatives. 	
	<ul style="list-style-type: none"> The growth and development of major events was enabled through value-adding. 	
Business and industry in our region live local and buy local	<ul style="list-style-type: none"> Local spend was enhanced with the development of procurement plan processes. 	
	<ul style="list-style-type: none"> The number of employees living locally increased. 	
	<ul style="list-style-type: none"> Advocacy was provided for large companies to develop targets for workers and contractors to live and buy locally. 	
	<ul style="list-style-type: none"> Local content clauses were included in all major contracts. 	
Our region is a recognised leader in energy, including clean, green renewable energies	<ul style="list-style-type: none"> The operational costs of Council's facilities were reduced by moving to renewable energy. 	
	<ul style="list-style-type: none"> The establishment of renewable energy projects was enabled. 	
	<ul style="list-style-type: none"> The Western Downs region was proactively promoted as the 'Energy Capital of Australia' using our own communication channels, as well as established media networks. 	

Strategic Priority 2: ACTIVE VIBRANT COMMUNITIES		
We are a region without boundaries, united in community pride	<ul style="list-style-type: none"> Cultures and systems were developed that support a singular regional identity which both staff and the community are proud of. 	
	<ul style="list-style-type: none"> Relationships were built within our organisation, with our business partners and with peers to drive better service delivery outcomes. 	
	<ul style="list-style-type: none"> The story of our region as a whole (beyond Council news) was told - the people, the places and our great achievements, using our own communication channels as well as established media networks. 	
Our community members are the loudest advocates for what's great about our region	<ul style="list-style-type: none"> Consistently high levels of service throughout the region were provided with the deployment of e-Services, better connecting with our customers and providing efficient, contemporary service delivery options, including the development and implementation of an on-line customer portal and payment gateway. 	
	<ul style="list-style-type: none"> Parks and gardens plans were focused around increasing town pride. 	
	<ul style="list-style-type: none"> #Love Western Downs was implemented, an integrated social media campaign designed to encourage our community to show their regional and town pride. 	
	<ul style="list-style-type: none"> Health Services clients were supported to actively engage in their communities. 	
Our social, cultural and sporting events are supported locally and achieve regional participation	<ul style="list-style-type: none"> There was participation and collaborative support in local events and community connection initiatives across the region. 	
	<ul style="list-style-type: none"> Encouragement and support was provided to combine arts practice and place making, to create a relationship between public spaces and arts and culture programs. 	
	<ul style="list-style-type: none"> Community Grants programs were facilitated to support regional social, cultural and sporting events. 	
Our parks, open spaces, and community facilities are well utilised and connect people regionally	<ul style="list-style-type: none"> Use of park facilities following the 'Healthy Parks, Healthy People' motto was encouraged by providing an attractive, well maintained and inviting open space network for the community and visitors to enjoy. 	
	<ul style="list-style-type: none"> Our social, community and cultural infrastructure / facilities, and services, were promoted to maximise utilisation and visitation. 	
A recognised culture of volunteerism is active throughout our communities	<ul style="list-style-type: none"> Innovative volunteer activation programs and initiatives were promoted, supported and implemented to increase involvement and build a culture that empowers our communities to participate. 	
	<ul style="list-style-type: none"> Health Services programs actively sought to recruit, retain and recognise the valuable contribution of volunteers within its residential and community-based programs. 	
	<ul style="list-style-type: none"> A regional volunteers recognition program was implemented. 	

Strategic Priority 3: GREAT LIVEABILITY		
Our residents enjoy convenience of modern infrastructure and quality essential services	<ul style="list-style-type: none"> Water supply systems (quality and operations) were improved to ensure residents have access to quality water supplies across the region. 	
	<ul style="list-style-type: none"> Improvements were made to waste water treatment processes for better effluent quality. 	
	<ul style="list-style-type: none"> Cost reduction initiatives were implemented for waste management. 	
	<ul style="list-style-type: none"> Advocacy was undertaken for the provision of quality essential services from other levels of government, by assisting relevant Department managers with their advocacy strategies. 	
	<ul style="list-style-type: none"> Environmental health public awareness education programs were implemented 	
Valued recreational spaces, sporting and community facilities are provided regionally	<ul style="list-style-type: none"> The redundant rising main at Chinchilla was decommissioned and handed over to Chinchilla Polocrosse. 	
	<ul style="list-style-type: none"> A review of the delivery of library services was undertaken, addressing the future of library services to our region, and our ability to adapt to a changing environment to meet the needs of our community. 	
	<ul style="list-style-type: none"> WDRC Open Space Strategy recommendations were implemented. 	
A safe and well-maintained road network connects our region	<ul style="list-style-type: none"> The Transport Asset Maintenance Management Plan (TAMMP) was implemented. 	
	<ul style="list-style-type: none"> An electronic project management system for Works was implemented to achieve efficiencies and monitor unit rates. 	
	<ul style="list-style-type: none"> Council's maintenance management system Reflect was rolled out to all maintenance staff. 	
	<ul style="list-style-type: none"> An up-to-date 10-year capital works program was maintained. 	
	<ul style="list-style-type: none"> The design and survey program was aligned with Council's adopted works program. 	
Our region remains an affordable place for families to live, work, prosper and play	<ul style="list-style-type: none"> A financially responsible budget, affordable to the community was delivered. 	
	<ul style="list-style-type: none"> Regional affordability was prioritised by building strong working relationships with industry and industry bodies. 	
We're recognised as one of the safest regions in Queensland	<ul style="list-style-type: none"> Robust flood monitoring systems were built to ensure timely and accurate early warning during flood events. 	
	<ul style="list-style-type: none"> The identification of key local law and subordinate local law priorities was completed in consultation with Stakeholder Departments. 	
	<ul style="list-style-type: none"> A CCTV network was implemented and maintained for the major towns in the region. 	

Strategic Priority 4: FINANCIAL SUSTAINABILITY		
We are recognised as a financially intelligent and responsible Council	<ul style="list-style-type: none"> • WDRC was actively promoted, through our own communication channels and established media networks, as a leader in financial and asset management, as well as our innovative value for money initiatives. 	
	<ul style="list-style-type: none"> • Budgeted and actual operating surpluses were delivered. 	
	<ul style="list-style-type: none"> • Councillors, staff and senior management worked collaboratively to develop financial discipline and to improve understanding of whole of life costing, value for money, long term financial planning, financial sustainability indicators, category management etc. 	
	<ul style="list-style-type: none"> • Good governance was further assured with the completion of the 4th year of the Enterprise Risk Management Framework implementation plan. 	
	<ul style="list-style-type: none"> • There was a focus on higher risk compliance activities for Council, including defaulted infrastructure charges and commercial activities. 	
Our long term financial planning guides informed and accountable decisions	<ul style="list-style-type: none"> • Whole of Life Cost modelling was used to make long term financial decisions around proposed capital projects. 	
	<ul style="list-style-type: none"> • Council and senior management considered long-term financial sustainability in making its decisions. 	
Our value for money culture enables us to deliver our core functions sustainability	<ul style="list-style-type: none"> • Business activities were reviewed to ensure they remain sustainable. 	
	<ul style="list-style-type: none"> • Council's gas operations were delivered sustainably. 	
	<ul style="list-style-type: none"> • Quarry and gravel pit management systems were enhanced. 	
	<ul style="list-style-type: none"> • Staff understanding of value for money as it pertains to procurement, both internally and externally was improved. 	
	<ul style="list-style-type: none"> • Contractors were assessed for their performance for future engagement opportunities and general contract management. 	
	<ul style="list-style-type: none"> • Initiatives to encourage and promote environmentally sustainable practices in the maintenance of Council's parks and gardens were implemented. 	
	<ul style="list-style-type: none"> • Sustainable health services that service our community were ensured. 	
Our agile and responsive business model enables us to align our capacity with service delivery	<ul style="list-style-type: none"> • Sustainable Fleet management unit rates were ensured. 	
	<ul style="list-style-type: none"> • Flexible organisational frameworks (mix of permanent, fixed term and casual) were developed to enable organisational agility, and responsiveness to changing priorities across the organisation and/or in specific departments/work units. 	
	<ul style="list-style-type: none"> • Field staff have improved access to information and systems to carry out their duties. 	
	<ul style="list-style-type: none"> • Business intelligence tools, reports and metrics to support timely and informed decisions were delivered. 	
	<ul style="list-style-type: none"> • Our agile pest management plan minimised the impact on rural operations from pests. 	
Effective asset management ensures that we only own and maintain assets that are utilised	<ul style="list-style-type: none"> • Our corporate planning processes were aligned with Council's strategic priorities. 	
	<ul style="list-style-type: none"> • Asset management plans were developed for all major asset classes. 	
	<ul style="list-style-type: none"> • Asset management plans were integrated with long term financial forecasts. 	

CHAPTER 5:

FINANCIAL REPORTING



Western Downs Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018



Western Downs Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

Table of Contents		Page
1. Primary Financial Statements:		
Statement of Comprehensive Income		2
Statement of Financial Position		3
Statement of Changes in Equity		4
Statement of Cash Flows		5
2. Notes to the Financial Statements		
1	Summary of Significant Accounting Policies	6
2(a)	Council Functions - Component Descriptions	8
2(b)	Council Functions - Analysis of Results by Function	9
3	Revenue Analysis	10
4	Grants, Subsidies, Contributions and Donations	11
5	Capital Income	12
6	Employee Benefits	13
7	Materials and Services	13
8	Finance Costs	14
9	Capital Expenses	14
10	Cash, Cash Equivalents and Investments	15
11	Trade and Other Receivables	15
12	Inventories	17
13	Property, Plant and Equipment	18
14	Trade and Other Payables	28
15	Borrowings	28
16	Provisions	30
17	Asset Revaluation Reserve	33
18	Commitments for Expenditure	34
19	Contingent Liabilities	34
20	Superannuation	35
21	Trust Funds	36
22	Reconciliation of Net Result from Continuing Operations to Net Cash from Operating Activities	37
23	Reconciliation of Liabilities arising from Finance Activities	37
24	Financial Instruments	38
25	National Competition Policy	42
26	Transactions with Related Parties	44
3. Management Certificate		45
4. Independent Auditor's Report		46
5. Current Year Financial Sustainability Statement		48
Certificate of Accuracy - Current Year Financial Sustainability Statement		49
Independent Auditor's Report - Current Year Financial Sustainability Statement		50
6. Long Term Financial Sustainability Statement		52
Certificate of Accuracy - Long Term Financial Sustainability Statement		58

Western Downs Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Income from Continuing Operations			
<i>Revenue</i>			
<i>Recurrent Revenue</i>			
Rates, Levies and Charges	3a	88,035	83,046
Fees and Charges	3b	8,170	8,801
Rental Income		1,650	1,908
Interest and Investment Revenue	3c	3,412	2,663
Sales of Goods and Major Services	3d	21,655	21,498
Other Income		1,136	999
Grants, Subsidies, Contributions and Donations	4a	23,402	34,023
Total Recurrent Revenue		147,460	152,938
<i>Capital Revenue</i>			
Grants, Subsidies, Contributions and Donations	4b	24,612	33,968
Capital Income	5	311	887
Total Income (Continuing Operations)		172,383	187,793
Expenses from Continuing Operations			
<i>Recurrent Expenses</i>			
Employee Benefits	6	45,863	49,367
Materials and Services	7	43,479	41,928
Finance Costs	8	2,805	2,189
Depreciation and Amortisation		40,948	42,726
Total Recurrent Expenses		133,095	136,210
Capital Expenses	9	19,122	14,047
Total Expenses (Continuing Operations)		152,217	150,257
Net Result From Continuing Operations		20,166	37,536
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to the Net Result</i>			
Gain/(Loss) on Revaluation and Impairment of Property, Plant and Equipment	17	63,262	(9,897)
Total Other Comprehensive Income/(Loss)		63,262	(9,897)
Total Comprehensive Income		83,428	27,639

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

page 2

Western Downs Regional Council

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	10	127,211	89,142
Trade and Other Receivables	11	15,126	36,471
Inventories	12	6,233	6,536
Total Current Assets		148,570	132,149
Non-Current Assets			
Property, Plant and Equipment	13	1,554,921	1,505,165
Intangible Assets		1,375	1,478
Total Non-Current Assets		1,556,296	1,506,643
TOTAL ASSETS		1,704,866	1,638,792
LIABILITIES			
Current Liabilities			
Trade and Other Payables	14	15,562	19,741
Borrowings	15	354	1,292
Provisions	16	9,619	5,307
Total Current Liabilities		25,535	26,340
Non-Current Liabilities			
Borrowings	15	4,641	16,777
Provisions	16	5,333	9,746
Total Non-Current Liabilities		9,974	26,523
TOTAL LIABILITIES		35,509	52,863
Net Community Assets		1,669,357	1,585,929
COMMUNITY EQUITY			
Asset Revaluation Reserve	17	736,276	673,014
Retained Surplus		933,081	912,915
Total Community Equity		1,669,357	1,585,929

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

page 3

Western Downs Regional Council

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Asset Revaluation Reserve \$'000	Retained Surplus \$'000	Total Equity \$'000
2018				
Opening Balance		673,014	912,915	1,585,929
Net Operating Surplus for the Year		-	20,166	20,166
Other Comprehensive Income	17	63,262	-	63,262
Total Comprehensive Income		63,262	20,166	83,428
Equity Balance as at 30 June 2018		736,276	933,081	1,669,357
2017				
Opening Balance		682,911	875,379	1,558,290
Net Operating Surplus for the Year		-	37,536	37,536
Other Comprehensive Income	17	(9,897)	-	(9,897)
Total Comprehensive Income		(9,897)	37,536	27,639
Equity Balance as at 30 June 2017		673,014	912,915	1,585,929

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

page 4

Western Downs Regional Council

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		151,427	153,209
Payments to Suppliers and Employees		(98,512)	(93,258)
		52,915	59,951
Receipts:			
Interest Received		3,412	2,663
Payments:			
Interest Expense		(7,534)	(1,231)
Net Cash - Operating Activities	22	53,793	61,383
Cash Flows from Investing Activities			
Receipts:			
Maturing of Term Deposits		19,000	-
Sale of Property, Plant and Equipment		1,960	3,637
Grants, Subsidies, Contributions and Donations		23,296	28,471
Payments:			
Purchase of Term Deposits		-	(19,000)
Purchase of Real Estate Assets		-	(18)
Purchase of Property, Plant and Equipment		(46,906)	(63,811)
Payments for Intangible Assets		-	(120)
Net Cash - Investing Activities		(2,650)	(50,841)
Cash Flows from Financing Activities			
Payments:			
Repayment of Borrowings and Advances		(13,074)	(1,192)
Net Cash Flow - Financing Activities		(13,074)	(1,192)
Net Increase/(Decrease) for the year		38,069	9,350
plus: Cash and Cash Equivalents - beginning		89,142	79,792
Cash and Cash Equivalents - closing	10	127,211	89,142

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

page 5

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018. They are prepared in accordance with *Local Government Act 2009* and the *Local Government Regulation 2012*.

They comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). To the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment which are measured at fair value. This is further identified in Note 13.

(1.b) Constitution

Western Downs Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

(1.c) New and Revised Accounting Standards

In the current year, Council adopted all the new and revised Standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This year Council has applied AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107* for the first time. As a result, Council has disclosed more information to explain changes in liabilities arising from financing activities. This information is presented in Note 23.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. These standards are not expected to have a material impact on Council's future financial statements.

AASB 9 *Financial Instruments*, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective from 1 July 2018 and will change the classification, measurement and disclosures of financial assets and liabilities. Council has reviewed the standard and believes these resultant changes will not be material.

AASB 16 *Leases* is effective from 1 January 2019. AASB 16 will affect primarily the accounting of lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. Council has executed minimal lease contracts where it is the lessee in terms of value and number and it therefore expects that the impact on the financial statements will not be material. Work to finalise and quantify the impact remains ongoing at balance date.

AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities* are effective from 1 July 2019. AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. AASB 1058 *Income for Not-for-Profit Entities* will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the impact these changes will have on revenue measurement.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report but have future commencement dates are unlikely to have a material impact on the financial statements.

(1.d) Estimates and Judgements

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Impairments - Receivables - Note 11
- Valuation and depreciation of Property, Plant & Equipment - Note 13
- Impairment of Property, Plant and Equipment - Note 13
- Provisions - Note 16.
 - Provision for Restoration of Waste Landfills
 - Provision for Restoration of the Quarry & Gravel Pits.
 - Provision for Long Service Leave.

(1.e) Rounding and Comparatives

The financial statements are in Australian dollars that have been rounded to the nearest \$1,000 unless otherwise indicated. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(1.f) Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(a). Council Functions - Component Descriptions

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

GENERAL OPERATIONS

Efficient and effective delivery of services that maintain and improve the liveability of the community.

COMMERCIAL WORKS

Undertake works for customers on a commercial basis. Typically the works will relate to Non-Council owned roads, water and sewerage infrastructure.

WASTE MANAGEMENT

Provide and maintain an environmentally sensitive waste collection and disposal service.

WATER SERVICES

Manage Council's water supply systems to achieve a reliable, safe and cost effective water service.

GAS SUPPLY

Manage the gas network to achieve a reliable, safe and cost effective gas supply service.

DALBY REGIONAL SALEYARDS

Manage the operations of the Dalby Regional Saleyards to deliver a safe and cost effective livestock selling facility.

QUARRIES

Operate Council's quarries and gravel pits to meet Council's needs and to sell at commercial rates to other customers.

SEWERAGE SERVICES

Manage the sewerage system to achieve a reliable, safe and cost effective sewerage disposal service.

WASH BAY OPERATIONS

Provide and maintain an environmentally sensitive and cost effective vehicle washdown service.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 2(b). Analysis of Results by Function

Income and expenses defined between recurring and capital, and assets are attributed to the following functions:

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring Grants	Other	Capital Grants	Other		Recurring	Capital				
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Operations	23,402	75,084	20,742	199	119,427	(97,053)	(9,175)	(96,238)	11,423	23,189	1,355,764
Wash Bay Operations	-	475	-	-	475	(429)	-	(429)	46	46	1,266
Commercial Works	-	8,266	-	-	8,266	(6,415)	-	(6,415)	1,851	1,851	1,345
Waste Management	-	6,014	-	112	6,126	(8,056)	-	(8,056)	(2,042)	(1,930)	5,086
Water Infrastructure	-	12,906	3,527	-	16,433	(15,137)	(9,638)	(24,775)	(2,231)	(8,342)	179,564
Sewerage Infrastructure	-	8,107	173	-	8,281	(6,276)	(165)	(6,441)	1,832	1,840	119,009
Gas	-	3,150	170	-	3,320	(2,264)	(119)	(2,383)	886	937	11,068
Dalby Regional Saleyards	-	3,178	-	-	3,178	(2,429)	(25)	(2,454)	749	724	17,686
Quarries	-	6,877	-	-	6,877	(5,026)	-	(5,026)	1,851	1,851	3,978
Total	23,402	124,057	24,612	311	172,383	(133,095)	(19,122)	(152,217)	14,365	20,166	1,704,866

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring Grants	Other	Capital Grants	Other		Recurring	Capital				
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Operations	34,023	72,223	25,476	439	132,161	(91,206)	(12,904)	(104,110)	15,040	28,051	1,288,698
Wash Bay Operations	-	336	-	-	396	(385)	-	(385)	11	11	6,292
Commercial Works	-	7,148	-	-	7,148	(5,913)	-	(5,913)	1,235	1,235	31
Waste Management	-	5,941	1,416	426	7,783	(8,926)	-	(8,926)	(2,985)	(1,143)	12,345
Water Infrastructure	-	11,651	5,440	-	17,091	(12,517)	(932)	(13,449)	(866)	3,642	182,350
Sewerage Infrastructure	-	7,437	1,578	-	9,015	(6,167)	(161)	(6,328)	1,270	2,687	117,097
Gas	-	2,891	8	-	2,899	(2,853)	(29)	(2,882)	38	17	10,913
Dalby Regional Saleyards	-	2,920	50	-	2,970	(2,299)	(10)	(2,309)	621	661	18,102
Quarries	-	8,308	-	25	8,333	(5,944)	(14)	(5,958)	2,364	2,375	2,964
Total	34,023	118,915	33,968	890	187,796	(136,210)	(14,050)	(150,260)	16,728	37,536	1,638,792

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Revenue Analysis

	2018	2017
	\$'000	\$'000

Revenue is recognised at the fair value of consideration received or receivable net of discounts and rebates.

(a) Rates, Levies and Charges

Revenue for rates and utility charges is recognised upon issue of the levies within the respective rating period. If rates are prepaid, they are recognised on receipt.

General Rates	66,982	64,200
Special Rates	87	87
State and Rural Fire Levy	73	(149)
Water	5,385	4,748
Water Consumption, Rental and Sundries	6,724	6,387
Sewerage	8,341	7,663
Waste Management	4,914	4,564
Total rates and utility charge revenue	92,506	87,500
Less: Discounts	(4,072)	(4,028)
Less: Pensioner remissions	(399)	(426)
TOTAL RATES, LEVIES AND CHARGES	88,035	83,046

(b) Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Fees and Charges	3,572	3,682
Waste Disposal Fees	1,240	1,490
Water Sales	922	1,091
Town Planning Application Fees	216	406
Animal Registration Fees	417	429
Building Inspections	144	185
Washdown Bay Fees	475	396
Cemetery Fees	405	435
Rates Searches	183	161
Other	596	526
TOTAL FEES AND CHARGES	8,170	8,801

(c) Interest and Investment Revenue

Interest received from term deposits is accrued over the term of the investment.

Interest on Cash Investments	2,825	2,113
Interest Received from Other Sources	172	161
Interest from Overdue Rates and Utility Charges	415	389
TOTAL INTEREST AND INVESTMENT REVENUE	3,412	2,663

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Revenue Analysis (continued)

	2018	2017
	\$'000	\$'000
(d) Sale of Goods and Major Services		
The sale of goods is recognised when the customer takes delivery of the goods. Revenue from services is recognised when the service is rendered.		
Revenue from contracts and recoverable works are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received in advance, it is included in other liabilities as payments received in advance. Subsequently it is recognised as revenue in the period when the service is performed. Contract and recoverable works are not subject to retentions.		
Sale of services		
Contract and Recoverable Works	8,517	7,402
Saleyard Services	3,154	2,920
Total Sale of Services	11,666	10,322
Sale of goods		
Gas	3,112	2,868
Quarry Sales	6,877	8,308
Total Sale of Goods	9,989	11,176
TOTAL SALES REVENUE	21,655	21,498

Note 4. Grants, Subsidies, Contributions and Donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them as required by the Australian Accounting Standards. Council receives 3 types of contributions from developers with respect to infrastructure charges.

- Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as capital revenue and as non-current assets when the development becomes "on maintenance" (i.e. Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.
- Council receives cash contributions from property developers to construct assets, such as roads and footpaths and to connect new property developments to water and sewerage networks in the local government area. Where agreements between Council and developers relating to these contributions are determined to fall within the scope of *AASB Interpretation 18 Transfers of Assets from Customers*, these contributions are recognised as capital revenue when the related service obligations are fulfilled.
- Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of *AASB Interpretation 18* because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as capital revenue when received.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Grants, Subsidies, Contributions and Donations (continued)

	Notes	2018 \$'000	2017 \$'000
(a) Recurrent			
General Purpose Grants		17,028	26,380
Government Subsidies and Grants		6,193	5,854
Contributions		181	1,789
TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS		23,402	34,023
(b) Capital			
Capital revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investments in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.			
<i>Monetary revenue designated for Capital Funding Purposes:</i>			
Government Subsidies and Grants		16,390	15,067
Contributions		6,906	13,404
		<u>23,296</u>	<u>28,471</u>
<i>Non-Monetary revenue received:</i>			
Developer Assets Contributed by Developers at Fair Value		1,316	5,497
		<u>1,316</u>	<u>5,497</u>
TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS		24,612	33,968

Note 5. Capital Income

(a) Gain/(loss) on disposal of non-current assets			
Proceeds from the Disposal of Property, Plant and Equipment		1,543	3,637
Less: Book Value of Property, Plant and Equipment Disposed	13	(1,173)	(3,202)
		<u>370</u>	<u>435</u>
Proceeds from Disposal of Land and Buildings		417	58
Less: Book Value of Land & Buildings Disposed	13	(588)	(58)
		<u>(171)</u>	<u>-</u>
Gain/(loss) on disposal of non-current assets		<u>199</u>	<u>435</u>
(b) Other Income			
Discount Rate Adjustment to Restoration Provision	16	112	452
		<u>112</u>	<u>452</u>
TOTAL CAPITAL INCOME		311	887

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 6. Employee Benefits

	Notes	2018 \$'000	2017 \$'000
Wages and Salaries		37,883	41,634
Annual, Sick and Long Service Leave Entitlements		7,479	7,334
Superannuation	20	4,860	5,231
Councillors' Remuneration		668	685
		<u>50,890</u>	<u>54,884</u>
Other Employee Related Expenses		1,433	1,731
		<u>52,323</u>	<u>56,615</u>
Less: Capitalised Employee Expenses		(6,460)	(7,248)
TOTAL EMPLOYEE BENEFITS		<u><u>45,863</u></u>	<u><u>49,367</u></u>

Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.

Additional information:

Total Employees at year end:

Elected Members	9	9
Federal Award Staff	295	295
State Award Staff	318	345
Total full time equivalent employees	<u>622</u>	<u>649</u>

Note 7. Materials and Services

Advertising	272	263
Audit Fees	190	192
Consultancy Services	1,013	1,652
Diesel and Fuel	3,089	2,854
Donations and Grants Paid	1,310	752
Insurance	1,491	1,446
Legal Fees	1,001	737
Purchase of Gas	1,062	1,831
Utilities	3,196	3,705
Rentals - Operating Leases	753	808
Repairs and Maintenance - Roads and Bridges - Materials	2,951	2,751
Repairs and Maintenance - Roads and Bridges - Services	2,185	1,479
Revaluation of Land for Resale (Classified as Inventory)	62	587
Services - Contractors	22,248	21,636
Telecommunications	488	116
Other	2,168	1,119
TOTAL MATERIALS AND SERVICES	<u><u>43,479</u></u>	<u><u>41,928</u></u>

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Finance Costs

	Notes	2018 \$'000	2017 \$'000
Finance Costs - Queensland Treasury Corporation		2,217	1,008
Bank Charges		277	213
Impairment of Receivables and Bad Debts Written Off		207	852
Provision for Quarry - change in present value over time		19	20
Provision for Refuse Sites - change in present value over time		81	91
Provision for Gravel Pits - change in present value over time		4	5
TOTAL FINANCE COSTS		2,805	2,189

Note 9. Capital Expenses

Restoration of Land	16	-	19
Loss on Write-Off of Capital Assets (refer below)		19,122	14,028
TOTAL CAPITAL EXPENSES		19,122	14,047

Loss on Write-Off of Capital Assets

Land	-	20
Site Improvements	493	157
Buildings	51	838
Plant and Equipment	193	480
Furniture and Fittings	2	16
Road and Bridge Network	8,804	11,406
Water	9,440	924
Sewerage	-	158
Stormwater	20	-
Gas Infrastructure	119	29
	19,122	14,028

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Cash, Cash Equivalents and Investments

	2018	2017
	\$'000	\$'000
Cash and Cash Equivalents		
Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, 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 which are subject to insignificant risk of changes in value, and bank overdrafts.		
Cash at Bank and on Hand	3,265	2,226
Cash Equivalent Assets		
- Deposits at Call	123,946	86,916
Total Cash and Cash Equivalents	127,211	89,142

Council's Cash and Cash Equivalents are subject to a number of external restrictions that limit amounts available for discretionary future use.

These include:

Externally imposed Expenditure Restrictions at the reporting date relating to the following cash assets:

Unspent Government Grants and Subsidies	3,100	1,477
Unspent Developer Contributions	-	1,226
Total External Restrictions	3,100	2,703

Note 11. Trade and Other Receivables

Receivables are amounts owed to Council at year end. They are recognised at the time of sale or service delivery. Settlement of these amounts is required within 30 days from the date of invoice.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

Loans and advances are recognised in the same way as other receivables.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Trade and Other Receivables (continued)

	2018	2017
	\$'000	\$'000
Current		
Rateable Revenue and Utility Charges	8,057	5,978
Sales of Services, Fees and Charges	3,519	7,877
GST Recoverable	859	632
Accrued Revenue	2,673	2,984
Prepayments	834	915
Term Deposits	-	19,000
Total	15,942	37,386
Less: Provisions for Impairment - Receivables (a)	(816)	(915)
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	15,126	36,471

Interest is charged on outstanding rates at eleven percent (11%) per annum compounding daily on any amounts outstanding, 30 days after the due date. No interest is charged on other debtors. While there is a geographic concentration of credit risk in the Western Downs local government area, there is no concentration of credit risk with a large debtor or debtors for rates and utility charges, fees and other amounts receivable.

(a) Movement in provision for impairment:

Opening Balance at 1 July	(915)	(402)
Debts written off during the year	267	339
Additional impairments recognised	(195)	(968)
Impairments reversed	27	116
Closing Balance at 30 June	(816)	(915)

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Inventories

	2018	2017
	\$'000	\$'000

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no or nominal charge, and
- goods to be used for the provision of services at no or nominal charge.

Inventory held for distribution is valued at cost, adjusted, when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. The sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

Current Inventories

(a) Inventories Held for Distribution

Quarry and Road Materials	2,469	2,509
Stores and Materials	1,827	2,028
	<u>4,296</u>	<u>4,537</u>
(b) Land Purchased for Development and Sale	<u>1,937</u>	<u>1,999</u>
TOTAL CURRENT INVENTORIES	<u><u>6,233</u></u>	<u><u>6,536</u></u>

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Property, Plant and Equipment

30 June 2018	Measurement Base	Note	Land	Site Improvements	Buildings	Plant and Equipment	Furniture and Fixings	Road and Bridge Network**	Water	Sewerage	Stormwater	Gas Infrastructure	Heritage Assets	Works in Progress	Total
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Fair Value		Fair Value	Fair Value	Cost	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost
	46,312		46,741	185,739	71,448	515	1,103,061	212,081	158,779	54,447	4,405	13,155	53,736	125,698	
Opening Gross Balance - at Cost															
Opening Gross Balance - at Fair Value	46,312		46,741	185,739	71,448	515	1,103,061	212,081	158,779	54,447	4,405	13,155	53,736	1,834,720	
Disposals	(160)	5.9		(406)	(4,147)		965	328	22					46,906	
Write-offs		5.9	(594)	(711)	(353)	(19)	(16,363)		(28)			(147)		1,316	(4,793)
Revaluation Increments to Equity (ARR)	(1,336)	17	856	2,455			1,683	7,822	5,767	1,029	273	191		(1,336)	(31,948)
Revaluation Increments to Equity (ARR)		17	836	1,596	5,132	10	33,880	16,413	71	184				19,876	(1,336)
Work in Progress Transfers														58,202	
Total Gross Value of Property, Plant and Equipment - at Cost					72,040	506								42,440	114,986
Total Gross Value of Property, Plant and Equipment - at Fair Value	44,816		47,639	189,233			1,123,267	222,286	164,633	55,519	14,715	13,346		1,875,454	
Total Gross Value of Property, Plant and Equipment	44,816		47,639	189,233	72,040	506	1,123,267	222,286	164,633	55,519	14,715	13,346		42,440	1,990,440
Opening Accumulated Depreciation and Impairment			11,475	27,985	32,537	206	257,102	56,992	45,474	15,586	4,068	3,829			455,254
Depreciation Expense			1,306	2,765	4,911	54	24,361	3,891	2,719	560	259				40,846
Disposals		5.9		(58)	(2,974)										(3,022)
Write-offs		5.9	(100)	(20)	(200)	(17)	(7,530)	(4,923)		171		(29)			(12,826)
Revaluation Decrements to Equity (ARR)		17	257	259			(46,633)	2,231	1,750	305	81	228			(49,633)
Revaluation Increments to Equity (ARR)		17													4,911
Total Accumulated Depreciation and Impairment of Property, Plant and Equipment			12,338	30,931	34,274	243	224,320	57,991	49,942	16,454	4,369	4,057			435,519
Total Net Book Value of Property, Plant and Equipment	44,816		34,701	158,302	37,766	263	898,947	164,295	114,691	39,065	10,346	9,289		42,440	1,554,921
Other Information															
Range of Estimated Useful Life (years)			5 - 100	5 - 150	3 - 35	7 - 10	10 - 200	5 - 200	5 - 150	60 - 150	10 - 100	10 - 100	Not Depreciated	Not Depreciated	
* Asset Additions Comprise															
Asset Renewals														28,816	28,816
Other Additions														18,068	18,068
Total Asset Additions														46,884	46,884

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment

30 June 2017	Measurement Basis	Notes	Land		Site Improvements		Buildings		Plant and Equipment		Furniture and Fixtures		Road and Bridge Network		Water		Sewerage		Stormwater		Gas Infrastructure		Heritage Assets		Works in Progress		Total			
			\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value
	Opening Gross Balance - at Cost*		57,656	-	41,232	-	183,243	-	76,237	-	540	-	1,084,942	-	211,067	-	14,122	-	69,011	-	14,122	-	12,945	-	41,362	-	118,199	-		
	Opening Gross Balance - at Fair Value		57,656	-	41,232	-	183,243	-	76,237	-	540	-	1,084,942	-	211,067	-	14,122	-	69,011	-	14,122	-	12,945	-	41,362	-	1,831,525	-	1,949,664	
	Opening Gross Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	63,949	-	5,496	
	Additions*		-	-	109	-	-	-	3,663	-	-	-	-	-	381	-	-	-	12	-	-	-	-	-	-	-	(8,993)	-	-	
	Disposals	5.9	-	-	-	-	-	(8,993)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Write-offs	5.9	(20)	(20)	-	(1,055)	-	(1,380)	-	(67)	-	(17,776)	-	-	(2,299)	-	(46)	-	-	-	-	-	-	-	-	-	(23,115)	-	(27,961)	
	Revaluation Decrements to Equity (ARR)	17	(12,061)	-	341	1,006	-	-	5,675	-	42	32,441	-	-	2,932	-	-	-	-	-	-	-	-	-	-	-	1,681	-	(17)	
	Revaluation Increments to Equity (ARR)	17	735	5,288	-	2,554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(15,900)	-	(17)	
	Work in Progress Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)	
	Transfers from/to Held for Sale category		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)	
	Transfers from/to Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17)	
	Adjustments and Other Transfers		-	-	-	-	-	-	(81)	-	-	(207)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(276)	(276)	
	Total Gross Value of Property, Plant and Equipment - at Cost		-	-	-	-	-	-	71,448	-	515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	53,736	-	125,699	
	Total Gross Value of Property, Plant and Equipment - at Fair Value		46,312	46,741	46,741	185,739	185,739	71,448	71,448	515	-	1,103,961	212,081	158,779	54,447	14,405	13,155	13,155	54,447	54,447	14,405	13,155	53,736	53,736	53,736	53,736	1,834,720	-	1,834,720	
	Total Accumulated Depreciation and Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Depreciation Expense		-	-	10,354	25,936	33,736	207	238,700	207	27	24,908	54,408	42,769	27,791	6,396	3,596	3,596	27,791	27,791	6,396	3,596	3,596	3,596	3,596	3,596	443,993	-	443,993	
	Disposals		-	-	1,251	2,710	5,441	49	3,961	49	-	3,961	2,719	1,221	1,221	310	-	-	1,221	1,221	310	-	-	-	-	-	42,571	-	42,571	
	Write-offs	5.9	-	-	(133)	(217)	(911)	(50)	(6,370)	(50)	(14)	(1,375)	(14)	(14)	(17)	(17)	(17)	(14)	(14)	(17)	(17)	(17)	(17)	(17)	(17)	(9,087)	-	(9,087)		
	Revaluation Decrements to Equity (ARR)	17	-	-	-	(435)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Revaluation Increments to Equity (ARR)	17	-	-	3	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Adjustments and Other Transfers	17	-	-	-	(9)	-	-	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total Accumulated Depreciation and Impairment of Property, Plant and Equipment		-	-	11,475	21,985	32,537	206	257,102	206	206	56,992	45,474	15,596	4,058	3,829	3,829	4,058	15,596	15,596	4,058	3,829	3,829	3,829	3,829	3,829	435,254	-	435,254	
	Total Net Book Value of Property, Plant and Equipment		46,312	35,266	35,266	157,754	157,754	38,911	38,911	309	845,959	155,089	113,305	38,851	10,347	9,326	9,326	38,851	38,851	10,347	9,326	9,326	53,736	53,736	53,736	53,736	1,506,165	-	1,506,165	

Other Information		Not Depreciated		0 - 60		30 - 100		3 - 20		7 - 13		10 - 100		20 - 80		12 - 100		50 - 70		30 - 70		Not Depreciated		Net Depreciated	
Range of Estimated Useful Life (years)																									
* Asset Additions Comprise																									
Asset Renewals																									
Other Additions																									
Total Asset Additions																									

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

(13.a) Recognition

Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset are expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is general maintenance, whereas a kerb to kerb rebuild is treated as capital. To the extent that expenditure extends the useful life or renews the service potential of the asset, the expenditure is capitalised.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

(13.b) Measurement

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value (as shown in the table above), less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

(13.c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land is not depreciated as it has an unlimited useful life. Earthworks and Formations which are assessed as having an unlimited useful life are deemed non-depreciable as per *LJG 1055*. Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to Council. Management believes that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

(13.c) Depreciation (continued)

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to Council.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to Council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives, and non-depreciable values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted, where necessary, to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date.

(13.d) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(13.e) Valuation

(i) Valuation Process

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment*, AASB 13 *Fair Value Measurement* and the *Local Government Regulation 2012*. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for all relevant classes of property, plant and equipment assets once every 3 years or where the Council assesses that there has been a material change in the fair value of assets. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses its engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements and buildings in the intervening years, management engages independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

(13.e) Valuation (continued)

(i) Valuation Process (continued)

Council's valuation policies and procedures are set by the Executive Management Team which includes the Chief Executive Officer, General Managers and the Chief Finance Officer. The core policy is that comprehensive valuations are to be undertaken every three years. In the intervening years, desktop valuations will be performed. Comprehensive valuations must be undertaken by external valuation experts while desktop valuations can be undertaken by internal staff or by external experts. The valuation reports are analysed for accuracy and soundness by staff in Council's Finance and Technical Services divisions. Reports on both the comprehensive and desktop valuations are then prepared and reviewed by Council's Asset Steering Group prior to review by Council's Audit Committee.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

Any revaluation increment arising from the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as a capital expense. A decrease in the carrying amount on revaluation is charged as a capital expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

In accordance with AASB 13, fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable, such as prices for similar assets, for the asset or liability (Level 2)
- Fair value based on unobservable inputs for the asset and liability (Level 3)

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

(1) All assets measured and recognised at fair value

	Fair Value Measurement using:		Total
	Level 2 Significant observable inputs \$'000	Level 3 Significant unobservable inputs \$'000	
2018			
Property, Plant and Equipment			
- Land	44,816	-	44,816
- Site Improvements	-	34,701	34,701
- Buildings			
- Non-Specialised Buildings	3,790	-	3,790
- Specialised Buildings	-	154,512	154,512
- Road and Bridge Network	-	898,947	898,947
- Water Infrastructure	-	164,295	164,295
- Sewerage Infrastructure	-	114,691	114,691
- Stormwater Infrastructure	-	39,065	39,065
- Gas Infrastructure	-	10,346	10,346
- Heritage Assets	-	9,289	9,289
Total Property, Plant and Equipment	48,606	1,425,846	1,474,452
2017			
Property, Plant and Equipment			
- Land	46,312	-	46,312
- Site Improvements	-	35,266	35,266
- Buildings			
- Non-Specialised Buildings	4,252	-	4,252
- Specialised Buildings	-	153,502	153,502
- Road and Bridge Network	-	845,959	845,959
- Water Infrastructure	-	155,089	155,089
- Sewerage Infrastructure	-	113,305	113,305
- Stormwater Infrastructure	-	38,851	38,851
- Gas Infrastructure	-	10,347	10,347
- Heritage Assets	-	9,326	9,326
Total Property, Plant and Equipment	50,564	1,361,645	1,412,209

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

Valuation techniques used to derive fair values

General Comment on Asset Classes

In accordance with the depreciation requirements of AASB 116 *Property, Plant and Equipment*, assets capable of disaggregation into significant components are componentised and depreciated separately based on their estimated useful life and expected pattern of consumption of their future economic benefit. This includes splitting each component where applicable into the short-life and long-life (recyclable) sub-components consistent with the AASB 116 residual value clarification. The long-life and short-life sub-component information is combined to give a weighted average amount for the relevant asset component.

Land (Level 2)

Land fair values were determined by an independent registered valuer, Australis (Old Reg No. 2997), which undertook a desktop valuation effective 30 June 2018.

Land has been assessed based on the estimated amount which the interest in each property being valued might reasonably expect to realise on the date of valuation in an orderly transaction between market participants given the highest and best use of the asset in its principal market, or in the absence of a principal market, its highest and best use in its most advantageous market. The values were determined by analysis of price movements in the local property market, discussions with local and active agents and valuers as well as a review of statistical data from the Australian Bureau of Statistics, the Real Estate Institute of Queensland Market Monitor and the Department of Environment and Resource Management (DERM).

The valuers determined two indices for land, -6.05% for land in the Chinchilla, Drillham, Dulacca, Kogan, Macalister, Miles, Tara and Wandoan areas, and -1.50% for land in other areas.

Site Improvements (Level 3)

Site Improvement fair values were determined by an independent registered valuer, Australis (Old Reg No. 2997), which undertook a desktop valuation effective 30 June 2018.

Site Improvements are valued using the cost approach. Under this approach, the valuer estimates what the current cost to replace the asset would be at the valuation date after analysing industry and sector indices together with price guides and quotes from industry participants.

Site Improvements were indexed using the movements in the construction markets which were calculated through the analysis of discussions with cost estimators active within the industry or in-house Council project managers, industry indices, price guides, quotes from market participants and historical and current construction costs for new assets.

The valuers calculated an index of 1.43% be applied to Site Improvements.

Accumulated Depreciation

In determining the level of accumulated depreciation, Australis undertook a review of the useful lives, remaining useful lives and non-depreciable value and determined that there were no changes to these values.

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

Buildings (Level 2 and 3) and Heritage Assets (Level 3)

The fair value of buildings & heritage assets was determined by an independent registered valuer, Australis (Old Reg No. 2997), which undertook a desktop valuation effective 30 June 2018.

Level 2

The values were indexed by the analysis of price movements in the local property market, discussions with local and active agents and valuers, as well as a review of statistical data from the Australia Bureau of Statistics, the Real Estate Institute of Queensland Market Monitor and the Department of Environment and Resource Management (DERM).

The valuers calculated an index of -4.90% to be applied to Council's level 2 buildings.

Level 3

These values were indexed using the movements in the construction markets which were calculated through the analysis of discussions with cost estimators active within the industry or in-house Council project managers, industry indices, price guides, quotes from market participants and historical and current construction costs for new assets.

The valuers calculated an index of 1.45% for Council's level 3 buildings.

Accumulated Depreciation

In determining the level of accumulated depreciation, Australis undertook a review of the useful lives, remaining useful lives and non-depreciable value and determined that there were no changes to these values.

Water and Sewerage Infrastructure (Level 3)

Council categorises its water infrastructure into water mains, rising water mains and active water treatment assets.

Council categorises its sewerage infrastructure into sewer gravity mains, rising sewer mains, sewerage treatment plants and sewerage pump stations.

Council's engineers reviewed the unit rates for the construction of its water and sewerage infrastructure assets within the Western Downs region in 2017/2018.

The following factors were considered when reviewing the unit rates:

- Wage and salary rate movements
- Council plant hire rate movements
- 2017 Council Cost Index calculated by LGAQ.
- Any construction projects completed throughout the year.

From this review, Council determined indexation of 3.63% (1.74% relating to 2016/17 and 1.89% relating to 2017/18) to be applied to its Sewerage and Water Infrastructure assets.

Accumulated Depreciation

In determining the level of accumulated depreciation, Council engineers undertook a review of the useful lives, remaining useful lives and non-depreciable value and determined that there were no changes to these values.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

Roads, Bridges and Footpaths (Level 3)

Council categorises its road, bridge and footpath infrastructure as per below:

- Roads: urban and rural roads and then further sub-categorises these into sealed and unsealed roads.
- Bridges: bridge, foot bridge (minor) and further, the bridge type.
- Footpath: concrete, bitumen, pavers and rubber footpaths.

Road, Bridges and Footpaths fair values were determined by an independent registered valuer, APV (QLD Reg No. 1816), which undertook a comprehensive valuation effective 30 June 2018.

The valuers used the cost approach to determine the fair value of Council's Road, Bridge and Footpath assets. The key inputs used to determine the values were:

- Remaining Service Potential Assessment
- Unit Rates
- Gross Replacement Cost

Accumulated Depreciation

The valuers determined accumulated depreciation by reviewing Council condition data that was adjusted with site inspection data to determine the remaining service potential and the remaining useful lives.

Stormwater Infrastructure (Level 3)

Council categorises its stormwater infrastructure into stormwater pipes, stormwater manholes and stormwater structures.

Council's engineers reviewed the unit rates for the construction of its stormwater assets within the Western Downs region in 2017/2018.

The following factors were considered when reviewing the unit rates:

- Wage and salary rate movements
- Council plant hire rate movements
- 2017 Council Cost Index calculated by LGAO.
- Any construction projects completed throughout the year.

From this review, Council determined indexation of 1.89% to be applied to its Stormwater Infrastructure assets.

Accumulated Depreciation

In determining the level of accumulated depreciation, Council engineers undertook a review of the useful lives, remaining useful lives and non-depreciable value and determined that there were no changes to these values.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

Gas Infrastructure (Level 3)

Council categorises its gas infrastructure into gas mains, gas regulators and gas gate stations.

Council's engineers reviewed the unit rates for the construction of its gas infrastructure assets within the Western Downs region in 2017/2018.

The following factors were considered when reviewing the unit rates:

- Wage and salary rate movements
- Council plant hire rate movements
- 2017 Council Cost Index calculated by I GAQ.
- Any construction projects completed throughout the year.

From this review, Council determined indexation of 1.89% to be applied to its Gas Infrastructure assets.

Accumulated Depreciation

In determining the level of accumulated depreciation, Council engineers undertook a review of the useful lives, remaining useful lives and non-depreciable value and determined that there were no changes to these values.

(2). Fair value measurements using significant unobservable inputs (Level 3)

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Specialised Buildings \$'000
Opening Gross Value as at 1 July 2017	181,487
Internal Transfers from WIP	1,585
Disposals	(156)
Write-Offs	(51)
Revaluation Adj. to OCI (Asset Revaluation)	2,578
Closing Gross Value as at 30 June 2018	185,443
Opening Accumulated Depreciation and Impairment	27,985
Depreciation Provided in the Period	2,653
Depreciation on Disposals	(52)
Depreciation on Write-Offs	(20)
Revaluation Adj. to Asset Reval. Surplus	365
Accumulated Depreciation at 30 June 2018	30,931
Closing Book Value as at 30 June 2018	154,512

Refer to note 13 for changes in Level 3 fair values for other classes of property, plant and equipment not listed above.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Trade and Other Payables

	2018 \$'000	2017 \$'000
<p>Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are settled in the week all authorisations and approvals are received for payment. Prior to 2018, amounts owing were settled on 30 day terms.</p> <p>Liabilities are recognised for employee benefits, including wages and salaries, annual and long service leave, in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.</p> <p>As Council does not have an unconditional right to defer the settlement of annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.</p> <p>Council has no obligation to pay sick leave on termination and therefore a liability has not been recognised for this obligation.</p>		
Current		
Creditors	6,292	7,960
Payments Received in Advance	1,000	1,815
Accrued Expenses	4,163	5,870
Annual Leave	3,875	3,858
Other Entitlements	232	238
TOTAL CURRENT TRADE AND OTHER PAYABLES	15,562	19,741

Note 15. Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 December 2028 to 17 September 2029.

Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Department of Infrastructure, Local Government and Planning's financial sustainability borrowing guidelines and ensure that sustainability indicators remain within acceptable levels.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised.

Borrowings are classified as non-current liabilities with the exception of the principal amount that is due and payable, under contractual terms of the loan agreement within 12 months after the end of the reporting period. This amount is classified as a current amount.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Borrowings (continued)

	2018 \$'000	2017 \$'000
Current		
Loans - Queensland Treasury Corporation	354	1,292
TOTAL CURRENT BORROWINGS	354	1,292
Non-current		
Loans - Queensland Treasury Corporation	4,641	16,777
TOTAL NON-CURRENT BORROWINGS	4,641	16,777
Reconciliation of Loan Movements for the year		
Loans - Queensland Treasury Corporation		
Opening Balance at Beginning of Financial Year	18,069	19,261
Principal Repayments	(13,074)	(1,192)
Book Value at End of Financial Year	4,995	18,069

The QTC loan market value at the reporting date was \$5,463,950.77. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No assets have been pledged as security by Council for any liabilities, however all borrowings of Council are guaranteed by the Queensland Government.

There have been no defaults or breaches of the loan agreement during the period.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Provisions

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in these rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer this liability beyond 12 months, long service leave is classified as a current liability. Otherwise it is classified as non-current.

Restoration Provisions

A provision is made for the cost of restoration in respect of refuse dumps and quarries where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

Within each restoration provision there may be many site locations some of which can be on Council controlled land and some that are not. The following account treatments apply depending on the site location:

Restoration on land not controlled by Council

Where the restoration site is on State reserves which Council does not control, the cost of the provisions for restoration of these sites is treated as an expense in the year the provision is first recognised. Changes in the provision due to either time, discount rate or expected future costs are treated as a capital expense or capital income in the reporting period in which they arise.

Restoration on land controlled by Council

A provision is recognised for the estimated discounted cost of restoration, where required. The estimated cost of restoration is capitalised within land and improvement assets and is not immediately expensed.

As land and improvement assets are measured at fair value, the effects of a change in the measurement of a restoration provision that results from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate are recognised within the asset revaluation surplus as follows:

- i) Changes to the provision resulting from the passing of time (the periodic unwinding of the discount) are treated as a finance cost as it occurs.
- ii) A decrease in the restoration provision is recognised as other comprehensive income and increases the revaluation surplus within equity, except to the extent that it reverses a revaluation decrease on the asset that was previously recognised in the Statement of Comprehensive Income, in which case it is recognised in the Statement of Comprehensive Income.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Provisions (continued)

	2018	2017
	\$'000	\$'000

Restoration on land controlled by Council (continued)

iii) An increase in the restoration provision is recognised in comprehensive income and decreases the revaluation surplus to the extent that there are any credit balances within the Asset Revaluation Reserves. Any additional movement is recognised as capital expense in the Statement of Comprehensive Income.

The Council has the following restoration provisions:

Refuse Sites Restoration

The refuse provision represents the present value of the anticipated future costs associated with the closure of the refuse sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions including application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for refuse sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

Quarry Rehabilitation

The provision represents the present value of the anticipated future costs associated with the closure of the quarries, refilling the basin, and reclamation and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time.

Current		
Long Service Leave	5,888	5,061
Property Restoration		
Refuse Restoration	3,705	224
Gravel Pit Restoration	26	22
TOTAL CURRENT PROVISIONS	9,619	5,307
Non-current		
Long Service Leave	2,105	3,005
Property Restoration		
Quarry Rehabilitation	1,299	1,258
Refuse Restoration	1,663	5,204
Gravel Pit Restoration	266	279
TOTAL NON-CURRENT PROVISIONS	5,333	9,746

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 16. Provisions (continued)

	2018	2017
	\$'000	\$'000

Details of movements in Provisions:

Long Service Leave

Balance at Beginning of Financial Year	8,066	8,672
Amount Provided for in the Period	601	404
Amount Paid in the Period	(675)	(1,010)
Balance at End of Financial Year	<u>7,992</u>	<u>8,066</u>

Quarry Rehabilitation

Balance at Beginning of Financial Year	1,258	1,740
Increase in Provision - due to Unwinding of Discount	19	20
Increase (Decrease) in Estimate of Future Cost	22	(2)
Balance at End of Financial Year	<u>1,299</u>	<u>1,258</u>

This is the present value of the estimated cost of restoring the quarry site to a useable state at the end of its useful life. The projected cost of \$1,299,183 is expected to be incurred over the years 2032 to 2036.

Refuse Restoration

Balance at Beginning of Financial Year	5,428	5,767
Increase in Provision - due to Unwinding of Discount	81	92
Increase (Decrease) in Estimate of Future Cost	(140)	(431)
Balance at End of Financial Year	<u>5,369</u>	<u>5,428</u>

This is the present value of the estimated cost of restoring the refuse disposal sites to a useable state at the end of their useful lives. The projected cost of \$5,367,602 is expected to be incurred over the years 2019 to 2040.

Gravel Pit Restoration

Balance at Beginning of Financial Year	301	320
Increase in Provision - due to Unwinding of Discount	4	4
Increase (Decrease) in Estimate of Future Cost	(13)	(23)
Balance at End of Financial Year	<u>292</u>	<u>301</u>

This is the present value of the estimated cost of restoring the gravel pit sites to a useable state at the end of their useful lives. The projected cost of \$297,019 is expected to be incurred over the years 2019 to 2065.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Asset Revaluation Reserve

	2018 \$'000	2017 \$'000
--	----------------	----------------

The Asset Revaluation Reserve comprises adjustments relating to changes in the value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the Asset Revaluation Reserve. Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the Asset Revaluation Reserve in respect of that class. Any excess is treated as a capital expense.

When an asset is disposed of, the amount reported in the Asset Revaluation Reserve in respect of that asset is retained in the Asset Revaluation Reserve and not transferred to Retained Surplus.

Movements in the asset revaluation reserve:

Balance at beginning of financial year	673,014	682,911
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	(1,336)	(12,060)
Site Improvements	399	338
Buildings	2,196	1,441
Road and Bridge Network	51,316	-
Water	5,791	-
Sewerage	4,017	-
Stormwater	724	(2,348)
Gas Infrastructure	192	2,755
Heritage Assets	(37)	(23)
	13	63,262
	<u>736,276</u>	<u>673,014</u>
Balance at End of Financial Year		

Asset Revaluation Reserve analysis

The closing balance is comprised of the following asset categories:

Land	28,490	29,826
Site Improvements	7,914	7,515
Buildings	77,609	75,413
Road and Bridge Network	394,396	343,081
Water	110,619	104,828
Sewerage	70,645	66,628
Stormwater	40,774	40,050
Gas Infrastructure	3,758	3,566
Heritage Assets	2,071	2,107
	<u>736,276</u>	<u>673,014</u>
Balance at End of Financial Year		

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for Expenditure

	2018	2017
	\$'000	\$'000
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Within 1 Year	18,530	18,961
From 1 Year to 5 Years	13,699	4,482
	<u>32,229</u>	<u>23,443</u>

Note 19. Contingent Liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Local Government Mutual

Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution to the total pool contributions in respect of any year that a deficit arises.

As at 30 June 2017 (the latest report available to Council), the financial statements of LGM Queensland reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme, Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self-insurance licence be cancelled and there is insufficient funds available to cover outstanding liabilities. Only the Queensland Government's Workers Compensation Regulatory Authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$1,016,089.17.

Native Title Claims over Council's Land

At 30 June 2018, Council had acquired Native Title rights and interests pursuant to s9.7 of the Acquisition of Land Act 1967, s2MD of the Native Title (Commonwealth) Act 1993 and s144 of the Native Title (Queensland) Act in respect of 5 allotments purchased in the Wandoan area, covering 12.94 hectares. At reporting date, it is not possible to make an estimate of any probable outcome associated with the acquisition of these rights and interest or any financial effect.

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Superannuation

Council contributes to the LGIAsuper Regional Defined Benefits Fund (the Scheme), at the rate of 12% for each of its 39 employees by headcount who are defined benefit members. The remaining 658 employees by headcount contribute to an accumulation fund.

The rate of 12% for contributions to the Scheme is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The Scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIAsuper is unable to account for Council's proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the Scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Council can be liable to the scheme for a portion of another local government's obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed changes to Council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the Scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the Scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the Scheme are not sufficient to meet the vested benefits, as at the reporting date.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the Scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

As Council has only 39 employees by headcount that are members of the Scheme, any increase in contributions is likely to be minor.

There are currently 72 entities contributing to the Scheme and any changes in contribution rates would apply equally to all 72 entities. Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Superannuation (continued)

	Notes	2018 \$'000	2017 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		320	322
Other superannuation contributions for employees		4,540	4,909
Total superannuation contributions paid by Council for employees	6	4,860	5,231

Note 21. Trust Funds

In accordance with the Local Government Act 2009 and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages). The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

Trust funds held for outside parties

Security Deposits	5,940	5,151
	<u>5,940</u>	<u>5,151</u>

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Reconciliation of Net Result from Continuing Operations to Net Cash from Operating Activities

Notes	2018 \$'000	2017 \$'000
Net Result from Continuing Operations	20,166	37,536
Non-cash items		
Depreciation and Amortisation	40,948	42,726
	<u>40,948</u>	<u>42,726</u>
Change in restoration provisions expensed to finance costs	104	116
Land Held for Resale Revaluation Loss	62	587
	<u>166</u>	<u>703</u>
Investing and development activities		
Net Losses/(Gains) on Disposal of Assets	(199)	(435)
Loss on Write-Off of Assets	19,122	14,028
Capital Grants and Contributions	(23,296)	(28,471)
Contributed Assets	(1,316)	(5,497)
	<u>(5,689)</u>	<u>(20,375)</u>
Changes in operating assets and liabilities:		
(Increase)/Decrease in Trade and Other Receivables	2,444	(3,850)
Increase/(Decrease) in Provision for Doubtful Debts	(99)	513
(Increase)/Decrease in Inventories	241	1,527
Increase/(Decrease) in Trade and Other Payables	(1,668)	4,351
Increase/(Decrease) in Other Liabilities	(2,511)	(686)
Increase/(Decrease) in Employee Leave Entitlements	(73)	(606)
Increase/(Decrease) in Other Provisions	(132)	(456)
	<u>(1,798)</u>	<u>793</u>
Net cash provided by Operating Activities from the Statement of Cash Flows	<u>53,793</u>	<u>61,383</u>

Note 23. Reconciliation of Liabilities arising from Finance Activities

	As at 30 June 2017 \$'000	Cashflows \$'000	Non-Cash Changes (New Leases) \$'000	As at 30 June 2018 \$'000
Loans	18,069	(13,074)	-	4,995
	<u>18,069</u>	<u>(13,074)</u>	<u>-</u>	<u>4,995</u>

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Financial Instruments

Council has exposure to the following risks arising from financial instruments; (i) market risk, (ii) credit risk, and (iii) liquidity risk.

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks. Council aims to manage volatility to minimise potential adverse effects on the financial performance of Council.

Council does not enter into derivatives.

Credit Risk Exposure

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar State/Commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*. Council only invests with financial institutions that have equivalent Standard and Poor's long term rating of A with a neutral outlook or better.

No collateral is held as security relating to the financial assets held by Council.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Financial Instruments (continued)

	Notes	2018 \$'000	2017 \$'000
The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:			
Financial Assets			
Cash and Cash Equivalents	10	127,211	89,142
Receivables - Rates	11	8,057	5,978
Receivables - Other	11	6,235	29,578
		<u>141,503</u>	<u>124,698</u>
Other Credit Exposures			
Guarantee	19	1,016	1,136
		<u>1,016</u>	<u>1,136</u>
Total		<u>142,519</u>	<u>125,834</u>

Cash and Cash Equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

Trade and Other Receivables

At 30 June 2017 Council held a term deposit in a financial institution with a Standard & Poor's long-term credit rating of A+. This term deposit subsequently matured.

In the case of rate and utility charge receivables, Council has the power to sell the property to recover any defaults. In effect, this power protects Council against credit risk in the case of defaults.

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to manage the risk.

By the nature of the Council's operations, there is a geographical concentration of risk to Councils' local government area. There is also a concentration of risk to the agricultural and the resource sectors.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	Notes	2018 \$'000	2017 \$'000
Receivables			
Fully Performing		14,818	17,312
Past due:			
- 31 to 60 days overdue		27	69
- 61 to 90 days overdue		46	18
- Greater than 90 days overdue		216	72
- Impaired		(816)	(915)
Total	11	<u>14,291</u>	<u>16,556</u>

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Financial Instruments (continued)

Liquidity Risk

Liquidity risk refers to situations where Council may encounter difficulty in meeting obligations associated with liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its normal business activities.

Council manages its exposure to liquidity risk by maintaining sufficient cash and cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Council does not have any overdraft facilities (2017 : nil).

The following table sets out the liquidity risk in relation to financial liabilities held by Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
2018					
Trade and Other Payables	10,455	-	-	10,455	11,455
Loans - QTC	589	2,357	3,504	6,450	4,995
	<u>11,044</u>	<u>2,357</u>	<u>3,504</u>	<u>16,905</u>	<u>16,450</u>
2017					
Trade and Other Payables	13,830	-	-	13,830	15,645
Loans - QTC	2,200	8,800	12,953	23,953	18,069
	<u>16,030</u>	<u>8,800</u>	<u>12,953</u>	<u>37,783</u>	<u>33,714</u>

The outflows in the above table are not expected to occur significantly earlier and are not expected to be for significantly different amounts than indicated in the table.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Financial Instruments (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, will affect Council's income or the value of its holdings of financial instruments.

Council is exposed to interest rate risk through investments and borrowings with Queensland Treasury and/or other financial institutions in which it may invest from time to time.

Council manages interest rate risk by accessing an appropriate mix of variable and fixed rate options through QTC and in the case of investments, with financial institutions.

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the net result and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net Carrying	Net Result		Equity	
	Amount \$'000	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
2018					
QTC Cash Fund	123,945	1,239	(1,239)	1,239	(1,239)
Loans - QTC	(4,995)	-	-	-	-
Net	118,950	1,239	(1,239)	1,239	(1,239)
2017					
QTC Cash Fund	86,916	869	(869)	869	(869)
Loans - QTC	(18,069)	-	-	-	-
Net	68,847	869	(869)	869	(869)

In relation to the QTC loans held by Council, the following has been applied;

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

The sensitivity analysis provided by QTC shows the impact of a 1% change in the interest rate.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. National Competition Policy

Business activities to which the code of competitive conduct is applied

Western Downs Regional Council applies the competitive code of conduct to the following business activities:

Commercial Works
Waste Management
Water
Sewerage
Natural Gas
Jimbour Quarry
Washdown Bays
Saleyards

Local government's may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to roads business activity is compulsory. Council's roads business activity is classified as commercial works in the above list.

The CSO value is determined by Council, and represents the extent to which Council subsidises the activity. Council provides funding from general revenue to the business activity to cover the CSO.

The following activity statements are for activities subject to the Code of Competitive Conduct:

	Commercial Works \$'000	Waste Management \$'000	Water \$'000	Sewerage \$'000
Revenue for services provided to Council	-	164	1,029	379
Revenue for services provided to external clients	8,266	6,014	12,907	8,107
Community service obligations	-	1,896	13,771	-
	8,266	8,074	27,707	8,436
Less : Expenditure	(6,996)	(8,074)	(27,707)	(6,343)
Surplus/(Deficit)	1,270	-	-	2,093

	Natural Gas \$'000	Jimbour Quarry \$'000	Washdown Bays \$'000	Saleyards \$'000
Revenue for services provided to Council	56	1,182	-	-
Revenue for services provided to external clients	3,150	6,877	475	3,178
Community service obligations	-	-	18	-
	3,206	8,059	493	3,178
Less : Expenditure	(2,265)	(5,034)	(493)	(2,780)
Surplus/(Deficit)	941	3,025	-	398

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. National Competition Policy (continued)

Activities	CSO Description	Actual \$'000
Description of CSOs provided to business activities:		
Waste Management	To transfer general revenue for the shortfall in revenue	1,896
Water Management	To transfer general revenue for the shortfall in revenue	13,771
Washdown Bays	To transfer general revenue for the shortfall in revenue	18

Note 26. Transactions with Related Parties

(a) Subsidiaries (ie. Entities and Operations controlled by Council)

Council has no Subsidiaries or Controlled Entities.

(b) Key Management Personnel (KMP)

Key Management Personnel are:

Councillors

Paul M McVeigh - Mayor
Andrew Smith - Deputy Mayor
Donna Ashurst
Ray Brown
Kaye Maguire
Greg M Olm
Ian Rasmussen
Peter T. Saxelby
Carolyn Tillman

Management

Ross Musgrove - Chief Executive
Graham Cook - General Manager
Scott Peut - General Manager
Jodie Taylor - General Manager

	2018 \$'000	2017 \$'000
Short-Term Employee Benefits	1,798	1,757
Post-Employment Benefits	206	185
Long-Term Benefits	25	31
Total	2,029	1,973

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26. Transactions with Related Parties (continued)

(c) Transactions with Other Related Parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members.

Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between Council and other related parties are disclosed below:

Details of Transaction	Additional Information	2018 \$'000	2017 \$'000
Fees and charges charged to KMP or entities controlled by key management personnel	25(c)(i)	3	38
Employee expenses for close family members of key management personnel	25(c)(ii)	400	354
Purchase of materials and services from related parties of key management personnel	25(c)(iii)	11	37

25c(i) The fees and charges charged to entities controlled by key management personnel were on an arm's length basis in accordance with the schedule of fees and charges adopted by Council. The total disclosed includes the following:

Fees and Charges charged to KMP or entities controlled by KMP	Details of related party	2018 \$'000
Infrastructure charges	Picabeen Group Pty Ltd (Picabeen) is the Trustee for The Stephens Family Trust, a member of which is the CEO's partner. Picabeen made an application on behalf of the chief executive for a material change of use in accordance with Council's normal terms and conditions.	3
Total		3

25c(ii) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

The Council employs 622 FTEs of which 5 are close family members of key management personnel.

25c(iii) Council purchased the following material and services from related parties of key management personnel. All purchases were at arm's length and were in the normal course of Council operations.

	2018 \$'000	2017 \$'000
Slashing Services	5	-
Fabricate/Install Sign Rails with Adjustable Hooks	2	-
Bus Hire - Miles/Chinchilla to Dalby	1	-
Goods sold on consignment to Moonie Regional Tourist Centre	3	3
Supply and Install of Steps at the Brigalow Pump Stand	-	8
Machinery Servicing	-	26
Total	11	37

(d) Transactions with Related Parties that have not been disclosed

Most of the entities and people that are related parties of Council live and operate within the Western Downs Region.

Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties.

Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

Western Downs Regional Council


General Purpose Financial Statements
for the year ended 30 June 2018

Management Certificate for the year ended 30 June 2018

These General Purpose Financial Statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) and other prescribed requirements.

In accordance with Section 212(5) of the Regulation, we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulations 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 44, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Paul McVeigh

MAYOR

15-10-2018



Ross Musgrove

CHIEF EXECUTIVE OFFICER

15/10/18



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Western Downs Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Western Downs Regional Council (the Council).

In my opinion, the financial report:

- a) gives a true and fair view of the Council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended;
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in the Western Downs Regional Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and the long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the current year financial sustainability statement.



In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Council for the financial report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Council is also responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the Council or to otherwise cease operations of the Council.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.



- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- I received all the information and explanations I required.
- In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Patrick Flemming
as delegate of the Auditor-General

16 October 2018

Queensland Audit Office
Brisbane

Western Downs Regional Council

Current Year Financial Sustainability Statement

for the year ended 30 June 2018

	Actual 2018	Target 2018
--	----------------	----------------

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets.

Performance Indicators

1. Operating Surplus Ratio

<u>Net Result (excluding capital items)</u>	9.74%	0 - 10%
Total Operating Revenue (excluding capital items)		

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset Sustainability Ratio

<u>Capital Expenditure on the Replacement of Assets (renewals)</u>	70.55%	more than 90%
Depreciation Expense		

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

Over the previous five (5) years, Council's Asset Sustainability Ratio averaged 172.81% due to an extensive capital replacement program brought about by flood recovery of the road network and the end of life of water and sewerage treatment assets. Consequently, Council's assets are relatively new and Council did not meet this statutory target in 2017-18. Council has only a minor backlog in its capital maintenance program. Council has adequate cash to meet any backlog maintenance and unplanned capital maintenance over the forthcoming years.

3. Net Financial Liabilities Ratio

<u>Total Liabilities less Current Assets</u>	-76.67%	less than 60%
Total Operating Revenue (excluding capital items)		

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Western Downs Regional Council

Current Year Financial Sustainability Statement

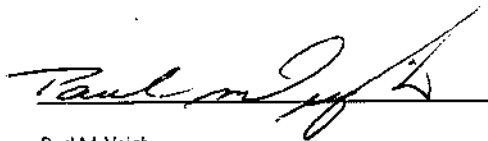
for the year ended 30 June 2018

Certificate of Accuracy

for the year ended 30 June 2018

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this Current-Year Financial Sustainability Statement has been accurately calculated.



Paul McVeigh

MAYOR

15 OCT 2018



Ross Musgrove

CHIEF EXECUTIVE OFFICER

15 OCT 2018



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Western Downs Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Western Downs Regional Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Western Downs Regional Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Western Downs Regional Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.



In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.



I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

A handwritten signature in dark ink, appearing to read "P. Flemming", is written over a light blue rectangular background.

16 October 2018

Patrick Flemming
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Western Downs Regional Council

Long-Term Financial Sustainability Statement

prepared as at 30 June 2018

Western Downs Regional Council Financial Management Strategy

The strategy comprises 4 main platforms:

1. Revenue Generation

Council implements a rates and charges regime not generally seen as onerous on ratepayers, businesses and individuals.

2. Services Delivered

The services delivered by Council are regularly reviewed and are delivered in a financially sustainable manner having regard to sound procurement and expenditure management practices.

3. Disciplined Asset Management and Investment

Council regularly reviews its asset base and manages its assets in a manner which optimises its investment over the long-term.

4. Prudent Financial Management

Council maintains a Moderate credit rating with QTC as this provides Council with the necessary discipline and flexibility in managing its business and provides Council adequate capacity to manage shocks and the ups and downs of an economic cycle.

Council achieves this by:

- Establishing and maintaining sound governance processes.
- Over the long-term (i.e. 10 years), achieving a cumulative operating surplus before capital grants and subsidies with more years having an operating surplus than years with an operating loss
- Considering the various options to deliver Council services and capital works. While outsourcing may represent the best option, this needs to be considered in the context of the impact on employment in the region and the level of market competition.
- Regularly reviewing the asset base to determine the future need for these assets and, if needed, utilising the optimal replacement and upgrade strategy.
- Considering the various options for delivery of the capital program including whole of life costs.
- Weighting a preference to local contractors/firms as this better ensures the long-term sustainability of the region.
- Utilising borrowings, where necessary, to fund revenue producing assets and, in limited circumstances, non-revenue earning assets where there is a significant community need.
- Maintaining borrowing terms that are shorter than the estimated life of the asset.
- Ensuring the maintenance of capital is the priority when making financial investments.

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

Key Assumptions

Council, in developing its Long Term Financial Sustainability Forecast, has utilised the following key assumptions:

- Inflation
 - Inflation is expected to be 2.5% over the forecast period. This is consistent with the midpoint of the Reserve Bank's preferred inflation outcome. Current 5, 7 and 10-year Commonwealth government bond rates indicate that inflation is unlikely to be a concern.
- Rateable Property Growth
 - No rateable property growth is forecast. While the Queensland Government Statistician's Office expects population growth to average 0.3% per annum to 2036, no growth in rateable properties has been included in the forecast. This is because population growth and rateable property growth is expected to be patchy. Any rateable property growth would therefore be positive to Council's financial outcomes as this growth is not likely to require any investment in additional trunk infrastructure.
 - General Rates are forecast to grow by 1.5% in 2019/20 and by 0.4% above inflation for the remainder of the forecast period.
 - Water, Sewerage, Waste and Gas Utility charges are forecast to grow by 1.5% in 2019/20 and by 0.4% above inflation for the remainder of the forecast period.
 - Fees and charges Revenue are forecast to grow by 1.5% in 2019/20 and by 0.4% above inflation for the remainder of the forecast period.
- Expenditure
 - Employee growth of -0.9% due to employee attrition.
 - Employee Benefits indexed at 0.5% per annum above inflation from 2019/20.
 - Materials and Services Costs to grow by inflation over the forecast period.
- Capital Expenditure
 - Indexed at forecast inflation over the forecast period.

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets.

Council measures its performance against this strategy through the following statutory measures:

1. Achieving an **Operating Surplus Ratio** of 1% (legislative requirement 0%-10%)
2. Maintaining an **Asset Sustainability Ratio** of 90%.
3. Maintaining a **Net Financial Liabilities Ratio** of less than 40% (legislative requirement less than 60%)

Statutory Measures of Financial Sustainability

	Target	Actual 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
1. Operating Surplus Ratio												
Net Result (excluding capital items)		9.74%	1.06%	0.97%	1.48%	1.85%	2.06%	2.42%	2.77%	3.11%	3.46%	3.80%
Total Operating Revenue (excluding capital items)	0 - 10%											
An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.												
2. Asset Sustainability Ratio												
Capital Expenditure on the Replacement of Assets (renewals)	> 90%	70.55%	79.76%	78.97%	73.12%	71.36%	75.38%	77.04%	76.40%	76.56%	75.96%	74.75%
Depreciation Expense												
An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.												

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

	Target	Actual 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
--	--------	----------------	------	------	------	------	------	------	------	------	------	------

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets	< 60%	-76.67%	-66.58%	-73.42%	-81.63%	-88.43%	-96.55%	-104.46%	-109.86%	-115.41%	-121.09%	-127.51%
Total Operating Revenue (excluding capital items)												

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

In addition to these statutory ratios, Council also utilises the following ratios to assist in better understanding its long-term sustainability.

1. Cash Cover of Operating Expenses

Cash and investments	> 4 Months	1.5	9.7	10.5	11.5	12.4	13.3	14.3	15.0	15.7	16.5	17.3
Operating expenses (inc. depreciation)												

Indicates the extent to which Council can meet its operating and capital expenditure commitments without receiving any form of revenue and without having to borrow.

2. Council Controlled Revenue Ratio

Council Controlled Revenue	> 60%	65.24%	66.56%	66.42%	66.60%	66.86%	67.14%	67.39%	67.62%	67.89%	68.14%	68.37%
Total Operating Revenue (excluding capital items)												

Operating revenue that Council controls through its own decision-making as a percentage of total operating revenue.

3. Remaining Useful Life of Assets Ratio

Property, Plant and Equipment	30-40 Years	37.0	35.6	35.5	35.4	35.3	35.1	35.0	34.8	34.7	34.6	34.5
Depreciation												

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

Operating Surplus Ratio

The Operating Surplus Ratio is forecast to range between 1.06% and 3.80% over the forecast period. Council's targeted outcome is a surplus of 1.0%. The Budgeted Operating Surplus Ratio for financial year 2018/19 will reduce to negative 5.58% if an adjustment to Budgeted Operating Revenue is made for the \$8.983million received in June 2018 from the Commonwealth with respect to 2018/19 Financial Assistance Grant Program (Grant). The Accounting Standards require the 2018/19 Grant to be treated as revenue in the year in which it is received rather than the year to which it relates. This ratio may not be impacted, if for the third successive year, the Grant for the 2019/20 year is received in advance in 2018/19. The receipting of the 2018/19 Grant in 2017/18 has a positive impact on the 2017/18 Operating Surplus Ratio, however the prepayment of the 2018/19 Grant offsets the receipt in 2016/17 of the 2017/18 Grant.

The major risk to Council's operating surplus is a reduction in revenue. Generally, rates and utilities charges revenue is not normally at risk, however, because of the region's unique circumstances there is a component of this revenue that is at risk. Council has not factored any rateable property growth in its forecasts even though the State's Statistician forecasts average rateable property growth of 0.9% per annum out to 2036. In addition, Council's low relative rating regime for residential and rural ratepayers provides Council with flexibility if there is a decline in rates and utility charges from other areas.

Economic forecasts and Commonwealth bond rates indicate that inflation is unlikely to be a significant issue over the forecast period. If inflation increased significantly, Council would look at ways to reduce its expenditure and apply higher increases to its Rates and Utilities Charges. Currently, Council has a very moderate rating regime for residential and rural ratepayers.

Asset Sustainability Ratio

Council's Asset Sustainability Ratio varies between 71.4% and 79.78% over the forecast period, which is below the 90% benchmark. During the 5 year period 1 July 2012 to 30 June 2017, Council's Asset Sustainability Ratio averaged 172.81% due to flood recovery work and the need to replace critical infrastructure. As a consequence of this large capital maintenance and replacement program, Council's assets are relatively new and therefore the requirement for capital maintenance and replacement over the forecast period is significantly less than the legislative benchmark. Council has a relatively minor asset maintenance backlog and this will not increase over the forecast period. Council is forecasting its cash surpluses to grow by \$142.7 million and is, therefore, confident that it will be able to meet any future and unforeseen, capital maintenance and replacement commitments.

Net Financial Liability Ratio

Council's Net Financial Liability Ratio remains very strong over the forecast period increasing from -76.6% at 30 June 2018 to -127.6% by 30 June 2027. Council has an excellent capacity to deal with adverse shocks and urgent uncommitted funding requirements. It also has excellent capacity to borrow if needed.

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

Cash Cover Ratio (Council Benchmark 4 months)

Council's Cash Cover Ratio increases from 11.5 months at 30 June 2018 to 17.3 months at 30 June 2028. This indicates that Council has a strong capacity to meet its operating and capital expenditure obligations as well as any emergency expenditures.

Council Controlled Revenue Ratio

Council's Controlled Revenue Ratio varies between 66.3% and 67.7% based on Queensland Treasury Corporation's definition of own sourced revenue. Council believes that the definition of own sourced revenue should be extended to include Interest Income and Sales of Services. If these were included, the Ratio would increase to 84.18% in 2018-19 and remains at this level over the remainder of the forecast period. This indicates Council has a strong capacity to control its revenue.

Remaining Useful Life of Assets Ratio

The Remaining Useful Life of Asset Ratio varies between 34.5 years and 37.0 years. This ratio is in line with expectations for a local government and results in an appropriate level of depreciation expense.

Western Downs Regional Council

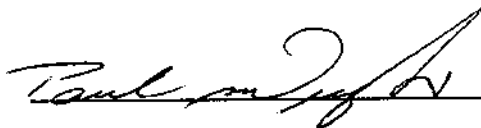
Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2018

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Paul McVeigh

MAYOR

15 OCT 2018



Ross Musgrove

CHIEF EXECUTIVE OFFICER

15 OCT 2018

