

ANNUAL REPORT

1 July 2016 to 30 June 2017



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 and Twitter
4. Email Council at: info@wdrc.qld.gov.au
5. Write to us, addressing all correspondence to:

Western Downs Regional Council
PO Box 551
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Customer Service Centre Locations

Local Communities – Local Service

Chinchilla — 80-86 Heeney Street
Dalby — 30 Marble Street
Jandowae — 22 George Street
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Distribution

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

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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 2016/17 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 2016/17 financial year against the 2013–2017 Corporate Plan, 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 eight theme areas that were identified in the Western Downs 2050 Community Plan, and which created a clear link between Council's strategic priorities and the needs and expectations of our local communities:

- Effective and Inclusive Governance
- Healthy Living
- Innovation and Economic Success
- Healthy Natural Environment
- Enriched Communities
- Welcoming Communities
- Balanced Growth
- Accessible and Connected Places

Alignment to these eight strategic themes 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 Council — 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 our 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 Financial Statements that detail Council's financial position for the year ending 30 June 2017.

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CHAPTER 1:

SETTING THE SCENE



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 has approved five (5) large scale solar power developments totalling more than 640 Mega Watts. There are additional development applications under assessment and numerous other projects at the pre-lodgement phase. More than 1,100 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 187 persons in the year to June 2016, representing a 0.55% increase from 2015. The past five years has seen the region's residential population grow at an average annual rate of 1.5%. Our residential population is expected to increase to 40,349 persons over the period to 2036, an average annual growth rate of 0.8%.



Despite a reduction in labour force, the region maintains one of the lowest unemployment rates (4.1% as at March 2017) in Queensland, and remains significantly lower than the averages for Queensland (6.3% as at June 2017).

Approximately 39% of employed residents in the Western Downs work in agriculture, forestry and fishing, retail and construction industries.

Economy

Construction now makes the largest contribution to the regional economy, comprising 19% of the region’s \$2.7 billion Gross Regional Product (GRP) in 2015/16, followed by agriculture, forestry and fishing (18%), Electricity, Gas, Water and Waste Services (13%), and Mining (12%).

Despite the recent contraction in direct expenditure of the mining and resources sector, the economy of the Western Downs region has grown at an average annual rate of 3.6% over the past five years.

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.

“Approximately 39% of employed residents in the Western Downs work in agriculture, forestry and fishing, retail and construction industries.”

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, 35 residential dwellings were approved to be built in the Western Downs at a total value of approximately \$10 million, in the 12-month period to June 2017.

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 Themes

The services, projects and initiatives that we committed to delivering are in response to the priority strategies devised under the following eight Strategic Themes, of the 2013-17 Corporate Plan:



The Corporate Plan was purposefully aligned with the themes expressed in the Western Downs 2050 Community Plan, ensuring delivery of a shared vision and creating local communities that our residents are proud of. Each of the eight Strategic Themes are explained in Chapter 4 of this report, on page 26.



Community Financial Report

What is a Community Financial Report?

The Community Financial Report aims to simplify our official Financial Statements by providing a visual representation of our financial performance for the period 1 July 2016 to June 2017.

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

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Financial Sustainability Measures

Significant achievements include:

- Delivered an Operating Surplus of \$16.728 million which reduces to \$7.728 million if an adjustment is made for the June 2017 receipt of Financial Assistance Grants of \$9.0 million from the Commonwealth for the 2017/18 year.
- Reduced recurrent expenditure by \$8.8 million including savings in employee costs and materials and services costs.
- Completed capital works totalling \$69.3 million.

Statement of Comprehensive Income

The Statement of Comprehensive Income measures Council's performance in relation to income and expenses during the financial year, and illustrates how money received from Council operations is spent.

Comparative Trend Analysis

Revenue and Expenditure - Recent Results \$'000

Financial Year	2014/15	2015/16	2016/17
Recurrent Revenue	152,564	145,124	152,938
Recurrent Expenditure	143,506	145,006	136,210
Operating Surplus	9,058	118	16,728

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

Our Operating Surplus is positively impacted by \$9.0 million in Commonwealth Financial Assistance Grants for 2017/18 being received in June 2017. These funds, which are Council's share of goods and services tax receipts, will be appropriately applied to provide the community with services in 2017/18. However the accounting standards

require that Government grants must be treated as income in the year in which they are received rather than in the year to which they relate.

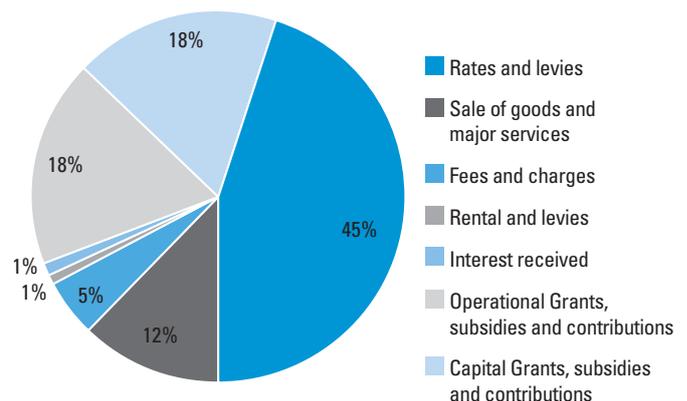
Revenue Sources - Where does our money come from?

This year we received \$152.9 million in recurrent revenue and \$34.0 million in capital revenue.

Significant contributors to the recurrent revenue stream include:

- Rates, levies, and utility charges \$83.0 million
- Operational grants, subsidy contributions, and donations \$34.0 million
- Sale of major services \$21.5 million
- Fees and charges \$8.8 million
- Rental and levies \$1.9 million, and Interest received \$2.7 million.

SOURCES OF REVENUE



Executive Summary of Key Highlights

In 2016/17 our total revenue increased by \$7.8 million, due mainly to increases in rates and utility charges and receipt of the previously mentioned Financial Assistance Grants for 2017/18 of \$9.0 million more than offsetting reduction in other grants, subsidies and contributions of \$7.5 million.

Expenditure - Where does the money go?

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

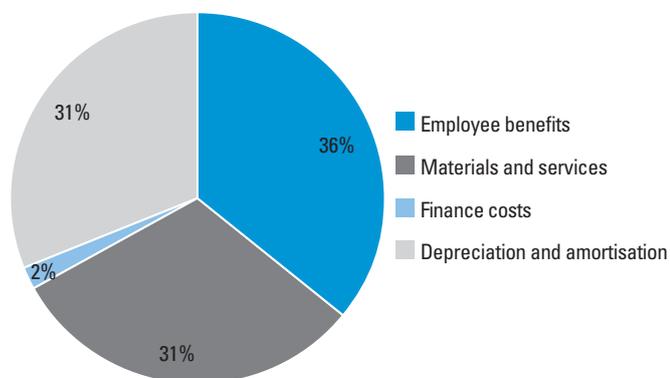
Depreciation expense is that component of our assets' (ie roads, bridges, buildings etc) service potential or life that is utilised over the course of the year.

In 2016/17 our operational expenditure decreased by \$8.8 million, due mainly to savings in finance costs as a result of paying off \$37.3 million debt in the 2015/16 financial year as well as reducing employee costs and materials and services costs slightly.

Significant expenditure items during the 2016/17 financial year include:

- Recurrent or day to day expenditure of \$136.210 million comprising
 - Employee costs of \$49.367 million
 - Materials and services costs of \$41.928 million, and
 - Depreciation and amortisation of \$42.727 million
- Capital expenses of \$14.1 million mainly relating to the renewal of road and bridge infrastructure

DAY-TO-DAY EXPENDITURE



Statement of Financial Position

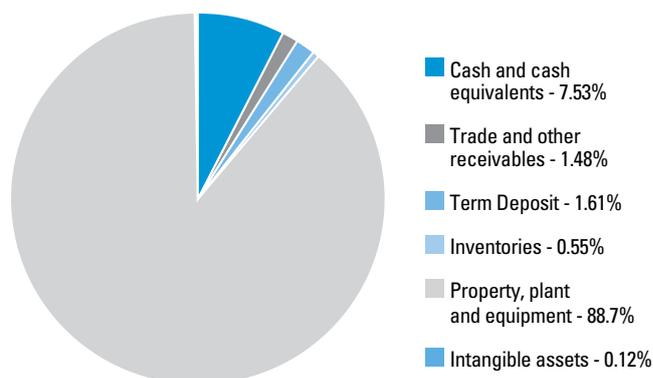
The Statement of Financial Position measures what we own (our assets) and what we owe (our debts), resulting in our net worth at the end of the financial year.

Our Assets

The major components of our assets include:

- Property, plant and equipment \$1.506 billion
- Cash and cash investments \$89.1 million, and
- Trade and other receivables \$36.47 million.

ASSETS 2016/17

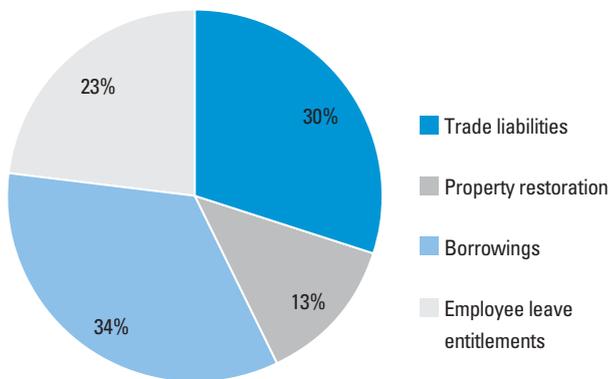


Our Liabilities

The major components of our liabilities include:

- Loans \$18.1 million
- Trade payables \$15.6 million
- Employee leave liabilities \$12.1 million, and
- Provision to restore Council's quarries and landfills \$7 million.

LIABILITIES 2016/17

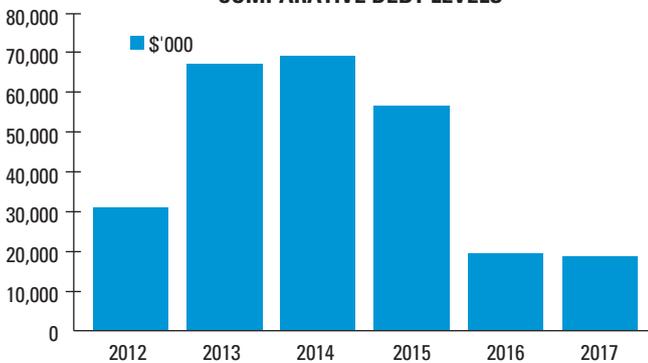


Our Debt

Like many other local governments across Queensland, Western Downs Regional Council utilises loan borrowings to fund the construction of infrastructure to service the needs of our community.

We achieved a negative Net Financial Liabilities Ratio of 51.80%. This result indicates that Council has current assets that exceed total liabilities and is in a very sound liquidity position.

COMPARATIVE DEBT LEVELS



Our Net Worth

We slightly increased (by \$28 million) our net worth which means that we are able to maintain our service delivery capability.

Our Net Worth \$'000s

Financial Year	2014/15	2015/16	2016/17
Assets	1,508,026	1,609,627	1,638,792
Liabilities	93,898	51,337	52,863
Community Equity (balance)	1,414,128	1,558,290	1,585,929

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 \$28 million was due to the net result of \$37.5 million, which includes our operating profit of \$16.728 million, with an offset being some minor devaluations of assets of \$9.9 million.

Statement of Cashflows

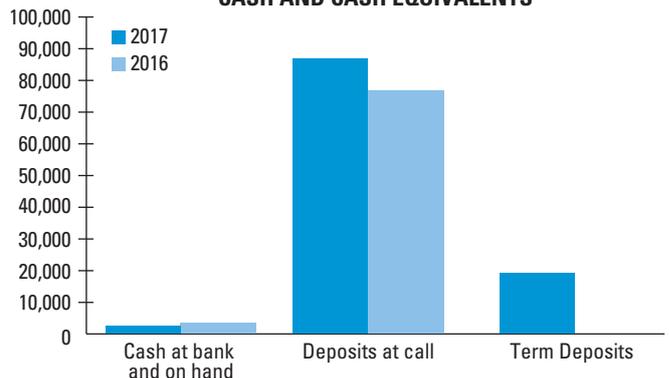
The Statement of Cashflows shows how changes in our assets and liabilities and income affect cash and cash equivalents.

Our cash balance remained sound due to a net increase in cash for the year of \$9.3 million. If the term deposit is included the net increase in cash grows to \$28.3 million.

The growth in cash is a result of net cash generated from our day to day operations of \$60.8 million together with capital grants, subsidies and donations of \$34.0 million being significantly greater than the funding required for capital works of \$69.3 million.

At 30 June 2017, we had adequate cash to meet 9 months of operating and capital expenditure.

CASH AND CASH EQUIVALENTS



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 2017 against key financial ratios are listed below:

Ratio	Benchmark	16-17 Result Current
Operating surplus ratio	between 0% and 10%	10.94%
Asset sustainability ratio	greater than 90%	98.18%
Net financial liabilities ratio	not greater than 60%	-51.84%
Average useful life	Between 30 and 40 years	33 years
Council controlled revenue ratio	>60%	60.06%
Cash cover of operating expenses ratio	>4 months	7.9 months

The financial sustainability measures indicate that we are in a healthy financial position with all benchmarks being met.

The most important ratio is the operating surplus ratio of 10.94% which indicates, that as a local government, we are in a very healthy financial position. Even once an adjustment is made, with respect to the prepayment of the 2017/18 Financial Assistance Grants, we remain in a healthy financial position. If an adjustment for the \$9.0 million prepayment is made, the operating surplus ratio would still be a healthy 5.05%.

The Council controlled revenue ratio measures the extent to which we control our revenue decisions as opposed to external parties. This ratio is also impacted by the prepayment of the 2017/18 Financial Assistance Grant. If an adjustment for this grant was made, the ratio would improve to 63.81%.



Your Rates at Work

The following infographic depicts what our community received for their rates. In 2016/17, every \$100 of your rates and utilities charges was invested back into our local communities in the following way:

LEGEND

- IN MY HOME**
- DIRECTLY OUTSIDE MY HOME**
- WIDER COMMUNITY**

\$3.66
Corporate and Executive Services*

\$2.57
Environment & Health & Natural Resources



\$0.59
Disaster Management

\$1.09
Economic Development and Strategic Planning

\$7.12
Waste Collection and Management

\$0.56
Cemeteries

\$0.88
Footpaths

\$18.02
Utilities – Water and Wastewater

\$2.20
Pools and Sporting Fields

\$1.89
Tourism

\$1.71
Planning, Building and Plumbing Services

\$1.23
Aged Care and Health Services

\$40.96
Roads and Bridges

\$1.63
Stormwater Drainage

\$4.10
Facilities

\$2.10
Libraries

\$0.53
Streetlighting

\$3.33
Community, Cultural and Youth Programs

\$5.83
Parks and Showgrounds

Note: The above figures are based on recurrent expenditure excluding internal expenses. However, depreciation expenses are included and are invested into the replacement and management of Council assets.
*Includes Executive and Councillors

CHAPTER 2:

YOUR COUNCILLORS



Mayor's Message

It is with a real sense of pride and enthusiasm that I reflect on my first full year as Mayor of Western Downs Regional Council and the achievements of this Council during 2016/17 that have added to the great lifestyle enjoyed by our communities.

Right across the region there's a palpable energy of optimism and renewed community spirit on show. It's rewarding to see our residents and visitors alike embrace Council's vision, as we continue to look ahead, capture opportunities and innovate into our delivery of key community projects.

This commitment to doing things better has seen the completion of capital projects totalling \$69.3 million, enriching the liveability of our communities with essential infrastructure like the state-of-the-art Chinchilla Water Treatment Plant and community assets such as the revitalised Myall Creek Parklands. We've kept our eye on the bigger picture and we are continuing to invest in the things that matter to our communities as well as meeting the needs of our growing region.

Boasting an unemployment rate that is the envy of almost every region in Queensland, our 33,500 residents enjoy the liveability and opportunity our region provides. Development and investment across various sectors over the past year have further maintained these opportunities.

We know that there's no better place to live and work than in the Western Downs, and we're making sure that the rest of Australia does too.

“Boasting an unemployment rate that is the envy of almost every region in Queensland, our 33,500 residents enjoy the liveability and opportunity our region provides. ...”

Affordability and Lifestyle

Western Downs' residents enjoy the benefits of modern country living, with all the convenience at an affordable price tag. Data from the 2016 Census speaks for itself, showing our region has an average house price of \$230,000.

Aligning with Council's drive for innovation and economic success, we have continued to foster the traditional pillars of our economy being manufacturing, agriculture and intensive agriculture. We are also ensuring the groundwork for a diverse and resilient economy is built on with further developments across the four pillars of energy: coal, gas, wind and solar.

Through strategic investment, facilitation and advocacy Western Downs Regional Council will continue to build capacity for the sustainable growth of our prosperous region.

Large retail developments such as Bunnings and ALDI, show Council's commitment to balancing the convenience of modern liveability of our communities and the prosperity of our diverse businesses and industries.

Our strategy to be the Energy Capital of Australia has also paid dividends and the Western Downs is emerging as the place of choice for renewable energy investment with Council approving 5 solar farms that combined will produce more than 640MW of clean, green energy. This wave of renewable energy investment brings with it significant economic benefits, including business stimulus and more than 1,000 projected jobs.

Strong Performance

Our commitment to good governance and excellent financial management resulted in Council achieving an operating surplus for the fourth consecutive year. The Community Financial Report, shown on page 8, details our performance against financial sustainability ratio targets set by the State Government which indicates our very sound financial position.

Council also has a strong cash and investment position which ensures that Council has more than adequate capacity to meet any emergencies, and the challenges associated with renewing and upgrading infrastructure in the years ahead.

In fact, Western Downs Regional Council is widely recognised as one of the best performing local governments in Queensland with our FutureFit approach and dedication to excellence being recognised externally through national, state and industry awards.



Mayor:
Councillor Paul McVeigh
Portfolio - Executive Services

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Mobile: 0408 700 392

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Regional Pride

It is this recognition which gives credence to the exemplary work of our Council team, and continues to build towards my vision of being the number one recognised region in Queensland.

Our sense of community pride distinguishes the Western Downs from any other region in Queensland, and contributes to our dearly held values that lend this region such liveability and richness.

With strong foundations in place, it is with confidence and aspiration we set our sights to the future of this great region.

Thank you to our communities, both small and large, for continuing a proud tradition of innovation, friendliness, economic prosperity and richness of character for which I believe we can all be immensely proud.

I also give thanks to my Councillors who work tirelessly to exemplify and foster the work life balance of regional living, leadership and advocacy as well as to inspire community pride and a love of living in the Western Downs.

Cr Paul McVeigh
Mayor
Western Downs
Regional Council



Meet your Councillors for the 2016-2017 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.



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Councillor Paul McVeigh**
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Statutory Information

– Councillors Governance

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.

There were no Standing Committees during 2016/17; however numerous 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, and the only item of business that may be conducted at these meetings is 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 2017/18 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 2016 to 30 June 2017.

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 2016 to 30 June 2017

Councillor	Ordinary Meetings Attended	Special Meetings Attended
Cr Paul McVeigh (Mayor)	12 of 12	2 of 2
Cr Andrew Smith (Deputy Mayor)	12 of 12	2 of 2
Cr Greg Olm	11 of 12	2 of 2
Cr Ian Rasmussen	12 of 12	2 of 2
Cr Carolyn Tillman	12 of 12	2 of 2
Cr Ray Brown	11 of 12	2 of 2
Cr Donna Ashurst	9 of 12	2 of 2
Cr Kaye Maguire	12 of 12	2 of 2
Cr Peter Saxelby	12 of 12	2 of 2

There were no attendances via teleconference for the year.

Particular Resolutions

One resolution was made under section 250(1) related to the adoption or amendment of the Councillor Expenses Reimbursement Policy for this financial year, occurring at Council's Ordinary Meeting held 14 December 2016. A copy of the resolution is available by following this link on our website: <http://www.wdrc.qld.gov.au/about-council/councillors-connect/council-meetings/2016-ordinary-meetings/>

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 2016 to 30 June 2017

Councillor	Remuneration	Superannuation - 12%	Expenses Incurred	* Facilities Provided
Cr Paul McVeigh (Mayor)	123,240	14,789	\$18,181	\$20,352
Cr Andrew Smith (Deputy Mayor)	77,166	9,260	\$11,229	\$20,352
Cr Greg Olm	65,676	7,881	\$2,704	\$20,352
Cr Ian Rasmussen	65,676	7,881	\$8,255	\$20,352
Cr Carolyn Tillman	65,676	7,881	\$1,802	\$20,352
Cr Ray Brown	65,676	7,881	\$5,898	\$20,352
Cr Donna Ashurst	65,676	7,881	\$4,772	\$20,352
Cr Kaye Maguire	65,676	7,881	\$5,955	\$20,352
Cr Peter Saxelby	65,676	7,881	\$2,915	\$20,352
Totals:	660,138	79,216	\$61,711	\$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 3 complaints received during the 2016/17 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)	3
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)	0
Orders of reprimand for inappropriate conduct	Section 181	0

CHAPTER 3:

THE ORGANISATION



CEO's Message

This Annual Report represents the final year of achievement against our 2013 - 2017 Corporate Plan and what an incredible year it has been for Western Downs Regional Council, as evidenced by our extensive Performance Outcome Highlights listed from page 27 to page 31.

With the hard-yards of planning behind us and having built an agile and responsive Council, 2016/17 has been all about delivery and making a real difference to the communities in which we live and serve.

Strong Economies = Strong Communities

With the economic strength of our region intrinsically linked to the vibrancy and liveability of our local communities, we've proactively facilitated investment that's right for our region and created opportunities to attract business investment.

The adoption of our new regional Western Downs Planning Scheme was the catalyst to streamlining our development assessment processes in order to cut red tape without cutting corners, improve customer service and boost developer engagement.

As a result, Western Downs Regional Council now has one of the most modern and progressive Planning Schemes in Queensland and has achieved the best assessment

timeframes in the State. Our customer service approach and quick turnarounds has seen investor confidence soar and cemented our reputation as a region that's 'Open for Business'.

As well as improving the region's economic outcomes, we've renewed our focus on tourism by adopting key strategies to optimise tourism opportunities, experiences and events. From supporting home-grown regional events like the record-breaking 2017 Chinchilla Melon Festival to helping promote local community events via our 'Western Downs Invites You' advertising initiative.

We also remain at the forefront of emergent technology which goes hand-in-hand with our culture of innovation. By hosting the inaugural Dalby Drone Forum as well as a Senate inquiry into drone technology, the Western Downs is now positioned as the 'Home of the Drones'.

A FutureFit Organisation

As an organisation we've grown in confidence and capability, which I believe is best illustrated by our improved financial performance and continued operating efficiencies. On the back of a suite of financial reforms, we recorded a healthy surplus for 2016/17 and reduced recurrent expenditure by \$8.8 million.

Our people have embraced the challenge of finding innovative ways to do more with less without sacrificing customer service. Empowering staff to be part of the solution is a key element of our FutureFit culture, and this year our Innovation Lab became a permanent part of Council's structure.

We've also continued to invest in the development of our people with new grass-roots programs like Grow@Work, for example. This unique and cost-effective program gives our high potential employees the opportunity to gain new skills and experience by working in another area of Council.

Our commitment to Safety First remains strong with initiatives to create safer workplaces, like the new employee-led Drug and Alcohol Screening Program, translating into an outstanding safety record which in turn has led to a reduction in our workers compensation premium.

I'm proud of the culture of innovation and excellence that our people have achieved 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 and liveable regions.

I thank our entire Council team for working together to make a real and lasting difference to the communities of the Western Downs.

Ross Musgrove
Chief Executive Officer



"...Western Downs Regional Council now has one of the most modern and progressive Planning Schemes in Queensland and has achieved the best assessment timeframes in the State."

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 2013 - 2017 Corporate Plan addressed not only the community's long-term vision for the Western Downs, but also long-term State and Regional Planning policies, with its' strategic priorities.

The Chief Executive Officer and Executive Team were 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 quarterly Operational Plan Review, and annually to the community via this Annual Report.

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.

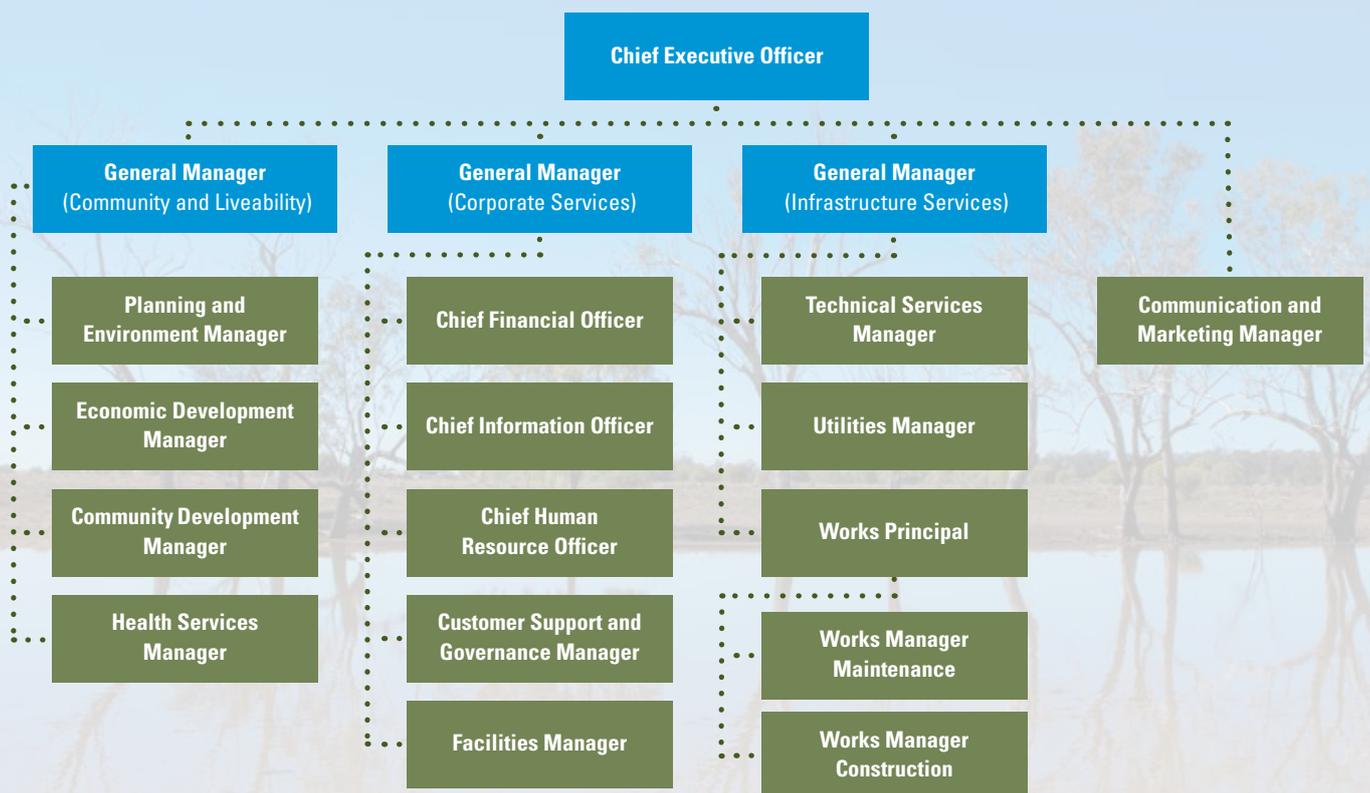
Western Downs Regional Council is structured into the following four divisions:

- 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 were responsible for the areas 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 2017



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 2016/17, 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 24 'National Competition Policy' of the Financial Statements, on page 77.

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 2016/17 financial year totalled \$1,161,334. 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 one Council officer travelled overseas in an official capacity. The Officer, Scott Peut General Manager (Corporate Services) travelled to Colorado Springs, USA to attend the Centre for Creative Leadership - Leadership at the Peak from 24 to 28 April 2017. The cost of the overseas travel, including flights, accommodation, transfers and meals was \$5,796.63.

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. More streamlined reporting in line with the Queensland Ombudsman's guidelines has also been implemented.

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 2016/17 are listed in the table below.

The number of administrative action complaints made to Council	28
The number of administrative action complaints resolved by Council under the complaints management process	28
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

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 the 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 2016/17 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;
- Ongoing monitoring of tendering and procurement;
- Review of Council's fraud management framework;

- Procurement audit;
- Purchase card transactions audit;
- Review of corporate planning process in Council;
- Audit of gas billings and reconciliation;
- Payroll review – aged care facilities;
- Ongoing monitoring of leave and absenteeism reporting;
- Follow up audits on Queensland Audit Office procurement audit;
- Internal reviews on customer complaints and internal investigations.

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 Peter McKinnon (who resigned in June 2017). 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 2016/17:

- Mr Don Licastro – Chair
- Mr Peter McKinnon – External Member
- 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 three times during the year, examined draft financial statements, and reviewed reports presented by management and by internal and external auditors.

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 2016 to 30 June 2017, as audited by the Auditor-General, can be found in Chapter 5 of this Report, on page 35.

For the Current-Year Financial Sustainability Statement as well as the Long-Term Financial Sustainability Statement for 2016/17, please refer to the 'Other Financial Statements' section of the Financial Statements, on pages 86 and 90 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 83 and 88 respectively.

Community Financial Report

A simplified version of Council's financial performance for the period 1 July 2016 to 30 June 2017, as reported in our audited Financial Statements, is provided in the Community Financial Report in Chapter 1 of this Report, on page 8 to 12.

Grants to Community Organisations

Donations and grants paid to community organisations for the year totalled \$752,000.

Rates Rebates and Concessions

During 2016/17 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 \$426,106 and community organisation concessions of \$389,958 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, Levies and Charges', on page 45.

Changes to Council Tenders

No invitations to change tenders in accordance with the *Local Government Regulation 2012*, were requested during the 2016/17 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. Expenditure was approximately \$4,500.

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 above, 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 24 under "National Competition Policy, on page 77.

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 2016/17:

- a. Waste Management;
- b. Water;
- c. Washdown Bays;
- d. Dalby Regional Saleyards.

3. Adopt the Dividend Policy, and subsequently apply Dividend payments from the following businesses during the financial year 2016/17:

- a. Gas;
- b. Commercial Works;
- c. Sewerage;
- 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 pages 32 and 33.



CHAPTER 4:

REPORTING THE ORGANISATION'S PERFORMANCE



Council's Strategic Direction

The Western Downs Regional Council's 2013 – 2017 Corporate Plan is the strategic business plan for Council that addressed the community's long-term vision for the region into measurable actions. The Corporate Plan provided the link between our community's needs and expectations, as identified in the Western Downs 2050 Community Plan (WD2050), and Council's operational activities.

The Community Plan was developed with extensive community consultation, so adopting the same eight theme areas created a recognisable connection between Council's operations and the achievement of a shared vision for the region.

As Council is just one key stakeholder in the delivery of WD2050, the things Council is responsible for, or contributes to, were identified and prioritised under each of the strategic theme areas; and then priority strategies under each of the themes were identified, to guide Council's operations for the term of this Corporate Plan.

Effective and Inclusive Governance was purposefully placed first, containing the nine priority strategies that describe the central business philosophies driving Council as an organisation. This theme area relates to all functional areas of the organisation, ensuring better governance of our region by way of effectively managing the business.

Western Downs Regional Council was committed to the delivery of services, projects and initiatives in response to the priority strategies devised under the following eight Strategic Themes: ➔

Measuring Our Success

Alignment to these eight strategic themes flowed into Council budgets and operational plans, ensuring our delivery of a shared vision for the Western Downs region. Our performance against agreed operational work priorities and targeted budgets for each financial year was measured quarterly.

This Annual Report provides our community and key stakeholders with a broad overview and assessment of our performance for the 2016/17 financial year against 2013-2017 Corporate Plan. 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 Theme 1: EFFECTIVE AND INCLUSIVE GOVERNANCE

Western Downs Regional Council can be relied on to govern its communities and manage its business with strategic vision, equity, transparency, collaboration and financial responsibility.

Strategic Theme 2: ENRICHED COMMUNITIES

The communities of the Western Downs are enriched through the provision of relevant facilities, essential as well as social services targeted to the needs of our growing region.

Strategic Theme 3: HEALTHY LIVING

The people of the Western Downs enjoy the benefits of a healthy and active lifestyle within safe and inclusive communities.

Strategic Theme 4: WELCOMING COMMUNITIES

The unique character and identity of the people and towns of the Western Downs will be promoted and celebrated both within our region and beyond.

Strategic Theme 5: INNOVATION AND ECONOMIC SUCCESS

Through strategic investment, facilitation and advocacy Western Downs Regional Council will continue to build capacity for the sustainable growth of our prosperous region.

Strategic Theme 6: BALANCED GROWTH

A balanced and responsible approach to the continued growth of our region will promote sustainable development that enhances the liveability of our communities and the prosperity of our diverse businesses and industries.

Strategic Theme 7: HEALTHY NATURAL ENVIRONMENT

The region's natural environment and key ecosystems including flora, fauna, waterways, wetlands, and areas of cultural significance are managed through the mitigation of the impacts of development, population growth and climate change.

Strategic Theme 8: ACCESSIBLE AND CONNECTED PLACES

The Western Downs region will continue to develop accessible transport systems and advocate for improved telecommunications to connect our people, businesses and industries locally, regionally, nationally and globally.

Performance Outcome Highlights 2016/17

Strategic Theme 1: EFFECTIVE AND INCLUSIVE GOVERNANCE

Strategic leadership and a shared vision deliver an accountable, sustainable and performance oriented business

- Council's Safety First culture continues to grow. Of the 13,008,996 hours worked this year, only 3,111 hours were lost through injury. This outstanding result also saw a reduction in our workers compensation premium, achieving savings of approximately \$100,000.
- An employee-led Drug and Alcohol screening program was introduced to minimise workplace accidents by ensuring all staff are 'fit for duty'.
- Our Early Career Program was revamped with the goal of recruiting and supporting high potential employees and as a result we employed 41 apprentices and trainees, the traineeship program expanded to 20, the work experience program doubled, and six bursaries were awarded to high achieving Year 12 students.
- The GROW @ Work program was launched in February 2017, placing six high potential employees in placements across Council allowing them to experience working in another area and gain new skills. The new initiative develops internal talent while building the capability of our people.
- Council adopted its new one-page, outwardly focused Corporate Plan for 2017-2022. This open and transparent plan for the future provides community and staff a clear picture of what success will look like under the four Strategic Priority areas.
- Re-engagement of Council's Asset Management Steering Committee achieved the implementation of industry leading advanced asset management plans across Council's transport, utilities, waste, fleet and facilities functions. These new plans not only inform asset management and prioritisation practices, they have contributed to the delivery of over \$1 million in savings.
- A range of innovative financial management and budgeting tools, smart procurement practices and a better understanding of risk, resulted in an improved financial performance and operating result for 2016/17, including a record operating surplus in excess of \$7.7 million (\$16.728 million less \$9 million early receipt of Commonwealth Financial Assistance Grants).
- Significant investment in ICT has improved staff efficiencies for both white and blue collar workers.
 - Providing remote sites with new equipment reduced computer related downtime; and
 - Providing WIFI in all Council depot car parks improved mobility and efficiency for work crews;
 - Upgrade of our core enterprise wide financial management and records systems improved access to information and effective decision making.
- Council undertook an Enterprise Risk Review across the organisation, resulting in the identification of six core strategic risks to be monitored, reviewed, managed and reported on by the relevant risk owners.
- Leading Procurement Practice:
 - 24 procurement panel arrangements were implemented, ensuring quicker and more competitive procurement combined with lower overall risk exposure to Council;
 - Corporate card use increased by 234% over the prior year, benefitting suppliers who got paid the next day rather than waiting 30 days, and reducing internal transaction processing costs.

Performance Outcome Highlights

Strategic Theme 2: ENRICHED COMMUNITIES

Providing facilities and services for people to live, learn, grow and connect

- The \$1.2 million Myall Creek Parklands Revitalisation project was completed, greatly improving the amenity of the area with new footpaths, lighting, and playgrounds. The beautification works received a 60% subsidy of \$740,790 under the Queensland Government's Local Government Grants and Subsidies Program.
- A feasibility study and community consultation with key stakeholders informed the development of a Draft Master Plan for the Chinchilla Botanic Parklands project for budget consideration in the 2017/18 financial year.
- Council's Accelerated Utilities Capital Works Program was finalised with delivery of the Chinchilla Water Treatment Plant. The facility was built at a cost of \$17 million, \$9.5 million under the original budget thanks to proactive engagement with designers to deliver innovative solutions.
- As part of Council's Waste Infrastructure Strategy, the new Winfields Road Landfill commenced operation enabling the closure of three smaller landfills that had reached capacity. This facility will provide the Western Downs community with a modern and responsible waste disposal facility to meet future demand.
- Council's utilities infrastructure performed well throughout the year, ranking one of the best in the State:
 - No sewerage overflows and only one major sewer blockage that was repaired;
 - Only five breaks or chokes per 100 km of sewerage mains is well below the State median of 11.4 and a great outcome considering the region's soil conditions;
 - Only nine water quality complaints (per 1,000 properties) and 26.3 breaks per 100 km of water mains is a sound result given the latent soil conditions in the region; and
 - No responses were outside of our benchmark of 120 minutes.
- Council secured \$2.6 million as part of the Queensland Government's Works for Queensland program to upgrade existing infrastructure and deliver key community projects across the region.
- Libraries delivered 1,184 public programs (up by 34%), to 15,153 attendees (up by 40%). Programs delivered were 432 hours of Lifestyle and Learning programming; 175 hours of Digital Literacy programs; 597 hours of Early and Family Literacy programs; 132 hours of Multicultural programs and 95 hours of Youth programs. Our Libraries, with State Government funding, developed a Regional Reference Group network to deliver early childhood and family public programs to 7,780 attendees across 660 sessions, 93 of which were in partnership with community.
- The John Mullins Memorial Art Gallery @ Dogwood Crossing in Miles hosted the third annual Western Downs Regional Artists' Exhibition (Between the Lines). The exhibition is a collaborative project featuring 28 works from 24 local artists, with representatives from the region's three main art galleries collaborating to organise the exhibition on a rotational annual basis. Also - our region-wide 'One Million Stars to End Violence' project to raise awareness and contribute to the Commonwealth Games installation was enthusiastically supported across our communities, more than doubling our original goal of 10,000 stars, to 22,525 stars!

Strategic Theme 3: HEALTHY LIVING

Encouraging Community participation in health and wellbeing initiatives

- Council's Aged Care and Community Care Services met the Home Care Standards: 3 Standards / 18 Outcomes following review by the Australian Aged Care Quality Agency.
- Council distributed funding of \$752,000 by way of grants, donations and rebates on rates and water charges to support community groups deliver projects, host events and achieve their goals.
- A new online grants platform SmartyGrants was implemented. The user-friendly process makes it easier for applicants to apply, and has also streamlined the acquittal process.
- Council became an accredited Duke of Edinburgh's International Award Program host, launching its inaugural youth development program to give young people an opportunity to connect, develop new skills, explore new places and meet new friends while preparing them for life and work.
- Council partnered with 'My Community Directory' to bring our community a comprehensive list of services, not-for-profits and community groups in the Western Downs area via a free online directory.
- Disaster management - two Local Disaster Management Group meetings and two disaster preparedness exercises held.

Strategic Theme 4: WELCOMING COMMUNITIES

Western Downs is more than just a place to live, attracting visitors and retaining residents through events that celebrate our communities

- 34,099 visitors were welcomed to the Western Downs by our helpful staff and volunteers at Visitor Information Centres in Chinchilla, Dalby and Miles.
- Council supported the delivery of Major Events in the region, including the hugely successful Chinchilla Melon Festival that attracted record crowds of 15,000 people.
- \$845,978 in funding under the Western Downs Tourism Investment Project was approved for tourism and marketing projects - a joint initiative with Origin Energy.
- 7,845 people attended 15 Anzac Day events across the Western Downs.
- A record attendance of 2,561 people celebrated Australia Day with activities held across the region.
- 496 students participated in our most successful Western Downs Youth Week ever, with circus themed events held in 6 community venues across the region.
- As part of a new initiative to support local community groups to better promote their events, Council launched its "Western Downs Invites You" marketing campaign featuring a dedicated Facebook page, online calendars, radio advertising and a monthly event wrap-up distributed via email and displayed as posters across our local communities.

Performance Outcome Highlights

Strategic Theme 5: INNOVATION AND ECONOMIC SUCCESS

Strategic and innovative investment decisions will create business and industry opportunities that are commercially sustainable

- Council adopted innovative new Economic Development and Tourism Strategies that directly address the strategic priorities as outlined in the 2017-22 Corporate Plan and drive a renewed focus on enhancing and enabling economic development and tourism opportunities across the Western Downs.
- Western Downs is 'Open For Business' with our Development Assessment Team achieving the best assessment timeframes in the State with new streamlined processes that cut red tape without cutting corners. Reviewed and improved development conditions as well as a proactive approach to developer engagement, has slashed timeframes and boosted customer service.
- At the forefront of supporting and embracing emergent technology, Western Downs is now positioned to become the 'Home of the Drones':
 - September 2016, Council hosted the inaugural Dalby Drone Forum in conjunction with the UAV Challenge, and in partnership with the Queensland Department of State Development and Regional Development Australia; and
 - March 2017, Council hosted the Senate's Rural and Regional Affairs and Transport References Committee Inquiry into Unmanned Aerial Vehicle (UAV) or drone technology.
- Delivering on its commitment to buy locally, Council held its first Regional Procurement Road show ahead of the release of its 2016/17 Work Packages. The road show gave local business and industry the opportunity to continue to grow as well as contribute to the long-term economic sustainability of our region.
- Council completed \$5.9 million of commercial works this year and achieved its best margin to date of 21% as a result of greater use of cost plus contracts and better management of fixed price projects.
- The 'Year Ahead Economic Development Update' series was held once again in collaboration with regional Chambers of Commerce and Industry to promote investment priorities and activities in the Western Downs.

Strategic Theme 6: BALANCED GROWTH

Plan and deliver strategic infrastructure and services to meet the current and future needs of the region whilst managing our natural economic success

- Council adopted its new Western Downs Planning Scheme in March 2017. This modern Planning Scheme replaced six individual Planning Schemes for the region thereby streamlining planning and development processes. The new Planning Scheme is a vital tool for Council to promote, enable and facilitate economic development across the region.
- Cementing its reputation as the Energy Capital of Queensland, Western Downs continued to ride high on the renewable energy wave approving five Solar Farms this year alone that will generate a combined 640 mega watts of power. These new projects also bring significant employment opportunities and stimulate the local economy.
- Demonstrating the retail confidence in the Western Downs economy, multi-national brands Bunnings and Aldi had applications approved to develop new retail stores in Dalby.

Strategic Theme 7: HEALTHY NATURAL ENVIRONMENT

Manage and protect our natural environment for the generations of today and into the future

- Stage 1 of Council's Solar Implementation program was completed with solar panels installed in 12 Council facilities across the region. Delivered significantly under budget at a cost of \$510,000, the project will continue to achieve operational savings in electricity of \$175,000 per annum.
- Proving the value of coordinated pest control measures that bring Council, landholders, and Natural Resource Management together, Council's Rural Service Team won the LGMA Award for Excellence in Collaboration for their outstanding 2016 Pest Management - Feral Pig Eradication Program.
- Council's Rural Services Team leads the way in Vertebrate Pest Monitoring and Program evaluation. Motion cameras, solar technology and the establishment of partnerships, sees the Rural Services team demonstrating 'localised' pest impacts and the success that can be achieved through coordinated control programs. The ability to identify 'trends' in pest animal populations and behaviors at a localised level is a major achievement within local government - and shows that our pest management programs really do make a difference.
- The Rural Services and NRM Team continue to work in collaboration with the Bunya Peoples Aboriginal Corporation and the crew of Murri Rangers who actively manage Russell Park. This partnership has been instrumental in enhancing visitor experience with upgrades to signage, walking tracks, amenities and lookout areas; as well as protecting the endemic biodiversity values the park has, such as the Bunya grasslands.
- Council's management of the region's water and sewerage utilities resulted in responsible, environmentally friendly outcomes with complaints about quality at a minimum (well under benchmark, and creditable considering the region's underlying soil conditions).

Strategic Theme 8: ACCESSIBLE AND CONNECTED PLACES

Plan, construct, maintain and advocate for efficient transport and communication infrastructure

- The Works Department was restructured to achieve a regional focus that means work is now functionally allocated rather than by district. This has increased efficiency by enabling efforts to be directed on the region's higher need projects, increased plant utilisation, and improved culture.
- As part of our Works Ten Year Capital Works Program:
 - 51.6 km of sealed roads was constructed;
 - 550 km of road was gravel sheeted;
 - 48 km of road was resealed;
 - Two bridges were replaced, with another two bridge replacements commenced; and
 - Through better use of resources and planning, we achieved a negligible rise of 0.27% in construction costs compared with the industry standards of up to 7%.
- Council transformed a significant \$356,000 operational deficit in 2015/16 into a \$354,000 profit at the Miles Aerodrome by implementing leaner business practices and contracting a new Airport Services Manager.
- Final works on the \$4.5 million Chinchilla Aerodrome Rehabilitation Project were completed with the construction of sealed stop ways at the facility. The project will significantly improve the reliability and safety of the facility for aircraft and regular users of the Aerodrome.
- Through better fleet utilisation Council's fleet operations returned a profit of 20%, compared to the benchmark of 9%, despite average plant hire rates reducing by 12%. This excellent result was achieved through better control over operating costs, a 38% reduction in gross fleet value which improved average utilisation, and a greater capacity to move fleet across the region.

Further Individual and Team Outcomes for 2016/17

- Our Customer Contact Centre won the 2016 National Customer Service Excellence Award (National Local Government Customer Service Network Inc.)
- Our Engineering Team won the 2016 Institute of Public Works Engineering Australasia Queensland (IPWEAQ) Excellence Award in Road Safety for its CBD Road Safety Review Project from 42 other nominations.
- Council's Acting Technical Services Manager Steven Forbes was awarded the 2016 Technical Officer of the Year at the 2016 IPWEAQ awards.
- Our cadet Technical Officer Shalika Low was named a finalist in the IPWEAQ's Women in Engineering Award.

Assessment Summary of Our Performance

An informed assessment of how Council performed in 2016/17 against each of the priority strategies expressed in the 2013 - 2017 Corporate Plan, 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 2016/17 financial year:



ACHIEVED



ON TARGET



NEEDS IMPROVEMENT



SCHEDULED LATER IN CORPORATE PLAN CYCLE

Strategic Theme 1: EFFECTIVE AND INCLUSIVE GOVERNANCE

WDRC can be relied on to govern its communities and manage its business with strategic vision, equity, transparency, collaboration and financial responsibility.

- | | | |
|-----|---|--|
| 1.1 | We put safety first to ensure safe and healthy workplaces. | |
| 1.2 | We support and empower a team that respects the organisational values which drive us forward. | |
| 1.3 | We are a customer service focused organisation. | |
| 1.4 | We partner and engage with our communities and key stakeholders through two-way communication. | |
| 1.5 | Asset Management and service standards are key drivers of our organisation's strategic decision making. | |
| 1.6 | Strategic planning and an effective governance framework guide our performance driven and accountable organisation. | |
| 1.7 | Robust financial management achieves sustainable and accountable fiscal governance. | |
| 1.8 | The application of technology advances our operational efficiency. | |
| 1.9 | Our Risk Management approach reduces Council's exposure to negative impacts without limiting innovation. | |

Strategic Theme 2: ENRICHED COMMUNITIES

The communities of the Western Downs are enriched through the provision of relevant facilities, essential as well as social services targeted to the needs of our growing region.

- | | | |
|-----|--|--|
| 2.1 | Our infrastructure and essential services meet the needs of our communities. | |
| 2.2 | Our communities are participative, learned and culturally connected. | |

Strategic Theme 3: HEALTHY LIVING			
The people of the Western Downs enjoy the benefits of a healthy and active lifestyle within safe and inclusive communities.	3.1	Social and recreational services encourage community health and wellbeing.	
	3.2	Strategic partnerships provide facilities and services that address the social needs of our communities.	
	3.3	Strategic partnerships keep our communities safe and ready to respond to and recover from disasters.	
Strategic Theme 4: WELCOMING COMMUNITIES			
The unique character and identity of the people and towns of the Western Downs will be promoted and celebrated both within our region and beyond.	4.1	The Western Downs Region attracts visitors to play and stay.	
	4.2	The Western Downs Region is promoted as a welcoming place to live and grow.	
Strategic Theme 5: INNOVATION AND ECONOMIC SUCCESS			
Through strategic investment, facilitation and advocacy Western Downs Regional Council will continue to build capacity for the sustainable growth of our prosperous region.	5.1	Our commercial enterprises are sustainable and build capacity within our organisation and the community.	
	5.2	Innovative economic development strategies support regional growth.	
Strategic Theme 6: BALANCED GROWTH			
A balanced and responsible approach to the continued growth of our region will promote sustainable development that enhances the liveability of our communities and the prosperity of our diverse businesses and industries.	6.1	The sustainable development of our region is informed by strategic policy and planning instruments.	
	6.2	Infrastructure supports the sustainable development of our region.	
Strategic Theme 7: HEALTHY NATURAL ENVIRONMENT			
The region's natural environment and key ecosystems including flora, fauna, waterways, wetlands, and areas of cultural significance are managed through the mitigation of the impacts of development, population growth and climate change.	7.1	We are a climate smart organisation.	
	7.2	Our natural environment is protected and managed to maintain community wellbeing.	
Strategic Theme 8: ACCESSIBLE AND CONNECTED PLACES			
The Western Downs region will continue to develop accessible transport systems and advocate for improved telecommunications to connect our people, businesses and industries locally, regionally, nationally and globally.	8.1	Our transport infrastructure meets the needs of our growing community.	
	8.2	Strategic partnerships will deliver efficient and safe local, regional and national transport systems and effective regional telecommunications.	

CHAPTER 5:

FINANCIAL REPORTING



Western Downs Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Western Downs Regional Council

General Purpose Financial Statements

for the year ended 30 June 2017

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Western Downs Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Income from Continuing Operations			
<i>Revenue</i>			
<i>Recurrent Revenue</i>			
Rates, Levies and Charges	3a	83,046	72,528
Fees and Charges	3b	8,801	10,229
Rental Income		1,908	1,755
Interest and Investment Revenue	3c	2,663	3,577
Sales of Goods and Major Services	3d	21,498	23,118
Other Income		999	1,395
Grants, Subsidies, Contributions and Donations	4a	34,023	32,522
Total Recurrent Revenue		152,938	145,124
<i>Capital Revenue</i>			
Grants, Subsidies, Contributions and Donations	4b	33,968	33,968
Total Revenue		186,906	179,092
Capital Income	5	887	637
Total Income (Continuing Operations)		187,793	179,729
Expenses from Continuing Operations			
<i>Recurrent Expenses</i>			
Employee Benefits	6	49,367	49,768
Materials and Services	7	41,928	43,980
Finance Costs	8	2,189	8,630
Depreciation and Amortisation		42,726	42,628
Total Recurrent Expenses		136,210	145,006
Capital Expenses	9	14,047	14,646
Total Expenses (Continuing Operations)		150,257	159,652
Operating Result (Continuing Operations)		37,536	20,077
Net Result		37,536	20,077
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	(9,897)	124,085
Total Other Comprehensive Income		(9,897)	124,085
Total Comprehensive Income		27,639	144,162

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

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Western Downs Regional Council

Statement of Financial Position

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	10	89,142	79,792
Trade and Other Receivables	11	36,471	14,126
Inventories	12	6,536	8,632
Total Current Assets		132,149	102,550
Non-Current Assets			
Trade and Other Receivables	11	-	8
Property, Plant and Equipment	13	1,505,165	1,505,711
Intangible Assets		1,478	1,358
Total Non-Current Assets		1,506,643	1,507,077
TOTAL ASSETS		1,638,792	1,609,627
LIABILITIES			
Current Liabilities			
Trade and Other Payables	14	19,741	16,077
Borrowings	15	1,292	1,232
Provisions	16	5,307	5,823
Total Current Liabilities		26,340	23,132
Non-Current Liabilities			
Borrowings	15	16,777	18,029
Provisions	16	9,746	10,176
Total Non-Current Liabilities		26,523	28,205
TOTAL LIABILITIES		52,863	51,337
Net Community Assets		1,585,929	1,558,290
COMMUNITY EQUITY			
Asset Revaluation Reserve	17	673,014	682,911
Retained Surplus		912,915	875,379
Total Community Equity		1,585,929	1,558,290

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

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Western Downs Regional Council

Statement of Changes in Equity

for the year ended 30 June 2017

	Notes	Asset Revaluation Reserve \$'000	Retained Surplus \$'000	Total Equity \$'000
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
2016				
Opening Balance		558,826	855,302	1,414,128
Net Operating Surplus for the Year		-	20,077	20,077
Other Comprehensive Income	17	124,085	-	124,085
Total Comprehensive Income		124,085	20,077	144,162
Equity Balance as at 30 June 2016		682,911	875,379	1,558,290

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

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Western Downs Regional Council

Statement of Cash Flows

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		145,062	144,253
Payments to Suppliers and Employees		(85,708)	(93,786)
		59,354	50,466
Receipts:			
Interest Received		2,663	3,577
Payments:			
Interest Expense		(1,221)	(8,485)
Net Cash - Operating Activities	22	60,796	45,558
Cash Flows from Investing Activities			
Receipts:			
Sale of Property, Plant and Equipment		3,637	1,276
Grants, Subsidies, Contributions and Donations		33,968	33,968
Other Investing Activity Receipts		-	15,000
Payments:			
Purchase of Investment Securities		(19,000)	-
Purchase of Real Estate Assets		569	(81)
Purchase of Property, Plant and Equipment		(69,308)	(68,936)
Payments for Intangible Assets		(120)	125
Net Cash - Investing Activities		(50,254)	(18,648)
Cash Flows from Financing Activities			
Payments:			
Repayment of Borrowings and Advances		(1,192)	(37,263)
Net Cash Flow - Financing Activities		(1,192)	(37,263)
Net Increase/(Decrease) for the year		9,350	(10,353)
plus: Cash and Cash Equivalents - beginning		79,792	90,145
Cash and Cash Equivalents - closing	10	89,142	79,792

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

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Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017. 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 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 25.

Western Downs Regional Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Council will implement them when they are effective.

These standards are not expected to have a material impact upon 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. Council has reviewed the standard and believes these resultant changes will be insignificant.

AASB 16 *Leases* are effective from 1 January 2019. AASB 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on 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, therefore it expects that the impact on the financial statements will be immaterial.

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.

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

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

- Valuation and depreciation of Property, Plant & Equipment - Note 13
- Impairment of Property, Plant and Equipment - Note 13
- Provisions - Note 16.

(1.e) Rounding and Comparatives

The financial statements are in Australian dollars that have been rounded to the nearest \$1,000 unless otherwise indicated.

(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'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

The Council pays payroll tax to the Queensland Government on certain activities.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

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 commercial works as requested.

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 2017

Note 2(b). Analysis of Results by Function

(b) 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				
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	-	396	-	-	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	182,360
Sewerage Infrastructure	-	7,437	1,578	-	9,015	(6,167)	(161)	(6,328)	1,270	2,687	117,087
Gas	-	2,891	8	-	2,899	(2,853)	(29)	(2,882)	38	17	10,913
Dalby Regional Saleyards	-	2,970	50	-	2,970	(2,299)	(10)	(2,309)	521	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

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				
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General Operations	32,522	66,707	29,994	-	129,223	(90,020)	(13,228)	(103,248)	9,209	25,975	1,262,091
Wash Bay Operations	-	295	-	-	295	(712)	-	(712)	(417)	(417)	878
Commercial Works	-	11,776	-	-	11,776	(10,190)	-	(10,190)	1,586	1,586	-
Waste Management	-	5,236	2,932	110	8,278	(10,076)	(292)	(10,368)	(4,840)	(2,090)	17,098
Water Infrastructure	-	10,950	614	-	11,464	(13,803)	(732)	(14,535)	(2,953)	(3,071)	174,401
Sewerage Infrastructure	-	6,512	428	-	6,940	(8,504)	(120)	(8,624)	(1,992)	(1,694)	118,254
Gas	-	3,139	-	-	3,139	(1,864)	(28)	(1,892)	1,275	1,247	8,722
Dalby Regional Saleyards	-	3,119	-	-	3,119	(2,444)	(213)	(2,657)	675	462	17,873
Quarries	-	4,968	-	527	5,495	(7,393)	(33)	(7,426)	(2,425)	(1,931)	10,310
Total	32,522	112,602	33,968	637	179,729	(145,006)	(14,646)	(159,652)	118	20,077	1,609,627

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Revenue Analysis

	2017 \$'000	2016 \$'000
(a) Rates, Levies and Charges		
Rates are recognised as revenue during the period in which they relate. Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue during the rating period in which it relates.		
General Rates	64,200	58,975
Special Rates	87	68
State and Rural Fire Levy	(149)	(169)
Water	4,748	4,122
Water Consumption, Rental and Sundries	6,387	6,076
Sewerage	7,663	6,991
Waste Management	4,564	4,088
Total rates and utility charge revenue	87,500	80,151
Less: Discounts	(4,028)	(7,213)
Less: Pensioner remissions	(426)	(410)
TOTAL RATES, LEVIES AND CHARGES	83,046	72,528
(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	3,682	4,939
Waste Disposal Fees	1,490	1,421
Water Sales	1,091	1,371
Town Planning Application Fees	406	518
Animal Registration Fees	429	352
Other	1,703	1,628
TOTAL FEES AND CHARGES	8,801	10,229
(c) Interest and Investment Revenue		
Interest received from term deposits is accrued over the term of the investment.		
Interest on Cash Investments	2,113	3,066
Interest Received from Other Sources	161	175
Interest from Overdue Rates and Utility Charges	389	336
TOTAL INTEREST AND INVESTMENT REVENUE	2,663	3,577

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Revenue Analysis (continued)

	2017 \$'000	2016 \$'000
(d) Sale of Goods and Major Services		
<p>The sale of goods is recognised when the customer takes delivery of the goods. Revenue from services is recognised when the service is rendered.</p> <p>Revenue for saleyard services and contract work is recognised in the accounting period in which the services are rendered.</p> <p>Revenue from the sale of gas and quarry items is recognised upon transfer of the risks and rewards of ownership to the customers, generally when the customer has taken undisputed delivery of goods.</p>		
Sale of services		
Contract and Recoverable Works	7,402	11,934
Saleyard Services	2,920	3,119
Total Sale of Services	10,322	15,053
Sale of goods		
Gas	2,868	3,097
Quarry Sales	8,308	4,968
Total Sale of Goods	11,176	8,065
TOTAL SALES REVENUE	21,498	23,118

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.

In June 2017, Council received \$8.986 million from the Commonwealth with respect to the 2017/18 Financial Assistance Grants. This receipt of these grants has increased grants subsidies, contributions and donations and as a consequence also has had a positive impact on the operating result for the year.

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 2017

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

Notes	2017 \$'000	2016 \$'000
(a) Recurrent		
General Purpose Grants	26,380	17,772
State Government Subsidies and Grants	5,854	6,386
Contributions	1,789	8,364
TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	34,023	32,522

(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.

Monetary revenue designated for Capital Funding Purposes:

State Government Subsidies and Grants	15,067	16,246
Contributions	13,404	12,488
	<u>28,471</u>	<u>28,734</u>

Non-Monetary revenue received:

Developer Assets Contributed by Developers at Fair Value	5,497	5,234
	<u>5,497</u>	<u>5,234</u>

TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	33,968	33,968
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Note 5. Capital Income

(a) Gain/(loss) on disposal of non-current assets

Proceeds from the Disposal of Property, Plant and Equipment	3,637	1,476
Less: Book Value of Property, Plant and Equipment Disposed	13 (3,202)	(1,057)
	<u>435</u>	<u>419</u>

(b) Capital Income

Discount Rate Adjustment to Restoration Provision	16 452	491
	<u>452</u>	<u>491</u>
Gain on Revaluation of Inventory	-	36
Other Capital Income	-	110
TOTAL CAPITAL INCOME	887	637

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 6. Employee Benefits

	Notes	2017 \$'000	2016 \$'000
Wages and Salaries		41,634	40,964
Annual, Sick and Long Service Leave Entitlements		7,334	8,328
Superannuation	20	5,231	5,347
Councillors' Remuneration		685	816
		<u>54,884</u>	<u>55,455</u>
Other Employee Related Expenses		1,731	1,447
		<u>56,615</u>	<u>56,902</u>
Less: Capitalised Employee Expenses		(7,248)	(7,134)
TOTAL EMPLOYEE BENEFITS		<u><u>49,367</u></u>	<u><u>49,768</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	297
State Award Staff	345	356
Total full time equivalent employees	<u>649</u>	<u>662</u>

Note 7. Materials and Services

Advertising	263	282
Audit Fees	192	175
Consultancy Services	1,652	1,840
Diesel and Fuel	2,854	3,304
Donations and Grants Paid	752	800
Insurance	1,446	1,447
Legal Fees	737	646
Purchase of Gas	1,831	1,035
Rates and Utilities	3,705	2,813
Rentals - Operating Leases	808	645
Repairs and Maintenance - Roads and Bridges - Materials	2,751	4,180
Repairs and Maintenance - Roads and Bridges - Services	1,479	1,188
Revaluation of Land for Resale (Classified as Inventory)	587	1,599
Services - Contractors	21,636	22,154
Telecommunications	116	113
Other	1,119	1,759
TOTAL MATERIALS AND SERVICES	<u><u>41,928</u></u>	<u><u>43,980</u></u>

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Finance Costs

	Notes	2017 \$'000	2016 \$'000
Finance costs - Queensland Treasury Corporation		1,008	8,461
Bank Charges		213	204
Impairment of Receivables and Bad Debts Written Off		852	(180)
Quarry - change in present value over time		20	32
Refuse Sites - change in present value over time		91	106
Gravel Pits - change in present value over time		5	7
TOTAL FINANCE COSTS		2,189	8,630

Note 9. Capital Expenses

Restoration of Land	16	19	202
Loss on Revaluation of Inventory		-	2
Loss on Disposal of Non-Current Assets		-	158
Loss on Write-Off of Capital Assets (refer below)		14,028	14,284
TOTAL CAPITAL EXPENSES		14,047	14,646

Loss on Write-Off of Capital Assets

Loss on Write-Off of Assets

Land		20	124
Site Improvements		157	1,022
Buildings		838	3,820
Plant and Equipment		480	133
Furniture and Fittings		16	10
Road and Bridge Network		11,406	7,289
Water		924	657
Sewerage		158	120
Stormwater		-	1,039
Gas Infrastructure		29	28
Heritage Assets		-	38
Intangible Assets		-	4
		14,028	14,284

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 10. Cash, Cash Equivalents and Investments

	2017 \$'000	2016 \$'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 a minor risk of changes in value, and bank overdrafts.		
Cash at Bank and on Hand	2,226	3,307
Cash Equivalent Assets		
- Deposits at Call	86,916	76,485
Total Cash and Cash Equivalents	89,142	79,792

Council's Cash and Cash Equivalents are subject to a number of internal and 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	1,477	1,354
Unspent Developer Contributions	1,226	1,980
Unspent Loan Monies	-	486
Total External Restrictions	2,703	3,820

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 2017

Note 11. Trade and Other Receivables (continued)

	2017 \$'000	2016 \$'000
Current		
Rateable Revenue and Utility Charges	2,570	1,627
Fees and Charges	11,285	11,025
GST Recoverable	632	331
Loans and Advances to Community Organisations	-	53
Accrued Revenues		
- Other Income Accruals	2,984	808
Prepayments	915	684
Term Deposits	19,000	-
Total	37,386	14,528
less: Provisions for Impairment - Receivables	(915)	(402)
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	36,471	14,126
Non-Current		
Loans and Advances to Community Organisations	-	8
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	-	8
<p>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.</p>		
<p>Movement in provision for impairment:</p>		
Opening Balance at 1 July	(402)	(669)
Debts written off during the year	339	415
Additional impairments recognised	(968)	(193)
Impairments reversed	116	45
Closing Balance at 30 June	(915)	(402)

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Inventories

	2017	2016
	\$'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	2,509	3,974
Stores and Materials	2,028	2,090
	<u>4,537</u>	<u>6,064</u>

(b) Land Purchased for Development and Sale

	<u>1,999</u>	<u>2,568</u>
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TOTAL CURRENT INVENTORIES

	<u>6,536</u>	<u>8,632</u>
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Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13. Property, Plant and Equipment

30 June 2017	Measurement Basis		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	Fair Value														
	57,658	57,658					76,237	540							41,362	118,139
Opening Gross Balance - at Cost																
Opening Gross Balance - at Fair Value	57,658	57,658					76,237	540	1,084,942	211,067	157,245	69,011	14,122	12,945	41,362	1,831,525
Opening Gross Balance	57,658	57,658					76,237	540	1,084,942	211,067	157,245	69,011	14,122	12,945	41,362	1,949,664
Additions*	-	-					-	-	-	381	1,333	12	-	-	-	63,949
Contributed Assets	-	-					-	-	3,661	-	-	-	-	-	-	5,496
Disposals	-	-					(8,953)	-	-	-	-	-	-	-	-	(8,953)
Write-offs	(20)	(20)					(1,380)	(67)	(17,776)	(2,289)	(172)	-	(46)	-	-	(23,115)
Revaluation Decrements to Equity (ARR)																
Revaluation Increments to Equity (ARR)																
Work in Progress Transfers	735	735					5,675	42	32,441	2,932	373	1,036	205	210	(51,282)	1,581
Transfers from/(to) Held for Sale category																
Transfers from/(to) Intangible Assets																
Transfers from/(to) Other Transfers																
Adjustments and Other Transfers							(81)	-	(207)	-	-	-	-	-	(17)	(17)
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	46,312					71,448	515	1,103,061	212,081	158,779	54,447	14,405	13,155	-	1,834,720
Plant and Equipment - at Fair Value	46,312	46,312					71,448	515	1,103,061	212,081	158,779	54,447	14,405	13,155	-	1,834,720
Total Gross Value of Property, Plant and Equipment	46,312	46,312					71,448	515	1,103,061	212,081	158,779	54,447	14,405	13,155	53,736	1,960,419
Opening Accumulated Depreciation and Impairment							33,798	207	238,700	54,408	42,769	27,791	6,396	3,556	-	443,953
Depreciation Expense							5,441	49	24,909	3,961	2,719	1,221	310	-	-	42,571
Disposals	5,9	5,9					(5,791)	-	-	-	-	-	-	-	-	(5,791)
Write-offs							(911)	(50)	(6,370)	(1,375)	(14)	-	(17)	-	-	(9,087)
Revaluation Decrements to Equity (ARR)																
Revaluation Increments to Equity (ARR)																
Adjustments and Other Transfers																
Total Accumulated Depreciation and Impairment of Property, Plant and Equipment							32,537	206	257,102	56,992	45,474	15,596	4,058	3,829	-	455,254
Total Net Book Value of Property, Plant and Equipment	46,312	46,312					38,911	309	845,959	155,089	113,305	38,851	10,347	9,326	53,736	1,505,165
Other Information																
Range of Estimated Useful Life (years)							0 - 80	7 - 10	10 - 100	20 - 80	12 - 100	50 - 70	30 - 70	Not Depreciated	Not Depreciated	
* Asset Additions Comprise																
Asset Renewals																41,945
Other Additions																22,004
Total Asset Additions																63,949

**For details about the revaluation increments to Equity in the Road and Bridge Network Asset class refer Note 14 Fair Value Measurements

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13. Property, Plant and Equipment

30 June 2016	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	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Cost	\$'000	Cost	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Fair Value	\$'000	Cost	
Measurement Basis		Note																							
Opening Gross Balance - at Cost	58,146		42,102	183,311	74,025	836	1,013,684	166,523	118,034	58,916	12,840	107,908	182,769												
Opening Gross Balance - at Fair Value	58,146		42,102	183,311	74,025	836	1,013,684	166,523	118,034	58,916	12,840	107,908	1,667,663												
Opening Gross Balance													1,850,452												
Additions*													65,259												
Disposals		5.9											5,234												
Write-offs		5.9											(4,207)												
Revaluation Increments to Equity (ARR)		17											(33,002)												
Revaluation Increments to Equity (ARR)		17											(8,755)												
Work in Progress Transfers													76,352												
Transfers from/to Held for Sale category																									
Transfers from/to Intangible Assets																									
Transfers from/to Intangible Assets																									
Adjustments and Other Transfers													(1,660)												
Total Gross Value of Property, Plant and Equipment - at Cost													118,139												
Total Gross Value of Property, Plant and Equipment - at Fair Value													1,831,525												
Total Gross Value of Property, Plant and Equipment													1,949,664												
Opening Accumulated Depreciation and Impairment													479,416												
Depreciation Expense													42,480												
Disposals		5.9											(2,775)												
Write-offs		5.9											(18,720)												
Revaluation Decrements to Equity (ARR)		17											(57,965)												
Revaluation Increments to Equity (ARR)		17											1,517												
Adjustments and Other Transfers																									
Total Accumulated Depreciation and Impairment of Property, Plant and Equipment													443,953												
Total Net Book Value of Property, Plant and Equipment													1,505,711												
Other Information																									
Range of Estimated Useful Life (years)			0 - 60	30 - 100	3 - 20	7 - 10	10 - 100	20 - 80	12 - 100	50 - 70	30 - 70	Not Depreciated	Not Depreciated												
* Asset Additions Comprise																									
Asset Renewals													35,665												
Other Additions												29,594													
Total Asset Additions												65,259													

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where Council holds title or a financial lease over the asset. Council currently does not have any such land holdings.

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 UIG 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 2017

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 at least once every 5 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 2017

Note 13. Property, Plant and Equipment (continued)

13(e) Valuation (continued)

(i) Valuation Process (continued)

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 2)

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 2017

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	
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
2016			
Property, Plant and Equipment			
- Land	57,658	-	57,658
- Site Improvements	-	30,939	30,939
- Buildings			
- Non-Specialised Buildings	5,265	-	5,265
- Specialised Buildings	-	152,042	152,042
- Road and Bridge Network	-	846,242	846,242
- Water Infrastructure	-	156,662	156,662
- Sewerage Infrastructure	-	114,479	114,479
- Stormwater Infrastructure	-	41,222	41,222
- Gas Infrastructure	-	7,725	7,725
- Heritage Assets	-	9,349	9,349
Total Property, Plant and Equipment	62,923	1,358,660	1,421,583

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

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. If Council intends to renew the assets, the amount of value estimated to be preserved in the asset at the time of intervention is recorded as the long-life (recyclable) part and the balance is recorded as the short-life part.

Land (Level 2)

Land fair values were determined by an independent registered valuer, Australis (Qld Reg No. 3002), which undertook a desktop valuation effective 30 June 2017.

Level 2 Valuation Inputs

Market (Direct Comparison) - This has been assessed on the basis of 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 Australia Bureau of Statistics, the Real Estate Institute of Queensland Market Monitor and the Department of Environment and Resource Management (DERM).

Site Improvements (Level 3)

Site Improvement fair values were determined by an independent registered valuer, Australis (Qld Reg No. 3002), which undertook a desktop valuation effective 30 June 2017.

Site Improvements are valued using the cost approach.

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.

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 2017

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 (Qld Reg No. 3002), which undertook a desktop valuation effective 30 June 2017.

Level 2

Market (Direct Comparison) - 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).

Level 3

Cost (Depreciated) – 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.

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 2016/2017.

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.

From this review, Council determined that there were no changes to the values of 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 2017

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.

Council's engineers reviewed the unit rates for the construction of its roads, bridges and footpath assets within the Western Downs region in 2016/17.

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.

From this review, Council determined that there were no changes to the values of its Roads, Bridges and Footpaths network.

The last comprehensive valuation was completed at 30 June 2015.

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.

Stormwater Infrastructure (Level 3)

Stormwater fair values were determined by an independent registered valuer, Australis (Qld Reg No. 2997), which undertook a comprehensive valuation effective 30 June 2017.

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

The valuers used the cost approach to determine the fair value of Council's stormwater infrastructure assets. The inputs used to determine the values were:

- Economic Useful Life Assessment
- Remaining Service Potential Assessment
- Optimised Replacement Cost analysis

Accumulated Depreciation

The lives were measured utilising historical renewal data, regional aggregated data, published failure rates, and supplied data, which were then refined with onsite sample data.

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13. Property, Plant and Equipment (continued)

Gas Infrastructure (Level 3)

Gas Infrastructure fair values were determined by an independent registered valuer, Australis (Qld Reg No. 2997), which undertook a comprehensive valuation effective 30 June 2017.

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

The valuers used the cost approach to determine the fair value of Council's gas infrastructure assets. The inputs used to determine the values were:

- Economic Useful Life Assessment
- Remaining Service Potential Assessment
- Optimised Replacement Cost analysis

Accumulated Depreciation

The lives were initially measured utilising Council supplied data, regional aggregated asset performance data, published failure rates, and supplied data, which were reviewed by Council's engineers. The economic useful lives were varied based on a variety of factors including but not limited to site conditions, asset brand, asset type, model, installation type; climatic environment, usage and maintenance procedures.

The remaining service potential was measured primarily on recent physical condition data for visible assets and chronological construction dates for underground or inaccessible assets. The change in economic useful lives did not have a material impact on the financial result of Council.

(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 2016	177,979
Internal Transfers from WIP	2,554
Write-Offs	(1,055)
Revaluation Adj. to OCI (Asset Revaluation)	2,019
Internal Transfers	(10)
Closing Gross Value as at 30 June 2017	181,487
Opening Accumulated Depreciation and Impairment	25,937
Depreciation Provided in the Period	2,556
Depreciation on Write-Offs	(217)
Revaluation Adjustment to Asset Reval. Surplus	(281)
Internal Transfers	(10)
Accumulated Depreciation as at 30 June 2017	27,985
Closing Book Value as at 30 June 2017	153,502

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 2017

Note 14. Trade and Other Payables

	2017 \$'000	2016 \$'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 generally 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	7,960	3,610
Payments Received in Advance	1,815	3,077
Accruals	5,870	4,505
Annual Leave	3,858	4,617
Other Entitlements	238	268
TOTAL CURRENT TRADE AND OTHER PAYABLES	19,741	16,077

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 2027 to 15 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 at all times.

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

Borrowings are classified as non-current liabilities with the exception of the principle 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 2017

Note 15. Borrowings (continued)

	2017 \$'000	2016 \$'000
Current		
Loans - Queensland Treasury Corporation	1,292	1,232
TOTAL CURRENT BORROWINGS	1,292	1,232
Non-current		
Loans - Queensland Treasury Corporation	16,777	18,029
TOTAL NON-CURRENT BORROWINGS	16,777	18,029
Reconciliation of Loan Movements for the year		
Loans - Queensland Treasury Corporation		
Opening Balance at Beginning of Financial Year	19,261	56,524
Principal Repayments	(1,192)	(37,263)
Book Value at End of Financial Year	18,069	19,261

The QTC loan market value at the reporting date was \$20,332,093.96. 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 2017

Note 16. Provisions

Long service leave

A liability for long service leave is measured as 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.

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 2017

Note 16. Provisions (continued)

	2017	2016
	\$'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:		
<i>Refuse Sites Restoration</i>		
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.		
<i>Quarry Rehabilitation</i>		
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	5,061	5,371
Property Restoration		
Refuse Restoration	224	430
Gravel Pit Restoration	22	22
TOTAL CURRENT PROVISIONS	5,307	5,823
Non-current		
Long Service Leave	3,005	3,301
Property Restoration		
Quarry Rehabilitation	1,258	1,240
Refuse Restoration	5,204	5,337
Gravel Pit Restoration	279	298
TOTAL NON-CURRENT PROVISIONS	9,746	10,176

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 16. Provisions (continued)

Details of movements in Provisions:

Long Service Leave

Balance at Beginning of Financial Year	8,672	8,468
Amount Provided for in the Period	404	1,232
Amount Paid in the Period	(1,010)	(1,028)
Balance at End of Financial Year	<u>8,066</u>	<u>8,672</u>

Quarry Rehabilitation

Balance at Beginning of Financial Year	1,240	1,652
Increase in Provision - due to Unwinding of Discount	20	32
Increase (Decrease) in Estimate of Future Cost	(2)	(444)
Balance at End of Financial Year	<u>1,258</u>	<u>1,240</u>

Quarry rehabilitation

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 \$1,257,699 is expected to be incurred over the years 2032 to 2036.

Refuse Restoration

Balance at Beginning of Financial Year	5,767	5,506
Increase in Provision - due to Unwinding of Discount	92	106
Increase (Decrease) in Estimate of Future Cost	(431)	155
Balance at End of Financial Year	<u>5,428</u>	<u>5,767</u>

Refuse restoration

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 \$5,427,646 is expected to be incurred over the years 2017 to 2040.

Gravel Pit Restoration

Balance at Beginning of Financial Year	320	361
Increase in Provision - due to Unwinding of Discount	4	7
Increase (Decrease) in Estimate of Future Cost	(23)	(48)
Balance at End of Financial Year	<u>301</u>	<u>320</u>

Gravel pit rehabilitation

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 \$301,585 is expected to be incurred over the years 2017 to 2065.

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Asset Revaluation Reserve

	2017	2016
	\$'000	\$'000
Movements in the asset revaluation reserve:		
Balance at beginning of financial year	682,911	558,826
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	(12,060)	(402)
Site Improvements	338	(545)
Buildings	1,441	4,689
Road and Bridge Network	-	36,417
Water	-	52,856
Sewerage	-	28,663
Stormwater	(2,348)	1,850
Gas Infrastructure	2,755	326
Heritage Assets	(23)	231
	13	
	(9,897)	124,085
Balance at End of Financial Year	<u>673,014</u>	<u>682,911</u>

Asset Revaluation Reserve analysis

The closing balance of comprises the following asset categories:

Land	29,826	41,887
Site Improvements	7,515	7,177
Buildings	75,413	73,972
Road and Bridge Network	343,081	343,080
Water	104,828	104,828
Sewerage	66,628	66,628
Stormwater	40,050	42,398
Gas Infrastructure	3,566	811
Heritage Assets	2,107	2,130
Balance at End of Financial Year	<u>673,014</u>	<u>682,911</u>

Western Downs Regional Council

Notes to the Financial Statements
 for the year ended 30 June 2017

Note 18. Commitments for Expenditure

	2017	2016
	\$'000	\$'000
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Within 1 Year	18,961	21,475
From 1 Year to 5 Years	4,482	1,462
	<u>23,443</u>	<u>22,937</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 to 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 \$1,136,023.22.

Native Title Claims over Council's Land

At 30 June 2017, 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 Wandooan 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 2017

Note 20. Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee salaries and wages and there are no known requirements to change the rate of contributions.

Any amount by which the Regional DBF is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent 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 valuation date."

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 20. Superannuation (continued)

In the 2015 actuarial report, the actuary has recommended no change to the employer contribution levels at this time.

Under the *Local Government Act 2009*, the trustee of the scheme has the power to levy additional contributions on local governments which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Western Downs Regional Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

The next actuarial investigation will be made as at 1 July 2018.

	Notes	2017 \$'000	2016 \$'000
The amount of Superannuation Contributions paid by Council to the Scheme for the benefit of employees was:	6	5,231	5,347

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	5,151	4,251
	<u>5,151</u>	<u>4,251</u>

Western Downs Regional Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. Reconciliation of Net Result for the year to Net Cash Inflow/(Outflow) from Operating Activities

Notes	2017 \$'000	2016 \$'000
Net Operating Result from the Statement of Comprehensive Income	37,536	20,077
Non-cash items		
Depreciation and Amortisation	42,726	42,628
	<u>42,726</u>	<u>42,628</u>
Change in restoration provisions expensed to finance costs	116	145
	<u>116</u>	<u>145</u>
Investing and development activities		
Net Losses/(Gains) on Disposal of Assets	(435)	158
Loss on Write-Off of Assets	14,028	14,284
Non Cash Capital Grants and Contributions	(33,968)	(33,968)
	<u>(20,375)</u>	<u>(19,526)</u>
Changes in operating assets and liabilities:		
(Increase)/Decrease in Receivables	(3,850)	2,232
Increase/(Decrease) in Provision for Doubtful Debts	513	(267)
(Increase)/Decrease in Inventories	1,527	5,713
Increase/(Decrease) in Payables and Accruals	4,351	(5,937)
Increase/(Decrease) in Other Liabilities	(686)	644
Increase/(Decrease) in Employee Leave Entitlements	(606)	186
Increase/(Decrease) in Other Provisions	(456)	(336)
	<u>793</u>	<u>2,234</u>
Net cash provided from Operating Activities from the Statement of Cash Flows	<u>60,796</u>	<u>45,558</u>

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Financial Instruments

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

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

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 2017

Note 23. Financial Instruments (continued)

	Notes	2017 \$'000	2016 \$'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	89,142	79,792
Receivables - Rates	11	2,570	1,627
Receivables - Other	11	32,986	11,823
		<u>124,698</u>	<u>93,242</u>
Other Credit Exposures			
Guarantee	19	1,136	1,027
		<u>1,136</u>	<u>1,027</u>
Total		<u>125,834</u>	<u>94,269</u>

Trade and Other Receivables

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	2017 \$'000	2016 \$'000
Receivables			
Fully Performing		17,312	13,010
Past due:			
- 31 to 60 days overdue		69	117
- 61 to 90 days overdue		18	109
- Greater than 90 days overdue		72	616
- Impaired		(915)	(402)
Total	11	<u>16,556</u>	<u>13,450</u>

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Financial Instruments (continued)

Liquidity Risk

Liquidity risk refers to situations where Council may encounter difficulty in meeting obligations associated with financial 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
2017					
Trade and Other Payables	13,831	-	-	13,831	15,645
Loans - QTC	2,200	8,800	12,953	23,953	18,069
	<u>16,031</u>	<u>8,800</u>	<u>12,953</u>	<u>37,784</u>	<u>33,714</u>
2016					
Trade and Other Payables	8,115	-	-	8,115	11,192
Loans - QTC	2,200	8,801	15,153	26,154	19,261
	<u>10,315</u>	<u>8,801</u>	<u>15,153</u>	<u>34,269</u>	<u>30,453</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 2017

Note 23. 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
2017					
QTC Cash Fund	86,916	869	(869)	869	(869)
Loans - QTC	(18,069)	-	-	-	-
Net	68,847	869	(869)	869	(869)
2016					
QTC Cash Fund	76,485	765	(765)	765	(765)
Loans - QTC	(19,261)	-	-	-	-
Net	57,224	765	(765)	765	(765)

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 2017

Note 24. 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.

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 24. National Competition Policy

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

	Commercial Works	Waste Management	Water Management	Sewerage Management
	\$'000	\$'000	\$'000	\$'000
Revenue for services provided to Council	-	236	1,008	296
Revenue for services provided to external clients	7,148	5,941	11,651	7,437
Community service obligations	-	-	1,036	-
	<u>7,148</u>	<u>6,177</u>	<u>13,695</u>	<u>7,733</u>
Less : Expenditure	(5,916)	(8,936)	(12,825)	(6,241)
Surplus/(Deficit)	<u>1,232</u>	<u>(2,759)</u>	<u>870</u>	<u>1,492</u>

	Natural Gas	Jimbour Quarry	Washdown Bays	Saleyards
	\$'000	\$'000	\$'000	\$'000
Revenue for services provided to Council	81	-	-	-
Revenue for services provided to external clients	2,891	8,308	396	2,920
Community service obligations	-	-	-	-
	<u>2,972</u>	<u>8,308</u>	<u>396</u>	<u>2,920</u>
Less : Expenditure	(2,853)	(5,962)	(439)	(2,351)
Surplus/(Deficit)	<u>119</u>	<u>2,346</u>	<u>(43)</u>	<u>569</u>

Western Downs Regional Council

Notes to the Financial Statements
 for the year ended 30 June 2017

Note 25. Transactions with Related Parties

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

Council has 100% control of and interest in the Western Downs Housing Fund Pty Ltd which until 29th May 2017 acted as trustee for Western Downs Housing Trust. On this date the Trusteeship of the Western Downs Housing Trust was transferred to Horizon Housing. Council staff provided operational and administrative support at no cost to Western Downs Housing Fund Pty Ltd and Western Downs Housing Trust. There were no financial transactions between Western Downs Housing Fund Pty Ltd, Western Downs Housing Trust and Council.

(b) Key Management Personnel

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

	2017
	\$'000
Short-Term Employee Benefits	1,757
Post-Employment Benefits	185
Long-Term Benefits	31
Termination Benefits	-
Total	1,973

Western Downs Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 25. 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	2017 \$,000
Fees and charges charged to KMP or entities controlled by key management personnel	25(c)(i)	38
Employee expenses for close family members of key management personnel	25(c)(ii)	354
Purchase of materials and services from related parties of key management personnel	25(c)(iii)	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	\$,000
Infrastructure charges	Meteorborough Pty Ltd is a company jointly controlled by Councillor Andrew Smith. The company's development projects for a new commercial building development was assessed and approved in accordance with Council's normal terms and conditions. Councillor Smith declared his conflict of interest in this matter and did not participate in any decisions related to the company's application.	22
Infrastructure charges	LK Maguire Investments is a company jointly controlled by Councillor Kaye Maguire. The company's development project for a bus depot was assessed and approved in accordance with Council's normal terms and conditions. Councillor Maguire declared her conflict of interest in this matter and did not participate in any decisions related to the company's application.	16
Total		38

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 649 staff of which only 4 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.

	\$,000
Supply and Install of Steps at the Brigalow Pump Stand	8
Machinery Servicing	26
Goods sold on consignment to Moonie Regional Tourist Centre	3
Total	37

Western Downs Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 25. Transactions with Related Parties (continued)

(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 2017

Management Certificate for the year ended 30 June 2017

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 46, 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

18 10 20 17



Ross Musgrove

CHIEF EXECUTIVE OFFICER

18 10 20 17

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 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 2017, 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 2017, 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 certificate given by the Mayor and 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

The other information comprises the information included in the Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors 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 audit 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 approved by the Councillors and, in doing so, consider whether the other

information is materially inconsistent with the financial report or 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 other 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.

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.

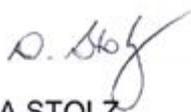
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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 2017:

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


D A STOLZ
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

Western Downs Regional Council

Current Year Financial Sustainability Statement

for the year ended 30 June 2017

	Actual 2017	Target 2017
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Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets.

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items)

Total Operating Revenue (excluding capital items)

10.94% 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.

The operating surplus ratio falls to 5.06% if an adjustment is made for the \$8.986million received from the Commonwealth with respect to the 2017/18 Financial Assistance Grant Program.

2. Asset Sustainability Ratio

Capital Expenditure on the Replacement of Assets (renewals)

Depreciation Expense

98.18% more than
90%

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

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets

Total Operating Revenue (excluding capital items)

-51.84% less than
60%

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 2017.

Western Downs Regional Council

Current Year Financial Sustainability Statement

for the year ended 30 June 2017

Certificate of Accuracy

for the year ended 30 June 2017

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

18 10 20 17



Ross Musgrove

CHIEF EXECUTIVE OFFICER

18 10 20 17

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 financial sustainability statement of Western Downs Regional Council for the year ended 30 June 2017, 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 2017 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 2017, 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 long-term financial sustainability statement and the annual report.

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

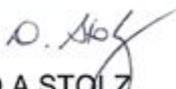
My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, 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.


D A STOLZ
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

Western Downs Regional Council

Long-Term Financial Sustainability Statement

prepared as at 30 June 2017

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 also 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 deficit.
- 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 2017

Key Assumptions

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

- Inflation
 - o Inflation is expected to be 2.5% over the forecast period. This is consistent with the mid point 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 particularly in the short to medium term.
- Rateable Property Growth
 - o No rateable property growth is forecast. While the Queensland Government Statistician's Office expects population growth to average 0.96% per annum to 2036, no growth in rateable properties has been included in the forecast. This is because there remains a level of excess housing supply in the region and 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 the growth is not likely to require any investment in additional trunk infrastructure.
 - o General Rates are forecast to grow by 0.4% above inflation
 - o Increases of \$50 per annum in Water Utility and Sewerage Utility charges for 2017-18 and 2018-19 with 0.4% per annum increases above inflation thereafter
 - o Kerbside pickup charges to increase by 1.4% above inflation to 2019-20 which is aimed at addressing the significant losses the business makes. Thereafter the increases will be 0.4% above inflation
 - o Fees and charges Revenue to increase by 0.4% above inflation
- Expenditure
 - o Employee growth of -0.9% due to employee attrition
 - o Employee Benefits indexed at 0.5% per annum above inflation from the start of calendar year 2019
 - o Materials and Services Costs to grow by inflation over the forecast period
- Capital Expenditure
 - o Indexed at 0.4% above forecast inflation over the forecast period.

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued) prepared as at 30 June 2017

Measures of Financial Sustainability

Council's performance at 30 June 2017 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 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
1. Operating Surplus Ratio Net Result (excluding capital items) Total Operating Revenue (excluding capital items)	0 - 10%	10.94%	0.82%	2.29%	2.56%	2.42%	2.28%	2.03%	1.07%	1.90%	1.72%	1.56%
	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 (renovals) Depreciation Expense	> 90%	98.18%	81.64%	77.33%	76.76%	75.71%	76.08%	71.95%	70.30%	75.67%	73.07%	71.34%
	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 2017

	Target	Actual 2017	2018	2019	2020	2021	2022	Forecast 2023	2024	2025	2026	2027
3. Net Financial Liabilities Ratio												
Total Liabilities less Current Assets		-51.84%	-59.04%	-63.80%	-70.44%	-78.35%	-86.03%	-95.39%	-104.42%	-111.54%	-119.60%	-127.85%
Total Operating Revenue (excluding capital items)	< 60%											
<p>An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.</p> <p>In addition to these statutory ratios, Council also utilises the following ratios to assist in better understanding its long-term sustainability.</p>												
1. Cash Cover of Operating Expenses												
Cash and investments	> 4 Months	7.9	8.7	9.3	9.9	10.7	11.5	12.4	13.3	14.1	14.9	15.7
Operating expenses (inc. depreciation)												
2. Council Controlled Revenue Ratio												
Council Controlled Revenue	> 60%	60.06%	66.30%	66.54%	66.97%	67.11%	67.22%	67.33%	67.42%	67.51%	67.61%	67.70%
Total Operating Revenue (excluding capital items)												
<p>Operating revenue that Council controls through its own decision-making as a percentage of total operating revenue.</p>												
3. Remaining Useful Life of Assets Ratio												
Property, Plant and Equipment	30-40 Years	32.9	32.0	31.8	31.1	30.3	29.4	28.6	27.9	29.9	29.1	28.4
Depreciation												

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2017

Operating Surplus Ratio

The Operating Surplus Ratio is forecast to range between 0.62% and 2.56% over the forecast period. Council's targeted outcome is a surplus of 1.0%. The Operating Surplus Ratio for financial year 2016/17 will reduce to 5.06% if an adjustment is made for the \$8.986million received in June 2017 from the Commonwealth with respect to 2017/18 Financial Assistance Grant Program. Because the 2017/18 grant is required under the accounting standards to be treated as revenue in the year in which it is received the budgeted Operating Surplus Ratio for 2017/18 will reduce from 0.82% to -5.48%. The major risk to Council's operating surplus is further reductions in revenue. Under normal conditions, 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 believes the Operating Surplus Ratio for 2016/17 and for the forecast period is sound on the basis that Council has limited new and upgrade capital works over the forecast period. Therefore a balanced budget and balanced actual results are adequate to sustain Council's service capacity.

Asset Sustainability Ratio

Council's Asset Sustainability Ratio varies between 70.3% and 81.64% over the forecast period, which is below the 90% benchmark. During the 3 year period 1 July 2012 to 30 June 2015, Council's Asset Sustainability Ratio was 279.44%, 291.64% and 110.81% respectively. As a consequence of this large spend on capital maintenance and replacement, Council's requirement for capital maintenance and replacement over the forecast period is reduced. Asset maintenance and replacement costs will increase subsequent to the end of the forecast period (ie 30 June 2027) which will see and increase in the Asset Sustainability Ratio.

Council has finalised its Asset Management Plans and the required funding, as indicated by these plans, for road, bridge, and utility maintenance is provided in the capital and maintenance works programs. The phasing of capital and maintenance expenditure for buildings and site improvements (approximately 11.5% of the value of Property, Plant and Equipment) still needs to be completed. As a consequence future capital and maintenance expenditure for Council's buildings and site improvements may be understated.

Over the forecast period, Council's Cash and Investments are expected to grow by \$129 million. This position provides Council with the capacity to increase its Asset Sustainability Ratio to well above the 90% benchmark if required. The additional expenditure required to meet the 90% benchmark is \$88 million.

Net Financial Liability Ratio

Council's Net Financial Liability Ratio remains very strong over the forecast period increasing from -51% at 30 June 2017 to -128% by 30 June 2027. Council has a strong capacity to deal with urgent uncommitted funding requirements and still maintains a strong Net Financial Liabilities Ratio.

Western Downs Regional Council

Long-Term Financial Sustainability Statement (continued) prepared as at 30 June 2017

Cash Cover Ratio (Council Benchmark 4 months)

Council's Cash Cover Ratio increases from 7.9 months at 30 June 2017 to 15.7 months at 30 June 2017. This indicates that Council has a strong capacity to meet its obligations as well as any emergency obligations.

Council Controlled Revenue Ratio

Council's Controlled Revenue Ratio varies between 66.3% and 67.7%. The ratio for 2016/17 is lower than what it would normally be due to the receipt from the Commonwealth of the previously mentioned Financial Assistance Grant.

Remaining Useful Life of Assets Ratio

The Remaining Useful Life of Asset Ratio varies between 27.9 years and 32.9 years. The ratio decreases slightly over the forecast period due to assets not being renewed at 100%. This is explained under the Asset Sustainability Ratio commentary above.

Western Downs Regional Council

Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2017

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

18 10 20 17



Ross Musgrove

CHIEF EXECUTIVE OFFICER

18 10 20 17



