



AGENDA

ECONOMIC DEVELOPMENT, BUSINESS AND CORPORATE COMMITTEE

9 SEPTEMBER 2019

MEMBERSHIP: Councillors J Diffey, V Etheridge, D Grant, D Gumley, A Jones, S Lawrence, G Mohr, K Parker, J Ryan and B Shields.

The meeting is scheduled to commence at .

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EDBC19/36 REPORT OF THE ECONOMIC DEVELOPMENT, BUSINESS AND CORPORATE COMMITTEE - MEETING 12 AUGUST 2019 (ID19/1200)	3
<p>The Committee had before it the report of the Economic Development, Business and Corporate Committee meeting held 12 August 2019.</p>	
EDBC19/37 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 2 SEPTEMBER 2019 (ID19/1261)	9
<p>The Committee had before it the report of the Audit and Risk Management Committee meeting held 2 September 2019.</p>	
<p><i>Please note in regards to AUD19/23 - In accordance with the provisions of Section 9 (2A) of the Local Government Act 1993 the Chief Executive Officer is of the opinion that consideration of this item is likely to take place when the meeting is closed to the public for the following reason: matters affecting the security of the Council, Councillors, Council Staff or Council Property (Section 10A(2)(f)).</i></p>	
EDBC19/38 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT - AUGUST 2019 (ID19/1204)	168
<p>The Committee had before it the report dated 2 September 2019 from the Director Organisational Performance regarding Investments Under Section 625 of the Local Government Act - August 2019.</p>	

EDBC19/39	2018/2019 BUDGET HIGHLIGHTS REPORT (ID19/1187)	172
	The Committee had before it the report dated 29 August 2019 from the Chief Financial Officer regarding 2018/2019 Budget Highlights Report.	



**DUBBO REGIONAL
COUNCIL**

**Report of the Economic Development,
Business and Corporate Committee -
meeting 12 August 2019**

AUTHOR: Governance Team Leader
REPORT DATE: 28 August 2019

The Committee had before it the report of the Economic Development, Business and Corporate Committee meeting held 12 August 2019.

RECOMMENDATION

That the report of the Economic Development, Business and Corporate Committee meeting held on 12 August 2019, be adopted.



REPORT
ECONOMIC DEVELOPMENT, BUSINESS AND
CORPORATE COMMITTEE
12 AUGUST 2019

PRESENT: Councillors V Etheridge, D Grant, D Gumley, A Jones, S Lawrence, G Mohr, K Parker, J Ryan and B Shields.

ALSO IN ATTENDANCE:

The Chief Executive Officer, the Executive Manager Governance and Internal Control, the Internal Ombudsman, the Community Support Officer, the Manager Governance Operations, the Communications Coordinator, the Director Organisational Performance, the Director Culture and Economy, the Manager Economic Development and Marketing, the Destination Marketing Officer, the Manager Regional Experiences, the Director Infrastructure, the Manager Water Supply and Sewerage, the Director Development and Environment, the Manager Growth Planning, the Manager Building and Development Services, the Senior Planner and the Director Liveability.

Councillor G Mohr assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 6.04pm.

**EDBC19/28 REPORT OF THE ECONOMIC DEVELOPMENT BUSINESS AND CORPORATE
COMMITTEE - MEETING 8 JULY 2019 (ID19/1073)**

The Committee had before it the report of the Economic Development, Business and Corporate Committee meeting held 8 July 2019.

Moved by Councillor D Gumley and seconded by Councillor K Parker

MOTION

That the report of the Economic Development, Business and Corporate Committee meeting held on 8 July 2019, be noted.

CARRIED

EDBC19/29 UPDATES TO THE LOCAL GOVERNMENT ACT (ID19/1062)

The Committee had before it the report dated 25 July 2019 from the Executive Manager Governance and Internal Control regarding Updates to the Local Government Act.

Moved by Councillor V Etheridge and seconded by Councillor A Jones

MOTION

1. That Council note that it resolved at its Ordinary meeting held 25 February 2019 that subject to Council's approval of the estimate provided by the State Electoral Commissioner, Dubbo Regional Council ("the Council") resolves that:
 - i. Pursuant to sections 296(2) and (3) of the Local Government Act 1993 (NSW) ("the Act") and subject to confirmation of estimates as provided by the Electoral Commissioner that an election arrangement be entered into by contract for the Electoral Commissioner to administer all elections of the Council.
 - ii. Pursuant to sections 296(2) and (3) of the Act, as applied and modified by section 18, that a council poll arrangement be entered into by contract for the Electoral Commissioner to administer all council polls of the Council.
 - iii. Pursuant to sections 296(2) and (3) of the Act, as applied and modified by section 18, that a constitutional referendum arrangement be entered into by contract for the Electoral Commissioner to administer all constitutional referenda of the Council, if required.
2. That Council note that Dubbo Regional Council, as a Council formed in 2016, will have its rate path freeze extended until 1 July 2021, unless it resolves to apply to the Minister to vary the existing rates path freeze determination and the determination is varied.
3. That Council not apply to the Minister for a variation in the rate path freeze away from 1 July 2021.

CARRIED

EDBC19/30 DRAFT - INTERNAL OMBUDSMAN POLICY (ID19/740)

The Committee had before it the report dated 1 August 2019 from the Internal Ombudsman regarding Draft - Internal Ombudsman Policy.

Moved by Councillor B Shields and seconded by Councillor K Parker

MOTION

That the draft Internal Ombudsman Policy and Fact Sheet, as attached to the report of the Internal Ombudsman dated 12 June 2019, be adopted.

CARRIED

EDBC19/31 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT - JULY 2019 (ID19/1060)

The Committee had before it the report dated 1 August 2019 from the Director Organisational Performance regarding Investments Under Section 625 of the Local Government Act - July 2019.

Moved by Councillor A Jones and seconded by Councillor D Grant

MOTION

That the report from the Director Organisational Performance dated 1 August 2019 be noted.

CARRIED

Councillor K Parker declared a pecuniary, significant interest in the matter now before the Committee and left the room and was out of sight during the Committee's consideration of this matter. The reason for such interest is that Councillor K Parker an employee of the Dubbo Branch of the Bank of Queensland, a bank that Council has funds invested with.

At this Juncture, the Manager Economic Development and Marketing, the Manager Regional Experience and the Destination Marketing Officer presented the Mayor and Chief Executive Officer with the two Gold Awards from the Regional Tourism Awards.

EDBC19/32 RECOGNITION OF REGIONAL TOURISM AWARDS TO DUBBO REGIONAL COUNCIL (ID19/1094)

The Committee had before it the report dated 6 August 2019 from the Director Culture and Economy regarding Recognition of Regional Tourism Awards to Dubbo Regional Council.

Moved by Councillor B Shields and seconded by Councillor J Ryan

MOTION

- 1. That the report from the Director Culture and Economy dated 6 August 2019 be noted.**
- 2. That Council Staff be congratulated on the awarding of the two Gold Awards at the Regional Tourism Awards.**

CARRIED

EDBC19/33 DUBBO SHOWGROUND MASTER PLAN (ID19/1075)

The Committee had before it the report dated 29 July 2019 from the Director Culture and Economy regarding Dubbo Showground Master Plan.

Moved by Councillor B Shields and seconded by Councillor D Grant

MOTION

- 1. That the report from the Director Culture and Economy dated 29 July 2019 be noted.**
- 2. That the Dubbo Showground Master Plan be adopted.**
- 3. That stakeholders and community members be thanked for their contribution.**
- 4. That the Master Plan activities be implemented in accordance with budget allocations, grant opportunities and partnerships with community groups.**

CARRIED

EDBC19/34 DUBBO CITY CAR CLUB SURRENDER OF DEVELOPMENT CONSENT FOR DRAG STRIP (ID19/1067)

The Committee had before it the report dated 26 July 2019 from the Manager Property Assets regarding Dubbo City Car Club surrender of Development Consent for Drag Strip.

Moved by Councillor A Jones and seconded by Councillor V Etheridge

MOTION

That the report from the Manager Property Assets dated 12 August 2019 be noted.

CARRIED

Councillor J Ryan declared a non-pecuniary, significant interest in the matter now before the Committee and left the room and was out of sight during the Committee's consideration of this matter. The reason for such interest is that Councillor J Ryan campaigned for the dragstrip to move ahead and have been assisting Dubbo City Car Club.

EDBC19/35 LEAVE OF ABSENCE

A request for leave of absence was received from Councillor J Diffey who was absent from the meeting due to the personal reasons.

Moved by Councillor V Etheridge and seconded by Councillor A Jones

MOTION

That such request for leave of absence be accepted and Councillor J Diffey be granted leave of absence from this meeting.

CARRIED

The meeting closed at 6.14pm.

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CHAIRMAN



**DUBBO REGIONAL
COUNCIL**

Report of the Audit and Risk Management Committee - meeting 2 September 2019

AUTHOR: Administration Officer - Governance
REPORT DATE: 2 September 2019

The Committee had before it the report of the Audit and Risk Management Committee meeting held 2 September 2019.

RECOMMENDATION

That the report of the Audit and Risk Management Committee meeting held on 2 September 2019, be adopted.

Appendices:

- 1 [↓](#) Audit and Risk Management Committee - 02/09/2019 - Reports
- 2 Confidential Audit and Risk Management Committee - 02/09/2019 - Report - Confidential due to matters affecting the security of the Council, Councillors, Council Staff or Council Property (Section 10A(2)(f)).



**REPORT
AUDIT AND RISK MANAGEMENT
COMMITTEE
2 SEPTEMBER 2019**

PRESENT:

Core Members (Voting):

Councillor A Jones, Mr J Walkom (Independent Member) and Mr R Gillard (Independent Member).

Attendees (Non-Voting):

The Director Organisational Performance (M Green), the Executive Manager Governance and Internal Control, the Internal Auditor, the Chief Financial Officer, the Statutory Accountant Mr Johnathon Lam (Audit Office of NSW – by telephone) and Ms R Antolin (Audit Office of NSW – by telephone).

Mr J Walkom assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 9.00am.

WELCOME

AUD19/15 LEAVE OF ABSENCE (ID19/1207)

Requests for leave of absence were received from Councillor B Shields and the Chief Executive Officer who were absent from the meeting due to the business matters. Mr A Green (Audit Officer of NSW) was also absent from the meeting due to personal reasons.

Moved by Councillor A Jones and seconded by R Gillard

RECOMMENDATION

That such request for leave of absence be accepted and Councillor Shields, the Chief Executive Officer and Mr A Green (Audit Office of NSW) be granted leave of absence from this meeting.

CARRIED

AUD19/16 DECLARATION OF INTEREST (ID19/1208)

No conflicts of interest were declared.

**AUD19/17 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 14
JUNE 2019 (ID19/1206)**

The Committee had before it the report of the Audit and Risk Management Committee meeting held 14 June 2019.

Moved by R Gillard and seconded by Councillor A Jones

RECOMMENDATION

The Committee recommends that the report of the Audit and Risk Management Committee meeting held on 14 June 2019, be adopted.

CARRIED

FINANCIAL STATEMENTS/EXTERNAL AUDIT REPORT

Update on Financial Statements

AUD19/18 REFERRAL OF THE 2018/2019 FINANCIAL STATEMENTS TO AUDIT (ID19/1147)

The Committee had before it the report dated 15 August 2019 from the Chief Financial Officer regarding Referral of the 2018/2019 Financial Statements to Audit.

Moved by R Gillard and seconded by Councillor A Jones

RECOMMENDATION

The Committee recommends:

- 1. That the draft 2018/2019 Financial Statements be noted.**
- 2. That the draft 2018/2019 Financial Statements be referred to audit.**

CARRIED

External Auditor's Management Letters

The Audit Interim Management Letter 2019 is considered confidentially in clause AUD19/23

Significant Developments in Financial Reporting Framework

No matters to report at this time.

INTERNAL AUDIT

AUD19/19 INTERNAL AUDIT REPORT ON RMS DRIVES (ID19/949)

The Committee had before it the report dated 2 July 2019 from the Internal Auditor regarding Internal Audit Report on RMS Drives.

Moved by Councillor A Jones and seconded by R Gillard

RECOMMENDATION

The Committee recommends that the information in the report of the Internal Auditor dated 2 July 2019 be noted.

CARRIED

ACTION LIST

AUD19/20 AUDIT AND RISK MANAGEMENT COMMITTEE ACTION LIST AS AT AUGUST 2019 (ID19/1065)

The Committee had before it the report dated 26 July 2019 from the Internal Auditor regarding Audit and Risk Management Committee Action List as at August 2019.

Moved by R Gillard and seconded by Councillor A Jones

RECOMMENDATION

The Committee recommends that the information in the report of the Internal Auditor dated 26 July 2019, be noted.

CARRIED

GENERAL BUSINESS

AUD19/21 DEVELOPMENT OF THREE YEAR AUDIT PROGRAM (ID19/1092)

The Committee had before it the report dated 6 August 2019 from the Internal Auditor regarding Development of three year audit program.

Moved by Councillor A Jones and seconded by R Gillard

RECOMMENDATION

The Committee recommends that a three year audit program be developed in accordance with the decisions made by the Audit and Risk Management Committee workshop and reported back to the next Audit and Risk Management Committee meeting.

CARRIED

AUD19/22 FRAUD AND CORRUPTION PREVENTION POLICY (ID19/1142)

The Committee had before it the report dated 14 August 2019 from the Internal Auditor regarding Fraud and Corruption Prevention Policy.

Moved by R Gillard and seconded by Councillor A Jones

RECOMMENDATION

The Committee recommends that the Fraud and Corruption Prevention policy be endorsed.

CARRIED

AUD19/23 AUDIT INTERIM MANAGEMENT LETTER - 2019 (ID19/1148)

The Committee had before it the report dated 16 August 2019 from the Chief Financial Officer regarding Audit Interim Management Letter - 2019.

Moved by Councillor A Jones and seconded by R Gillard

RECOMMENDATION

The Committee recommends:

- 1. That the 2019 Interim Audit Management Letter as attached to this report of the Chief Financial Officer dated 16 August 2019 be noted.**
- 2. That actions identified in Audit Office Management Letters be included as confidential items in future action items listings reported to the Committee.**
- 3. That instances of material non-compliance with legislation be reported to the Audit and Risk Management Committee as required.**
- 4. That the documents and considerations in regard to this matter remain confidential to the Council.**

CARRIED

The meeting closed at 9.49am.

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CHAIRMAN

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/17



**Report of the Audit and Risk Management
Committee - meeting 14 June 2019**

AUTHOR: Executive Manager Governance and Internal
Control
REPORT DATE: 29 August 2019

The Committee had before it the report of the Audit and Risk Management Committee meeting held 14 June 2019.

RECOMMENDATION

That the report of the Audit and Risk Management Committee meeting held on 14 June 2019, be adopted.

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/17



**REPORT
AUDIT AND RISK MANAGEMENT
COMMITTEE
14 JUNE 2019**

PRESENT: Councillors A Jones, Mr J Walkom (Independent Chair) and Mr R Gillard (Independent Member).

ALSO IN ATTENDANCE:

The Chief Executive Officer, the Executive Manager Governance and Internal Control, the Internal Auditor, the Director Corporate Services, the Chief Financial Officer and the Audit/Statutory Reporting Accountant.

Mr J Walkom assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 11.00am.

The Committee discussed the need to formally elect a chairperson of the Audit and Risk Management Committee in accordance with the Audit and Risk Management Committee Charter. The Chief Executive Officer advised the Committee that Council had delegated the appointment of the independent chairperson and independent member to the Mayor and Chief Executive Officer at its meeting held 24 September 2018 following interviews with each of the independent nominees. As a result it was not necessary to elect a chairperson in this instance.

WELCOME

AUD19/10 LEAVE OF ABSENCE (ID19/689)

A request for leave of absence was received from Councillor B Shields who was absent from the meeting due to personal reasons.

Moved by Councillor A Jones and seconded by R Gillard

RECOMMENDATION

That such request for leave of absence be accepted and Councillor B Shields be granted leave of absence from this meeting.

AUD19/11 DECLARATION OF INTEREST (ID19/690)

No conflicts of interest were declared.

**AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019**

AUD19/17

**AUD19/12 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 11
MARCH 2019 (ID19/691)**

The Committee had before it the report of the Audit and Risk Management Committee meeting held 11 March 2019.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

The Committee recommends that the report of the Audit and Risk Management Committee meeting held on 11 March 2019, be adopted.

CARRIED

FINANCIAL STATEMENTS/EXTERNAL AUDIT REPORT

Update on Financial Statements

It was verbally reported that the Interim Audit commenced early June 2019. The Audit Office of NSW has assigned a new Audit Manager to Council's Auditor being Ms Rochele Antolin of the Audit Office of NSW.

External Auditor's Management Letters

Council has been advised that the Interim Management Letter will be provided to Council on 15 July 2019. A copy of this letter will be circulated to Committee members once received.

Significant Developments in Financial Reporting Framework

No matters to report at this time.

INTERNAL AUDIT

No matters to report at this time

COMMITTEE MEMBERS REPORTS

No matters to report at this time

**AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019**

AUD19/17

ACTION LIST

**AUD19/13 AUDIT AND RISK MANAGEMENT COMMITTEE ACTION LIST AS AT MAY 2019
(ID19/604)**

The Committee had before it the report dated 17 May 2019 from the Internal Auditor regarding Audit and Risk Management Committee Action List as at May 2019.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

The Committee recommends:

- 1. That the information in the report of the Internal Auditor dated 17 May 2019, be noted.**
- 2. That the Action List is to include the percentage complete value against each action.**
- 3. That contracts over \$150,000 without a tender process are reported to the Committee as required by exception.**

CARRIED

GENERAL BUSINESS

AUD19/14 DEVELOPMENT OF THREE YEAR AUDIT PROGRAM (ID19/707)

The Committee had before it the report dated 3 June 2019 from the Internal Auditor regarding Development of three year audit program.

Moved by Mr R Gillard and seconded by Councillor A Jones

RECOMMENDATION

The Committee recommends:

- 1. That a multi-year audit program be developed in accordance with the process described in this report.**
- 2. That a workshop be held with Committee members following the September 2019 meeting of the Audit and Risk Management Committee to determine items for inclusion in the three year audit program.**

CARRIED

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/17

OTHER GENERAL BUSINESS

1. That Mr R Gillard prepare a checklist including all deliverables and associated timeframes of items requiring action from the Committee from the Audit and Risk Management Charter.
2. That a draft annual report be prepared for the chairperson to present at the next Committee meeting and September 2019 Council meeting.

The meeting closed at 1.09pm.

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CHAIRMAN

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/18



REPORT: Referral of the 2018/2019 Financial Statements to Audit

AUTHOR: Chief Financial Officer
REPORT DATE: 15 August 2019
TRIM REFERENCE: ID19/1147

EXECUTIVE SUMMARY

The Local Government Act 1993 requires that Council, by resolution, provide statements that the Financial Statements have been prepared in accordance with the relevant Acts, Standards and Codes of Accounting Practice, and that they present fairly the Council's financial position.

Statements are required to be made by the Mayor, Deputy Mayor, Chief Executive Officer and Responsible Accounting Officer to enable the current draft Financial Statements and Special Purpose Financial Statements to be submitted for Audit. The audit is scheduled to be completed in the ensuing three weeks. Following completion of the audit Council's auditors, Audit Office, will provide a presentation on the final audited 2018/2019 Financial Statements to the October 2019 Ordinary meeting of Council.

FINANCIAL IMPLICATIONS

The financial statements show an operating loss of \$67.635m due to a direct impact of \$122.459m resulting from the 2019 road infrastructure revaluation. Otherwise Council is in a sound financial position as at 30 June 2019.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

1. That the statement in accordance with Section 413(2)(c) of the Local Government Act 1993, and Clause 215 of the Local Government (General) Regulation 2005, for the General Purpose Financial Statements for the year ending 30 June 2019 be made.
2. That the statement in accordance with the requirements of the Code of Accounting Practice in relation to the Special Purpose Financial Statements for the year ending 30 June 2019 be made.
3. That the statements be signed by the Mayor, Deputy Mayor, Chief Executive Officer and Responsible Accounting Officer.

Jane Bassingthwaight
Chief Financial Officer

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/18

REPORT

Section 413 of the Local Government Act 1993 requires that:

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

The statement required by Section 413 (2) (c) and the Local Government (General) Regulation 2005, clause 215 requires the following:

215 (1) That the statement required by Section 413 (2) (c) of the Act must:

- a) be made by resolution of the Council, and
- b) be signed by:
 - i) the Mayor; and
 - ii) at least one other member of the Council; and
 - iii) the Responsible Accounting Officer; and
 - iv) the Chief Executive Officer (if not the responsible accounting officer)

215 (2) The statement must indicate:

- a) whether or not the Council's annual financial reports have been drawn up in accordance with:
 - i) The Act and this Regulation; and
 - ii) The Code and the Manual; and
 - iii) The Australian Accounting Standards issued by the Australian Accounting Standards Board, and
- b) whether or not those reports present fairly the Council's financial position and operating result for the year; and

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/18

- c) whether or not those reports accord with the council's accounting and other records; and
- d) whether or not the signatories know of anything that would make those reports false or misleading in any way,

and include such information and explanations as will prevent those reports from being misleading because of any qualification that is included in the statement.

215 (3) The council must ensure that the statement is attached to the relevant annual financial reports.

The Financial Statements of Council have been prepared to comply with the requirements of the Local Government Act 1993, the Australian Accounting Standards, the Local Government Code and Manual. Copies of the Financial Statements have been provided as an attachment to this report (Appendix 1 and 2).

A statement must also be made in relation to the Special Purpose Financial Statements. The statement must be made by resolution of Council, signed by the Mayor, at least one other member of the Council, the Responsible Accounting Officer, and the Chief Executive Officer.

The statement by Council must indicate whether or not the Council's Special Purpose Financial Reports have been drawn up in accordance with the Code and Manual.

The Special Purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and the Department of Local Government guidelines "Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality."

As indicated above, the statements are required to be made to enable the Financial Statements and the Special Purpose Financial Statements to be submitted for audit. The statements are included within Appendix 1 and Appendix 2. The audit is scheduled to be completed in the ensuing five weeks. Following completion of the audit, Council's Auditors, Audit Office, will provide a presentation on the Annual Financial Reports to the October 2019 Ordinary meeting of Council.

During the financial year ended 30 June 2019, Dubbo Regional Council undertook a comprehensive revaluation of its roads and bulk earthwork infrastructure using an external consultant. The written down value of the road infrastructure decreased by \$122.459m and the written down value of the bulk earthwork infrastructure increased by \$83.150m. Under normal circumstances, the decrease in the value of the roads infrastructure would reduce the balance of the roads revaluation reserves in equity, however, upon amalgamation of Dubbo City Council and Wellington Council all revaluation reserves were transferred to the accumulated surplus balance. The balance of the roads infrastructure revaluation at this time was \$287.977m. If Dubbo Regional Council were to be able to account for the roads infrastructure value decrease as if the revaluation reserve was available, the financial statements would show the following results:

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/18

Total income from continuing operations	\$181.133m
Total expenses from continuing operations	\$130.309m
Operating result from continuing operations	\$50.824m
Net operating result before capital grants and contributions	\$6.652m

Appendices:

1. Annual Financial Statements - General Purpose Financial Statements - 2018-2019 -
Refer to Audit
2. Annual Financial Statements - Special Purpose Financial Statements - 2018-2019 -
Refer to Audit

Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Great community, great council"



Dubbo Regional Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

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Overview

Dubbo Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at
Church Street
Dubbo NSW 2830

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.dubbo.nsw.gov.au.

Dubbo Regional Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 28 October 2019.

Ben Shekds
Mayor
28 October 2019

Anne Jones, OAM
Deputy Mayor
28 October 2019

Michael McMahon
Chief Executive Officer
28 October 2019

Jane Bessing/Inwaighte
Responsible Accounting Officer
28 October 2019

Dubbo Regional Council

Financial Statements 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Mobus	Actual 2019	Actual 2018 ¹
Income from continuing operations				
Revenue:				
61,782	Rates and annual charges	3a	62,438	57,550
42,500	User charges and fees	3b	46,363	54,445
5,155	Interest and investment revenue	3c	6,654	6,494
2,236	Other revenues	3d	1,654	1,359
21,744	Grants and contributions provided for operating purposes	2a, 3f	18,610	30,862
24,209	Grants and contributions provided for capital purposes	2b, 3f	48,172	60,804
Other income:				
241	Net gains from the disposal of assets	5	703	2,782
	Net share of interests in joint ventures and associates using the equity method	14	49	151
157,647	Total income from continuing operations		185,133	213,627
Expenses from continuing operations				
47,511	Employee benefits and on-costs	4a	41,423	37,187
4,037	Borrowing costs	4b	4,435	5,682
27,854	Materials and contracts	4c	38,045	32,936
31,529	Depreciation and amortisation	4d	28,505	30,407
14,763	Other expenses	4e	16,900	16,969
-	Revaluation decrement / impairment of IPP&C	4f	122,459	-
125,691	Total expenses from continuing operations		252,768	122,281
31,953	Operating result from continuing operations		(67,635)	91,346
31,953	Net operating result for the year		(67,635)	91,346
31,953	Net operating result attributable to council		(67,635)	91,346
7,744	Net operating result for the year before grants and contributions provided for capital purposes		(115,807)	30,542

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

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

Dubbo Regional Council

Financial Statements 2019

Statement of Comprehensive Income
for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		(67,836)	91,346
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IP&E	9(a)	91,182	47,062
Total items which will not be reclassified subsequently to the operating result		91,182	47,062
Total other comprehensive income for the period		91,182	47,062
Total comprehensive income for the year		23,547	138,408
Total comprehensive income attributable to Council		23,547	138,408

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Dubbo Regional Council

Financial Statements 2019

Statement of Financial Position
as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	47,179	36,755
Investments	6(b)	81,330	89,068
Receivables	7	23,570	21,379
Inventories	8a	2,844	1,873
Other	8b	464	863
Total current assets		155,387	149,738
Non-current assets			
Investments	6(b)	104,001	108,864
Receivables	7	287	629
Inventories	8a	4,076	2,025
Infrastructure, property, plant and equipment	9(a)	2,404,763	2,387,677
Investments accounted for using the equity method	14	1,533	1,484
Other	8b	495	495
Total non-current assets		2,515,155	2,500,974
TOTAL ASSETS		2,670,542	2,650,712
LIABILITIES			
Current liabilities			
Payables	10	12,830	12,038
Income received in advance	11	414	328
Borrowings	12	5,158	4,827
Provisions	13	13,158	13,765
Total current liabilities		31,681	31,053
Non-current liabilities			
Payables	10	1	1
Borrowings	12	57,228	62,434
Provisions	13	5,327	4,446
Total non-current liabilities		62,556	66,881
TOTAL LIABILITIES		94,237	97,934
Net assets		2,576,325	2,552,778
EQUITY			
Accumulated surplus	12a	2,315,245	2,382,880
Revaluation reserves	12a	281,080	189,898
Council equity interest		2,576,325	2,552,778
Total equity		2,576,325	2,552,778

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

ITEM NO: AUD19/18

Dubbo Regional Council

Financial Statements 2019

Statement of Changes in Equity
for the year ended 30 June 2019

\$'000	Notes	2019			2018 ⁽¹⁾		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,302,800	169,898	2,552,778	2,291,534	122,836	2,414,370
Restated opening balance		<u>2,382,800</u>	<u>169,898</u>	<u>2,552,778</u>	<u>2,291,534</u>	<u>122,836</u>	<u>2,414,370</u>
Net operating result for the year		(67,635)	—	(67,635)	91,346	—	91,346
Restated net operating result for the period		<u>(67,635)</u>	<u>—</u>	<u>(67,635)</u>	<u>91,346</u>	<u>—</u>	<u>91,346</u>
Other comprehensive income							
— Gain (loss) on revaluation of IPP&E	9(a)	—	91,182	91,182	—	47,062	47,062
Other comprehensive income			<u>91,182</u>	<u>91,182</u>		<u>47,062</u>	<u>47,062</u>
Total comprehensive income		<u>(67,635)</u>	<u>91,182</u>	<u>23,547</u>	<u>91,346</u>	<u>47,062</u>	<u>138,408</u>
Equity – balance at end of the reporting period		<u>2,315,245</u>	<u>261,080</u>	<u>2,576,325</u>	<u>2,382,880</u>	<u>169,898</u>	<u>2,552,778</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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Dubbo Regional Council

Financial Statements 2019

Statement of Cash Flows
for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts				
81,683			81,777	56,224
42,790			47,063	58,031
5,635			6,857	6,404
43,463			51,515	69,391
			67	216
2,090			771	5,929
Payments				
(47,096)			(41,867)	(38,648)
(30,810)			(37,414)	(38,109)
(4,092)			(3,809)	(3,885)
(14,783)			(16,628)	(17,825)
58,850		13b	68,312	99,750
Cash flows from investing activities				
Receipts				
41,646			103,568	220,916
260			2,678	4,460
2,480			2,645	1,672
-			461	864
Payments				
-			(91,167)	(256,275)
(99,814)			(67,503)	(54,312)
-			(3,515)	(1,219)
-			(86)	(219)
(55,428)			(52,919)	(64,095)
Cash flows from financing activities				
Payments				
(4,922)			(4,989)	(4,652)
(4,922)			(4,989)	(4,652)
(1,500)			10,424	11,003
3,000		13a	36,755	25,752
1,500		13a	47,179	36,755
Additional Information:				
143,288		60)	185,531	197,732
144,788			232,510	234,487

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

Council is deemed to be a not-for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatory effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 12.

(b) Historical cost convention

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

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

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment
- (ii) estimated remediation provisions

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its receivables - refer Note 7

Mones and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

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

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

As at the date of authorisation of these financial statements, Council does not consider that this standard is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and sales which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council does not consider that this standard is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1001 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council does not consider that that this standard is likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

AASB 2018-9 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	–	–	614	303	(514)	(303)	–	–	–	–
Administration	1,669	1,715	1,726	1,284	(57)	431	–	–	187,734	887,041
Public order and safety	1,170	2,757	4,051	4,021	(2,881)	(1,264)	521	1,074	31,320	10,551
Health	46	13	99	353	(53)	(340)	–	–	–	–
Environment	23,439	19,307	15,643	11,023	7,796	8,284	1,044	104	240,200	202,579
Community services and education	3,759	3,519	4,944	4,751	(1,185)	(1,292)	2,736	2,241	1,401	–
Housing and community amenities	1,333	1,445	5,400	4,157	(4,067)	(2,712)	199	–	9,713	3,395
Water supplies	29,383	30,953	19,933	18,950	9,450	12,003	587	121	320,316	307,865
Sewerage services	21,179	21,372	14,975	12,976	6,204	8,396	227	121	342,434	334,015
Recreation and culture	5,893	18,172	23,325	21,527	(17,432)	(3,355)	2,354	12,998	140,419	26,499
Mining, manufacturing and construction	1,067	1,184	1,687	2,034	(820)	(850)	–	–	1,987	1,012
Transport and communication	38,639	51,575	148,827	31,158	(110,238)	20,417	24,279	22,057	1,339,733	1,030,728
Economic affairs	9,710	15,001	11,494	9,744	(1,784)	5,257	978	2,789	53,742	45,581
Share of gains/(losses) in associates and joint ventures (using the equity method)	49	151	–	–	49	151	–	–	1,533	1,484
General purpose income	47,797	46,463	–	–	47,797	46,463	11,527	11,075	–	–
Total functions and activities	185,133	213,627	252,468	177,281	(67,635)	51,346	44,457	57,585	2,670,547	2,550,172

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

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

Administration

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

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community services and education

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

Housing and community amenities

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

Water supplies

Provide safe reliable and cost effective water supply that caters for the sustainable growth.

Sewerage services

Provision of an environmentally responsible sewerage service that maintains the health of the community cost effectively, and caters for the sustainable growth.

Recreation and culture

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

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

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

Economic affairs

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

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	19,981	17,818
Farmland	5,946	5,778
Mining	2	2
Business	8,779	7,964
Less: pensioner rebates (mandatory)	(525)	(536)
Rates levied to ratepayers	33,683	30,826
Pensioner rate subsidies received	290	295
Total ordinary rates	33,973	31,121
Annual charges		
<small>(pursuant to s.499, s.496A, s.496B, s.501 & s.641)</small>		
Domestic waste management services	7,309	6,009
Water supply services	6,862	6,585
Sewerage services	17,681	17,078
Drainage	1,465	1,393
Waste management services (non-domestic)	608	639
Less: pensioner rebates (mandatory)	(66)	(62)
Less: pensioner rebates (Council policy)	(185)	-
Annual charges levied	28,104	26,093
Pensioner subsidies received:		
Water	125	121
- Sewerage	119	121
- Domestic waste management	117	104
Total annual charges	28,465	26,429
TOTAL RATES AND ANNUAL CHARGES	62,438	57,550

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual user' charges)</small>		
Water supply services	17,727	18,515
Sewerage services	4,622	4,642
Waste management services (non-domestic)	3,908	3,229
Total specific user charges	26,257	26,386
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s. 608)		
Regulatory/ statutory fees	2,113	2,346
Total fees and charges – statutory/regulatory	2,113	2,346

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(ii) Fees and charges – other (incl. general user charges (par s.600))		
Aerodrome	3,671	3,913
Caravan park	2,081	2,251
Cemeteries	457	377
Leaseback fees – Council vehicles	333	334
RMS (formerly RTA) charges (state roads not controlled by Council)	1,911	7,360
Tourism	130	96
Water service connections	52	48
Carves entry fees	470	470
Western Plains Cultural Centre	135	107
Aquatic leisure centre	518	425
Family day care	406	341
Toiletter sales 'greengrove' effluent reuse property	26	450
Old dubbo gaol	569	579
Private works	418	371
Public trails	1,462	1,672
Rainbow cottage long day care centre	520	640
Regional livestock markets	3,339	4,097
Sewer plan drafting fees	115	128
Showground	284	212
Sporting facilities	209	254
Other	887	1,388
Total fees and charges – other	18,023	25,713
TOTAL USER CHARGES AND FEES	46,393	54,445

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
- Overdue rates and annual charges (incl. special purpose rates)	267	214
- Cash and investments	6,538	6,147
- Deferred debtors	7	14
- Other	21	44
Amortisation of premiums and discounts		
- Interest free (and interest reduced) loans provided	16	75
TOTAL INTEREST AND INVESTMENT REVENUE	6,834	6,494
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	115	113
General Council cash and investments	3,791	3,808
Restricted investments/funds – external:		
Development contributions		
- Section 7.11	249	243
- Section 64	-	41
Water fund operations	1,193	946
Sewerage fund operations	1,483	1,343
Total interest and investment revenue	6,834	6,494

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(d) Other revenues		
Rental income – other council properties	659	479
Fines	228	182
Commissions and agency fees	7	8
Insurance claims recoveries	98	110
Caves / caravan park kiosk sales	127	146
StateCover WHS Incentive	218	215
Other	597	219
TOTAL OTHER REVENUE	1,934	1,359

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	9,829	9,736	–	–
Financial assistance – local roads component	1,659	1,685	–	–
Total general purpose	11,488	11,421	–	–
Specific purpose				
Water supplies	–	–	504	–
Sewerage services	379	–	–	–
Bushfire and emergency services	503	16	15,075	4,933
Employment and training programs	15	–	–	–
Storm/flood damage	–	839	–	–
Heritage and cultural	120	114	–	–
Library	142	164	–	–
Noxious weeds	85	100	–	–
Street lighting	199	196	–	–
Transport (roads to recovery)	629	2,855	–	–
Transport (other roads and bridges funding)	79	84	8,589	10,865
Local infrastruct. renewal scheme interest subsidy	–	–	335	397
Tourism	35	–	240	2,789
Community services	194	262	–	216
Family day care	1,444	1,302	–	–
Paid parental leave	110	72	–	–
Rainbow cottage long day care centre	631	515	–	–
Sporting facilities	50	–	1,342	12,715
Stormwater	21	–	–	–
Other	250	27	1,973	2,813
Total specific purpose	4,896	6,636	28,068	34,528
Total grants	16,384	18,057	28,068	34,528
Grant revenue is attributable to:				
– Commonwealth funding	11,924	13,701	21,816	10,574
– State funding	4,399	4,356	6,252	23,954
Other funding	81	–	–	–
	16,384	18,057	28,068	34,528

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		–	–	1,104	2,257
S 64 – sewerage service contributions		–	–	1,111	1,575
S 7.11 – open spaces		–	–	711	885
S 7.11 – drainage		–	–	595	166
S 7.11 – roadworks		–	–	1,678	1,476
Voluntary planning agreements		–	–	198	136
Total developer contributions – cash				5,397	6,475
Total developer contributions	21	–	–	5,397	6,475
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,118	11,803	–	–
Other		108	102	371	59
Sporting facilities		–	–	56	25
Infrastructure contributions (non-cash) – water		–	–	792	1,011
Infrastructure contributions (non-cash) – sewerage		–	–	943	1,851
Infrastructure contributions (non-cash) – drainage		–	–	8,935	6,484
Infrastructure contributions (non-cash) – roadworks		–	–	1,904	8,641
Infrastructure contributions (non-cash) – footpaths		–	–	638	–
Infrastructure contributions (non-cash) – land under roads		–	–	1,088	1,750
Total other contributions – cash		2,226	12,005	14,707	19,801
Total other contributions		2,226	12,005	14,707	19,801
Total contributions		2,226	12,005	20,104	26,276
TOTAL GRANTS AND CONTRIBUTIONS		18,610	30,062	48,172	60,804

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Grants		
Unexpended at the close of the previous reporting period	52,103	33,385
Add: capital grants recognised in the current period but not yet spent	8,848	29,585
Less: capital grants recognised in a previous reporting period now spent	(19,789)	(10,867)
Unexpended and held as restricted assets	41,162	52,103

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	35,560	33,630
Travel expenses	310	300
Employee leave entitlements (ELC)	4,337	3,830
Superannuation	3,962	3,770
Workers' compensation insurance	1,286	937
Fringe benefit tax (FBT)	169	167
Payroll tax	233	220
Training costs (other than salaries and wages)	302	516
Other	316	237
Total employee costs	48,505	43,607
Less: capitalised costs	(5,082)	(6,420)
TOTAL EMPLOYEE COSTS EXPENSED	41,423	37,187

Number of 'full-time equivalent' employees (FTE) at year end 458 453

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,948	4,268
Total interest bearing liability costs expensed		<u>3,948</u>	<u>4,268</u>
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	11	487	1,414
Total other borrowing costs		<u>487</u>	<u>1,414</u>
TOTAL BORROWING COSTS EXPENSED		<u>4,435</u>	<u>5,682</u>

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	22,789	18,860
Contractor and consultancy costs	14,764	13,485
- contractor and consultancy costs (internal audit BDO alliance)	38	65
Auditors remuneration ²	134	105
Legal expenses:		
- Legal expenses: planning and development	6	31
- Legal expenses: debt recovery	-	6
- Legal expenses: other	118	70
Operating leases:		
- Operating lease rentals: minimum lease payments ¹	196	311
Total materials and contracts	38,045	32,936
TOTAL MATERIALS AND CONTRACTS	38,045	32,936

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	196	311
	<u>196</u>	<u>311</u>

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms:

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	134	105
Remuneration for audit and other assurance services	<u>134</u>	<u>105</u>
Total Auditor-General remuneration	134	105

Non NSW Auditor-General audit firms

Total remuneration of non NSW Auditor-General audit firms	<u>-</u>	<u>-</u>
Total Auditor remuneration	134	105

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		4,104	3,792
Office equipment		430	286
Furniture and fittings		227	271
Land improvements (depreciable)		329	305
Infrastructure:			
Buildings – non-specialised		1,167	479
– Buildings – specialised		3,721	2,202
– Other structures		3,842	3,434
– Roads		9,441	9,361
– Airport runways		430	429
– Stormwater drainage		1,046	987
– Water supply network		5,123	5,067
– Sewerage network		4,804	4,902
– Swimming pools		107	100
Other assets:			
Other		41	44
Reinstatement, rehabilitation and restoration assets:			
Tip assets	5(0), 11	201	156
– Quarry assets	5(0), 11	60	13
Total gross depreciation and amortisation costs		35,071	31,788
Less: capitalised costs		(5,585)	(1,381)
Total depreciation and amortisation costs		29,506	30,407
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Roads		122,459	–
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		122,459	–
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		122,459	–
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E			
		151,965	30,407

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPP&E assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	606	683
Bad and doubtful debts	296	418
Contributions/levies to other levels of government		
Councillor expenses - councillors' fees/committee fees	261	244
Councillors' and committee expenses (incl. mayor) - other (excluding fees above)	97	147
Donations, contributions and assistance to other organisations (Section 356)	2,911	2,858
Flecion expenses		303
Electricity and heating	4,492	3,380
Insurance	1,661	1,814
Postage	157	136
Printing and stationery	304	459
Street lighting	1,756	1,200
Telephone and communications	293	410
Valuation fees	166	158
Vehicle registration	196	201
Water resource charge	362	376
Contributions to emergency services	1,021	1,056
Credit card merchant fees	21	18
Family day care - fee relief	1,428	1,228
Property rental	64	48
Subscription shires association	48	49
Other	765	883
Total other expenses	16,900	16,069
TOTAL OTHER EXPENSES	16,900	16,069

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	5(a)		
Proceeds from disposal – plant and equipment		2,645	1,872
Less: carrying amount of plant and equipment assets sold/written off		(2,602)	(1,417)
Net gain/(loss) on disposal		43	255
Infrastructure	5(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,333)	(838)
Net gain/(loss) on disposal		(1,333)	(838)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		2,676	4,460
Less: carrying amount of real estate assets sold/written off		(885)	(1,115)
Net gain/(loss) on disposal		1,993	3,345
Investments	5(b)		
Proceeds from disposal/redemptions/maturities – investments		103,568	220,916
Less: carrying amount of investments sold/redeemed/matured		(103,568)	(220,916)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		703	2,762

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	77	216
Cash-equivalent assets		
- Deposits at call	47,102	36,539
Total cash and cash equivalents	47,179	36,755

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand, deposits held at call with financial institutions; other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	81,330	104,001	89,068	108,664
Total Investments	81,330	104,001	89,068	108,664
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	128,509	104,001	125,823	108,664
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	77,830	83,500	85,818	94,863
NCD's, FRN's (with maturities > 3 months)	3,500	10,501	3,250	14,001
Total	81,330	104,001	89,068	108,664

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available for sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	128,509	104,001	125,823	108,664
attributable to:				
External restrictions	58,549	104,001	36,282	108,664
Internal restrictions	66,960	–	86,541	–
Unrestricted	3,000	–	3,000	–
	128,509	104,001	125,823	108,664

\$ '000

Details of restrictions

External restrictions – other

Developer contributions – general	14,237	13,622
Unexpended grants	41,162	38,481
Water supplies	50,958	39,548
Sewerage services	51,849	48,036
Domestic waste management	1,347	2,429
Stormwater management	2,997	2,830
External restrictions – other	162,550	144,946
Total external restrictions	162,550	144,946

Internal restrictions

Employees leave entitlement	2,397	3,931
Governance	–	2,300
Federal financial assistance grant (advance receipt)	–	5,769
Dubbo city holiday park	748	873
Property development	6,600	5,394
Dubbo city regional airport	410	20
Livestock markets	4,210	3,973
Other waste management services	8,996	3,737
Road network – state roads	2,145	2,756
Flood management services	7,319	10,781
Future Asset Renewal	34,235	47,207
Total Internal restrictions	66,960	86,541

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

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

\$ '000	2019	2018
TOTAL RESTRICTIONS	<u>229,510</u>	<u>231,487</u>

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	3,197		2,536	
Interest and extra charges	360		360	
User charges and fees	9,544		9,833	
Accrued revenues				
- Interest on investments	2,007		2,026	
Deferred debtors	417	787	434	629
Government grants and subsidies	4,932		3,945	
Net GST receivables	2,767		912	
Due from other levels of government	38		29	
Other debtors	1,035		1,737	
Total	21,298	287	21,612	629
Less: provision of impairment				
User charges and fees	(728)		(433)	
Total provision for impairment – receivables	(728)		(433)	
TOTAL NET RECEIVABLES	23,570	287	21,379	629

Externally restricted receivables

Water supply				
- Rates and availability charges	382		309	
- Other	6,306		6,770	
Sewerage services				
- Rates and availability charges	2,168		1,926	
- Other	760		542	
Total external restrictions	9,706		9,547	
Unrestricted receivables	13,864	287	11,832	629
TOTAL NET RECEIVABLES	23,570	287	21,379	629

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	433	46
+ new provisions recognised during the year	295	419
- amounts already provided for and written off this year		(32)
Balance at the end of the period	728	433

Accounting policy for receivables

Recognition and measurement

Receivables are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 12 months past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	1,195	–	1,029	–
Trading stock	118	–	71	–
Real estate for resale	1,531	4,076	773	2,025
Total inventories at cost	2,844	4,076	1,873	2,025
TOTAL INVENTORIES	2,844	4,076	1,873	2,025
(b) Other assets				
Prepayments	464	–	663	–
Shares in unlisted companies – StateCover	–	495	–	495
TOTAL OTHER ASSETS	464	495	663	495

Externally restricted assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Water				
Stores and materials	167	–	168	–
Prepayments	8	44	38	44
Total water	175	44	206	44
Sewerage				
Prepayments	–	–	12	–
Total sewerage	–	–	12	–
Total externally restricted assets				
	175	44	218	44
Total unrestricted assets	3,133	4,527	2,318	2,476
TOTAL INVENTORIES AND OTHER ASSETS	3,308	4,571	2,538	2,520

(j) Other disclosures

\$ '000	Notes	2019		2018	
		Current	Non-current	Current	Non-current
(a) Details for real estate development					
Residential		512	1,081	690	1,247
Industrial/commercial		1,019	2,995	83	778
Total real estate for resale		1,531	4,076	773	2,025

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,019	2,181	—	119
Development costs		512	1,895	773	1,906
Total costs		1,531	4,076	773	2,025
Total real estate for resale		1,531	4,076	773	2,025
Movements:					
Real estate assets at beginning of the year		773	2,025	719	1,993
– Purchases and other costs		1,334	2,181	1,210	—
– Transfers in from (out to) Note 9		—	(21)	—	(9)
– WDV of sales (expense)	5	(685)	—	(1,115)	—
– Transfer between current/non-current		109	(109)	(41)	41
Total real estate for resale		1,531	4,076	773	2,025

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE
FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

ITEM NO: AUD19/18

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

	as at 30/6/2018			Financial statements during the reporting period							as at 30/6/2019					
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions	Acquisitions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / restoration decrements (recognised in P&L)	WIP transfers	Adjustments and transfers	Reassessment adjustment (to P&L)	The transfer and value assets (to B/L)	Restoration increments in equity (to B/L)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	15,587	-	15,587	-	10,361	-	-	-	(4,925)	1,646	-	-	-	23,165	-	23,165
Plant and equipment	52,894	(25,827)	27,317	-	9,000	(2,607)	(4,104)	-	-	12	-	-	53,878	(24,700)	29,678	
Office equipment	3,818	(2,124)	1,694	75	805	(7)	(430)	-	-	(5)	-	-	4,657	(2,524)	2,133	
Furniture and fittings	4,398	(2,755)	1,643	12	110	(20)	(227)	-	-	(21)	-	-	4,373	(2,863)	1,510	
Land:																
- Operational land	35,545	-	35,545	-	1,104	-	-	-	-	-	-	-	36,649	-	36,649	
- Community land	35,891	-	35,891	-	-	(7)	-	-	-	-	-	-	35,884	-	35,884	
- Land under roads (pos: 30/6/08)	10,955	-	10,955	440	664	(26)	-	-	-	-	21	-	12,054	-	12,054	
Land improvements - non-depreciable	1,801	-	1,801	-	-	-	-	-	-	-	-	-	1,801	-	1,801	
Land improvements depreciable	6,505	(4,037)	2,468	25	278	(7)	(323)	-	1	-	-	-	6,712	(4,358)	2,376	
Infrastructure:																
- Airport runways	42,580	(17,793)	24,787	3,851	1,376	-	(430)	-	-	-	-	-	47,805	(18,223)	29,582	
- Buildings - non-specialised	47,360	(22,753)	24,607	1,682	-	-	(1,162)	-	-	(398)	-	-	46,050	(21,871)	24,179	
- Buildings - specialised	151,224	(58,200)	93,024	19,367	1,207	(395)	(3,724)	-	-	950	-	-	173,735	(63,296)	110,439	
- Other structures	131,967	(60,537)	71,430	2,346	4,331	(215)	(3,842)	-	-	(636)	-	-	135,466	(62,050)	73,416	
- Roads	1,321,250	(283,719)	1,037,531	902	12,401	-	(9,441)	(122,459)	2,302	(391)	-	-	1,231,459	(330,614)	900,845	
- Bulk earthworks (non depreciable)	308,302	-	308,302	-	914	-	-	-	-	417	-	83,150	302,783	-	302,783	
- Stormwater drainage	228,935	(31,574)	197,361	-	9,044	(166)	(1,046)	-	709	-	-	-	226,527	(32,570)	193,957	
- Water supply network	356,313	(109,154)	247,159	160	1,167	-	(5,123)	-	1,915	616	-	3,886	365,910	(115,106)	249,804	
- Sewerage network	322,766	(57,276)	265,490	81	941	-	(4,804)	-	3	(1,538)	-	4,146	327,282	(63,053)	264,219	
- Swimming pools	6,983	(3,879)	3,104	3,753	-	(490)	(107)	-	-	-	-	-	8,633	(2,373)	6,260	
- Quarry assets	1,597	-	1,597	-	-	-	-	-	-	-	-	-	1,597	-	1,597	
Other assets:																
- Heritage collections	33	(5)	28	-	-	-	-	-	-	-	-	-	33	(5)	28	
- Library books	13	(13)	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Other	2,095	(1,201)	894	33	114	-	(41)	-	-	-	-	-	2,221	(1,021)	1,200	
Restatement, rehabilitation and restoration assets (refer Note 14):																
- Tip assets	897	(831)	66	-	249	-	(201)	-	-	-	(112)	-	1,034	(1,030)	4	
- Quarry assets	1,056	(240)	816	-	119	-	(60)	-	-	-	-	-	1,175	(300)	875	
Total Infrastructure, property, plant and equipment	3,069,285	(681,808)	2,387,477	32,742	54,718	(3,935)	(35,071)	(122,459)	-	2,387	(112)	21	91,182	3,151,208	(746,445)	2,404,763

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

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APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE
FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

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Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

as at 30/06/2017	Asset movements during the reporting period											as at 30/06/2018			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Attribution renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluations and adjustments (via P&L)	Transfer from/(to) real estate assets (note 8)	Revaluation increments to equity (P&S)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	26,917	-	26,917	-	134	-	-	(11,328)	(136)	-	-	-	15,587	-	15,587
Plant and equipment	50,387	(23,962)	26,425	42	6,809	(1,417)	(3,792)	45	-	-	-	52,934	(25,622)	27,312	
Office equipment	3,084	(1,774)	1,310	-	800	-	(295)	-	-	-	-	3,818	(2,124)	1,694	
Furniture and fittings	3,866	(2,471)	1,395	-	519	-	(271)	-	-	-	-	4,398	(2,755)	1,643	
Land:															
- Operational land	32,258	-	32,258	2	-	-	-	148	-	-	3,137	35,545	-	35,545	
- Community land	35,840	-	35,840	-	-	-	-	(148)	-	-	-	35,691	-	35,691	
- Land under roads (post 30/6/08)	9,186	-	9,186	589	1,162	-	-	(7)	-	8	-	10,855	-	10,855	
Land improvements - non-depreciable	1,801	-	1,801	-	-	-	-	-	-	-	-	1,801	-	1,801	
Land improvements depreciable	8,295	(4,875)	3,421	340	106	-	(305)	(7,034)	-	-	-	5,605	(4,037)	2,468	
Infrastructure:															
- Buildings - non specialised	47,822	(32,189)	15,633	245	-	-	(429)	-	(1,069)	-	10,227	47,360	(22,753)	24,607	
- Buildings - specialised	132,729	(96,937)	35,792	1,473	3,395	-	(2,202)	-	1,062	-	23,504	151,224	(58,200)	93,024	
- Other structures	109,723	(52,874)	57,049	10,350	3,932	-	(3,434)	3,833	2,958	-	-	131,987	(66,532)	71,435	
Roads	1,277,514	(272,539)	1,004,975	2,482	15,228	-	(8,361)	-	374	-	-	1,301,256	(263,719)	1,037,537	
- Airport runways	32,743	(16,804)	15,939	8,314	572	-	(423)	-	(2,418)	-	-	42,580	(17,783)	24,797	
- Bulk earthworks (non-depreciable)	307,792	-	307,792	263	274	-	-	-	391	-	-	308,302	-	308,302	
- Stormwater drainage	219,127	(30,536)	188,591	539	6,868	-	(887)	-	(27)	-	-	226,035	(31,524)	194,511	
- Water supply network	336,801	(101,967)	234,834	869	4,281	(56)	(5,067)	7,495	-	-	4,834	365,342	(109,154)	247,189	
- Sewerage network	317,092	(51,496)	265,596	416	4,800	(782)	(4,902)	-	(7)	-	5,360	322,786	(57,278)	265,508	
- Swimming pools	6,964	(4,077)	2,887	-	402	-	(100)	-	2	-	-	6,933	(3,829)	3,104	
- Other open space/recreational assets	6,174	(3,756)	2,418	-	-	-	-	-	(85)	-	-	-	-	-	
- Quarry assets	1,997	-	1,997	-	-	-	-	-	-	-	-	1,997	-	1,997	
Other assets:															
- Heritage collections	33	(5)	28	-	-	-	-	-	-	-	-	33	(5)	28	
- Library books	13	(13)	-	-	-	-	-	-	-	-	-	13	(13)	-	
- Other	2,395	(1,157)	1,238	-	-	-	(44)	-	-	-	-	2,395	(1,201)	1,194	
Reinstatement, rehabilitation and restoration assets (refer Note 14):															
- Tip assets	1,044	(875)	369	-	438	-	(158)	-	-	(583)	-	897	(831)	66	

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/2017			Asset movements during the reporting period								as at 30/06/2018			
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Measurement and adjustment (via P&L)	Disposal of real estate assets (note 8)	Revaluation increments to equity (ASC)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Quarry assets	465	(221)	238		551		(13)						1,056	(240)	816
Total Infrastructure, property, plant and equipment	2,967,373	(988,134)	2,299,239	26,804	49,389	(2,255)	(31,788)	-	-	(583)	9	47,602	3,069,285	(881,608)	2,387,677

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

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) - Water.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class, all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	1 to 8	Playground equipment	5 to 15
Office furniture	1 to 10	Benches, seats etc.	10 to 20
Computer equipment	1 to 8		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 100
		Stormwater assets	
Water and sewer assets		Drains	80 to 200
Dams and reservoirs	100	Culverts	50 to 120
Bores	30	Flood control structures	80 to 100
Reticulation pipes: PVC	70		
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 50		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	21 to 24	Swimming pools	5 to 50
Sealed roads: structure	15 to 80	Other open space/recreational assets	15 to 80
Unsealed roads	10 to 34		
Bridge: concrete	110		
Bridge: other	80		
Road pavements	60 to 80		
Kerb, gutter and footpaths	40 to 200		

The assets' intervention points and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

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

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	4,681	—	4,681	5,065	—	5,065
Plant and equipment	2,423	1,185	1,238	2,220	1,052	1,168
Office equipment	41	41	—	41	40	1
Furniture and fittings	21	18	3	21	18	3
Land						
– Operational land	2,908	—	2,908	2,908	—	2,908
– Community land	39	—	39	39	—	39
Buildings	801	423	378	801	400	401
Other structures	716	224	492	716	197	519
Infrastructure	364,401	113,525	248,876	355,450	108,624	246,826
Roads	3,378	1,176	2,202	3,417	558	2,859
Bulk earthworks	1,120	—	1,120	746	—	746
Other assets	425	1	424	425	1	424
Total water supply	380,954	118,593	262,361	371,678	110,890	260,788
Sewerage services						
WIP	13,064	—	13,064	8,452	—	8,452
Plant and equipment	2,064	993	1,071	2,072	1,030	1,042
Office equipment	99	69	30	99	67	32
Furniture and fittings	13	10	3	13	9	4
Land						
– Operational land	7,179	—	7,179	6,757	—	6,757
Buildings	1,336	954	385	1,336	936	410
Other structures	606	439	167	590	418	172
Infrastructure	325,077	61,573	263,504	318,975	55,858	263,117
Roads	2,301	438	1,863	3,695	1,012	2,683
Bulk earthworks	391	—	391	830	—	830
Total sewerage services	352,130	64,173	287,957	342,819	59,320	283,499
Domestic waste management						
Plant and equipment	1,964	710	1,254	2,366	1,064	1,282
Land						
Other structures	733	349	384	395	342	53
Roads	34	27	7	34	25	9
Bulk earthworks	49	—	49	49	—	49
Total DWM	2,800	1,086	1,714	2,864	1,451	1,413
Other restricted assets						
WIP	1,344	—	1,344	1,014	—	1,014
Plant and equipment	55	31	24	55	27	28
– Operational land	1,217	—	1,217	1,217	—	1,217
– Community land	76	—	76	49	—	49
Infrastructure	236,184	32,472	203,712	229,003	31,435	197,568
Bulk earthworks	2,217	—	2,217	2,405	—	2,405
Total other restrictions	241,293	32,503	208,790	233,743	31,462	207,281
TOTAL RESTRICTED I,PP&E	977,177	216,655	760,522	951,306	203,123	748,182

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services - operating expenditure	9,683		8,819	
Accrued expenses:				
- Borrowings	545	-	586	-
- Salaries and wages	974	-	952	-
Security bonds, deposits and retentions	1,748	-	1,681	-
Other		1		1
Total payables	12,930	1	12,038	1
Income received in advance				
Payments received in advance	414		328	
Total income received in advance	414	-	328	-
Borrowings				
Loans - secured ⁽¹⁾	5,159	57,228	4,922	62,434
Total borrowings	5,159	57,228	4,922	62,434
TOTAL PAYABLES AND BORROWINGS	18,503	57,229	17,288	62,435

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,554	23,735	1,713	24,865
Sewer	2,277	15,463	2,169	17,490
Payables and borrowings relating to externally restricted assets	3,831	39,198	3,882	42,355
Total payables and borrowings relating to restricted assets	3,831	39,198	3,882	42,355
Total payables and borrowings relating to unrestricted assets	14,672	18,031	13,406	20,080
TOTAL PAYABLES AND BORROWINGS	18,503	57,229	17,288	62,435

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018	Non-cash changes				as at 30/6/2019
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	as at	Non-cash changes				as at
	30/6/2018	Cash flows	Acquisition	Fair value changes	Other non-cash movements	30/6/2019
	Opening Balance					Closing balance
Loans - secured	67,356	(4,969)				62,387
TOTAL	67,356	(4,969)				62,387

\$ '000 2019 2018

(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ¹	200	200
Credit cards/purchase cards	800	800
Bank Guarantee	50	10
Total financing arrangements	850	810

Drawn facilities as at balance date:

- Credit cards/purchase cards	105	58
- Bank Guarantee	10	10
Total drawn financing arrangements	115	68

Undrawn facilities as at balance date:

- Bank overdraft facilities	200	200
- Credit cards/purchase cards	495	542
- Bank Guarantee	40	-
Total undrawn financing arrangements	735	742

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	3,773	—	3,729	—
Sick leave	832	—	1,069	—
Long service leave	8,392	614	8,806	473
Other leave	161	—	161	—
Sub-total – aggregate employee benefits	13,158	614	13,765	473
Asset remediation/restoration:				
Asset remediation/restoration (future works)	—	4,713	—	3,973
Sub-total – asset remediation/restoration	—	4,713	—	3,973
TOTAL PROVISIONS	13,158	5,327	13,765	4,446

(a) Provisions relating to restricted assets

Externally restricted assets				
Water	1,212	65	1,180	50
Provisions relating to externally restricted assets	1,212	65	1,180	50
Total provisions relating to restricted assets	1,212	65	1,180	50
Total provisions relating to unrestricted assets	11,946	5,262	12,585	4,396
TOTAL PROVISIONS	13,158	5,327	13,765	4,446

\$ '000 2019 2018

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	6,630	7,211
	6,630	7,211

(c) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	3,729	1,069	9,279	161	14,238
Additional provisions	2,371	23	956	217	3,567
Amounts used (payments)	(2,797)	(273)	(1,753)	(238)	(5,061)
Remeasurement effects	470	13	524	21	1,028
Total FIF provisions at end of period	3,773	832	9,006	161	13,772

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 11. Provisions (continued)

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	3,937	1,303	10,227	56	15,523
Additional provisions	2,047	4	141	621	2,813
Amounts used (payments)	(7,542)	(240)	(1,474)	(536)	(4,894)
Remeasurement effects	387	4	385	20	796
Total LLL provisions at end of period	3,729	1,069	9,279	161	14,238

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	3,573	3,573
Additional provisions	73	73
Unwinding of discount	667	667
Total other provisions at end of period	4,713	4,713
2018		
At beginning of year	2,117	2,117
- Revised costs	443	443
Additional provisions	1,381	1,381
Unwinding of discount	32	32
Total other provisions at end of period	3,973	3,973

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 11. Provisions (continued)

Self-insurance
Council does not to self insure.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies,
changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

(b) Changes in accounting policies due to adoption of new accounting standards

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Transition adjustments

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classification under AASB 139	Classification under AASB 9	Carrying amount under AASB 139	Reclassification	Remeasurements	Carrying amount under AASB 9
Financial assets						
Trade and other receivables	Loans and receivables	Amortised cost	22,008			22,008
Cash and cash equivalents	Loans and receivables	Amortised cost	36,755	-	-	36,755
Term deposits	Held to maturity	Amortised cost	187,632	-	-	187,632

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Total financial assets under AASB 9 at 1 July 2018			256,495			256,495
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	67,356	-	-	67,356
Trade payables	Other financial liabilities	Other financial liabilities	12,039	-	-	12,039
Total financial liabilities under AASB 9 at 1 July 2018			79,395	-	-	79,395

Notes to the table above

Reclassification from 'held to maturity' to 'amortised cost'

Term deposits that would previously have been classified as 'held to maturity' are now classified as 'amortised cost'. Council intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount of these assets.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 13. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	80a)	47,179	36,755
Balance as per the Statement of Cash Flows		47,179	36,755
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(67,635)	91,346
Adjust for non-cash items:			
Depreciation and amortisation		29,508	30,407
Net losses/(gains) on disposal of assets		(703)	(2,762)
Non-cash capital grants and contributions		(14,280)	(19,717)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
- Revaluation decrements / impairments of IPP&E direct to P&L		122,459	-
Amortisation of premiums, discounts and prior period fair valuations			
- Interest on all fair value adjusted interest free advances made by Council		(16)	(75)
Unwinding of discount rates on reinstatement provisions		667	1,856
Share of net (profits)/losses of associates/joint ventures using the equity method		(49)	(151)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,503)	(4,021)
Increase/(decrease) in provision for impairment of receivables		265	387
Decrease/(increase) in inventories		(213)	57
Decrease/(increase) in other current assets		189	(203)
Increase/(decrease) in payables		844	4,253
Increase/(decrease) in accrued interest payable		(41)	(39)
Increase/(decrease) in other accrued expenses payable		22	(80)
Increase/(decrease) in other liabilities		153	(225)
Increase/(decrease) in provision for employee benefits		(466)	(1,285)
Increase/(decrease) in other provisions		73	-
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		68,312	99,750
(c) Non-cash investing and financing activities			
Infrastructure contributions		14,280	19,717
Total non-cash investing and financing activities		14,280	19,717

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 14. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	49	151	1,533	1,484
Total	49	151	1,533	1,484

Joint arrangements

(j) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019		2018	
			2019	2018	2019	2018
Macquarie Regional Library	Joint Venture	Equity	1,533	1,484		
Total carrying amounts – material joint ventures			1,533	1,484		

(b) Details

Principal activity		Place of business
Macquarie Regional Library	Public library services	Branches in Dubbo, Narramine and Warrumbungle Council area

(c) Relevant interests and fair values

	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	66.5%	69.0%	73.0%	73.0%	33.0%	33.9%

(d) Summarised financial information for joint ventures

	Macquarie Regional Library	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	1,585	1,930
Other current assets	68	71
Non-current assets	1,202	1,089
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	694	1,009

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 14. Interests in other entities (continued)

	Macquarie Regional Library	
	2019	2018
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
Net assets	2,123	2,049
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,049	1,829
Profit/(loss) for the period	74	220
Closing net assets	2,123	2,049
Council's share of net assets (%)	72.2%	72.9%
Council's share of net assets (\$)	1,533	1,484
Statement of comprehensive income		
Income	2,960	2,883
Interest income	45	45
Depreciation and amortisation	(339)	(331)
Other expenses	(2,582)	(2,348)
Profit/(loss) from continuing operations	74	221
Profit/(loss) for the period	74	221
Total comprehensive income	74	221
Share of income – Council (%)	69.5%	68.5%
Profit/(loss) – Council (\$)	49	151
Total comprehensive income – Council (\$)	49	151

Accounting policy for joint arrangements
The council has determined that it has only joint ventures

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities.

Property, plant and equipment

Road infrastructure	544	8,532
Other structures	22,381	4,583
Water infrastructure	217	2,259
Sewer infrastructure	1,545	233
Total commitments	24,687	16,617

Sources for funding of capital commitments:

Unrestricted general funds	4,961	9,639
Externally restricted reserves	19,726	6,978
Total sources of funding	24,687	16,617

(b) Operating lease commitments (non-cancellable)

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

Within the next year	93	132
Later than one year and not later than 5 years	85	173
Total non-cancellable operating lease commitments	178	305

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

- Computer equipment

Conditions relating to finance and operating leases:

All finance agreements are secured only against the leased asset.

- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.

- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.

- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.

- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$525,000.00. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

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Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$527,100.00

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) CivicRisk Mutual Limited

Council is a member of CivicRisk Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	47,179	36,755	47,179	36,755
Receivables	23,867	22,008	23,867	22,008
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2018)	185,331	197,732	185,331	197,732
Other financial assets	495	495	495	495
Total financial assets	256,862	256,990	256,862	256,990
Financial liabilities				
Payables	12,931	12,039	12,931	12,039
Loans/advances	62,387	67,356	62,387	67,356
Total financial liabilities	75,318	79,395	75,318	79,395

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

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Note 17. Financial risk management (continued)

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

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

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

(a) Market risk – price risk and interest rate risk

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

£ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	2,328	2,328	(2,328)	(2,328)
2018				
Possible impact of a 1% movement in interest rates	2,345	2,345	(2,345)	(2,345)

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

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Note 17. Financial risk management (continued)

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	2,547	660	–	–	–	3,197
2018						
Gross carrying amount	1,604	732	–	–	–	2,536

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	19,604	827	76	42	839	21,368
2018						
Gross carrying amount	18,188	531	481	114	591	19,905

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	–	1,748	11,183	–	–	12,931	12,931
Loans and advances	6.10%	–	8,881	35,375	45,814	90,070	62,387
Total financial liabilities		1,748	20,064	35,375	45,814	103,001	75,318

2018

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Note 17. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
Trade/other payables	-	1,681	10,358	-	-	12,009	12,039
Loans and advances	6.10%	-	8,958	35,653	54,495	99,106	67,356
Total financial liabilities		1,681	19,316	35,653	54,495	111,145	79,395

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for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements must disclose the original budget adopted by Council, the Local Government Act 1993 requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of material variations between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Material variations represent those variances between the original budget figure and the actual result that amount to 10% or more.

Variation Key: F = Favourable budget variation, U = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 "Variance"		
REVENUES					
Rates and annual charges	61,762	62,438	676	1%	F
User charges and fees	42,300	46,393	4,093	10%	F
There was income received from RMS for State Road claims that was not budgeted. Additional income from water, sewer and waste charges was received than originally budgeted for.					
Interest and investment revenue	5,155	6,834	1,679	33%	F
Council's investment portfolio has continued to exceed benchmarks set. Additional unbudgeted grant income was invested until the funds needed to be remitted.					
Other revenues	2,236	1,934	(302)	(14)%	U
Sundry income items budgeted were not received.					
Operating grants and contributions	21,744	18,610	(3,134)	(14)%	U
\$2.5m of grant money from the Roads to Recovery Program was budgeted but not received.					
Capital grants and contributions	24,209	46,172	23,963	99%	F
Additional grant money was received for the below projects: - \$8m relating to the construction at the Dubbo Aerodrome - \$1.5m relating to Tourism and Sporting Facilities - \$2.5m for roads and drought funding. An additional \$13m from non-cash contributions was received than originally budgeted for.					
Net gains from disposal of assets	241	703	462	192%	F
Council received more revenue from land sales than originally estimated.					
Joint ventures and associates – net profits	–	49	49	–	F
EXPENSES					
Employee benefits and on-costs	47,511	41,423	6,088	13%	F
The number of job vacancies was higher than anticipated, which resulted in a lower employee cost.					
Borrowing costs	4,037	4,435	(398)	(10)%	U
Council spent more on quarry and tip restoration than originally budgeted.					
Materials and contracts	27,854	38,045	(10,191)	(37)%	U

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Notes to the Financial Statements
for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 "Variance"	
Council engaged additional contractors and consultants to finalise many ongoing projects.				
Depreciation and amortisation	31,529	29,506	2,023	6% F
Other expenses Council had increased expenses in relation to advertising, bad and doubtful debts, street lighting and donations and contributions to local organisations than originally budgeted	14,763	16,900	(2,137)	(14)% U
Revaluation decrement / impairment of IPP&E	-	122,450	(122,450)	= U
STATEMENT OF CASH FLOWS				
Net cash provided from (used in) operating activities This variation has occurred due to a significant amount in capital grant funding either being originally budgeted but was received earlier than anticipated or grant funding that was not originally budgeted.	58,850	68,312	9,462	16% F
Net cash provided from (used in) investing activities	(55,428)	(57,919)	2,491	(5)% F
Net cash provided from (used in) financing activities	(1,922)	(1,969)	(47)	1% U

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

The Council measures the following asset and liability classes at fair value on a recurring basis.

- Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/18			23,165	23,165
Plant and equipment	30/06/14		29,678		29,678
Office equipment	30/06/14		2,133		2,133
Furniture and fittings	30/06/14		1,510		1,510
Operational land	30/06/18		36,649		36,649
Community land	12/05/18			35,684	35,684
Land under roads (post 30/06/2008)				12,054	12,054
Land improvements – non depreciable	30/06/10			1,801	1,801
Land improvement – depreciable	30/06/08			2,376	2,376
Airport runways/taxways	30/06/15			29,582	29,582
Buildings – non-specialised	30/06/18			24,179	24,179
Buildings – specialised	30/06/18			110,438	110,438
Other structures	30/06/13			73,416	73,416
Roads	30/06/19			900,845	900,845
Bulk earthworks	30/06/19			302,783	302,783
Stormwater drainage	30/06/15			203,952	203,952
Water supply network	30/06/17			249,834	249,834
Sewerage network	30/06/17			264,219	264,219
Swimming pools	12/05/18			6,260	6,260
Other open space/recreational assets	12/05/18				
Quarry assets	30/06/14			1,997	1,997
Heritage collections	30/06/07			28	28
Other assets	30/06/07			1,300	1,300
Tip restoration assets	30/06/19			4	4
Quarry restoration assets	30/06/19			875	875
Total infrastructure, property, plant and equipment			69,970	2,334,793	2,404,763

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Plant & equipment

It is considered that there is a liquid second hand market for Council's plant and equipment, however, there is subjectivity of prices in this market dependent on the age and condition of the equipment being sold. Council has determined that the plant and equipment is to be classified as level 2 inputs.

Office equipment and furniture & fittings

There is a liquid second hand market for these types of assets, but the market is not liquid enough to qualify the assets as valued at level 1. The reason for retaining book value in note 9 is that these assets typically have very short useful lives, are held to the end of their economic life and have no residual value, and the written down value reflects their value in use rather than their market value.

Operational land

There is an active liquid market for most of Council's Operational Land, however, the subjectivity of pricing has resulted in this land to be classified as Level 2.

Level 3 Inputs

Buildings - specialised and non-specialised

Valuations of buildings was carried out by an external valuer, but the valuation was on the written down current replacement cost of the buildings rather than the market value. Consequently, all buildings are categorised as level 3 unobservable inputs, as the valuations do not reflect market valuations.

Quarry assets

The quarry assets are valued on the basis of the price of acquiring the same quality material from commercial quarries that operate within the Dubbo local government area. The reason for level 3 classification is that there is a degree of estimation required to determine the amount of material remaining in the quarry, and also the potential variation in quality of the material that has yet to be won from the quarry.

Capital works in progress

The valuation method employed is the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation available is cost, or inputs to the construction work, which is a level 3 unobservable input.

Community land

Community land was valued using urban and rural average municipal site values. These were determined by analysing the total rateable value of urban and rural lands, and then dividing the total valuations by the total area to determine an average rate per hectare or square metre. This was then applied to the areas of community land. This work was carried out by Council's rating staff. This method has no market observable inputs as the rating value is the valuation provided by the Valuer General for rating purposes, and may or may not align with the market value of the land. However, it is not a market valuation of the land. The level 3 unobservable inputs are the valuations provided by the Valuer General on which the value of the land is determined.

Land under roads

Council has elected to only recognise land under roads that have been acquired after 30 June 2008. There are two methods by which this land is valued, neither of which represent the market value of the land as there is no market for land that is currently used for road or road reserve purposes. Land which is transferred to Council from private subdividers is valued using the municipal site value as outlined in valuation of community land above. Land under roads relating to Council's own subdivisions is valued at the cost of that land at acquisition, on an area basis. The level 3 unobservable inputs are the average municipal site value of subdividers land vested in Council, and the cost of the land acquired by Council for subdivision on an area basis.

Land improvements depreciable and non-depreciable

Land improvements - non-depreciable are valued at current replacement cost. This is a level 3 unobservable input as the valuation method does not reflect a market rate as there is no active market for sale of land improvements - non-depreciable.

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for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

Buildings - specialised and non-specialised and other structures (including swimming pools and open space/recreational assets)

Valuations of buildings was carried out by an external valuer, but the valuation was on the written down current replacement cost of the buildings rather than the market value. Consequently, all buildings are categorised as level 3 unobservable inputs, as the valuations do not reflect market valuations

Infrastructure roads, bridges and footpaths

Valuation of roads was undertaken by Council staff, based on the current written down value of the road assets within Council's network. As this is based on the current costs of construction at time of valuation, and not market value, this valuation is a level 3 unobservable input valuation

Bulk earthworks (non-depreciable)

Valuation of non depreciable bulk earthworks has two different valuations depending on whether the earthworks relate to roads or stormwater retarding basins. All earthworks relating to roads were valued in conjunction with the valuation of the roads by Council staff, on a current replacement cost basis. All stormwater retarding basin earthworks were valued on a current replacement cost basis by Council staff as an internal valuation. The basis of determining the value for internal valuations was a combination of the cost of similar works carried out by Council, recent similar contract works, and reference rates for construction of similar earthworks. Both the internal and external valuations are level 3 unobservable inputs valuations due to the fact that market valuation was not a factor in determining the value of the assets.

Stormwater, water and sewer infrastructure assets

All three asset networks were valued by Council staff using recent Council cost of constructing similar assets, recent contractor costs to construct Council assets, and then cross validating the costs to construction cost indexes provided by the NSW Office of Water. The written down value was then assessed by estimating the total and remaining useful lives of the asset to determine the written down current replacement cost of each asset.

Heritage collection assets

These items comprise historical artefacts that have been obtained generally by purchase through antique dealers or through private sale. As there is not an active liquid market in the types of items acquired, they are valued at cost, and therefore have been assessed as being Level 3 unobservable input valuations.

Library books

The library books are reported at fair value in the notes, however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets were based on invoices at the time of capitalisation.

Tip and quarry restoration assets

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry assets. Closure of the landfill and quarry sites will involve a wide range of activities, including final capping of the landfill waste and site revegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post closure operation.

Valuations are based on actual timing of costs and future environmental management requirements.

There were no changes in valuation techniques from prior years.

(3) Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

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Note 19. Fair Value Measurement (continued)

\$ '000	Capital works in progress	Community Land	Land under Roads	Land improvement s non-deprecia ble	Land improvement s depreciable
\$ '000	Capital works in progress	Community Land	Land under Roads	Land improvement s non-deprecia ble	Land improvement s depreciable
2018					
Opening balance	28,917	35,840	9,196	1,801	3,421
Transfers from/(to) another asset class	(11,464)	(149)	8	-	(1,094)
Purchases (GBV)	134	-	1,751	-	447
Depreciation and impairment	-	-	-	-	(305)
Closing balance	15,587	35,691	10,955	1,801	2,469
2019					
Opening balance	15,587	35,691	10,955	1,801	2,469
Transfers from/(to) another asset class	(3,283)	-	-	-	-
Purchases (GBV)	10,861	-	1,125	-	243
Disposals (WDV)	-	(7)	(26)	-	(7)
Depreciation and impairment	-	-	-	-	(329)
Closing balance	23,165	35,684	12,054	1,801	2,376
\$ '000	Buildings non specialised	Building specialised	Other structures	Roads	Airports, runways, taxiways
2018					
Opening balance	15,833	85,792	57,049	1,004,975	15,939
Transfers from/(to) another asset class	(1,069)	1,062	2,958	4,208	391
Purchases (GBV)	245	4,889	14,863	17,710	8,886
Depreciation and impairment	(129)	(2,202)	(3,134)	(9,361)	(129)
FV gains other comprehensive income	10,227	23,504	-	-	-
Closing balance	24,807	93,075	71,436	1,017,532	24,787
2019					
Opening balance	24,807	93,075	71,436	1,017,532	24,787
Transfers from/(to) another asset class	(958)	860	(640)	1,811	-
Purchases (GBV)	1,882	20,573	6,677	13,303	5,225
Disposals (WDV)	-	(395)	(215)	-	-
Depreciation and impairment	(1,182)	(3,724)	(3,842)	(131,901)	(430)
Closing balance	24,179	110,439	73,416	900,845	29,582
\$ '000	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
2018					
Opening balance	307,792	188,891	231,831	260,586	2,887

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Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools
Transfers from/(to) another asset class	(27)		7,494	(254)	(85)
Purchases (GBV)	537	7,506	5,149	5,217	402
Disposals (WDV)			(58)	(527)	
Depreciation and impairment		(987)	(5,067)	(4,902)	(100)
FV gains – other comprehensive income			4,834	5,380	
Closing balance	308,302	195,410	247,188	265,490	3,104
2019					
Opening balance	308,302	195,410	247,188	265,490	3,104
Transfers from/(to) another asset class	417	710	2,531	(1,635)	
Purchases (GBV)	914	9,014	1,352	1,022	3,753
Disposals (WDV)		(169)			(490)
Depreciation and impairment		(1,049)	(5,123)	(4,804)	(107)
FV gains – other comprehensive income	83,150		3,886	4,146	
Closing balance	392,783	203,952	249,834	264,219	6,260

\$ '000	Other open space recreational	Quarry assets	Heritage collections	Other assets	Tip restoration assets
2018					
Opening balance	2,418	1,997	28	1,238	369
Transfers from/(to) another asset class	(2,418)				
Purchases (GBV)					436
Disposals (WDV)					(593)
Depreciation and impairment				(45)	(150)
Closing balance		1,997	28	1,193	66
2019					
Opening balance		1,997	28	1,193	66
Purchases (GBV)				148	251
Depreciation and impairment				(41)	(313)
Closing balance		1,997	28	1,300	4

\$ '000	Quarry restoration assets	Total
2018		
Opening balance		238
Transfers from/(to) another asset class		(439)
Purchases (GBV)		591
Disposals (WDV)		(1,188)
Depreciation and impairment		(13)
FV gains – other comprehensive income		
Closing balance	816	2,321,484
2019		

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Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Quarry restoration assets	Total
Opening balance	816	2,321,484
Transfers from/(to) another asset class	-	13
Purchases (G&V)	119	76,302
Disposals (WDV)	-	(1,306)
Depreciation and impairment	(60)	(152,882)
FV gains - other comprehensive income	-	81,182
Closing balance	875	2,334,793

(4) Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Dubbo Regional Council

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for the year ended 30 June 2019

Note 20. Related Party Transactions

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$'000	2018	2019
Compensation:		
Short-term benefits	1,903	2,522
Other long-term benefits	502	842
Termination benefits	-	608
Total	2,405	3,972

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

There are no other disclosures to be made by KMP.

(c) Other related party transactions

Nil

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for the year ended 30 June 2019

Note 21. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due (payable)
\$ '000		Cash	Non-cash					
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,105	1,578	–	170	(1,223)	–	9,730	–
Parking	95	–	–	1	–	–	96	–
Open space	2,100	711	–	43	(750)	–	2,104	–
Voluntary planning agreements	228	198	–	–	–	–	426	–
S7.11 contributions – under a plan	13,317	3,182	–	249	(2,818)	–	13,930	–
S7.12 levies – under a plan	31	33	–	–	(31)	–	33	–
Total S7.11 and S7.12 revenue under plans	13,348	3,215	–	249	(2,849)	–	13,963	–
S7.11 not under plans	274	–	–	–	–	–	274	–
Total contributions	13,622	3,215	–	249	(2,849)	–	14,237	–

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APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

ITEM NO: AUD19/18

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,195	1,578	–	170	(1,223)	–	9,730	–
Parking	95	–	–	1	–	–	96	–
Open space	2,100	711	–	43	(750)	–	2,104	–
Voluntary planning agreements	228	198	–	–	–	–	426	–
Total	13,317	3,182	–	249	(2,818)	–	13,930	–
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER 2012 (former Wellington)								
Public order and safety	5	5	–	–	(5)	–	5	–
Community services and education	5	5	–	–	(5)	–	5	–
Household and community amenities	5	5	–	–	(5)	–	5	–
Recreation and culture	6	6	–	–	(6)	–	6	–
Transport and communication	4	5	–	–	(4)	–	5	–
Economic affairs	6	7	–	–	(6)	–	7	–
Total	31	33	–	–	(31)	–	33	–

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ITEM NO: AUD19/18

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
S7.11 Contributions – not under a plan								
<i>(former Wellington)</i>								
Drainage	75	-	-	-	-	-	75	-
Roads	118	-	-	-	-	-	118	-
Open space	35	-	-	-	-	-	35	-
Community facilities	10	-	-	-	-	-	10	-
Emergency services	36	-	-	-	-	-	36	-
Total	274	-	-	-	-	-	274	-

APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	42,830	7,283	12,325
User charges and fees	23,268	18,236	4,890
Interest and investment revenue	4,158	1,193	1,483
Other revenues	1,808	63	63
Grants and contributions provided for operating purposes	18,364	127	119
Grants and contributions provided for capital purposes	43,410	2,480	2,282
Other income			
Net gains from disposal of assets	703		
Share of interests in joint ventures and associates using the equity method	49	-	-
Total income from continuing operations	134,590	29,381	21,162
Expenses from continuing operations			
Employee benefits and on costs	32,411	5,014	3,998
Borrowing costs	1,985	1,534	916
Materials and contracts	31,670	4,194	2,221
Depreciation and amortisation	18,873	5,560	5,073
Other expenses	12,347	3,012	1,541
Net losses from the disposal of assets	19	(2)	(17)
Revaluation decrement / impairment of IPPE	120,574	659	1,226
Total expenses from continuing operations	217,879	19,931	14,958
Operating result from continuing operations	(83,289)	9,450	6,204
Net operating result for the year	(83,289)	9,450	6,204
Net operating result attributable to each council fund	(83,289)	9,450	6,204
Net operating result for the year before grants and contributions provided for capital purposes	(126,690)	6,970	3,922

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

¹ General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	26,702	10,128	10,348
Investments	43,000	23,330	15,000
Receivables	13,864	6,718	2,928
Inventories	2,677	167	-
Other	456	8	-
Total current assets	86,699	40,411	28,277
Non-current assets			
Investments	60,001	17,500	26,500
Receivables	287	-	-
Inventories	4,076	-	-
Infrastructure, property, plant and equipment	1,854,745	262,361	287,857
Investments accounted for using the equity method	1,533	-	-
Other	451	44	-
Total non-current assets	1,921,093	279,905	314,157
TOTAL ASSETS	2,007,792	320,316	342,434
LIABILITIES			
Current liabilities			
Payables	12,209	465	256
Income received in advance	414	-	-
Borrowings	2,049	1,089	2,021
Provisions	11,946	1,212	-
Total current liabilities	26,618	2,766	2,277
Non-current liabilities			
Payables	1	-	-
Borrowings	18,030	23,735	15,463
Provisions	5,282	65	-
Total non-current liabilities	23,293	23,800	15,463
TOTAL LIABILITIES	49,911	26,566	17,740
Net assets	1,957,881	293,750	324,694
EQUITY			
Accumulated surplus	1,839,287	230,339	245,619
Revaluation reserves	118,594	63,411	79,075
Council equity interest	1,957,881	293,750	324,694
Total equity	1,957,881	293,750	324,694

NR: All amounts disclosed above are gross – that is, they include minimal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

(in accordance with s41(3) of the Local Government Act 1993)

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APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE FINANCIAL STATEMENTS - 2018-2019 - REFER TO AUDIT

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	5,900	4.33%	18.43%	13.15%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	136,209				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	118,948	63.43%	56.57%	62.54%	>60.00%
Total continuing operating revenue ¹	184,381				
3. Unrestricted current ratio					
Current assets less all external restrictions	86,967	4.35x	5.52x	3.63x	>1.5x
Current liabilities less specific purpose liabilities	19,968				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	39,841	4.24x	6.17x	5.78x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	9,404				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,567	5.48%	4.88%	3.27%	<10.00%
Rates, annual and extra charges collectible	64,935				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	218,509	25.05	25.79	16.6	>3
Monthly payments from cash flow of operating and financing activities	8,724	mths	mths	mths	mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

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Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ¹		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5.52)%	13.55%	25.91%	31.24%	20.77%	26.52%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	53.36%	46.47%	91.13%	88.74%	88.65%	83.00%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.35x	5.52x	14.61x	9.77x	12.42x	14.07x	>1.5x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.33x	4.88x	9.08x	9.44x	10.56x	10.62x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	2.22%	1.63%	5.25%	4.39%	17.59%	16.35%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	16.87	19.63	44.6	34.38	71.85	71.82	>3
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

Footnotes

(1) - (2) Refer to Notes at Note 28a above.

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

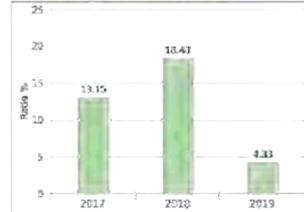
Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio: 4.33%

Although this ratio is above the benchmark of 0%, it has decreased significantly from 2017/18 mainly due to a reduction in revenue from Operational Contributions and Fees from RMS State Roads projects.

Benchmark: > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio: 63.43%

Own source operating revenue ratio has risen above the benchmark of 60% this year due to the normal level of Grant funding.

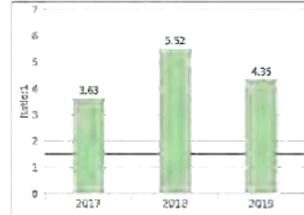
Benchmark: > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio: 4.35x

The unrestricted current ratio for 2019 has remained very strong. A result above 1.5 indicates a strong ability to meet short term obligations.

Benchmark: > 1.5x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

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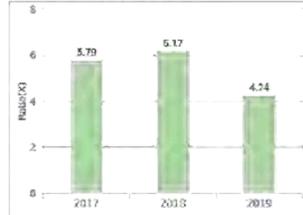
Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio: 4.24x

This ratio result is particularly strong indicating that there is \$4.24 of cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.0x.

Benchmark: > 2x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio: 5.48%

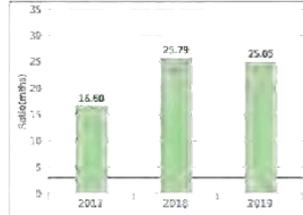
Although this ratio has increased from last year a result of 5% represents an extremely strong debt recovery process.

Benchmark: < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio: 25.05 months

The benchmark for this ratio is 3.00. This indicates that Council is in a very strong cash position.

Benchmark: > 3months

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
Ratio is outside benchmark

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Council information and contact details

Principal place of business:
Church Street
Dubbo NSW 2830

Contact details

Mailing Address:
PO Box 81
Dubbo NSW 2830

Opening hours:
9:00am - 5:00pm
Monday to Friday

Telephone: 02 6801 4000
Facsimile: 02 6801 4259

Internet: www.dubbo.nsw.gov.au
Email: council@dubbo.nsw.gov.au

Officers
Chief Executive Officer
Michael McMahon

Elected members
Mayor
Ben Shields

Responsible Accounting Officer
Jane Basingthwaite

Councillors
Annesmarie Jones OAM
Jane Diffey

Public Officer
Craig Giffin

Vicki Etheridge
David Grant

Auditors
Audit Office of New South Wales
GPO Box 12
Sydney NSW 2001

Dayne Gambley
Stephen Lawrence
Greg Mohr
Kevin Parker
John Ryan

Other information
ABN: 53 539 070 928

Dubbo Regional Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

Independent Auditor's Report

Please uplift Council's Audit Report PDF (opinion) for inclusion in the GPFS report (via the Home screen)

Dubbo Regional Council

Financial Statements 2019

General Purpose Financial Statements
for the year ended 30 June 2019

Independent Auditor's Report

Please uplift Council's Audit Report PDF (commentary) for inclusion in the GPS report (via the Home screen)

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements
for the year ended 30 June 2019

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include (a) those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and (b) those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, Councils must (a) adopt a corporatisation model and (b) apply full cost attribution including tax equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements
for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement *Application of National Competition Policy to Local Government*,
- the Division of Local Government Guidelines *Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*,
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable

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

Signed in accordance with a resolution of Council made on 28 October 2019.

Ben Shields
Mayor
28 October 2019

Anna Jones OAM
Deputy Mayor
28 October 2019

Michael McMahon
Chief Executive Officer
28 October 2019

Jene Bessingthwaighie
Responsible Accounting Officer
28 October 2019

Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Water Supply Business Activity
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	7,283	7,043
User charges	18,235	18,460
Interest	1,193	969
Grants and contributions provided for non-capital purposes	177	171
Other income	63	41
Total income from continuing operations	28,951	27,684
Expenses from continuing operations		
Employee benefits and on costs	5,014	4,878
Borrowing costs	1,534	1,533
Materials and contracts	4,144	4,381
Depreciation, amortisation and impairment	5,560	5,290
Loss on sale of assets	(2)	50
Calculated taxation equivalents	130	131
Other expenses	3,012	2,778
Revaluation decrement /impairment of IPPF	(65)	
Total expenses from continuing operations	20,061	19,131
Surplus (deficit) from continuing operations before capital amounts	8,890	8,553
Grants and contributions provided for capital purposes	2,480	3,369
Surplus (deficit) from continuing operations after capital amounts	9,320	11,872
Surplus (deficit) from all operations before tax	9,320	11,872
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,881)	(2,338)
SURPLUS (DEFICIT) AFTER TAX	7,439	9,534
Plus accumulated surplus	220,889	208,886
- Taxation equivalent payments	130	131
Less:		
- Corporate taxation equivalent	1,881	2,338
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	230,330	220,889
Return on capital %	3.7%	3.9%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	7,439	9,534
Less: capital grants and contributions (excluding developer contributions)	(2,480)	(3,369)
Surplus for dividend calculation purposes	4,959	6,165
Potential dividend calculated from surplus	2,480	3,082

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Sewerage Business Activity
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	12,325	11,783
User charges	4,671	4,687
Liquid trade waste charges	20	33
Fees	160	873
Interest	1,463	1,361
Grants and contributions provided for non-capital purposes	119	121
Other income	63	56
Total income from continuing operations	18,880	18,713
Expenses from continuing operations		
Employee benefits and on costs	3,998	3,588
Borrowing costs	916	1,012
Materials and contracts	2,221	2,017
Depreciation, amortisation and impairment	5,073	5,014
Loss on sale of assets	(17)	774
Calculated taxation equivalents	240	242
Other expenses	1,541	1,345
Revaluation decrement /impairment of IPPF	1,226	
Total expenses from continuing operations	15,196	13,992
Surplus (deficit) from continuing operations before capital amounts	3,682	4,721
Grants and contributions provided for capital purposes	2,262	3,887
Surplus (deficit) from continuing operations after capital amounts	5,964	8,408
Surplus (deficit) from all operations before tax	5,964	8,408
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,013)	(1,298)
SURPLUS (DEFICIT) AFTER TAX	4,951	7,110
Plus accumulated surplus	239,415	230,765
- Taxation equivalent payments	240	242
Corporate taxation equivalent	1,013	1,298
Plus adjustments for amounts unpaid:		
Less:		
Closing accumulated surplus	245,619	239,415
Return on capital %	1.6%	2.0%
Subsidy from Council	-	1,808
Calculation of dividend payable:		
Surplus (deficit) after tax	4,951	7,110
Less: capital grants and contributions (excluding developer contributions)	(2,282)	(3,887)
Surplus for dividend calculation purposes	2,669	3,423
Potential dividend calculated from surplus	1,335	1,711

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Dubbo City Regional Airport
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	3,689	3,952
Grants and contributors provided for non capital purposes	75	–
Other income	212	136
Total income from continuing operations	3,976	4,088
Expenses from continuing operations		
Employee benefits and on-costs	534	498
Ramming costs	178	64
Materials and contracts	1,821	1,811
Depreciation, amortisation and impairment	1,017	785
Loss on sale of assets	9	–
Calculated taxation equivalents	103	119
Other expenses	352	800
Total expenses from continuing operations	4,042	3,877
Surplus (deficit) from continuing operations before capital amounts	(66)	211
Grants and contributors provided for capital purposes	21,314	10,193
Surplus (deficit) from continuing operations after capital amounts	21,248	10,404
Surplus (deficit) from all operations before tax	21,248	10,404
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(58)
SURPLUS (DEFICIT) AFTER TAX	21,248	10,346
Plus accumulated surplus	37,806	27,283
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	103	119
– Corporate taxation equivalent	–	58
Add:		
Less:		
Closing accumulated surplus	59,157	37,806
Return on capital %	0.1%	0.7%
Subsidy from Council	587	833

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Livestock Markets
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	3,342	4,098
Other income	39	28
Total Income from continuing operations	3,381	4,126
Expenses from continuing operations		
Employee benefits and on costs	671	568
Materials and contracts	1,206	1,229
Depreciation, amortisation and impairment	1,347	1,795
Loss on sale of assets	202	-
Calculated taxation equivalents	12	12
Other expenses	219	210
Total expenses from continuing operations	3,657	3,304
Surplus (deficit) from continuing operations before capital amounts	(276)	822
Grants and contributions provided for capital purposes	176	329
Surplus (deficit) from continuing operations after capital amounts	(100)	1,151
Surplus (deficit) from all operations before tax	(100)	1,151
Less: corporate taxation equivalent (27.5%) [based on result before capital]	-	(226)
SURPLUS (DEFICIT) AFTER TAX	(100)	925
Plus accumulated surplus	26,213	25,050
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	12	12
- Corporate taxation equivalent	-	226
Add:		
Less:		
Closing accumulated surplus	26,125	26,213
Return on capital %	(1.4)%	4.0%
Subsidy from Council	535	

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Property Development
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Interest	168	123
Profit from the sale of assets	1,969	3,358
Other income	21	12
Total income from continuing operations	2,188	3,494
Expenses from continuing operations		
Employee benefits and on-costs	228	159
Materials and contracts	208	193
Calculated taxation equivalents	212	208
Other expenses	1	1
Total expenses from continuing operations	649	562
Surplus (deficit) from continuing operations before capital amounts	1,539	2,932
Surplus (deficit) from continuing operations after capital amounts	1,539	2,932
Surplus (deficit) from all operations before tax	1,539	2,932
Loss: corporate taxation equivalent (27.5%) [based on result before capital]	(423)	(808)
SURPLUS (DEFICIT) AFTER TAX	1,116	2,126
Plus accumulated surplus	12,340	9,199
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	212	208
- Corporate taxation equivalent	423	806
Add:		
Less:		
Closing accumulated surplus	14,091	12,340
Return on capital %	702.7%	-

Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Dubbo City Holiday Park
for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	1,769	1,909
Total income from continuing operations	1,769	1,909
Expenses from continuing operations		
Employee benefits and on-costs	47	28
Borrowing costs	9	13
Materials and contracts	1,084	1,105
Depreciation, amortisation and impairment	277	172
Calculated taxation equivalents	61	63
Other expenses	186	186
Total expenses from continuing operations	1,667	1,567
Surplus (deficit) from continuing operations before capital amounts	102	342
Surplus (deficit) from continuing operations after capital amounts	102	342
Surplus (deficit) from all operations before tax	102	342
Loss: corporate taxation equivalent (27.5%) [based on result before capital]	(28)	(94)
SURPLUS (DEFICIT) AFTER TAX	74	248
Plus accumulated surplus	5,848	5,443
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	61	63
- Corporate taxation equivalent	28	94
Add:		
Less:		
Closing accumulated surplus	6,014	5,848
Return on capital %	1.9%	5.7%

Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Rainbow Cottage

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	520	640
Grants and contributions provided for non capital purposes	657	527
Total Income from continuing operations	1,177	1,167
Expenses from continuing operations		
Employee benefits and on costs	1,074	938
Materials and contracts	326	347
Depreciation, amortisation and impairment	75	33
Loss on sale of assets	1	-
Calculated taxation equivalents	7	7
Other expenses	23	26
Total expenses from continuing operations	1,506	1,352
Surplus (deficit) from continuing operations before capital amounts	(329)	(185)
Surplus (deficit) from continuing operations after capital amounts	(329)	(185)
Surplus (deficit) from all operations before tax	(329)	(185)
SURPLUS (DEFICIT) AFTER TAX	(329)	(185)
Plus accumulated surplus	452	630
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	7	7
Add:		
Less:		
Closing accumulated surplus	130	452
Return on capital %	(24.2)%	(13.2)%
Subsidy from Council	347	222

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,128	(115)
Investments	23,330	19,500
Receivables	6,778	7,079
Inventories	167	168
Other	8	38
Total current assets	40,411	26,670
Non-current assets		
Investments	17,500	20,163
Infrastructure, property, plant and equipment	262,361	200,969
Other	44	44
Total non-current assets	279,905	281,196
TOTAL ASSETS	320,316	307,866
LIABILITIES		
Current liabilities		
Payables	465	644
Borrowings	1,069	1,069
Provisions	1,212	1,180
Total current liabilities	2,746	2,893
Non-current liabilities		
Borrowings	23,735	24,865
Provisions	65	50
Total non-current liabilities	23,800	24,915
TOTAL LIABILITIES	28,546	27,808
NET ASSETS	293,750	280,058
EQUITY		
Accumulated surplus	230,339	220,889
Revaluation reserves	63,411	59,169
TOTAL EQUITY	293,750	280,058

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Sewerage Business Activity
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,349	(622)
Investments	15,000	28,858
Receivables	2,928	2,168
Other	-	12
Total current assets	<u>28,277</u>	<u>30,516</u>
Non-current assets		
Investments	26,500	20,000
Infrastructure, property, plant and equipment	287,657	283,499
Total non-current assets	<u>314,157</u>	<u>303,499</u>
TOTAL ASSETS	<u>342,434</u>	<u>334,015</u>
LIABILITIES		
Current liabilities		
Payables	256	231
Borrowings	2,021	1,938
Total current liabilities	<u>2,277</u>	<u>2,169</u>
Non-current liabilities		
Borrowings	15,463	17,490
Total non-current liabilities	<u>15,463</u>	<u>17,490</u>
TOTAL LIABILITIES	<u>17,740</u>	<u>19,659</u>
NET ASSETS	<u>324,694</u>	<u>314,356</u>
EQUITY		
Accumulated surplus	245,819	239,415
Revaluation reserves	79,075	74,941
TOTAL EQUITY	<u>324,694</u>	<u>314,356</u>

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Dubbo City Regional Airport
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Investments	17,867	2,819
Receivables	115	87
Total current assets	18,013	2,807
Non-current assets		
Infrastructure, property, plant and equipment	49,000	41,536
Total non-current assets	49,000	41,536
TOTAL ASSETS	67,013	44,543
LIABILITIES		
Current liabilities		
Payables	132	231
Borrowings	796	767
Provisions	160	197
Total current liabilities	1,108	1,215
Non-current liabilities		
Borrowings	2,682	2,226
Provisions	6	6
Total non-current liabilities	2,688	2,232
TOTAL LIABILITIES	3,796	3,447
NET ASSETS	63,217	41,096
EQUITY		
Accumulated surplus	58,157	37,806
Revaluation reserves	4,960	3,290
TOTAL EQUITY	63,217	41,096

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Livestock Markets
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	6,700	5,551
Receivables	388	332
Total current assets	7,088	5,883
Non-current assets		
Infrastructure, property, plant and equipment	19,598	20,516
Total non-current assets	19,598	20,516
TOTAL ASSETS	26,686	26,499
LIABILITIES		
Current liabilities		
Payables	143	88
Provisions	206	180
Total current liabilities	349	268
Non-current liabilities		
Provisions	30	18
Total non-current liabilities	30	18
TOTAL LIABILITIES	379	286
NET ASSETS	26,307	26,213
EQUITY		
Accumulated surplus	26,125	26,213
Revaluation reserves	182	-
TOTAL EQUITY	26,307	26,213

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Property Development
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	8,255	9,393
Receivables	13	
Inventories	1,531	113
Total current assets	9,799	10,166
Non-current assets		
Inventories	4,076	2,180
Infrastructure, property, plant and equipment	219	-
Total non-current assets	4,295	2,180
TOTAL ASSETS	14,094	12,346
LIABILITIES		
Current liabilities		
Payables	3	6
Total current liabilities	3	6
TOTAL LIABILITIES	3	6
NET ASSETS	14,091	12,340
EQUITY		
Accumulated surplus	14,091	12,340
TOTAL EQUITY	14,091	12,340

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Dubbo City Holiday Park
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4	1
Investments	1,777	1,424
Total current assets	<u>1,781</u>	<u>1,425</u>
Non-current assets		
Infrastructure, property, plant and equipment	5,967	6,174
Total non-current assets	<u>5,967</u>	<u>6,174</u>
TOTAL ASSETS	<u>7,768</u>	<u>7,599</u>
LIABILITIES		
Current liabilities		
Payables	91	9
Borrowings	125	121
Total current liabilities	<u>216</u>	<u>130</u>
Non-current liabilities		
Borrowings	–	125
Total non-current liabilities	<u>–</u>	<u>125</u>
TOTAL LIABILITIES	<u>216</u>	<u>255</u>
NET ASSETS	<u>7,552</u>	<u>7,344</u>
EQUITY		
Accumulated surplus	6,014	5,848
Revaluation reserves	1,538	1,496
TOTAL EQUITY	<u>7,552</u>	<u>7,344</u>

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Rainbow Cottage
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	–	37
Receivables	13	13
Total current assets	13	50
Non-current assets		
Infrastructure, property, plant and equipment	1,357	1,406
Total non-current assets	1,357	1,406
TOTAL ASSETS	1,370	1,456
LIABILITIES		
Current liabilities		
Payables	31	32
Provisions	240	214
Total current liabilities	274	246
Non-current liabilities		
Provisions	21	17
Borrowings	204	–
Total non-current liabilities	225	17
TOTAL LIABILITIES	499	263
NET ASSETS	871	1,193
EQUITY		
Accumulated surplus	130	452
Revaluation reserves	741	741
TOTAL EQUITY	871	1,193

Dubbo Regional Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include: bundling equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the city of Dubbo, the town of Wellington and the villages of Wongarbon, Ballimore, Brocklehurst, Geurie, Mumbat and North Yeoval.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the city of Dubbo, the town of Wellington and the villages of Wongarbon, Brocklehurst, Geurie and Mumbat.

c. Dubbo City Regional Airport

Comprising the whole of the airport operations and net assets located on Coreena Road.

d. Dubbo Regional Livestock Markets

Comprising the whole of the livestock markets operations and net assets located on Bootherba Road.

e. Property Development

Council's property development function competes with other private land developers in Dubbo in the development of both industrial and residential land for purchase.

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

NB: The surplus on disposal of land is disclosed in the Income Statement of the Business Activities as operating revenue. In the General Purpose Financial Statements this is disclosed as gain/(loss) on disposal of assets.

Category 2

(where gross operating turnover is less than \$2 million)

a. Dubbo City Holiday Park

Comprising the whole of the holiday park operations and net assets located on Whylandra Street.

The park offers accommodation for caravans, cabin accommodation and tent sites. The Dubbo City Holiday Park is in direct competition with other caravan parks within Dubbo.

b. Rainbow Cottage Long Day Care Centre

Rainbow Cottage, located in Mitchell Street, provides day care for children aged between 0 and 5 years.

Several other long day care facilities operate within Dubbo, and Rainbow Cottage is in direct competition with these centres.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$629,000 of combined land values attracts 0%. For the combined land values in excess of \$629,001 up to \$3,848,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,848,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

continued on next page ...

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional - that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SIF-S.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I, PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

continued on next page...

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Dubbo Regional Council

Special Purpose Financial Statements 2019

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPW guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPW.

Dubbo Regional Council

Special Purpose Financial Statements 2019

Special Purpose Financial Statements
for the year ended 30 June 2019

Please uplift Council's Audit Report PDF (opinion) for inclusion in the SPFS report (via the Home screen).

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/19



REPORT: Internal Audit Report on RMS Drives

AUTHOR: Internal Auditor
REPORT DATE: 2 July 2019
TRIM REFERENCE: ID19/949

EXECUTIVE SUMMARY

The Internal Auditor has provided NSW Roads and Maritime Services with a report on Dubbo Regional Council's use of DRIVES 24 (known as "DRIVES", "DRIVES24" or "RMS DRIVES") for the period ended 30 June 2019. The audit report is a review of compliance with the contractual obligations of Dubbo Regional Council based on the specific requirements of Roads and Maritime Services NSW (RMS). RMS controls the information available to the audit and only provides sufficient data to perform the tests it mandates. RMS also controls the timeframes.

The audit report provides RMS with a certificate recording the auditor's opinion that Dubbo Regional Council's use of the system was in material compliance with the Terms of Access Agreement. Some minor clerical errors mean that technically there was not full compliance. The Internal Auditor advises that while RMS demands full compliance, including the absence of any form of human error, it is not unusual for a Drives audit to note that some errors did occur.

The report makes three recommendations for minor improvements. All recommendations have a low risk rating. There is nothing of significance in the report.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the information in the report of the Internal Auditor dated 2 July 2019 be noted

Peter Browne
Internal Auditor

BACKGROUND

DRIVES is a database owned and administered by Roads and Maritime Services (RMS). RMS is a NSW State Government agency within the Transport Cluster. The database contains details of over six million licensed drivers and over six million vehicles. The database is the primary tool used by the NSW public sector to identify and locate vehicle owners when issuing Penalty Infringement Notices (e.g. Parking fines). The database contains a large amount of confidential information. RMS requires users (including Dubbo Regional Council) to maintain strong security and surveillance of the use of their system to ensure there is no misuse of the data.

Council's use of DRIVES is governed by a 22 page "Terms of Access Agreement" signed in July 2016. The agreement requires various actions including the annual audit and RMS is quite pedantic regarding the form and content of records related to use of DRIVES. Previous audits have been performed by contract auditors engaged directly by Environmental Compliance.

In affect anyone wanting to access the system has to navigate through three sets of locks and then keep records justifying why the system was accessed. The auditor checks various matters intended to confirm all locks are functional and that the records are complete.

REPORT

A copy of the DRIVES Audit Report has been provided to members of the Audit and Risk Management Committee under separate cover. Some of the technical detail in that report relates to the intellectual property of RMS and the way security precautions work. It therefore seems appropriate to exclude some matters from documents that will become available to the public. This summary of the Audit Report discloses all appropriate information while avoiding the confidential matters within the fine detail of the full report.

The audit found no evidence of improper use of the system and found that the security precautions prescribed to be checked appear to be functioning. The auditor made some additional checks and found one security measure operating at a lower level than intended. None of areas for improvement are considered significant.

The RMS requires meticulous records of what was done, as demonstrated by the following example. The audit detected a situation where a Council Officer attempted to input a six character licence plate that ended in "V". The officer misread the last character as a "U". The computer responded with some sort of error or invalid data message. The officer attempted the request again, making the same error and then made a third attempt using the correct plate data. The officer recorded one enquiry in Council's records. According to RMS rules, three enquiries were made with Council failing to keep proper records of the first two.

As a result of the amalgamation, new access arrangements were made for the new Dubbo Regional Council based on the arrangements for the old Dubbo City Council. Much of the process was arranged via emails between Council and RMS. The Internal Auditor noted that some of the security changes do not appear to have been correctly processed. This has the

**AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019**

AUD19/19

effect of weakening one of the three sets of locks an unauthorised user would have to get passed to access the system. It would appear that because the arrangement was made by general email rather than by using the official form, RMS did not process it correctly.

It was noted that much of the record keeping and process prescription is hardcopy rather than electronic. The manual system appears to be effective and efficient. Some of the documents being utilised are however not the current versions. There is no impact in this instance but documents should be kept up to date so that any material change would be affected when it is intended to be.

The following recommendations were made:

Audit Recommendation	Management Response	Timeframe
1. Staff be reminded that all enquiries must be logged, including enquiries made in error.	Staff were reminded during the audit when the management were advised of the issue.	30/06/2019 Completed during audit
2. further attempts be made to have former staff fully deleted from the approved access list	Forms obtained from RMS. These will be completed and lodged	31/07/2019
3. update the staff folder with the latest version of documents	Agreed	31/07/2019

Note: This table records the situation at the time the Audit Report was issued (early July 2019). A progress assessment has prepared in the lead up to the Audit and Risk Management Committee meeting and included in the Action List report (elsewhere in this Business Paper). That report advises all recommendations are now completed.

SUMMARY

The audit found no evidence of any improper activity and a certificate to that affect has been issued to RMS. Staff are already doing their jobs effectively and some minor improvements are being made as a result of the audit which will further enhance this performance.

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/20



REPORT: Audit and Risk Management Committee Action List as at August 2019

AUTHOR: Internal Auditor
REPORT DATE: 26 July 2019
TRIM REFERENCE: ID19/1065

EXECUTIVE SUMMARY

This report enables the Audit and Risk Management Committee to monitor the progress on implementation of requests and recommendations, and in ensuring that outstanding matters are resolved satisfactorily. Where an issue has been raised by the Audit and Risk Management Committee or through the findings of the Internal Auditor, progress will be reported to the Committee until the matter is resolved or the Committee determines it no longer requires updates.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the information in the report of the Internal Auditor dated 26 July 2019, be noted.

Peter Browne
Internal Auditor

BACKGROUND

A new format for this report was developed and first utilised at the 14 June 2019 meeting of the Audit and Risk Management Committee. Where an item is raised in an Internal Audit report, raised by the Committee or the Internal Auditor considers it is a matter that warrants reporting to the Committee, the item is listed in this report until advice is received that the matter is complete, or that the situation has changed and the item is no longer required Internal Audit does not routinely confirm that advice from management is balanced and complete.

REPORT

This document is in three parts

- A checklist of items that will be provided periodically or in the future. The checklist is a means of ensuring items will not be overlooked and provides the Committee with the opportunity to keep track of what is pending and to add issues requiring action
- A table detailing items outstanding and providing a short update on where these items are up to
- A more detailed explanation of any item may be imbedded in this report (below). This is essentially a practical compromise where the format of the update table does not work for the level of detail that is being provided to the Committee.

Recurring and/or requested items Checklist

Items	Comment
• Committee Meeting Calendar	No Changes
• Training for Committee members	
• Annual pecuniary interests return	Update below
• Updates on requirements for an Audit Risk and Improvement Committee – State Government requirements to be announced – will take affect from March 2021.	No changes
• Annual Management report on compliance	
• Risk Management reports from each division	
• Annual update on management of fraud risks	
• Report on Council Payments and Contract Variations if / when a variation is outside policy.	CFO advises no events outside of policy occurred
• A report be provided on the integration issues between the three purchasing platforms.	Update below
• Advice on Management Letter from Audit Office	See separate report in this Business Paper

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/20

Integration between purchasing platforms

The Chief Financial Officer has advised:

The multiple purchasing platforms has been resolved and Council now only uses one hierarchy for purchasing.

With the old ordering system, a Purchase Order automatically generated a purchase order number, (the purchaser required no approval prior to purchase) the approval for the purchase was require by the supervisor/manager prior to invoice payment (call Invoice Approval). Online Requisitioning (OLR) was implemented in 2017, OLR requires Supervisor/manager approval prior to a purchase order number being generated, therefore, goods are being approved prior to purchase.

When OLR was implementation it was intended to also implement Accounts Payable Workflow instead of the Invoice Approval process, but due to significant issues with the program it was decided not to implement and to continue with the HP records management system workflow.

Therefore post OLR implementation and not implementing the Accounts Payable Workflow the Invoice Approval system was maintained. Therefore there was two separate purchasing platforms were required to be maintained.

After a risk assessment of the purchasing process it was determined (approved by the Executive Leadership Team) to discontinue the invoice Approval process. Due to the approval of the purchase is gained at the start of the process therefore not requiring any further approval unless there is a variation.

The Purchase Card Module was successfully implemented in July 2019, it was initially thought that the Purchase Card Module would require another hierarchy, the module was successfully implemented in July. The module uses the hierarchy as OLR.

Pecuniary Interests

The Audit and Risk Management Committee charter provides that:

6.11 All Committee members shall make an annual declaration of interests.

Councillors have previously received requests for declarations and other members will have received a copy of the required form last week with covering instructions. The form is mandated by the State Government and it is clearly written on the assumption that the covering guide has been fully read. It is strongly recommended that the guide be reviewed before attempting to complete the form. Members are encouraged to return completed forms at or before the meeting.

Appendices:

[1](#) ARMC Action List August 2019

APPENDIX NO: 1 - ARMC ACTION LIST AUGUST 2019

ITEM NO: AUD19/20

Issue or Recommendation	Original Response	Timeframe	Current Status
DRIVES (July 2019)			
1 Staff be reminded that all enquiries must be logged, including enquiries made in error. Risk Rating: Low	Manager Environmental Compliance (MEC): Staff were reminded during the audit when the management were advised of the issue.	30/06/2019	MEC: Completed Completed during audit.
2 Further attempts be made to have former staff fully deleted from the approved access list Risk Rating: Low	Manager Environmental Compliance: Forms obtained from RMS. These will be completed and lodged	31/07/2019	MEC: Completed
3 Update the staff folder with the latest version of documents Risk Rating: Low	Manager Environmental Compliance: Agreed	31/07/2019	MEC: Completed
Response to ICAC report "Operation Jarek" (Feb 2014)			
11 That councils examine options for control of their pull-based inventory and implement an option that is suitable for their operations.	There are currently items that are purchased regularly that are currently not held in inventory. Reports will be developed/sourced to identify these items and introduce them into stock.		CFO: Completed Pull based inventory is now normal procedure
594 (April 2011)			
Some developer contribution plans are overdue for a review. Update developer contributions plans 1 It is recommended that contribution rates be reviewed in line with industry practice	Director Environmental Services: It is noted that Council Policy determines the procedure for the initiation of reviews or new plans as including allowance for an annual adjustment and advice of the need for the review or amendment by appropriate Directors to Director Environmental Services. The programming of any review based on such advice would need to have a comprehensive regard for the existing program and projected workload and priorities for the Building and Development Services Branch.	March 2020	Manager Strategic Planning Services: Roads and Car Parking: Deferred pending RMS consideration of 3rd Bridge and the undertaking of the Transport Strategy Review. Awaiting receipt of final draft of consultancy review for Transportation Strategy Review 10% complete Open Space and Recreation Completed - new plan adopted 22/6/2016. Strategic Planning Services now working with Parks on a new work schedule for review of the Plan. A revised draft Plan could be considered by

Issue or Recommendation	Original Response	Timeframe	Current Status
			Council in October 2019
		July 2020	<p><i>Review of s64 Water and Sewer</i> An initial Operational review of the s64 Water and Sewer Policy has commenced. The goals of the Review are to ascertain what works are left to be delivered and to determine if the relevant ET rates need adjustment. 5% complete</p>
		Mar 2021	<p><i>Urban Stormwater Drainage</i> Draft South-East sectoral Plan to be considered by Council in August 2019. 95% complete New Stormwater Developer Contributions Plan for other sectors will not commence preparation until early next year based on other contribution priorities. Plan process will also need to commence with a background stormwater study and review, which will be undertaken on behalf of Infrastructure and Operations Division. Not Commenced</p>
			<p><i>s94A - Former Wellington Council -</i> Initial review of the Plan undertaken in 2018. Plan found to be operating appropriately for the Wellington community. No further action required at this time.</p>
<p>Developer contributions register lacking important details to facilitate efficient identification of entries.</p> <p>4 Ensure that all necessary information is correctly captured in developer contributions registers (various items mentioned as possible improvements)</p>	<p>Director Environmental Services: A team has already been formed to look at implementing actions that should meet the above recommendations. It is hoped to implement the changes for the commencement of the 2010/11 financial year.</p>	Dec 2019	<p>Manager Strategic Planning Services: Strategic Planning Services to review current status of Contributions Register in second half of 2019. 25% complete</p>

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/21



REPORT: Development of three year audit program

AUTHOR: Internal Auditor
REPORT DATE: 6 August 2019
TRIM REFERENCE: ID19/1092

EXECUTIVE SUMMARY

The report provides information to the Committee to assist it in creating a three year audit program in the workshop to be held on completion of the formal Audit and Risk Management Committee meeting. The report includes details of senior management's views of the most significant risks to Dubbo Regional Council.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That a three year audit program be developed in accordance with the decisions made by the Audit and Risk Management Committee and reported back to the next Audit and Risk Management Committee meeting.

Peter Browne
Internal Auditor

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

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BACKGROUND

The 4 June 2019 meeting of the Audit and Risk Management Committee considered the approach to creating a three year audit program. The report to that meeting advised that Internal Audit had reviewed the Council's risk register, and considered it had not yet reached that level of maturity that would allow it to be the sole source of information for developing the program. In line with the process determined at that meeting, Consultations have now been held with senior management and a list of proposed audit topics produced for the Committee's consideration.

Assessing risks in order to rank the overall priorities for audit is a resource consuming activity that tends to be done around once every three years. This is particularly so if the risk management system and risk registers are not fully mature. In between these full assessments will be ongoing consideration of whether anything needs to be changed.

At the time of writing this report Council is aware that the Office of Local Government is working on a new and completely revised set of guidelines on how Audit and Risk Management Committees should operate. It is expected that those guidelines will continue the perspective that audit is an extra line of defence. It seems highly unlikely that those guidelines would significantly modify the current task but in any event it would not be appropriate to abandon the current understanding of best practice and wait to see what the State Government mandates. It is recognised that some changes could be required when the State Government does issue new guidelines.

REPORT

The present task is the creation of a list of audits to go on a three year program. After that list is created there will need to be planning of what to review when, as well as ongoing monitoring of the situation as new information on the risks to Council becomes available. The program should not be so full that it consumes all Internal Audit time and leaves nothing for routine advice to staff or for reviewing matters that are bound to arise over such a timeframe.

The audit program is expected to be the most significant source of information coming to the Committee. Internal Audit will not be the only area providing reports to the Committee and will not always be the best area to source information from. In preparing the recommended program consideration as been given to whether information should be sourced elsewhere.

The size of an audit program is generally determined by the available resources. There is no clear consensus view on how many items should be reviewed as the best practice guides focus more on risk assessment process than on numbers. You do however see occasional recommendations along the lines of it's better to have a list of your top ten risks and keep re-auditing those items than to have fifty items with its inherent long delays between auditing high risk issues. Likewise the recommended practice is that a few in-depth reviews are better than many reviews that lack depth.

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The recommendation from Council's Internal Auditor regarding size, is that twenty items should be included in the three year program. This allows for each item to receive sufficient Internal Audit time to review what is happening and identify whether management controls to mitigate risks are actually achieving their objectives. The topics are intended to be of a size that lends itself to this approach. For instance there could be separate reviews of timesheet approval, travel allowances, overtime, termination payments, and other aspects of payroll, but what is being proposed in the list below is a single item called payroll. The concept is that the auditor gets a good understanding of how the payroll process works and then focuses in on the aspects that seem to be most at risk of going wrong. If when looking at the highest risk components, nothing is found, senior management can be reasonably confident that staff in this area are doing their job effectively. If problems are found then the report would consider if this indicates a need for further reviews.

The dominant input in prioritising potential topics for audit in this report is the expertise of senior management. Prior to this step there was consideration of information from a variety of sources to ensure no potentially significant known risk was overlooked. The risk registers were reviewed, prior reports examined and interviews held with key staff. In regard to previous audits, there were recommendations for further review of some items. These recommendations were seen primarily as border markers indicating matters that were not within the scope of the issue being considered at the time. They indicated matters worth considering for the audit program but not that a particular matter was more urgent or important than other potential risks. Likewise the risk registers were considered a good source of data to protect against any matter being overlooked, but not sufficiently mature to be able to rank those risks better than senior management could rank them.

Following an extensive review process, the recommendations on the most effective use of Internal Audit time are per below.

The top 10 items as recommended by senior management are:

1. Water availability (including Disaster recovery and Business Continuity)
2. Workplace Health and Safety
3. Procurement policy and processes (overall general assessment of process)
4. Developer Contributions
5. Rates and Charges
6. Payroll
7. Contractor Management
8. Project Management framework
9. IT Governance
10. Credit Cards

While the Audit and Risk Management Committee can consider any item for adding or removal from the program, significant weight should be given to the fact that these are the items multiple senior officers have nominated as matters deserving organisational focus and caution through priority inclusion in the Audit Program.

The recommendation for the remaining items is:

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11. Legislative compliance
12. Social Media
13. Creditors / Accounts Payable
14. Treasury (Investments, banking, loans)
15. Accounts Receivable
16. Cyber Security
17. Risk Management framework
18. Fraud & Corruption risks
19. Private Works
20. Heavy Vehicle Chain of Responsibility

Assuming the Committee agrees that the top 10 are deserving of inclusion in the Audit Program, the task for today's workshop is to consider if any of the items listed 11 -20 should be replaced by some other topic which is considered more significant.

In addition to the major audits we will do, two additional items are relevant.

A. External Quality Assessment of Internal Audit

The Committee may wish to include in the program, an audit by an external consultant of the Internal Audit function. The Audit and Risk Management Committee Charter provides that the Committee should review the effectiveness of the internal audit function and objectives. The NSW Local Government Internal Audit Guidelines (2010) provide the following advice:

3.12 Internal audit should be subject to an external quality assessment of its performance using accepted standards for performance measurement and evaluation at least every five years.

There was an independent review of the Bathurst, Orange and Dubbo shared Internal Audit function completed July 2018 and reported to the Committee in September 2018. A review in this three year plan is not essential to achieve a review every five years. The Internal Auditor suggests an external quality assessment around the middle of each Council term is likely to be the best approach.

B. Annual DRIVES Audit

The annual audit of DRIVES is an organisational obligation. Council previously engaged external contract auditors to perform the task. The audit is relatively small and can be accommodated in the program.

ADDITIONAL INFORMATION

A rough indication of what is intended by each subject is included as attachment A. The Committee may wish to advise at this time of any specific components they would like considered within each audit, however it is intended that opportunity for this input will be provided in the lead up to each audit.

Comments on specific audits are below.

Credit Cards

The Auditor General has recently commenced a review of credit card usage at Council. The inclusion of this item in the Internal Audit Program is intended to be a follow up after any matters raised have been actioned. If any weaknesses are located by the Auditor General, this follow up audit would confirm that remedial action was effective in remediating the risk. If no weaknesses are located then the purpose would become the checking that security systems continue to work effectively.

Cyber Security

The Internal Auditor advises that this audit will need to be performed by persons expert in this particular speciality. It is understood that this task would be contracted out.

I.T. Governance

The Internal Auditor advises that this audit would more effectively be performed by persons expert in this particular speciality. It is recommended that this task be contracted out

Fraud and Corruption Risks

The Internal Auditor has made a very preliminary assessment of the state of maturity of Councils Risk Management processes. That initial consideration suggests in regard to Fraud and Corruption risks, corrective and preventive actions are performed in a systematic way but Council might not have yet reached the level where we can be confident all problems are detected by routine processes and where improvement likewise is routine. It is proposed that this item would be in the nature of facilitating a self-assessment by management. The concept is to use Internal Audits expertise to guide and assist managers to further assess what risks exist in their areas.

Appendices:

[1](#) Topics Considered for Audit

APPENDIX NO: 1 - TOPICS CONSIDERED FOR AUDIT

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Topic	Explanation / Details
Water availability (including Disaster recovery and Business Continuity)	Are we vulnerable to any equipment failures? Are there disaster recovery procedures that cover potential failures in a reasonable timeframe? Is all equipment properly maintained and secure from vandalism? Are we vulnerable if key staff leave? Are there clear risk / trigger points that will mean developing problems are promptly escalated? Do we receive warning if dams / bores are running low? Is disaster response realistic? Any risk of political panic preventing proper response?
Workplace Health and Safety	Is WHS incorporated into the way we do things or is it treated as a compliance cost to be minimised? Review organisational culture, approach to WHS and adequacy of resourcing. Do staff allocate part of their time to process improvement and safety or is the focus always on getting the immediate task completed? Are records adequate (to prove adequate precautions were taken) if something was to go wrong? Do we have sufficient consistency in approach to enable checking of compliance or is there such diversity that it becomes too hard to know and check each process?
Ordering / Procurement - general	Procurement policies and processes exist and are accessible and understandable. Delegations are understood. When problems occur it is clear who to ask for help and help actually happens. There are processes to minimise errors and to locate and correct problems that do occur. Cheque / EFT / Credit Card / Cash used appropriately. GST & FBT compliance. Procurement process is practical (noting that difficult processes can foster a culture of non-compliance). The audit would focus on the big picture and whether component parts work together. Review of individual purchases would be quite limited.
Developer Contributions	A Are there Developer Contribution plans in place covering appropriate items? Are the plans reasonably structured, complete, approved and enforceable? Are the plans reviewed sufficiently often to allow for cost changes and for changes in underlying situation? B Are contributions correctly levied to every DA? Are contributions received and correctly recorded? Funds are allocated to correct projects. Projects are constructed in reasonable time. Record keeping clear and efficient.
Rates and Charges	Billing is in accord with amounts in operational plan and legal requirements. Payments received are allocated to correct levies. Levies reconcile to land values. Ownership, land use, and levies all present a consistent picture of what is happening on any given parcel. Procedures adequately documented in case we lose staff members
Payroll	Adequate safeguards prevent creation of ghost employees. Procedures ensure pay office will receive accurate advice of hours actually worked. Pay office procedures should detect significant errors by pay staff. Reporting maximises chances of detecting errors, reporting, or inefficient resourcing. Changes to pay rates are checked and validated. Employee entitlements and termination payments are correct.
Contractor Management	Noting that DRC is responsible for the Health and Safety of contractors while they are working for us - are our systems for managing contractors effective?
Project Management framework	A project is something sufficiently different to routine work (or the previous project) that it requires its own risk assessment and monitoring. The management system has to be tuned to the requirements of the current project. Does DRC have a process to systematically consider what can go wrong with a project, how to manage that project, and to monitor that the project is actually being managed in accord with the plan? Do staff have the necessary expertise and training to monitor projects? Is there consistent quality in proposals being put to Council or CEO? Are the impacts on other areas (e.g. reduced funding available for other items, changes to LT, training of staff in other departments) properly considered (including in time for other areas to plan their involvement)? Are future year impacts considered? Could we end up committing to a project that we cannot actually afford?
IT Governance	policies exist for all critical areas including security, disaster recovery and business continuity. Staff are aware of and say they follow policies. Backups actually happen. Licenses held for software used.
Credit Cards	Are cards issued to appropriate people? Are requirements clearly communicated to card holders? Is the approval process adequate in theory and actually working in practice? Are all problems followed up until resolved? Are limits appropriate - should we use cards more or reduce usage?

APPENDIX NO: 1 - TOPICS CONSIDERED FOR AUDIT

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Legislative compliance:	Does DRC have a process which - - Identifies who is responsible for legal compliance in regard to each activity DRC conducts? - Ensures that person is aware of their responsibilities? - Provides a mechanism for that person to be aware of changes when they happen? - Enables senior Management to be confident that problems are identified and reported?
Social Media	Is there clear guidance on what can be said and how we differentiate the opinions of individual Councillors from the official position of Council? Do our record keeping systems capture what is said and how long it was on an official website?
Creditors / Accounts Payable	Can creditors be created / modified without proper authorisation and checking? Could an order be paid twice? If an error is made is likely to be detected? Are payments properly authorised / delegations observed? Is the system being used as designed / intended? If there are multiple systems, is the right one used each time? Are the processes safe / are there fraud risks? Reports are regularly produced and can reasonably be expected to "sound the alarm" if something does go wrong.
Treasury	Investments, Bank signatories, loans registers, bank reconciliations, use and reconciliation of trust funds, stale cheques, unclaimed monies. Are funds invested in accord with policy and risk of fraud is controlled?
Accounts Receivable	Are there processes which mean a debt owed to DRC will always be recorded on the debtors system? Are amounts followed up in a timely manner? Disputes are resolved. Process to write off / make corrections is safe. Large amounts are reported. Records support that debt is actually owed. Process presents DRC as professional (e.g. Customer can get well presented statements as required, repayment arrangements are implemented). Debt collection follows best practice. Bad debt process.
Cyber Security	Test if sites can be hacked. Could DRC be out of action for too long if we were attacked? Note that consultants tend to test common vulnerabilities - problems inherent in Civica unlikely to be targeted?
Risk Management Framework	Locate best practice documents for Risk Management and compare DRC to those recommendations
Fraud & Corruption risks	Initial Fraud Prevention audit would usually look at whether we have all issue on the risk register. However recommended approach is simply to assume the list is missing items and drive straight into a risk assessment process to collect missing items. This would be done by providing scenarios or examples to provoke focused thought by managers and preferably followed up by a half day workshop where managers provide feedback and bounce ideas off each other. Could be done by IA, Risk Management, or joint effort.
Private Works	The provisions in the Local Government Act related to private works have a strong anti-corruption focus and essentially prevent staff making any decisions on the subject. The audit would not be considering minor errors related to practical difficulties in determining where a road reserve ends and private lands begins. The issue would be the possibility of staff negligently ignoring boundaries because they consider it too difficult or corruptly ignoring boundaries for the benefit of the land owner. The review would consider if staff understand the issues, policies provide clear guidance and what checking of staff activity is effective.
Heavy Vehicle Chain of Responsibility	Liability to monitor vehicles loading or unloading - potential for action against Council if trucks arrive overloaded at Sale Yard or depart overloaded. Does DRC understand risks at all sites where risk exists? Are risks understood? Is training of staff adequate? What else is required?
Asbestos in Council buildings	Do staff manage asbestos risks in a consistent and effective way? Not recommended as there is already a review of this topic happening
Customer Request System	Focus on matters related to safety and in particular complaints about potentially dangerous dogs. (Noted that there have been incidents in NSW where dogs have killed people.) Can we be confident that any customer request is dealt with in an appropriate time frame and with proper consideration of known facts? Are matters involving possible current danger to the public prioritised and responded to quickly? Are full details of history of matter readily available to responding officer? What is the risk of previous red flags being missed when tenants move house? Are matters followed up appropriately and overdue items given appropriate attention?

APPENDIX NO: 1 - TOPICS CONSIDERED FOR AUDIT

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Ordering / Procurement - large items	Is an appropriate method used to select supplier and product? Are all required records kept? Could staff become confused about what was approved? Disclosure of actions is compliant with legal requirements including level of detail and timing. Evaluation of offers / tenders and weighting of criteria. The audit would look at some of the detail around a selection of tenders. Note: There would be some overlap between procurement general, procurement of large items and Project Management.
waste management- dumping and non-compliance	We can get contaminated waste in general waste stream and waste can be illegally dumped in many places. How do we deal with asbestos at tips? Do we get the mix of carrot and stick right for illegal dumping of waste? What communications strategy is needed?
Business Continuity	Locate best practice documents for BCM and compare DRC to those recommendations
Operations at Wellington Depots	A look at some sites apart from Civic Admin Buildings with focus on Wellington Depot. Does being away from head office impact efficiency? Is there adequate management oversight of what happens at depot? Are there KPIs that would flag under-performing teams? What reports of what is achieved / cost of work exist and do they give helpful information to the right people? Is security of site managed and unauthorised access protected against? Is the health and safety of staff and contractors at site getting sufficient attention?
New Development - Infrastructure Quality	Are there appropriate processes to consider cost vs benefit in design of infrastructure? (Is it too short term focused or at the other extreme gold plated.) Can we be certain the construction actually meets the design quality? Do developers question our interpretation or design often? Is there sufficient involvement of the people who will maintain the assets, in the design and construction phases?
Charging fair and reasonable prices	Impact on income not likely to be significant but reputation damage should be considered. Is there discretion / lack of clear definition between commercial and community use, and in the appropriate fees? Do we have very similar services being offered by different parts of Council at very different prices? Is there an appropriate process to come up with fees?
Contaminated land register and other similar registers	Can we identify what land is contaminated within the region. Is there a process to flag land identified as contaminated? Is there a process to flag land potentially at risk due to DAs?
Grants - outgoing	It is possible that the guidelines are not sufficiently precise so that personal judgements end up playing a significant role on occasion. Possible reputation damage from poor decision or appearance of favouritism. Also technical compliance with legal requirements.
IT General Controls Audit	appropriate policies and processes to remove access when staff leave, limit access to confidential data, new users are approved. Software is updated appropriately (we are not running old unsupported versions).
Peer review IA (External Quality Assessment)	Compare IA to recommended practice from IIA and to OLG recommended practice. This review would be outsourced. Current recommendations from OLG include an external review at least once every five years. Any significant change in the audit function would indicate more frequent review. A review in the final year of the 3 year program being developed would seem appropriate
Records Management	Compare actual practice to recommended practice from State Records. Do we comply with legal obligations? Is there evidence suggesting documents are not being placed in records? Risk of information being lost or not acted on.
Privacy requirements	Consider what confidential information Council holds. Do staff managing this information understand privacy considerations? Are training levels appropriate? Has access been appropriately controlled?
Aquatic and Leisure Cen	Do we understand the options and costs for running the centres? Do we want to package up activities / add more profitable services in order reduce net cost of operations (noting this could negatively impact businesses in the area)? Are centres running efficiently?
Cemeteries	Is management consistent and in line with best practice?
On-boarding / Off-boarding of staff, contractors and Volunteers	Do processes cover the risks? Are the various players (Recruitment, Payroll, Building Security, I.T., records, purchasing, management accounting) working together? Are former staff quickly removed? Are the segregation of duties issues documented? Do the client departments have appropriate handover documentation, induction, etc. What is best practice?
Governance / compliance - Annual Report	The Annual Report contains the information it is required to contain (incl s428, Reg 217, OLG Checklist) - Information is consistent with other publications and plausible - process of collecting the data should reasonably produce the correct answer (e.g. information is sourced from a full set of data not a partial database created for an alternate purpose)

APPENDIX NO: 1 - TOPICS CONSIDERED FOR AUDIT

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Volunteers	Do we have a corporate view on how we manage volunteers that lead to similar approaches in each area that has volunteers? Do we have a sound rationale on whether we want volunteers in any particular function? Are lessons learned in one department shared with other departments? Are volunteers appropriately managed? Do we have adequate records? WHS issues. Security issues. In short, do we understand and manage the risks while also maximising the opportunities.
Cash receipting - General	Do systems exist that maximise the chance of cash being receipted when received? Do systems make it extremely difficult to remove cash from DRC custody without that being noticed?
Inventory Management	Do we hold the correct amount of the right inventory in order to facilitate efficient operations (as opposed to staff purchasing from local store as needed) - cost of operation, risk of needed inventory not being available, risk of stores being misappropriated, efficiency of purchases
Operations at small sites	Risks increase when there are few people at a location and normal segregation of duties becomes impractical. This includes safety risks and corruption risks. Landfills and Transfer stations noted as specific examples of heightened risk.
Asset Maintenance - specific asset category	How do we record what we own / can we be sure we have noted everything? Are valuations recent / reasonable? How is the maintenance Budget determined? Is the asset being maintained? Comparison to best practice recommendations for process.
Corporate Governance - Survey	Create a checklist of questions and require each manager to respond. If done repetitively then it becomes a list of things managers check prior to this annual audit. Types of questions - Does each staff member have individual passwords to all computer systems and do not use shared passwords? Are staff aware that when purchasing items, they must ensure goods are delivered before authorising payment? Are staff aware of how to report a suspicion of unethical behaviour? Are staff aware of their delegations and the financial limits attached, and generally aware of who can authorise large amounts? Have all staff been reminded of the Code of Conduct requirements this year? Have records been kept of these toolbox talks / staff meetings / training sessions? Has the manager advised Finance of any amount over \$5K known to be due to Council which is not recorded in the Finance System?
Corporate Governance - General	Policy and procedures are documented and reviewed, Oversight of committees, GIPA compliance including record keeping of GIPA data
Resourcing Strategy	Is there a resourcing strategy? Is it regularly reviewed? How does it relate to other plans / strategy? Does it cover sufficient period of time? Are assumptions realistic? Is the output timely / useful / actually used? What other information would management like to see?
Internal compliance with environmental rules and other requirements	Do our staff comply with all the precautions that we expect private contractors to comply with? Are all considerations given appropriate weight? (e.g. If road safety suggests a particular location for a road but environmental concerns suggest a different location, does priority go to safety or to environment?) Is the outcome documented and recorded in such a way as guarantees outcomes and protects against double counting? How are part 5 assessments recorded?
DA pre-lodgement meetings	Are there any risks associated with the level of documentation of pre-lodgement meetings?
Collection of all income due	Do we actually know what is due to us? (Can we be confident passenger data from the airport is accurate? Can we be confident livestock market data is correct? Car spaces used by hire company at airport?) Do we have appropriate systems for booking facilities and collecting payments? e.g. Are we losing business because of issues taking card payments over the phone? Do our systems appropriately support initiatives such as "my Dubbo" card?
Councillor induction	Training and information provided to Councillors is adequate Focus on initial induction but also look at ongoing training
Plant	Hire vs Ownership Do requests for plant contemplate all reasonable ways of doing the work or is there a tendency to specify the exact process used last time?

The asset class that should be audited is:
Roads

APPENDIX NO: 1 - TOPICS CONSIDERED FOR AUDIT

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Macquarie Regional Library	Review whether joint control results in a greater level of oversight or in a reduced focus on operations. Is the operation of the library in line with generally agreed best practice? Are opportunities for improvement actively sought?
Recruitment oversight	Is there sufficient guidance on how to deal with conflicts and the appearance of conflicts? Are our controls effective in the close-knit communities we work in. Do controls work equally effectively at all sites? Could also consider onboarding / offboarding process.
Recreation and Open Space	Compare operations to best practice
Events Management Function	Review policies and procedures of this new function and compare to best practice

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/22



REPORT: Fraud and Corruption Prevention Policy

AUTHOR: Internal Auditor
REPORT DATE: 14 August 2019
TRIM REFERENCE: ID19/1142

EXECUTIVE SUMMARY

This report seeks the endorsement of the Audit and Risk Management Committee for the proposed Fraud and Corruption Prevention Policy. If the Committee endorses the policy it shall be forwarded to Council for approval.

Council has various documents identifying what is and is not acceptable behaviour. The focus of the Fraud and Corruption Prevention Policy is not to go into detail on what is ethical, but rather to identify who needs to do what in order for the process work in practice. The proposed forward to the policy advises: "it is a requirement that all Council officials are aware of the risks and how to respond to, manage and mitigate them". The document then details specific responsibilities for various positions.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report. It is understood that all areas have sufficient resources to meet the requirements of the policy.

POLICY IMPLICATIONS

This document, if adopted by Council, becomes the apex document on the organisation's strategy for preventing fraud and corruption.

RECOMMENDATION

That the Fraud and Corruption Prevention policy be adopted.

Peter Browne
Internal Auditor

AUDIT AND RISK MANAGEMENT COMMITTEE
2 SEPTEMBER 2019

AUD19/22

BACKGROUND

The former Dubbo City Council had a basic Fraud and Corruption Prevention policy. The creation of a revised policy for Dubbo Regional Council has been progressing slowly for some time and impacted by various staff vacancies. The new policy is a complete re-write based on the "Fraud Control Framework" of the Audit Office of NSW. It has been carefully reviewed by the Executive Manager, Governance and Internal Control; the Internal Ombudsman and the Internal Auditor.

Elsewhere in this Business Paper is a report on the Audit Office Management Letter on the Interim Phase of the Audit for the Year Ended 30 June 2019. The letter recommends that Council adopt a "fraud control plan" and perform some associated tasks by 30 June 2020. This is the same thing by a different name. The slightly different naming of documents reflects that Council's objective goes beyond controlling fraud and targets the complete elimination of fraud and corruption.

REPORT

The attached draft policy details the duties of various groups of people in the fight against Fraud and Corruption. It is intended to be a practical document to identify what each individual's role in the process is. It covers the themes of prevention, detection and response.

Section three of the policy focuses on "Who" and advises the duties of:

- 3.1 All Staff
- 3.2 Chief Executive Officer
- 3.3 Mayor and Councillors
- 3.4 Directors and Managers
- 3.5 Internal Ombudsman
- 3.6 Internal Auditor
- 3.7 Audit and Risk Management Committee (ARMC)
- 3.8 Volunteers and Contractors acting for Council
- 3.9 External Parties
- 3.10 Residents and members of the public

The remainder of the document gives an overview on "How" and provides direction on training, detection strategies, prevention systems and administrative process. As a policy document it does not get into fine detail but is designed to eliminate the risk of a "not my job" approach occurring.

The proposed policy is attached for the Committee's consideration.

Appendices:

- 1 [Fraud and Corruption Prevention Policy](#)



COUNCIL POLICY

Fraud and Corruption Prevention Policy

Date

Council Resolution Date *DRAFT*

Clause Number

Responsible Position Executive Manager Governance and Internal Control
Branch Governance and Internal Control
Division Executive Services
Version
TRIM Reference Number
Review Period Every two years
Review Date
Consultation Nil

Document Revision History	
Description	Date
Notes	

FOREWORD

Message from the Mayor and Chief Executive Officer.

The risk of fraudulent or corrupt activity is an ongoing and pervasive risk faced in all organisations and industries throughout the world. Unfortunately, experience shows that Local Government is not immune to these risks which have the potential to significantly undermine Council activities, programs and reputation among the community.

The community expects the highest standards of ethical behaviour and efficient use of public resources from Council. While we would all like to think it could only happen from external sources, evidence shows that fraud and corrupt behaviour is often perpetrated from within an organisation and is often varied, complex and difficult to detect. Therefore, it is a requirement that all Council officials are aware of the risks and how to respond to, manage and mitigate them. The Fraud and Corruption Prevention Framework has been implemented and modelled on established best practice that supports Dubbo Regional Council's 'zero tolerance' approach to such behaviours and promotes an integrity focused culture that is resistant to improper behaviour or influence.

This policy applies to and requires the cooperation of Councillors, staff members, contractors and stakeholders, including customers and members of the community. It is to be read in conjunction with other relevant policies such as Council's Code of Conduct and the Public Interest Disclosure and Internal Reporting Policy.

While fraud control is an ongoing activity, the most important factor to ensure success is everyone's commitment, attitude and preparedness to take action.

*Ben Shields
Mayor*

*Michael McMahon
Chief Executive Officer*

APPENDIX NO: 1 - FRAUD AND CORRUPTION PREVENTION POLICY

ITEM NO: AUD19/22

PURPOSE

Dubbo Regional Council is committed to a 'zero tolerance' approach to fraudulent and corrupt behaviour, and seeks to minimise the incidence of fraud by implementing and regularly reviewing a range of strategies that aim to prevent, detect and respond to such behaviour.



This policy serves to outline the high standards of ethical behaviour expected by Council and introduces a Fraud and Corruption Control Framework to ensure appropriate mechanisms are in place to prevent, deter, detect and respond to fraud and corruption.

SCOPE

This policy applies to everyone who has any interaction with Council or Council staff to the maximum extent that Council has the authority to require it. This includes Councillors, Council staff members, committee members, consultants, contractors, suppliers, applicants and volunteers who all have obligations in the prevention of fraud and corruption and the fostering of an ethical and accountable work environment at Council.

Expectations of this policy also apply to customers, community and any relevant third parties with regard to the functions and/or operations undertaken for or on behalf of Council.

PRINCIPLES

Council is committed to building a corruption resistant culture through:

- Promoting an organisational environment that encourages professionalism, integrity and ethical conduct.
- Minimising the opportunity for fraudulent or corrupt conduct.
- The detection, investigation and disciplining and/or prosecuting fraudulent or corrupt conduct.
- The Reporting of any fraud or corrupt conduct to the Independent Commission Against Corruption (ICAC) and other authorities where appropriate.

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Relevant Legislation

This Framework links with the following legislation:

- *Local Government Act 1993*
- *Local Government (General) Regulation 2005*
- *Independent Commission Against Corruption Act 1988*
- *Public Interest Disclosures Act 1994*

Relevant Council Policies and Documents

The following Council policies and procedures support this Policy:

- Code of Conduct
- Internal Audit Framework and associated documents and systems
- Public Interest Disclosures and Internal Reporting Policy
- Secondary Employment Policy
- Enterprise Risk Management Policy and Framework
- Statement of Business Ethics
- Grievance Handling Policy
- Discipline Policies and Procedures (as appropriate)

DEFINITIONS

To assist in interpretation, the following definitions apply:

Term	Definition
Fraud	Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.
Corruption (or corrupt conduct)	As per the ICAC Act 1988 (Sect 7, 8, 9): <ul style="list-style-type: none"> • any conduct of a person (whether or not a public official) that adversely affects, or could affect the honest and impartial exercise of public official functions, or • any conduct of a public official that involves the dishonest or partial exercise of any of his or her public official functions, or

	<ul style="list-style-type: none"> any conduct of a public official or former public official that constitutes or involves a breach of public trust, or any conduct of a public official or former public official that involves the misuse of information or material that he or she has acquired in the course of his or her official functions, whether or not for his or her benefit or for the benefit of any other person.
Maladministration	As per Public Interest Disclosure Act 1994: Conduct that involves action or inaction of a serious nature that is contrary to law; or unreasonable, unjust, oppressive, improperly discriminatory; or based wholly or partly on improper motives. Refer Dubbo Regional Council Public Interest Disclosures Policy.
Serious or substantial waste	Refers to the uneconomical, inefficient or ineffective use of resources, authorised or unauthorised, which results in a loss/wastage of public funds/resources.
Stakeholders	Stakeholders refer to Councillors, Council staff members, committee members, consultants, contractors, suppliers, applicants and volunteers

POLICY

Dubbo Regional Council is committed to a culture of good governance and ethical behaviour. As such, it will not tolerate fraudulent or corrupt behaviour and is committed to building a sound ethical culture supported by appropriate policies, procedures and strategies that prevent fraudulent and corrupt behaviour through:

- Ongoing education and training of all Council officials in relation to their obligations in combating dishonest and fraudulent behaviour.
- Regular review of fraud and corruption risk assessments to identify circumstances where fraud and corruption could occur.
- Implementation of procedures that have regard to, and mitigate, the risks identified in day to day activity.
- Promote an organisational environment that encourages professionalism, integrity and ethical conduct.
- Use of formal procedures upon detection, investigation and disciplining and/or prosecuting fraudulent or corrupt conduct.
- The reporting of any fraud or corrupt conduct to the Independent Commission Against Corruption (ICAC) and other authorities where appropriate.

APPENDIX NO: 1 - FRAUD AND CORRUPTION PREVENTION POLICY

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Council's commitment to preventing fraudulent or corrupt activity, and avoiding or managing conflicts of interests, will be supported by implementing appropriate auditing systems to deter and identify corrupt activities, included in the following Fraud Control Framework.

FRAUD CONTROL FRAMEWORK

In order to achieve best practice, Dubbo Regional Council is adopting the following processes which are sourced from the Fraud Control Framework of the Audit Office of NSW. The Audit Office framework is acknowledged as being best practice and widely used in State and Local Government organisations, providing for a consistent, effective and systematic approach to preventing fraud and corruption across the organisation.



The Fraud Control Framework of the Audit Office of NSW encompasses ten key attributes which sit within the themes of prevention, detection and response. Each attribute has a checklist of high-level processes and behaviours that should be present.

Attribute	Theme
1. Leadership	Prevention
2. Ethical Framework	Prevention, Detection, Response
3. Responsibility Structures	Prevention, Detection, Response
4. Fraud Control Policy	Prevention
5. Prevention Systems	Prevention
6. Fraud Awareness	Prevention, Response
7. Third Party Management Systems	Prevention, Response
8. Notification Systems	Detection, Response
9. Detection Systems	Detection
10. Investigations Systems.	Response

APPENDIX NO: 1 - FRAUD AND CORRUPTION PREVENTION POLICY

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1 LEADERSHIP

A successful fraud control framework is led by a committed and accountable Executive who demonstrate and reinforce the high ethical standards expected of public officials, who are resistant to improper behaviour or practice and promote an open culture of accountability and transparency. The Chief Executive Officer has ultimate responsibility for fraud and corruption prevention within Council and is supported by the Executive Leadership Team, Audit and Risk Management Committee, and Governance and Internal Control Branch.

2 ETHICAL FRAMEWORK

The Fraud and Corruption Prevention Policy and associated framework builds upon Dubbo Regional Council's commitment to ethical, transparent and accountable behaviour. Dubbo Regional Council has clear policies, such as its Code of Conduct, setting out acceptable standards of ethical behaviour which are available to all staff on Council's intranet and/or website.

3 RESPONSIBILITY STRUCTURES

This policy applies to everyone who has any interaction with Council or Council staff to the maximum extent that Council has the authority to require it. This includes Councillors, Council staff members, committee members, consultants, contractors, suppliers, applicants and volunteers who all have obligations in the prevention of fraud and corruption and the fostering of an ethical and accountable work environment at Council.

Expectations of this policy also apply to customers, community and any relevant third parties with regard to the functions and/or operations undertaken for or on behalf of Council.

3.1 All Staff

It is important that all Council staff contribute to a workplace culture that has a 'zero tolerance' approach towards fraudulent and corrupt behaviour. As such, all staff have responsibilities in accordance with this policy, specifically:

- Maintain awareness and compliance with the requirements of this policy.
- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on (suspected, actual or attempted) fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Manage and declare pecuniary and non-pecuniary interests in compliance with Council's Code of Conduct.

APPENDIX NO: 1 - FRAUD AND CORRUPTION PREVENTION POLICY

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3.2 Chief Executive Officer

The Chief Executive Officer is responsible for the efficient and effective operation of Council and the implementation of systems and practices that proactively minimise risks of fraud and corruption while promoting an ethical workplace culture that has 'zero tolerance' towards fraudulent and corrupt behaviour and is readily reported should it occur.

In addition to the responsibilities of all staff, the Chief Executive Officer is required to:

- Promote Council's commitment to fraud and corruption prevention.
- Lead by example through ethical workplace behaviour, decision making and acting with honesty, integrity and impartiality when dealing with others.
- Ensure processes exist to monitor Directors' and Managers' compliance with their duties in accordance with this policy.
- Ensure Councillors are aware of their obligations in accordance with this policy.
- Monitor and review fraud and corruption risk assessments on a regular basis.
- Ensure any allegations of wrongdoing are fully investigated and report actual or suspected corrupt conduct to the Independent Commission Against Corruption (ICAC) in accordance with Section 11 of the *ICAC Act 1988*.
- Report criminal offences to the NSW Police Force.

3.3 Mayor and Councillors

Responsibilities in accordance with this policy, specifically:

- Maintain awareness and compliance with the requirements of this policy.
- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on {suspected, actual or attempted} fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.
- Reporting all instances of possible fraud or corrupt conduct, in accordance with Council's Code of Conduct and Internal Reporting Policy.
- Provide support to the Chief Executive Officer to implement adequate strategies to prevent fraud and corruption.
- Implementing and promoting Council's commitment to fraud and corruption prevention.
- Manage and declare pecuniary and non-pecuniary interests in compliance with Council's Code of Conduct.

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3.4 Directors and Managers

In addition to the general responsibilities of all staff, Directors and Managers have a supervisory role in the implementation of this policy and promotion of an ethical workplace culture by demonstrably supporting the objectives of this policy, specifically:

- Leading by example through ethical workplace behaviour, decision making and acting with honesty, integrity and impartiality when dealing with others.
- Promoting and disseminating this policy and the standards of ethical behaviour expected by Council.
- Ensure training is provided to employees surrounding fraud and corruption awareness, Council's expectations and the reporting requirements in accordance with Council's Code of Conduct and Council's Public Interest Disclosures and Internal Reporting Policy.
- Provide ethical advice and support to staff.
- Identify and ensure appropriate internal controls are in place to manage potential fraud and corruption risks. This includes systematic review of risks and controls over time as well as initial identification, and assessment of training needs including refresher training.

3.5 Internal Ombudsman

In addition to the general responsibilities of all staff, the Internal Ombudsman is Council's Disclosures Coordinator for the purpose of Council's Public Interest Disclosures and Internal Reporting Policy and is further responsible for the provision of advice and education surrounding fraud and corruption prevention, Council's expectations and reporting requirements in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.

The Internal Ombudsman may also conduct investigations into allegations of wrongdoing in accordance with Council's Internal Ombudsman Policy.

3.6 Internal Auditor

In addition to the general responsibilities of all staff, the Internal Auditor is responsible for:

- Examine and evaluate the effectiveness of internal controls;
- Make recommendations to enhance the effectiveness of internal controls;
- Make notifications of suspected, actual or attempted instances of fraud and corruption in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.

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3.7 Audit and Risk Management Committee (ARMC)

The ARMC provides independent assistance to the Council by providing advice on the adequacy of the fraud control framework and the processes and systems in place to capture and effectively manage the identified fraud and corruption risks, internal controls and proposed risk treatment action plans which will be documented and recorded in Council's Risk Register.

The responsibilities of the ARMC are set out in the ARMC Charter as resolved by Council. At the time of adopting this Fraud and Corruption Prevention Policy, the responsibilities included:

- Financial reporting process
- Business ethics, policies and practices
- Management and internal controls
- Monitoring the integrity of the Council's financial reporting practices and finance and accounting compliance
- Reviewing internal controls, key corporate risks and all audit related matters
- Encouraging continuous improvement of Council's systems and practices
- Adoption of the Internal Audit Plan
- The Council's process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

3.8 Volunteers and Contractors acting for Council

Volunteers and Contractors providing services or otherwise acting on behalf of Council are required to:

- Perform their duties to the best of their abilities with honesty, integrity and impartiality.
- Have regard to fraud and corruption related risks when performing their duties, and support processes that report and mitigate risks.
- Prevent, mitigate and report on (suspected, actual or attempted) fraud, corruption, maladministration and waste. This shall be done in accordance with Council's Code of Conduct and Public Interest Disclosures and Internal Reporting Policy.
- Cooperate with and provide assistance to investigators or officials investigating suspected or reported fraud or corruption.

3.9 External Parties

Council requires that all external parties act ethically and honestly in their business dealings with Council and that:

- Actual or perceived conflicts of interest are declared at the point any conflict becomes apparent;
- Any persons doing business with Council are to provide accurate and reliable information to Council when required, and;

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- Take all preventative measures to prevent the unauthorised disclosure of confidential Council information.

External parties include Contractors, Consultants, Suppliers, Applicants, other Government Agencies or any other party engaged in business dealings with Council.

3.10 Residents and members of the public

Council encourages residents, customers and members of the public to support Council in preventing and responding to fraudulent or corrupt behaviour and invites those who suspect fraud or corruption that involves Council, to report their suspicions to the Chief Executive Officer, Internal Ombudsman or other appropriate authority.

4 FRAUD AND CORRUPTION PREVENTION POLICY

This Fraud and Corruption Prevention Policy reinforces Council's commitment to fraud and corruption prevention by providing clear guidance and expectation of staff that responsibility falls with every individual who is involved with the functions and/or operations undertaken for, or on behalf of Council.

Fraud and Corruption risks are to be monitored in accordance with Council's Risk Management Policy

5 PREVENTION SYSTEMS

Council's main objective is to minimise the occurrence of fraud and corruption within Council. This objective will be achieved by:

- Identifying fraud and corruption risks
- Determining strategies to control those risks
- Defining responsibility and timeframes for strategies to be implemented

Council's identified fraud and corruption risks, internal controls and proposed risk treatment action plans will be documented and recorded in Council's Risk Register.

Council recognises that internal audit complements the internal assessment of fraud and corruption related risks and controls. Independent identification and assessment of Council's fraud and corruption risks will be arranged with Council's Internal Auditor to the extent that the Audit and Risk Management Committee (ARMC) deems warranted.

6 FRAUD AWARENESS

One of the most common ways in which fraud and corruption is detected is by observation, investigation and reporting by those who work with, or deal directly with, the perpetrator(s).

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Council will commit to providing all staff with a general awareness of fraud and corruption, and provide guidance on how they are to respond if such behaviour is suspected, detected or attempted.

This will be achieved in a number of ways by:

- Incorporating a brief session on fraud and corruption prevention into induction training for new staff;
- Providing fraud awareness training sessions to Management and staff;
- Making the Code of Conduct and the Fraud and Corruption Prevention Policy available to all staff and the general public via Council's website;
- Disseminating articles of interest on fraud and corruption to staff via staff newsletters, publications and circulars;
- Promotion of this strategy and associated documents through Council's procurement framework and procurement documentation;
- Regular attendance at relevant industry forums and seminars.

Additionally, Council routinely interacts with a wide range of stakeholders such as residents, ratepayers, suppliers, contractors and developers to volunteers, applicants, media, community organisations and various other interested parties. There is a need to ensure that these stakeholders are actively aware of Council's attitude towards fraud and corruption and that such behaviour will not be tolerated, through the promotion of this strategy in an effort to reduce the likelihood of improper dealings and/or attempts by external parties to influence Councillors or Council staff.

7 THIRD PARTY MANAGEMENT SYSTEMS

Dubbo Regional Council ensures that appropriate controls are in place via an assortment of policies to manage our dealings with third parties and conflicts of interest. In doing so we provide a copy of our *Statement of Business Ethics* to contractors and suppliers to ensure understanding of the standards of behaviour expected by Council.

Third party management also covers managing staff conflicts of interest in accordance with Council's Code of Conduct, Related Parties Disclosure Policy and secondary employment declaration requirements in accordance with *Section 353 Local Government Act 1993*.

8 NOTIFICATION SYSTEMS

Council's Code of Conduct compels all employees to report any instances of possible fraud, corruption, maladministration or serious and substantial wastage. Members of the public are actively encouraged to report any such behaviour that is known or suspected. Council supports and encourages a supportive culture of reporting and any person who makes a report in accordance with Dubbo Regional Council's Public Interest Disclosure and Internal Reporting Policy will be protected under the *Public Interest Disclosures Act 1994*.

Reports of all suspected unethical activity including corruption be made to Council's Internal Ombudsman. Alternatively, anyone wishing to make a report can direct matters of corruption to the Independent Commission Against Corruption, maladministration to the NSW Ombudsman and serious and substantial wastage to the Office of Local Government.

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9 DETECTION SYSTEMS

Internal controls are effective at detecting fraudulent and corrupt behaviour with Council maintaining appropriate controls such as:

- segregation of duties
- approvals and authorisation
- verification
- reconciliations
- management reviews
- data mining tools
- risk assessments
- physical security
- job rotation
- Independent reviews like internal and external audits and peer reviews.
- Audit and Risk Management Committee

Council will not tolerate any reprisal action against staff who uncover and report such behaviour and will ensure appropriate methods are in place for their protection. If someone believes that detrimental action has been or is being taken against them, or someone else who has reported suspected fraud or corruption, they should advise a disclosure officer in accordance with the Public Interest disclosure and Internal Reporting Policy immediately.

10 INVESTIGATION SYSTEMS

10.1 Assessment

When an allegation of fraud or corruption is made under a Public Interest Disclosure, the Disclosures Coordinator will undertake a preliminary assessment and may recommend that the matter be referred to an external body or that a full investigation be conducted. The complainant will be advised and action taken as appropriate in accordance with Council's Public Interest and Internal Reporting Policy.

10.2 Support

Council will deal fairly with all parties in the course of investigating allegations of fraud or corruption, however if fraud or corruption is proven, Council will apply the appropriate sanctions or refer the matter to external law enforcement agencies if criminal offending is detected.

Council's investigation standards are clearly documented in various Council policies and procedures that include Council's Code of Conduct, Public Interest Disclosure and Internal Reporting Policy and Workplace Investigations Policy and Procedure.

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10.3 Maintaining Confidentiality

Every effort will be made to ensure that any allegations of fraudulent or corrupt conduct are handled confidentially. In some situations, confidentiality may not be possible or appropriate and will be managed in accordance with the Public Interest Disclosure and Internal Reporting Policy.

Council will accept and consider anonymous reports, however anonymity may limit Council's ability to seek further information or adequately assess the report.

10.4 Vexatious, Frivolous or Misleading Allegations

Any report that is found to be vexatious, frivolous or deliberately misleading may result in disciplinary action against the staff member for making the allegation.

REVIEW

This policy will be reviewed every two years.

Appendix 1 - Examples of Potential Fraudulent and Corrupt Activity

Theft

The most common types of property stolen include:

- stationery and office supplies
- construction and maintenance equipment and tools
- lap top computers
- mobile phones
- technical equipment
- cash
- fuel
- intellectual property, including documents and data

Theft also includes the unauthorised use of credit cards, petrol cards, Cabcharge cards or vouchers.

Gifts, Benefits and Bribes

Gifts, benefits and bribes are often intended to influence the way the recipient carries out official functions. The intention may be to encourage the recipient to not look too closely at an illegal or unauthorised activity, or to actively participate in a fraudulent or corrupt activity.

Exposure to offers of gifts, benefits or bribes is particularly common for Council Officers who:

- approve or can influence decisions
- procure goods or services
- carry out regulatory work
- provide customer or client service
- carry out work with the private sector

Misuse of Council Resources for Inappropriate Private Purposes

In their publication "Preventing the misuse of Council Resources Guideline 2", the ICAC provides a number of examples of this type of risk:

- a Council driver using a Council truck to deliver tonnes of gravel to a friend's property and remove a tree
- a works team undertakes paid work for a builder on a construction site during working hours
- a swimming pool manager running a non-authorised swimming school during work hours
- a parks maintenance officer running a landscaping business using council equipment and materials, and falsifying timesheets to cover up his private use
- five council employees spend a work day turfing an employee's backyard

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Other forms or misuse include:

- staff using mobile phones excessively for private purposes without reimbursement of costs
- internet services being used extensively for non-work purposes
- "left-over" materials and low value assets being claimed by Council Officers

Zoning and Development

- coercion, intimidation and harassment of Council planners dealing with development applications
- inducements from developers to modify approved DA or conditions imposed

Regulatory Compliance

- Compliance Officers accepting bribes and favours to allow illegal and unauthorised activities

Procurement, Tendering and Contract Management

Activities associated with procurement, tendering and contract management have traditionally been very susceptible to fraud and corruption. They normally result from bribes, commissions or conflicts of interests. Examples of the type of fraud and corruption risk exposures include:

- order splitting to avoid tendering or obtaining quotes
- collusion with suppliers to provide dummy quotes
- accepting late tenders without justification
- approving fraudulent contract variations

Human Resources

- creation of fictitious employees on the payroll register
- applicants for positions falsifying career background details
- direct recruitment of friends and relatives to permanent and casual positions

Delegations

The opportunity for various types of fraud and corruption can be increased by:

- unclear delegations
- delegation for order and payment granted to same person
- lack of supporting documentation

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Information Technology

The main risk areas of computer fraud are:

- unauthorised electronic transfer of funds
- electronic claims processing
- unauthorised alteration of input data
- misappropriation, destruction or suppression of output data
- alteration of computerised data
- alteration or misuse of software program

Forgery or Falsification of Records

The falsification of records and processing of a false statement is fraud. Examples include falsification of:

- data on expense claims and receipts
- credit card reimbursement claims
- invoices and timesheets
- job application forms
- leave records
- forgery of a signature on a cheque or document

Unauthorised Sale or Provision of Information

This risk involves unauthorised sale or provision of confidential information, including client information.



REPORT: Investments Under Section 625 of the Local Government Act - August 2019

AUTHOR: Director Organisational Performance
REPORT DATE: 2 September 2019
TRIM REFERENCE: ID19/1204

EXECUTIVE SUMMARY

As required by Clause 212 of the Local Government (General) Regulation 2005, set out below are the details of all monies that Council has invested under Section 625 of the Local Government Act as at 31 August 2019.

Investments when placed have been done so in accordance with the Local Government Act, Local Government Regulations and Council's Investment Policy and Strategy. Interest on investments for the month of August 2019 has been accounted for on an accrual basis. This report details investments and annualised returns for the month of August 2019.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

FINANCIAL IMPLICATIONS

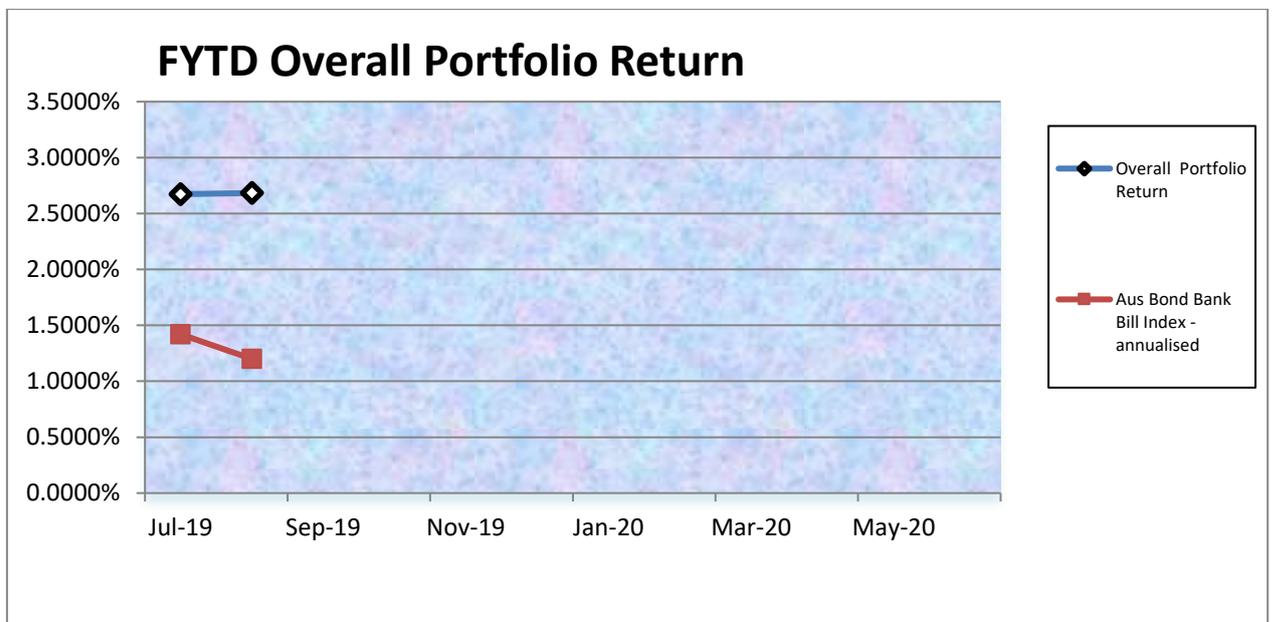
Interest earned on investments has been included within Council's 2019/2020 Operational Plan, with total income generated from the Investment Portfolio forecast to be in excess of \$5,100,000.

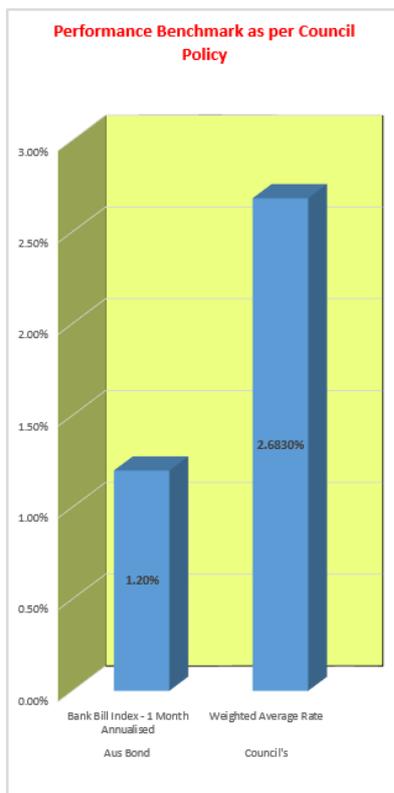
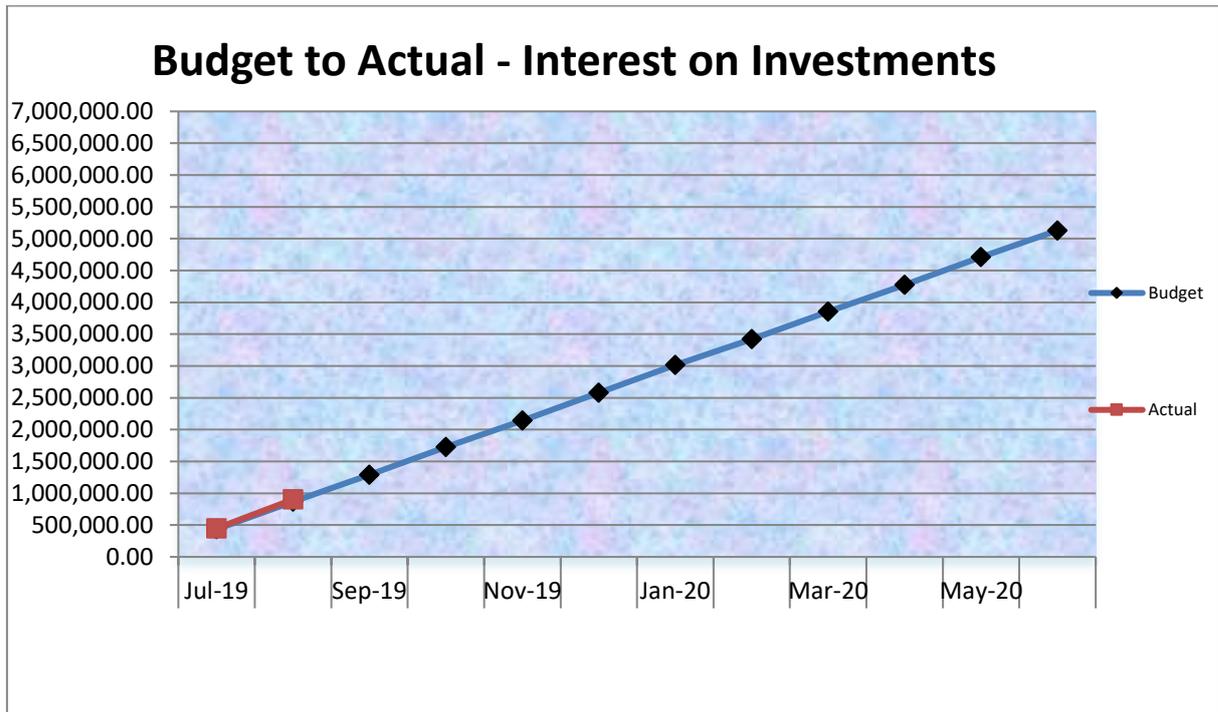
RECOMMENDATION

That the report from the Director Organisational Performance dated 2 September, 2019 be noted.

Craig Giffin
Director Organisational Performance

AUGUST 2019				
	2019	2019	2019	2019
Investments	Total	Current	Non-Current	Total
	30/06/2019	Maturity By 30/06/2020	Maturity After 30/06/2020	31/08/2019
Cash & Cash Equivalents				
Cash on Hand and at Bank	\$28,700.00	\$28,700.00	\$0.00	\$28,700.00
Cash-Equivalent Assets (1)				
- Deposits At Call	\$47,102,168.31	\$26,233,403.05	\$0.00	\$26,233,403.05
Total Cash & Cash Equivalents	\$47,130,868.31	\$26,262,103.05	\$0.00	\$26,262,103.05
Investments (Note 6b)				
- Long Term Deposits > 3 Months	\$171,330,281.25	\$69,830,281.25	\$118,500,000.00	\$188,330,281.25
- NCD's and FRN's > 3 Months	\$14,000,599.09	\$1,500,000.00	\$10,500,599.09	\$12,000,599.09
- CDO's	\$0.00	\$0.00	\$0.00	\$0.00
Total Investments	\$185,330,880.34	\$71,330,281.25	\$129,000,599.09	\$200,330,880.34
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	\$232,461,748.65	\$97,592,384.30	\$129,000,599.09	\$226,592,983.39
(1) Those Investments where time to maturity (from date of purchase) is < 3 months				





Investment % Held as per Council Policy

Institution	\$ Invested	% Invested	% Allowable	\$ Allowable
Cash on Hand and at Bank	\$28,700	0.01%		
Cash-Equivalent Assets				
NAB - Sweep Account	\$26,233,403	11.58%	100.00%	\$226,592,983
Direct Investments				
AMP	\$5,000,000	2.21%	20.00%	\$45,318,597
Bank of Queensland	\$19,830,281	8.75%	10.00%	\$22,659,298
Bendigo & Adelaide Bank	\$18,500,000	8.16%	10.00%	\$22,659,298
CBA	\$9,000,000	3.97%	30.00%	\$67,977,895
Macquarie Credit Union	\$1,000,000	0.44%	1.00%	\$2,265,930
NAB	\$56,000,000	24.71%	30.00%	\$67,977,895
St George	\$37,000,000	16.33%	30.00%	\$67,977,895
Suncorp	\$3,000,599	1.32%	20.00%	\$45,318,597
Westpac	\$48,500,000	21.40%	30.00%	\$67,977,895
TOTAL DIRECT INVESTMENTS	\$197,830,880	87.31%		
Grandfathered Investments				
Newcastle Permanent Building Society	\$2,500,000	1.10%		Rated BBB
TOTAL GRANDFATHERED INVESTMENTS	\$2,500,000	1.10%		
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	\$226,592,983	100.00%		

SUMMARY

Council outperformed the 11am Official Cash Rate market benchmark for 1 month annualised return of 1.00%, with a return of 1.40% for its At Call investments for the month of August 2019. Council also outperformed the 1 month annualised Bloomberg AusBond Bank Bill Index of 1.20% for the month, with an average annualised return of 2.68% for its overall portfolio return, including an average on Term Deposits and Floating Rate Notes of 2.87%.



DUBBO REGIONAL
COUNCIL

REPORT: 2018/2019 Budget Highlights Report

AUTHOR: Chief Financial Officer
REPORT DATE: 29 August 2019
TRIM REFERENCE: ID19/1187

EXECUTIVE SUMMARY

Council has conducted a review of actual income and expenditure to budget for the quarter and year end 30 June 2019 including its type and value of internally restricted assets.

Formally, Council would adopt this information as provided in the Quarterly Business Review Statement. This report provides an opportunity to reflect on the year past and achievements for the year.

Council is required to formally adopt the type and value of its internally restricted assets, funds that Council has set aside for a future purpose. Note 6 of Council's financial statements shows the actual cash and investments held as at 30 June 2019, broken up into External Restrictions, Internal Restrictions and Unrestricted cash.

FINANCIAL IMPLICATIONS

It should be noted that the Financial Statements and Audited results for 2018/2019 have not yet been finalised. The final results will be determined following the completion and audit of the 2018/2019 Financial Statements which is scheduled for 31 October 2019.

The adoption of the internally restricted assets as at the 30 June 2019 provides confirmation from council that these funds are to be allocated for their respective purposes.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the information contained within the report of the Chief Financial Officer dated 29 August 2019 be adopted.

Jane Bassingthwaighte
Chief Financial Officer

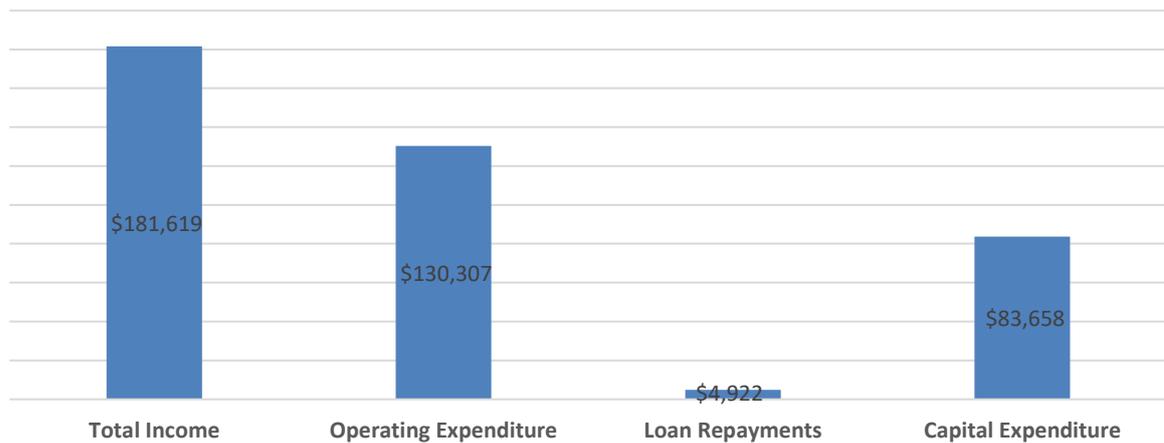
REPORT

The quarterly review for the period ending 30 June 2019 of Dubbo Regional Council’s 2018/2019 Budget Review Statements shows satisfactory implementation.

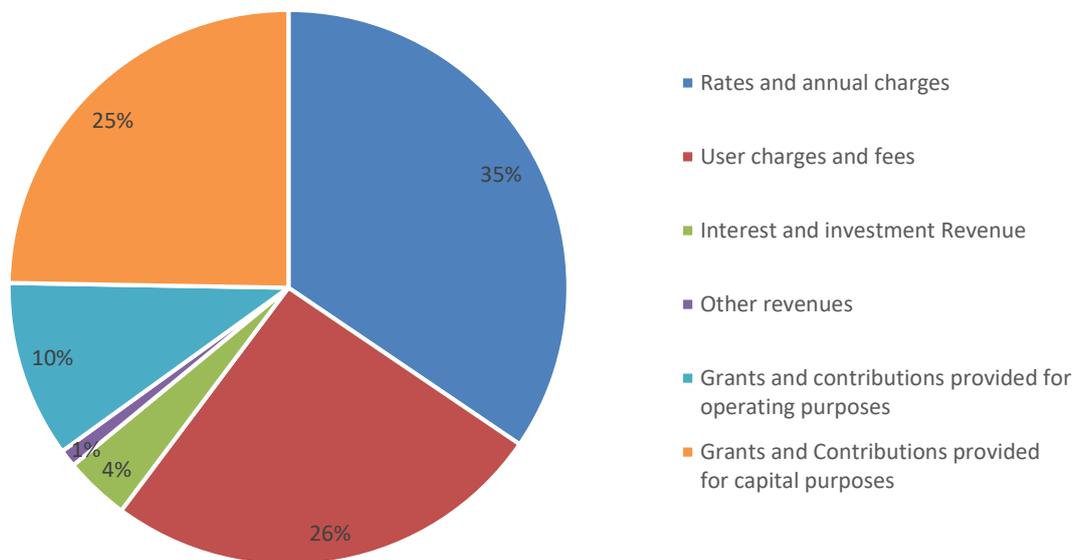
Council has conducted a review of actual income and expenditure to budget for the quarter and year end 30 June 2019 including its type and value of internally restricted assets set aside for a future purpose. Formally, Council would adopt this information as provided in the Quarterly Business Review Statement. This report provides an opportunity to reflect on the year past and achievements for the year.

A summary of the budget results are depicted as follows:

**Total Expenditure 2019
 (\$'000)**



% Income by type 2019



Dubbo Regional Council manages over \$2.4 Billion of community assets and infrastructure and has spent over \$200 Million on the provision of services in 2018/2019. Significant investment of over \$14 Million in maintaining and improving Dubbo Local Government Areas assets such as roads, footpaths and cycle-ways is a highlight of the Dubbo Regional Council result for the 2018/2019 year.

The Financial Statements for the year end 30 June 2019 for Dubbo Regional Council are prepared in accordance with the Australian Auditing Standards and are due for completion by 31 October 2019. The 2018/2019 financial statements audit is being conducted by the NSW Auditor General.

Below is a summary in respect of various major capital projects undertaken during 2018/2019 and projects still in progress into 2019/2020:

Waste Collection Services

The introduction of the new household waste collections services within the Local Government Area commenced on 2 July 2018, collection areas were defined into two bin service (general waste/recycling) or three bin service (general waste/recycling/food organics and gardens organics). This has resulted in areas increasing the diversion of waste from a single stream to three streams within Wellington, while Dubbo has increased the diversion from two streams to three stream. The diversion of food organics and garden organics material from landfill during 2018/2019 for Dubbo Regional Council was 5,478 tonne which contributed to 31.29% waste collected within the Local Government Area. Extensions to the collection service area is continually reviewed with a number of inclusions occurring during 2018/2019, with an increase to the collection service occurring during 2019/2020 to ensure services are available to a wider service area. Issues associated with the introduction of the service were resolved in a timely manner.

Dubbo Regional Organics Processing Plant

The Dubbo Regional Organics Processing Plant (DROPP) officially opened in July 2018, with the first deliveries of food organics and garden organic waste being received on Monday 2 July 2018 from Dubbo Regional Council, Mid-Western Regional Council and Narromine Shire Council. The facility received 7,916 tonne of food organics and garden organics waste during the 2018/2019 which has diverted a significant volume of organic waste from landfill, reducing environmental pollution caused by leachates and methane gas production. The processing of this material provides a valuable resource in the form of compost, Dubbo Regional Council have used this product on Sporting Grounds and Parks and Gardens.

Small Waste Facilities

Geurie Waste Facility has undergone significant improvements during 2018/2019 to enable the conversion of the site to a transfer station, historically this waste facility was a landfill site and has undergone full rehabilitation during the conversion. Dubbo Regional Council also conducted improvements works at Eumungerie Waste Facility, Ballimore Waste Facility and Toongi Waste Facility during 2018/2019 in preparation for all Dubbo Regional Council Waste Facilities converting to operating hours during 2019/2020. This rehabilitation program will continue during 2019/2020 at the remaining waste facilities.

NSW RFS Training Academy

The NSW RFS Training Academy Stage 1 was officially opened 25 July 2019. Stage 2 Accommodation Block B is progressing with slabs, in-ground services and wall frames 100% complete; roof 95% complete; external sheeting 95% complete and internal sheeting 25% complete. The Accommodation Block C slab is 60% complete.

SES/VRA Emergency Services Facility

The SES/VRA Emergency Services Facility was officially opened 25 July 2019.

Wellington Caves

The Wellington Caves Visitor Experience Centre is due to be complete by 31 December 2019. Slabs, structural frames, fire hydrant water tanks and bricks 100% complete; rough-in of electrical and roofing 95% complete; and internal sheeting 40% complete.

Wellington Pool Re-development

The project is on track for November opening, with the Administration and Amenities 100% complete. Tiling of the 50 metre pool commenced early August 2019. Learn-to-Swim Pool has been filled and tested. Filtration Systems are 40% complete, and the Splash Pad concreting is 100% complete.

Victoria Park Re-development - Cycling

The project is progressing with the Velodrome - earthworks continue, lime stabilisation, sub-base and base levels complete, electrical conduits complete and fence footings underway.

Criterium Track earthworks continue, lime stabilisation, sub-base levels and electrical conduits complete. The Club House building pad concreted and structural steel framing has commenced.

Victoria Park Re-development – Ovals - Clubhouse

The Victoria Park Re-development is underway with the Tender being awarded. Site establishment complete and earthworks have commenced.

Cootha Sewer Pump Station

The new Pump Station is up and running, final commissioning and tuning completed early August 2019. Demolition of old pump station complete. Access road works completed and sealed in August 2019. Final commissioning and handover scheduled in August 2019.

Dubbo Regional Botanic Garden Adventure Playground

This new playground was formally opened by the Mayor in April 2019.

Minokamo Way

Mayoral Minute requesting that the granite pedestrian pathway at Dubbo Regional Botanic Garden be formally named Minokamo Way. Design is well advanced and signage will be installed prior to the Minokamo delegate visiting in November 2019 to mark the 30th anniversary of the Sister City relationship.

Victoria Park 1 Park Clubhouse

Commenced with estimated completion December 2019.

Cycle Club

Works have commenced with estimated completion September 2019.

Wiradjuri Tourism Experience at the Dubbo Regional Botanic Gardens

Designs have been finalised.

Pioneer Park training lights

Completed.

New amenities blocks for Lady Cutler East, Lady Cutler Ovals (Disabled and refurbishment of existing)

Lady Cutler South amenities completed.

Refurbished amenity block at Riverbank Ovals (Netball)

Completed.

BBQ, shelters and lighting at Delroy Oval

Completed.

Playground renewal at Wongarbon Centenary Park

Completed.

Splash pad at Dubbo Aquatic Leisure Centre

Completed and opened in October 2018.

Ballimore - Thelma Pelosi Park irrigation installation

Completed.

Wahroonga Park renewal

Completed.

Regand Park picnic area

Completed.

Stage 2 River Corridor lighting projects (Lions Park West to Serisier Bridge)

Completed.

Stage 3 River Corridor light project (Tamworth Street to Sir Rosen Cutler)

Completed.

Battistalls/Pavan Land redevelopment into playing fields

Currently under construction.

Cameron Park upgrades

Playground, amenity block and pathways. Pathway 90% completed. Playground and amenity block commencing soon (estimated completion December 2019).

Rygate Park - amenity block

Completed and opened in July 2019.

Rygate Park Multi-purpose courts

Completed and opened in July 2019.

Bicentennial Park playground

Being opened 4 September 2019.

Geurie (Tom Culkin Oval Skate Park, irrigation installation, fitness centre and amenities refurbishment)

Completed.

Walker Crescent Park Playground

Completed.

Lions Park renewal

Commenced.

Road Network Projects

Highlights of the civil construction projects in the 2018/2019 Infrastructure Delivery Programmes are as follows:

Boundary Road Extension

Stage 1, from Wheelers Lane to Alexandrina Avenue, opened to traffic December 2019. Council crews completed to project with minimal delay following the contractor going into administration. Detailed design for Stage 2, from Alexandrina Avenue to Sheraton Road, is ongoing with construction to commence second half of 2019.

Purvis Lane Reconstruction

Project being delivered in four stages to reconstruct and upgrade Purvis Lane from the rail line to Yarrandale Road. Stage 1 commenced onsite on 29 April 2019 with a full road closure of Purvis Lane between Tannery Road and the rail line and was completed in June 2019. Stage 2 between Tannery Road and Mallee Road commenced. Project due for completion early 2020.

Muronbung Road Stage 2 Reconstruction

Project to reconstruct a two kilometre section of Muronbung Road including vertical realignment in pavement width increases to improve road safety and heavy vehicle access commenced March 2019. New culverts installed and earthworks completed, project to be completed August 2019.

Village Sealing

Emu Street and Balladoran Street Eumungerie completed end of May 2019, Balladoran Street sealing extended 200 m beyond Emu Street intersection to Coolbaggie Street following cost savings on the project. Bundemar Street Wongarbone commenced, project to be completed August 2019.

Ponto Falls Road Seal Extension

Final stage of seal extension completed in December 2018. Inspection by the Federal Member for Calare, Andrew Gee, along with the Mayor and Chief Executive Officer. Positive feedback received.

Old Mendooran Road Seal Extension

Two kilometre seal extension including horizontal realignment and widening to improve road safety completed March 2019.

Church Street Toilet

Civil works to prepare for the toilet installation commenced onsite with. Delivery of toilet delayed by supplier until September 2019.

An assessment of Council's financial statements as an overview of project works and completion shows the amount of actual cash and investments held as at 30 June 2019, these have been broken up into the below categories:

- External Restrictions
- Internal Restrictions
- Unrestricted cash

Balances on completion of the draft Note 6 (subject to audit) are as follows:

	2019 \$'000
Total Cash, Cash Equivalents and Investments	234,511
External restrictions	
Developer contributions – general	14,237
Unexpended grants	41,162
Water supplies	50,958
Sewerage services	51,849
Domestic waste management	1,347
Stormwater management	2,997
Total external restrictions	162,55
Total internal restrictions as below	66,960
Unrestricted cash as at 30th June	3,000

Externally restricted funds are governed by legislation or are restricted specific purpose grant funds. Council can only make adjustments to its own internally restricted assets and these adjustments depend on the amount of cash held. The purpose of these Internal Restricted Assets are as follows:

Purpose of the Reserve	2019 \$'000	Purpose
Internal restrictions		
Employees leave entitlement	2,397	This amount supports Councils leave liability and is sufficient to meet unbudgeted and unanticipated terminations.
Dubbo City Holiday Park	748	To be used to fund future projects at the site.
Property development	6,600	To be used to fund future land developments.
Dubbo City Regional Airport	410	To be used to fund future projects at the site.
Livestock markets	4,210	To be used to fund future projects at the site.
Other waste management services	8,696	To be used to fund future waste projects.
Road network – state roads	2,145	To fund emergency repairs or renewals to state roads for works undertaken by Council.
Fleet management services	7,519	To fund future fleet purchases and renewals on existing Fleet.
Future Asset Renewal	34,235	To fund various asset renewal works across council \$2.4B asset portfolio.
Total internal restrictions	66,960	