



AGENDA

ORDINARY COUNCIL MEETING

25 NOVEMBER 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 5.30pm.

PRAYER:

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

ACKNOWLEDGEMENT OF COUNTRY:

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

Page

CCL19/206 CONFIRMATION OF MINUTES (ID19/1543) 5
Confirmation of the minutes of the proceedings of the Ordinary Council meeting held on 4 November 2019, Extraordinary Council meeting held on 14 November 2019.

CCL19/207 LEAVE OF ABSENCE (ID19/1544)

CCL19/208 PUBLIC FORUM (ID19/1545)

MATTERS CONSIDERED BY COMMITTEES:

CCL19/209 REPORT OF THE DEVELOPMENT AND ENVIRONMENT COMMITTEE - MEETING 11 NOVEMBER 2019 (ID19/1546) 18
The Council had before it the report of the Development and Environment Committee meeting held 11 November 2019.

CCL19/210 REPORT OF THE INFRASTRUCTURE AND LIVEABILITY COMMITTEE - MEETING 11 NOVEMBER 2019 (ID19/1547) 21
The Council had before it the report of the Infrastructure and Liveability Committee meeting held 11 November 2019.

CCL19/211 REPORT OF THE CULTURE, ECONOMY AND CORPORATE COMMITTEE- MEETING 11 NOVEMBER 2019 (ID19/1548) 26
The Council had before it the report of the Culture, Economy and Corporate Committee meeting held 11 November 2019.

CCL19/212 REPORT OF THE DUBBO REGIONAL AIRPORTS COMMITTEE - MEETING 14 NOVEMBER 2019 (ID19/1567) 30
The Council had before it the report of the Dubbo Regional Airports Committee meeting held 14 November 2019.

CCL19/213 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 18 NOVEMBER 2019 (ID19/1568) 34
The Council had before it the report of the Audit and Risk Management Committee meeting held 18 November 2019.

NOTICES OF MOTION:

CCL19/214 TEMPORARY ACCOMMODATION WELLINGTON (ID19/1570) 305
Council had before it a Notice of Motion dated 19 November 2019 from Councillor Grant regarding the Temporary Accommodation Wellington.

CCL19/215 EXTENSION OF BUSHRANGERS CREEK ROAD WALKING PATH (ID19/1571) 307
Council had before it a Notice of Motion dated 19 November 2019 from Councillor Grant regarding the Extension of Bushrangers Creek Road Walking Path.

CCL19/216 CASINO LICENCE FOR DUBBO (ID19/1573) 309
Council had before it a Notice of Motion dated 19 November 2019 from Councillor J Ryan regarding the Casino Licence for Dubbo.

REPORTS FROM STAFF:

CCL19/217 WATER STRATEGY - NOVEMBER 2019 (ID19/1542) 311
The Council had before it the report dated 13 November 2019 from the Chief Executive Officer regarding Water Strategy - November 2019.

CCL19/218	2018/2019 ANNUAL REPORT (INCLUDING STATUTORY REPORTING REQUIREMENTS) (ID19/1436)	325
	The Council had before it the report dated 12 November 2019 from the Chief Executive Officer regarding 2018/2019 Annual Report (including Statutory Reporting Requirements).	
CCL19/219	SEPTEMBER 2019 QUARTERLY BUDGET REVIEW STATEMENTS (ID19/1492)	399
	The Council had before it the report dated 4 November 2019 from the Chief Executive Officer regarding September 2019 Quarterly Budget Review Statements.	
CCL19/220	PRESENTATION OF COUNCIL'S 2018/2019 FINANCIAL STATEMENTS (ID19/1558)	438
	The Council had before it the report dated 14 November 2019 from the Chief Financial Officer regarding Presentation of Council's 2018/2019 Financial Statements.	
CCL19/221	'DESTINATION DUBBO': INTERNATIONAL READY - PROJECT OVERVIEW (ID19/1458)	548
	The Council had before it the report dated 14 November 2019 from the Director Culture and Economy regarding 'Destination Dubbo': International Ready - Project Overview.	
CCL19/222	INITIATIVES TO BUILD LOCAL BUSINESS CONFIDENCE AND SUPPORT LOCAL SPEND. (ID19/1540)	556
	The Council had before it the report dated 12 November 2019 from the Manager Economic Development and Marketing regarding Initiatives to build local business confidence and support local spend..	
CCL19/223	WESTERN PLAINS CULTURAL CENTRE - DRAFT FEES AND CHARGES - 2019/2020 (ID19/1414)	568
	The Council had before it the report dated 14 November 2019 from the Manager Regional Experiences regarding Western Plains Cultural Centre - Draft Fees and Charges - 2019/2020.	
CCL19/224	DRAFT COMMUNITY PARTICIPATION PLAN - RESULTS OF PUBLIC EXHIBITION (ID19/1480)	581

The Council had before it the report dated 8 November 2019 from the Growth Planner regarding Draft Community Participation Plan - Results of Public Exhibition.

CCL19/225 30TH ANNIVERSARY VISIT TO MINOKAMO BY DUBBO DELEGATION (ID19/1537)

600

The Council had before it the report dated 11 November 2019 from the Sister Cities Officer regarding 30th Anniversary Visit to Minokamo by Dubbo Delegation.

CCL19/226 COMMENTS AND MATTERS OF URGENCY (ID19/1569)



Confirmation of Minutes

Confirmation of the minutes of the proceedings of the Ordinary Council meeting held on 4 November 2019.

RECOMMENDATION

That the minutes of the proceedings of the Dubbo Regional Council at the Ordinary Council meeting held on 4 November 2019 comprising pages 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the series and Extraordinary Council meeting held on 14 November 2019 comprising pages 16 and 17 of the series be taken as read, confirmed as correct minutes and signed by the Mayor and the Chief Executive Officer.

Appendices:

- 1 [↓](#) Ordinary Council Minutes 4 November 2019
- 2 [↓](#) Minutes - Ordinary Council Meeting - 14/11/2019 - Special



REPORT

ORDINARY COUNCIL MEETING

4 NOVEMBER 2019

PRESENT: Councillors J Diffey, V Etheridge, D Grant, 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 Manager Governance Operations, the Internal Ombudsman, the Administration Officer Governance, the Community Support Officer, Project Coordinators – Drought Coordinated Response Team(S Colliver and I McAllister), the Project Officer – Drought Coordinated Response Team the Manager Corporate Image and Communications, the Communications Partners (A Amos and C Earl) the Director Organisational Performance, the Director Culture and Economy, the Director Infrastructure, the Director Development and Environment and the Director Liveability.

Councillor B Shields assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.30pm at the Dubbo Civic Administration Building, Council Chamber, with a prayer for Divine Guidance to the Council in its deliberations and activities. The acknowledgement of country was also read by Councillor V Etheridge.

CCL19/182 CONFIRMATION OF MINUTES (ID19/1431)

Confirmation of the minutes of the proceedings of the Ordinary Council meeting held on 23 September 2019.

Moved by Councillor S Lawrence and seconded by Councillor A Jones

MOTION

That the minutes of the proceedings of the Dubbo Regional Council at the Ordinary Council meeting held on 23 September 2019 comprising pages 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 of the series be taken as read, confirmed as correct minutes and signed by the Mayor and the Chief Executive Officer.

CARRIED

CCL19/183 LEAVE OF ABSENCE (ID19/1432)

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

Moved by Councillor D Grant and seconded by Councillor V Etheridge

MOTION

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

CARRIED

CCL19/184 PUBLIC FORUM (ID19/1433)

The Council reports having met with the following person during Public Forum:

- Mr Alex White – representing Dubbo Turf Supplies regarding Water Restrictions
- Ms Melissa Grey – regarding Water Restrictions
- Mr Bob Brown – regarding Water Restrictions

MAYORAL MINUTES:**CCL19/185 MEMBERSHIP TO THE ORANA JOINT ORGANISATION (ID19/1404)**

The Council had before it the Mayoral Minute regarding Membership to the Orana Joint Organisation

Moved by Councillor B Shields

MOTION

That Council apply to the Minister for membership to the Orana Joint Organisation subject to assurances being formally provided by the Minister that Council will have the opportunity to leave this joint organisation should membership not be achieving Council's desired outcome.

CARRIED

CCL19/186 ONGOING ECONOMIC ISSUES RELATING TO THE DROUGHT (ID19/1453)

The Council had before it the Mayoral Minute regarding Ongoing Economic Issues Relating to the Drought

Moved by Councillor B Shields

MOTION

- 1. That Council write to both the State and Federal Governments about the need for financial assistance to businesses directly affected by water restrictions.**
- 2. That Council write to both the State and Federal Governments suggesting funding for**

regional investment and development programs be significantly increased as a way of countering drought-related reputational damage.

3. That Council raise the matter with LGNSW and seek their assistance in highlighting the situation to higher levels of Government.

CARRIED

CCL19/187 DUBBO CITY REGIONAL AIRPORT FINANCIAL SUSTAINABILITY (ID19/1485)

The Council had before it the Mayoral Minute regarding Dubbo City Regional Airport Financial Sustainability

Moved by Councillor B Shields

MOTION

That Council staff investigate options and report to the November 2019 Ordinary meeting of Council to assist in negotiations between Regional Express and Council for a meeting between the parties in December.

CARRIED

MATTERS CONSIDERED BY COMMITTEES:

CCL19/188 REPORT OF THE DEVELOPMENT AND ENVIRONMENT COMMITTEE - MEETING 8 OCTOBER 2019 (ID19/1428)

The Council had before it the report of the Development and Environment Committee meeting held 8 October 2019.

Moved by Councillor G Mohr and seconded by Councillor J Diffey

MOTION

That the report of the Development and Environment Committee meeting held on 8 October 2019, be noted.

CARRIED

CCL19/189 REPORT OF THE INFRASTRUCTURE AND LIVEABILITY COMMITTEE - MEETING 8 OCTOBER 2019 (ID19/1429)

The Council had before it the report of the Infrastructure and Liveability Committee meeting held 8 October 2019.

Moved by Councillor G Mohr and seconded by Councillor V Etheridge

MOTION

That the report of the Infrastructure and Liveability Committee meeting held on 8 October 2019, be noted.

CARRIED

CCL19/190 REPORT OF THE CULTURE ECONOMY AND CORPORATE COMMITTEE - MEETING 8 OCTOBER 2019 (ID19/1430)

The Council had before it the report of the Culture, Economy and Corporate Committee meeting held 8 October 2019.

Moved by Councillor G Mohr and seconded by Councillor A Jones

MOTION

That the report of the Culture, Economy and Corporate Committee meeting held on 8 October 2019, be noted.

CARRIED

REPORTS FROM STAFF**CCL19/191 WATER RESTRICTION ACTIVITIES (ID19/1461)**

The Council had before it the report dated 23 October 2019 from the Chief Executive Officer regarding Water Restriction Activities.

Moved by Councillor J Ryan and seconded by Councillor S Lawrence

MOTION

- 1. That Council adopt the revised Water Restrictions Table as attached as Appendix 1.**
- 2. That Council endorse further communication with residents and businesses on compliance with Level 4 restrictions.**
- 3. That the full Draft Management Plan be provided in a further report to Council for consideration.**

CARRIED

CCL19/192 FORMATION OF OTHER COMMITTEES, WORKING PARTIES AND OTHER GROUPS OF COUNCIL (ID19/1409)

The Council had before it the report dated 10 October 2019 from the Chief Executive Officer regarding Formation of Other Committees, Working Parties and Other Groups of Council.

Moved by Councillor G Mohr and seconded by Councillor V Etheridge

MOTION

- 1. That the following Advisory Panels be formed for the remainder of the Council term ending September 2020:**
 - Dubbo Regional Council Airports Panel**
 - Community Benefit Fund community consultation group – Solar Farms**
 - Community Benefit Fund community consultation group –Wind Farms**
 - Disability Inclusion Advisory Panel**
 - Social Justice Advisory Panel**
 - Street Tree Advisory Panel**

- Victoria Park Redevelopment Advisory Panel
 - Wellington Caves Advisory Panel
 - Wiradjuri Advisory Panel.
2. That Councillor representation to each of these panels be determined by Council.
 3. That representation to external committees, as listed, be determined by Council
 - RMS Regional Consultative Committee
 - Lachlan Regional Transport Committee
 - Newell Highway Taskforce
 - Community Consultative Committee Meeting – Macquarie and Wellington Correctional Centres.
 4. That the delegations of authority for the Street Tree Advisory Committee as defined by Council at its meeting held 19 February 2018 be revoked.

CARRIED

At this stage, nominations were invited for a Council Representative on the RMS Regional Consultative Committee. The following nomination was received:

Councillor G Mohr nominated by Councillor J Ryan and seconded by Councillor S Lawrence. Councillor G Mohr accepted the nomination.

MOTION

That Councillor G Mohr be the nominated Council representative on the RMS Regional Consultative Committee.

CARRIED

At this stage, nominations were invited for a Council Representative on the Lachlan Regional Transport Committee. The following nomination was received:

Councillor V Etheridge nominated by Councillor S Lawrence and seconded by Councillor G Mohr. Councillor V Etheridge accepted the nomination.

MOTION

That Councillor V Etheridge be the nominated Council representative on the Lachlan Regional Transport Committee.

CARRIED

At this stage, nominations were invited for a Council Representative on the Newell Highway Taskforce. The following nomination was received:

Councillor V Etheridge nominated by Councillor G Mohr and seconded by Councillor J Ryan. Councillor V Etheridge accepted the nomination.

MOTION

That Councillor V Etheridge be the nominated Council representative on the Newell Highway Taskforce.

CARRIED

At this stage, nominations were invited for a Council Representative on the Community Consultative Committee – Macquarie and Wellington Correctional Centres. The following nomination was received:

Councillor S Lawrence nominated by Councillor V Etheridge and. Seconded by Councillor G Mohr. Councillor S Lawrence accepted the nomination.

MOTION

That Councillor S Lawrence be the nominated Council representative on the Community Consultative Committee – Macquarie and Wellington Correctional Centres.

CARRIED

CCL19/193 VARIANCE OF NUMBER OF ELECTORS IN COUNCIL WARDS (ID19/1448)

The Council had before it the report dated 18 October 2019 from the Executive Manager Governance and Internal Control regarding Variance of Number of Electors in Council Wards.

Moved by Councillor G Mohr and seconded by Councillor V Etheridge

MOTION

- 1. That Council note that a variance of more than 10% of the number of electors in the wards of the Dubbo Regional Council local government area exists.**
- 2. That Council continue to monitor this variance up until September 2021.**
- 3. That should a variance of more than 10% between the number of electors in each of Council's wards exist as at September 2021 and in accordance with Section 211(2) of the Local Government Act 1993, Council alter the ward boundaries to achieve a variance of less than 10% between the number of electors in Council's wards.**

CARRIED

CCL19/194 AUSTRALIAN AIRPORTS ASSOCIATION NATIONAL CONFERENCE - 2019 (ID19/1408)

The Council had before it the report dated 9 October 2019 from the Manager Governance Operations regarding Australian Airports Association National Conference - 2019.

Moved by Councillor V Etheridge and seconded by Councillor J Ryan

MOTION

- 1. That the attendance by the Chair of the Dubbo Regional Airports Committee, Councillor Greg Mohr and Mayor Councillor Ben Shields at the 2019 Australian Airport Association Conference to be held at the Gold Coast, Queensland, from 19-22 November 2019 be approved by Council.**
- 2. That the Chief Executive Officer approve attendance by staff at the 2019 Australian Airport Association Conference.**

CARRIED

CCL19/195 DUBBO DAY TONY MCGRANE AWARD - CHANGE OF CRITERIA (ID19/1457)

The Council had before it the report dated 22 October 2019 from the Manager Governance Operations regarding Dubbo Day Tony McGrane Award - change of Criteria.

Moved by Councillor J Diffey and seconded by Councillor A Jones

MOTION

That the amended criteria, as attached as Appendix 1 to the report of Manager Governance Operations, dated 22 October 2019, for the awarding of the Dubbo Day Tony McGrane award be adopted and for it to come into effect for the 2019 Dubbo Day Awards to be held on Friday 22 November 2019.

CARRIED

CCL19/196 REALIGNMENT OF OVERHEAD ELECTRICITY POWER LINES AT KESWICK ESTATE (ID19/1406)

The Council had before it the report dated 8 October 2019 from the Manager Property Assets regarding Realignment of Overhead Electricity Power Lines at Keswick Estate.

Moved by Councillor D Grant and seconded by Councillor V Etheridge

MOTION

- 1. That easements be created over the Essential Energy overhead power lines, once constructed.**
- 2. That a bank guarantee for the amount of \$10,000 be provided by Council to Essential Energy in relation to the realignment of overhead power lines at Keswick Estate.**
- 3. That any documentation in relation to this matter be executed under the Power of Attorney to the chief Executive Officer.**

CARRIED

CCL19/197 ROAD CLOSURE AND DISPOSAL AGREEMENT - CURRA CREEK BRIDGE, RENSHAW MCGIRR WAY, CURRA CREEK (ID19/1437)

The Council had before it the report dated 17 October 2019 from the Property Development Officer regarding Road Closure and Disposal Agreement - Curra Creek Bridge, Renshaw McGirr Way, Curra Creek.

Moved by Councillor A Jones and seconded by Councillor D Grant

MOTION

- 1. That Council execute the closure of the excess portions of Council Public Road (Renshaw McGirr Way) detailed within this report.**
- 2. That upon closure of the subject portions of road, the land be classified operational.**
- 3. That Council dispose of the subject portions of road to Mr David Stewart, the owner of the adjoining property 122 Curra Creek Road, Curra Creek, for \$1,980 excluding GST.**

4. That the Chief Executive Officer be authorised to complete any documentation under the Power of Attorney.

CARRIED

CCL19/198 PLANNING PROPOSAL OPERATIONAL REVIEW OF THE WELLINGTON LOCAL ENVIRONMENTAL PLAN 2012 - RESULTS OF PUBLIC EXHIBITION (ID19/1273)

The Council had before it the report dated 18 October 2019 from the Growth Planner regarding Planning Proposal Operational Review of the Wellington Local Environmental Plan 2012 - Results of Public Exhibition.

Moved by Councillor G Mohr and seconded by Councillor A Jones

MOTION

1. That the Planning Proposal to undertake amendments to the Wellington Local Environmental Plan 2012, be adopted.
2. That Council request the Department of Planning, Industry and Environment to prepare the draft amendment to the Wellington Local Environmental Plan 2012 and provide Council with an Opinion that the Plan can be made.
3. That those who made a submission be advised of Council's determination in this matter.
4. That Council request Parliamentary Counsel to prepare the draft amendment to the Wellington Local Environmental Plan 2012 under Section 3.36(1) of the Environmental Planning and Assessment Act, 1979.

CARRIED

CCL19/199 DUBBO CITY REGIONAL AIRPORT LEASE - HANGAR SITE 17 (ID19/1413)

The Council had before it the report dated 15 October 2019 from the Manager Airport Precinct regarding Dubbo City Regional Airport Lease - Hangar Site 17.

Moved by Councillor G Mohr and seconded by Councillor V Etheridge

MOTION

1. That Council enter into 4 consecutive 5 year lease for Hangar Site 17 at Dubbo City Regional Airport commencing 10 November 2019 with Mr Jeffrey John Temesvary, Mr David Ryan and Mr George Mitchel Richmond until its expiry on 10 November 2039, with the second, third and fourth lease commencing upon the expiry of the previous lease, with all four (4) leases signed at the commencement of the first lease.
2. That all documentation in relation to this matter be executed under Power of Attorney.
3. That the legal fees associated with the preparation of the lease be borne by the lessee.

CARRIED

Councillor J Ryan declared a non-pecuniary, less than significant interest in the matter now before the Council and left the room during the Council's consideration of this matter. The reason for such interest is that Councillor J Ryan's brother is one of the parties seeking to lease this hangar.

CCL19/200 WATERING OF DUBBO REGIONAL COUNCIL SPORTING AND OPEN SPACE ASSETS (ID19/1463)

The Council had before it the report dated 23 October 2019 from the Director Liveability regarding Watering of Dubbo Regional Council sporting and open space assets.

Moved by Councillor J Diffey and seconded by Councillor S Lawrence

MOTION

That monitored and rigidly restricted irrigation be permitted for sporting and open space assets impacted by published level 3 and level 4 water restrictions, to prevent turf deterioration.

CARRIED

CCL19/201 COMMENTS AND MATTERS OF URGENCY (ID19/1434)

There were no matters recorded under this clause.

At this junction it was moved by Councillor G Mohr and seconded by D Grant that the Council resolves into the Committee of the Whole Council, the time being 6.35pm.

The meeting resumed at 7.06pm.

CCL19/202 COMMITTEE OF THE WHOLE (ID19/1487)

The Executive Manager Governance and Internal Control read to the meeting of the report of Committee of the Whole held on 4 November 2019.

Moved by Councillor G Mohr and seconded by Councillor S Lawrence

MOTION

That the report of the meeting of the Committee of the Whole held on 4 November 2019 be adopted, save and except CW19/24 which will be dealt with separately.

CARRIED

CW9/24 CODE OF CONDUCT MATTER

The Council had before it the report dated 22 October 2019 from the Internal Ombudsman regarding Code of Conduct Matter.

Moved by Councillor A Jones and seconded by Councillor D Grant

MOTION

That the Committee recommends that the recommendations 1 ,2, 3, 4 and 5 of the Internal Ombudsman's Investigation report be adopted.

CARRIED

Councillor S Lawrence declared a non-pecuniary, significant interest in the matter now before the Council and left the room and was out of sight during the Council's consideration of this matter. The reason for such interest is that Councillor S Lawrence has a personal connection to the subject matter of the conduct into the making of the complaint.

Councillor J Diffey declared a non-pecuniary, less than significant interest in the matter now before the Council and left the room and was out of sight during the Council's consideration of this matter. The reason for such interest is that Councillor J Diffey is that the matter could have affected Councillor Diffey's employment with NSW Parliament.

Councillor B Shields declared a non-pecuniary, less than significant interest in the matter now before the Council and left the room and was out of sight during the Council's consideration of this matter. The reason for such interest is that Councillor B Shields is named within the report.

As the Mayor and Deputy Mayor have left the meeting , council was required to elect a chairperson for the consideration of this matter. The election of the chairperson was performed by the Chief Executive Officer.

Councillor G Mohr nominated by Councillor J Ryan and seconded by Councillor V Etheridge. Councillor G Mohr accepted the nomination.

As no other nominations were received Councillor G Mohr was elected unopposed Councillor G Mohr assumed Chairmanship of the meeting for consideration of this matter.

Councillor B Shields assumed the chair.

The meeting closed at 7.14pm.

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CHAIRMAN



REPORT EXTRAORDINARY COUNCIL MEETING 14 NOVEMBER 2019

PRESENT: Councillors J Diffey, D Gumley, A Jones, K Parker, J Ryan and B Shields.

ALSO IN ATTENDANCE:

The Chief Executive Officer, the Manager Governance Operations, the Administration Officer – Governance, the Community Support Officer, the Communications Partner, the Director Organisational Performance, the Director Culture and Economy, the Director Infrastructure, the Director Development and Environment and the Director Liveability.

Councillor B Shields assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.00pm at the Dubbo Civic Administration Building, Council Chamber, with a prayer for Divine Guidance to the Council in its deliberations and activities. The acknowledgement of country was also read by Councillor J Diffey.

CCL19/203 LEAVE OF ABSENCE (ID19/1533)

A request for leave of absence was received from Councillor V Etheridge, D Grant, S Lawrence and G Mohr who were absent from the meeting due to the personal reasons.

Moved by Councillor J Diffey and seconded by Councillor J Ryan

MOTION

That such request for leave of absence be accepted and Councillors V Etheridge, D Grant, S Lawrence and G Mohr be granted leave of absence from this meeting.

CARRIED

CCL19/204 PUBLIC FORUM (ID19/1534)

There were no speakers during public forum.

MAYORAL MINUTE:

CCL19/205 WELLINGTON AQUATIC LEISURE CENTRE TO HAVE GOLD COIN ENTRY TO CELEBRATE OPENING (ID19/1456)

The Council had before it the Mayoral Minute regarding Wellington Aquatic Leisure Centre to have Gold Coin Entry to celebrate opening.

Moved by Councillor B Shields

MOTION

1. That Council approve a \$2 Gold Coin entry to the Wellington Aquatic Leisure Centre between 16 November 2019 and 26 January 2020 for patrons including Adults and Children.
2. That Council host a number of family fun days for Dubbo and Geurie Aquatic Leisure Centres during a similar period for a \$2 Gold Coin donation.
3. That a percentage of the Gold Coin entry fee for the Wellington Aquatic Leisure Centre be offered as a donation to a chosen charity. To be determined by the Mayor in consultation with Councillors.
4. That the Mayor be authorised to advise the residents of Wellington.

CARRIED

The meeting closed at 5.08pm.

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CHAIRMAN



**DUBBO REGIONAL
COUNCIL**

Report of the Development and Environment Committee - meeting 11 November 2019

AUTHOR: Administration Officer - Governance
REPORT DATE: 13 November 2019

The Committee had before it the report of the Development and Environment Committee meeting held 11 November 2019.

RECOMMENDATION

That the report of the Development and Environment Committee meeting held on 11 November 2019, be noted.



**REPORT
DEVELOPMENT AND ENVIRONMENT
COMMITTEE
11 NOVEMBER 2019**

PRESENT: Councillors J Diffey, 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 Manager Governance Operations, the Administration Officer – Governance, the Community Support Officer, the Communications Partner, the Director Organisational Performance, the Director Culture and Economy, the Director Infrastructure, the Director Development and Environment, the Manager Growth Planning and the Director Liveability.

Councillor G Mohr assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.30pm.

**DEC19/8 REPORT OF THE DEVELOPMENT AND ENVIRONMENT COMMITTEE - MEETING
08 OCTOBER 2019 (ID19/1474)**

The Committee had before it the report of the Development and Environment Committee meeting held 8 October 2019.

Moved by Councillor D Gumley and seconded by Councillor K Parker

MOTION

That the report of the Development and Environment Committee meeting held on 8 October 2019, be noted.

CARRIED

DEC19/9 BUILDING SUMMARY - OCTOBER 2019 (ID19/1468)

The Committee had before it the report dated 30 October 2019 from the Director Development and Environment regarding Building Summary - October 2019.

Moved by Councillor A Jones and seconded by Councillor D Gumley

MOTION

That the report from the Director Development and Environment dated 30 October 2019 be noted.

CARRIED

DEC19/10 RESULTS OF PUBLIC EXHIBITION - DUBBO HEALTH EDUCATION AND WELL-BEING PRECINCT MASTER PLAN (ID19/1459)

The Committee had before it the report dated 28 October 2019 from the Manager Growth Planning regarding Results of Public Exhibition - Dubbo Health Education and Well-being Precinct Master Plan. The committee was addressed by Ms R Gillies regarding this matter.

Moved by Councillor D Grant and seconded by Councillor J Diffey

MOTION

1. That the Dubbo Health, Education and Well-being Precinct Master Plan, (provided in Appendix 1) be adopted by Council, with the exception of all references (both in figures and in text) of the opportunity to extend Fitzhill Parade.
2. That in respect of the proposed extension of Fitzhill Parade from Cobbora Road to the Dubbo Hospital, that this road extension be removed from the Master Plan.
3. That those who made a written submission be acknowledged and advised of Council's determination in this matter.
4. That Council notes the next stage of the project as preparation of an Infrastructure and Servicing Strategy for the Precinct.
5. That Council and Precinct stakeholders monitor State Government directions and information in respect of Local Activation Precincts with a view to seeking local Activation Precinct status for the Precinct.
6. That all persons who provided submission be thanked for their input into the Master Plan.

CARRIED

DEC19/11 LEAVE OF ABSENCE

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

Moved by Councillor B Shields and seconded by Councillor J Ryan

MOTION

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

CARRIED

The meeting closed at 5.35pm.

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CHAIRMAN



**DUBBO REGIONAL
COUNCIL**

Report of the Infrastructure and Liveability Committee - meeting 11 November 2019

AUTHOR: Administration Officer - Governance
REPORT DATE: 13 November 2019

The Committee had before it the report of the Infrastructure and Liveability Committee meeting held 11 November 2019.

RECOMMENDATION

That the report of the Infrastructure and Liveability Committee meeting held on 11 November 2019, be noted.



**REPORT
INFRASTRUCTURE AND LIVEABILITY
COMMITTEE
11 NOVEMBER 2019**

PRESENT: Councillors J Diffey, 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 Manager Governance Operations, the Administration Officer – Governance, the Community Support Officer, the Communications Partner, the Director Organisational Performance, the Director Culture and Economy, the Director Infrastructure, the Director Development and Environment, the Manager Growth Planning and the Director Liveability.

Councillor G Mohr assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.35pm.

**ILC19/5 REPORT OF THE INFRASTRUCTURE AND LIVEABILITY COMMITTEE - MEETING 8
OCTOBER 2019 (ID19/1475)**

The Committee had before it the report of the Infrastructure and Liveability Committee meeting held 8 October 2019.

Moved by Councillor D Gumley and seconded by Councillor K Parker

MOTION

That the report of the Infrastructure and Liveability Committee meeting held on 8 October 2019, be noted.

CARRIED

**ILC19/6 CONSENT CONDITION PROPOSED TRAFFIC FACILITIES FORMER RAAF BASE
(C2017-199) (ID19/1467)**

The Committee had before it the report dated 24 October 2019 from the Manager Infrastructure Strategy and Design regarding Consent Condition Proposed Traffic Facilities Former RAAF Base (C2017-199).

Moved by Councillor B Shields and seconded by Councillor K Parker

MOTION

1. That the report of the Manager Infrastructure Strategy and Design dated 15 October 2019 be noted.
2. That the Committee note that consultation with residents of Goode Street regarding the closure of a roundabout leg has occurred and public submission period closed on 1 November 2019, with no submissions received.
3. That the Committee approve the plans submitted by Premise (111111_72G) to allow compliance with consent condition 56 of D2017-199 Part 1.
4. That at the Palmer and Tamworth Street intersection, the traffic management as detailed on plan sheets No's C032 and C037 shall include an extension of the southbound left turn lane road formation along the eastern side of Palmer Street to encompass the proposed access to Lot 11 (Igloo No 4), the existing access to Lot 12 DP 1050240 and connecting to the existing left turn lane into High Street.
5. That at the proposed roundabouts within the development and at the Palmer and Goode Street intersection No Stopping zones be implemented at the Pedestrian Refuges in accordance with Transport for NSW, Roads and Maritime Services Technical Direction TDT 2011/01a.

CARRIED

ILC19/7 2020 WELLINGTON VINTAGE FAIR STREET PARADE (ID19/1465)

The Committee had before it the report dated 24 October 2019 from the Senior Traffic Engineer regarding 2020 Wellington Vintage Fair Street Parade.

Moved by Councillor A Jones and seconded by Councillor J Ryan

MOTION

That Council approval be granted to the Rotary Club of Wellington Vintage Fair Committee to undertake the 2020 Wellington Vintage Fair Street Parade on Saturday 29 February 2020, and implement temporary road closures of the Mitchell Highway between Maughan and Lee streets from 10.00 am to approximately 11.00 am and Percy street between Maxwell and Maughan streets from 9.00 am to 11.30 am on Saturday 29 February 2020, subject to Roads and Maritime Services approval and conditions of Dubbo Regional Council and NSW Police as considered necessary:

- a) The Parade will be marshalled on the western side of Percy Street between Maxwell and Maughan streets at 9.00 am. The Parade will commence at 10.00 am and enter Nanima Crescent, then north through the Wellington CBD adjacent to Cameron Park, to the Warne Street roundabout and return to Percy Street. The event is to be

undertaken under Police escort, in accordance with the requirements of NSW Police Service and approval documentation forwarded to Council for notation. Event set-up time to commence at 9.00 am with pack-down finish time at 11.30 am.

- b) The submission of Traffic Management Plan and Traffic Control Plan to Council and NSW Police Service prior to the event date. All traffic control measures contained in the Plan are to be in accordance with the Australian Standard (AS 1742.3) and the RMS's 'Guide to Traffic Control at Worksites and approved by an accredited person. Council's Traffic Control Plan TM 7241 will be implemented.
- c) That a supplementary Traffic Control Plan be developed and submitted for the proposed traffic management at the Maughan and Percy Streets roundabout intersection.
- d) The organiser is to provide Council's relevant appointed officer with a copy of the Public Liability Insurance Policy for the amount of at least \$20 million. Such policy is to note that Council, Roads and Maritime Services and the NSW Police Service is indemnified against any possible action as a result of the Parade.
- e) Dubbo Regional Council staff and marshals are to be provided at the nominated road closure points, and shall be specifically authorised for the event. Traffic controllers as required will have current RMS certification.
- f) The applicant is responsible for all traffic control required for the event in accordance with the approved Traffic Control Plan.
- g) The applicant is to provide Council with a formal letter of acceptance of the conditions prior to final approval.
- h) The applicant is to ensure that the roadway is clear of any residue that might be deposited by the participants along the Parade route.
- i) The applicant is to gain approval from the Roads and Maritime Services for the closure and detour of the Mitchell Highway and a Road Occupancy Licence with evidence provided to Council of such conditions as warranted.
- j) All costs associated with implementing the event are to be met by the event organiser.

CARRIED

Councillor D Grant 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 D Grant is a member of the Wellington Rotary Club and will be involved in the event.

ILC19/8 PROPOSED WALKWAY CLOSURE BETWEEN DAVIDSON DRIVE AND GREGORY COURT DUBBO (ID19/1469)

The Committee had before it the report dated 25 October 2019 from the Manager Infrastructure Delivery regarding Proposed Walkway Closure Between Davidson Drive and Gregory Court Dubbo.

Moved by Councillor B Shields and seconded by Councillor J Ryan

MOTION

1. That the previous report to Council dated 8 October 2018 (ICRC18/85), be noted and the resolution of Council not proceed due to the issues identified within this report.

2. That Council consent to the closure of the walkway between Davidson Drive and Gregory Court Dubbo.
3. That the walkway is physically closed with the installation of black 'Diplomat' security fence at each end of the walkway following a 28 day public exhibition period.

CARRIED

ILC19/9 LEAVE OF ABSENCE

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

Moved by Councillor J Diffey and seconded by Councillor D Grant

MOTION

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

CARRIED

The meeting closed at 5.39 pm.

.....
CHAIRMAN



**DUBBO REGIONAL
COUNCIL**

Report of the Culture, Economy and Corporate Committee- meeting 11 November 2019

AUTHOR: Administration Officer - Governance
REPORT DATE: 13 November 2019

The Committee had before it the report of the Culture, Economy and Corporate Committee meeting held 11 November 2019.

RECOMMENDATION

That the report of the Culture, Economy and Corporate Committee meeting held on 11 November 2019, be noted.



**REPORT
CULTURE, ECONOMY AND CORPORATE
COMMITTEE
11 NOVEMBER 2019**

PRESENT: Councillors J Diffey, 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 Manager Governance Operations, the Administration Officer – Governance, the Community Support Officer, the Communications Partner, the Director Organisational Performance, the Director Culture and Economy, the Director Infrastructure, the Director Development and Environment, the Manager Growth Planning and the Director Liveability.

Councillor D Gumley assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.39 pm.

**CEC19/6 REPORT OF THE CULTURE, ECONOMY AND CORPORATE COMMITTEE -
MEETING 8 OCTOBER 2019 (ID19/1476)**

The Committee had before it the report of the Culture, Economy and Corporate Committee meeting held 8 October 2019.

Moved by Councillor K Parker and seconded by Councillor a Jones

MOTION

That the report of the Culture, Economy and Corporate Committee meeting held on 8 October 2019, be noted.

CARRIED

CEC19/7 PAYMENT OF EXPENSES AND PROVISION OF FACILITIES FOR THE MAYOR AND COUNCILLORS (ID19/1481)

The Committee had before it the report dated 30 October 2019 from the Chief Executive Officer regarding Payment of Expenses and Provision of Facilities for the Mayor and Councillors.

Moved by Councillor J Ryan and seconded by Councillor K Parker

MOTION

The Committee recommends:

That the policy "Payment of Expenses and Provision of Facilities for the Mayor and Councillors" as attached as Appendix 1 to the report of the Chief Executive Officer dated 30 October 2019, be placed on Public Exhibition for a period of twenty eight (28) days inviting the public to make submissions.

Moved by Councillor B Shields and seconded by Councillor G Mohr

AMENDMENT

The Committee recommends:

1. That the policy "Payment of Expenses and Provision of Facilities for the Mayor and Councillors" as attached as Appendix 1 to the report of the Chief Executive Officer dated 30 October 2019, be placed on Public Exhibition for a period of twenty eight (28) days inviting the public to make submissions.
2. That clause 2.1.5 of the Payment of Expenses and Provision of Facilities for the Mayor and Councillors be deleted.
3. That an additional clause 2.2.10 of the Payment of Expenses and Provision of Facilities for the Mayor and Councillors be added to provide an appropriate space for Councillors to meet with ratepayers from Monday to Friday 8 am - 8 pm.

The amendment on being put to the meeting was carried

CARRIED

The amendment then became the motion and on being put to the meeting was carried

CARRIED

**CEC19/8 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT -
OCTOBER 2019 (ID19/1472)**

The Committee had before it the report dated 4 November 2019 from the Director Organisational Performance regarding Investments Under Section 625 of the Local Government Act - October 2019.

Moved by Councillor D Grant and seconded by Councillor S Lawrence

MOTION

That the report from the Director Organisational Performance dated 4 November, 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.

CEC19/9 LEAVE OF ABSENCE

A requests for leave of absence was received from Councillor V Etheridge who was absent from the meeting due to personal reasons.

Moved by Councillor B Shields and seconded by Councillor D Grant

MOTION

That such request for leave of absence be accepted and Councillors V Etheridge be granted leave of absence from this meeting.

CARRIED

The meeting closed at 5.44pm.

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CHAIRMAN



**DUBBO REGIONAL
COUNCIL**

Report of the Dubbo Regional Airports Committee - meeting 14 November 2019

AUTHOR: Manager Governance Operations
REPORT DATE: 19 November 2019

The Committee had before it the report of the Dubbo Regional Airports Committee meeting held 14 November 2019.

RECOMMENDATION

That the report of the Dubbo Regional Airports Committee meeting held on 14 November 2019, be adopted.

Appendices:

1 [↓](#) Dubbo Regional Airports Committee - 14/11/2019 - Agenda



REPORT
DUBBO REGIONAL AIRPORTS COMMITTEE
14 NOVEMBER 2019

PRESENT: Councillors B Shields, G Mohr, J Ryan, the Chief Executive Officer, the Director Culture and Economy and the Airport Operations Manager.

ALSO IN ATTENDANCE:

The Manager Growth Planning.

Councillor G Mohr assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 12 noon.

DRA19/12 MASTERPLAN REVIEW (ID19/1493)

The Committee gave consideration to the presentation by the Manager Growth Planning. Feedback on the Public submission was discussed.

RECOMMENDATION

That a report on the Master Plan review to be provided to the Ordinary Council meeting 9 December 2019.

DRA19/13 COMMUNICATIONS WITH AIRLINES AND COLLABORATIVE OPPORTUNITIES (ID19/1494)

The Chief Executive Officer and the Director Culture and Economy provided a number of opportunities to be explored in regards to strengthening partnerships with airlines. The Chief Executive Officer of the Australian Airports Association dialled into the meeting to provide a general update on industry activities.

RECOMMENDATION

That the Chief Executive Officer provide a report to the Ordinary Council Meeting 9 December 2019 on establishing memorandums of understanding.

That this report to also provide an update to council with regards to discussions with Regional Express airlines.

DRA19/14 MAJOR PROJECT UPDATES (ID19/1495)

The Committee was addressed by Council's Director Culture and Economy and Manager Airport Precinct regarding this matter.

RECOMMENDATION

That the update by the Director Culture and Economy and Manager Airport Precinct be noted.

DRA19/15 LEAVE OF ABSENCE

Requests for leave of absence were received from Councillors D Gumley and S Lawrence who were absent from the meeting due to personal reasons.

The meeting closed at 2.45pm.

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CHAIRMAN



AGENDA DUBBO REGIONAL AIRPORTS COMMITTEE 14 NOVEMBER 2019

MEMBERSHIP: Councillors B Shields, D Gumley, S Lawrence, G Mohr, J Ryan, the Chief Executive Officer, the Director Culture and Economy and the Manager Dubbo City Regional Airport.

The meeting is scheduled to commence at 12pm.

Prior to the meeting commencing there will be lunch and photo opportunities with the families of the new precinct Street names.

DRA19/12 MASTERPLAN REVIEW (ID19/1493)

The committee will be addressed by Manager Growth Planning and Manager Dubbo City Regional Airport on this item.

DRA19/13 COMMUNICATIONS WITH AIRLINES AND COLLABORATIVE OPPORTUNITIES (ID19/1494)

The committee will be addressed by the Director of Culture and Economy on this item.

DRA19/14 MAJOR PROJECT UPDATES (ID19/1495)

The committee will be addressed by the Manager Dubbo City Regional Airport on this item.



DUBBO REGIONAL
COUNCIL

Report of the Audit and Risk Management Committee - meeting 18 November 2019

AUTHOR: Manager Governance Operations
REPORT DATE: 19 November 2019

The Committee had before it the report of the Audit and Risk Management Committee meeting held 18 November 2019.

RECOMMENDATION

That the report of the Audit and Risk Management Committee meeting held on 18 November 2019, be adopted.

Appendices:

[1](#) **Audit and Risk Management Committee - 18/11/2019 - Reports**



**REPORT
AUDIT AND RISK MANAGEMENT
COMMITTEE
18 NOVEMBER 2019**

PRESENT:

Core Members (Voting):

Councillors A Jones, Mr J Walkom (Independent Member) and Mr R Gillard (Independent Member via teleconference).

Attendees (Non-Voting):

The Director Organisational Performance, the Chief Financial Officer, the Statutory Reporting Accountant, the Internal Auditor, R Antolin, A Green (Audit Office via teleconference) and Mr J Shanks (Luka Group).

Mr J Walkom assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 11.00am.

WELCOME

AUD19/24 LEAVE OF ABSENCE (ID19/1550)

Requests for leave of absence were received from Councillor B Shields and the Chief Executive Officer who were absent from the meeting due to business matters.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

That such requests for leave of absence be accepted and Councillor B Shields and the Chief Executive Officer be granted leave of absence from this meeting.

CARRIED

AUD19/25 DECLARATION OF INTEREST (ID19/1552)

No conflicts of interest were declared.

**AUD19/26 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE- MEETING 2
SEPTEMBER 2019 (ID19/1551)**

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

Moved by Mr R Gillard and seconded by Councillor A Jones

RECOMMENDATION

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

CARRIED

**AUD19/27 PRESENTATION OF COUNCIL'S 2018/2019 FINANCIAL STATEMENTS
(ID19/1410)**

The Committee had before it the report dated 31 October 2019 from the Chief Financial Officer regarding Presentation of Council's 2018/2019 Financial Statements.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

- 1. That the information provided in the report of the Chief Financial Officer regarding Council's 2019 Financial Statements, External Auditor's Report and Update be noted.**
- 2. That the financial statements for the year ended 30 June 2019 be accepted by the Council.**
- 3. That the Audit Reports for the General Purpose Financial Statements and the Audit Reports for the Special Purpose Financial Statements be tabled at the Ordinary Meeting of Council to be held on 25 November 2019.**

CARRIED

FINANCIAL STATEMENTS/EXTERNAL AUDIT REPORT

**AUD19/28 ANNUAL REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR
THE YEAR ENDED DECEMBER 2018 (ID19/1407)**

The Committee had before it the report dated 9 October 2019 from the Internal Auditor regarding Annual Report of the Audit and Risk Management Committee for the year ended December 2018.

Moved by Mr J Walkom and seconded by Councillor A Jones

RECOMMENDATION

1. That the Annual Report of the Audit and Risk Management Committee for the year ended December 2018 as presented be noted.
2. That the attendance information be amended and that the reference to the appointment process for the external auditor be removed.

CARRIED

INTERNAL AUDIT

AUD19/29 AUDIT AND RISK MANAGEMENT COMMITTEE ACTION LIST (ID19/1344)

The Committee had before it the report dated 12 September 2019 from the Internal Auditor regarding Audit and Risk Management Committee Action List.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

That the information in the report of the Internal Auditor dated 12 September 2019 be noted.

CARRIED

AUD19/29a AUDIT AND RISK MANAGEMENT COMMITTEE CONFIDENTIAL ACTION ITEMS (ID19/1345)

The Committee had before it the report dated 12 September 2019 from the Internal Auditor regarding Audit and Risk Management Committee Confidential Action Items.

Moved by Mr J Walkom and seconded by Councillor A Jones

RECOMMENDATION

That the information in the confidential report of the Internal Auditor dated 12 September 2019 be noted.

CARRIED

GENERAL BUSINESS

AUD19/30 THREE YEAR AUDIT PROGRAM (ID19/1293)

The Committee had before it the report dated 6 September 2019 from the Internal Auditor regarding Three Year Audit Program.

Moved by Mr R Gillard and seconded by Councillor A Jones

RECOMMENDATION

That the report of the Internal Auditor dated 6 September 2019 be noted and approve the Audit Program.

CARRIED

AUD19/31 DISCUSSION PAPER ON RISK AND AUDIT RELEASED BY OFFICE OF LOCAL GOVERNMENT (ID19/1361)

The Committee had before it the report dated 19 September 2019 from the Internal Auditor regarding Discussion Paper on Risk and Audit released by Office of Local Government.

Moved by Councillor A Jones and seconded by Mr R Gillard

RECOMMENDATION

That Council formulate a submission to the Office of Local Government based on the advice in this paper and on advice provided by the Audit and Risk Management Committee.

CARRIED

The meeting closed at 12.00 pm.

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CHAIRMAN

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/26



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

AUTHOR: Administration Officer - Governance
REPORT DATE: 13 November 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.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/26



**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

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/26

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.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/26

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

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/26

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



REPORT: Presentation of Council's 2018/2019 Financial Statements

AUTHOR: Chief Financial Officer
REPORT DATE: 31 October 2019
TRIM REFERENCE: ID19/1410

EXECUTIVE SUMMARY

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

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

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

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

- (1) *For the purpose of Section 413(2)(b) of the Act, any matters required by the Code [Local Government Code of Accounting Practice and Financial Reporting] or the Manual [Local Government Asset Accounting Manual] to be included in Council's financial reports are prescribed matters.*
- (2) *For the purpose of section 413(3)(b) of the Act, the Code and the Manual are prescribed standards.*

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

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/27

year”. Due to issues and complexities associated with the revaluation decrement of road assets and the revaluation increment of the bulk earth work assets following the merger of Dubbo and Wellington Councils an extension to lodge Councils 2018/2019 financial statements was granted by the Office of Local Government until the 30 November 2019.

Section 419 of the Local Government Act 1993 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The Audit Office will not be attending the meeting to present the 2018/2019 audited financial statements.

FINANCIAL IMPLICATIONS

The financial statements show Council to be 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 information provided in the report of the Chief Financial Officer regarding Council's 2019 Financial Statements, External Auditor's Report and Update be noted.
2. That the financial statements for the year ended 30 June 2019 be accepted by the Council.
3. That the Audit Reports for the General Purpose Financial Statements and the Audit Reports for the Special Purpose Financial Statements be tabled at the Ordinary Meeting of Council to be held on 25 November 2019.

Jane Bassingthwaighe
Chief Financial Officer

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/27

REPORT

The General Purpose Financial Statements of Council for the year ended 30 June 2019 have been completed in accordance with the above requirements. The Statements required by Section 413(2)(c) are attached.

Section 416(1) of the Local Government Act 1993 requires that: "A Council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year". Due to issues and complexities associated with the revaluation decrement of road assets and the revaluation increment of the bulk earth work assets following the merger of Dubbo and Wellington Council's an extension to lodge Councils 2018/2019 financial statements was granted by the Office of Local Government until the 30 November 2019.

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

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

The General Purpose Financial Statements consists of an Income Statement which provides information on the changes in net assets resulting from operations, a Statement of Comprehensive Income which includes transfers to and from Revaluation Reserves, Statement of Financial Position, which shows the assets and liabilities of the Council at the end of the year, Statement of Changes in Equity which shows the movement in equity for the year and Statement of Cash Flows which provides information on inflows and outflows of cash for the year, Notes to the General Purpose Financial Statements which provide more detail on items appearing in the statements. The statements also consist of Special Purpose Financial Statements designed to meet National Competition Policy reporting requirements for Category 1 and 2 businesses.

In regard to the financial results for the year, the Income Statement shows the change in net assets resulting from operations for the year to be a \$47.782 million surplus with a net operating result for the year before grants and contributions provided for capital purposes of \$603,000 surplus. Significant items relating to the Income statement are as follows.

1. Included in revenues is an amount of \$13.280 million, which is the value of infrastructure assets that have been contributed by developers as a result of subdivision developments during 2018/2019.
2. Capital Grants and Contributions amounted to \$33.392 million, which includes the \$15.075 million provided from NSW Rural Fire Services for the Rural Fire Services Training Facility.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/27

Expenditure on the acquisition of infrastructure assets such as roads, footpaths, cycleways, stormwater drainage, water and sewer infrastructure, parks, gardens, plant and equipment are funded from cash flows from operating activities and amounted to \$35.070 million, excluding the value of assets contributed by developers.

During to the financial year ended 30 June 2019 it was identified the roads and Land under roads infrastructure asset classes were materially over stated and was adjusted as a prior year error which is outlined below.

Roads Infrastructure (depreciable)

During the current financial year, Dubbo Regional Council undertook a comprehensive revaluation of its road assets. The revaluation identified a significant decline in the unit rates adopted for road assets amounting to a net decrement of \$118.479 million (revaluation increment on road base and revaluation decrement on road sub-base) in Infrastructure Property Plant and Equipment balance that should have been reflected in previous years and an understatement in the 2018 depreciation expense of \$5.835 million.

The last valuation exercise was performed in June 2015. The Council did not perform fair value assessments of its Infrastructure Plant Property and Equipment on 12 May 2016 upon amalgamation of Dubbo City Council and Wellington Council, and subsequently thereafter.

The decline in the unit rate of road assets were due to the following:

- Incorrect rates adopted by the Council on 12 May 2016 upon amalgamation of the former councils. The rates adopted for road assets were based on the 2015 Rawlinson's Construction Handbook and no assessment was made on amalgamation to evaluate the reasonableness of these rates in comparison to actual road construction costs. There has been no significant change in road construction costs between financial years 2017 and 2019.
- Inconsistent depreciation methodology applied in the 2015 revaluation (modified straight line method), adopted on 12 May 2016, instead of straight line valuation methodology.
- Inconsistent condition assessments performed between 2015 and 2019, incorporated in the fair values adopted on 12 May 2016.

The increase in depreciation expense for the year ended 30 June 2018 arose from the revaluation exercise whereby road base components have increased in value and are depreciated for shorter periods compared to road sub-base components which have decrease in value and are depreciated for a long period.

The Council has corrected these errors by:

- restating the balance of its Infrastructure, property, plant and equipment as at the beginning of the earliest period presented (1 July 2017) to reflect the impact of the revaluation decrement in road assets and;
- restating its income statement and total comprehensive income for the financial year 30 June 2018 for the effect of the additional depreciation charges.

Land Under Roads (non-depreciable)

Dubbo Regional Council valued Land under roads based on the Valuer General average unit rate for Crown Land. AASB 13 'Fair Value Measurement' paragraph 11(b) requires when measuring the fair value of an asset, the entity shall take into account restrictions, if any, on the sale or use of the asset. Therefore discounting factors must be applied to reflect the restrictions placed on land under roads (as opposed to the adjoining land which is not restricted).

This correction resulted in a \$9.589 million decrement to the land under roads (non-depreciable) asset class in Infrastructure, Property, Plant and Equipment. Represented by an \$8.284 million decrement to the land under roads (non-depreciable) asset class in 2016/2017, along with a decrease in income from contributed assets of \$1.575 million in 2017/2018.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Audit office have signed off based on these amendments.

Comparatives have been changed to reflect the correction of errors.

General Comment

The Statement of Financial Position indicates that Council is in a sound financial position with Net Assets of \$2,567 million.

Cash and Investments total \$232.510 million, which is significant, however, it should be noted that there are restrictions on the future use of these funds as follows. As per the details on Note 6, the following restrictions have been imposed by legislation or other externally imposed requirements:

	\$'000
Developer Contributions (Section 94 (EP&A Act) and Section 64 (Local Government Act))	14,237
Unexpended Grants	41,162
Water and Sewer Services (The assets of these Funds can only be used for the purposes of the fund)	102,807
Domestic Waste Management Services (The assets can only be used for Domestic Waste purposes)	1,347
Stormwater Drainage (The assets can only be used for Stormwater purposes)	2,997
Total External Restrictions	\$162,550

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/27

As also detailed on Note 6, Council has previously resolved to set aside funds in the form of specific cash or investments for future long term purposes with these internally restricted assets totalling \$66.960m.

In terms of available funds, the balance at 30 June 2019 was \$3.00 million disclosed as the unrestricted cash after internal and external restrictions have been deducted from total cash held.

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

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

These reports must include statements by the Auditor as to his opinion on various matters including the keeping of accounting records, preparation of the Financial Statements and any information relevant to the conduct of the audit. The audit certificates and report on conduct of audit will be tabled by Council's auditor on the day of the November 2019 meeting of the Audit and Risk Management Committee.

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

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

The date fixed for the meeting must be at least seven (7) days after the date on which the notice is given but not more than five (5) weeks after the Auditor's reports are given to the Council.

Section 419 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The Audit Office will not be attending the meeting to present the 2018/2019 audited financial statements.

The required Public Notice will be given by advertisement in the Daily Liberal on Wednesday 13 November 2019. The Public Notice advises that the Council will present its audited financial statements, together with the Auditor's reports, to the public at its Ordinary meeting to be held on Monday 25 November 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/27

It should also be noted that Section 420 provides that any person may make submissions to the Council with respect to the Council's audited Annual financial statements or with respect to the Auditors reports. A submission must be in writing and must be lodged with the Council within seven (7) days after the date on which those reports are presented to the public.

The Council must ensure that copies of all submissions received by it are referred to the Auditor. The Council may take such action as it considers appropriate with respect to any such submission, including the giving of notice to the Director-General of any matter that appears to require amendment of the Council's financial reports.

Appendices:

- 1 [↓](#) Annual Financial Statements - General Purpose Financial Statements 2018/2019
- 2 [↓](#) Annual Financial Statements - Special Purpose Financial Statements 2018/2019

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

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 (2))	85
On the Financial Statements (Sect 417 (3))	86

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 26 November 2019.

Ben Shanks
Mayor
25 November 2019

Stephan Lawrence
Deputy Mayor
25 November 2019

Michael McMahon
Chief Executive Officer
25 November 2019

Jose Bassingthwaite
Responsible Accounting Officer
25 November 2019

Dubbo Regional Council

Financial Statements 2019

Income Statement

for the year ended 30 June 2019

<i>Original unaudited budget 2019</i>	<i>\$ '000</i>	<i>Rubis</i>	<i>Actual 2019</i>	<i>Restated Actual 2018¹</i>
Income from continuing operations				
<i>Revenue:</i>				
81,782	Rates and annual charges	3a	82,488	57,550
42,300	User charges and fees	3b	46,363	54,445
5,155	Interest and investment revenue	3c	6,654	6,454
2,238	Other revenues	3d	1,894	1,359
21,744	Grants and contributions provided for operating purposes	3e,3f	18,819	30,862
24,209	Grants and contributions provided for capital purposes	3g,3h	47,179	59,229
<i>Other income:</i>				
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	6	49	151
157,647	Total income from continuing operations		184,140	212,052
Expenses from continuing operations				
47,511	Employee benefits and on-costs	4a	48,164	37,187
4,037	Borrowing costs	4b	4,455	4,682
27,854	Materials and contracts	4c	35,017	32,830
31,529	Depreciation and amortisation	4d	39,802	36,242
14,783	Other expenses	4e	16,808	16,869
125,694	Total expenses from continuing operations		133,246	127,810
31,953	Operating result from continuing operations		47,782	83,936
31,953	Net operating result for the year		47,782	83,936
31,953	Net operating result attributable to council		47,782	83,936
7,744	Net operating result for the year before grants and contributions provided for capital purposes		603	24,207

⁽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	Revised 2018 ⁽¹⁾
Net operating result for the year (as per Income Statement)		47,782	83,838
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of PP&E	(2)(4)	101,348	47,062
Total items which will not be reclassified subsequently to the operating result		101,348	47,062
Total other comprehensive income for the period		101,348	47,062
Total comprehensive income for the year		149,130	130,900
Total comprehensive income attributable to Council		149,130	130,900

(1) The Council has not restated comparative 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		2019	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	600	47,179	36,755	25,752
Investments	605	81,330	89,068	45,138
Receivables	7	23,570	21,379	16,198
Inventories	8a	2,844	1,873	1,876
Other	8b	464	663	483
Total current assets		155,387	149,738	91,427
Non-current assets				
Investments	600	104,001	108,664	117,235
Receivables	7	267	608	755
Inventories	8a	4,078	2,025	1,993
Infrastructure, property, plant and equipment	600	2,386,172	2,253,503	2,172,475
Investments accounted for using the equity method	16	1,533	1,484	1,333
Other	8b	495	495	495
Total non-current assets		2,596,584	2,386,800	2,294,286
TOTAL ASSETS		2,681,851	2,516,538	2,285,713
LIABILITIES				
Current liabilities				
Payables	10	12,930	12,058	7,688
Income received in advance	10	414	328	770
Borrowings	10	5,158	4,822	4,852
Provisions	11	13,158	13,785	15,047
Total current liabilities		31,661	31,053	28,157
Non-current liabilities				
Payables	10	1	1	1
Borrowings	10	57,228	62,431	67,356
Provisions	11	5,327	4,119	2,583
Total non-current liabilities		62,556	66,551	69,940
TOTAL LIABILITIES		94,217	97,604	98,107
Net assets		2,587,734	2,418,604	2,287,606
EQUITY				
Accumulated surplus	12a	2,286,488	2,248,709	2,164,770
Revaluation reserves	12a	271,246	169,895	122,836
Council equity interest		2,587,734	2,418,604	2,287,606
Total equity		2,587,734	2,418,604	2,287,606

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.

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		2,387,860	169,896	2,557,756	2,291,534	127,656	2,419,190
Correction of prior period errors	12b	(134,174)	—	(134,174)	(126,764)	—	(126,764)
Restated opening balance		2,248,706	169,896	2,418,604	2,164,770	127,656	2,292,426
Net operating result for the year		47,782	—	47,782	91,346	—	91,346
Correction of prior period errors	12b	—	—	—	(7,410)	—	(7,410)
Restated net operating result for the period		47,782	—	47,782	83,936	—	83,936
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	—	101,348	101,348	—	47,062	47,062
Other comprehensive income		—	101,348	101,348	—	47,062	47,062
Total comprehensive income		47,782	101,348	149,130	83,936	47,062	130,998
Equity – balance at end of the reporting period		2,296,488	271,246	2,567,734	2,248,706	169,896	2,418,604

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 159 Financial Instruments: Recognition and Measurement.

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

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				
<i>Receipts</i>				
81,683			61,777	56,274
42,790			47,683	58,031
3,605			6,857	6,404
43,483			51,515	89,301
			67	216
2,090			771	5,929
<i>Payments</i>				
(47,086)			(40,548)	(38,648)
(30,810)			(34,386)	(38,103)
(4,022)			(5,809)	(3,835)
(14,765)			(16,678)	(17,875)
58,850		13b	72,859	99,750
Cash flows from investing activities				
<i>Receipts</i>				
41,646			103,568	220,916
260			2,670	4,460
2,480			2,645	1,572
-			461	864
<i>Payments</i>				
-			(91,167)	(256,275)
(98,814)			(71,850)	(54,312)
-			(3,515)	(1,210)
-			(86)	(213)
(55,428)			(57,268)	(84,095)
Cash flows from financing activities				
<i>Payments</i>				
(4,822)			(4,860)	(4,652)
(1,822)			(4,860)	(4,652)
(1,500)			10,424	11,003
3,000		13a, 13b	36,755	25,752
1,500			47,179	36,755
Additional information:				
143,288		13c	180,581	197,737
144,788			232,510	234,487

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

Page 8 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	24
5	Gains or losses from the disposal, replacement and de-recognition of assets	30
6(a)	Cash and cash equivalent assets	31
6(b)	Investments	31
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	34
8	Inventories and other assets	36
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	42
10	Payables and borrowings	43
11	Provisions	46
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
13	Statement of cash flows – additional information	53
14	Interests in other entities	54
15	Commitments	56
16	Contingencies and other assets/liabilities not recognised	57
17	Financial risk management	60
18	Material budget variations	64
19	Fair Value Measurement	66
20	Related Party Transactions	73
21	Events occurring after the reporting date	74
22	Statement of developer contributions	75
23	Financial result and financial position by fund	78
24(a)	Statement of performance measures – consolidated results	80
24(b)	Statement of performance measures – by fund	81
	Additional Council disclosures (unaudited)	
24(c)	Statement of performance measures – consolidated results (graphs)	82
25	Council information and contact details	84

Page 5 of 85

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 25 November 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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 mandatorily 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).

(b) Historical cost convention

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

- 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 - refer Note 9

(ii) estimated remediation provisions - refer Note 11

(iii) employee benefit provisions - refer Note 11

continued on next page ...

Page 10 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies 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

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 FY 1920 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 (i.e. a lease liability) and an asset (i.e. 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.

continued on next page ...

Page 11 of 85

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 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 1004 Contributions. This standard is effective for annual reporting periods beginning on or after 1 January 2019, ie the Council's financial statements for the year ended 30 June 2020.

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. In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standards (eg AASB 116 Property, Plant and Equipment).

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.

continued on next page ...

Page 12 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

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 2018-8 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 2018/19

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).*

Functions or activities	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 Restated	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
Governance	–	–	614	309	(574)	(308)	–	–	–	–
Administration	1,669	1,715	1,726	1,204	(57)	481	–	–	189,417	687,041
Public order and safety	1,170	2,757	4,051	4,091	(2,881)	(1,264)	591	1,074	39,256	10,551
Health	46	13	39	588	(33)	(340)	–	–	–	–
Environment	23,439	19,307	15,643	11,823	7,796	9,284	1,044	104	211,642	202,579
Community services and education	3,759	3,519	4,944	4,751	(1,185)	(1,232)	2,736	2,741	1,353	–
Housing and community amenities	1,333	1,445	5,400	4,157	(4,067)	(2,712)	190	–	9,975	3,355
Water supplies	29,383	30,953	19,933	18,553	9,450	12,400	587	121	320,316	307,866
Sewerage services	21,179	21,972	14,925	12,576	6,254	9,396	297	121	347,434	324,045
Recreation and culture	5,898	14,172	23,325	21,827	(17,427)	(8,359)	2,354	12,963	145,786	25,499
Mining, manufacturing and construction	1,067	1,184	1,657	2,034	(620)	(850)	–	–	1,957	1,012
Transport and communication	37,546	50,060	39,457	36,993	5,179	13,067	24,279	22,067	1,321,300	895,554
Economic affairs	9,710	15,091	11,494	9,744	(1,784)	5,267	978	2,789	54,939	45,881
Share of gains/(losses) in associates and joint ventures (using the equity method)	49	151	–	–	49	151	–	–	1,533	1,884
General purpose income	47,797	45,463	–	–	47,797	45,463	11,577	11,025	–	–
Total functions and activities	184,140	212,052	136,359	128,116	47,782	63,936	44,452	52,585	2,621,851	2,516,533

Page 14 of 66

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 conveniences; 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, queries 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, sales yards and markets; real estate development; commercial nurseries; and other business undertakings.

Page 18 of 86

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	8,279	7,984
Less: pensioner rebates (mandatory)	(525)	(538)
Rates levied to ratepayers	33,683	30,824
Pensioner rate subsidies received	299	295
Total ordinary rates	33,982	31,119
Annual charges		
<small>(pursuant to s.469, s.469A, s.469B, s.501 & s.501A)</small>		
Domestic waste management services	7,209	6,009
Water supply services	6,862	6,565
Sewerage services	12,031	12,018
Drainage	1,465	1,393
Waste management services (non-domestic)	668	639
Less: pensioner rebates (mandatory)	(651)	(621)
Less: pensioner rebates (Council policy)	(195)	—
Annual charges levied	28,104	26,353
Pensioner subsidies received:		
Water	125	121
Sewerage	118	121
Domestic waste management	117	104
Total annual charges	28,464	26,428
TOTAL RATES AND ANNUAL CHARGES	62,446	57,547

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

continued on next page ...

Page 16 of 85

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		
<i>(per s.602 - specific "actual user" charges)</i>		
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>(i) Fees and charges – statutory and regulatory functions (per s.608)</i>		
Regulatory/ statutory fees	2,113	2,346
Total fees and charges – statutory/regulatory	2,113	2,346

continued on next page ...

Page 17 of 85

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 (per s.600))		
Aerodrome	3,071	3,913
Caravan park	2,081	2,251
Cometaries	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
Caves entry fees	410	410
Western Plains Cultural Centre	135	107
Aquatic leisure centre	518	425
Family day care	406	341
Todder sales 'greengrove' effluent reuse property	26	450
Old dubbo gaol	369	579
Private works	418	371
Public halls	1,462	1,072
Rainbow cottage long day care centre	529	640
Regional livestock markets	3,339	4,097
Sewer plan drafting fees	115	128
Showground	201	212
Sporting facilities	200	254
Other	887	1,688
Total fees and charges – other	18,023	25,113
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.

continued on next page ...

Page 18 of 25

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		
- Overage rates and annual charges (incl. special purpose rates)	257	214
- Cash and investments	6,538	6,147
- Defined 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.

continued on next page ...

Page 19 of 85

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	226	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	587	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 notified, or the payment is received, whichever occurs first.

continued on next page ...

Page 20 of 26

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)

	Operating 2019	Operating 2018	Capital 2019	Capital 2018 Restated
\$ '000				
(e) Grants				
General purpose (unfied)				
Current year allocation				
Financial assistance – general component	9,829	9,736	–	–
Financial assistance – local roads component	1,659	1,585	–	–
Total general purpose	11,468	11,421	–	–
Specific purpose				
Water supplies	–	–	504	–
Sewerage services	379	–	–	–
Bushfire and emergency services	503	10	15,075	4,833
Employment and training programs	15	–	–	–
Storm/flood damage	–	839	–	–
Heritage and cultural	120	114	–	–
Library	142	164	–	–
Noxious weeds	86	100	–	–
Street lighting	199	196	–	–
Transport (roads to recovery)	629	2,855	–	–
Transport (other roads and bridges funding)	79	84	8,599	10,865
Local interest renewal scheme interest subsidy	–	–	535	397
Tourism	35	–	210	2,189
Community services	194	252	–	216
Family day care	1,444	1,392	–	–
Paid parental leave	110	72	–	–
Rainbow cottage long day care centre	631	515	–	–
Sporting facilities	50	–	1,347	12,715
Stormwater	21	–	–	–
Other	250	27	1,023	2,813
Total specific purpose	4,896	6,636	28,068	34,528
Total grants	16,364	18,057	28,068	34,528
Grant revenue is attributable to:				
– Commonwealth funding	11,821	13,701	21,816	10,574
– State funding	4,389	4,356	6,252	23,954
– Other funding	81	–	–	–
	16,364	18,057	28,068	34,528

continued on next page ...

Page 21 of 85

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
					<i>Restated</i>
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions		–	–	1,194	2,257
S 64 – sewerage service contributions		–	–	1,111	1,575
S 7.11 – open spaces				711	805
S 7.11 – drainage		–	–	595	106
S 7.11 – roadworks				1,678	1,476
Voluntary planning agreements		–	–	198	136
Total developer contributions – cash				<u>5,387</u>	<u>6,475</u>
Total developer contributions	32	<u>–</u>	<u>–</u>	<u>5,387</u>	<u>6,475</u>
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,118	11,903	–	–
Other		108	102	371	59
Sporting facilities				58	75
Total other contributions – cash		<u>2,226</u>	<u>12,005</u>	<u>427</u>	<u>84</u>
Non-cash contributions					
Drainage		–	–	8,935	6,464
Paving		–	–	638	–
Roads and bridges		–	–	1,894	8,641
Sewerage (excl. section 64 contributions)		–	–	943	1,851
Water supplies (excl. section 64 contributions)				739	1,011
Land under roads		–	–	75	175
Total other contributions – non-cash		<u>–</u>	<u>–</u>	<u>13,287</u>	<u>18,142</u>
Total other contributions		<u>2,226</u>	<u>12,005</u>	<u>13,714</u>	<u>18,226</u>
Total contributions		<u>2,226</u>	<u>12,005</u>	<u>19,111</u>	<u>24,701</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>18,610</u>	<u>30,062</u>	<u>47,179</u>	<u>59,229</u>

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 in Note 3(g).

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

continued on next page ...

Page 22 of 85

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)

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

A 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.

\$ '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: grants recognised as income in the current period but not yet spent	6,942	29,585
Less: grants recognised as income in a previous reporting period now spent	(19,709)	(10,667)
Unexpended and held as restricted assets	<u>49,336</u>	<u>52,303</u>

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 (CLE)	4,337	3,930
Superannuation	3,952	3,770
Workers' compensation insurance	1,286	937
Fringe benefit tax (FBT)	169	167
Payroll tax	253	220
Training costs (other than salaries and wages)	362	516
Other	316	237
Total employee costs	48,505	43,807
Less: capitalised costs	(6,401)	(6,420)
TOTAL EMPLOYEE COSTS EXPENSED	40,104	37,187

Number of 'full-time equivalent' employees (FTE) at year end 450 453

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.

continued on next page ...

Page 24 of 85

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)

<u>\$ '000</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,048	4,268
Total interest bearing liability costs expensed		<u>3,048</u>	<u>4,268</u>
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than E.F.E)			
- Remediation liabilities	21	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.

continued on next page ...

Page 26 of 26

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	25,544	25,739
Contractor and consultancy costs	15,864	13,420
- 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	-	8
- Legal expenses: other	118	70
Operating leases:		
- Operating lease rentals: minimum lease payments ¹	196	311
Total materials and contracts	41,840	39,750
Less: capitalised costs	(6,823)	(6,814)
TOTAL MATERIALS AND CONTRACTS	35,017	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	134	105
Total Auditor-General remuneration	134	105

Non NSW Auditor-General audit firms

Total remuneration of non NSW Auditor-General audit firms	-	-
Total Auditor remuneration	134	105

continued on next page ...

Page 26 of 86

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 <i>Restated</i>
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		4,104	3,792
Office equipment		430	296
Furniture and fittings		227	271
Land improvements (depreciable)		329	305
Infrastructure:			
Buildings – non-specialised		1,167	429
– Buildings – specialised		3,724	2,202
– Other structures		3,842	3,434
– Roads		15,490	15,196
– 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	41
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	859, 91	261	156
– Quarry assets	859, 91	60	13
Total gross depreciation and amortisation costs		41,129	37,623
Less: capitalised costs		(1,216)	(1,287)
Total depreciation and amortisation costs		39,902	36,242
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E			
		39,902	36,242

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.

Depreciation is capitalised where in-house assets have contributed to new 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 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.

continued on next page ...

Page 27 of 85

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)

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.

continued on next page...

Page 20 of 85

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
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 35(6))	2,911	2,858
Election expenses	–	303
Electricity and heating	4,499	3,380
Insurance	1,661	1,914
Postage	152	136
Printing and stationery	304	459
Street lighting	1,796	1,200
Telephone and communications	263	410
Valuation fees	100	158
Vehicle registration	196	201
Water resource charge	362	370
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	983
Total other expenses	16,506	16,669
TOTAL OTHER EXPENSES	16,900	16,669

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
	500		
Plant and equipment			
Proceeds from disposal – plant and equipment		2,645	1,877
Less: carrying amount of plant and equipment assets sold/written off		(2,602)	(1,417)
Net gain/(loss) on disposal		43	256
	500		
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(1,333)	(838)
Net gain/(loss) on disposal		(1,333)	(838)
	8		
Real estate assets held for sale			
Proceeds from disposal – real estate assets		2,678	4,460
Less: carrying amount of real estate assets sold/written off		(895)	(1,115)
Net gain/(loss) on disposal		1,783	3,345
	600		
Investments			
Proceeds from disposal/redemptions/maturities – investments		103,568	220,918
Less: carrying amount of investments sold/deemed/matured		(103,568)	(220,918)
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 off 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 amortised cost / held to maturity (2018)	81,330	104,001	89,668	108,664
Total Investments	81,330	104,001	89,668	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)				
Term deposits	77,830	83,500	85,818	84,663
NGOs, FRNs (with maturities > 3 months)	3,500	10,501	3,250	14,001
Total	81,330	104,001	89,668	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.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

continued on next page ...

Page 31 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- 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, investments 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 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.

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.

continued on next page ...

Page 32 of 85

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 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	59,519	104,001	38,382	108,664
Internal restrictions	68,990	—	87,441	—
Unrestricted	3,000	—	3,000	—
	128,509	104,001	125,823	108,664

\$ '000 2019 2018

Details of restrictions

External restrictions – other			
Developer contributions – general		14,237	13,822
Unexpended grants		41,162	38,581
Water supplies		50,958	39,548
Sewerage services		51,849	48,038
Domestic waste management		1,347	2,428
Stormwater management		2,997	2,830
External restrictions – other		182,550	144,846
Total external restrictions			
		182,550	144,846
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	673
Property development		6,606	5,394
Dubbo city regional airport		416	20
Livestock markets		4,210	3,973
Other waste management services		8,898	3,737
Road network – state roads		2,145	2,756
Fleet management services		7,319	10,781
Future Asset Renewal		36,735	47,207
Total internal restrictions		66,860	86,541
TOTAL RESTRICTIONS		229,510	231,487

Page 33 of 85

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	3,167	—	2,566	—
Interest and extra charges	360	—	300	—
User charges and fees	9,544	—	9,835	—
Accrued revenues				
– Interest on investments	2,097	—	2,026	—
Deferred debts	417	767	434	629
Government grants and subsidies	4,932	—	3,945	—
Net GST receivable	2,787	—	912	—
Due from other levels of government	30	—	29	—
Other debtors	1,035	—	1,737	—
Total	24,260	287	21,812	629
Less: provision for impairment				
User charges and fees	(728)	—	(633)	—
Total provision for impairment – receivables	(728)	—	(633)	—
TOTAL NET RECEIVABLES	23,570	287	21,379	629
Externally restricted receivables				
Water supply				
– Rates and availability charges	367	—	309	—
– Other	6,396	—	6,770	—
Sewerage services				
– Rates and availability charges	2,168	—	1,826	—
– Other	760	—	542	—
Total external restrictions	9,709	—	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	—	(30)
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.

continued on next page ...

Page 34 of 85

Dubbo Regional Council

Financial Statements 2019

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 differences 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.

Page 35 of 85

Dubbo Regional Council

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	–

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total externally restricted assets	175	44	218	44
Total unrestricted assets	3,133	4,527	2,318	2,479
TOTAL INVENTORIES AND OTHER ASSETS	3,508	4,571	2,536	2,529

(j) Other disclosures

\$ '000	Notes	2019		2018	
		Current	Non-current	Current	Non-current
(a) Details for real estate development					
Residential		512	1,051	690	1,247
Industrial/commercial		1,019	2,925	83	778
Total real estate for resale		1,531	4,076	773	2,025

continued on next page ...

Page 36 of 85

Dubbo Regional Council

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		2018	
		Current	Non-current	Current	Non-current
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		1,015	2,181	–	115
Development costs		512	1,885	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	2,095	719	1,000
– Purchases and other costs		1,334	2,181	1,210	–
– Transfers in from (out to) Note 9		–	(21)	–	(9)
WDV of sales (expense)	s	(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.

Dubbo Regional Council

Financial Statements 2018

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			As at 30/6/2019							as at 30/6/2019				
	Gross carrying amount Rehebed	Accumulated depreciation Rehebed	Net carrying amount Rehebed	Additions renewals ⁽¹⁾	Additions new assets	Carrying amount disposed	Depreciation expense	WIP transfers	Adjustments and transfers	Reversals and adjustments (in 2019)	The item's realisable amount (in 2019)	Realisation increases (decreases)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	15,587	—	15,587	—	10,861	—	—	(1,926)	1,616	—	—	—	25,165	—	25,165
Plant and equipment	52,934	(25,622)	27,312	75	8,985	(2,602)	(4,104)	—	12	—	—	—	53,670	(24,210)	29,460
Office equipment	3,818	(2,124)	1,694	—	880	(7)	(430)	—	(5)	—	—	—	4,057	(2,504)	1,553
Furniture and fittings	4,388	(2,756)	1,632	17	118	(20)	(227)	—	(21)	—	—	—	4,372	(2,823)	1,549
Land:															
– Operational land	35,545	—	35,545	—	1,104	—	—	—	—	—	—	—	36,649	—	36,649
– Community land	36,691	—	36,691	—	—	(7)	—	—	—	—	—	—	36,684	—	36,684
Land under roads (post 30/6/2018) ⁽²⁾	1,898	—	1,898	—	110	(20)	—	—	—	21	—	—	1,901	—	1,901
Land improvements – non-depreciable	1,801	—	1,801	—	—	—	—	—	—	—	—	—	1,801	—	1,801
Land improvements – depreciable	8,605	(4,037)	4,568	25	218	(7)	(340)	—	1	—	—	—	8,712	(4,328)	4,384
Infrastructure:															
– Airport runways	42,580	(17,798)	24,782	3,661	1,376	—	(430)	—	—	—	—	—	47,805	(19,203)	28,602
– Buildings – non-specialised	47,369	(22,759)	24,610	1,892	—	—	(1,182)	—	(958)	—	—	—	46,950	(24,817)	22,133
– Buildings – specialised	151,224	(88,200)	63,024	10,967	1,207	(339)	(3,724)	—	860	—	—	—	173,236	(92,256)	80,980
– Other structures	131,867	(60,532)	71,335	2,346	4,331	(215)	(3,042)	—	(633)	—	—	—	135,466	(62,051)	73,415
– Roads ⁽³⁾	1,268,278	(315,063)	953,215	602	12,402	—	(10,182)	2,302	(391)	—	—	—	1,283,858	(332,817)	951,041
– Bulk earthworks (non depreciable) ⁽²⁾	308,302	—	308,302	—	814	—	—	—	417	—	—	—	405,148	—	405,148
– Stormwater drainage	226,635	(31,574)	195,061	—	9,644	(100)	(1,085)	738	—	—	—	—	236,077	(32,570)	203,507
– Water supply network	366,343	(169,154)	197,189	180	1,131	—	(3,122)	1,915	616	—	—	3,686	365,640	(165,126)	200,514
– Sewerage network	322,166	(87,216)	234,950	81	841	—	(4,804)	3	(1,606)	—	—	4,146	327,232	(82,833)	244,399
– Swearing ponds	8,933	(3,629)	5,304	3,753	—	(380)	(107)	—	—	—	—	—	8,633	(2,734)	5,900
– Quarry assets	1,997	—	1,997	—	—	—	—	—	—	—	—	—	1,997	—	1,997
Other assets:															
– Heritage collections	38	(5)	33	—	—	—	—	—	—	—	—	—	38	(5)	33
– Library books	13	(13)	—	—	—	—	—	—	—	—	—	—	—	—	—
– Other	2,395	(1,281)	1,114	38	114	—	(41)	—	—	—	—	—	2,542	(1,242)	1,300
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip easels	897	(831)	66	—	240	—	(201)	—	—	(112)	—	—	1,034	(1,030)	4
– Quarry assets	1,058	(240)	818	—	119	—	(85)	—	—	—	—	—	1,175	(309)	866
Total Infrastructure, property, plant and equipment	2,868,455	(747,857)	2,120,598	32,307	54,184	(3,039)	(41,150)	—	—	(112)	21	(31,248)	3,042,561	(748,888)	2,293,673

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

(2) The balances as at 30 June 2017 and 30 June 2018 have been restated.

continued on next page ...

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 (continued)

	as at 30/6/2017			Movements during the reporting period								as at 30/6/2018			
	Gross carrying amount Revalued	Accumulated depreciation Revalued	Net carrying amount Revalued	Additions reworks ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfer	Adjustments and transfer	Reversal of asset adjustment (as at 30/6/17)	Disposal assets (value)	Revaluation increase/decrease (2018)	Gross carrying amount Revalued	Accumulated depreciation Revalued	Net carrying amount Revalued
Capital work in progress	26,917	—	26,917	—	131	—	—	(11,328)	(136)	—	—	—	15,687	—	15,687
Plant and equipment	50,387	(23,962)	26,425	42	6,039	(1,417)	(3,212)	—	45	—	—	—	52,034	(25,622)	27,312
Office equipment	3,084	(1,774)	1,310	—	680	—	(795)	—	—	—	—	—	3,648	(2,174)	1,474
Furniture and fittings	3,666	(2,471)	1,195	—	519	—	(297)	—	—	—	—	—	4,398	(2,768)	1,630
Land:															
– Operational land	32,253	—	32,253	2	—	—	—	—	148	—	—	3,137	35,545	—	35,545
– Community land	35,843	—	35,843	—	—	—	—	—	(149)	—	—	—	35,694	—	35,694
Land under roads (post 30/6/08)	913	—	913	—	126	—	—	—	(7)	—	9	—	1,036	—	1,036
Land improvements – non-depreciable	1,801	—	1,801	—	—	—	—	—	—	—	—	—	1,801	—	1,801
Land Improvements – depreciable	8,298	(4,975)	3,421	240	186	—	(405)	—	(1,094)	—	—	—	6,805	(3,420)	2,485
Infrastructure:															
– Buildings – non-specialised	47,022	(32,169)	15,003	245	—	—	(425)	—	(1,009)	—	—	10,227	47,260	(32,753)	24,507
– Buildings – specialised	132,729	(56,937)	65,792	1,473	3,399	—	(2,212)	—	1,062	—	23,504	—	151,234	(58,200)	93,034
Other structures	932,723	(62,674)	870,049	10,930	3,932	—	(3,434)	—	2,958	—	—	—	931,267	(62,532)	871,425
– Roads	1,188,361	(559,067)	605,494	2,462	15,220	—	(15,185)	3,033	374	—	—	—	1,230,479	(315,063)	915,216
– Airports/runways	32,743	(16,604)	15,939	8,314	572	—	(425)	—	351	—	—	—	42,960	(17,793)	24,787
Bulk earthworks (non-depreciable)	267,792	—	267,792	263	274	—	—	—	(27)	—	—	—	330,332	—	330,332
– Stormwater drainage	219,477	(50,536)	168,941	139	6,668	—	(967)	—	—	—	—	—	230,615	(31,574)	199,041
– Water supply network	336,801	(101,967)	234,834	869	4,281	(50)	(5,067)	7,495	(7)	—	—	4,834	338,343	(103,154)	235,189
– Sewerage network	312,092	(81,496)	230,596	416	4,800	(782)	(4,183)	—	2	—	—	5,360	322,766	(87,219)	235,547
– Swimming pools	8,964	(4,077)	2,887	—	407	—	(120)	—	(80)	—	—	—	8,903	(3,879)	3,524
– Other open space assets	8,174	(3,796)	2,418	—	—	—	—	—	(2,418)	—	—	—	—	—	—
– 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	—	—	—	(84)	—	—	—	—	—	2,395	(1,201)	1,194
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
– Tip assets	1,044	(675)	369	—	438	—	(158)	—	—	(583)	—	—	897	(311)	586
– Quarry assets	466	(227)	239	—	696	—	(13)	—	—	—	—	—	1,166	(240)	926
Total infrastructure, property, plant and equipment	2,867,937	(615,662)	2,112,975	26,016	43,022	(2,295)	(34,622)	—	—	(613)	9	47,062	2,905,165	(712,382)	2,292,913

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

continued on next page ...

Page 30 of 86

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 (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 assets 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.

When infrastructure, property, plant and equipment are acquired by council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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	50	Flood control structures	80 to 100
Reticalation pipes: PVC	70		
Reticalation 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 50	Other open space/recreational assets	15 to 80
Unsealed roads	10 to 34		
Bridge: concrete	110		
Bridge: other	80		
Road pavements	80 to 90		
Kerb, gutter and footpaths	40 to 200		

The assets' residual values 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.

continued on next page ...

Page 40 of 85

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 (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1054 Land Under Roads.

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

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
Water supply						
WIP	4,681	—	4,681	5,065	—	5,065
Plant and equipment	2,420	1,185	1,235	2,220	1,082	1,138
Office equipment	41	41	—	41	40	1
Furniture and fittings	29	18	3	21	18	3
Land						
– Operational land	2,908	—	2,908	2,908	—	2,908
– Community land	98	—	98	38	—	38
Buildings	801	428	373	831	403	428
Other structures	716	224	492	716	197	519
Infrastructure	364,481	115,858	248,623	365,488	108,624	256,864
Roads	3,378	1,176	2,202	3,467	588	2,879
Bulk earthworks	1,120	—	1,120	745	—	745
Other assets	425	1	424	425	1	424
Total water supply	380,954	118,533	262,361	371,873	110,800	260,989
Beverage services						
WIP	13,054	—	13,054	8,482	—	8,482
Plant and equipment	2,064	983	1,071	2,812	1,830	1,042
Office equipment	59	69	30	59	67	32
Furniture and fittings	18	10	3	18	9	4
Land						
– Operational land	7,179	—	7,179	6,757	—	6,757
Buildings	1,336	984	352	1,336	926	410
Other structures	606	438	167	590	418	172
Infrastructure	326,077	61,673	264,404	318,975	65,858	253,117
Roads	2,381	438	1,943	3,698	1,012	2,686
Bulk earthworks	391	—	391	800	—	800
Total sewerage services	352,133	64,473	287,660	342,819	58,920	283,899
Domestic waste management						
Plant and equipment	1,964	710	1,254	2,366	1,084	1,282
Land						
Other structures	733	349	384	395	342	53
Roads	—	—	—	54	28	26
Bulk earthworks	—	—	—	49	—	49
Total DWM	2,697	1,059	1,638	2,864	1,454	1,413
Other restricted assets						
WIP	1,544	—	1,544	1,014	—	1,014
Plant and equipment	55	31	34	55	27	28
– Operational land	1,217	—	1,217	1,217	—	1,217
– Community land	75	—	75	49	—	49
Infrastructure	236,184	32,472	203,712	229,020	31,435	197,585
Bulk earthworks	2,217	—	2,217	2,405	—	2,405
Total other restrictions	241,293	32,503	208,790	233,743	31,462	202,281
TOTAL RESTRICTED I,PP&E	977,074	216,628	760,446	951,305	203,123	748,182

Page 42 of 85

Dubbo Regional Council

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	9,883		8,819	
Accrued expenses:				
- Borrowings	545	-	586	-
- Salaries and wages	971	-	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	4,622	62,434
Total borrowings	5,159	57,228	4,622	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 17.

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	1,551	23,736	1,713	21,855
Sewer	2,277	15,483	2,169	17,480
Payables and borrowings relating to externally restricted assets	3,828	39,198	3,882	42,355
Total payables and borrowings relating to restricted assets	3,828	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

continued on next page ...

Page 43 of 85

Dubbo Regional Council

Financial Statements 2019

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

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/6/2018				as at 30/6/2019	
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	67,356	(4,989)	–	–	–	62,367
TOTAL	67,356	(4,989)	–	–	–	62,367

\$ '000

2018 2019

(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	600	600
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

continued on next page ...

Page 44 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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.

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	–	1,059	–
Long service leave	8,392	614	8,836	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
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(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	6,633	7,211
	6,530	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	151	14,228
Additional provisions	2,371	23	956	217	3,567
Amounts used (payments)	(2,757)	(273)	(1,253)	(238)	(5,061)
Remeasurement effects	470	13	524	21	1,028
Total ELE provisions at end of period	3,773	832	9,006	151	13,762

continued on next page ...

Page 46 of 85

Dubbo Regional Council

(Financial Statements 2019)

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

Note 11. Provisions (continued)

\$ '000	SLE provisions			Other employee benefits	Total
	Annual leave	Sick leave	Long service leave		
2018					
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)	(2,542)	(242)	(1,474)	(586)	(4,844)
Remeasurement effects	357	4	305	23	689
Total L.L.L. provisions at end of period	3,729	1,065	8,279	451	14,238
\$ '000	Other provisions:		Total		
	Asset remediation				
2018					
At beginning of year		3,593	3,593		
Additional provisions		73	73		
Unwinding of discount		(57)	(57)		
Total other provisions at end of period		4,213	4,213		
2019					
At beginning of year		2,117	2,117		
- Revised costs		(48)	(48)		
Additional provisions		1,351	1,351		
Unwinding of discount		(32)	(32)		
Total other provisions at end of period		3,998	3,998		

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

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

continued on next page ...

Page 47 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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 calculated 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 financing 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.

Self-insurance

Council does not self-insure.

Page 48 of 86

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) Correction of errors relating to a previous reporting period

Nature of prior-period error

Roads Infrastructure (depreciable)

During the current financial year, Dubbo Regional Council undertook a comprehensive revaluation of its road assets. The revaluation identified a significant decline in the unit rates adopted for road assets amounting to a net decrement of \$118.476 million (revaluation increment on road base and revaluation decrement on road sub-base) in IPPE balance that should have been reflected in previous years and an understatement in the 2018 depreciation expense of \$5.835 million.

The last valuation exercise was performed in June 2015. The Council did not perform fair value assessments of its IPPE on 12 May 2016 upon amalgamation of Dubbo City Council and Wellington Council, and subsequently thereafter.

The decline in the unit rate of road assets were due to the following:

- Increased rates adopted by the Council on 12 May 2016 upon amalgamation of the former councils. The rates adopted for road assets were based on the 2015 Bradstones Construction Handbook and no assessment was made on amalgamation to evaluate the reasonableness of those rates in comparison to actual road construction costs. There has been no significant change in road construction costs between financial years 2017 and 2018.
- Inconsistent depreciation methodology applied in the 2015 revaluation (modified straight line method), adopted on 12 May 2016, instead of straight line valuation methodology.
- Inconsistent condition assessments performed between 2015 and 2018, incorporated in the fair values adopted on 12 May 2016.

The increase in depreciation expense for the year ended 30 June 2018 arose from the revaluation exercise whereby road base components have increased in value and are depreciated for shorter periods compared to road sub-base components which have decrease in value and are depreciated for a long period.

The Council has corrected these errors by:

- restating the balance of its Infrastructure, property, plant and equipment as at the beginning of the earliest period presented (1 July 2017) to reflect the impact of the revaluation decrement in road assets and
- restating its income statement and total comprehensive income for the financial year 30 June 2018 for the effect of the additional depreciation charges.

Land Under Roads (non-depreciable)

Dubbo Regional Council valued Land under roads based on the Valuer General average unit rate for Crown Land. *MASB 13 'Fair Value Measurement'* paragraph 11(b) requires when measuring the fair value of an asset, the entity shall take into account restrictions, if any, on the sale or use of the asset. Therefore discounting factors must be applied to reflect the restrictions placed on land under roads (as opposed to the adjoining land which is not restricted).

This correction resulted in a \$9.589 million decrement to the land under roads (non-depreciable) asset class in Infrastructure, Property, Plant and Equipment. Represented by a \$8.284 million decrement to the land under roads (non-depreciable) asset class in 2016/2017, along with a decrease in income from contributed assets of \$1.305 million in 2017/2018.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

continued on next page ...

Page 49 of 86

APPENDIX NO: 1 - ANNUAL FINANCIAL STATEMENTS - GENERAL PURPOSE
FINANCIAL STATEMENTS 2018/2019

ITEM NO: AUD19/27

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 (continued)

Statement of Financial Position

\$ '000	Original Balance 1 July, 2017	Impact Increase/ (decrease)	Restated Balance 1 July, 2017
Changes to the opening Statement of Financial Position at 1 July 2017			
Infrastructure, property, plant and equipment	2,288,239	(126,764)	2,161,475
Total assets	2,512,477	(126,764)	2,385,713
Accumulated Surplus	2,291,534	(126,764)	2,164,770
Total equity	2,414,370	(126,764)	2,287,606

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure, property, plant and equipment	2,387,677	(134,174)	2,253,503
Total assets	2,650,712	(134,174)	2,516,538
Accumulated Surplus	2,382,883	(134,174)	2,248,709
Total equity	2,562,778	(134,174)	2,428,604

Income Statement

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Infrastructure contributions (non-cash) land under roads	1,750	(1,575)	175
Total income from continuing operations	213,627	(1,575)	212,052
Depreciation and amortisation	30,407	5,835	36,242
Total expenses from continuing operations	122,221	5,835	128,116
Net operating result for the year	91,346	(7,410)	83,936

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2018	Impact Increase/ (decrease)	Restated Balance 30 June, 2018
Net operating result for the year	91,346	(7,410)	83,936
Other comprehensive income	47,062	—	47,062
Total comprehensive income for the year	138,408	(7,410)	130,998

continued on next page ...

Page 60 of 85

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 (continued)

(c) 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).

Classification of financial assets and financial liabilities

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

	Classifica- tion under AASB 139	Classifica- tion under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Reclassi- fications	Carrying amount under AASB 9
\$ '000						\$
Financial assets						
Trade and other receivables	Loans and receivables	Amortised cost	21,096			21,096
Cash and cash equivalents	Loans and receivables	Amortised cost	35,785	—	—	35,785
Term deposits	Held to maturity	Amortised cost	197,732	—	—	197,732
* Excludes statutory receivables						
Total financial assets under AASB 9 at 1 July 2018			288,583			288,583
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	67,205	—	—	67,205

continued on next page ...

Page 51 of 85

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 (continued)

	Classifi- cation under AASB 136	Classifi- cation under AASB 9	Carrying amount under AASB 136	Reassess- ment	Reversals	Carrying amount under AASB 9
Trade payables	Other financial liabilities	Other financial liabilities	12,058	—	—	12,058
Total financial liabilities under AASB 9 at 1 July 2018			79,394			79,394

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	6(b)	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		47,782	83,838
Adjust for non-cash items:			
Depreciation and amortisation		38,902	38,242
Net losses/(gains) on disposal of assets		(103)	(2,102)
Non-cash capital grants and contributions		(13,287)	(18,142)
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 restatement provisions		667	1,856
Share of net (profits)/losses of associates/joint ventures using the equity method		(58)	(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		295	387
Decrease/(increase) in inventories		(213)	57
Decrease/(increase) in other current assets		189	(200)
Increase/(decrease) in payables		844	4,253
Increase/(decrease) in accrued interest payable		(51)	(30)
Increase/(decrease) in other accrued expenses payable		22	(80)
Increase/(decrease) in other liabilities		155	(225)
Increase/(decrease) in provision for employee benefits		(603)	(1,285)
Increase/(decrease) in other provisions		73	-
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		72,659	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

Page 53 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	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

(i) 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

\$ '000	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, Narromine and Warrumbungle Council area

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	88.5%	89.0%	72.2%	72.0%	33.0%	33.0%

(d) Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	1,556	1,930
Other current assets	69	71
Non-current assets	1,202	1,089
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	894	1,089

continued on next page ...

Page 54 of 85

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)

\$ '000	Macquarie Regional Library	
	2019	2018
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	49	32
Net assets	<u>2,128</u>	<u>2,049</u>
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,049	1,829
Profit/(loss) for the period	74	220
Closing net assets	<u>2,128</u>	<u>2,049</u>
Council's share of net assets (%)	72.2%	72.9%
Council's share of net assets (\$)	1,538	1,484
Statement of comprehensive income		
Income:	2,960	2,883
Interest income	46	46
Depreciation and amortisation	(339)	(331)
Other expenses	(2,587)	(2,377)
Profit/(loss) from continuing operations	<u>74</u>	<u>221</u>
Profit/(loss) for the period	<u>74</u>	<u>221</u>
Total comprehensive income	<u>74</u>	<u>221</u>
Share of income – Council (%)	68.5%	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
(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	5,583
Water infrastructure	217	2,259
Sewer infrastructure	1,545	733
Total commitments	24,687	16,917
Sources for funding of capital commitments:		
Unrestricted general funds	4,861	3,539
Externally restricted reserves	19,726	6,978
Total sources of funding	24,687	16,917
Details of capital commitments		
Dubbo Regional Council has committed to the following:		
<ul style="list-style-type: none"> • Construction of the Wellington Pool • Construction of the Rural Fire Service Training Academy • Construction of the Dubbo Cycling Facility • Development of Keswick Stage 5, Release 1 		
(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	85	132
Later than one year and not later than 5 years	85	173
Total non-cancellable operating lease commitments	170	305
b. Non-cancellable operating leases include the following assets:		
Computer equipment		
Conditions relating to finance and operating leases:		
– All lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Page 56 of 85

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 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 facts 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 employees 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	2.4% salaries
Division D	1.04 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, or 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.

continued on next page ...

Page 67 of 85

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's expected contribution to the plan for the next annual reporting period is \$27,100 00

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 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.

(i) 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 SOE 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.

(ii) 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.

continued on next page ...

Page 68 of 85

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.

(i) 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 30/6/09.

(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	21,080	21,098	21,080	21,098
Investments				
"Financial assets at amortised cost" / held to maturity (2018)	185,331	197,737	185,331	197,737
Other financial assets	495	495	495	495
Total financial assets	254,095	256,078	254,095	256,078
Financial liabilities				
Measured at amortised cost				
Payables	12,031	12,030	12,031	12,030
Loans/advances	62,307	67,358	62,307	67,358
Total financial liabilities	74,338	79,388	74,338	79,388

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 market 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:

continued on next page ...

Page 68 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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	2,325	2,325	(2,326)	(2,326)
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 other than Council has significant credit exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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.

continued on next page ...

Page 61 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	2,547	550	-	-	-	3,137
2018						
Gross carrying amount	1,604	732	-	-	-	2,336

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.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 90 days overdue	Total
2019						
Gross carrying amount	16,837	527	75	42	439	18,521
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2018						
Gross carrying amount	17,276	351	451	114	591	18,583
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(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 cash flows.

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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,748	11,183	-	-	12,931	12,931
Loans and advances	0.10%	-	8,681	35,375	45,814	90,070	82,367
Total financial liabilities		1,748	20,064	35,375	45,814	108,601	95,318

continued on next page ...

Page 62 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

2018	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	0.00%	1,081	10,368		12,000	12,000
Loans and advances	6.10%	—	8,558	35,653	54,485	89,160
Total financial liabilities		1,081	18,926	35,653	111,145	101,160

Page 63 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

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 amended.

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 favourably 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
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 and Additional unbudgeted grant income was invested until the funds needed to be reallocated.				
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	47,179	22,970	95% 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 cash and 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	40,104	7,407	16% F
The number of job vacancies and wage capitalisation was higher than anticipated, which resulted in a lower employee cost.				
Borrowing costs	4,037	4,435	(398)	(10)% U
Council's provision for query and tip restoration was higher than originally budgeted.				
Materials and contracts	27,854	35,017	(7,163)	(26)% U
Council engaged additional contractors and consultants to finalise many ongoing projects.				

continued on next page ...

Page 64 of 85

Dubbo Regional Council

Financial Statements 2019

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

Note 18. Material budget variations (continued)

\$ '000	2019			
	Budget	Actual	Variance	
Depreciation and amortisation	31,529	39,902	(8,373)	(27)% U
Additional depreciation incurred due to asset revaluation.				
Other expenses	14,763	16,900	(2,137)	(14)% U
Council had increased expenses in relation to advertising, bad and doubtful debts, street lighting and decorations and contributions to local organisations than originally budgeted.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	58,850	72,659	13,809	23% F
This variation has occurred due to a significant amount in capital grant funding other being originally budgeted but was received earlier than anticipated or grant funding that was not originally budgeted.				
Net cash provided from (used in) investing activities	(55,428)	(57,266)	(1,838)	3% U
Net cash provided from (used in) financing activities	(4,922)	(4,969)	(47)	1% U

Page 66 of 85

Dubbo Regional Council

Financial Statements 2019

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 mts	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	30/06/16	—	29,672	—	29,672
Office equipment	30/06/16	—	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	12/05/16	—	—	35,884	35,884
Land under roads (post 30/06/2008)	30/06/19	—	—	1,200	1,200
Land improvements – non-depreciable	30/06/10	—	—	1,889	1,889
Land improvement – depreciable	30/06/18	—	—	2,376	2,376
Airport runways/taxiways	30/06/15	—	—	29,582	29,582
Buildings – non-specialised	30/06/18	—	—	24,179	24,179
Buildings – specialised	30/06/19	—	—	110,440	110,440
Other structures	30/06/13	—	—	73,416	73,416
Roads	30/06/19	—	—	892,910	892,910
Bulk earthworks	30/06/19	—	—	402,586	402,586
Stormwater drainage	30/06/15	—	—	203,562	203,562
Water supply network	30/06/17	—	—	249,034	249,034
Sewerage network	30/06/17	—	—	264,219	264,219
Swimming pools	12/05/18	—	—	6,260	6,260
Other open space/recreational assets	12/05/16	—	—	—	—
Quarry assets	30/06/14	—	—	1,987	1,987
Heritage collections	30/06/17	—	—	28	28
Other assets	30/06/17	—	—	1,302	1,302
Tip restoration assets	30/06/18	—	—	4	4
Quarry restoration assets	30/06/19	—	—	876	876
Total infrastructure, property, plant and equipment			69,670	2,326,202	2,396,172

continued on next page ...

Page 66 of 85

Dubbo Regional Council

Financial Statements 2019

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

Note 19: Fair Value Measurement (continued)

2018	Units	Fair value measurement hierarchy			Total Restated
		Date of latest valuation	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress		30/06/17	—	—	15,567
Plant and equipment		30/06/16	—	27,312	—
Office equipment		30/06/16	1,634	—	1,634
Furniture and fittings		30/06/16	—	1,643	—
Operational land		30/06/18	—	35,546	—
Community land		30/06/11	—	—	35,690
Land under roads (post 30/06/2008)		At cost	—	—	1,086
Land improvements – non-depreciable		30/06/10	—	—	1,801
Land improvement – depreciable		30/06/08	—	—	2,468
Airport runways/taxiways		30/06/05	—	—	24,797
Buildings – non-specialised		30/06/18	—	—	24,607
Buildings – specialised		30/06/18	—	—	93,034
Other structures		30/06/13	—	—	71,435
Roads		30/06/15	—	—	693,216
Bulk earthworks		30/06/15	—	—	308,302
Stormwater drainage		30/06/15	—	—	135,400
Water supply network		30/06/17	—	—	247,189
Sewerage network		30/06/17	—	—	235,430
Swimming pools		12/05/15	—	—	3,104
Other open space/recreational assets		12/05/15	—	—	—
Quarry assets		30/06/16	—	—	1,587
Heritage collections		30/06/07	—	—	29
Other assets		30/06/07	—	—	1,193
Tip restoration assets		30/06/18	—	—	66
Quarry restoration assets		30/06/18	—	—	815
Total infrastructure, property, plant and equipment			—	66,194	2,187,309
					2,253,502

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

(2) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IP&E)

Level 2 inputs

Plant & equipment

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

continued on next page ...

Page 67 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 and other structures

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

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 subdivisions is valued using the municipal site value as outlined in valuation of community land above then discounted accordingly. 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 subdivisions (and 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.

Airport runways/taxways

Airport runways/taxways 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 airport runways/taxways.

continued on next page ...

Page 68 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19: Fair Value Measurement (continued)

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 bases of determining the value for internal valuations was a combination of the cost of similar works carried out by Council, recent similar contracted 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 historical 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 those items they are valued at historical 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.

continued on next page ...

Page 69 of 85

Dubbo Regional Council

Financial Statements 2019

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

Note 19. Fair Value Measurement (continued)

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

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

	<i>Capital works in progress</i>	<i>Community Land</i>	<i>Land under Roads Revalued</i>	<i>Land improvement non-dep</i>	<i>Land improvement dep</i>
\$ '000					
2018					
Opening balance	26,917	35,810	813	1,801	3,421
Transfers from/(to) another asset class	(11,464)	(149)	8	–	(1,094)
Purchases (GBV)	131	–	150	–	647
Depreciation and impairment	–	–	–	–	(305)
Closing balance	15,587	35,661	1,096	1,801	2,469
2019					
Opening balance	15,587	35,661	1,096	1,801	2,469
Transfers from/(to) another asset class	(3,763)	–	–	–	–
Purchases (GBV)	10,861	–	131	–	243
Disposals (WDV)	–	(7)	(70)	–	(7)
Depreciation and impairment	–	–	–	–	(323)
Closing balance	23,165	35,654	1,201	1,801	2,376
\$ '000					
	<i>Buildings non specialised</i>	<i>Building specialised</i>	<i>Other structures</i>	<i>Roads Revalued</i>	<i>Airports, runways, airways</i>
2018					
Opening balance	15,633	65,492	57,049	686,467	15,939
Transfers from/(to) another asset class	(1,069)	1,062	2,958	4,206	391
Purchases (GBV)	245	4,069	14,063	17,719	8,806
Depreciation and impairment	(429)	(2,202)	(3,434)	(15,196)	(429)
FV gains - other comprehensive income	10,277	23,504	–	–	–
Closing balance	24,807	93,025	71,436	883,216	24,707
2019					
Opening balance	24,807	93,025	71,436	883,216	24,707
Transfers from/(to) another asset class	(958)	960	(640)	1,911	–
Purchases (GBV)	1,692	20,574	6,977	13,304	5,225
Disposals (WDV)	–	(395)	(715)	–	–
Depreciation and impairment	(1,162)	(3,729)	(3,612)	(15,493)	(130)
Closing balance	24,179	110,440	73,416	892,941	29,582
\$ '000					
	<i>Bulk earthworks</i>	<i>Stormwater drainage</i>	<i>Water supply network</i>	<i>Sewerage network</i>	<i>Swimming pools</i>
2018					
Opening balance	307,792	198,891	294,834	260,585	2,887

continued on next page ...

Page 70 of 86

Dubbo Regional Council

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)	(6,804)	(103)
FV gains – other comprehensive income			4,834	5,360	
Closing balance	308,302	195,410	217,188	265,493	3,104
2019					
Opening balance	308,302	195,410	217,188	265,493	3,104
Transfers from/(to) another asset class	417	710	2,531	(1,535)	
Purchases (GBV)	813	8,074	1,352	1,022	3,753
Disposals (WDV)		(168)			(493)
Depreciation and impairment		(1,048)	(5,123)	(6,804)	(103)
FV gains – other comprehensive income	93,316		3,886	4,146	
Closing balance	402,948	293,962	219,834	264,219	6,268

\$ '000	Other open space recreational	Quarry assets	Heritage collections	Other assets	Tip restoration assets
2018					
Opening balance	2,418	1,997	28	1,258	369
Transfers from/(to) another asset class	(2,418)				
Purchases (GBV)					436
Disposals (WDV)					(583)
Depreciation and impairment				(45)	(150)
Closing balance		1,997	28	1,193	68
2019					
Opening balance		1,997	28	1,193	68
Purchases (GBV)				149	251
Depreciation and impairment				(41)	(513)
Closing balance		1,997	28	1,302	4

\$ '000	Quarry restoration assets	Total
2018		
Opening balance		258
Transfers from/(to) another asset class		(441)
Purchases (GBV)		591
Disposals (WDV)		(1,186)
Depreciation and impairment		(13)
FV gains – other comprehensive income		43,925
Closing balance	816	2,187,309

2019

continued on next page ...

Page 71 of 85

Dubbo Regional Council

Financial Statements 2019

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	819	2,187,308
Transfers from/(to) another asset class	-	13
Purchases (GBV)	119	76,308
Disposals (WDV)	-	(1,306)
Depreciation and impairment	(89)	(36,474)
FV gains – other comprehensive income	-	101,348
Closing balance	875	2,326,202

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation techniques	Unobservable inputs
Infrastructure, property, plant and equipment			
Capital works in progress	23,185	Cost approach	Gross replacement cost
Community Land	35,694	NSW Valuer General land valuation	Land value, land area
Land under Roads	1,291	NSW Valuer General land valuation	Land value, land area
Land improvements non depreciable	1,891	Cost approach	Asset condition, remaining lives, residual value
Land improvements depreciable	2,376	Cost approach	Asset condition, remaining lives, residual value
Buildings non specialised	21,179	Cost approach	Gross replacement cost
Building specialised	110,440	Cost approach	Gross replacement cost
Other structures	73,416	Cost approach	Asset condition, remaining lives, residual value
Roads	892,941	Cost approach	Asset condition, remaining lives, residual value
Airports, runways, taxiways	29,582	Cost approach	Asset condition, remaining lives, residual value
Bulk earthworks	402,948	Cost approach	Asset condition, remaining lives, residual value
Stormwater drainage	203,952	Cost approach	Asset condition, remaining lives, residual value
Water supply network	249,834	Cost approach	Asset condition, remaining lives, residual value
Sewerage network	264,219	Cost approach	Asset condition, remaining lives, residual value
Swimming pools	6,260	Cost approach	Asset condition, remaining lives, residual value
Other open space recreational	-	Cost approach	Asset condition, remaining lives, residual value
Quarry assets	1,897	Cost approach	Gross replacement cost
Heritage collections	26	Cost approach	Gross replacement cost
Library books	-	Cost approach	Gross replacement cost
Other assets	1,300	Cost approach	Gross replacement cost
Tip restoration assets	4	Cost estimate of future liability	
Quarry restoration assets	875	Cost estimate of future liability	

(4) Highest and best use

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

Page 72 of 85

Dubbo Regional Council

Financial Statements 2018/19

Notes to the Financial Statements

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	2019	2018
Compensation:		
Short-term benefits	1,903	2,529
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

Page 73 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Dubbo Regional Council

Financial Statements 2018

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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	Cash	Non-cash	Interest earned in year	Expenditure during year	Interest borrowing foregone	Balance restricted assets	Cumulative interest earnings/dividends
Drainage	1,789	585	–	35	(245)	–	1,574	–
Roads	9,105	1,578	–	170	(1,225)	–	9,528	–
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	3,162	–	249	(2,019)	–	13,500	–
S7.12 levies – under a plan	31	33	–	–	(91)	–	33	–
Total S7.11 and S7.12 revenue under plans	13,348	3,195	–	249	(2,110)	–	13,533	–
S7.11 not under plans	274	–	–	–	–	–	274	–
S64 contributions	–	2,215	–	21	(2,236)	–	–	–
Total contributions	13,622	5,410	–	270	(5,085)	–	14,237	–

continued on next page ...

Page 75 of 86

Dubbo Regional Council

Financial Statements 2018/19

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

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018		Contributions received during the year				as at 30/6/2019	
	Opening Balance	Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing reduction	Balance restricted asset	Cumulative internal borrowing due/(payable)
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,789	585	–	35	(845)	–	1,574	–
Roads	9,105	1,578	–	170	(1,223)	–	9,730	–
Parking	95	–	–	1	–	–	96	–
Open space	2,180	711	–	43	(750)	–	2,184	–
Voluntary planning agreements	226	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	5	5	–	–	(5)	–	5	–
Transport and communication	4	5	–	–	(4)	–	5	–
Economic affairs	5	7	–	–	(5)	–	7	–
Total	31	33	–	–	(31)	–	33	–

continued on next page ...

Page 26 of 55

Dubbo Regional Council

Financial Statements 2018

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

k 000	as at 30/6/2018		Contributions received during the year				as at 30/6/2019	
	Opening Balance		Cash	Non-cash	Interest earned in place	Expenditure during year	Interest borrowing in place	Net/are net/are (over/under)
S7.11 Contributions – not under a plan								
<i>(former Wallington)</i>								
Drainage	75	–	–	–	–	–	75	–
Roads	118	–	–	–	–	–	118	–
Open space	35	–	–	–	–	–	35	–
Community facilities	10	–	–	–	–	–	10	–
Emergency services	36	–	–	–	–	–	36	–
Total	274	–	–	–	–	–	274	–

Dubbo Regional Council

(Financial Statements 2019)

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

Note 23. 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	42,850	7,283	12,325
User charges and fees	23,208	18,236	4,880
Interest and investment revenue	4,158	1,193	1,400
Other revenues	1,808	65	63
Grants and contributions provided for operating purposes	18,364	127	119
Grants and contributions provided for capital purposes	42,417	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	133,597	29,381	21,162
Expenses from continuing operations			
Employee benefits and on costs	31,082	5,014	3,998
Borrowing costs	1,985	1,534	916
Materials and contracts	28,642	4,154	2,221
Depreciation and amortisation	29,269	5,560	5,073
Other expenses	12,347	3,012	1,541
Net losses from the disposal of assets	19	(2)	(17)
Total expenses from continuing operations	103,354	18,272	13,732
Operating result from continuing operations	30,243	10,109	7,430
Net operating result for the year	30,243	10,109	7,430
Net operating result attributable to each council fund	30,243	10,109	7,430
Net operating result for the year before grants and contributions provided for capital purposes	(12,174)	7,829	5,148

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

continued on next page ...

Page 78 of 85

Dubbo Regional Council

Financial Statements 2019

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

Note 23. 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	26,892	10,126	10,349
Investments	43,000	23,330	15,900
Receivables	13,864	6,778	2,928
Inventories	2,677	167	—
Other	456	8	—
Total current assets	86,889	40,411	29,277
Non-current assets			
Investments	60,001	17,509	26,500
Receivables	287	—	—
Inventories	4,076	—	—
Infrastructure, property, plant and equipment	1,846,154	267,361	287,857
Investments accounted for using the equity method	1,533	—	—
Other	451	44	—
Total non-current assets	1,912,502	287,914	314,357
TOTAL ASSETS	1,999,391	328,325	343,634
LIABILITIES			
Current liabilities			
Payables	12,208	465	256
Income received in advance	414	—	—
Borrowings	2,649	1,089	2,821
Provisions	11,946	1,212	—
Total current liabilities	28,227	2,766	3,077
Non-current liabilities			
Payables	1	—	—
Borrowings	10,030	23,735	15,493
Provisions	5,282	65	—
Total non-current liabilities	15,313	23,800	15,493
TOTAL LIABILITIES	43,540	26,566	18,570
Net assets	1,955,851	301,759	325,064
EQUITY			
Accumulated surplus	1,826,530	250,339	245,919
Revaluation reserves	129,760	63,411	79,975
Council equity interest	1,949,290	293,750	324,894
Total equity	1,949,290	293,750	324,894

N9 All amounts disclosed above are gross – that is, they include internal 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 s410(3) of the Local Government Act 1993)

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
			Restated		
\$ '000					
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(149)	(0.11)%	14.54%	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	116,948	63.77%	57.00%	62.54%	>60.00%
Total continuing operating revenue ¹	183,388				
3. Unrestricted current ratio					
Current assets less all external restrictions	86,957	4.35x	5.52x	3.63x	>1.50x
Current liabilities less specific purpose liabilities	19,988				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,188	4.70x	6.17x	5.78x	>2.00x
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	3,557	5.48%	4.65%	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	28.13	25.70	18.08	>3.00
Monthly payments from cash flow of operating and financing activities	8,362	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

Page 80 of 85

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(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}	(14.29)%	7.95%	28.36%	31.02%	27.27%	26.26%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ³							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ³	53.76%	46.71%	91.13%	89.07%	88.65%	84.17%	>60.00%
Total continuing operating revenue ³							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.35x	5.52x	14.01x	9.22x	12.42x	14.07x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ⁴	2.69x	4.87x	9.51x	9.39x	11.90x	10.81x	>2.00x
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%	1.83%	5.25%	4.39%	17.53%	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	17.81	19.63	44.60	34.58	71.85	71.02	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 23a above.

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

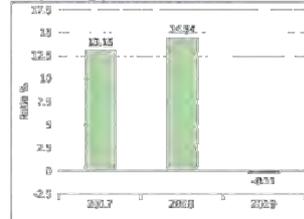
Dubbo Regional Council

Financial Statements 2019

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Benchmark: — > 0.00%

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

Purpose of operating performance ratio

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

Commentary on 2018/19 result:

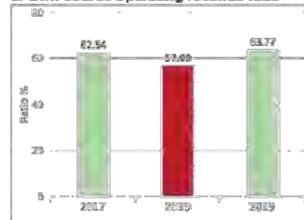
2018/19 ratio: (0.11)%

This ratio has decreased significantly from 2017/18 mainly due to a reduction in revenue from Operational Contributions and Forestry PMS State Roads projects.

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Benchmark: — > 60.00%

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

Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result:

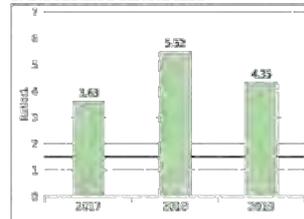
2018/19 ratio: (63.77)%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Benchmark: — > 1.50x

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

Purpose of unrestricted current ratio

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

Ratio achieves benchmark

Ratio is outside benchmark

continued on next page ...

Page 82 of 85

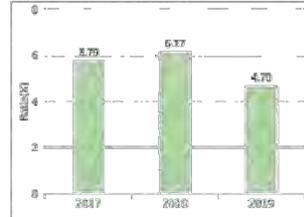
Dubbo Regional Council

Financial Statements 2019

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

Note 24(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: 4.70x

This ratio result is particularly strong indicating that there is 4.70 of cash to cover every \$1.00 of debt. The benchmark for this ratio is 2.00x.

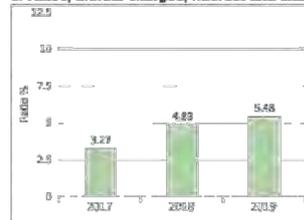
Benchmark: > 2.00x

Ratio achieves benchmark

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

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 2% repayment an extremely strong debt recovery process.

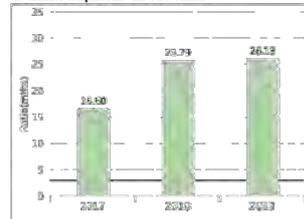
Benchmark: < 10.00%

Ratio achieves benchmark

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

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: 26.53 months

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

Benchmark: > 3.00 months

Ratio achieves benchmark

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

Ratio is outside benchmark

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Council information and contact details

Principal place of business:

Church Street
Dubbo NSW 2830

Contact details

Mailing Address:
PO Box 81
Dubbo NSW 2830

Telephone: 02 6801 4000
Facsimile: 02 6801 4250

Opening hours:
8:00am - 5:00pm
Monday to Friday

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

Officers

Chief Executive Officer
Michael McMahon

Responsible Accounting Officer
Jane Bassingthwaite

Public Officer
Craig Giffin

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

Elected members

Mayor
Ben Shields

Councillors
Annemarie Jones OAM

Jane Ditley

Vicki Ethelidge

David Grant

Dayne Gumley

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

Page 86 of 86

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

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Dubbo City Regional Airport	6
Income Statement – Livestock Markets	7
Income Statement – Property Development	8
Income Statement – Dubbo City Holiday Park	9
Income Statement – Rainbow Cottage	10
Statement of Financial Position – Water Supply Business Activity	11
Statement of Financial Position – Sewerage Business Activity	12
Statement of Financial Position – Dubbo City Regional Airport	13
Statement of Financial Position – Livestock Markets	14
Statement of Financial Position – Property Development	15
Statement of Financial Position – Dubbo City Holiday Park	16
Statement of Financial Position – Rainbow Cottage	17
Note 1 – Significant Accounting Policies	18
Auditor's Report on Special Purpose Financial Statements	22

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 AASB-defined activities, councils must (a) adopt a cost-allocation 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).

Page 2 of 22

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 25 November 2019.

Ben Shields
Mayor
25 November 2019

Stephan Loussac
Deputy Mayor
25 November 2019

Michael McMahon
Chief Executive Officer
25 November 2019

Jane Bessinghwaite
Responsible Accounting Officer
25 November 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	1,183	969
Grants and contributions provided for non-capital purposes	127	121
Other income	63	41
Total income from continuing operations	26,891	24,634
Expenses from continuing operations		
Employee benefits and on costs	5,014	4,878
Borrowing costs	1,534	1,533
Materials and contracts	4,154	4,381
Depreciation, amortisation and impairment	5,560	5,280
Loss on sale of assets	(2)	50
Calculated taxation equivalents	130	131
Other expenses	3,012	2,778
Total expenses from continuing operations	19,402	19,131
Surplus (deficit) from continuing operations before capital amounts	7,489	5,503
Grants and contributions provided for capital purposes	2,460	3,369
Surplus (deficit) from continuing operations after capital amounts	9,949	11,872
Surplus (deficit) from all operations before tax	9,949	11,872
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,962)	(2,338)
SURPLUS (DEFICIT) AFTER TAX	7,987	9,534
Plus accumulated surplus	220,889	208,886
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	130	131
Corporate taxation equivalent	2,062	2,338
Closing accumulated surplus	223,339	220,889
Return on capital %	3.4%	3.9%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	7,987	9,534
Less: capital grants and contributions (excluding developer contributions)	(2,480)	(3,369)
Surplus for dividend calculation purposes	5,437	6,165
Potential dividend calculated from surplus	2,718	3,082

Page 4 of 22

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	199	673
Interest	1,483	1,361
Grants and contributions provided for non-capital purposes	119	121
Other income	69	56
Total income from continuing operations	18,886	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	1,511	1,345
Total expenses from continuing operations	13,972	13,992
Surplus (deficit) from continuing operations before capital amounts	4,914	4,721
Grants and contributions provided for capital purposes	2,282	3,087
Surplus (deficit) from continuing operations after capital amounts	7,196	8,808
Surplus (deficit) from all operations before tax	7,196	8,808
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,350)	(1,298)
SURPLUS (DEFICIT) AFTER TAX	5,846	7,510
Plus accumulated surplus	239,615	230,765
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	240	242
Corporate taxation equivalent	1,350	1,298
Closing accumulated surplus	245,010	232,415
Return on capital %	2.0%	2.0%
Subsidy from Council	-	1,808
Calculation of dividend payable:		
Surplus (deficit) after tax	5,846	7,510
Less: capital grants and contributions (excluding developer contributions)	(2,282)	(3,687)
Surplus for dividend calculation purposes	3,564	3,823
Potential dividend calculated from surplus	1,779	1,911

Page 8 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	3,889	3,952
Grants and contributions provided for non-capital purposes	75	–
Other income	242	136
Total income from continuing operations	3,976	4,088
Expenses from continuing operations		
Employee benefits and on-costs	536	499
Borrowing costs	126	64
Materials and contracts	1,921	1,811
Depreciation, amortisation and impairment	1,017	765
Loss on sale of assets	9	–
Calculated taxation equivalents	103	119
Other expenses	332	600
Total expenses from continuing operations	4,042	3,877
Surplus (deficit) from continuing operations before capital amounts	(66)	211
Grants and contributions provided for capital purposes	21,314	16,193
Surplus (deficit) from continuing operations after capital amounts	21,248	16,404
Surplus (deficit) from all operations before tax	21,248	16,404
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(58)
SURPLUS (DEFICIT) AFTER TAX	21,248	16,346
Plus accumulated surplus	37,806	27,283
Plus adjustments for amounts unpaid:		
Taxation equivalent payments	108	119
– Corporate taxation equivalent	–	58
Closing accumulated surplus	58,157	37,806
Return on capital %	0.1%	8.7%
Subsidy from Council	587	833

Page 6 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	3,342	4,058
Other income	39	28
Total income from continuing operations	<u>3,381</u>	<u>4,128</u>
Expenses from continuing operations		
Employee benefits and on costs	671	558
Materials and contracts	1,206	1,228
Depreciation, amortisation and impairment	1,347	1,295
Loss on sale of assets	202	-
Calculated taxation equivalents	12	12
Other expenses	219	210
Total expenses from continuing operations	<u>3,657</u>	<u>3,303</u>
Surplus (deficit) from continuing operations before capital amounts	(276)	822
Grants and contributions provided for capital purposes	176	320
Surplus (deficit) from continuing operations after capital amounts	<u>(100)</u>	<u>1,151</u>
Surplus (deficit) from all operations before tax	(100)	1,151
Less: corporate taxation equivalent (27.5%) [based on result before capital]	-	(235)
SURPLUS (DEFICIT) AFTER TAX	<u>(100)</u>	<u>925</u>
Plus accumulated surplus	28,213	25,950
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	12	12
- Corporate taxation equivalent	-	226
Closing accumulated surplus	<u>28,125</u>	<u>26,213</u>
Return on capital %	(1.4)%	4.0%
Subsidy from Council	555	-

Page 7 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019 Category: f	2018 Category: f
Income from continuing operations		
Interest	168	123
Profit from the sale of assets	1,959	3,359
Other income	21	42
Total income from continuing operations	2,108	3,494
Expenses from continuing operations		
Employee benefits and on-costs	220	159
Materials and contracts	208	193
Calculated taxation equivalents	212	209
Other expenses	1	1
Total expenses from continuing operations	649	562
Surplus (deficit) from continuing operations before capital amounts	1,459	2,932
Surplus (deficit) from continuing operations after capital amounts	1,639	2,932
Surplus (deficit) from all operations before tax	1,530	2,932
Loss - corporate taxation equivalent (27.5%) (based on result before capital)	(403)	(800)
SURPLUS (DEFICIT) AFTER TAX	1,116	2,126
Plus accumulated surplus	12,340	9,199
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	212	209
- Corporate taxation equivalent	423	806
Closing accumulated surplus	14,091	12,340
Return on capital %	692.1%	9.9%

Page 8 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	1,769	1,909
Total income from continuing operations	<u>1,769</u>	<u>1,909</u>
Expenses from continuing operations		
Employee benefits and on-costs	47	28
Borrowing costs	9	13
Materials and contracts	1,004	1,105
Depreciation, amortisation and impairment	277	172
Calculated taxation equivalents	64	63
Other expenses	186	186
Total expenses from continuing operations	<u>1,667</u>	<u>1,567</u>
Surplus (deficit) from continuing operations before capital amounts	<u>102</u>	<u>342</u>
Surplus (deficit) from continuing operations after capital amounts	<u>102</u>	<u>342</u>
Surplus (deficit) from all operations before tax	<u>102</u>	<u>342</u>
Loss - corporate taxation equivalent (27.5%) (based on result before capital)	(28)	(94)
SURPLUS (DEFICIT) AFTER TAX	<u>74</u>	<u>248</u>
Plus accumulated surplus	5,848	5,443
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	64	63
- Corporate taxation equivalent	28	84
Closing accumulated surplus	<u>6,014</u>	<u>5,848</u>
Return on capital %	1.9%	5.7%

Page 9 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Rainbow Cottage

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
Income from continuing operations		
User charges	530	540
Grants and contributions provided for non-capital purposes	657	527
Total income from continuing operations	1,187	1,067
Expenses from continuing operations		
Employee benefits and on costs	1,074	939
Materials and contracts	326	347
Depreciation, amortisation and impairment	8	33
Loss on sale of assets	1	-
Calculated taxation equivalents	7	7
Other expenses	28	26
Total expenses from continuing operations	1,508	1,352
Surplus (deficit) from continuing operations before capital amounts	(321)	(285)
Surplus (deficit) from continuing operations after capital amounts	(321)	(285)
Surplus (deficit) from all operations before tax	(321)	(285)
SURPLUS (DEFICIT) AFTER TAX	(320)	(285)
Plus accumulated surplus	452	530
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	7	7
Closing accumulated surplus	130	452
Return on capital %	(24.2)%	(13.2)%
Subsidy from Council	347	222

Page 10 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity
as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,128	(115)
Investments	29,330	19,500
Receivables	6,778	7,076
Inventories	167	168
Other	8	38
Total current assets	46,411	26,877
Non-current assets		
Investments	17,500	20,163
Infrastructure, property, plant and equipment	262,304	260,989
Other	44	44
Total non-current assets	279,848	281,196
TOTAL ASSETS	326,259	308,073
LIABILITIES		
Current liabilities		
Payables	465	544
Borrowings	1,099	1,095
Provisions	1,212	1,180
Total current liabilities	2,776	2,819
Non-current liabilities		
Borrowings	23,735	24,865
Provisions	65	50
Total non-current liabilities	23,800	24,915
TOTAL LIABILITIES	26,576	27,734
NET ASSETS	299,683	280,339
EQUITY		
Accumulated surplus	230,330	226,889
Revaluation reserves	63,411	56,166
TOTAL EQUITY	293,741	283,055

Page 11 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Sewerage Business Activity
as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,349	(623)
Investments	15,000	28,858
Receivables	2,828	2,408
Other	–	12
Total current assets	28,277	30,516
Non-current assets		
Investments	26,500	20,000
Infrastructure, property, plant and equipment	267,857	283,489
Total non-current assets	314,157	303,489
TOTAL ASSETS	342,434	334,015
LIABILITIES		
Current liabilities		
Payables	256	231
Borrowings	2,021	1,938
Total current liabilities	2,277	2,169
Non-current liabilities		
Borrowings	15,463	17,490
Total non-current liabilities	15,463	17,490
TOTAL LIABILITIES	17,740	19,659
NET ASSETS	324,694	314,356
EQUITY		
Accumulated surplus	245,619	238,415
Revaluation reserves	79,075	74,941
TOTAL EQUITY	324,694	314,356

Page 12 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Dubbo City Regional Airport
as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Investments	17,887	2,819
Receivables	115	87
Total current assets	18,013	2,907
Non-current assets		
Infrastructure, property, plant and equipment	49,000	41,638
Total non-current assets	49,000	41,638
TOTAL ASSETS	67,013	44,545
LIABILITIES		
Current liabilities		
Payables	132	231
Borrowings	796	787
Provisions	180	197
Total current liabilities	1,108	1,215
Non-current liabilities		
Borrowings	2,602	2,226
Provisions	6	6
Total non-current liabilities	2,608	2,232
TOTAL LIABILITIES	3,716	3,447
NET ASSETS	63,217	41,098
EQUITY		
Accumulated surplus	58,157	37,866
Revaluation reserves	4,060	3,232
TOTAL EQUITY	63,217	41,098

Page 13 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Livestock Markets
as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Investments	6,700	5,551
Receivables	388	337
Total current assets	7,088	5,888
Non-current assets		
Infrastructure, property, plant and equipment	19,598	20,816
Total non-current assets	19,598	20,816
TOTAL ASSETS	26,686	26,704
LIABILITIES		
Current liabilities		
Payables	143	88
Provisions	206	188
Total current liabilities	349	276
Non-current liabilities		
Provisions	30	18
Total non-current liabilities	30	18
TOTAL LIABILITIES	379	294
NET ASSETS	26,307	26,410
EQUITY		
Accumulated surplus	26,125	26,213
Revaluation reserves	182	—
TOTAL EQUITY	26,307	26,213

Page 14 of 22

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Property Development
as at 30 June 2019

<u>\$ '000</u>	<u>2019</u> <u>Category 1</u>	<u>2018</u> <u>Category 1</u>
ASSETS		
Current assets		
Investments	8,255	9,393
Receivables	15	
Inventories	1,531	773
Total current assets	<u>9,799</u>	<u>10,166</u>
Non-current assets		
Inventories	4,000	2,180
Infrastructure, property, plant and equipment	219	–
Total non-current assets	<u>4,285</u>	<u>2,180</u>
TOTAL ASSETS	<u>14,084</u>	<u>12,346</u>
LIABILITIES		
Current liabilities		
Payables	3	6
Total current liabilities	<u>3</u>	<u>6</u>
TOTAL LIABILITIES	<u>3</u>	<u>6</u>
NET ASSETS	<u>14,081</u>	<u>12,340</u>
EQUITY		
Accumulated surplus	14,081	12,340
TOTAL EQUITY	<u>14,081</u>	<u>12,340</u>

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Dubbo City Holiday Park
as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
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	5,987	6,174
Total non-current assets	<u>5,987</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	5,948
Revaluation reserves	1,538	1,396
TOTAL EQUITY	<u>7,552</u>	<u>7,344</u>

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Rainbow Cottage
as at 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
ASSETS		
Current assets		
Investments	—	37
Receivables	13	13
Total current assets	<u>13</u>	<u>50</u>
Non-current assets		
Infrastructure, property, plant and equipment	1,357	1,408
Total non-current assets	<u>1,357</u>	<u>1,408</u>
TOTAL ASSETS	<u>1,370</u>	<u>1,458</u>
LIABILITIES		
Current liabilities		
Payables	34	32
Provisions	240	214
Total current liabilities	<u>274</u>	<u>246</u>
Non-current liabilities		
Provisions	21	17
Borrowings	204	—
Total non-current liabilities	<u>225</u>	<u>17</u>
TOTAL LIABILITIES	<u>499</u>	<u>263</u>
NET ASSETS	<u>871</u>	<u>1,193</u>
EQUITY		
Accumulated surplus	138	452
Revaluation reserves	741	741
TOTAL EQUITY	<u>871</u>	<u>1,193</u>

Page 17 of 22

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 2005, 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.

The Statement of Financial Position includes non-current assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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 taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the city of Dubbo, the town of Wellington and the villages of Wongarbon, Ballmore, Brocklehurst, Geuria, Mumbil and North Yacvel.

b. Sewerage Service

Comprising the whole of the sewerage collection and treatment operations and net assets system servicing the city of Dubbo, the town of Wellington and the villages of Wongarbon, Brocklehurst, Geuria and Mumbil.

c. Dubbo City Regional Airport

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

d. Dubbo Regional Livestock Markets

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

e. Property Development

continued on next page ...

Page 18 of 22

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)

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

NE. 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 not assets located on Wylandra 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.

(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 \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,000 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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 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 ...

Page 19 of 22

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 notional charges in the SPFS.

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.

(i) 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.

(ii) 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 ...

Page 20 of 22

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 fair 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
18 NOVEMBER 2019

AUD19/28



REPORT: Annual Report of the Audit and Risk Management Committee for the year ended December 2018

AUTHOR: Internal Auditor
REPORT DATE: 9 October 2019
TRIM REFERENCE: ID19/1407

EXECUTIVE SUMMARY

The Audit and Risk Management Committee (ARMC) Chair's annual report for the year ended December 2018 highlights the Committee's activities and achievements. During the period under review, the ARMC considered various internal audit reports and management reports and management presentations aimed at highlighting the status of Council's risk management strategies. The Committee also received progress reports on implementation of process improvement plans established consequently to various reviews of internal control systems. The Council's external auditors also presented their work plans and results of their audit of Council's financial statements to the Committee; and responded to the ARMC enquiries about the external audit process

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 Annual Report of the Audit and Risk Management Committee for the year ended December 2018 be noted.

Peter Browne
Internal Auditor

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/28

BACKGROUND

The ARMC is a Committee of Council which is made up of 3 voting members, being 2 external and independent consultants, and 1 Councillor. In addition to the voting members, the Committee includes non-voting members of the Mayor, the Chief Executive Officer and some Council staff. The Committee meets at least every quarter and the Committee charter allows for a fifth meeting if required.

REPORT

The Audit and Risk management Committee Chair's ARMC Annual Report for the year ended December 2018 is attached as **Appendix 1**.

Appendices:

1↓ ARMC Annual Report 2018

1. Introduction

Utilising an audit committee is a common strategy in both public sector and private sector organisations for providing assurance to the governing body that it is getting accurate information about how the organisation is operating. These committees have various names and frequently include responsibilities in addition to pure audit. At Dubbo Regional Council the committee is named the Audit and Risk Management Committee. At many Councils it is named the Audit Risk and Improvement Committee.

In October 2008, the Department of Local Government issued guidelines for Internal Audit. The covering circular (08-64) includes the following statement:

The combination of an effective audit committee and internal audit function provide a formal means by which councillors can obtain assurance that risk management and internal controls are working effectively

In April 2009 the Bathurst Orange Dubbo (BOD) Alliance employed Mr Shephard Shambira (CPA) to provide Internal Audit services on a shared basis. This shared services model allowed for lessons learned and knowledge gained across the three councils to inform approaches to risk at each council. It also meant that Council effectively had a third of a person as its audit resource. In 2016 the former Dubbo City Council and Wellington Council were merged and the new entity eventually named Dubbo Regional Council. The requirements of the new Council increased the demand on the internal audit function.

Council took the decision to employ a full time Internal Auditor and this was achieved in early 2019. During 2018 the BOD Alliance arrangements for Internal Audit remained.

2. What does the Audit and Risk Management Committee do?

The responsibilities and duties of the Audit and Risk Management Committee are as determined by Council. The Council must however consider the recommendations of the Office of Local Government (OLG) as detailed in the "Internal Audit Guidelines" (September 2010) when determining the responsibilities and duties of the Committee.

The Audit and Risk Management Committee is an independent advisory Committee assisting the Council to fulfil its governance and oversight responsibilities. The primary duties and responsibilities of the ARMC are to assist the Council to discharge its responsibilities relating to:

- 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.

In 2016 amendments to the Local Government Act were made with the obvious intention of making audit committees compulsory and allowing the State Government to prescribe the duties in detail rather than just making suggestions to Council. The changes will not take effect until after the next Local Government elections and after the detailed requirements are published. It is now expected that the Office of Local Government will publish new requirements in 2019.

3. Membership and meetings

The Council makes all appointments to the ARMC. In making those appointments consideration must be given to the recommendations of the OLG contained in the "Internal Audit Guidelines". The OLG recommends the majority of voting members of the Committee should be independent of Council (not Councillors or staff and not having major business arrangement with Council), and at least one member should have financial qualifications and experience.

In September 2018 the term of the non-Councillor voting members expired. The positions were advertised and following consideration of applications received, Council re-appointed John Walkom as Chairman of the Committee and appointed Ron Gillard as a new member.

The ARMC consists of voting and non-voting members. The tables below shows the list of members and schedule of meetings held during the period and the number of meetings attended. The Committee acknowledges the contribution of Mr Andrew Fletcher and the staff who contributed to the Committee during this period. Non-voting members of the Committee included the Chief Executive Officer, Director Corporate Services, Director Corporate Development, and the Internal Auditor. Other staff members such as the Manager Governance and Risk Services and The Manager Financial Operations were invited to attend meetings by the General Manager. Representatives of the NSW Audit Office also attend meetings on invitation from the Committee. (While most Local Government audits are subcontracted out by the Audit Office, at Dubbo Regional Council the Audit Office is both the controlling agency and the agency on site.)

3.1. Management Meetings

During the period under review, the Chair met with the Chief Executive Officer to discuss the operations of the ARMC Committee.

3.2. ARMC Meeting Attendance

The table below titled Table 1 ARMC Meeting Attendance shows the attendance of voting and non-voting members at each scheduled meeting by Council for the period.

Meetings were held on 13 March 2018, 15 June 2018 and on 5 September 2018 and 14 December 2018. All meetings were chaired by Mr J Walkom.

Meeting Attendance	No. of meetings
Mayor Shields	4
Clr A Jones	3
J Walkom	4
A Fletcher (member for 3)	3
R Gillard (member for 1)	1
K Parker	1
Others	
Chief Executive Officer	2
Internal Auditor	4
Executive Manager Governance and Internal Control	4
Director Corporate Services	3
Chief Financial Officer	4
Statutory Reporting Accountant	4
Audit Office Representative (Marco Monaco)	3

4.0 ARMC Charter

The ARMC Charter was adopted by the Council at the Council meeting held on 22 June 2009. The Charter is reviewed annually and where necessary changes are recommended to Council for a resolution. During 2018 minor changes were made to the Charter to detail the responsibilities of the chairperson, add the requirement that at least one member shall have accounting or financial management experience, update titles of positions and various administrative matters.

5.0 Internal audit

5.1 Internal Audit appointment

Mr Shephard Shambira (CPA) was appointed to the position of Internal Auditor for the BOD Alliance on 20 April 2009 This arrangement continued during 2018. (Peter Browne BEc PMIIA CPA was appointed in March 2019.)

5.2 Internal Audit Performance

Clause 7.3 of the Internal Audit Activity Charter requires the Committee to review the effectiveness of the Internal Audit function and objectives, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Best practice is for an external review of the Internal Audit Unit at least once every five years. During 2018 O'Conner Marsden and Associates were engaged to audit the auditor.

The review was conducted to compare our Internal Audit practices and performance to recommended better practice from the Institute of Internal Auditors. Council believes the

review highlighted some weaknesses and was beneficial in general. There are some areas where we believe better practice for a Regional Council is different to better practice for a large private company and hence we did not agree with all the recommendations. The majority of the remaining suggestions were quite minor but the review highlighted one significant item. The Internal Audit function was under-resourced. This was not an unexpected conclusion and served to confirm that the intended restructure was required.

5.3 Internal Audit Assignments

The table below shows the various assignments carried out by internal audit during the period under review.

- Creditors
- Accounts Payable Process
- Cash handling at Wellington Caves

Other Reports

- Improvements to procurement after considering the matters in the ICAC operation Jarek
- Related Party Disclosures
- ICAC operation Ricco - Corruption in Financial Management at Botany Bay
- Workplace Health and Safety

5.4 Internal Audit Plan

The ARMC is responsible to approve the Internal Audit Plan and amendments. A number of changes were made to the originally approved internal audit programme in order to take into account changes in the business environment. The ARMC approved the scope of work covered by the internal audit function during the period. The internal audit plan was aligned with the enterprise wide risk management corporate risk register. This alignment enhances the contribution of the internal audit function to the Council's risk management framework.

5.5 Limitations on Internal Auditor

The committee is not aware of any restrictions placed on the work of the internal auditor.

5.6 Management responses

The committee's review of all audit reports including unplanned or special reports shows that management responses to audit findings and recommendations are responsible and timely. All issues arising have been resolved to the satisfaction of the ARMC.

6.0 External audit

1. The appointment of the council's external auditor was not due for renewal during the period under review.

2. BOD Alliance ARMC's have not assessed the performance of the External Auditor for the year but have reviewed the audit plan and have maintained contact with the Audit Partners.
3. The ARMC reviewed information provided by the NSW Audit Office related to weaknesses observed in other organisations and considered if Dubbo Regional Council was at risk of having similar weaknesses.
4. The Committee has no concerns with the External Auditor's audit report on Council Financial Statements for the 2017/18 financial year. The Committee discussed the audit work with the Council External Audit Partner from the Audit Office NSW and there are no outstanding issues.

7.0 Risk Management

The ARMC has reviewed Council's risk management strategy, and continues to monitor progress on the implementation of an enterprise wide risk management (ERM) plan. The Committee received a report on the Council's amalgamation risk management framework during the period under review.

8.0 Conclusion

The ARMC has overseen an internal audit and external audit program for the year under review in which the scope and approach to work undertaken has been appropriate and consistent with the current understanding of Council's enterprise wide risk framework.

The ARMC confirms that based on the information provided to the ARMC from management, internal audit and external audit, it is satisfied with the progress of Council's arrangements for governance, risk management, internal control and regulatory compliance.

The areas of responsibility of the ARMC set out in clause 7 of the Audit and Risk management Committee Charter are managed in conjunction with the internal audit and external audit plans executed during the year.

In that regard, following a recommendation from the ARMC, BOD Alliance member Councils explored the implementation of an internal audit software platform which will provide the capability of more extensive interrogation of transactions to verify the application of risk management controls and policies as mitigation factors in managing the residual risks recorded in the enterprise wide risk management register.

The impact of this additional resource on the structure of the internal audit plan and allocation of resources will continue to be monitored by the ARMC in 2019.

J Walkom
Chairman

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/29



REPORT: Audit and Risk Management Committee Action List

AUTHOR: Internal Auditor
REPORT DATE: 12 September 2019
TRIM REFERENCE: ID19/1344

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 12 September 2019 be noted

Peter Browne
Internal Auditor

BACKGROUND

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 four 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.
- Where an item is considered confidential, it will be appear a separate confidential report to the meeting

Recurring and/or requested items Checklist

Items	Comment
<ul style="list-style-type: none"> • Committee Meeting Calendar • Training for Committee members • Annual pecuniary interests return • Updates on requirements for an Audit Risk and Improvement Committee – State Government requirements to be announced – will take affect from March 2021. • 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. 	<p>2020 dates suggested below</p> <p>Separate report elsewhere in this Business Paper</p> <p>CFO advises no events outside of policy occurred</p>

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/29

Audit and Risk Management Committee timetable

It is proposed that the following dates might be suitable for Committee meetings:

Friday 13 March 2020

Friday 12 June 2020

Monday 17 August 2020

Friday 16 Oct 2020

Confidential Items

A confidential report relating to correspondence between Council and the NSW Audit Office which contains information on the security of Council's assets and systems was supplied to the 2 September 2019 Audit and Risk Management Committee meeting. An update on progress on those action items is provided elsewhere in this Business Paper.

Appendices:

1. Action Items listing

APPENDIX NO: 1 – ACTION ITEMS LISTING

ITEM NO: AUD19/29

Issue or Recommendation	Original Response	Time frame	Current Status
<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>	<p>Dec 2019</p>	<p>s94A - Former Wellington Council – 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> <hr/> <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
18 NOVEMBER 2019

AUD19/30



REPORT: Three Year Audit Program

AUTHOR: Internal Auditor
REPORT DATE: 6 September 2019
TRIM REFERENCE: ID19/1293

EXECUTIVE SUMMARY

A report was provided to the Audit and Risk Management Committee meeting of 2 September 2019 outlining the processes undertaken to create a draft audit program for the committee's consideration. That process included consideration of the risk register, review of prior audit activity, and consultations with senior management. Following the formal meeting there was a workshop to discuss possible changes to the draft.

The outcomes of the Audit and Risk Management Committee Workshop of 2 September 2019 are tabled along with proposed timing for the audits. The timetable has been developed in consultation with management.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

The report in the report of the Internal Auditor dated 6 September 2019 be noted.

Peter Browne
Internal Auditor

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/30

REPORT

This report tables the proposed audit program as determined at the 2 September 2019 Audit and Risk Management Committee workshop together with a the initial suggested timeframe. The Committee is invited to consider if any modification would be beneficial.

Topic	Primary Director / Executive Manager	Primary Manager	Propose timeframe
Creditors / Accounts Payable	Organisational Performance	Chief Financial Officer	2019/2020 Q2
Fraud and Corruption risks	EM Governance and Internal Control	EM Governance and Internal Control	2019/2020 Q3
Social Media		Corporate Image and Communications	2019/2020 Q3
Water availability (including Disaster recovery and Business Continuity)	Infrastructure	Water Supply and Sewerage	2019/2020 Q4
Legislative compliance	EM Governance and Internal Control	EM Governance and Internal Control	2020/2021 Q1
Payroll	EM People Culture and Safety	EM People Culture and Safety	2020/2021 Q1
Accounts Receivable	Organisational Performance	Chief Financial Officer	2020/2021 Q2
IT Governance	Organisational Performance	Chief Information Officer	2020/2021 Q2
Contractor Management	EM People Culture and Safety	EM People Culture and Safety	2020/2021 Q3
Credit Cards	Organisational Performance	Chief Financial Officer	2020/2021 Q3
Cyber Security	Organisational Performance	Chief Information Officer	2020/2021 Q4

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/30

Workplace Health and Safety	EM People Culture and Safety	EM People Culture and Safety	2021/2022 Q1
Ordering / Procurement - general	Organisational Performance	Procurement	2021/2022 Q1
Risk Management framework	EM People Culture and Safety	EM People Culture and Safety	2021/2022 Q2
Treasury	Organisational Performance	Chief Financial Officer	2021/2022 Q2
Airport	Culture and Economy	Airport Operations Coordinator	2021/2022 Q3
Developer Contributions	Development and Environment	Growth Planning	2021/2022 Q3
Heavy Vehicle Chain of Responsibility	EM People Culture and Safety	Safety and Risk Management Team Leader	2021/2022 Q4
Project Management framework	Infrastructure	Building Infrastructure Leadership Team	2022/2023 Q1
Private Works	Infrastructure	Infrastructure Delivery	2022/2023 Q1
Rates and Charges	Organisational Performance	Chief Financial Officer	2022/2023 Q2

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31



REPORT: Discussion Paper on Risk and Audit released by Office of Local Government

AUTHOR: Internal Auditor
REPORT DATE: 19 September 2019
TRIM REFERENCE: ID19/1361

EXECUTIVE SUMMARY

The Office of Local Government released its discussion paper “A New Risk Management and Internal Audit Framework for Local Councils in NSW” on 10 September 2019 and is inviting feedback until 31 December 2019.

It is proposed that a submission be made supporting the general concepts being put forward but suggesting the fine detail could be improved upon with regard to:

- Clarifying how the system works on those odd occasions when the parties do not agree, and clarify who is ultimately responsible. A few responsibilities seem to be with the wrong party.
- While the need for the Audit Committee to be majority independent is recognised, the expectation that every Council can achieve 100% independent membership and simultaneously obtain all the skill sets required is unrealistic.
- The cost of the proposed mechanisms is unnecessarily high.
- An Audit Committee should be free to examine the highest risk issues facing Council and to determine for itself what is high risk. Distinction needs to be made between what the committee can look at, what it should look at, and what it must look at. The paper is not completely clear as to what is in which category but appears to be putting too much in the “must” category.
- The path by which the existing Audit and Risk Management Committee is transformed into or replaced by a new Audit Risk and Improvement Committee does not appear to have been thought through. Longer timeframes may be required.
- The timeframes appear to be based on the amount of time a well resourced city Council would require. The needs of rural areas and the impact of many Councils competing with each other for the same experts does not appear to be adequately considered. Longer timeframes will be required.
- The concepts as proposed could be used by the Office of Local Government to systematically interfere with the routine management of Councils. The State Government should provide assurances and safeguards so that this potential unintended consequence does not occur.

The input of the Audit and Risk Management Committee would assist Council in determining the details of the Discussion Paper.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

FINANCIAL IMPLICATIONS

There are no financial implications arising from the actions proposed in this report. The financial implications of having to comply with new State Government requirements have not been estimated at this time.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That Council formulate a submission to the Office of Local Government based on the advice in this paper and on advice provided by the Audit and Risk Management Committee.

Peter Browne
Internal Auditor

BACKGROUND

The appendix to the Discussion Paper provides the State Government's view of the history of the regulation of Audit Committees. The introduction provides information on what other jurisdictions are doing in this area. The paper notes that Office of Local Government has been attempting to raise the standard in the areas of Risk and Audit for many years, that there is a wide assembly of experts saying improvement is needed, state government departments have made significant progress in managing their Audit and Risk functions, and that the average outcome of Councils across the state has not yet risen to the required standard.

The predecessors to Dubbo Regional Council had arrangements that in hindsight were not adequately resourced. Since the amalgamation significant work has occurred in this area and our new processes still require a little time to be fully incorporated into routine processes. At the conceptual level this paper mostly proposes to make compulsory the things we have already done. However without seeing the fine detail it is difficult to say how it will work out in practice.

REPORT

The decision that Councils shall have an Audit Risk and Improvement Committee was placed in legislation in 2016 but that legislation does not come into force until six months after the next Local Government elections (March 2021). The paper advises what the State Government is intending in regard to Audit Committees. At 92 pages (plus references in appendices) there is reasonable detail but it is still a discussion paper. Some slight differences in the detail could make major differences on the final impact on Councils. Given the timeframes, it does not seem plausible that any further consultation could occur.

The paper deals with 3 issues –

- An Audit Committee (which it calls an Audit Risk and Improvement Committee and which Dubbo Regional Council currently calls an Audit and Risk Management Committee - these terms and their acronyms AC, ARIC and ARMC are mostly interchangeable but in this report ARIC refers to the specific proposal being advanced by the State Government)
- The Internal Audit function within Council
- The Risk Management function within Council

The Office of Local Government is seeking feedback on the following questions:

1. Will the proposed internal audit framework achieve the outcomes sought?
2. What challenges do you see for your council when implementing the proposed framework?
3. Does the proposed framework include all important elements of an effective internal audit and risk framework?
4. Is there anything you don't like about the proposed framework?
5. Can you suggest any improvements to the proposed framework?

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

PROPOSED REQUIREMENTS

The new sections of the Local Government Act provide:

428A Audit, Risk and Improvement Committee

- (1) A council must appoint an Audit, Risk and Improvement Committee.
- (2) The Committee must keep under review the following aspects of the council's operations:
 - (a) compliance,
 - (b) risk management,
 - (c) fraud control,
 - (d) financial management,
 - (e) governance,
 - (f) implementation of the strategic plan, delivery program and strategies,
 - (g) service reviews,
 - (h) collection of performance measurement data by the council,
 - (i) any other matters prescribed by the regulations.
- (3) The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.

428B Joint internal audit arrangements

A council may enter into an arrangement with another council, or a body prescribed by the regulations for the purposes of this section, to jointly appoint an Audit, Risk and Improvement Committee to exercise functions for more than one council or body.

The Discussion Paper proposes to prescribe how and by when these requirements are met.

The initial setup phase envisages the following timeframe:

- Establish Audit Risk and Improvement Committee by March 2021
- Develop a Risk Management Framework and employ key risk management staff by December 2022
- Audit and Risk functions fully operational by 2024

Following that initial phase the Audit Risk and Improvement Committee is to routinely cover all of its responsibilities by 2026. This report looks at whether there are any errors or gaps in the Office of Local Government's prescription of how this new system is to operate.

UNDERLING CONCEPTS AND PHILOSOPHICAL DIFFERENCES

To appreciate the strengths and weaknesses of what the Office of Local Government is proposing it may be beneficial to consider the management theory underlying the proposals and where that theory tends to have problems when it faces the real world. The Local Government Act prescribes the management practices for Councils. The Office of Local Government is trying to modernise those practices without actually changing the prescription within the Act. It has done a superb job of blending two different approaches but the outcome remains a compromise. To achieve this blending they are treating the collection of ideas in the paper as if they are multiple independent proposals rather than a web of inter-supporting structures.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

The fundamental thing being prescribed is a move from the underlying governance philosophy that underpins the Local Government Act, to the philosophy that underpins current best practice thinking on governance. The thinking behind Local Government Act starts with dividing activity into: deciding what to do and then implementing that decision. The question then turns to who does that activity and how. In regard to who, it essentially comes up with one of three answers: either the General Manager controls that matter or the elected Council controls it or the State Government controls it.

Today management theory will have more stages than simply plan and do. In particular, checking that the “do” actually worked is separated out on the basis that if you consider doing and checking to be the same activity, it creates conflicts of interest. Better Practice thinking on governance at present can be characterised as a lines of defence approach. On page 8 of the discussion paper the OLG has a drawing of a rugby field with three internal lines of defence symbolically positioned on the field and State Government agencies standing on the try-line as a fourth line of defence. When following this mode of thinking, nobody routinely controls the overall defence. Instead each line is independently controlled so that a problem in one line of defence should be contained and prevented from spreading to the other lines. Thinking has moved from a focus on efficiency and technical legal prescription to instead focus on collaboration and risk management.

The Local Government Act makes Risk Management and Internal Audit components of implementing policy and therefore within the jurisdiction of the General Manager. Modern Management theory would place it primarily with the board, and create an Audit Committee to assist the board. This Discussion Paper proposes to set up that committee to assist the elected Council while not actually making Audit and Risk a matter for the elected Council.

In addition to the Discussion Paper trying to reconcile different visions of the organisational structure, it also:

- Has a different view of timeframes to the better practice documents it is using. The Discussion Paper has an annual reporting cycle in mind. It interprets “keep under review” as dealing at least annually with each item listed (a) to (j) in s428A (2) as shown above. It also expects annual reporting on those actions. The better practice documents that the Office of Local Government paper is based on repeatedly use multi-year cycles.
- At times fails to appreciate that forming an independent view or providing independent assurance means checking that relevant in-house experts have not overlooked anything. Where the Audit Risk and Improvement Committee is tasked with providing independent advice it is inappropriate to deal with that task by getting the person who normally deals with the issue to write a report on it.

1. Will the proposed internal audit framework achieve the outcomes sought?

The Office of Local Government asks this question without specifying what the desired outcomes are. Presumably this means that they are seeking feedback on what the outcomes should be as well as whether those outcomes are achieved.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

- 1.1. If the objective is to provide a modern management structure that complies with the recommendations of the Institute of Internal Auditors and the principles of Risk Management standard AS ISO31000, then the opinion of Council's officers is that it makes substantial progress. However the paper simply assumes that the points where best practice documents take a different approach to that of the Local Government Act, then the issue is not significant and the Act has a better approach. If the objective is to provide guidance on what to do when the various approaches conflict, then that is not fully dealt with.
- 1.2. If the objective is to achieve the outcomes recommended by the Independent Commission Against Corruption then it is worth noting that the ICAC has on multiple occasions recommended reducing power of particular offices (i.e. removing things) and the Office of Local Government has responded by creating new responsibilities and processes (i.e. adding things).
- 1.3. If the objective is to promote better local governance then there are aspects of the proposal which go beyond ensuring prudent processes and start prescribing the Office of Local Government's view. Proper regard must be given to the fact that the governing body of a Local Government Council is neither a professional bureaucrat (like a State Government Departmental Secretary) nor a private board. It is rather a democratically elected level of government and straight copying from other types of arrangement is not always appropriate. To get the system exactly right would require reasoning each provision out from first principles. It appears that Council will have a large say in who is appointed to the ARIC but this is not completely clear. It appears that the Council will have very little say in what the ARIC does or how it does it.

The preregistration system would mean that all members of the ARIC are required to have the skills that the State Government considers necessary. There is no capacity for Councils to determine that some other skill or knowledge is more important. The proposal requiring all members would come from the preregistration list is unnecessary to achieve the stated objective of having majority of members being independent and deprives the Council the capacity to determine its own specific needs. Likewise the ban on any member having recent involvement in Local Government will add to the difficulty in recruiting the desired skill base while the benefit of extending the criteria this far is speculative.

- 1.4. It is not clear whether the objective is to provide assistance to Councils in creating the most effective way for everyone to work together or whether the objective is to create regulations so that the process continues to function correctly if relationships start to break down or perhaps the objective is just to get every Council functioning the same way. Council's officers are of the view that there is value in ensuring the ARIC has authority to set its own agenda but more cost than benefit in having the Office of Local Government mandate the agenda.

The usual big picture for an audit function is that you get highly skilled people to look at what is happening and consider if anything has been overlooked by line management. Detailed prescription is rather like asking for a detailed report on what all the unknown

problems are. It is sensible to ensure someone is checking to see nothing has been missed but there is a limit to how far the process can be prescribed.

A document which is a set of recommendations needs a lot less precision than one which contains fixed rules. Fixed rules need to contemplate every potential set of facts while recommendations only need to deal with the usual set of circumstances. When the recipients are free to not accept the advice, they are free to find appropriate solutions for unusual circumstances. When the Local Government Review Panel recommended the government “Revise the current [Internal Audit] guidelines under the Act and make them mandatory” (October 2013), they likely expected the revision would include consideration of the full range of issues and how different principles interact.

- 1.5. The proposal is that the State Government will decide who is qualified or not qualified to be an ARIC member. It is recommended that Council seek assurances that the Government will ensure a sufficient number of individuals are authorised under the system so that not only are there enough for 129 Councils’ needs, there are also enough to allow Councils real choice between candidates.
- 1.6. In describing who does what, there may be an attempt here to control what can be delegated and what should not be delegated. If that is part of the objective then it will not succeed because the Act does not permit the Office of Local Government to prescribe such matters.

This report recommends that feedback be provided to the affect that we expect substantial improvement but there is insufficient precision in the Discussion Paper to evaluate whether all objectives will be met. Council also seeks assurances that the Government will ensure a sufficient number of individuals are authorised under the system so that not only are there enough for 129 Councils’ needs, there are also enough to allow Councils real choice between candidates.

2. What challenges do you see for your council when implementing the proposed framework?

The proposal timeframes are somewhat metropolitan-centric and also assume there are no existing arrangements that need unwinding. It is assumed that where a small council finds the requirements difficult, they will overcome the size issues by teaming up with a neighbouring Council and get the task done in the same timeframe. There is no consideration of whether the supply of skills needed will meet the massive increase in demand that this policy will trigger. The issue of whether the proposed preregistration scheme is a good idea or not is also discussed under 1.3 and 4.2. Here under issue 2 the timing requirements are discussed amongst the other transition issues.

- 2.1. Council officers have made enquiries to the Office of Local Government concerning how the preregistration system for Audit Committee members would work. It appears most of the work on this issue is planned to occur after feedback on the proposal has occurred. We are unable to determine whether this is likely to be an issue but the possibility of compounding delays is a risk. If Councils were to give existing unqualified

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

Audit Committee members the opportunity to seek accreditation, this could delay recruitment of replacement members if that accreditation is not achieved.

- 2.2. Negotiating shared arrangements could compound the timing issues associated with the expansion of the preregistration system. That might be further compounded by issues associated with the initial steps being planned to correspond with Local Government Elections. The problem could be significant for small rural councils. In the later stages any Council that wants to hire in more skilled staff or move from part-time to full time staff may again find the timeframes difficult. These issues are unlikely to occur at Dubbo Regional Council but are included in this report in order to provide a more complete picture of the proposal and its likely impact across the industry.

A possible timeframe for a small rural council might be:

- July 2020 – Requirements of system finalised
- July 2020 – Members of existing Audit Committee seek registration
- September 2020 – Council elections
- October 2020 – Induction of newly elected Councillors
- October 2020 – Council decides whether it wants joint arrangements or not
- October 2020 – Members of existing Audit Committee advised if registration successful
- December 2020 – Arrangements for joint committee finalised
- Jan 2021 – recruitment commences
- March 2021 – multiple positions successfully recruited

This would be quite a challenge.

- 2.3. The annual reporting provisions imply that action is required on each of the areas of responsibility (s428A (2)) each year. The problem is that some of the things an Audit Risk and Improvement Committee will be responsible for are reviewed on four years cycles and some are in the nature of “respond when needed”.

Some activity of the Audit Risk and Improvement Committee might be something like a flood evacuation service. The function needs to monitor if action is required and be ready to go when needed. However if someone creates an expectation that an evacuation is needed every year and starts criticising a failure to perform an evacuation, it will inevitably lead to lots of work being done with no real benefit being produced.

One of the assigned tasks assigned to the ARIC in its compliance activity is advising whether “the council is complying with all necessary legislation, regulations, policies and Procedures”. It would be normal audit practice to look at an issue like this in depth once every four or so years, and then monitor for any significant change in circumstances between scheduled reviews. It would be normal in the in-between years, to assume the compliance situation remains substantially the same as it was last year unless there is a change in circumstances. The paper seems to imply the ARIC must report on “compliance” every year and not specifically on this component every year but interpretation is not completely clear. Without seeing the fine detail of the final requirements it is difficult to assess if a problem will develop.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

It would be beneficial if the final guidelines clarified that “keeping under review” can include the ARIC satisfying itself that someone is watching the issue and can include the operation of thresholds for action that lead to an automatic conclusion that no action was required in the current year

It is recommended that feedback be provided to the effect that the timeframes do not adequately contemplate the large variety of circumstances of different Councils. In particular the time needed to form shared arrangements and unwind existing structures has not been adequately assessed. The reporting timeframes also need to contemplate that in some years no action will be needed within a particular area of responsibility.

3. Does the proposed framework include all important elements of an effective internal audit and risk framework?

3.1. Council Officers have not detected any important element being overlooked in regard to Internal Audit. Council’s officers are of the view that the path chosen by Office of Local Government to get to the destination is the one that is the easiest to legislate and within the constraints of that strategic decision, its officers have done a good job. Never the less the minimum disruption path is one that is complex to navigate, and without the fine detail we cannot assess if everything will work.

3.2. In regard to Risk Management, the proposal seems sensible but lacks detail to a greater extent than the audit provisions. Council’s officers were concerned that the term “Enterprise Risk Management” was being used in a way that suggested a single homogenous methodology that addressed every category of risk. Our view is that good risk management is more like a fleet of different sized ships performing different but coordinated functions, than it is like a train with identical carriages. With the diverse range of Council services no “one size fits all” solution is likely to succeed. The differences in scale between Councils and between different functions within a Council are significant and demand different approaches. If the final outcome is at a similar level to the draft, then the document will not be a problem as such, but may well lead to Councils requesting further advice.

It is recommended that feedback be provided that the document appears to cover the important elements but the level of detail is not sufficient to determine if all Council needs have been addressed.

4. Is there anything you don’t like about the proposed framework?

4.1. Parts of attestation statement should be signed off by Audit Committee or by Council, not by the General Manager. How the Internal Audit budget is determined is perhaps a good example. The ARIC is to advise the Council whether resourcing is adequate (page 46). The Council should then consider this as part of its budget considerations and decide what to allocate (pages 24 & 60). The General Manager is then to issue a certificate at the end of the year on whether the resourcing was adequate. In context the General Manager is required to report on whether the Council got it right or not. Finally the ARIC is to consider if the General Manager has got that report right or not.

- 4.2. Fees to ARIC are proposed to be fixed. The chair is to be paid \$16,213 p.a. and other members \$1,621 per meeting. (Some smaller Councils pay less and very large Councils have higher prescribed fees.) Sydney Councils would not pay travel costs on top of this but the proposed requirements for other Councils is not clear. At present many Councils are able to obtain expert advice and membership of their Audit Committees at substantially lower costs by individuals who see the service as a civic duty to their local community. The discussion paper does not indicate why these costs should be locked in at commercial rates. It does not indicate why Councils should not be free to determine the remuneration of their own committees.

The size of these payments also seems disproportionate to payments to Councillors. A Councillor would attend 20 to 40 meetings a year. Under the proposal, the Chair of the Audit Risk and Improvement Committee would likely attend 4 meetings a years and is paid an amount each year of similar size to the amount Councillors are paid each year. Seeing the ARIC gives advice and the Council makes decisions, the relative payments are difficult to understand.

The current guidelines recommend the majority of members of the Audit Committee should be independent of management. The assumed benefits of extending the requirement for independence to all members, are unlikely to be realised. Once the risk of bias is removed, creating extra assurance is only beneficial if there are risks of the primary controls failing. The paper appears to simply assume more is better without considering that prioritising this issue inherently means other valuable attributes are deprioritised. Someone who has high technical skill but does not meet the formal definition of “independent” may be excluded when a far better result could be obtained by simply allowing the committee to manage any potential bias at its discretion.

- 4.3. Page 41 of the paper suggests that the Audit Committee will determine who attends Audit Committee meetings. The list of people that the Audit Committee may require to attend includes Councillors. It also implies that if events clash then the Mayor and the General Manager are required to take direction from the Audit Committee on priorities. This consequence is probably not intended but it is what the document currently says and the nature of having a discussion paper is you cannot be sure what the eventual fine detail will be. This compulsion would be excessive and unnecessary. It is excessive because it gives the ARIC powers which could create an unreasonable burden on Councillors and it places the ARIC in a higher position than Council. It is unnecessary because the Audit Committee will have the right to address a Council meeting which should be sufficient for any problem which could arise.

5. Can you suggest any improvements to the proposed framework?

The following matters

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

- 5.1. The fundamental nature of the Audit Risk and Improvement Committee should be clearly spelt out. Key to this nature is that it is an advisory committee. The legal framework should require all provisions related to authority of the ARIC are to be interpreted as expressions of the ARICs right to information, right to be heard and right to protect its access to information. Any provision requiring the ARIC's concurrence should be clearly stated as a requirement to consult not a requirement to gain the ARIC's consent.
- 5.2. An Audit Committee should be free to examine the highest risk issues facing Council and to determine for itself what is high risk. Distinction needs to be made between what the committee can look at, what it should look at, and what it must look at. The paper is not completely clear as to what is in which category but on face value it appears to be putting too much in the "must" category. Questions put to the Office of Local Government tend to indicate this is most likely a style issue with the writer of the paper than an intent to micromanage. Never the less it is recommended that we advise the Office of Local Government that this document should clearly enunciate that it prescribes the authority of the ARIC, not the workload.
- 5.3. The status of the Audit Committee should be separately dealt with in the Act, the Code of Meeting Practice and the Code of Conduct. These documents categorised all individuals as either Councillors, Staff, Contractors or people outside of Council. None of those categories are appropriate for Audit Committee members. In the absence of specific provisions members of the ARIC are contractors and therefore theoretically under the control of the General Manager. The point is perhaps best made by an example. The rules of Local Government could define Councillors as being staff members and then give exemptions from the staff member rules where appropriate and add on specific Councillor rules. The problem is that Councillors are not staff members and while you might be able to make such a system work you cannot make it easily understood and you always have a high risk of missing something and thereby creating unintended consequences.
- 5.4. The Office of Local Government should make up its mind as to whether an ARIC is controlled by the elected Council, the General Managers or the State Government. If it is essentially controlled by the State Government then the Office of Local Government should consider if Audit Risk and Improvement Committees would be better structured in a process similar to Local Planning Panels (formerly known as Independent Hearing and Assessment Panels) rather than create yet another variation on structures. If the ARIC is effectively a State Government controlled activity it should have a legal structure that avoids confusion about who is running it.

The proposed Audit Risk and Improvement Committee is not like any other Council Committee and it is confusing to treat it like a committee that the Council controls. The development of the Internal Audit four year Strategic Plan is a good example. The prescribed process sees the elected Council giving advice to the Internal Auditor who will then consider that advice before making recommendations to the Audit Risk and Improvement Committee who make the final decision. You will not see anything like that sort of process in any other Council Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE
18 NOVEMBER 2019

AUD19/31

NEXT STEPS

It is proposed that advice be provided to Council on the discussion paper. Following that, Council would formulate a submission to the Office of Local Government. Members of the Audit and Risk Management Committee are encouraged to advise the Chief Executive Officer of any matters of concern.

Appendices:

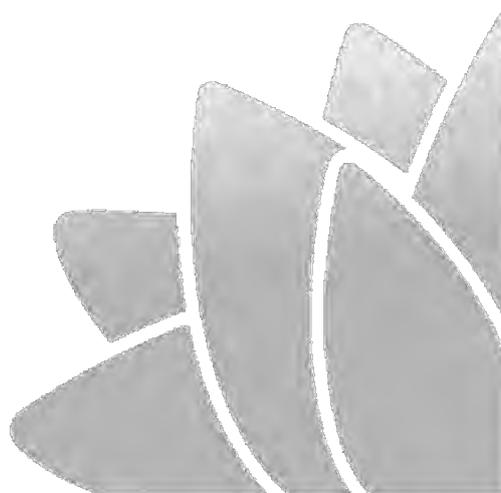
1. Snapshot guide - A new risk management and internal audit framework for local councils in NSW
2. Discussion Paper
3. Original recommendation to review guidelines
4. 2016 Government response advising of intent to review guidelines

A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK

for local councils in NSW

Snapshot Guide

September 2019



**A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL
COUNCILS IN NSW – SNAPSHOT GUIDE
2019**

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A New Risk Management and Internal Audit Framework for Local Councils in NSW Snapshot Guide

2

A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL GOVERNMENT IN NSW - Snapshot Guide

Purpose

This summary guide provides a 'snapshot' of the mandatory internal audit and risk management framework that is being proposed for NSW councils.

For a full understanding of the proposed framework, please refer to the discussion paper, *A new risk management and internal audit framework for local councils in NSW*, which can be found at www.oig.nsw.gov.au.

Introduction

In 2016, the NSW Government made it a requirement under the *Local Government Act 1993* ('Local Government Act') that each council have an Audit, Risk and Improvement Committee. This requirement is likely to take effect from March 2021. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The Government is consulting on the proposed regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council.

There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committees, risk management framework and internal audit function.

These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have already implemented risk management and internal audit.

There are also components of the proposed framework that are designed to reflect the unique needs and structure of NSW councils.

The framework will apply to councils, county councils and joint organisations.

Have Your Say

The NSW Government would like to know what you think of the framework being proposed.

Submissions may be made in writing by **31 December 2019** to the following addresses.

Post: Locked Bag 3015, NCWRA, NSW 2541
Email: olig@olignsw.gov.au

Key questions you may wish to consider when providing your feedback include:

- will the proposed framework achieve the outcomes sought?
- what challenges do you see for your council when implementing the proposed framework?
- does the proposed framework include all important elements of an effective internal audit and risk framework?
- is there anything you don't like about the proposed framework?
- can you suggest any improvements to the proposed framework?

Proposed regulatory framework

The NSW Government's objective is to ensure that:

- each council in NSW has an independent Audit, Risk and Improvement Committee that adds value to the council
- each council in NSW has a robust risk management framework in place that accurately identifies and mitigates the risks facing the council and its operations
- each council in NSW has an effective internal audit function that provides independent assurance that the council is functioning effectively and the internal controls the council has put into place to manage risk are working, and

→ councils comply with minimum standards for these mechanisms that are based on internationally accepted standards and good practice.

The proposed statutory framework will consist of the following three elements:

1. Current provisions in the Local Government Act

Section 428A

Section 428A (when proclaimed) will require each council to establish an Audit, Risk and Improvement Committee to continuously review and provide independent advice to the general manager and the governing body of council about:

- whether the council is complying with all necessary legislation
- the adequacy and effectiveness of the council's risk management framework, fraud and corruption prevention activities, financial management processes, and the council's financial position and performance
- the council's governance arrangements

- the achievement of the goals set out in the council's community strategic plan, delivery program, operational plan and other strategies
- how the council delivers local services and how to improve the council's performance of its functions more generally
- the collection of performance measurement data by the council, and
- any other matters prescribed by the *Local Government (General) Regulation 2005* (i.e. internal audit).

Section 428B

Section 428B (when proclaimed) will also allow a council to establish a joint Audit, Risk and Improvement Committee with another council/s including through joint or regional organisations of councils.

Guiding principles and roles and responsibilities

Amendments made to the Local Government Act in 2016 prescribed new guiding principles for councils and updated the prescribed roles and responsibilities of the governing body (section 223) and general manager (section 335). These amendments will operate to support the work of Audit, Risk and Improvement Committees and provide for the future establishment of a risk management and internal audit function in each council.

These guiding principles and roles and responsibilities have already commenced.

2. New regulations

The operation of sections 428A and 428B will be supported by new regulations in the *Local Government (General) Regulation 2005*.

These will prescribe the requirements that councils are to comply with when appointing their Audit, Risk and Improvement Committee and establishing their risk management framework and internal audit function.

The regulations will also provide for a model internal audit charter and model terms of reference for Audit, Risk and Improvement

Committees which all councils must adopt and comply with.

3. New Guidelines

New guidelines will be issued setting out the core requirements that each council's Audit, Risk and Improvement Committee, risk management framework and internal audit function must comply with.

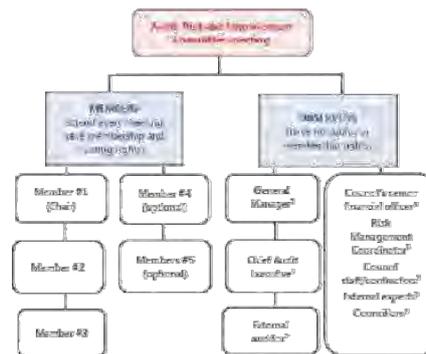
These core requirements are detailed below.

Core requirement 1:
Appoint an independent Audit, Risk and Improvement Committee

- Each council is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act
- The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on a model terms of reference, and approved by the governing body of the council after endorsement by the Committee
- The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are prequalified via the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years
- The Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit

Executive (see below) should attend except where excluded by the Committee

- Audit, Risk and Improvement Committee members are to comply with the council's code of conduct and the conduct requirements of the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- Disputes between the general manager and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the governing body of the council
- The Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body of the council and be assessed by an external party at least once each council term as part of council's quality assurance and improvement program
- The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings



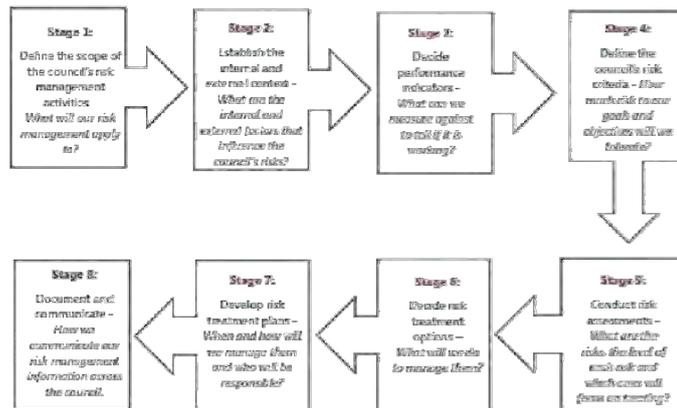
¹ Attends each meeting except where excluded by the Committee
² Open invitation to attend every meeting as an independent advisor
³ When invited by the Committee to provide information

Core requirement 2:

Establish a risk management framework consistent with the current Australian risk management standards

- Each council is to establish a risk management framework that is consistent with current Australian standards for risk management
- The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework
- Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process (see below). This includes deciding the council's risk criteria and how risk that falls outside tolerance levels will be treated
- Each council is to fully integrate its risk management framework within all of council's decision-making, operational and integrated planning and reporting processes
- Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability
- Each council is to ensure its risk management framework is regularly monitored and reviewed
- The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities
- The general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements

Stages of a council's risk management process

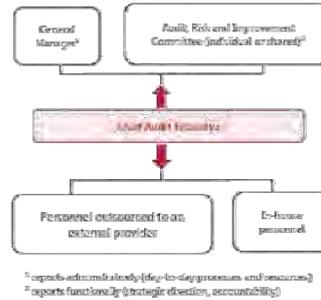


A New Risk Management and Internal Audit Framework for Local Councils in NSW Snapshot Guide

Core requirement 3:
Establish an internal audit function mandated by an Internal Audit Charter

- Each council is to establish an internal audit function
- The governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work
- The governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews
- The Chief Audit Executive is to develop an Internal Audit Charter, based on a model charter, which will guide how internal audit is conducted by the council. The Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee

- The general manager is to ensure that, if required, the council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or completely or partially outsource their internal audit function to an external provider



Core requirement 4:
Appoint internal audit personnel and establish reporting lines

- The general manager is to appoint a Chief Audit Executive to oversee the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee
- The Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager and attend all committee meetings

Core requirement 5:
Develop an agreed internal audit work program

- The Chief Audit executive is to develop a four year strategic plan to guide the council's longer term internal audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee
- The Chief Audit executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the council's internal audits each year. The work plan is to be developed in consultation with the governing body, general manager and senior managers and approved by the Audit, Risk and Improvement Committee

- The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed

Core requirement 6:
How to perform and report internal audits

- The Chief Audit Executive is to ensure that council's internal audits are performed in accordance with the IPPF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee
- The Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits
- The Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a response from the relevant senior manager/s
- All internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit Risk and Improvement Committee, external auditor and governing body of the council (by resolution)

Core requirement 7:
Undertake ongoing monitoring and reporting

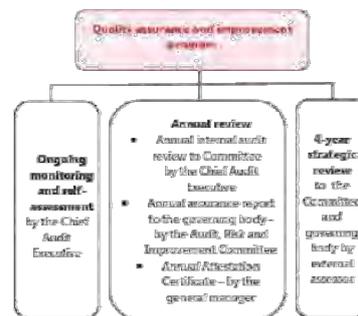
- The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits

undertaken and progress made implementing corrective actions

- The governing body of the council is to be advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions
- The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair

Core requirement 8:
Establish a quality assurance and improvement program

- The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each council term
- The general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function



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Core requirement 9: Councils can establish shared internal audit arrangements

- A council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils
- The core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specified exceptions that reflect the unique structure of shared arrangements
- The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements

Implementation timeline

The transitional arrangements built into the Local Government Act mean that the requirement to have an Audit, Risk and Improvement Committee will not come into force until six months after the next ordinary elections in September 2020 at the earliest. Councils will therefore have until March 2021 to establish their committees.

It is proposed that councils will then have a further 18 months, until December 2022, to establish their internal audit function and risk management framework (guided by the Audit, Risk and Improvement Committee).

As these functions are bedded down and greater time and resources become available to the Audit, Risk and Improvement Committee and the council, the role of the committee is to broaden to comply with the

remaining requirements of sections 428A of the Local Government Act.

Full compliance with section 428A of the Local Government Act will be expected by 2026.

Councils with established Audit, Risk and Improvement Committees and mature risk management and internal audit functions will be encouraged to comply sooner.

→ By March 2021

Audit, Risk and Improvement Committee established and appointed (core requirement 1 or 9 for shared arrangements)

→ By December 2022

Risk management framework developed, including appointment of a Risk Management Coordinator (core requirement 2)

Internal audit function established, including employment of a Chief Audit Executive and personnel (core requirements 3-6 or 9 for shared arrangements)

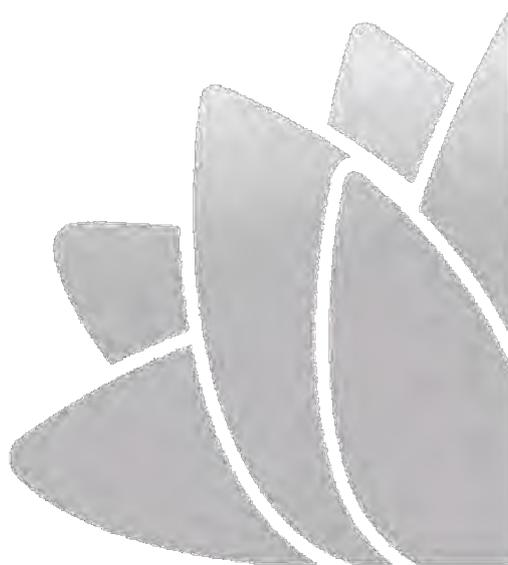
→ By 2024

Risk management framework fully implemented throughout council and operating in compliance with regulatory requirements (core requirement 2)

Internal audit function fully implemented by the council and operating in compliance with regulatory requirements (core requirements 5-8)

→ By 2026

Audit, Risk and Improvement Committee's role expanded to include compliance, fraud control, financial management, governance, integrated planning and reporting, service reviews, performance measurement data and performance improvement in compliance with section 428A of the Local Government Act.



A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK

for local councils in NSW

Discussion paper

September 2019



**A NEW RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK FOR LOCAL
COUNCILS IN NSW – DISCUSSION PAPER
2019**

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MINISTER'S FOREWARD



Risk is inevitable in any organisation, including local councils. If a council can identify its risks and how they are caused, a council is more likely to succeed in managing these risks and achieving its community objectives.

Internal audit is a globally accepted mechanism for ensuring that an organisation has good governance and is managing its risks successfully. There has been a steady push over recent years for internal audit to be mandated in the NSW local government sector.

As a first step, in 2008, the government released guidelines to assist councils to establish an internal audit function. These guidelines were updated in 2010. The benefits realised by councils who had introduced internal audit into their business led to calls for internal audit to be made mandatory for every council in NSW.

In 2016, the NSW Government made it a requirement under the *Local Government Act 1995* ('Local Government Act') that each council have an Audit, Risk and Improvement Committee in place. This requirement is likely to take effect from March 2021. Councils are also required to proactively manage any risks they face under the new guiding principles of the Act.

The government has since been working to develop the regulatory framework that will support the operation of these committees, and the establishment of a risk management framework and internal audit function in each council. This discussion paper details the regulatory requirements and operational framework being proposed.

There will be nine core requirements that councils will be required to comply with when establishing their Audit, Risk and Improvement Committee, risk management framework and internal audit function. These requirements are based on international standards and the experience of Australian and NSW Government public sector agencies who have implemented risk management and internal audit. Most importantly, they reflect the unique needs, structure and resources of NSW local government.

Formal risk management and internal audit is a vital part of the NSW Government's plan to ensure that councils achieve their strategic objectives in the most efficient, effective and economical manner. A strong and effective risk management and internal audit framework will result in better services for the community, reduced opportunities for fraud and corruption, increased accountability of councils to their communities and a culture of continuous improvement in councils.

I encourage you to provide your feedback and ideas on the proposed model so we can ensure NSW has in place the most robust and effective risk management and internal audit framework for local government possible.

The Hon Shelley Hancock MP
Minister for Local Government

CONTENTS

BACKGROUND AND PURPOSE	5
1. Risk	5
2. Good governance	5
3. Purpose of this discussion paper	9
INTRODUCTION TO RISK MANAGEMENT AND INTERNAL AUDIT	10
1. Risk management	10
2. Internal audit	12
3. Audit Committees	14
4. Use of risk management, internal audit and audit committees in the private and government sectors	15
PROPOSED RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK – THE ROAD AHEAD	18
1. Risk management and internal audit in NSW local government – the story so far	18
2. Proposed statutory framework	19
3. Benefits of risk management and internal audit for NSW local government	27
PROPOSED CORE REQUIREMENTS	28
Core requirement 1: Appoint an independent Audit, Risk and Improvement Committee	28
Core requirement 2: Establish a risk management framework consistent with current Australian risk management standards	45
Core requirement 3: Establish an internal audit function mandated by an Internal Audit Charter	60
Core requirement 4: Appoint internal audit personnel and establish reporting lines	63
Core requirement 5: Develop an agreed internal audit work program	70
Core requirement 6: How to perform and report internal audits	75
Core requirement 7: Undertake ongoing monitoring and reporting	77
Core requirement 8: Establish a quality assurance and improvement program	79
Core requirement 9: Councils can establish shared internal audit arrangements	85
NEXT STEPS	92
RESOURCES USED	93
APPENDIX 1 – TIMELINE OF KEY INFLUENTIAL EVENTS	99

BACKGROUND AND PURPOSE

1. Risk

All organisations and governments, including councils, operate in uncertain and changing economic, social, political, legal, business and local environments. Risk is defined as the effect of this uncertainty on an organisation's ability to achieve its goals and objectives, where the effect is the potential for a result that is different to what was expected or planned for². Risks that go so far as to threaten to harm or destroy an object, event or person are known as material risks.

Risk can be positive, negative or both, and can address, create or result in opportunities and threats. Risk is often expressed in terms of an event's consequences and the likelihood of its occurrence. Negative risks can include, for example, unexpected financial loss, project failure, extreme weather events, failure of council policy, and fraud or corruption. Positive risks can include, for example, unexpected favourable publicity, changes to legislation, improved technology, new commercial relationships and business contracts.

Internal controls

Internal controls are any action taken by an organisation to manage and minimise the impacts of negative risks or to promote and harness positive risks to increase the likelihood that the organisation's goals and objectives will be achieved. Internal controls can be:

- preventative – to deter undesirable events from occurring
- detective – to detect and correct undesirable events from happening, or
- directive – to cause or encourage a desirable event to occur.

Internal controls generally fall into two categories:

- hard/formal controls – for example, systems, processes, policies, procedures, management approvals, or
- soft controls – for example, employee capability, organisational culture, ethical behaviour of management and staff.

2. Good governance

Governance can be described as the combination and interconnection of decisions, policies, procedures, processes and structures implemented by an organisation's board/governing body to direct and control the organisation and ensure it functions effectively.

Good governance is a key component of successful organisations. It supports an organisation to ensure its goals and objectives are achieved, its operations are performed successfully, it complies with all necessary legal and other requirements, and it uses its resources responsibly with accountability. It also helps an organisation to promote confidence with stakeholders and adapt and function in changing and uncertain environments.

Good governance is directly linked to an organisation's risk management and compliance frameworks.

² Adapted from the definition of risk in AS ISO 31000:2019.

The three lines of defence against risk

There are a number of different mechanisms organisations can use to ensure they have good governance and are managing their risks. These governance activities are often referred to as 'the three lines of defence' and are described below in the context of local government. A summary diagram is provided on page 8.

1st line of defence – operational functions implemented by a council to own and manage risk

A council's first line of defence against risk is for council staff to own and manage the risks that occur in their sphere of influence. This means they are given responsibility and held accountable for identifying risks and implementing internal controls (where appropriate).

In practice, this generally sees operational management responsible for identifying and assessing risks that occur in their work area and developing internal controls to manage these risks. This can include guiding the development of council policies and procedures and overseeing the implementation of internal controls by the council staff they supervise. Council staff are responsible for following policies and procedures, implementing other controls and notifying managers when issues arise.

Examples of first line of defence activities could include development assessment processes, operational procedures for technical equipment, maintenance of specific pieces of equipment, cash handling procedures, work health and safety requirements, following project plans etc.

2nd line of defence – management functions implemented by a council to ensure operational functions are managing risks

A council's second line of defence against risk is to ensure that the controls in the first line of defence are properly designed, implemented and operating as intended. Examples of the management frameworks that can be implemented in a council's second line of defence include:

- a risk management framework which identifies known and emerging risks the council faces and controls being implemented to manage these risks (further described in this discussion paper)
- a compliance framework which identifies and monitors council's risk of non-compliance with applicable laws, regulations, contracts and policies, and alerts council to changing compliance requirements
- a financial management framework which identifies and monitors council's financial risks, including financial reporting and external accountability²
- a fraud control framework which identifies and manages the risk of the incidence of fraud or corruption and includes prevention and monitoring strategies³
- business and performance improvement which identifies and manages any business/performance risks and helps council to improve the efficiency, effectiveness and economy of its operations, for example, information technology and work health and safety, and
- project management which is used to identify and manage project risks, for example, poor project governance, flawed scope definition and insufficient resourcing.

² Councils are required under the Local Government Act (s 413) to prepare financial reports each year to prescribed standards. These reports must be externally audited, be made available for public inspection (s 418), presented at a council meeting along with the auditor's reports (s 419) and included in council's annual report (s 426).

³ Councils are required to have a fraud and corruption control plan which includes risk management processes that examine the risk of fraud and corruption both internally and externally across the council. The plan should also include internal controls that seek to minimise fraud and corruption occurring.

Second line of defence activities are generally reported to senior and mid level management, and can be of interest to the Audit, Risk and Improvement Committee.

3rd line of defence – functions that provide independent external assurance

Council's third line of defence against risk is to receive assurance from an independent body external to the council that its risks are being managed appropriately in the first and second lines of defence. External assurance is designed to provide a council with a level of confidence that its goals and objectives will be achieved within an acceptable level of risk.

Independent external assurance is provided by an Audit, Risk and Improvement Committee, supported by an internal audit function.

External assurance activities are reported to the governing body of the council and the general manager.

Other lines of defence

There are also other lines of defence that sit outside an organisation and provide independent assurance that an organisation has good governance and is managing its risk appropriately.

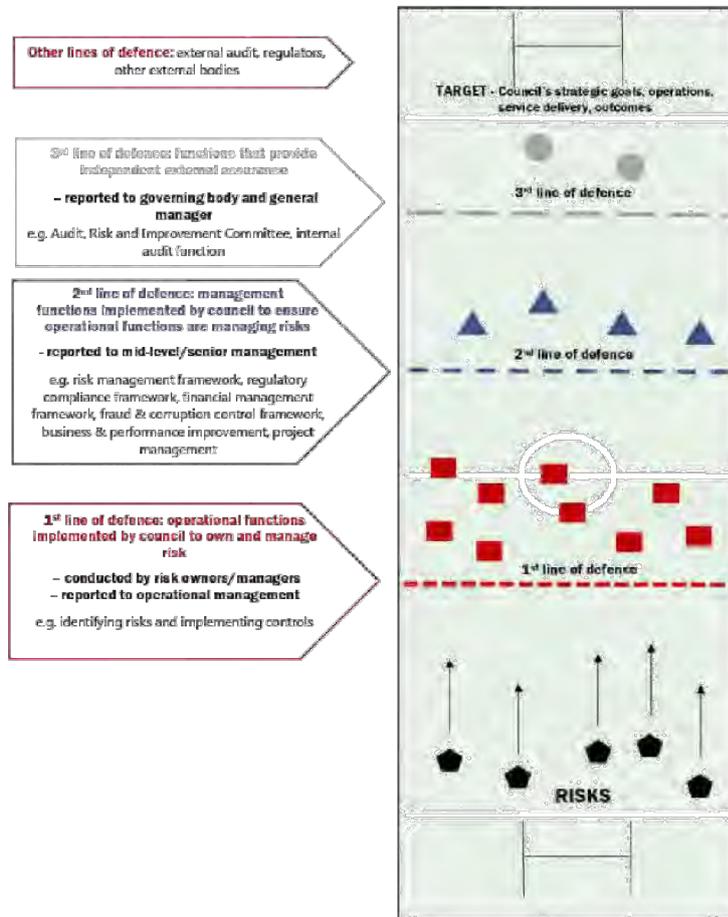
For councils, these include:

- **external audit** – an annual independent examination and opinion of council's financial statements which also assesses council's compliance with accounting standards, laws and regulations⁴
- **performance audit** – an audit of council activities to determine whether the council is carrying out these activities effectively, economically, efficiently and in compliance with all laws. A performance audit can include an individual program or service provided by a group of councils, all or part of an individual council, or issues affecting the sector as a whole⁵; and
- **regulatory bodies** – these set minimum requirements for council's lines of defence, and/or assess the effectiveness of council's governance (for example, the Office of Local Government, NSW Ombudsman, Independent Commission Against Corruption, NSW Parliament).

⁴ The Local Government Act (s 415) requires each council to have their annual financial reports externally audited by the NSW Auditor-General (s 422) so that the community and the governing body of the council have access to an independent opinion on their validity. The Auditor-General is to also provide a copy of the Independent Audit Report and the Conduct of the Audit to the Office of Local Government, and report to Parliament on local government sector-wide matters arising from the examination of the financial statements of councils and any other issues the Auditor-General has identified during its audit and the exercise of her other functions (s 421C).

⁵ The NSW Auditor-General conducts performance audits of councils under the Local Government Act and reports to the Office of Local Government, the council concerned and the Minister for Local Government any findings, recommendations or concerns that arise from a performance audit (s 421B).

Council's three lines of defence against risk



3. Purpose of this discussion paper

Amendments made to the Local Government Act in 2018 require each council to be financially sustainable, continuously review its performance, properly exercise its regulatory functions, operate honestly, efficiently and appropriately, and have sound decision-making and risk management practices (s 8A-8C and 223).

They also require each council to establish an Audit, Risk and Improvement Committee as a third line of defence to continuously review and provide independent advice and assurance on council's first and second lines of defence (s 428A). The Local Government Act also envisages the establishment of a risk management framework and internal audit function in each council to support the work of the Committee.

The purpose of this discussion paper is to propose how councils should establish and implement these functions.

It is envisaged that each council's Audit, Risk and Improvement Committee, once established by March 2021, will undertake assurance activities by overseeing each council's internal audit function and risk management framework.

Over time (post-2021), and as resources allow, each council's Audit, Risk and Improvement Committee will be expected to expand its reach to include the other management functions that councils should have in place as part of their second line of defence (for example, financial management, integrated planning and reporting, fraud control, performance etc.).

INTRODUCTION TO RISK MANAGEMENT AND INTERNAL AUDIT

1. Risk management

Risk management describes the coordinated activities an organisation takes to ensure it knows the risks it faces, makes informed decisions about how to respond to these risks, and identifies and harnesses potential opportunities⁶.

In practice, it is a deliberate, systematic, comprehensive and documented program that provides a structure to managing risk consistently across the entire organisation, regardless of where, and by who, decisions are made. It also provides a mechanism to shape organisational culture – ‘the way we do things around here’.

Risk management is not about being risk averse and it is not a guaranteed way to eliminate all the risks an organisation faces altogether. It is a framework that can help an organisation to reduce its risks to a level that is acceptable and take calculated and appropriate risks that will help it to achieve its strategic goals and deal positively with opportunities.

As required under Australian risk management standards, councils will be required to adopt an ‘enterprise risk management’ approach under the new regulatory framework.

This will require councils to identify, assess and manage all the risks that affect the ability of the council to meet its goals and objectives, and goes beyond traditional risk management that focuses on insurable risks. Further explanation is provided in the table below.

Traditional risk management	Enterprise risk management
Focuses on insurable risks	Considers all risks that could affect a council's ability to meet its goals, including risks that cannot be insured, for example, a council's reputation
Focused on threats and minimising losses	Embraces risks that present both negative and potential consequences or impacts and focuses on adding value
Manages risk individually and in isolation, often within the particular business unit	Considers risk interdependently across the entire council, taking in to account any connections or interdependencies that could reduce losses or maximize growth opportunities. Risk management is integrated across the entire council
Responses to risk are largely reactive and ad-hoc	Responses to risk are proactive and continually applied and assessed. Risk management is embedded in organisational culture

⁶ Adapted from the definition of risk management in AS ISO 31000:2018

Governing standards

A number of worldwide standards have been developed to help organisations implement risk management. These standards are set by recognised international standards bodies or industry groups and provide an accepted benchmark for risk management practices.

In Australia, the International Organisation for Standardisation's risk management standard *ISO 31000:2009, Risk Management – Guidelines* (AS/NZS ISO 31000:2009) has been accepted as the Australian risk management standard and widely adopted in the private and public sectors. AS/NZS ISO 31000:2009 has just been replaced by AS ISO 31000:2018⁷.

AS ISO 31000:2018 states that an organisation's approach to risk management must be based on the following eight specific principles to ensure it is effective:

- risk management is **integrated** into all organisational activities and decision-making processes
- risk management is **structured and comprehensive** process that achieves consistent and comparable results
- the risk management framework and process is **customised** to the organisation
- risk management is **Inclusive** of all stakeholders and enables their knowledge, views and perceptions to be considered
- risk management is **dynamic** and able to respond to changes and events in an appropriate and timely manner
- risk management decisions are based on the **best available information** and takes into account any limitations and uncertainties
- risk management takes into account **human and cultural factors**, and
- risk management is continuously and periodically **evaluated and improved** through learning and experience.

To achieve these principles, AS ISO 31000:2018 requires each organisation to ensure its risk management framework includes the following elements:

- **leadership and commitment** – the organisation's board/governing body must clearly communicate and demonstrate strong leadership and commitment to risk management. This will be shown by the board/governing body:
 - adopting a **risk management policy** which communicates the organisation's commitment to risk management and how risk management will be undertaken
 - ensuring the necessary resources are allocated to risk management, and
 - assigning authority and accountability for risk management at appropriate levels in the organisation and aligning risk management to the organisation's objectives
- **integration** – integration of risk management into a council should be a dynamic and iterative process, customised to the organisation's unique needs and culture. Risk management must be made part of the organisation's purpose, governance, leadership, strategy, objectives and operations and everyone in the organisation must understand their responsibility for managing risk.

This can be achieved through the development and implementation of a **risk management plan** that provides structure for how the organisation will implement its risk management policy and conduct its risk management activities

⁷ More information about AS ISO 31000:2018 can be found at <https://www.iso.org/iso-31000-risk-management.html>

- **design** – the organisation's risk management framework must be based on the unique needs, characteristics and risks of the organisation, and its external and internal context.
This can be achieved by following a tailored **risk management process** that:
 - evaluates the organisation's internal and external context, operations, stakeholders, complexity, culture, capabilities etc.
 - identifies, assesses and prioritises the risks these present
 - decides how they will be managed
 - allocates resources
 - assigns risk management roles, responsibilities and accountabilities
 - documents and communicates this across the organisation, and
 - demonstrates the organisation's continual commitment to risk management.
- **evaluation and improvement** – the organisation must regularly evaluate the effectiveness of its risk management framework and continually adapt and improve how it is designed and integrated throughout the organisation and ensure it is fit for purpose.

2. Internal audit

Internal audit is a mechanism that an organisation can use to receive independent assurance that its first and second lines of defence are appropriate and working effectively. Internal audit can also help an organisation to improve its overall performance.

It does this by:

- providing management with information on the effectiveness of risk management, control and governance processes, and acting as a catalyst for improvement
- providing an independent and unbiased assessment of the organisation's culture, decision-making, financial management, operations, fraud risk, safeguarding of assets, information, policies, processes and systems
- assessing the efficiency, effectiveness, economy and ethical conduct of business activities
- reviewing the achievement of organisational goals and objectives
- assessing compliance with laws, regulation, policies and contracts, and
- looking for better ways the organisation can be doing things.

In relation to risk management, internal audit provides assurance that an organisation's:

- risk management framework is effective and regularly reviewed
- risks are correctly identified and assessed
- risks are being managed to an acceptable level in accordance with the organisation's risk criteria⁸, goals and objectives
- internal controls are appropriately designed and effectively implemented, and
- risk information is captured and communicated in a timely manner across the organisation, enabling staff to carry out their risk management responsibilities.

Unlike organisational staff, an internal audit function has no direct involvement in day-to-day operations or financial management of an organisation. It sits within an organisation, but external to it, and investigates how an organisation conducts its day-to-day operations and financial management and helps an organisation to improve those processes and systems.

⁸ 'Risk criteria' can also be known as 'risk appetite'

To preserve an internal audit function's independence, it cannot be responsible or held accountable for:

- setting an organisation's risk criteria
- implementing risk management processes
- deciding how an organisation responds to risk, or
- implementing risk responses or controls.

The internal audit function also reports functionally (for internal audit operations) to an organisation's Audit, Risk and Improvement Committee to ensure that it is allowed to operate without inappropriate interference.

Governing standards

The Institute of Internal Auditors (IIA) is the recognised international standard setting body for internal audit and provides professional certification for internal auditors.

The IIA has developed the International Professional Practices Framework (IPPF)⁹ which outlines the mandatory requirements for the practice of internal auditing. It describes:

- the definition of internal auditing
- the core principles for the practice of internal auditing
- the international standards for the professional practice of internal auditing, and
- a Code of Ethics which describe the minimum behavioural and conduct requirements of individuals and organisations in the conduct of internal auditing.

These standards are international and are to be applied consistently to the practice of internal audit activity worldwide.

The core components required for internal audit under the IPPF include:

- an **internal audit charter** which communicates internal audit's purpose and authority, its position within the organisation and how internal audit will be undertaken
- reporting arrangements and responsibilities that provide the internal audit function with **Independence** from the organisation so that it can be objective and unbiased in its work
- authority for the internal audit function to have **full access** to the records, information, property and personnel it needs to undertake its work
- **work plans** which provide a short-term and long-term structure for the internal audits to be undertaken
- use of **approved methods** and procedures to conduct audits
- a system to **monitor and report** on internal audit findings and the implementation of corrective actions, and
- a **quality assurance and improvement process** to continuously review and improve internal audit activities.

⁹ More information about the IPPF can be found at: <https://www.iaa.org.au/Technical-resources/TechnicalStandards.aspx>

Under the IPPF, an effective internal audit function must also exhibit the following 10 mandatory core principles:

- demonstrates integrity
- demonstrates competence and due professional care
- is objective and free from undue influence
- aligns with the strategies, objectives and risks of the organisation
- is appropriately positioned and adequately resourced
- demonstrates quality and continuous improvement
- communicates effectively
- provides risk-based assurance
- is insightful, proactive and future focused, and
- promotes organisational improvement.

3. Audit Committees

An audit committee is a committee of experts that plays a key role in assisting the board/governing body of an organisation to fulfil its corporate governance and oversight responsibilities. Its main role is to provide advice and assurance regarding:

- the organisation's culture and ethics
- the organisation's first and second lines of defence, including:
 - the effectiveness of risk management and the organisation's internal controls
 - the organisation's fraud and corruption controls
 - business performance and improvement
 - the adequacy of financial management practices and the organisation's accounting, financial records and external reporting
 - systems for managing the organisation's assets
 - compliance with applicable laws, regulations, standards and best practice guidelines, and
- matters that are raised during external and internal audits.

An audit committee also provides a forum for communication between the organisation, senior management, risk and compliance managers, internal auditors and external auditors.

To be effective, an audit committee must be independent from the organisation's management and free from any undue influence.

The size and nature of the committee depends on the industry and size of the organisation. Some organisations establish one committee with responsibility for all these tasks. Larger organisations may establish more than one committee, for example, an audit committee, a risk committee, a compliance committee etc. depending on the nature and extent of the organisation's operations.

There are a number of legal requirements and good practice guides that apply to audit committees depending on the jurisdiction and type of industry and organisation.

4. Use of risk management, internal audit and audit committees in the private and government sectors

Private sector

Audit committees, risk management and internal audit are widely used in the corporate sector worldwide as a mechanism to manage risk and provide independent assurance on governance, controls and financial reporting.

The *Corporations Act 2001* (Commonwealth) requires some Australian companies to ensure that financial reports are true and fair and comply with accounting standards made by the Australian Accounting Standards Board. Most of these companies have audit committees to monitor and oversee their financial reporting (in consultation with external auditors).

The Australian Securities Exchange requires entities included in the S&P/ASX All Ordinaries Index at the beginning of their financial year to have an audit committee during that year³⁰, and to comply with specific requirements³¹ regarding the composition, operation and responsibilities of their audit committee. If an entity does not have an audit committee, this must be disclosed along with the processes the board/governing body employs to independently verify and safeguard the integrity of its corporate reporting.

The establishment of an internal audit function is seen by many investors as essential before they will invest in a company. Since 2014, entities listed on the Australian Securities Exchange have been required to disclose to potential investors whether they have an internal audit function, how the function is structured and what role it performs. If an entity does not have an internal audit function, it must outline why it doesn't, and what assurance arrangements it has in place to manage risk and verify the integrity of financial records³². Whilst it is not mandatory, non-listed companies are recommended under Australian standards to have an audit committee as part of good governance³³.

The Australian Prudential Regulation Authority has also mandated the requirement for financial insurance and superannuation institutions to have internal audit and an audit committee³⁴. The audit committee must also meet specific requirements.

Australian Government public sector

While risk management and internal audit is often voluntary in the private sector, many governments around the world have mandated through legislation a requirement for public sector agencies to have an audit committee and some form of risk management.

The Australian Government, under the *Public Governance, Performance and Accountability Act 2013*, requires all Commonwealth entities to establish and maintain appropriate risk management systems and have an audit committee. The *Public Governance, Performance and Accountability Rule 2014* and Commonwealth Risk Management Policy³⁵ prescribe the requirements for how risk is to be managed.

³⁰ ASX Corporate Governance Council (2016) *ASX Listing Rules – Rule 12.1*

³¹ As set out in ASX Corporate Governance Council (2015) *Corporate Governance Principles and Recommendations 8th Edition*

³² ASX Corporate Governance Council (2014) *Corporate Governance Principles and Recommendations 7th Edition*

³³ Standards Australia International (2014) *Australian Standard – Good Governance Principles (AS ISO 26000)*

³⁴ Australian Prudential Regulation Authority (2015) *Prudential Standard CPS 520 Governance (July 2015)*

³⁵ Australian Government, Department of Finance (2014) *Commonwealth Risk Management Policy*

While an internal audit function is not mandated by legislation, it is recommended that Commonwealth entities establish one to support the audit committee¹⁶ and to ensure that the Secretary or Chief Executive is able to fulfil their other responsibilities under the Act. These have been calls for internal audit to be mandated for Commonwealth entities under the *Public Governance, Performance and Accountability Act 2013*¹⁷.

There are no legislated standards for risk management or internal audit in Commonwealth entities. However, the Australian Government recommends Commonwealth entities conform to ISO risk management standards and the IPPF.

State and Territory public sectors

Most Australian states and territories have mandated risk management, internal audit and/or audit committees in their public sector agencies – these include NSW, Queensland¹⁸, Tasmania¹⁹, Western Australia²⁰, Victoria²¹, and the Northern Territory²².

In South Australia, only public corporations are required to have an audit committee and an internal audit function²³. While not mandatory, the Australian Capital Territory recommends its agencies have an audit committee and internal audit function and provides guidance on how they should be established and operate²⁴.

In NSW, the new *Government Sector Finance Act 2018* requires all NSW Government departments and statutory bodies to have effective systems for risk management, internal control and assurance (including internal audit) that are appropriate for the agency²⁵.

The NSW Government's Internal Audit and Risk Management Policy²⁶ further stipulates that all NSW Government departments and statutory bodies are required to establish an Audit and Risk Committee, risk management framework and internal audit function. The core requirements of this policy are modelled on AS ISO 31000:2009²⁷ and the IPPF. The policy is currently under review by the NSW Government following the release of AS ISO 31000:2018.

¹⁶ Australian Government, Department of Finance (2018) *Risk Management Guide No. 202: A guide for non-corporate Commonwealth entities on the role of the audit committee* and Australian Government, Department of Finance (2018) *Risk Management Guide No. 202: A guide for corporate Commonwealth entities on the role of the audit committee*

¹⁷ DA (2017) *Submission to the Department of Finance's Review of the Public Governance, Performance and Accountability Act 2013*

¹⁸ Section 78 of the *Financial Accountability Act 2009 (QLD)* and *Financial and Performance Management Standard 2009 (QLD)*

¹⁹ *Treasurer's Instruction 108 – Internal Audit (TAS)* September 2011

²⁰ Part 4 of the *Financial Management Act 2006 (WA)* and Government of Western Australia, Department of Treasury (2018) *Treasurer's Instructions Part 20 – Internal Audit*

²¹ Victorian Government (2018) *Strongly Directed 2018 under the Financial Management Act 1994*

²² *Financial Management Act 1995 (NT)* and NT Government (2001) *Treasurer's Directions 1-102: Part 3 Responsible and Accountable Officers, Section 3 Internal Audit* (originally published 1995)

²³ Section 31 of the *Public Corporations Act 1993 (SA)*

²⁴ ACT Government (2001) *Internal Audit Framework 2001* – this is currently under review by the Act Government and changes may occur during 2019-2020

²⁵ Section 3.6 of the *Government Sector Finance Act 2018*

²⁶ NSW Treasury (2015) *IPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector*

²⁷ AS ISO 31000:2018 did not exist when this policy was developed in 2015.

Local government

The regulation of audit committees, risk management and internal audit in local councils varies between states and territories. Some jurisdictions, such as South Australia and Tasmania do not explicitly require their councils to have an audit committee, risk management or internal audit function. For those jurisdictions that do require an audit committee and an internal audit function, the approach varies.

All councils in Victoria are legislatively required to have an audit committee²⁸ and recommended to have an internal audit function that complies with the IPPF²⁹.

Only large councils in Queensland are legislatively required to have an audit committee³⁰, but all councils are required to have an internal audit function³¹ that complies with the IPPF³².

The Western Australian Government has legislatively mandated that each council has an audit committee comprising a majority of councillors³³. A formal internal audit function is not mandated, but encouraged³⁴.

The experience in NSW is detailed in the next part of this discussion paper.

²⁸ Section 159 of the *Local Government Act 1989* (VIC).

²⁹ *Local Government Victoria (2011) Audit Committees, A Guide to Good Practice for Local Government*

³⁰ Section 105 of the *Local Government Act 2009* (QLD)

³¹ Clause 207 of the *Local Government Regulation 2012* (QLD)

³² *Local Government Bulletin 03/15: Internal Audit and Audit Committees*

³³ Part 7 of the *Local Government Act 1995* (WA) and the *Local Government (Audit) Regulations 1995* (WA)

³⁴ Government of Western Australia, Department of Local Government and Communities (2015) *Local Government Operational Guidelines Number 9: Audit in Local Government: The Appointment, Function and Responsibilities of Audit Committees*

PROPOSED RISK MANAGEMENT AND INTERNAL AUDIT FRAMEWORK – THE ROAD AHEAD

1. Risk management and internal audit in NSW local government – the story so far

Local councils in NSW were initially created to provide local communities with basic public services such as water, roads and waste removal on behalf of the NSW Government. As NSW has grown since federation, so too have the responsibilities of local councils. In most local government areas, councils now also provide a wide variety of community services, social infrastructure and local facilities.

NSW councils continue to largely rely on funding from the NSW Government to fulfil their responsibilities, coupled with grants from the Australian Government and rates paid by private citizens. Councils must therefore be accountable to the community and the governments who fund their activities for the way they spend this money and manage public assets.

External independent assurance via an audit committee and internal audit function has been seen for some time as key mechanisms to deliver this accountability. Up to 2008, around 20% of NSW councils were voluntarily following the example set by the private sector and implementing some aspect of external assurance or internal audit function into their operations³⁵.

In 2008, the Office of Local Government³⁶ first released guidelines to encourage councils to establish an Audit, Risk and Improvement Committee, risk management framework and internal audit function and set minimum requirements. This led to more councils establishing these mechanisms recognising the benefits they offer.

In 2009, integrated planning and reporting (IP&R) was introduced into the Local Government Act to provide a strategic planning framework for councils. IP&R could also be used to improve the management by councils of actual or potential risks to the strategic goals and objectives.

Reviews by the NSW Auditor-General found that by 2012 over 75 councils had some sort of internal audit function³⁷, and by 2015 about 60 councils (out of 152 councils), equivalent to 39%, had or shared an Audit, Risk and Improvement Committee³⁸. Other research conducted in 2015 suggested full adoption by councils of the other minimum requirements in the Office of Local Government's 2008 Internal Audit Guidelines may have been lower³⁹.

By June 2018, the NSW Auditor-General⁴⁰ found that 86 councils or 62% (out of 138 councils and county councils) now had an internal audit function and the number of councils that had an Audit, Risk and Improvement Committee had risen to 97 or 70%. In terms of risk management, the NSW Auditor-General found that 18 councils did not have a risk management policy and 38 councils did not have a risk register.

³⁵ NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government*: Department of Finance and Cabinet Division of Local Government

³⁶ Then the Department of Local Government

³⁷ NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government*: Department of Finance and Cabinet Division of Local Government

³⁸ Audit Office of NSW (2015) *NSW Auditor-General Update for Audit, Risk and Improvement Committee Chairs*

³⁹ Jones and Beattie (2015) *Local Government Internal Audit Compliance, Australian Association, Finance and Finance Journal* 8(3)

⁴⁰ NSW Auditor-General (2018) *Report on Local Government 2018* (see [enrulum](#))

The findings of various public inquiries and corruption investigations since 2008 have led to increased calls for risk management and internal audit to be mandated for NSW councils.

This was realised in 2016 with amendments to the Local Government Act which require councils to establish an Audit, Risk and Improvement Committee by March 2021. These amendments also enable the making of future regulations to mandate a risk management framework and internal audit function in all councils and set a minimum standard of compliance.

This discussion paper outlines what this regulatory framework is proposed to look like.

A timeline of the key influential events that lead to the development of the proposed mandatory framework is provided in **Appendix 1**.

2. Proposed policy framework

The risk management and internal audit framework proposed for the NSW local government sector seeks to:

- ensure each council (including county council/joint organisation) in NSW has an Independent Audit, Risk and Improvement Committee that adds value to the council
- ensure each council (including county council/joint organisation) in NSW has a robust risk management framework in place that accurately identifies and mitigates the risks facing the council and its operations
- ensure each council (including county council/joint organisation) in NSW has an effective internal audit function that provides independent assurance that the council is functioning effectively and the internal controls the council has put into place to manage risk are working, and
- establish a minimum standard for these mechanisms based on internationally accepted standards and good practice guidance.

The framework has been based primarily on the NSW public sector risk management and internal audit framework (as recommended by the Independent Commission Against Corruption⁴¹) and the Ippf⁴².

It has also taken into consideration:

- the existing *Internal Audit Guidelines* updated by the Office of Local Government in 2010⁴³
- the internal audit-related recommendations of the Independent Local Government Review Panel's 2013 inquiry⁴⁴ and the Local Government Acts Taskforce's 2013 review⁴⁵
- recommendations made by the Independent Commission Against Corruption in its various public inquiries into local councils in NSW⁴⁶
- the Australian Government's public sector internal audit framework

⁴¹ Independent Commission Against Corruption (2013) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*.

⁴² The Institute of Internal Auditors (2017) *International Professional Practices Framework: International Standards for the Professional Practice of Internal Auditing*.

⁴³ Division of Local Government (2010) *Internal Audit Guidelines*.

⁴⁴ Independent Local Government Review Panel (2013) *Revitalising Local Government: Final Report of the NSW Independent Local Government Review Panel*.

⁴⁵ Local Government Acts Taskforce (2013) *A New Local Act for New South Wales and Review of the City of Sydney Act 2008*.

⁴⁶ Independent Commission Against Corruption (2017) *Investigation into the former City of Botany Bay Council Chief Financial Officer and others*, ICAAC Report July 2017 and Independent Commission Against Corruption (2013) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*.

- opinions, research and recommendations of leaders and practitioners in risk management and internal audit, and
- feedback obtained from NSW Treasury, the NSW Audit Office, the Department of Finance, Services and Innovation, the Institute of Internal Auditors and executive members of the Local Government Internal Auditors Network on earlier drafts of this discussion paper.

An overriding concern has been to ensure that the proposed framework reflects the unique structure and needs of NSW local government and that it also minimises the administrative and resource impacts for councils. For this reason, there are components of the proposed framework that are unique to NSW councils and not reflected in the above mentioned resources.

3. Proposed statutory framework

The proposed statutory framework regulating internal audit in NSW councils (including county council/joint organisation) will consist of the current provisions in the Local Government Act, new regulations in the Local Government Regulation and new guidelines.

Current legislation

Audit, Risk and Improvement Committee

Section 428A of the Local Government Act (when proclaimed) will require each council to establish an Audit, Risk and Improvement Committee to continuously review and provide independent advice to the general manager and the governing body of the council about:

- whether the council is complying with all necessary legislation
- the adequacy and effectiveness of the council's risk management framework, fraud and corruption prevention activities, financial management processes, and the council's financial position and performance
- the council's governance arrangements
- the achievement of the goals set out in the council's community strategic plan, delivery program, operational plan and other strategies
- how the council delivers local services and how to improve the council's performance of its functions more generally
- the collection of performance measurement data by the council, and
- any other matters prescribed by the Local Government Regulation⁴⁹.

Section 428B (when proclaimed) will also allow a council to establish a joint Audit, Risk and Improvement Committee with another council/s including through joint or regional organisations of councils.

Other supporting provisions

Amendments made to the Local Government Act in 2016 to prescribe new guiding principles for councils, and update the prescribed roles and responsibilities of the governing body and general manager will support and inform the work of the Audit, Risk and Improvement Committee and provide for the future establishment of a risk management and internal audit function in each council. These guiding principles and roles and responsibilities have already been proclaimed.

⁴⁹ Internal audit will be a matter prescribed under the Regulation.

Guiding principles

The guiding principles of the *Local Government Act* require each council to carry out its functions in a way that provides the best possible value for residents and ratepayers. The guiding principles also specify that councils are to:

- spend money responsibly and sustainably, and align general revenue and expenses (s 88(a))
- invest in responsible and sustainable infrastructure for the benefit of the local community (s 88(b))
- effectively manage their finances and assets and have sound policies and processes for performance management and reporting, asset maintenance and enhancement, funding decisions, and risk management practices (s 88(c))
- ensure the current generation funds the cost of its services and achieves intergenerational equity (s 88(d)), and
- manage risks to the local community, area or council effectively and proactively (s 88(f)).

Role of the governing body

Under section 223, the statutory role and responsibilities of the governing body include:

- directing and controlling the affairs of the council in accordance with the *Local Government Act* (s 223 (1)(a))
- ensuring as far as possible the financial sustainability of the council (s 223 (1)(c))
- ensuring as far as possible that the council complies with the guiding principles of the *Local Government Act* (s 223 (1)(d))
- keeping the performance of the council under review (s 223 (1)(g))
- making the decisions necessary to ensure the council properly exercises its regulatory functions (s 223 (1)(h)), and
- being responsible for ensuring that the council acts honestly, efficiently and appropriately (s 223 (1)(i)).

Role of the general manager

Under section 335, the general manager is responsible for ensuring the operational delivery of council's risk management framework and internal audit function. This includes:

- conducting the day-to-day management of the council in accordance with the strategic plans, programs, strategies and policies of the council (s 335(a))
- implementing, without undue delay, the lawful decisions of the council (s 335(b))
- advising the governing body on the development and implementation of the council's plans, programs, strategies and policies (s 335(c)), and
- ensuring that the Mayor and other councillors are given timely information and advice and the administrative and professional support necessary to effectively discharge their functions (s 335(f)).

Clause 209 of the *Local Government Regulation* also states that the general manager must ensure that:

- the council complies with all legal financial obligations, including the keeping of accounting records
- effective measures are taken to secure the effective, efficient and economical management of financial operations within each division of the council's administration
- authorised and recorded procedures are established to provide effective control over the council's assets, liabilities, revenue and expenditure and secure the accuracy of the accounting records, and
- lines of authority and the responsibilities of members of the council's staff for related tasks are clearly defined.

New regulations

The operation of sections 428A and 428B will be supported by new regulations. These will prescribe the requirements that councils are to comply with when appointing their Audit, Risk and Improvement Committee and establishing their risk management framework and internal audit function. They will also include internal audit as a function of the Committee under section 428A(2)(i) of the Local Government Act.

The Local Government Regulation will provide for a Model Internal Audit Charter and Model Terms of Reference for Audit, Risk and Improvement Committees which all councils must adopt and comply with. This discussion paper describes the key requirements that will ultimately be prescribed by the Local Government Regulation.

New guidelines

To support compliance with the Local Government Act and Regulation, *Guidelines for NSW Local Government Audit, Risk and Improvement Committees, Risk Management Frameworks and Internal Audit Functions* will be issued under section 23A of the Local Government Act. These Guidelines will outline the core requirements that each council's Audit, Risk and Improvement Committee, risk management framework and internal audit function must have.

A key aim of the Guidelines will be to create a strong and effective risk management framework and internal audit function in all councils by establishing minimum standards that reflect accepted international standards.

The nine core requirements of the Guidelines that councils will need to comply with are summarised below and explained in greater detail throughout the rest of this discussion paper.

The Office of Local Government will, on a periodic basis and at least once every five years, review the Local Government Regulation and Guidelines to assess the efficiency and effectiveness of internal audit requirements and the local government sector's compliance.

CORE REQUIREMENT 1: Appoint an independent Audit, Risk and Improvement Committee
<p>(a) Each council (including county council/joint organisation) is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act.</p> <p>(b) The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on a model terms of reference, and approved by the governing body of the council after endorsement by the Committee.</p> <p>(c) The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are pre-qualified via the NSW Government's Prequalification Scheme: <i>Audit and Risk Committee Independent Chairs and Members</i>.</p> <p>(d) Audit, Risk and Improvement Committee members and the Chair are to serve a three to five year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years.</p> <p>(e) The Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit Executive should attend (except where excluded by the Committee).</p> <p>(f) Audit, Risk and Improvement Committee members are to comply with council's Code of Conduct and the conduct requirements of the NSW Government's Prequalification Scheme: <i>Audit and Risk Committee Independent Chairs and Members</i>.</p> <p>(g) Disputes between the general manager and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the governing body of the council.</p> <p>(h) The Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body of the council and be assessed by an external party at least once each council term as part of council equality assurance and improvement program.</p> <p>(i) The general manager is to nominate a council employee/s to provide secretarial support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings.</p>
CORE REQUIREMENT 2: Establish a risk management framework consistent with the current Australian risk management standards
<p>(a) Each council (including county council/joint organisation) is to establish a risk management framework that is consistent with current Australian standards for risk management.</p> <p>(b) The governing body of the council is to ensure that the council is sufficiently resourced to implement an appropriate and effective risk management framework.</p> <p>(c) Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process. This includes recording council's risk tolerance and how risk that falls outside tolerance levels will be treated.</p> <p>(d) Each council is to fully integrate its risk management framework with all of council's decision-making, operational and integrated planning and reporting processes.</p> <p>(e) Each council is to formally assign responsibilities for risk management to the general manager and/or managers and/or council staff and to ensure accountability.</p> <p>(f) Each council is to ensure its risk management framework is regularly monitored and reviewed.</p> <p>(g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities.</p> <p>(h) The general manager is to publish in council's annual report an attestation or certification indicating whether the council has complied with the risk management requirements.</p>

<p>CORE REQUIREMENT 3: Establish an internal audit function mandated by an Internal Audit Charter</p> <p>(a) Each council (including county council/joint organisation) is to establish an internal audit function.</p> <p>(b) The governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work.</p> <p>(c) The governing body of the council is to assign administrative responsibility for internal audit to the chief executive manager and to include it in their employment contract and performance reviews.</p> <p>(d) The Chief Audit Executive is to develop an Internal Audit Charter, based on a model charter, which will guide how internal audit is conducted by the council. The Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee.</p>
<p>CORE REQUIREMENT 4: Appoint internal audit personnel and establish reporting lines</p> <p>(a) The general manager is to appoint a Chief Audit Executive to advise the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee.</p> <p>(b) The Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager and attend all committee meetings.</p> <p>(c) The general manager is to ensure that, if required, council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or completely or partially outsource their internal audit function to an external provider.</p>
<p>CORE REQUIREMENT 5: Develop an agreed internal audit work program</p> <p>(a) The Chief Audit Executive is to develop a four-year strategic plan to guide the council's longer term internal audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee.</p> <p>(b) The Chief Audit Executive is to develop an annual risk-based internal audit work plan based on the strategic plan, to guide council's internal audits each year. This work plan is to be developed in consultation with the governing body, general manager and senior managers and approved by the Audit, Risk and Improvement Committee.</p> <p>(c) The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed.</p>
<p>CORE REQUIREMENT 6: How to performing and report internal audits</p> <p>(a) The Chief Audit Executive is to ensure that the council's internal audits are performed in accordance with the IPFF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee.</p> <p>(b) The Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits.</p> <p>(c) The Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a response from the relevant senior manager.</p> <p>(d) All internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit, Risk and Improvement Committee, external auditor and governing body of the council (by resolution).</p>

<p>CORE REQUIREMENT 7: Undertake ongoing monitoring and reporting</p> <p>(a) The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits undertaken and progress made implementing corrective actions.</p> <p>(b) The governing body of the council is to be advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions.</p> <p>(c) The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair.</p>
<p>CORE REQUIREMENT 8: Establish a quality assurance and improvement program</p> <p>(a) The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each council term.</p> <p>(b) The general manager is to publish in the council's annual report an annual declaration certificate indicating whether council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function.</p>
<p>CORE REQUIREMENT 9: Councils can establish shared Internal audit arrangements</p> <p>(a) A council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils.</p> <p>(b) The core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specific exceptions that reflect the unique structure of shared arrangements.</p> <p>(c) The general manager of each council in any shared arrangement must sign a Shared Internal Audit Arrangement that describes the agreed arrangements.</p>

Implementation timelines

The transitional arrangements built into the Local Government Act mean that the requirement to have an Audit, Risk and Improvement Committee will not come into force until six months after the next ordinary elections in September 2020. Councils will therefore have until March 2021 to establish their Audit, Risk and Improvement Committees in line with the regulatory requirements proposed in this discussion paper.

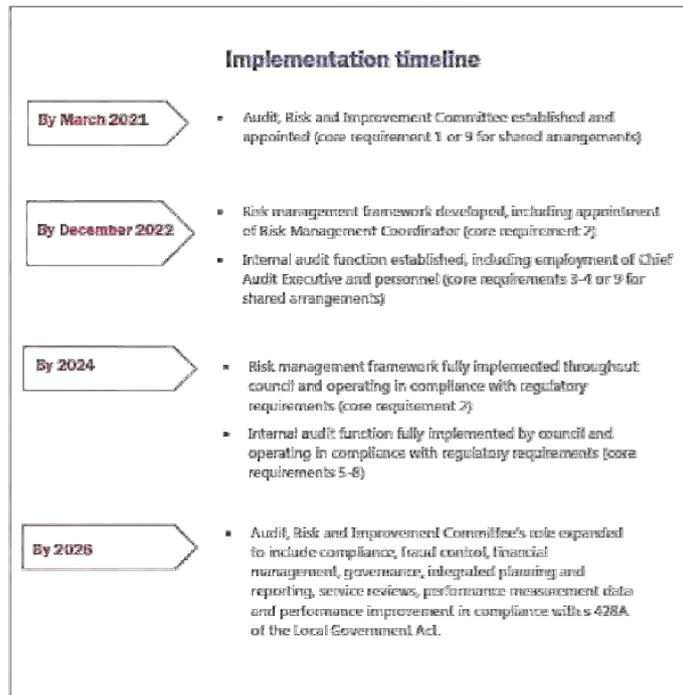
It is proposed that councils will then have a further 18 months, until December 2022, to establish and resource their internal audit function and risk management framework (guided by the Audit, Risk and Improvement Committee).

Councils' Audit, Risk and Improvement Committees will focus on ensuring the council's internal audit function and risk management framework comply with regulatory requirements during the following three years, until 2024.

As these functions are bedded down, the role of the committee is to broaden to comply with the remaining requirements of sections 428A of the Local Government Act.

Full compliance with s 428A of the Local Government Act will be expected by 2026. However, councils that already have an Audit, Risk and Improvement Committee and a mature internal audit function and risk management framework will be encouraged to comply sooner.

This implementation timeline is illustrated below.



4. Benefits of risk management and internal audit for NSW local government

Risk management and internal audit will be a valuable asset for councils.

Risk management will help each council to ensure that any risks to the achievement of its strategic goals and objectives are identified and managed effectively.

Audit, Risk and Improvement Committees and internal audit will provide councils with independent, objective assurance that they are doing things the best way that they can for their community. It will also lead to each council having effective risk management, control and governance processes which will help to instil stakeholder and community confidence in the council's ability to operate effectively.

If implemented effectively, these mechanisms will also lead to each council:

- having better and more efficient levels of service delivery
- achieving better operational consistency across council
- having a greater likelihood of achieving its goals and objectives
- using its resources more efficiently and effectively
- having improved responsiveness and flexibility
- having increased accountability and transparency
- achieving better decision making and having the confidence to make difficult decisions
- developing good internal governance
- having increased financial stability
- being more resilient to change
- achieving and maintaining compliance with all laws, regulations, internal policies and procedures
- safeguarding its assets
- more reliable, timely and accurate financial and management reporting
- maintaining business continuity, and
- focusing on doing the right things, the right way.

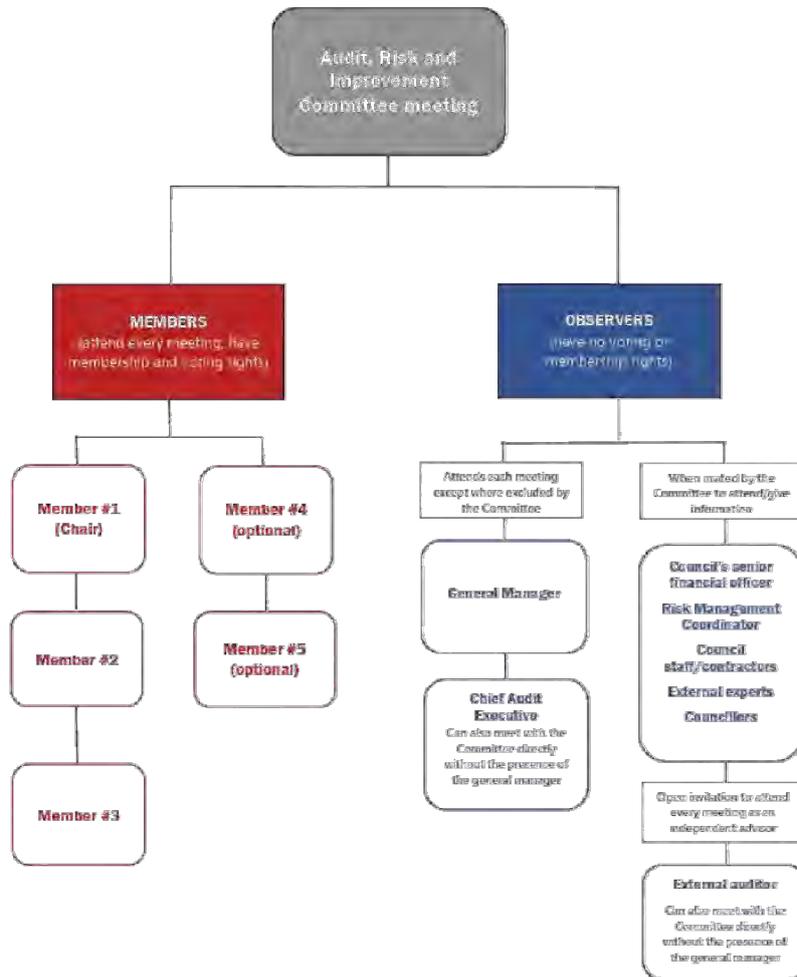
PROPOSED CORE REQUIREMENTS

Core requirement 1: Appoint an independent Audit, Risk and Improvement Committee

Proposal

It is proposed that

- (a) each council (including county council/joint organisation) is to have an independent Audit, Risk and Improvement Committee that reviews all the matters prescribed in section 428A of the Local Government Act
- (b) the Audit, Risk and Improvement Committee is to operate according to terms of reference, based on model terms of reference, approved by the governing body of the council after endorsement by the Committee
- (c) the Audit, Risk and Improvement Committee is to comprise of three to five independent members who are pre-qualified via the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- (d) Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years
- (e) the Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit Executive should attend except where excluded by the Committee
- (f) Audit, Risk and Improvement Committee members are to comply with the council's Code of Conduct and the conduct requirements of the NSW Government's *Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members*
- (g) disputes between the general manager and/or the Chief Audit Executive are to be resolved by the Audit, Risk and Improvement Committee. Disputes with the Committee are to be resolved by the governing body of the council
- (h) the Audit, Risk and Improvement Committee is to provide an annual assurance review to the governing body of the council and be assessed by an external party at least once each council term as part of the council's quality assurance and improvement program, and
- (i) the general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes must be recorded for all committee meetings.



Description

(a) Each council (including county council/joint organisation) is to have an independent Audit, Risk and Improvement Committee that reviews all matters prescribed in section 428A of the Local Government Act

Each council in NSW, (including county council/joint organisation), will be required to have an independent Audit, Risk and Improvement Committee that reviews all matters prescribed in section 428A of the Local Government Act.

It is recognised that each council will have different Audit, Risk and Improvement Committee requirements depending on its size, needs, budget and complexity of operations. To provide councils greater flexibility, they can either:

- directly appoint an Audit, Risk and Improvement Committee for their exclusive use
- utilise a joint Committee established by their joint or regional organisation of councils that is shared by member councils, or
- share their Committee with another council/s in close proximity or of their choosing as part of an independent shared arrangement.

It is recommended that county councils, due to their size, enter into a shared arrangement with one of their member councils or utilise an internal audit function established by a joint or regional organisation of councils.

Some of the requirements for shared arrangements will differ from those of stand-alone Audit, Risk and Improvement Committees established for a council's exclusive use (as described in core requirements 1-8). Core requirement 9 outlines the specific requirements of shared arrangements.

Role and functions

Under section 428A of the Local Government Act, each council must have an Audit, Risk and Improvement Committee to keep under review the following aspects of the council's operations:

- (a) compliance
- (b) risk management
- (c) fraud control
- (d) financial management
- (e) governance
- (f) implementation of the strategic plan, delivery program and strategies
- (g) service reviews
- (h) collection of performance measurement data by the council, and
- (i) any other matters prescribed by the regulation (i.e. internal audit).

The Committee will also provide information to the council for the purpose of improving council's performance of its functions.

The Audit, Risk and Improvement Committee is to provide an advisory and assurance role only, and is to have no administrative function, delegated financial responsibility or any management functions.

Audit, Risk and Improvement Committees will be required to give independent advice and assurance to the general manager and the governing body of the council on the issues listed in the following table. It is envisaged that these items will be standing items on agenda of each committee meeting. Beyond this, committees will have the flexibility to address the unique challenges and operating environment of each council.

It will be a matter for each council to decide whether or not its Audit, Risk and Improvement Committee also serves any entities formed by the council.

**Audit, Risk and Improvement Committee:
role and responsibilities**

Audit

Issue (s 428A)	Committee's role and responsibilities
Internal audit	<p>Advisory</p> <ul style="list-style-type: none"> • providing overall strategic and executive direction for internal audit activities • advising the general manager and governing body of the council of the resources necessary to successfully deliver the internal audit function • assessing the adequacy and effectiveness of council's internal audit activities • acting as a forum for communication between the governing body, general manager, senior management, the internal audit function and external audit • overseeing the coordination of audit programs conducted by internal and external audit and other relevant functions and • ensuring the council achieves maximum value from its internal audit activities. <p>Review</p> <ul style="list-style-type: none"> • the appropriateness of council's Internal Audit Charter, internal audit policies and procedures • audit/risk methodologies used • the findings/recommendations of internal audit activities, particularly recommendations that have been assessed as the most significant according to the risk to the council if they are not implemented • the effectiveness of corrective actions implemented • compliance with statutory requirements • the performance of the Chief Audit Executive and the internal audit function as part of the council's internal audit quality improvement program • the findings of any external reviews of the internal audit function <p>Endorsement of</p> <ul style="list-style-type: none"> • the council's Internal Audit Charter, internal audit strategic four-year plan and annual work plan, and • the appointment and remuneration of the Chief Audit Executive
External audit	<p>Advisory</p> <ul style="list-style-type: none"> • acting as a forum for communication on external audit issues, and • advising on the findings of external audits and monitoring the implementation by the council of any recommendations for Executive action.

Risk

Issue (s) 42(a)	Committee's role and responsibilities
Risk management	<p>Adviser – advising whether:</p> <ul style="list-style-type: none"> • the council has provided sufficient resources for risk management and staff are able to carry out their risk management responsibilities • the council's risk management framework complies with current Australian risk management standards • the council's risk management framework operates effectively and supports the achievement of council's strategic goals and objectives • management has embedded a positive risk management culture • risk management is fully integrated into all aspects of the council, including decision-making processes and operations • risks are formally considered when developing and implementing all council policies, programs, projects and other activities, including procurement • major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect council's risk criteria • risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities • there are council specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risks, fulfil their responsibilities, and • the council's risk management policies, procedures and plans are being complied with <p>Review the appropriateness and effectiveness of the council's:</p> <ul style="list-style-type: none"> • risk plans • internal control framework • risk register and risk profile • risk reports • risk management framework in relation to its insurance arrangements and • business continuity plans and natural disaster plans, including periodic testing <p>Endorsement of:</p> <ul style="list-style-type: none"> • the council's risk management policy, risk management plan and risk criteria prior to their approval by the governing body of the council, and • the council's risk profile and risk register A plan prior to their approval by the general manager
Control framework	<p>Providing independent assurance on the following internal controls implemented by the council to manage specific categories of risk:</p> <p>The council's compliance framework – advising whether:</p> <ul style="list-style-type: none"> • management has embedded a culture which is committed to lawful and ethical behaviour • the council has in place necessary policies and procedures and that these are periodically reviewed and updated • the council is complying with all necessary legislation, regulations, policies and procedures • management has appropriately considered all legal and compliance risks as part of the council's risk assessment and management arrangements • delegations are properly managed and exercised, and • the council's system for monitoring compliance is effective

Issue (s 428A)	Committee's role and responsibilities
	<p>The council's fraud and corruption framework – advising whether the:</p> <ul style="list-style-type: none"> • council's fraud and corruption prevention plan and activities are adequate and effective and • council has appropriate processes and systems in place to capture and effectively investigate fraud-related information. <p>The council's financial management and external accountability framework – including:</p> <ul style="list-style-type: none"> • advising whether the council's financial management processes are adequate • assessing the policies and procedures for council management's review and consideration of the council's current and future financial position and performance and the nature of that review (including the approach taken to addressing variances and budget risks) • advising on the adequacy of early close and year-end review procedures and • reviewing council's financial statements, including: <ul style="list-style-type: none"> ○ providing input and feedback on council's financial statements ○ advising whether council is meeting its external accountability requirements ○ advising whether appropriate action has been taken in response to audit recommendations and adjustments ○ satisfying itself that the financial statements are supported by appropriate management sign-off ○ reviewing the Statement by Councillors and Management (made pursuant to s 113(2)(c) of the Local Government Act) ○ reviewing the processes in place designed to ensure that financial information included in the council's annual report is consistent with the signed financial statements ○ reviewing cash management policies and procedures ○ reviewing policies and procedures for the collection, management and disbursement of grants and tied funding, and ○ satisfying itself that the council has a performance management framework that is linked to organisational objectives and outcomes <p>The council's governance framework – including:</p> <ul style="list-style-type: none"> • advising on the adequacy and robustness of the processes and systems that the council has put in place to govern day to day activities and decision-making, and • reviewing whether controls over external parties such as contractors and advisors are sound and effective.

Improvement

Issue (s 428A)	Committee's role and responsibilities
Strategic planning	<ul style="list-style-type: none"> advising whether the council is achieving the objectives and goals in its community strategic plan and has successfully implemented its delivery program, operational plan and other strategies
Service delivery	<ul style="list-style-type: none"> advising how the council is delivering local services and how it could improve its service delivery performance
Performance data and measurement	<ul style="list-style-type: none"> assessing the adequacy of the performance indicators and data the council uses to measure its performance

Learning and development program

Some councils, particularly larger metropolitan councils, already have an established risk management and internal audit framework and have been successfully using these assurance methods for some time. They may just need to make some adjustments to their frameworks to comply with the proposed requirements.

There are other councils that are just starting this journey - for example, they may have appointed an Audit, Risk and Improvement Committee and are now beginning the process of bedding down internal audit and risk management in their councils.

There are also some councils, particularly in rural areas, who do not have any type of internal audit or risk management in place yet, and are starting to think about how this might work for their council.

There is an opportunity for councils to learn from each other's knowledge and experiences, especially during the initial implementation stage.

A sharing and learning program for Audit, Risk and Improvement Committees will be established to facilitate sharing information between committees about how they implement s428A of the Local Government Act and perform the other regulatory requirements placed upon them.

A sharing and learning program for councils (general managers, Chief Audit Executives and/or Risk Management Coordinators) will also be established to facilitate the sharing of information and learning from each other, particularly between councils that have already established a strong internal audit and risk management function and those that are just starting this journey.

The development of these programs will be guided by similar programs established by the Australian Government and bodies such as Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Actuaries Institute.

(b) The Audit, Risk and Improvement Committee is to operate according to terms of reference, based on model terms of reference, approved by the governing body of the council after endorsement by the Committee

Each Audit, Risk and Improvement Committee is to prepare terms of reference to define how it is structured and how it will operate. The terms of reference are to be approved by the governing body after endorsement by the Committee. The terms of reference can also be used by the council as a benchmarking tool to measure the effectiveness of the committee.

The general manager is to ensure that each member of the Audit, Risk and Improvement Committee, including new appointments, are provided with a copy of the terms of reference and a formal induction.

Each Audit, Risk and Improvement Committee's terms of reference are to comply with Model Terms of Reference⁴⁰. This is consistent with councils being required to adopt policies based on model documents (for example, the Model Code of Conduct and the Model Code of Meeting Practice).

The Model Terms of Reference will require each Audit, Risk and Improvement Committee's terms of reference to:

- set out the committee's objectives, authority, composition, tenure, roles, responsibilities, duties, reporting lines, reporting and administrative arrangements
- be sufficiently detailed to ensure there is no ambiguity, and
- have clear guidance on key aspects of the committee's operations.

The Audit, Risk and Improvement Committee will be able to include additional provisions in its terms of reference as long as they do not conflict with the Model Terms of Reference or the IPPF. This will ensure any matters not contemplated by the Model Terms of Reference are addressed by councils in a robust way that complies with internationally recognised industry standards.

As part of the council's quality assurance and improvement program, where the Audit, Risk and Improvement Committee's Terms of Reference include additional provisions, they are to be reviewed annually by the Audit, Risk and Improvement Committee, and once each council term (i.e. four years) by an external party.

(c) The Audit, Risk and Improvement Committee is to comprise of three to five independent members who are prequalified via the NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members

Appointment and size of the Committee

The Audit, Risk and Improvement Committee is to be appointed by the governing body of the council. Councils may find it practical to establish a small committee of councillors and the general manager to conduct the selection process and make appointment recommendations to the larger governing body.

⁴⁰ The Model Terms of Reference will be drafted by the Office of Local Government in consultation with councils based on the final internal audit framework developed following consultation on this discussion paper.

Each council's Audit, Risk and Improvement Committee is to have no fewer than three members and no more than five members. The Chair is to be counted as a member of the committee. The exact size of the committee is to be determined by the governing body of the council, in consultation with the general manager, taking into account the size and complexity of the council's operations and risk profile.

The Chair of the Audit, Risk and Improvement Committee is to act as the interface between the Committee and the general manager, the Committee and the governing body of council, and the Committee and the Chief Audit Executive.

Independence of members

All Audit, Risk and Improvement Committee members must be independent. To be classified as 'independent', a member must be both:

1. Free of any relationships that could be perceived to result in bias or a conflict of interest or interfere with their ability to act independently.

This means an independent committee member cannot:

- o be a councillor of any council in Australia, a candidate at the last election of a council or a person who has held office in a council during its previous two terms
- o be employed (currently or during the last three years) by any council in Australia
- o have a close personal or business relationship with a councillor or a person who has a senior role in the council
- be a current service provider to the NSW Audit Office, or have been a service provider during the last three years
- currently, or within the last three years, provided any material goods or services (including consultancy, legal, internal audit and advisory services) to the council which directly affect subjects or issues considered by the Audit, Risk and Improvement Committee
- be a substantial shareholder, owner, officer or employee of a company that has a material business, contractual relationship, direct financial interest or material indirect financial interest with the council or a related entity, or have an immediate or close family member who is, which could be perceived to interfere with the individual's ability to act in the best interests of the council
- currently or previously acted as an advocate of a material interest on behalf of the council or a related entity, or

2. Selected from the panel of prequalified audit and risk committee independent chairs and members administered by the NSW Government⁴⁹.

The evaluation criteria for prequalification as a member on the Panel includes⁵⁰:

- extensive senior level experience in governance and management of complex organisations
- an ability to read and understand financial statements

⁴⁹ The NSW Government's Prequalification Scheme: Audit and Risk Committee Independent Chairs and Members streamlines selection processes by providing an impartial third party assessment of independent persons seeking appointment to public sector Audit and Risk Committee positions. Individuals prequalified under the scheme have satisfied key skills, knowledge and experience criteria that ensure they will be able to undertake their role on an audit committee effectively. Further information about the scheme can be found at <http://www.ecom.council.nsw.gov.au/com/292/>. The scheme's prequalification criteria may be amended to ensure that members who wish to work with local government satisfy the unique needs and requirements of councils.

⁵⁰ See the prequalification scheme's conditions at <https://tenders.nsw.gov.au/files/2019-04/audit-risk-committee-independent-chairs-and-members-2019-2022-conditions-2019-04-25-50681f2863f26a26> for more information on the scheme's prequalification criteria. These criteria may be amended in relation to council Audit, Risk and Improvement Committees to ensure that members who wish to work with local government satisfy the unique needs and requirements of councils.

- a capacity to understand the ethical requirements of government (including potential conflicts of interest)
- functional knowledge of areas such as:
 - risk management
 - performance management
 - human resources management
 - internal and external auditing
 - financial reporting
 - accounting
 - management control frameworks
 - financial internal controls
 - governance (including planning, reporting and oversight), or
 - business operations
- a capacity to form independent judgements and willingness to constructively challenge/question management practices and information
- a professional, ethical approach to the exercise of their duties
- the capacity to devote the necessary time and effort to the responsibilities of a member of an Audit, Risk and Improvement Committee, and
- possession of a relevant professional qualification or membership (for example, Certified Internal Auditor, Certified Practising Accountant, Chartered Accountant, Certified Practising Risk Manager, Graduate Member of the Australian Institute of Company Directors) is desirable.

Chairs must also possess:

- leadership qualities and the ability to promote effective working relationships in complex organisations
- an ability to communicate complex and sensitive assessments in a factual manner to chief audit executives, senior management, board members and Ministers
- a sound understanding of:
 - the principles of good organisational governance and capacity to understand public sector accountability, including financial reporting
 - the business of the department or statutory body or the environment in which it operates
 - internal audit operations, including selection and review of chief audit executives, and
 - risk management principles.

A person prequalified under the scheme as a "committee member" can only be appointed as a member of an Audit, Risk and Improvement Committee – they cannot be appointed as the Chair. Similarly, only a person pre-qualified as a "Chair" can be appointed as the Chair of an Audit, Risk and Improvement Committee.

Satisfying both these criteria will ensure Audit, Risk and Improvement Committee chairs and members are sufficiently skilled and experienced and have no real or perceived conflicts of interest. It is important to note that prequalification does not automatically mean that an individual satisfies the independence requirements listed in criteria 1 above.

Living in a local government area is not, in itself, to be considered as impacting a person's ability to be independent of council.

Both the governing body of the council and the general manager must ensure that adequate procedures are in place to preserve the independence of the Audit, Risk and Improvement Committee Chair and committee members. Likewise, the chair and members must notify the governing body and/or general manager if a real or perceived threat to their independence arises³¹.

Knowledge, skills and experience collectively needed on the committee

When selecting individual Audit, Risk and Improvement Committee members, the governing body of the council will be required to ensure that the committee as a collective body has the appropriate mix of skills, knowledge and experience to successfully implement its terms of reference and add value to the council.

At least one member of the Audit, Risk and Improvement Committee should have accounting or financial management experience with an understanding of accounting and auditing standards in a local government context.

Each individual should also have sufficient time to devote to their responsibilities as an Audit, Risk and Improvement Committee member.

Fees paid to members and the Chair

Fees paid to Audit, Risk and Improvement Committee members and the Chair are to be the same as those currently paid under the NSW Government's prequalification scheme, as set out in the table below, subject to any changes to the scheme. Members will be able to serve on Audit, Risk and Improvement Committees on a voluntary basis.

The rates include all reasonable costs incurred by members and the Chair engaged under the scheme excluding subsistence and travel costs if travelling into the Sydney metropolitan area from interstate. Subsistence and travel expenses outside the Sydney metropolitan area and/or where the panel member is from interstate are to be charged at the actual cost, or at the rates specified under the *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009*, whichever is the lesser.

The method of payment (e.g. payroll, invoice) will be at the discretion of the council.

Council size	Indicator	Chair fee (excluding GST)	Member fee (excluding GST)
Large	Expenditure greater than \$400 million	\$20,920 per annum	\$2,092 per meeting day including preparation time
Medium	Expenditure between \$50 million and \$400 million	\$18,218 per annum	\$1,821 per meeting day including preparation time
Small	Expenditure less than \$50 million	\$15,514 per annum	\$1,551 per meeting day including preparation time

³¹ As part of their inclusion in the prequalification scheme and prior to their engagement taking effect, chairs and members will be required to provide the council and NSW Government and the details of any other panels they are already on or any other significant appointments with in or outside the local government sector (including their nature, duration, payments to the NSW Government agency administering the scheme). Currently under the scheme, members are only permitted to be appointed to five separate audit committees in the NSW public sector. This requirement will be updated to also include the NSW local government sector.

(d) Audit, Risk and Improvement Committee members and the Chair are to serve a three to five-year term. A member's term cannot exceed eight years and the Chair's term cannot exceed five years

The initial term of membership of an Audit, Risk and Improvement Committee member on any one Audit, Risk and Improvement Committee will be three to five-years to ensure that the committee maintains a fresh approach. Members can be reappointed or extended for a further term/s but the total period of continuous membership on any one committee will not be able to exceed eight years. This includes any term as Chair of the committee. Individuals who have served an eight-year term (either as a member or Chair) must have a three-year break from serving on the committee before being appointed again.

The terms of appointments will commence on the date the legislation is commenced. This includes for any existing members of Audit, Risk and Improvement Committees already established by councils who will remain members under the new arrangements.

Membership is to be regularly rotated to keep a fresh approach and avoid any perceptions of bias or conflicts of interest. Care is to be taken to ensure that membership renewal dates are staggered so knowledge is not lost to the Audit, Risk and Improvement Committee when members change. Ideally, no more than one member should leave the committee because of rotation in any one year.

Each council is to provide a thorough induction to each of its Audit, Risk and Improvement Committee members.

When approving the reappointment or extension of a membership term on the Audit, Risk and Improvement Committee, the governing body of the council is to consider a formal assessment by the Mayor (in consultation with the general manager) of the member's or Chair's performance on the committee.

The Council may engage an external reviewer to undertake this assessment if they choose. Joint or regional organisations may wish to engage an external reviewer that the mayors of member councils can utilise for this purpose.

The reappointment of members is also to be subject to the individual still meeting the independence and prequalification requirements outlined above.

The governing body can appoint the Chair for one term only for a period of three to five years. The Chair's term can be extended but any extension must not cause the total term of the Chair to exceed five years.

(e) The Audit, Risk and Improvement Committee is to meet quarterly, with the ability to hold extra meetings if required. A council's general manager and Chief Audit Executive should attend except where excluded by the Committee

The Audit, Risk and Improvement Committee is to meet at least quarterly over the course of each year. A special meeting may be held, if needed, to review the council's financial statements.

Meetings can be held in person, by telephone or videoconference.

The committee is to ensure that its meeting agenda covers all of its responsibilities, as outlined in the committee's terms of reference, and all the items included in council's annual internal audit work plan.

The Audit, Risk and Improvement Committee will also be able to hold additional meetings where significant unexpected issues arise, or the Chair is asked to hold an additional meeting by the majority of committee members, the general manager, or the governing body of the council (by resolution). The Chair will be responsible for deciding if an additional meeting will be held. To enhance accountability, the ability to hold additional meetings is to be documented in the committee's terms of reference.

Any individual Audit, Risk and Improvement Committee member who wishes to meet with the general manager or governing body of the council to discuss internal audit issues is to do so through the Chair of the committee, and vice versa.

Agenda and minutes

The agenda for each Audit, Risk and Improvement Committee meeting is to be circulated at least one week before the meeting. It is to include as standing items all the lines of defence listed in section 428A of the Local Government Act - internal audit, external audit, risk management, compliance, fraud and corruption, financial management, governance, strategic planning, service delivery and performance measurement.

Audit, Risk and Improvement Committee meeting minutes are to:

- include a record of attendance, items of business considered, decisions and actions arising
- be approved by the Chair before circulation
- be provided to the governing body to enable councillors to keep abreast of assurance issues throughout the year, as well as the general manager, Chief Audit Executive and external auditor
- be provided within two weeks of the meeting date to ensure relevant individuals are made aware of any significant issues discussed at the meeting that need to be dealt with, and
- be treated as confidential unless otherwise specified by the committee - public access should be controlled to maintain confidentiality in accordance with council policy.

Quorum

A quorum is to consist of a majority of Audit, Risk and Improvement Committee members. Where the vote is tied, the Chair is to have the casting vote.

Attendance of non-voting observers at committee meetings

Audit, Risk and Improvement Committee meetings will not be open to the public.

In addition to Audit, Risk and Improvement Committee members, the general manager and the Chief Audit Executive are to attend committee meetings as non-voting observers, except where they are excluded by the committee.

The NSW Auditor-General, as council's external auditor, or their representative, is to be invited to each committee meeting as an independent non-voting observer and can choose whether to attend. The committee can also exclude the external auditor if needed.

The Audit, Risk and Improvement Committee will be able to request to meet with any of the following non-voting individuals whenever necessary in order to seek additional information or explanations:

- privately with the Chief Audit Executive and/or external auditor without the general manager present (this is to occur at least annually)
- council's Chief Financial Officer (or equivalent) given their knowledge of, and responsibility for, council's financial management
- council's Risk Management Coordinator
- any councillor (the Chair of the Committee only)
- any employee or contractor of the council, and/or
- any external independent expert or external party whose advice is needed (subject to confidentiality considerations).

These individuals must comply with the Audit, Risk and Improvement Committee's request.

Others may, with the agreement of the Audit, Risk and Improvement Committee, attend as non-voting observers at committee meetings, but such persons will have no membership or voting rights. The committee can also exclude any of these observers from meetings as needed.

The Audit, Risk and Improvement Committee can also request any written reports or other risk management reports from council's senior management, or other related information as necessary, to enable it to fulfil its assurance role in relation to council's risk management framework. The Committee can also request senior managers to present at Committee meetings to discuss their activities and risks.

The committee will be able to hold closed ('in-camera') meetings whenever it needs to discuss confidential or sensitive issues with only committee members of the Audit, Risk and Improvement Committee present.

The Audit, Risk and Improvement Committee can obtain such external legal or other professional or subject matter expert advice, as considered necessary to meet its responsibilities. The service provider and payment of costs for that advice by the council is subject to the prior approval of the governing body of the council.

Access to council, staff, resources and information

The Audit, Risk and Improvement Committee is to have direct and unrestricted access to the general manager, senior management and staff and contractors of the council in order to perform its role.

The Audit, Risk and Improvement Committee is also to have direct and unrestricted access to the council resources and information it needs to perform its role.

The Audit, Risk and Improvement Committee may only release council information to external parties with the approval of the general manager. The general manager's approval is not required where the information is being provided to an external investigative, audit or oversight agency such as, but not limited to, the Office of Local Government, the NSW Audit Office, the Independent Commission Against Corruption or the NSW Ombudsman for the purpose of informing that agency of a matter that may warrant its attention.

(h) The Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body of the council and be assessed by an external party at least once each council term as part of the council's quality assurance and improvement program.

Annual assurance report

As part of council's quality assurance and improvement program, the Audit, Risk and Improvement Committee is to provide an annual assurance report to the governing body which provides:

- a summary of the work the committee performed to discharge its responsibilities during the preceding year
- advice on the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional clauses to those contained in the Model Terms of Reference)
- an overall assessment of the following aspects of council's operations in accordance with section 428A of the Local Government Act:
 - compliance
 - risk management
 - fraud control
 - financial management
 - governance
 - implementation of the strategic plan, delivery program and strategies
 - service reviews
 - collection of performance measurement data by the council, and
 - any other matters prescribed by the regulation (i.e. internal audit), and
- any other information to help the council improve the performance of its functions.

This will ensure that the governing body of the council receives the committee's independent views about these matters in accordance with legislative requirements each year. It will also enable the governing body to assess the work of the Committee each year.

Strategic external review

At least once each council term (i.e. four years) an external strategic review of the effectiveness of the Audit, Risk and Improvement Committee is to be conducted to assess how the committee is functioning. This will provide accountability and ensure that the governing body of the council can assess how the committee's performance and whether any changes to the committee's terms of reference or membership are required.

This strategic external review is to consider:

- whether the Committee has fulfilled its terms of reference
- the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional provisions to those contained in the Model Terms of Reference)
- the performance of Committee members and whether any change of membership is required
- the way the Committee, external auditor, council and internal audit function work together to manage risk and support the council and how effective this is, and
- whether the work of the Committee has contributed to the improvement of the factors identified in section 428A of the Local Government Act.

The external review is to address the collective performance of the Audit, Risk and Improvement Committee, as well as the individual performance of each member and the Chair. In considering the outcomes of the external strategic review, the review is to consider feedback on each member's performance by the Chair of the Committee, mayor and general manager. The governing body of council will be able to request the Chair of the committee to address the council and answer any questions about the operation of the committee.

Dismissal of committee members and the Chair

The governing body of council may terminate the engagement of the Chair or a member of the Audit, Risk and Improvement Committee where the Chair or member has:

- breached the conditions of the prequalification scheme
- breached the council's Code of Conduct
- performed unsatisfactorily, or
- declared, or is found to be in, a position of a conflict of interest which is unreasonable.

Termination can only occur with the approval of the Chief Executive of the Office of Local Government and is to be reported to the agency which is responsible for administering the Audit, Risk and Improvement Committee prequalification scheme. Approval is not needed for termination where the Chair or member has become ineligible or removed from the prequalification scheme by the agency administering the scheme. Dismissal is automatic in these situations.

(i) The general manager is to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. Minutes are to be recorded for all committee meetings

The general manager will be required to nominate a council employee/s to provide secretariat support to the Audit, Risk and Improvement Committee. The main functions of this role are to be:

- minuting Audit, Risk and Improvement Committee meetings
- preparing agendas, and
- providing the committee with any information it needs to fulfil its responsibilities.

Core requirement 2:
Establish a risk management framework consistent with current Australian risk management standards

Proposal

- It is proposed that:
- (a) Each council (including county council/joint organisation) is to establish a risk management framework that is consistent with current Australian standards for risk management
 - (b) The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework
 - (c) Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process. This includes deciding council's risk criteria and how risk that falls outside tolerance levels will be treated
 - (d) Each council is to fully integrate its risk management framework with all of the council's decision-making, operational and integrated planning and reporting processes
 - (e) Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability
 - (f) Each council is to ensure its risk management framework is regularly monitored and reviewed
 - (g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities, and
 - (h) The general manager is to publish in the council's annual report an attestation/declaration including whether the council has complied with the risk management requirements.

Description

(a) Each council (including county council/joint organisation) is to establish a risk management framework that is consistent with current Australian standards for risk management

Each council in NSW (including county council/joint organisation) will be required to implement a risk management framework that is consistent with the current Australian risk management standard currently AS ISO 31000:2018⁵⁶. The framework is to take an enterprise risk management approach which applies to all council activities and risks, not just well recognised risks such as work health and safety, insurable risks and disaster recovery planning.

⁵⁶ Where ISO 31000:2018 is superseded following a future review by the International Organisation of Standardisation or Standards Australia, councils are to conform to the most current Australian risk management standard. AS ISO 31000:2018 can be found at <https://www.iso.org/standard/69242.html>

The definition of risk management adopted by councils will be the same as that adopted in AS ISO 31000:2018. Risk management comprises of "coordinated activities to direct and control an organisation with regard to risk". Risk is the "effect of uncertainty on objectives, where an effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats".

It is recognised that each council will have different risk management requirements depending on its size, needs, budget, complexity of operations and risk management maturity (i.e. the extent to which risk management has already been implemented in the council). Councils will have the flexibility under AS ISO 31000:2018 to choose the size, scope and delivery of their risk management activities so long as they include a number of key structural components (see below).

Where a council wishes to impose requirements that are additional to the proposed framework, it will be able to do so provided the requirements conform to AS ISO 31000:2018 and do not conflict with regulatory requirements.

(b) The governing body of the council is to ensure that council is sufficiently resourced to implement an appropriate and effective risk management framework

The governing body of each council is to provide the resources needed for:

- implement a risk management framework appropriate to the council, and
- deliver the risk treatments and internal controls needed to ensure the council's risks are appropriately managed.

This forms part of the governing body's responsibility for approving the council's budget.

These resources include the necessary:

- human resources (with appropriate skills and experience)
- technology, equipment, tools and information management systems for managing risk
- documented processes and procedures, and
- professional development and training for staff to ensure they can fulfill their risk management responsibilities.

To ensure that the governing body makes informed budgeting decisions, the Audit, Risk and Improvement Committee is to advise the governing body of the resources needed, having regard to any budgetary constraints and the council's operational environment.

Where the Audit, Risk and Improvement Committee considers the resourcing provided for risk management is insufficient relative to the risks facing the council, it is to draw this to the attention of the general manager and the governing body of the council. The Chair of the Committee is to also ensure that the Committee's funding recommendations are minuted by the Committee's secretary.

The governing body will also be responsible for approving key elements of the council's risk management framework, including the council's risk management policy, risk management plan and risk criteria, following their endorsement by the Audit, Risk and Improvement Committee (see below).

(c) Each council's risk management framework is to include the implementation of a risk management policy, risk management plan and risk management process. This includes deciding the council's risk criteria and how risk that falls outside tolerance levels will be treated

In compliance with AS ISO 31000:2018, each council's risk management framework is to comprise the following key elements:

Risk management policy

Each council will be required to adopt a risk management policy that communicates the commitment of the governing body and the general manager to risk management, and how risk management will be undertaken by the council. The risk management policy is to be approved by the governing body, after endorsement by the Audit, Risk and Improvement Committee.

The council's risk management policy is to describe, at a minimum:

- The council's risk management objectives and priorities, and how these are linked to the council's strategic plans and objectives
- how risk management will be integrated into the overall culture of the council, core business activities and decision making
- the council's risk criteria
- how the council's risk management policy sits within, and is supported by the council's other policies
- who in the council is accountable and responsible for managing risk in the council
- the resources that will be made available, and
- how the council's risk management performance will be reviewed, measured, reported and improved.

The council's risk management policy can also provide guidance to council staff on the council's commitment to:

- integrating risk management into the council's procedures and practices
- communicating the council's approach to managing risk
- coordinating the interface between risk management and other assurance activities, for example, the Audit, Risk and Improvement Committee, the council's internal audit function and external audit, and
- incorporating risk management into internal staff induction and professional development programs.

The council's risk management policy is to be reviewed at least once each council term, or within one year if there is a significant restructure or change.

Risk management plan

Each council is to develop and implement a risk management plan that provides a structure for how the council will implement its risk management policy and conduct its risk management activities. The chief purpose of the plan is to ensure that the council's arrangements for managing risks are clearly understood and practised, and identifies where, when and how different types of decisions relating to risk are made across the council and by whom.

To do this, it must include:

- the activities the council will undertake to implement its risk management policy
- roles, accountabilities and responsibilities in relation to risk management
- the timeframes for risk management activities

- how risk management processes will be implemented and maintained (see below)
- resourcing requirements (people, IT and physical assets)
- training and development requirements
- performance measures that will be used to evaluate the success of the council's risk management framework, and
- how and when the council's risk management framework will be reviewed.

Depending on the size, complexity and nature of the council, the council may require a single risk management plan or a hierarchy of linked risk management plans.

The governing body is to approve the council's risk management plan, and any changes made to it, after endorsement by the Audit, Risk and Improvement Committee.

Risk management plans should be living documents and regularly reviewed to reflect current and emerging risks as circumstances change.

Risk management process

The risk management process is a systematic way of identifying, assessing and prioritising risks, deciding how they will be managed, and documenting and communicating this across the council. A summary diagram of the risk management process is provided below.

Each council's risk management process is to include the following stages to ensure its risks are managed effectively. Each stage is to be performed in accordance with AS ISO 31002:2018, using qualitative, semi quantitative or quantitative methods and techniques that best suit the council's operations, risk management maturity and decision making needs. NSW Treasury has released a *Risk Management Toolkit for NSW Public Sector Agencies* that councils can use to help them establish their risk management framework⁵⁵.

All knowledgeable council staff are to be involved and councils are encouraged to access external expertise where required.

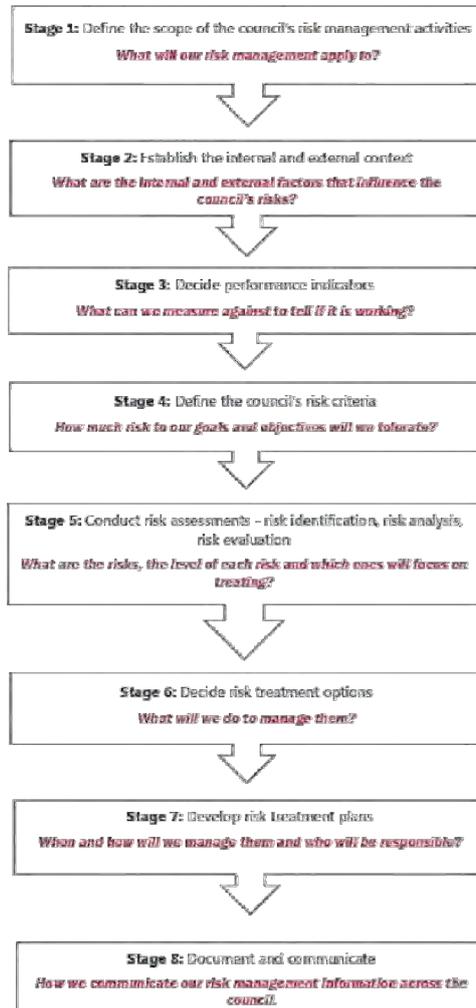
Stage 1: Define the scope of the council's risk management activities

The council is to decide and document the scope of its risk management activities to assist in planning the council's risk management approach. The scope to be decided includes aspects such as:

- the objectives of the council's risk management framework and outcomes expected
- the resources required to plan and develop the framework
- who is responsible for planning and developing the framework
- what records will be kept, and
- what will be the relationship of the risk management framework to other council projects, processes and activities.

⁵⁵ The *Risk Management Toolkit for Public Sector Agencies* (IPP 12-09) can be found at: <https://www.treasury.nsw.gov.au/information-public-and-transparency/risk-and-compliance/risk-and-compliance/risk-management/risk-management>

Stages of council's risk management process



Stage 2: Establish the internal and external context

The council is to ensure that it understands and documents the internal and external environment or parameters it operates in and how risk management will impact, and be impacted by these. Factors to be taken into consideration should include internal, political, economic, socio-cultural, technological, legal, and environmental trends and drivers that influence the council's operating environment and can be a source of risk.

Stage 3: Decide performance indicators

The council is to decide the performance indicators it will use to measure the effectiveness of its risk management framework and identify gaps between its actual and desired performance. The performance indicators selected need to be able to be easily measured on an ongoing basis, easily interpreted and understood by staff and management, and provide a meaningful picture of the council's risk management performance.

Stage 4: Define the council's risk criteria

The council is to decide its risk criteria - that is, the amount and type of risk that it is willing to take, or not take, in order to achieve its strategic plan and objectives. It should also define criteria to evaluate the significance of risk based on the council's values, objectives and resources. This will ensure that all council staff have a common understanding of how to evaluate whether a risk is significant and requires a response. It will also ensure that ongoing decision making about specific activities is consistent across the council.

While the council's risk criteria must be established at the beginning of the risk assessment process, it is dynamic and should be continually reviewed and amended as changes occur to the council's internal or external context.

The council's risk criteria is to be approved by the governing body of the council, after endorsement by the Audit, Risk and Improvement Committee.

Stage 4: Conduct risk assessments

The council is to conduct risk assessments using the following three-step process⁵⁶:

- **risk identification** - as a first step to assessing what risks need managing, the council is to identify and categorise any risks it is aware of that may help or prevent the council from achieving its strategic goals and objectives. Risk categories could include, for example, council governance risks, fraud and corruption risks, financial risks, compliance risks, risks to council policies, programs and projects, risks to the continuity of operations and services, environmental damage risks, work health and safety risks, purchasing and procurement risks and reporting risks
- **risk analysis** - once each risk is identified, the council is to assess the effectiveness of any controls that already exist to reduce or enhance the likelihood of a particular event and manage the nature and magnitude of any consequences. This will enable the council to determine the overall level of risk that exists, and
- **risk evaluation** - once the overall level of risk is determined, the council is to assess and decide which risks require further treatment, and in what order of priority. This is to involve comparing the overall level of risk that exists (based on the risk analysis performed) to the council's risk criteria.

⁵⁶ In addition to AS ISO 31000:2018, *ISO 31000 Risk management - risk management techniques* provides additional guidance on each step of the risk assessment process. This standard can be found at <https://www.iso.org/standards/31000.html>

Those risks that fall outside the risk levels the council is willing to tolerate are to be proactively managed. The least tolerable risks are to be given the highest priority.

Stage 5: Decide risk treatment options

The council is to determine a strategy for the treatment of each risk. A decision should be made to either:

- minimise the risk by implementing controls (see stage 6)
- avoid the risk by adopting alternative approaches (for example, revising the timing of a project, choosing a different delivery model)
- transfer the risk to another party which has greater control over the risk, or is less susceptible to the impact of the risk (for example, insurance), or
- accept the risk and develop contingency plans to minimise the impact should the risk eventuate.

Stage 6: Develop risk treatment plans

The council is to develop risk treatment plans that document how the control will be implemented and integrated into the council's day-to-day management and operational processes. Risk treatment plans are to include:

- the rationale, actions to be taken and expected outcome of control
- who is responsible for implementing the control
- resources required
- timeframes, and
- necessary monitoring and reporting, including the performance indicators that will be used to measure the controls effectiveness.

The general manager is to approve the council's risk treatment plans.

Stage 7: Document and communicate

The council is to develop risk reports to summarise and communicate to all staff what risks the council faces. These reports will also be used by the council to regularly review the risk management framework.

Each council's risk reports will vary, dependent on the needs, complexity and risk maturity of each council. At a minimum, however, they should include:

- a risk profile – this is a high-level status report which describes the priorities and management of risk across the council. It provides an overall picture of a council's risk profile, identifies risk priorities, explains the rationale for decisions made about individual risks and allows those responsible for managing particular risks to see how their risks/controls fit into the council's overall risk management framework, and
- risk registers – these describe and prioritise each individual risk, including its cause/s, impact/s and control/s. They also outline who in the council is responsible for managing individual risks.

Risk reports are to be approved by the general manager, following endorsement by the Audit, Risk and Improvement Committee.

(d) Each council is to fully integrate its risk management framework within all of the council's decision-making, operational and integrated planning and reporting processes

The council's risk management framework must be integrated within all of the council's decision-making processes, governance structures, operational procedures and integrated planning and reporting processes for it to be successful.

For effective risk integration to occur, each council must ensure that, in addition to its risk management policy, plan and process, it implements the following supporting elements:

Risk management culture

A poor risk management culture can lead to poor risk management outcomes.

Each council is to foster a positive risk management culture that ensures that the task of managing risks is not seen by management and staff as an additional responsibility or burden, but a normal part of everyday activities and decision-making. A positive risk management culture relies on strong leadership, commitment, reinforcement and communication from the general manager and senior management of the council.

Risk management communication

Poor communication about risk management can lead to a lack of ownership for managing risk.

Each council is to ensure there is clear communication and consultation about risk management to ensure all staff have a common understanding of:

- the basic principles of risk management
- why the council undertakes risk management and how it relates to the council's strategic plans and objectives
- the basis on which decisions within the council are made and the reasons why particular actions are required to manage risk
- the council's risk criteria and risk management policy, plan and priorities
- staff responsibilities and accountabilities for managing certain risks, and
- how to notify new or emerging risks or when something goes wrong or is not working.

The way each council communicates risk management to its staff will vary depending on its needs, organisational structure, existing communication methods and risk maturity. Communication mechanisms could include, for example, specific risk reports relating to key drivers, trends, incidents, risks or business units, formal training programs, information sessions and informal communication such as staff newsletters.

Risk management information system/s

Each council's risk management framework is to be supported by a robust risk management information system that manages risk-related reports, registers, information, documents, policies and procedures. Easy access to information will ensure the council is able to monitor risks/controls and make informed decisions about any further action needed.

The size, complexity and risk management maturity of a council, and the nature of its risk information, will influence the type of risk management information system that it requires. For smaller councils, Microsoft Word or Excel documents that record, report and communicate risk may be appropriate. Larger councils may need to purchase a custom-made product or system.

(e) Each council is to formally assign responsibilities for risk management to the general manager, senior managers and other council staff and ensure accountability

It is the responsibility of all council managers and staff to manage risk.

For risk management to be effective, all staff (permanent, temporary and contractors) must be aware of the risks that relate to their day-to-day roles and activities and their responsibility for managing these risks and following risk management policies and procedures.

To provide accountability, risk management responsibilities are to be clearly articulated in the job descriptions and performance measurement processes of all relevant managers and staff.

Managers and staff with risk management responsibilities are to also have the necessary skills, knowledge and experience required to fulfil their risk management responsibilities, as well as attitudes and behaviours that support risk management.

General manager and senior managers

Consistent with the general manager's role under section 335 of the Local Government Act to conduct the day-to-day management of the council, the general manager will have ultimate responsibility and accountability for risk management in the council.

This includes:

- approving the council's risk management plan, risk treatment plans, risk register and risk profile
- recommending the council's risk management policy and risk criteria for the endorsement of the Audit, Risk and Improvement Committee and approval of the governing body
- overseeing the council's risk management framework and ensuring it is effectively communicated, implemented and reviewed regularly
- promoting and championing a positive risk culture
- ensuring that all council managers and staff (permanent, temporary or contract) understand their risk management responsibilities and that these are included in all job descriptions, staff induction programs, performance agreements and performance appraisals
- annually attesting that council's risk management framework complies with statutory requirements, and
- approving the council's implementation of corrective actions recommended by the council's internal audit function, external audit and Audit, Risk and Improvement Committee.

Depending on the council's needs, resources and organisational structure, and to assist the integration of risk management across the council, the general manager may wish to delegate key aspects of the council's risk management framework to a group of senior managers established for this purpose. The senior management group would report to the general manager on risk management issues.

Tasks delegated to a council's senior management group could include:

- developing the council's risk management policy
- determining the council's risk criteria
- leading the risk management process – for example, evaluating the council's internal and external context, identifying, assessing and prioritising risks and developing risk treatment plans and internal controls
- developing the council's risk register and risk profile
- communicating and implementing the council's risk management policy and plans across council

- advising/reporting on the performance and implementation of the council's risk management framework to the general manager, and
- reviewing recommendations for corrective actions from the Chief Audit Executive and council's internal audit function and determining council's response.

The senior management group is to meet regularly to enable it to fulfil its functions. Council's Risk Management Coordinator is to attend senior management group meetings. The senior management group can also invite the Chief Audit Executive.

Responsibilities for risk management assigned to the general manager and senior managers are to be included in their employment contract and performance reviews.

Risk Management Coordinator and risk management function

The general manager is to appoint a Risk Management Coordinator who will be responsible for the day-to-day activities required to implement the council's risk management framework and provide specialist risk management skills and knowledge.

The Risk Management Coordinator is to report directly to the general manager or a member of the senior management group in relation to council's risk management function.

Whilst this role has been titled as the 'Risk Management Coordinator', councils will be free to use whatever title they wish to refer to this function (for example, Chief Risk Officer, Risk Manager etc.).

The role and responsibilities of the Risk Management Coordinator are to include:

- supporting the senior management group by coordinating and providing clear and concise risk information, advice and/or reports that can be used in planning and decision-making
- coordinating the various activities relating to risk management within the council
- helping to build a risk management culture within the council, including facilitating and driving risk management at the strategic and operational level within the council and ensuring consistency in practice
- ensuring there are easily accessible systems and processes in place to enable all staff to conveniently undertake risk management in their day-to-day work
- ensuring risk management processes are applied consistently across the council
- organising appropriate staff risk management training and development
- developing and maintaining a risk reporting framework to enable regular advising/reporting of key risks, and the management of those risks, to the senior management group
- supporting council staff with their risk management obligations and providing staff with advice and tools to ensure risk management compliance
- implementing effective risk management communication mechanisms and information system/s
- establishing and maintaining an ongoing monitoring system to track the risk management activities undertaken within council and assessing the need for further action
- assessing risk management information for completeness, accuracy and consistency (for example, risk registers, risk treatment plans), and
- preparing advice or reports for the Audit, Risk and Improvement Committee and attending Committee meetings (where requested).

In order to fulfil their role, the Risk Management Coordinator must:

- have a well-developed understanding of the council and its operations
- have the skills, knowledge and leadership qualities required to support and drive risk management
- have sufficient authority to intervene in instances where risk management efforts are being hampered by a lack of cooperation or through lack of risk management capability or maturity, and

- be able to add value to the risk management process by providing guidance and support in managing difficult risk, or risks spread across a number of the council's business units or operational areas.

Each council will have the flexibility to establish its risk management function based on its structure, resourcing, risk management needs and risk management maturity.

For some councils with larger budgets and higher risks, the Risk Management Coordinator will require dedicated staff to help implement the council's risk management framework. For other councils, their size and risk profile may not justify additional risk management staff and the Risk Management Coordinator will be sufficient.

While best practice would see a stand alone Risk Management Coordinator employed by each council, it is recognised that some smaller or rural councils may find it difficult to employ a stand-alone Risk Management Coordinator due to the cost involved, the council's remote location and/or that the council's risk management framework may not require a full-time stand-alone employee.

Councils will, therefore, be able to combine the Risk Management Coordinator's role with other council responsibilities (including the Chief Audit Executive) provided that there are adequate safeguards put in place by the council to limit any cognitive bias (which can lead to faulty risk assessments and decision-making errors).

Depending on the specific needs and circumstances of the council, these safeguards could include:

- the Audit, Risk and Improvement Committee being informed of the Risk Management Coordinator's additional role, including the reporting lines, responsibilities and expectations related to the role
- any potential issues or conflicts of interest arising from the other operational roles held by the Risk Management Coordinator being formally documented and communicated to the Audit, Risk and Improvement Committee
- the Risk Management Coordinator being prohibited from undertaking risk management evaluations and reviews in relation to the council operations they are responsible for. Another senior staff member will conduct these and will report directly to the general manager on the results
- if the Chief Audit Executive and Risk Management Coordinator is a combined role, any independent review of council's risk management framework must be undertaken by an independent external party, and
- the Audit, Risk and Improvement Committee regularly assessing that the safeguards put in place are effective.

Council managers

Responsibility for managing specific policy, project and program risks generally rests with council managers across the council. This includes council managers being responsible, within the sphere of their authority, for:

- promoting awareness of risks and risk treatments that must be implemented
- ensuring council staff are implementing the council's risk management framework as developed and intended and performing their risk management responsibilities
- identifying risks that will affect the achievement of the council objectives
- establishing and/or implementing specific policies, operating and performance standards, budgets, plans, systems and/or procedures to manage risks, and
- monitoring the effectiveness of risk treatment and internal controls.

All other council staff

All council staff are to be responsible for:

- helping to identify risks in their business unit
- implementing risk treatment plans within their area of responsibility
- following standard operating procedures (where applicable), and
- communicating or escalating new risks that emerge to their manager.

(F) Each council is to ensure its risk management framework is regularly monitored and reviewed

The senior management group is to establish and maintain an ongoing monitoring and review process of the information gathered from council's risk management process⁵⁷ to ensure its risk management framework is up-to-date and relevant. It will also enable the senior management group to report to the general manager, governing body of the council and Audit, Risk and Improvement Committee when required about the council's risk management framework.

Each council is to base its ongoing monitoring and review process based on its own needs, however, this should include at a minimum the following two key elements:

1. **Quarterly advice from the Risk Management Coordinator to the senior management group assessing the council's risk profile and risk registers** – this will ensure that risks are being correctly identified, prioritised and treated, and any emerging problems are known and rectified quickly. Any changes are to be captured in updates to the council's risk profile and risk registers, and relevant risk treatment plans.
2. **An annual self-assessment at the end of each financial year by the senior management group of the quality of the council's risk management framework** this is to assess the operation of the risk management framework during the preceding financial year and to ensure:
 - the council is providing sufficient resources for risk management and staff are able to carry out their risk management responsibilities
 - the council's risk management framework complies with AS ISO 31000/2018
 - the council's risk management framework operates effectively and supports the achievement of council's strategic goals and objectives
 - management has embedded a positive risk culture
 - the council's risk criteria is appropriately reflected in council's internal control framework
 - the council takes an enterprise risk management approach that is fully integrated into all aspects of the council, including decision-making processes and operations
 - risks are formally considered when developing and implementing all council policies, programs, projects and other activities, including procurement
 - risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
 - major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect the council's risk criteria
 - the council's internal controls are effective and appropriate
 - the council's risk register and risk profile is current and appropriate

⁵⁷ This includes ongoing monitoring and review of the scope of the council's risk management framework, the context the council operates in, the council's risk criteria, the results of the council's risk assessment, controls implemented, risk treatment plans and risk reports such as the council's risk profile and risk registers.

- o risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities, and
- o the council's risk management policies, procedures and plans are being complied with.

Ultimately the general manager is responsible for the implementation of the council's risk management framework, and ensuring that risks are being managed appropriately. Each council will have the flexibility to decide, based on its own needs and resources, how and when the senior management group reports risk information to the general manager and the governing body of the council.

Standards Australia has released *HSB 158-2010 Delivering assurance based on ISO 31000:2009 Risk management - Principles and guidelines*²⁶ which may assist councils to monitor and review their risk management frameworks.

Performance management system

The senior management group is to ensure the effectiveness of the risk management framework can be assessed. This will require the senior management group and Risk Management Coordinator to ensure that:

- approved risk treatment plans have performance targets that can be measured against goals and objectives, and
- a data collection system is maintained to obtain the data needed to measure the impact of the council's risk management framework.

Performance targets are to be set annually by the senior management group, in consultation with the general manager and the Audit, Risk and Improvement Committee.

(g) The Audit, Risk and Improvement Committee and the council's internal audit function are to provide independent assurance of risk management activities

Role of the Audit, Risk and Improvement Committee

The Audit, Risk and Improvement Committee will be responsible for providing independent assurance to the general manager and governing body that the council's risk management framework is appropriate and working effectively.

This includes advising whether:

- o the council is providing sufficient resources for risk management and staff are able to carry out their risk management responsibilities
- o the council's risk management framework complies with AS ISO 31000:2009
- o the council's risk management framework operates effectively and supports the achievement of the council's strategic goals and objectives
- o management has embedded a positive risk management culture
- o the council's risk criteria is appropriately reflected in the council's internal control framework
- o the council takes an enterprise risk management approach that is fully integrated into all aspects of the council, including decision-making processes and operations

²⁶ More information about HSB 158-2010 can be found at <https://www.standards.org.au/standards/councils/arc/publications/ah-07/hsb-158-2010>. Please note that this standard is based on the previous risk management standard ISO 31000:2009 and may possibly be updated.

- o risks are formally considered when developing and implementing all council policies, programs, projects and other activities, including procurement
- o risk management covers all relevant risk categories including strategic, operational, compliance, reputational and reporting risks
- o major risks have been identified and assessed by the council and appropriate risk treatments have been implemented that reflect the council's risk criteria
- o the council's internal controls are effective and appropriate
- o the council's risk register and risk profile is appropriate
- o risk information is captured and communicated in a timely manner across the council, enabling management and staff to carry out their responsibilities
- o there are council-specific, fit-for-purpose tools, systems and processes to help all those responsible for managing risk to fulfil their responsibilities, and
- o the council's risk management policies, procedures and plans are being complied with.

The Audit, Risk and Improvement Committee's role and responsibilities in relation to risk management are to be documented in its terms of reference.

The frequency and nature of the Committee's assurance to the general manager and governing body is to be determined by the Committee in consultation with the general manager and governing body of the council.

At a minimum, the Audit, Risk and Improvement Committee is to be required to provide an annual assessment of the council's risk management framework as part of its annual assurance report to the governing body of the council. This will ensure that the governing body of the council receives the Committee's independent and objective opinion about the risk management activities conducted each year. It will also support the governing body in the exercise of its oversight role under the Local Government Act.

Reporting to the Audit, Risk and Improvement Committee

The Audit, Risk and Improvement Committee is to determine in consultation with the general manager what information it needs from the council to fulfil its risk management assurance role. Information requirements are to be based on the council's risk management maturity, the resources available and the aspect of the risk management framework being assessed.

Review or information requirements could include, for example:

- advice from the senior management group to each quarterly meeting of the Audit, Risk and Improvement Committee providing an overview of the council's risks and controls and whether significant risks have been identified, assessed and responded to appropriately
- annual advice from the senior management group about the implementation of the council's risk management framework - for example, whether it conforms with AS ISO 31000:2018, the risk process has been implemented effectively, there is a positive risk culture, the council's risk register and profile are appropriate, the council's risk management policy and procedures are being complied with, and/or
- an independent strategic review by the internal audit function or an external party at least once each council term (i.e. four years) assessing adequacy of the risk management framework.

The Audit, Risk and Improvement Committee will also be informed by any findings or recommendations made by the council's external auditor in relation to risk management.

The senior management group will be required to develop an action plan for the general manager and the Audit, Risk and Improvement Committee to address any risk management issues identified by the Committee.

Role of the internal audit function

The council's internal audit function will support the Audit, Risk and Improvement Committee to fulfil its assurance responsibilities through the audit of particular risks, as identified in the internal audit function's work plan. The role of the council's internal audit function in relation to risk management is to be documented in the council's Internal Audit Charter.

Given the need to maintain the independence and objectivity of the internal audit function, the following boundaries are to apply with respect to the role of the internal audit function in the council's risk management framework:

- it is to be clear that council management remains responsible for risk management
- the internal audit function is to provide advice, challenge and support management's decision-making, as opposed to taking risk management decisions themselves
- the internal audit function should not:
 - manage any of the risks on behalf of the council
 - set the council's risk criteria
 - impose risk management processes
 - decide or implement risk responses, or
 - be held accountable for risk management activities.

(h) The general manager is to publish in the council's annual report an attestation certificate indicating whether the council has complied with the risk management requirements

The general manager will be required to annually publish an attestation statement in the council's annual report indicating whether, during the prior financial year, the council was 'compliant', 'non-compliant' or 'in transition' against each of the above-mentioned requirements of the council's risk management framework.

Compliance status is to be self-assessed based on the results of the senior management group's annual self-assessment. The table on page 84 lists the proposed compliance categories and follow-up action that will be required.

The general manager is to ensure that a copy of the attestation statement and the exception approval from the Chief Executive Officer of the Office of Local Government (if applicable) is published in the council's annual report. A copy of the attestation statement is to also be provided to the Office of Local Government.

The Chair of the Audit, Risk and Improvement Committee is to also sign the attestation statement where he/she agrees that it is a true and accurate reflection of the council's compliance status against statutory requirements.

**Core requirement 3:
Establish an internal audit function mandated by an Internal
Audit Charter**

Proposal

It is proposed that:

- each council (including county council/joint organisation) is to establish an internal audit function
- the governing body is to ensure that the council's internal audit function is sufficiently resourced to carry out its work
- the governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews and
- the Chief Audit Executive is to develop an Internal Audit Charter based on a model charter, which will guide how internal audit is conducted by the council. This Charter is to be approved by the governing body of council after endorsement by the Audit, Risk and Improvement Committee.

Description

(a) Each council is to establish an internal audit function

Each council in NSW, (including county council/joint organisation), will be required to have an internal audit function that reports functionally to the Audit, Risk and Improvement Committee and is independent from council management.

The definition of internal audit adopted by councils will be the same as that adopted in the IPPF – internal audit is *“an independent, objective, assurance and consulting activity designed to add value and improve [council’s] operations. It helps [council] accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

It is recognised that each council will have different internal audit requirements depending on its size, needs, budget and complexity of operations. To provide councils greater flexibility, each council will have the freedom to determine the size and scope of their internal audit activities. Councils will also have the flexibility to decide how to deliver their internal audit function. They can either:

- establish a stand-alone internal audit function for their exclusive use
- utilise a joint internal audit function established by their joint or regional organisation of councils that is shared by member councils, or
- share their internal audit function with another council/s in close proximity or of their choosing as part of an independent shared arrangement.

It is recommended that county councils, due to their size, enter into a share arrangement with one of their member councils or utilise an internal audit function established by a joint or regional organisation of councils.

Some of the requirements for shared arrangements will differ from those of stand-alone internal audit functions established for a council’s exclusive use (as described in core requirements 1-8). Core requirement 9 outlines the specific requirements of shared arrangements.

Where a council wishes to impose requirements that are additional to the proposed framework, it will be able to do so provided the requirements comply with the IPPF and do not conflict with statutory requirements.

(b) The governing body is to ensure that council's internal audit function is sufficiently resourced to carry out its work

The governing body will be required to ensure that the council's internal audit function is sufficiently resourced to effectively carry out its work²⁸. This is in line with the governing body's responsibility for the council's budget and other resourcing decisions. To ensure that the governing body makes informed budgeting decisions, the Audit, Risk and Improvement Committee is to advise the governing body of the resources needed.

Where the Audit, Risk and Improvement Committee considers the resourcing provided for internal audit activities is insufficient relative to the risks facing the council, it is to draw this to the attention of the general manager and the governing body of the council. The Chair of the Committee is to also ensure that the Committee's funding recommendations are minuted by the Committee's secretariat.

(c) The governing body of the council is to assign administrative responsibility for internal audit to the general manager and include this in their employment contract and performance reviews

Consistent with the general manager's role under section 335 of the Local Government Act to conduct the day to day management of the council, the general manager will be responsible for the administrative delivery of council's internal audit function. This means that the general manager will be required to:

- advise the governing body of the funding needed to adequately resource the internal audit function when making final budget decisions
- align the internal audit budget to approved work plans and recommendations made by the Audit, Risk and Improvement Committee
- allocate the funds needed to engage internal audit personnel or external providers with the technology, skills and experience necessary to meet the risk and assurance needs of the council
- provide appropriate administrative support, for example, access to council's human resources networks, payroll, work health and safety, office facilities and resources etc., and
- ensure that the council's internal audit activities are appropriately positioned within the council to work with external audit and internal business units and to operate independently.

The general manager will have no role in the exercise of the internal audit (for example, the conduct of internal audits, development of work plans, audit techniques used, reporting to the governing body and Audit, Risk and Improvement Committee etc.). The general manager's administrative responsibilities in relation to internal audit are to be included in the general manager's employment contract and regular performance reviews to ensure accountability. The Office of Local Government will amend the general manager's standard contract under section 338 of the Local Government Act to reflect this requirement.

²⁸ The Institute of Internal Auditors has developed the *Audit Intelligence Scale* which can be used to obtain a general picture of the potential resources needed for an internal audit function based on benchmark costs across the corporate and public sectors. For access (cost involved), go to <http://www.iaia.org/australia/australia/Pages/auditintelligence.aspx>

(d) The Chief Audit Executive is to develop an Internal Audit Charter, based on a model charter, which will guide how internal audit is conducted by the council. This Charter is to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee

Each council will be required to adopt an 'Internal Audit Charter' to guide how internal audit will be undertaken by that council and measure its effectiveness.

The Internal Audit Charter is to be developed by the council's Chief Audit Executive in consultation with the Audit, Risk and Improvement Committee and approved by the governing body of the council after endorsement by the Committee.

Each council's Internal Audit Charter is to comply, at a minimum, with a Model Internal Audit Charter⁶⁰. This is consistent with councils being required to adopt policies based on other model documents (for example, the Model Code of Conduct and the Model Code of Meeting Practice).

The Model Internal Audit Charter will:

- define the purpose, authority and responsibility of the internal audit function
- establish internal audit's position, role and responsibilities within the council
- describe the importance of the independence of the internal audit function and how this will be maintained
- define the roles and responsibilities of those involved in the council's internal audit activities
- assign responsibility for appointing and dismissing the Chief Audit Executive
- describe how internal audit activities are to be undertaken (i.e. the scope of assessments, writing internal audits and work plans, performing internal audits, communicating results, writing audit reports and monitoring the implementation of corrective actions)
- describe the quality assurance and improvement program
- describe administrative arrangements, HR support and budget provided to support the internal audit function
- define reporting relationships
- define internal audit's relationship with the external auditor, and
- authorise access to internal audit information.

Councils will be able to include additional provisions in their Internal Audit Charter so long as they do not conflict with the Model Internal Audit Charter or the IPPF. This will ensure any matters not contemplated by the Model Charter are addressed by councils in a robust way that complies with internationally recognised standards.

Where the council's Internal Audit Charter contains additional provisions not included in the Model Internal Audit Charter, the Chief Audit Executive is to review the Charter annually as part of the council's internal audit quality assurance and improvement program. A strategic review is to also be undertaken once each council term (i.e. four years). Changes to the Charter are to be approved by the governing body of the council after endorsement by the Audit, Risk and Improvement Committee.

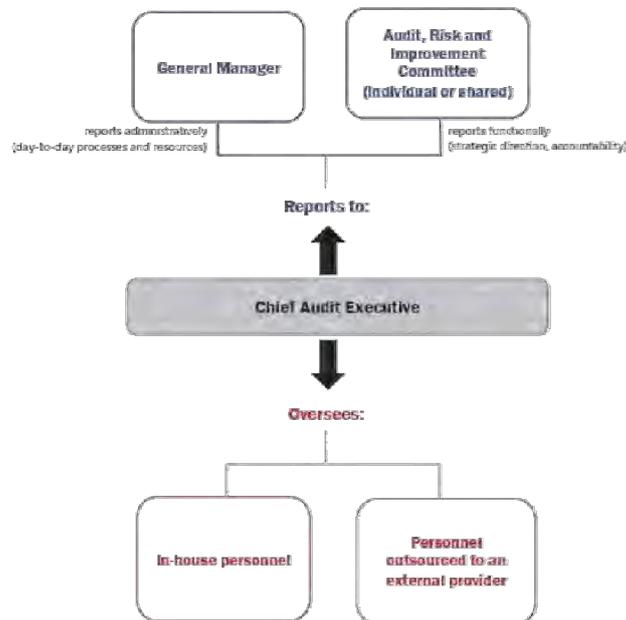
⁶⁰ The Model Internal Audit Charter will be drafted by the Office of Local Government in consultation with councils based on the final internal audit framework developed following consultation on this discussion paper

Core requirement 4:
Appoint internal audit personnel and establish reporting lines

Proposal

It is proposed that the:

- (a) general manager is to appoint a Chief Audit Executive to oversee the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee;
- (b) Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager and attend all committee meetings, and
- (c) general manager is to ensure that, if required, the council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel, or completely or partially outsource their internal audit function to an external provider.



Description

(a) The general manager is to appoint a Chief Audit Executive to oversee the council's internal audit activities in consultation with the Audit, Risk and Improvement Committee

Attributes of the Chief Audit Executive

The general manager, in consultation with the Chair of the Audit, Risk and Improvement Committee, will be required to appoint a Chief Audit Executive to oversee the council's internal audit activities. The term 'Chief Audit Executive' has been used throughout this discussion paper to reflect the terminology used in the IPPF and NSW public sector internal audit model. However, each council is able to describe this role as it chooses, for example, Chief Internal Auditor, Chief Audit Officer etc.

The Chief Audit Executive is to

- be independent, impartial, unbiased and objective when performing their work and free from conflicts of interest. This also means that the Chief Audit Executive cannot undertake internal audit activities on any council operations or services that he/she has held responsibility for within the last five years
- be a council employee and the most senior member of staff in council responsible for internal audit (but not the general manager or council's senior financial officer)
- cannot be outsourced to an external service provider, except where the council has entered into a shared arrangement with another council or as part of their joint or regional organisation of councils
- possess the following skills, knowledge and experience to effectively carry out their role:

Essential

- the credibility to ensure they are able to negotiate on a reasonably equal footing with the general manager and councillors of the council, as well as the Audit, Risk and Improvement Committee, and
- the skills, knowledge and personal qualities necessary to lead credible and accepted internal audit activities in the council

Preferred

- high level experience overseeing internal audit, and
- appropriate professional certifications such as those recognised by the Institute of Internal Auditors (Certified Internal Auditor), Certified Professional Accountants Australia or Chartered Accountants Australia and New Zealand.

This will ensure that the internal audit function of each council is led by someone with the skills, knowledge, experience and integrity needed to establish and effectively oversee a council's internal audit functions. It will also ensure that the council retains control of the internal audit strategic direction and is able to monitor the performance of any external service provider.

Overnight

It is important that the Chief Audit Executive has the functional independence to ensure that this role has the freedom necessary to independently assess and report on the way council operates. However, the Chief Audit Executive, as a member of staff under the Local Government Act, must also be appointed by and accountable to the general manager.

As a safeguard, to ensure the functional independence of the Chief Audit Executive, the general manager is to consult with the Chair of the Audit, Risk and Improvement Committee before appointing or dismissing the Chief Audit Executive, or making any change to the Chief Audit Executive's

employment conditions. Where dismissal occurs, the general manager is to report to the governing body advising of the reasons why the Chief Audit Executive was dismissed.

Where the Chair of the Audit, Risk and Improvement Committee has any concerns about the treatment of the Chief Audit Executive, or any action taken that may compromise the Chief Audit Executive's ability to undertake their functions, they must report their concerns to the governing body of the council.

Responsibilities

The key responsibilities of the Chief Audit Executive include:

- managing the day-to-day direction and performance of the council's internal audit activities to ensure they add value to council
- supporting the operation of the Audit, Risk and Improvement Committee
- ensuring the council's internal audit activities comply with statutory requirements, the IPPF and the council's needs
- developing, implementing and reviewing the council's Internal Audit Charter, policies and procedures, work plans and quality assurance and improvement program
- providing advice to the Audit, Risk and Improvement Committee and governing body of the council on the adequacy and effectiveness of the council's governance frameworks, risk management practices and internal controls
- confirming the implementation by the council of corrective actions that arise from the findings of internal audit activities, and
- managing internal audit personnel and ensuring that they have the skills necessary to perform audits and are up to date on current issues affecting the council and on audit techniques and developments.

Where a council has outsourced its internal audit activities to an external provider, the Chief Audit Executive will be responsible for:

- overseeing the service contract and the quality of audits conducted by the external provider (including overseeing the quality assurance and improvement program)
- ensuring that the council retains control of the strategic direction of internal audit activities
- reporting to the general manager and the governing body of the council on the adequacy and effectiveness of the council's governance frameworks, risk management practices and internal controls (based on the findings provided by the external provider)
- confirming the council's implementation of corrective actions that arise from the findings of audits
- developing policies and procedures that guide the audits conducted by the external provider
- developing the internal audit annual work plan and strategic plan
- ensuring audit methodologies used by the external provider comply with the IPPF and are accessible to the council (subject to any licensing restrictions), and
- supporting the operation of the Audit, Risk and Improvement Committee.

Combining Chief Audit Executive with other responsibilities

It is recognised that some smaller rural councils may find it difficult to employ both a stand-alone Chief Audit Officer and stand-alone Risk Management Coordinator due to the cost involved, council's remote location and/or that the council's risk management function and internal audit function may not require full-time stand-alone employees.

Whilst it is not best practice, it is recognised that combining the Chief Audit Officer role with the Risk Management Coordinator role may make it easier for smaller or remote councils to establish their risk management framework and internal audit function.

Councils will, therefore, be able to combine the Chief Audit Officer's role with the Risk Management Coordinator role provided there are adequate safeguards put in place by the council to limit any real or perceived bias or conflicts of interest that may lead to faulty decision making and cognitive bias. The endorsement of the Audit, Risk and Improvement Committee will also be required before the combined role can commence.

Depending on the specific needs and circumstances of the council, safeguards could include:

- the Audit, Risk and Improvement Committee being informed of the Chief Audit Executive's dual role, including reporting lines, responsibilities and expectations related to the role
- any potential issues or conflicts of interest arising from the dual role being formally documented in council's Internal Audit Charter
- internal audit briefs being reviewed by the Audit, Risk and Improvement Committee to ensure adequate coverage of the proposed audit, where it concerns any key risks overseen by the Chief Audit Executive in their role as Risk Management Coordinator
- the Audit, Risk and Improvement Committee, or a qualified external party, reviewing internal audit findings and recommendations before they are finalised
- the council's quality assurance program including an external assessment of the Chief Audit Officer's independence and objectivity (for internal audit purposes) in relation to their Risk Management Coordinator role, and
- the Audit, Risk and Improvement Committee regularly assessing that the safeguards put in place are effective.

(b) The Chief Audit Executive is to report functionally to the Audit, Risk and Improvement Committee and administratively to the general manager, and attend all committee meetings.

To ensure that internal audit operates independently, the Chief Audit Executive will have a dual reporting line and report:

- **administratively to the general manager** - to facilitate the day-to-day operations of internal audit (for example, in relation to budgeting, accounting, internal audit staff leave and disciplinary matters, internal communications, administration of policies and procedures), and
- **functionally to the Audit, Risk and Improvement Committee** for the strategic direction, performance and accountability of internal audit activities and personnel.

The general manager must not take any action impacting on the employment of the Chief Audit Executive, including through performance management or disciplinary processes, without consulting with the Chair of the Audit, Risk and Improvement Committee.

The Chief Audit Executive will be required to confirm at least annually to the Audit, Risk and Improvement Committee the independence of internal audit activities.

Access to council staff and information

To achieve the degree of independence necessary to effectively carry out internal audit activities, the Chief Audit Executive will automatically have direct and unrestricted access to the general manager and senior managers of the council, as well as the Audit Risk and Improvement Committee (through the Chair).

Any council staff member or contractor will also be able to directly alert the Chief Audit Executive of emerging risks or internal audit related issues.

The Chief Audit Executive is to have direct and unrestricted access to all council staff, resources and information necessary for the performance of internal audit activities.

Reporting concerns about councillors or council staff

Where a Chief Audit Executive has concerns regarding the general manager or senior council staff, they will be able to:

- raise their concerns with the Chair of the Audit, Risk and Improvement Committee (if it relates to the effectiveness of the internal audit function)
- report breaches of the council's Code of Conduct to the general manager, or by the general manager to the Mayor⁶¹
- report their concerns through the council's internal reporting policy, complaints handling policy or other associated protocols, and/or
- make a public interest disclosure under the *Public Interest Disclosures Act 1994* to the:
 - Independent Commission Against Corruption (concerning corrupt conduct)⁶²
 - NSW Ombudsman (concerning maladministration)
 - NSW Auditor General (concerning serious and substantial waste of public money)
 - Office of Local Government (concerning serious and substantial waste in local government and breaches of pecuniary interest obligations), and/or
 - Information and Privacy Commissioner (concerning government information contraventions).

Code of Conduct

The Chief Audit Executive is to comply with the council's Code of Conduct, as well as the Code of Ethics in the DPPF.

Breaches of the council's Code of Conduct by the Chief Audit Executive are to be reported in writing to the general manager of the council in the first instance. The general manager should notify the Chair of the Audit, Risk and Improvement Committee of any such allegations and their outcome.

(c) The general manager is to ensure that, if required, the council has adequate internal audit personnel to support the Chief Audit Executive. Councils will be able to appoint in-house internal audit personnel or to completely or partially outsource their internal audit function to an external provider

Regardless of size, each council will be required to have an appropriately resourced internal audit function when section 428A of the Local Government Act commences.

For some councils with larger budgets and higher risks, this will require dedicated internal audit staff to support the Chief Audit Executive to deliver the internal audit function. For other councils, their size and risk profile may not justify additional internal audit staff and the Chief Audit Executive will be sufficient.

For councils that require additional internal audit personnel, options include having a dedicated in-house team, co-sourcing arrangements, or outsourcing their audits to an external provider.

⁶¹ As required by the *Procedures for the Administration of the Model Code of Conduct for Local Councils in NSW*

⁶² Under section 11 of the *Independent Commission Against Corruption Act 1988*, the Chief Audit Executive must report any suspected corrupt activity to the Independent Commission Against Corruption

In determining the most appropriate option for the delivering the council's internal audit function, the general manager should consider the:

- size of the council in terms of both staffing levels and budget
- geographical and functional distribution of the council's operations
- complexity of the council's core business
- risk profile of the council's operations
- council's integrated planning and reporting framework
- the viability of alternative service delivery models (for example, whether council could attract and retain suitable in-house internal audit staff or experienced contract managers for out-sourced service delivery)
- overall cost of alternative service delivery models, including the salaries and overheads of in-house internal audit personnel compared to the costs of contract management and delivery for out-sourced services, and
- capacity of alternative service delivery models to deliver flexibility in the internal audit work plan.

Whichever model a council chooses, the internal audit function, including the appointment of internal audit personnel, is to be overseen by the Chief Audit Executive.

The Chief Audit Executive must be a council employee and cannot be outsourced, other than through a shared arrangement with another council or through a joint or regional organisation of councils.

Employing in-house internal audit personnel

Internal audit personnel report directly to the Chief Audit Executive.

In-house internal audit personnel can be appointed on a full time or part time basis. They will be required to comply with the council's Code of Conduct and the Code of Ethics in the IPPF and are to have no executive, managerial or operational powers, authorities, functions or duties except those relating to internal audit. They also cannot have any responsibility for managing any risks or implementing any audit recommendations, including those made by external audit.

Position descriptions for in-house internal audit staff are to require:

- appropriate qualifications
- proficiency in internal audit and accounting principles and techniques (particularly if working extensively with financial information and reports)
- knowledge of economics, management practices, commercial law, taxation, finance, quantitative methods, fraud and internal audit technology, and
- effective interpersonal and communication skills.

Outsourcing internal audits to an external provider

Providing that independence requirements are adhered to, councils can contract their internal audit function to an external internal audit service provider. Examples of providers include private sector accounting firms with a specialist internal audit division, boutique firms that specialise in internal audit, and internal audit contractors.

The advantages of using external providers for internal audit activities include⁶⁸:

- flexibility
- access to a wide range of expertise
- the ability to access the service as and when required, and
- the ability to pool resources with other councils to purchase external services as part of a shared arrangement.

Disadvantages include loss of corporate knowledge, lack of proximity and possible increased costs.

If a council chooses to outsource its internal audits, the Chief Audit Executive is to be the contract manager of the service and is to ensure that:

- an appropriately qualified external provider is conducting the audit in compliance with relevant standards
- the performance of the external provider is actively monitored, and
- the external provider:
 - does not undertake audit work regarding operations or services they have been responsible for, or consulted on, within the last two years
 - is not the same auditor providing council's external audit services
 - is not the auditor of any contractors of the council (and therefore subject to council's internal audits)
 - does not undertake other contract work for the council in addition to internal audit
 - has authority to implement the work program approved by the Audit, Risk and Improvement Committee
 - is rotated, or some other method is established, to address risks caused from having the same auditors auditing the same unit/functional area over a prolonged period of time, and
 - uses audit methodologies that comply with the IPPT and are accessible to the council (subject to any licensing restrictions that may be in place).

⁶⁸ *Internal Audit in Australia* published by The Institute of Internal Auditors – Australia (2016) provides a useful comparison of the advantages and disadvantages of different internal audit function delivery models (page 23 onwards).

**Core requirement 5:
Develop an agreed internal audit work program**

Proposal

It is proposed that for each council the Chief Audit executive will:

- (a) develop a four-year strategic plan to guide the council's longer term internal audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee
- (b) develop an annual risk-based internal audit work plan based on the strategic plan to guide the council's internal audits each year. The work plan is to be developed in consultation with the governing body, general manager and senior managers and approved by the Audit, Risk and Improvement Committee, and
- (c) ensure performance against the annual and strategic plans of the council.

Description

(a) The Chief Audit Executive is to develop a four-year strategic plan to guide the council's longer-term audits in consultation with the governing body, general manager and senior managers. The strategic plan is to be approved by the Audit, Risk and Improvement Committee

The Chief Audit Executive will be required to develop a strategic plan every four years based on the council's risk profile to ensure that areas or activities with higher risks are audited over the longer term and that no higher risk area or activity is forgotten. This should align with the council's integrated planning and reporting framework and timetable.

The four year strategic plan is to be developed in consultation with the Audit, Risk and Improvement Committee, governing body, general manager and senior managers. Final approval is to be given by the Committee.

The purpose of the plan is to decide and outline what council areas or activities will be covered in any given year, and if the area/activity is not covered in a given year, when it will be scheduled for review during the four year period. It is to include:

- a description of the goals/objectives of internal audit
- key organisational issues and risks faced by the council, in order of priority, and
- which council areas will be audited over the four years, prioritised according to risk.

The Chief Audit Executive is to review and update the four-year strategic plan at least annually to ensure that it still aligns with the council's risk profile. This will also ensure that the council remains on track with its audits and any slippage in progress can be quickly addressed.

(b) The Chief Audit Executive is to develop an annual risk-based internal audit work plan, based on the strategic plan, to guide the council's audits each year in consultation with the governing body, general manager and senior managers. The work plan is to be approved by the Audit, Risk and Improvement Committee:

The Chief Audit Executive will be required to develop an annual risk-based work plan for the council's internal audits based on:

- the priorities set by the council's four-year internal audit strategic plan
- the council's strategic goals and objectives, developed through the integrated planning and reporting framework
- the information obtained as part of the council's risk assessment process and the council's material risks
- any findings or risks raised by the NSW Auditor-General in its external audits of the council and sector-wide performance audits
- external factors such as industry trends or emerging issues, and
- any special requirements of the Audit, Risk and Improvement Committee.

The annual work plan is to be developed in consultation with the Audit, Risk and Improvement Committee, governing body, general manager, and senior managers. Final approval is to be given by the Committee.

The annual work plan is to identify:

- the key risks facing the council
- the key goals and objectives of the proposed audits
- the audits that will be carried out during the year and rationale for selecting each, having regard to areas of most significant risk to achieving the council's strategic objectives
- the resources needed for each audit (for example, staffing, budget, technology), including any external expertise needed
- the timing and duration of each audit
- the performance measures that will be used to measure against goals and objectives (described below)
- any areas not included in the work plan, which in the opinion of the Chief Audit Executive, should be reviewed, and
- quality assurance activities (where applicable).

The annual work plan is to be flexible enough to allow the Chief Audit Executive to review and adjust it as necessary in response to any changes to the council's risks or operations. Significant changes are to be approved by the Audit, Risk and Improvement Committee.

(c) The Chief Audit Executive is to ensure performance against the annual and strategic plans can be assessed

To establish the quality assurance and improvement program and to collect the data and information required to review the council's internal audit activities:

- the Chief Audit Executive will need to ensure internal audit work plans have performance indicators that can be measured against goals and objectives⁶⁵, and
- the general manager will need to ensure that a data collection or performance management system is established and maintained to collect the data needed to measure the impact of the internal audit function.

Performance indicators are to be set annually by the Audit, Risk and Improvement Committee, in consultation with the Chief Audit Executive and the general manager of the council.

⁶⁵ *Internal Audit in Australia* published by The Institute of Internal Auditors – Australia (2016) lists a range of examples of performance indicators that councils could consider when selecting their performance indicators.

**Core requirement 6:
How to perform and report internal audits**

Proposal

- It is proposed that:
- (a) the Chief Audit Executive is to ensure that the council's internal audits are performed in accordance with the IPPF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee;
 - (b) the Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits;
 - (c) the Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a measure from the relevant senior manager/s; and
 - (d) all internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit, Risk and Improvement Committee, external auditor and governing body of the council (by resolution).

Description

(a) The Chief Audit Executive is to ensure that the council's internal audits are performed in accordance with the IPPF and current Australian risk management standards (where applicable), and approved by the Audit, Risk and Improvement Committee

Each council's internal audits are to be performed in accordance with statutory requirements, and the IPPF (only where the IPPF does not conflict with statutory requirements).

The internal audit methodologies used (that is, the tools or techniques used by internal auditors to conduct internal audits and analyse the information or data obtained) are also to be approved by the Audit, Risk and Improvement Committee.

Where risk information or ratings are used during the internal audit process, they must be developed and applied consistent with current Australian risk management standards. This means the Chief Audit Executive is responsible for ensuring that any risk information used in internal audits or any risk ratings given to internal audit findings and recommendations (for example, the risk of not implementing a recommendation) must be developed and assigned in a way that complies with AS ISO 31000:2018 and is consistent with council's risk management framework.

Performing internal audits

The Chief Audit Executive will be responsible for approving the project plan for each internal audit, supervising how each internal audit is conducted, and for any significant judgements made throughout each internal audit (including those performed by an external provider).

Each audit undertaken is to consist of following steps:

- **planning the internal audit** – which includes:
 - preliminary research
 - defining the audit's scope and criteria
 - defining the audit's objectives
 - timing
 - audit budget and
 - information needed to perform the audit (for example, access to people, documents, systems)
- **performing the internal audit** is to consider:
 - the objectives and purpose of the activity being reviewed
 - any risks to these objectives and the effectiveness of existing controls
 - opportunities to improve the efficiency and effectiveness of the activity, how risks are managed and council's performance more broadly
- **documenting and reporting the internal audit** – which includes:
 - documenting the evidence collected and analysed
 - producing working papers to support the findings and recommendations made
 - writing an audit report, and
 - discussing internal audit results with relevant staff and management.

It is best practice that each internal audit report is to be appropriately supervised and approved by a person not conducting the audit to ensure its findings and recommendations are accurate. Larger councils that employ or contract more than one internal auditor are encouraged to embed this practice into their audit process.

(b) The Chief Audit Executive is to develop policies and procedures to guide the operation of the internal audit function, including the performance of internal audits

The Chief Audit Executive is to ensure that the council develops and maintains policies and procedures to guide the operation of the internal audit function and the performance of internal audits. These policies and procedures should address:

- the structure, resourcing and professional development of the internal audit function
- strategic and annual audit planning
- audit methodology
- audit reports
- ongoing monitoring and reporting
- conducting internal audits and the quality assurance and improvement program
- resolving differences in professional opinion/judgements regarding internal audits
- communication between the governing body of the council, Audit, Risk and Improvement Committee, general manager, Chief Audit Executive and council staff – particularly of non-compliance or sensitive information, and
- information management including document retention, security and access to audit reports.

The Audit, Risk and Improvement Committee is to review and provide advice to the general manager of the council on all internal audit policies and procedures before they are finalised.

Where the internal audit function is outsourced, the Chief Audit Executive will be required to ensure that the external provider is consulted in the development and/or maintenance of internal audit policies and procedures.

(c) The Chief Audit Executive is to report internal audit findings and recommendations to the Audit, Risk and Improvement Committee. Each finding is to have a recommended remedial action and a response from the relevant senior manager/s

The Chief Audit Executive will be required to report the findings and recommendations of internal audits to the Audit, Risk and Improvement Committee at the end of each audit.

Each internal audit report written must include:

- necessary background information, including the objective and scope of the audit
- the audit processes and methodology used
- findings and recommendations based on the audit's objectives, prioritised according to their level of risk
- recommended remedial actions to address problems identified, which:
 - are risk-rated (that is, clearly show the severity of risks identified by the audit, focus management attention on high risks that need prompt attention and allow resources to be first applied to high risks rather than low risks), and
 - have been agreed to by the general manager and responsible senior managers of the council.

The Chief Audit Executive will be responsible for ensuring that each internal audit report (or supporting working papers) contains sufficient information that would enable another internal or external auditor to reach the same conclusions.

A copy of each internal audit report is to be provided to the Audit, Risk and Improvement Committee at the Committee's next quarterly meeting, or distributed out-of-session before the next meeting.

The council's response to internal audit report recommendations

The Chief Audit Executive is to provide a draft of each report to the responsible senior manager/s so that a response to each recommendation from each relevant business unit can be included in the final report that is submitted to the Audit, Risk and Improvement Committee. The general manager will have a maximum of ten working days to approve and provide the council's response to the Committee.

Responsible senior managers will have the right to reject recommended corrective action/s on reasonable grounds, but must discuss their position with the Chief Audit Executive before finalising the council's position with the general manager. Reasons for rejecting the recommendation/s must be included in the final audit report.

For those recommendations that are accepted, responsible senior managers will be required to ensure that:

- an action plan is prepared for each recommendation that assigns responsibility for implementation to a council staff member/s and timeframes for implementation
- all corrective actions are implemented within proposed timeframes, and
- the Chief Audit Executive is provided regular updates, or as otherwise reasonably requested by the Chief Audit Executive, in relation to the implementation of the internal audit action plan.

Where corrective actions are not implemented within agreed timeframes, the Audit, Risk and Improvement Committee can invite the responsible senior manager to explain why implementation has not occurred and how the resulting risk is being addressed in the interim.

The Audit, Risk and Improvement Committee can raise any concerns it may have about the council's response to internal audit reports in the committee's quarterly report to the governing body.

(d) All internal audit documentation is to remain the property of, and can be accessed by, the audited council, including where internal audit services are performed by an external provider. It can also be accessed by the Audit, Risk and Improvement Committee, external auditor and the governing body of the council (by resolution).

The Chief Audit Executive will be responsible for ensuring internal audit information (in whatever form) is documented, retained and controlled in accordance with the council's policies and any legislative or IPPF requirements. Internal audit documentation includes any information or documents produced or obtained by council's internal audit function that relates to the internal audit activities of the council.

All audit documentation is to remain the property of the audited council and can be accessed by the audited council, the Audit, Risk and Improvement Committee and the external auditor. This includes where the internal audits are performed by an external provider. Authorised access to internal audit documents must be outlined in council's Internal Audit Charter.

The governing body can also request access to internal audit information via a resolution of the council. The Audit, Risk and Improvement Committee is to decide the governing body's request. Any disputes between the governing body and the committee are to be referred to the Office of Local Government for resolution.

Apart from external audit purposes, it is envisaged that internal audit reports will be for internal council use only, subject to the requirements of the *Government Information (Public Access) Act 2009*. Approval must be obtained from Chief Audit Executive or Audit, Risk and Improvement Committee before internal audit reports are provided to any other person or external party.

The Chief Audit Executive or the Audit, Risk and Improvement Committee must obtain approval from the general manager prior to releasing any internal audit documents to external parties.

The general manager's approval is not required where the information is being provided to an external oversight or investigative such as, but not limited to, the Office of Local Government, the Audit Office, the Independent Commission Against Corruption or the NSW Ombudsman, for the purposes of informing that agency of a matter that may warrant its attention.

Core requirement 7:
Undertake ongoing monitoring and reporting

Proposal

It is proposed that an ongoing monitoring and reporting system be established where the:

- (a) Audit, Risk and Improvement Committee is advised at each quarterly meeting of the internal audits undertaken and progress made implementing corrective actions
- (b) governing body of the council is advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions, and
- (c) Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair.

Description

(a) The Audit, Risk and Improvement Committee is to be advised at each quarterly meeting of the internal audits undertaken and progress made implementing corrective actions

Ongoing monitoring and reporting to the Audit, Risk and Improvement Committee is essential to ensure that any emerging problems are identified and rectified quickly before their consequences escalate, especially in relation to material risks. It will also ensure that a clear message is sent that these matters are important and are being reviewed at the most senior levels in council.

To ensure this occurs, the Chief Audit Executive is to establish and maintain an ongoing monitoring system to track the internal audits undertaken within the council and follow up the council's progress in implementing corrective actions. For smaller councils, this could simply be in a table or spreadsheet format.

The Chief Audit Executive is to ensure that the Audit, Risk and Improvement Committee is advised at each of the Committee's quarterly meetings of

- the number of internal audits completed during that quarter, including providing copies of the audit reports and advice on their findings
- progress in implementing the annual work plan
- progress made implementing corrective actions arising from any past internal audits, and
- any concerns the Chief Audit Executive may have.

The way this information is communicated is to be decided by the Audit, Risk and Improvement Committee in consultation with the Chief Audit Executive.

(b) The governing body of the council is to be advised after each quarterly meeting of the Audit, Risk and Improvement Committee of the internal audits undertaken and the progress made implementing corrective actions

Ongoing monitoring and reporting by the Audit, Risk and Improvement Committee to the governing body of the council is essential for accountability. It will also ensure that the governing body is kept abreast of the internal audits conducted and any emerging issues that may influence the strategic direction of the council or the achievement of the council's goals and objectives.

The governing body of the council is to be advised of the internal audits undertaken and progress made implementing corrective actions and any significant or emerging risk issues after each quarterly meeting of the Audit, Risk and Improvement Committee.

The governing body and the Audit, Risk and Improvement Committee is to decide how the Committee's advice is to be communicated. Options include providing the governing body with:

- a formal monitoring report from the Committee – this report would be for information only and a decision at the council meeting would not be required
- copies of the minutes of the Audit, Risk and Improvement Committee's meeting, or
- where appropriate, copies of the relevant agenda papers considered by the Committee at its quarterly meeting.

(c) The Audit, Risk and Improvement Committee can raise any concerns with the governing body of the council at any time through the Chair

Where the Audit, Risk and Improvement Committee is concerned about the progress of implementing corrective actions, or an internal audit related issue arises, the Committee will be able to provide an additional report to the governing body of the council. This will ensure that the governing body is fully aware of the risks posed to the council.

The Chair of the Audit, Risk and Improvement Committee can also request at any time a meeting with the governing body of the council to discuss an internal audit related issue.

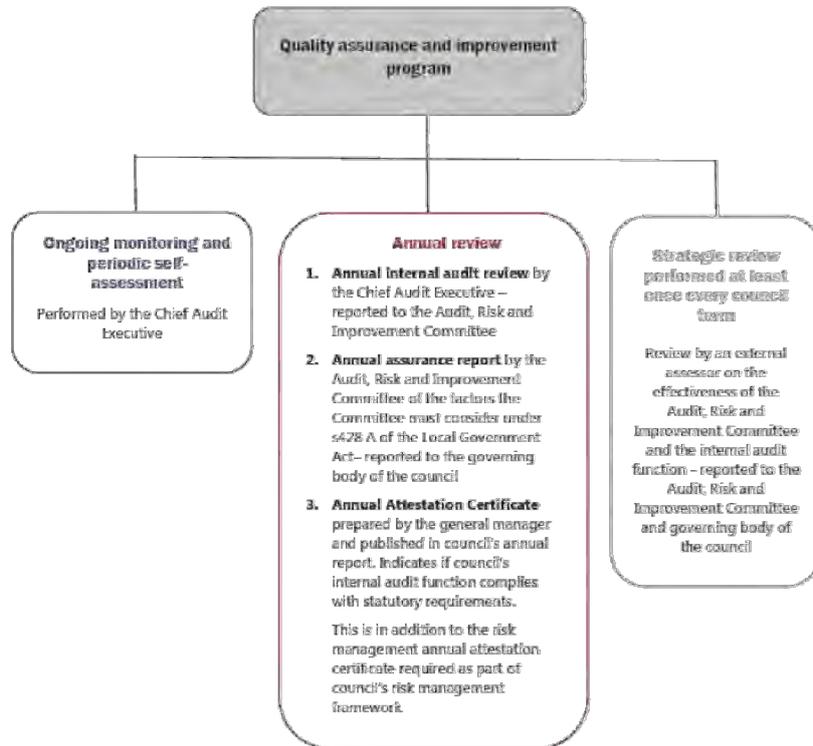
Similarly, the governing body of the council can request by resolution at any time to meet with the Chair of the Audit, Risk and Improvement Committee regarding an internal audit related issue.

**Core requirement 8:
Establish a quality assurance and improvement program**

Proposal

It is proposed that:

- (a) The Chief Audit Executive to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessment; an annual review and strategic external review at least once every council term; and
- (b) the general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and the internal audit function.



Description

(a) The Chief Audit Executive is to establish a quality assurance and improvement program which includes ongoing monitoring and periodic self-assessments, an annual review and strategic external review at least once each council term

The Chief Audit Executive is to ensure that there is a documented and operational quality assurance and improvement program for assurance activities that is reported to the governing body of the council. The quality assurance and improvement program is to consist of three key elements:

1. **Ongoing monitoring and periodic self-assessments** by the Chief Audit Executive
2. **An annual review** at the end of each financial year by the:
 - Chief Audit Executive on the performance of the internal audit function for the Audit, Risk and Improvement Committee, and
 - Audit, Risk and Improvement Committee on its responsibilities under section 428A of the Local Government Act for the governing body of the council,
3. **A strategic external review at least once every council term** (i.e. four years) by an external party which is reported to the Audit, Risk and Improvement Committee and the governing body of the council.

These are described in greater detail below:

Ongoing monitoring and periodic self-assessments

The Chief Audit Executive is to undertake ongoing monitoring and periodic self assessments of the internal audit function throughout the year to validate that it is operating effectively and delivering quality and value.

Monitoring and self-assessments could consider, for example:

- compliance with regulatory requirements and the IPPF
- the quality and supervision of audit work performed
- standardised work practices
- communication practices
- timeliness of audit activities
- any professional development or training required
- client satisfaction and the degree to which stakeholder expectations are being met
- the adequacy of internal audit policies
- progress towards key performance indicators, and
- any weaknesses or areas that need improvement.

The Chief Audit Executive is to implement any changes necessary to address deficiencies identified through ongoing monitoring and periodic self assessment.

Annual performance review

The annual review (performed at the end of each financial year) is to assess the assurance activities that occurred over the preceding financial year. It is to consist of the following two elements, which together will ensure that the council's assurance activities are comprehensively assessed and any issues identified.

1. An annual internal audit review by the Chief Audit Executive for the Audit, Risk and Improvement Committee which assesses:

- how effectively council has implemented the internal audit function (for example, that findings are communicated and implemented appropriately, resourcing is sufficient, the Internal Audit Charter remains appropriate etc.)
- how the internal audit function has performed against the annual work plan and performance targets, and
- how the internal audit function and activities comply with statutory requirements and the IPPF and
- the independence of the internal audit function.

This will ensure that the Audit, Risk and Improvement Committee receives the Chief Audit Executive's advice on the effectiveness of the internal audit function each year. It will also enable the general manager to complete the council's annual attestation certificate (see below).

2. An annual assurance review by the Audit, Risk and Improvement Committee for the governing body of the council which includes:

- a summary of the work the Committee performed to discharge its responsibilities during the preceding year
- advice on the appropriateness of the Committee's terms of reference (where they contain additional clauses that are not included in the Model Terms of Reference)
- an overall assessment of the following aspects of the council's operations in accordance with section 428A of the Local Government Act:
 - compliance
 - risk management
 - fraud control
 - financial management
 - governance
 - implementation of the strategic plan, delivery programs and strategies
 - service reviews
 - collection of performance measurement data by the council, and
 - any other matters prescribed by the regulation (i.e. internal audit), and
- information to help the council improve the performance of its functions.

This will ensure that the governing body of council receives the Audit, Risk and Improvement Committee's independent assurance about these matters in accordance with legislative requirements each year. This will support the governing body in the exercise of its oversight role under the Local Government Act.

The general manager and senior managers are to be advised of the findings and outcomes of the annual review and the Chief Audit Executive is to develop an action plan for the Audit, Risk and Improvement Committee, governing body of the council and general manager to address any issues identified in the annual review.

Strategic external review

An external assessment of council's assurance activities is to be conducted at least once every council term (i.e. four years) by a qualified, independent assessor according to the IPPF quality assessment framework. Requiring compliance with the IPPF will ensure that each council can have confidence in the findings and that councils are assessed consistently across the sector.

The strategic review is to be commissioned by the governing body of the council and reported to the Audit, Risk and Improvement Committee, governing body and the general manager. The Chief Audit Executive is to develop an action plan for the Committee, governing body of the council and general manager to address any issues identified in the external review.

The external review is to include the following two components:

- **the effectiveness of the Audit, Risk and Improvement Committee**, including:
 - whether the Committee has fulfilled its terms of reference
 - the appropriateness of the Committee's terms of reference (where the Committee's terms of reference contain additional provisions not contained in the Model Terms of Reference)
 - the performance of Committee members
 - the way the Committee, external auditor, council and internal audit function work together to manage risk and support the council and how effective this is, and
 - whether the Committee has contributed to the improvement of the factors identified in section 478A of the Local Government Act.

The external review is to address the collective performance of the Audit, Risk and Improvement Committee and the individual performance of each member and the Chair. The review is to consider feedback on each member's performance by the Chair of the Committee, mayor and general manager.

This component of the four yearly external review will provide accountability and ensure that the governing body of the council can assess how the Audit, Risk and Improvement Committee is functioning and whether any changes to the Committee's terms of reference or membership are required.

In considering the outcomes of the external strategic review, the governing body of the council will be able to request the Chair of the Committee to address the council and answer any questions about the operation of the Committee.

- **the effectiveness of the internal audit function**, including:
 - the independence of the internal audit function
 - whether resourcing is sufficient
 - whether the internal audit function complies with statutory requirements and the IPPF
 - the appropriateness of annual work plans and strategic plans based on the risks facing the council
 - whether the internal audit function adds value and delivers outcomes for the council, and
 - the appropriateness of the Internal Audit Charter (where it includes additional provisions not contained in the Model Internal Audit Charter).

This component of the strategic external review will ensure that the governing body of the council is able to assess whether the internal audit function is effective and adding value to the council and whether any changes are required. The governing body of the council will be able to request the Chair of the Audit, Risk and Improvement Committee and/or the Chief Audit Executive to address the council and answer any questions about the internal audit function.

External assessor

The governing body will be able to commission the strategic external review by either engaging an external assessor to undertake the assessment, or by undertaking a self assessment and engaging a qualified external reviewer to conduct an independent evaluation of that self assessment.

The external assessor must have, at a minimum:

- no real or perceived conflicts of interest
- certification as an internal auditor
- knowledge of internal audit and external assessment practices, and
- sufficient recent experience in internal audit at a management level which demonstrates a working knowledge of statutory requirements and the IPPF.

The strategic review report is to outline the qualifications of the assessor and any potential conflicts of interest.

(b) The general manager is to publish in the council's annual report an annual attestation certificate indicating whether the council has complied with the core requirements for the Audit, Risk and Improvement Committee and internal audit function

The general manager will be required to annually publish an attestation statement in the council's annual report indicating whether, during the prior financial year, the council was 'compliant', 'non-compliant' or 'in transition' against each of the core requirements of the Audit, Risk and Improvement Committee and council's internal audit framework. The certificate can be combined with the risk management attestation certificate required as part of the council's risk management framework.

Compliance status is to be self assessed based on the results of the annual performance review. The following table lists the proposed compliance categories and follow up action that will be required.

Councils that are 'non-compliant' can apply to the Chief Executive Officer of the Office of Local Government for an exemption from statutory requirements. The Chief Executive Officer will be able to grant exemptions to any or all statutory requirements and will be able to impose conditions on the exemption given.

An exemption will only be granted where:

- a council cannot comply because of temporary extenuating circumstances, substantial structural constraints or resourcing constraints that will materially impact the council's operating budget
- the council is not able to enter into a shared arrangement with another council/s in order to comply (for internal audit only), and
- current or proposed alternative arrangements will achieve outcomes equivalent to the requirements.

The maximum period an exemption can apply will be 24 months (two reporting periods). Any further exemption must be re-applied for.

The council's application for an exemption must:

- be in writing
- be made prior to the reporting period in which full compliance with statutory requirements cannot be achieved or as soon as circumstances arise during the reporting period that will make full compliance throughout the reporting period impossible
- provide the reasons why the council cannot comply with statutory requirements, and
- describe and demonstrate the council's efforts to implement alternative arrangements and how these will achieve an outcome equivalent to the requirements.

The general manager is to ensure that a copy of the attestation statement and the exception approval from the Chief Executive Officer of the Office of Local Government (if applicable) is published in the council's annual report. A copy of the attestation statement is to also be provided to the Office of Local Government.

The Chair of the Audit, Risk and Improvement Committee is to also sign the attestation statement where they agree that it is a true and accurate reflection of the council's compliance status against statutory requirements.

Proposed compliance status for attestation certificates

Definition	Further requirements
COMPLIANT	
The council is compliant if it has implemented and maintained processes consistent with statutory requirements for the whole of the financial year.	The council is to provide a copy of its attestation statement to the Office of Local Government and publish the attestation certificate in the council's annual report.
NON-COMPLIANT	
<p>The council is non-compliant if:</p> <ul style="list-style-type: none"> it has not implemented and maintained a risk management framework or internal audit practices consistent with statutory requirements for the whole of the financial year; the council's Audit, Risk and Improvement Committee and internal audit function has been in place for more than two years but has not been externally assessed for internal audit only. 	<p>The general manager will be required to apply to the Chief Executive Officer of the Office of Local Government for an exemption from statutory requirements. The council's application for an exemption must:</p> <ul style="list-style-type: none"> be in writing; include a copy of the reporting period in which full compliance with statutory requirements cannot be achieved or be out of compliance at the end of the reporting period that will make full compliance throughout the reporting period impossible; provide the reasons why the council cannot comply with statutory requirements and describe and demonstrate the council's efforts to implement other arrangements and how these will achieve an outcome equivalent to the requirements. <p>The general manager must submit a copy of the attestation statement and the Chief Executive Officer's exemption approval (if applicable) published in the council's annual report. A copy of the council's attestation statement is also to be sent to the Office of Local Government.</p> <p>The council will also have to explain in the attestation statement why it is not compliant and if it has received an exemption from the Chief Executive Officer.</p>
IN TRANSITION	
<p>The council is in transition if it is transitioning its operations to the statutory requirements during the financial year because:</p> <ul style="list-style-type: none"> it is a newly constituted council established after the risk management and internal audit requirements of the Local Government Act and Regulation came into force (a two-year transitional period will be granted in this instance); or its financial practices are not compliant with those being newly prescribed within the last two years and the council is in the process of implementing them. 	<p>Councils taking advantage of the transitional arrangements will not be required to apply for approval from the Chief Executive Officer of the Office of Local Government. However, councils must be actively taking steps during the two-year (for internal audit) and five-year (for risk management) transitional periods to commence implementation and detail how the council plans to achieve compliance within this period.</p> <p>The council is to provide a copy of the attestation statement to the Office of Local Government.</p>

**Core requirement 9:
Councils can establish shared internal audit arrangements**

Proposal

It is proposed that:

- (a) a council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils
- (b) the core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specified exceptions that reflect the unique structure of shared arrangements, and
- (c) the general manager of each council in any shared arrangement must sign a Shared Internal Audit Arrangement that describes the agreed arrangements.

Description

(a) A council can share all or part of its internal audit function with another council/s by either establishing an independent shared arrangement with another council/s of its choosing, or utilising an internal audit function established by a joint or regional organisation of councils that is shared by member councils

Councils that do not want to establish a stand-alone internal audit function will be able to:

- share all or part of their internal audit function with another council/s of their choosing as part of an independent shared arrangement, or
- utilise a joint internal audit function established by their joint or regional organisation of councils that is shared with other member councils.

These options will:

- assist smaller councils to implement their internal audit function in a more cost-effective way where:
 - a full-time committee, Chief Audit Executive or internal audit function is not necessary
 - the council's risk profile does not warrant stand-alone arrangements, and/or
 - the cost of having a stand-alone arrangements will significantly and unacceptably impact the council's operating budget
- assist councils in remote locations that may find it difficult to employ or appoint the suitably qualified personnel that are necessary to support a stand-alone internal audit function
- allow councils to access a larger resource pool than would be available to a single council
- create efficiencies through common systems, shared knowledge and internal audit tools, and
- potentially lower audit costs.

When deciding the most appropriate way to establish a council's internal audit function, the general manager should consider the viability and capacity of a shared Audit, Risk and Improvement Committee, Chief Audit Executive or internal audit function to meet their responsibilities given the:

- size of the council in terms of both staffing levels and budget
- geographical and functional distribution of the council's operations
- complexity of the council's core business

- risk profile of the council's operations
- expectations of stakeholders, and
- likely demands placed on the committee, Chief Audit Executive or internal audit function by other councils in the shared arrangement.

A shared arrangement should only be established where the shared internal audit function can maintain a high level of understanding and oversight of each council's operations and internal audit function, as well as effective working and reporting relationships with the general manager and governing bodies of each council.

(b) The core requirements that apply to stand-alone internal audit functions will also apply to shared internal audit functions, with specified exceptions that reflect the unique structure of shared arrangements

The majority of the core requirements outlined in this discussion paper that apply to stand alone internal audit functions will also apply to shared internal audit arrangements.

This means that any shared internal audit function must operate as an individual resource for each council that meets each council's unique internal audit needs. In terms of roles and responsibilities:

- the **Audit, Risk and Improvement Committee** is to operate as an individual committee for each council in any shared arrangement⁶⁵. This includes the committee:
 - providing independent assurance and oversight for each council
 - endorsing each council's Internal Audit Charter, annual work plan and four-year strategic plan
 - holding individual meetings for each council that are separately minuted⁶⁶ and observers being invited to only attend that part of the committee meeting that relates to their council
 - liaising with the respective governing bodies and general managers of each council in relation to that council's internal audit issues
 - approving individual performance indicators for each council based on that council's needs and operations
 - fulfilling the requirements of each council's quality assurance and improvement program and conducting a separate annual review for each individual council based on that council's internal audit activities which is reported to the governing body of that council
 - maintaining separate and confidential information for each council
- the **Chief Audit Executive** (who may be employed by one of the participating councils or by a joint or regional organisation of councils) is to work separately with each council in any shared arrangement to implement the internal audit function for that council. This includes the Chief Audit Executive:
 - liaising with the governing body and general manager of each separate council about that council's internal audit activities
 - individually developing and implementing the annual work plan and four-year strategic plan for each council, based on each council's individual requirements and in consultation with that council's general manager
 - developing and maintaining internal audit policies and procedures for each council based on that council's needs and operations

⁶⁵ Under the NSW Government's pre-qualification scheme, membership on any shared Audit, Risk and Improvement Committee will count as one towards the limit of five members/ps allowed for a committee member

⁶⁶ Individual meetings for each council can be held sequentially but joint or shared meetings discussing multiple councils must not be held apart from common agenda items, for example, the Audit, Risk and Improvement Committee's terms of reference, Internal Audit Charter etc.)

- o conducting the individual audits of each council
- o confirming the implementation by the council of corrective actions that arise from the findings on internal audit activities
- o submitting to each respective council an individual report after each internal audit and liaising with the general manager of each respective council (and governing body where necessary) on that council's internal audit issues
- o managing any contractual arrangements for externally provided internal audit personnel on behalf of each council in the shared arrangement
- o fulfilling the requirements of each council's quality assurance and improvement program and conducting a separate annual review for each individual council based on that council's internal audit activities which is reported separately to the Audit, Risk and Improvement Committee
- o attending the Audit, Risk and Improvement Committee meetings of each respective council on behalf of that council
- o maintaining separate and confidential information for each council
- o providing independent assurance and oversight for each council, and
- **Internal audit personnel** (who may be employed by one of the participating councils or by a joint or regional organisation of councils or supplied through an external provider) are to operate as an individual internal auditor/internal audit team for each council in any shared arrangement. This includes internal audit personnel conducting the individual internal audits of each council.

Given there are multiple councils and therefore multiple decision-making bodies involved, shared arrangements will have a number of unique requirements that will be different to those that apply to a stand-alone internal audit function. These are described below.

Unique requirements for independent shared arrangements

Decision-making body

The governing body and general manager of a council are the key decision-makers in a council in relation to internal audit. However, given that any shared arrangement will have more than one governing body and general manager, decision-making in relation to a shared internal audit function is likely to be administratively complex.

To simplify and streamline decision making, councils in an independent shared arrangement will be required to establish a committee comprising of councillors from each of the participating councils under section 355 of the Local Government Act. This committee will make the following decisions (where applicable) about the Audit, Risk and Improvement Committee, Chief Audit Executive or internal audit function that would otherwise be made by the governing body of each council, and each council will be required to delegate these decisions to the committee:

- approving the Internal Audit Charter (after endorsement by the Audit, Risk and Improvement Committee), so it can then be adopted by each individual council
- determining the size of the shared Audit, Risk and Improvement Committee
- appointing and dismissing members and the Chair of the shared Audit, Risk and Improvement Committee
- approving the terms of reference of the Audit, Risk and Improvement Committee (after endorsement by the Committee), so it can then be adopted by each individual council, and
- approving internal audit policies and procedures (in consultation with the Audit, Risk and Improvement Committee and the general managers of each participating council), so they can then be adopted and implemented by each individual council.

Where an Audit, Risk and Improvement Committee is shared, each council in the shared arrangement will still be required to adopt and implement their own Internal Audit Charter, terms of reference for the Audit, Risk and Improvement Committee, and internal audit policies and procedures.

Committee members will be required to consult with other members of the governing body of their council on any decisions made. All other functions assigned to the governing body of a council in core requirements 1 & 8 will remain with each individual council.

Auspecting body

Where the Chief Audit Executive and other internal audit personnel are shared by councils, these positions must be employed by one of the participating councils in the shared arrangement and located together to work effectively. The Chief Audit Executive must also report administratively to the general manager of the council that employs them.

This will create greater administrative efficiency by reducing reporting and communication lines. It will also ensure that:

- the Chief Audit Executive reports administratively to one general manager on behalf of all councils in the independent shared arrangement
- the Chief Audit Executive, in-house internal audit staff and secretariat staff will be employees of, and located at the auspecting council and have access to necessary administrative and HR support and
- the Chief Audit Executive and internal audit staff will be subject to the Code of Conduct of the auspecting council.

Administrative responsibility and oversight of the shared internal audit function should be exercised by an administrative oversight committee comprising of all general managers of the participating councils.

The administrative oversight committee will have the following responsibilities in relation to the Audit, Risk and Improvement Committee:

- ensuring adequate procedures are in place to protect the independence of the Audit, Risk and Improvement Committee
- overseeing arrangements for secretarial support for the Audit, Risk and Improvement Committee, and
- receiving written declarations from members that they do not have conflicts of interest that may preclude them from serving on the Audit, Risk and Improvement Committee.

The administrative oversight committee will also have the following responsibilities in relation to the Chief Audit Executive and internal audit staff:

- recommending the appointment and dismissal of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee and governing bodies of each council) – the ultimate decision will be made by the employing general manager, and
- recommending any changes impacting the employment of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee) – the ultimate decision will be made by the employing general manager.

Allegations of breaches of the auspecting council's Code of Conduct by the Chief Audit Executive or internal audit staff are to be dealt with by the auspecting general manager, in consultation with the other general managers.

The general managers of each council will be required to attend the Audit, Risk and Improvement Committee meetings related to their council and to undertake all other functions in relation to internal audit referred to general managers in core requirements 1-8.

Unique requirements for joint/regional organisation shared arrangements

Decision-making body

The member councils of a joint or regional organisation are to delegate their decision making authority in relation to internal audit under section 377 of the Local Government Act to the Board of their joint or regional organisation of councils. The Board will make the decisions that would otherwise be made by the governing body of each council. This includes:

- adopting the Internal Audit Charter on behalf of each member council (after endorsement by the Audit Risk and Improvement Committee)
- appointing and dismissing members and the Chair of the shared Audit, Risk and Improvement Committee
- adopting the terms of reference of the Audit, Risk and Improvement Committee on behalf of each member council (after endorsement by the Audit, Risk and Improvement Committee), and
- adopting internal audit policies and procedures on behalf of each member council (in consultation with the Audit, Risk and Improvement Committee and the general managers of each participating council).

All other functions assigned to the governing body of a council in core requirements 1-8 will remain with each individual council.

Auspecting body

The shared internal audit function is to be undertaken on behalf of member councils by the joint or regional organisation of councils. This will mean that:

- the Chief Audit Executive will report administratively to the executive officer of the joint/regional organisation
- the Chief Audit Executive, in-house internal audit staff and secretariat staff will be employees of the joint or regional organisation. The Chief Audit Executive and in-house internal audit staff may be located at the joint or regional organisation or at one of the member councils and have access to necessary administrative and HR support supplied through the joint or regional organisation or council, and
- the Chief Audit Executive and internal audit staff will be required to comply with the Code of Conduct of the joint or regional organisation⁶⁷.

The executive officer of the joint/regional organisation will also, on behalf of, and in consultation with each general manager in the shared arrangement, take on the administrative responsibility of some aspects of the shared internal audit function.

In relation to the Audit, Risk and Improvement Committee, this includes:

- determining the size of the Audit, Risk and Improvement Committee
- ensuring adequate procedures are in place to protect the independence of the Audit, Risk and Improvement Committee
- arranging secretariat support for the Audit, Risk and Improvement Committee, and
- receiving written declarations from members that they do not have conflicts of interest that may preclude them from serving on the Audit, Risk and Improvement Committee.

⁶⁷ Where the Code of Conduct of the joint or regional organisation differs from the Model Code of Conduct, the Model Code of Conduct will apply.

In relation to the Chief Audit Executive and internal audit staff, this includes:

- appointing and dismissing the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee and governing bodies of each council)
- deciding any changes that may impact the employment of the Chief Audit Executive (in consultation with the Audit, Risk and Improvement Committee), and
- dealing with breaches of the joint/regional organisation's code of conduct by the Chief Audit Executive or internal audit staff.

The general manager of each council will be required to attend the Audit, Risk and Improvement Committee meetings that relate to their council and exercise all other functions of the general managers in relation to internal audit described in core requirements 1-8.

Internal audit requirements for joint organisations

It is important to note that, like councils, joint organisations will also be required to appoint an Audit, Risk and Improvement Committee and have an internal audit function.

The Audit, Risk and Improvement Committee appointed by the joint organisation on behalf of member councils is therefore also to operate as the Audit, Risk and Improvement Committee for the joint organisation and the Chief Audit Executive appointed by the joint organisation is also to oversee the internal audit function for the joint organisation in addition to member councils.

Fees for shared Audit, Risk and Improvement Committee members

The following fee structure that currently applies under the NSW Government's prequalification scheme for Audit and Risk Committee Chairs and Members will apply to all shared arrangements, subject to any change.

Shared Audit, Risk and Improvement Committees	Fee category (based on stand-alone internal audit functions)	Chair fee (excluding GST)	Member fee (excluding GST)
Up to and including three small councils	Medium	\$11,213 per annum	\$1,621 per meeting day including preparation time
Four to more medium councils	Large	\$16,820 per annum	\$2,032 per meeting day including preparation time
Any combination of small and medium councils	Large	\$20,820 per annum	\$2,782 per meeting day including preparation time

(c) The general manager of each council in any shared arrangement must sign a 'Shared Internal Audit Arrangement' that describes the agreed arrangements

The general manager of each council in any shared arrangement will be required to sign a 'Shared Internal Audit Resourcing Agreement' with the other councils in the shared arrangement which agrees the following components.

Shared Internal Audit Resourcing Agreement

Issue	Components to be agreed by councils
Audit, Risk and Improvement Committee	<ul style="list-style-type: none"> • Number of committee members • Term of committee membership • Process for appointing and dismissing the Chair and committee members, including skills and capability requirements • Content, approval and review of the committee's terms of reference • Process for reviewing the committee's performance • Secretariat support arrangements for the committee • The committee's meeting schedule, including the sequencing of meetings to cover each council's requirements, and when and how emergency committee meetings can be called • Process for the committee to request others to attend committee meetings or provide additional information about internal audit matters • Arrangements for the provision of information by the committee to the Chief Audit Executive and internal audit personnel, as well as the governing body and general manager of each council
Aspiring arrangements	<ul style="list-style-type: none"> • What the aspiring arrangements will be • What the responsibilities of each council will be • Roles, responsibilities and reporting lines of the internal audit function
Chief Audit Executive and internal audit personnel	<ul style="list-style-type: none"> • Whether internal audit personnel are in-house or contracted through an external provider • Chief Audit Executive and internal audit personnel's purpose, scope, authority, delegations, role, responsibilities and reporting lines • HR matters such as recruitment processes, disciplinary matters, employment conditions, HR support, remuneration • Process for reviewing the performance of the Chief Audit Executive and internal audit personnel, as part of each council's quality assurance and improvement program
Administrative arrangements	<ul style="list-style-type: none"> • Content of the Internal Audit Charter, as well as how it is approved and reviewed • How costs will be determined, administered and shared • How disputes between councils in the shared arrangement will be resolved • How conflicts of interest, disciplinary or performance issues regarding Audit, Risk and Improvement Committee members, the Chief Audit Executive and internal audit personnel are to be dealt with • Information management and record-keeping • What information, if any, will be shared between councils • How much time the internal audit function spends on each council • Composition of the SSA committee and the process for appointing and removing members (ie independent shared or any member) • Establishment and operation of the general manager's administrative oversight committee for independent shared arrangements • Process for agreeing contractual arrangements with external providers • Procedures and safeguards to be put in place to preserve the independence of the internal audit function

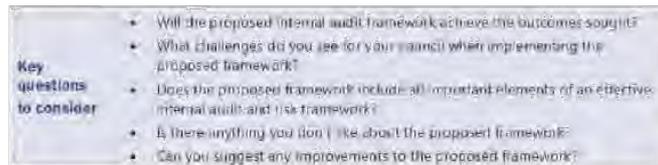
NEXT STEPS

Have Your Say

In developing the risk management and internal audit framework proposed in this paper, the Office of Local Government has considered the recommendations of various inquiries conducted by the Local Government Acts Taskforce, the Independent Local Government Review Panel and the Independent Commission Against Corruption, and the internal audit frameworks of other jurisdictions.

The Institute of Internal Auditors, NSW Treasury, the Department of Finance, Services and Innovation, the NSW Audit Office and the Executive of the Local Government Internal Auditors Network have also provided valuable feedback on earlier drafts of this discussion paper.

We now want to hear from you.



Submissions may be made in writing by **31 December 2019** to the following addresses.

Post
Locked Bag 3015
NOWRA NSW 2541

Email:
oig@oig.nsw.gov.au

Submissions should be marked to the attention of the Council Governance Team.

Next steps

Feedback will be considered when finalising the risk management and internal audit framework.

Once finalised, the Office of Local Government will notify councils of the new requirements and the steps and timeline for implementation.

Further information

For more information, please contact the Council Governance Team on (02) 4428 4100 or via email at oig@oig.nsw.gov.au.

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APPENDIX 1 – TIMELINE OF KEY INFLUENTIAL EVENTS

When	Who	What
2008	Office of Local Government ⁶⁸	<p>Internal Audit Guidelines for local government in NSW</p> <p>The Office of Local Government issued <i>Internal Audit Guidelines</i> under section 21A of the Local Government Act. The Guidelines sought to assist councils to put into place effective risk management and internal audit processes. This was in recognition that many councils wished to have a risk management framework and internal audit function and wanted guidance on how to achieve this. The Guidelines included:</p> <ul style="list-style-type: none"> • the aims and objectives of risk management and internal audit in councils • how a risk management framework and an internal audit function is to be overseen, structured and operated • the roles, responsibilities and reporting lines of relevant staff • the need for internal audit charters and • the establishment, structure and function of audit and risk management committees.
2010	Office of Local Government ⁶⁹	<p>Internal Audit Guidelines for local government in NSW updated⁷⁰</p> <p>A survey of councils conducted by the Office of Local Government to ascertain the progress made towards implementing the 2008 Guidelines found that while more than 50% of councils reported that they had an internal audit function, there were areas where the Guidelines needed to be clarified to improve compliance. The Guidelines were updated to:</p> <ul style="list-style-type: none"> • provide more guidance on the requirements for an independent audit committee • expand the conflicts of interest provisions and • clarify the role of the general manager in the internal audit function.

⁶⁸ Then the Department of Local Government

⁶⁹ Then the Division of Local Government in the Department of Premier and Cabinet

⁷⁰ Division of Local Government (2010) *Internal Audit Guidelines*

When	Who	What
2011	Independent Commission Against Corruption	<p>Burwood Council Inquiry</p> <p>The Independent Commission Against Corruption found in its <i>Investigation into alleged corrupt conduct involving Burwood Council's General Manager and others</i>⁷¹ that the absence of internal audit at Burwood Council was a significant factor that allowed corruption to occur at that council. The Commission recommended that:</p> <ul style="list-style-type: none"> • internal audit be legislatively mandated for local councils in NSW, and • in the case of small councils, the possibility of councils sharing an internal audit function should also be provided as an option. <p>The Commission also made a number of specific recommendations regarding internal audit functions in NSW councils:</p> <ul style="list-style-type: none"> • it be made a legislative requirement that council's internal audit committee be able to meet without the general manager present as this would preserve its capacity to meet as an independent body • it be made a legislative requirement that the general manager of a council report to the governing body any decision to dismiss an internal auditor and the reason for the decision. This will help protect internal auditors from dismissal as a result of conducting an audit involving the conduct of a general manager • the Local Government Act be amended to confer powers on internal auditors similar to those conferred on external auditors. These powers should include full and free access to Council information in order to carry out the internal audit function and the power to direct general managers, councillors and staff to produce documents and answer questions • clause 9.2(d) of the <i>Model Code of Conduct for Local Councils in NSW</i> be amended to permit councillors to provide information directly to internal auditors. This amendment was considered necessary to increase internal auditors' potential sources of information, and • the reporting structure for council's internal audit function include provision for the governing body of the council to receive information about the outcome of audits. <p>Specific to Burwood Council, but relevant to councils state-wide, the Commission also recommended that:</p> <ul style="list-style-type: none"> • council's audit and risk committee be chaired by a person independent of council • the governing body of the council receive regular updates on the outcome of internal audits • council's internal audit function monitor compliance with the Council's: Expenses and Facilities Policy, any policy for the payment of petrol/pocket expenses to the general manager and staff and council's system for allocating work to local practitioners as part of its oversight role, and • council's internal audit function conducts audits of the authorisation, certification and approval processes for expenditure that is unusual or infrequent.

⁷¹ Independent Commission Against Corruption (2011) *Investigation into the alleged corrupt conduct involving Burwood Council's general manager and others*

When	Who	What
2012	NSW Auditor-General	<p>Monitoring Local Government report⁷²</p> <p>The NSW Auditor-General found that over 75 councils had some sort of internal audit function and recommended that amendments be made to the Local Government Act (or other suitable alternative measures) that enable the Office of Local Government to make directions to require councils to have an Audit, Risk and Improvement Committee, internal audit function and fraud control procedures. The NSW Auditor-General also recommended that the Office of Local Government use council internal audit reports to identify councils at financial risk and identify matters which warrant attention.</p>
2013	Local Government Acts Taskforce	<p>Review of the Local Government Act 1995</p> <p>The Local Government Acts Taskforce recommended in its report, <i>A New Local Government Act for NSW and Revival of the City of Sydney Act 1998</i>⁷³ that the Act be amended to:</p> <ul style="list-style-type: none"> • legislate financial governance principles councils are to abide by • require councils to implement a financial governance framework that includes risk management, audit, internal controls and independent verification of financial reporting • require councils to incorporate risk management, accountability, value for money and probity in procurement, approval, enforcement and capital expenditure processes, and • require all decisions to incorporate considerations of risk management and long-term sustainability. <p>The Taskforce conducted extensive public and sector consultation in formulating its recommendations.</p>
2013	Independent Local Government Review Panel	<p>Independent Local Government Review Panel</p> <p>The Independent Local Government Review Panel found that, as at 2013, 50% of NSW councils had an Audit, Risk and Improvement Committee and/or some form of internal audit process. However, those that did tended to focus primarily on compliance, risk and fraud control and had committees that were strongly embedded within the council and answerable primarily to the general manager. This could generate conflicts of interest.</p> <p>The Panel recommended in its report, <i>Revitalising Local Government</i>⁷⁴, that the 2010 Internal Audit Guidelines issued by the Office of Local Government be made mandatory under the Local Government Act and that each council be required to have an internal audit function. Under the mandatory framework the Panel specifically recommended that:</p> <ul style="list-style-type: none"> • each council's internal audit function focus on adding value and continuous improvement rather than compliance, risk and fraud control • all councils with expenditures over a set amount (eg. \$20 million per annum) be required to have an Audit, Risk and Improvement Committee and associated internal audit function with broad terms of reference covering financial management, good governance, performance in implementing the Community

⁷² NSW Auditor-General (2012) *NSW Auditor-General's Report - Monitoring local government*: Department of Finance and Cabinet, Division of Local Government

⁷³ Local Government Acts Taskforce (2013) *A New Local Act for New South Wales and Revival of the City of Sydney Act 1998*

⁷⁴ Independent Local Government Review Panel (2013) *Revitalising Local Government: Final Report of the NSW Independent Local Government Review Panel*

When	Who	What
		<p>strategic plan and delivery program, service reviews, collection of required indicator data, continuous improvement and long-term sustainability.</p> <ul style="list-style-type: none"> each Audit, Risk and Improvement Committee should have a majority of independent members and an Independent Chair, and the general manager should be precluded from being a committee member (but not from attending committee meetings) the Chair be required to report biannually to a council meeting on council's financial management, governance processes and opportunities for continuous improvement councils be able to share their internal audit functions under the auspices of joint organisations, and the NSW Auditor-General conduct issue-based performance auditing relating to internal audit. <p>The Panel conducted extensive public and sector consultation in formulating its recommendations.</p>
JULY	NSW Parliament	<p>Amendments to the Local Government Act 1993</p> <p>In response to the recommendations of the Independent Local Government Review Panel, the Local Government Act was amended⁷⁵ to require all councils to have an Audit, Risk and Improvement Committee to keep under review the following aspects of council's operations:</p> <ul style="list-style-type: none"> compliance risk management fraud control financial management governance implementation of the strategic plan, delivery program and strategies service reviews council's performance, and the collection of performance measurement data by the council. <p>Guiding principles were included in the Act to require councils to have sound policies and processes for risk management and to effectively and proactively manage risks to the local community and council.</p> <p>The roles and responsibilities of the governing body, mayor, councillors were also updated and include the need to comply with the guiding principles and keep the performance of the council under review.</p> <p>The amendments followed an extensive public consultation process.</p>
2017	Independent Commission Against Corruption	<p>Botany Bay Council Inquiry</p> <p>The Independent Commission Against Corruption found, in its <i>Investigation into the conduct of the former City of Botany Bay chief financial officer and others</i>⁷⁶, that whilst Botany Bay Council did have an internal audit function:</p> <ul style="list-style-type: none"> it lacked independence from council's management and was prevented by the general manager from investigating the key operational areas and financial aspects of the council where corruption was occurring.

⁷⁵ The Local Government Act was amended via the *Local Government Amendment (Governance and Planning) Act 2016*

⁷⁶ *Independent Commission Against Corruption (2017) Investigation into the former City of Botany Bay Council Chief Financial Officer and others*, ICAC Report July 2017

When	Who	What
		<ul style="list-style-type: none"> • it was never able to directly present information or audit reports to the Audit, Risk and Improvement Committee or meet with the Committee to discuss concerns without the general manager present • it did not use risk ratings to determine what audits would be conducted which enabled key areas (where corruption was occurring) to be missed • the council's Audit, Risk and Improvement Committee was ineffective and did not properly examine the council's internal audit function or monitor the implementation of corrective actions, or report to the governing body • standard controls were frequently ignored, e.g. management letters • key financial staff in the council lacked the capabilities to perform their role • the governing body thought it was unable to request more information about audit activities • the governing body of council did not properly consider external audit reports, or implement recommended corrective actions, and • corruption and misuse of public money was able to go unanalysed. <p>The Commission recommended that the internal audit model to be developed under the 2016 amendments to the Act be comparable to that which applies to state government agencies. The Commission specified in particular that the NSW Government:</p> <ul style="list-style-type: none"> • issue mandatory administration and governance directives to local government similar to those that apply to state government agencies • require the composition and operation of audit committees to be similar to those that apply to state government agencies (i.e. all independent members), and • require the general managers of each council to regularly attest that its audit committee is operating in accordance with requirements. <p>The Commission also noted that had the NSW Auditor-General been conducting council's external audits (as now occurs), the corrupt conduct would have been detected much more quickly than it was.</p> <p>Specific to Boganby Bay Council but relevant to councils state-wide, the Commission also recommended that:</p> <ul style="list-style-type: none"> • council ensures that the implementation of both internal and external audit recommendations is considered by the governing body of the council when evaluating the performance of the general manager • council undertake a risk assessment (including an assessment of fraud and corruption risks) to inform its internal audit plan • council ensures that its internal audit function operates independently from management by reporting functionally to its Audit, Risk and Improvement Committee • council ensures that it has a robust system in place to monitor and report on the implementation of internal audit recommendations that is independent from management, and • the general manager reviews the Audit, Risk and Improvement Committee's effectiveness and the adequacy of its arrangements to ensure that it fulfils the responsibilities of its charter and provides sufficient assistance to the governing body on governance processes.

When	Who	What
2016	NSW Auditor-General	<p>Report on Local Government 2017</p> <p>The NSW Auditor-General released her first audit of the NSW local government sector⁷⁷ in April 2018 following the 2016 Local Government Act amendments. In relation to internal audit, the NSW Auditor-General found that, out of a combined 128 local councils and 10 county councils:</p> <ul style="list-style-type: none"> • 85 councils (67%) have an Audit, Risk and Improvement Committee and 51 (39%) do not. This is further broken down by location: <ul style="list-style-type: none"> ○ 30 metropolitan councils (94%) have a committee and 2 (6%) do not ○ 29 regional councils (78%) have a committee and 8 (22%) do not ○ 23 rural councils (90%) have a committee and 3 (10%) do not ○ 1 county council (10%) has a committee and 9 (90%) do not • 86 councils have a supporting internal audit function and 52 councils (38%) do not. This is further broken down by location: <ul style="list-style-type: none"> ○ 31 metropolitan councils (91%) have an internal audit function and 3 (9%) do not ○ 29 regional councils (78%) have an internal audit function and 8 (22%) do not ○ 24 rural councils (92%) have an internal audit function and 3 (10%) do not ○ 2 county councils (20%) have an internal audit function and 8 (80%) do not • 102 councils (74%) have either an Audit, Risk and Improvement Committee or an internal audit function and 36 councils (28%) have neither. <p>The Auditor-General also found that of the councils that did have a risk management framework in place, many of them were outdated and did not have accurate risk registers, risk policies and/or procedures. Many councils also had significant risks that were not being managed appropriately and were consequently affecting the governance, financial sustainability, asset management and legislative compliance of the council. 56% of Committees were also not reviewing the financial statements of councils.</p> <p>The NSW Auditor-General recommended in relation to risk management and internal audit that:</p> <ul style="list-style-type: none"> • the Office of Local Government introduce a requirement for all councils to establish internal audit functions • the Office of Local Government update its 2013 Internal Audit Guidelines • Audit, Risk and Improvement Committees review the financial statements of councils • councils could strengthen governance by implementing risk management and/or ensure their existing risk management framework includes IT and • councils should early adopt the proposed requirement to establish an Audit, Risk and Improvement Committee.

⁷⁷ NSW Auditor-General (2018) Report on Local Government 2017

When	Who	What
2019	NSW Auditor-General	<p>Report on Local Government 2018</p> <p>The NSW Auditor-General⁷⁸ found in her 2018 report that out of a combined 128 councils and 10 county councils, the number that have an:</p> <ul style="list-style-type: none"> o Audit, Risk and Improvement Committee increased from 85 (62%) in 2017 to 97 (70%), and o internal audit function increased from 86 (62%) in 2017 to 92 (67%). <p>The NSW Auditor-General attributed these increases to the 2016 amendments to the Local Government Act that mandate Audit, Risk and Improvement Committees and internal audit functions from March 2017.</p> <p>The councils yet to establish an Audit, Risk and Improvement Committee and internal audit function are mainly rural and county councils (90-60% of rural and county councils are non-compliant). Most metropolitan councils have a Committee and all have an internal audit function.</p> <p>For those councils that did have an Audit, Risk and Improvement Committee:</p> <ul style="list-style-type: none"> • 98% of Committees have an Audit, Risk and Improvement Committee Charter • 94% of Committees have an independent Committee Chair • 90% of Committees are advised of significant, complex or contentious financial reporting issues • 87% of Committees monitor progress in addressing internal and external audit recommendations • 83% of Committees have a majority of members who are independent • 81% of Committees review the council's risk register • 48% of Committees perform an annual self-assessment of their performance. <p>For those councils that did have an internal audit function:</p> <ul style="list-style-type: none"> • 93% have a documented internal audit plan • 90% of Audit, Risk and Improvement Committees review the internal audit plan • 85% of internal audit plans align with the council's risk register, and • 61% of Committees assess the performance of the internal audit function. <p>In relation to risk management, the NSW Auditor-General found that:</p> <ul style="list-style-type: none"> • 120 (87%) councils have a risk management policy and 28 (13%) councils do not • 160 (72%) councils have a risk register and 38 (28%) councils do not, and • 126 (91%) councils' risk registers align with their strategic objectives and 12 (3%) do not. <p>The NSW Auditor-General also recommended that councils:</p> <ul style="list-style-type: none"> • strengthen their risk management policies and practices • manage a number of specific high-risks better • implement stronger internal controls • improve fraud control, IT, asset management, procurement and contract management policies and practices, and • implement a legislative compliance framework tailored to the size and risk profile of the council.

⁷⁸ NSW Auditor-General (2018) Report on Local Government 2018 (see enaurl.com)



Box 14: Proposed Principles for Service Reviews

- 1. Review should be a planned activity, not an ad hoc response to a crisis.
- 2. Review should be conducted by an independent body, not the council or the council's internal audit function.
- 3. Review should be conducted by a body that is not subject to the same political pressures as the council.
- 4. Review should be conducted by a body that is not subject to the same political pressures as the council.
- 5. Review should be conducted by a body that is not subject to the same political pressures as the council.
- 6. Review should be conducted by a body that is not subject to the same political pressures as the council.

8.5 Internal and performance auditing

At present there is no mandatory requirement for councils to put in place effective internal audit processes, although the DLG has strongly encouraged such action. There is evident reluctance to do this in some parts of the sector, especially smaller councils, given the costs and time involved. However, without rigorous internal and performance auditing – linked to the improved arrangements for financial audit proposed in section 5.4 – a new agenda of improvement and accountability would be compromised.

At present, only about half of NSW councils have an audit committee and/or some form of internal audit process, and the latter tend to focus primarily on compliance, risk and fraud control. Some audit committees include external, independent members and have an independent chair, but many are strongly embedded within the council and answerable primarily to the General Manager. This can generate conflicts of interest.

The Panel believes various steps need to be taken, focused on re-orienting the concept of internal audit towards adding value and continuous improvement, and requiring all councils to have effective internal audit processes, including an audit committee with a majority of independent members. Councils with limited budgets and resources should be able to share arrangements under the auspices of the Joint Organisations proposed in section 11.

The Panel further proposes that the future role of the Auditor General in relation to local government should include issue-based performance audits, which would inform and support councils' internal audit processes. Such audits have been conducted by the Victorian Auditor General for many years. Topics are selected in consultation with the sector, and recent audits have covered important issues such as rating practices, sustainability of small councils, business planning, fees and charges, and use of development contributions. They usually involve a small sample of representative councils. The audits do not question the merits of councils' policy objectives. Rather, their role is to assess whether councils are achieving their objectives and operating economically, efficiently and effectively.

Having the Auditor General conduct such audits offers an independent perspective on the sector's performance, as well as an opportunity to compare the performance of councils with that of State agencies engaged in similar areas of activity.

The Panel's proposals are summarised in Box 14.

Box 17: Strengthening Internal and Performance Auditing

- Review the current guidelines under the Act and make recommendations to expand the concept of internal audit to include advice and assistance (wherever it).
- Require all councils with the expenditure of more than a set amount (perhaps \$10m per annum) to have an audit, risk and improvement committee and to make internal audit functions widely known terms of reference covering financial management, good governance, performance and implementing the Community Strategic Plan and Delivery Program, service reviews, collection of user and stakeholder data, social media, innovation and long term sustainability.
- Enable councils with smaller budgets to have prior arrangements for internal audit and to have audit committees under the aegis of regional Joint Organisations (see section 11).
- Require audit committees to have a majority of independent members and an independent chair and exclude General Managers from membership of audit committees (but not attendance at meetings).
- Ensure that the chair of the audit committee reports, at least bi-annually, to a council meeting on the organisation's performance in financial management, good governance and continuous improvement.
- Empower the Auditor General to conduct issue-based performance audit in key areas of local government activity.

Improving auditing along the lines proposed offers an alternative to prescription and compliance as a means of demonstrating that councils are 'doing the right thing'. As such, it should be seen as an opportunity to enhance local government's reputation and strengthen its position as a respected partner of the State.

8.6 An Annual General Meeting

Whilst the Local Government Act contains requirements for audits and annual reports, there is no single occasion during the year on which councils have to present their activities and account publicly for their performance to their local communities. This can be seen both as a gap in the accountability framework and a

lost opportunity to enhance community awareness of what councils do and the value they add to the system of government.

The Tasmanian Local Government Act contains a provision under which councils, like corporations, must hold an Annual General Meeting. The requirement is not spelled out in detail, but the concept is an interesting one. A council AGM held in October-November each year could include:

- Tabling of the audited accounts and questioning of the auditor by councillors, and perhaps the public (the former is already a requirement)
- A public presentation by the chair of the audit committee
- A 'state of the area' address by the mayor, outlining the council's achievements relative to the Community Strategic Plan and Delivery Program, and key issues that need to be addressed.

Such an annual event would hopefully focus public and media attention on the council's overall performance, as well as providing an opportunity for the council to report its achievements.

8.7 Workforce and leadership skills

An important and innovative element of IPR is the requirement for councils to prepare 4 year workforce strategies. Skills shortages are of growing concern and in a highly competitive labour market local government needs to give a high priority to developing the talents of its workforce and finding new ways to attract and retain skilled personnel. This issue is addressed in the *National Local Government Workforce Strategy* recently released by ACELG and LGMA. A number of relevant actions are also being explored through the *Destination 2036* process.

A critical factor in this regard is the quality of management: do managers have not only the technical and professional skills they require, but also the ability to be effective leaders of the workforce? Inspirational leadership can make a major contribution to attracting and retaining other staff, but current initiatives in leadership development in NSW are limited and patchy. The Panel sees a need for an increased take up of leadership training amongst senior managers, including General Managers.

Approved for release by the Auditor General on 18/11/2019

Towards New Local Government Legislation
Explanatory Paper: proposed *Phase 1* amendments



4.2 Internal Audit

Proposed Amendment

It is proposed to introduce a mandatory requirement for councils to have an internal audit function. To this end, it is proposed that new provisions will require all councils to have an internal audit function:

- with broad terms of reference covering compliance, risk, fraud control, financial management, good governance, performance in implementing their community strategic plan and delivery program, service reviews, collection of required indicator data, continuous improvement and long term sustainability; and
- that focuses on councils adding value to, and continuous improvement in, the performance of their functions.

All councils will be required to comply with guidelines issued by the Chief Executive of the Office of Local Government with respect to the implementation of their internal audit functions. All councils will appoint an audit, risk and improvement committee that meets the following requirements:

- audit committees must have a majority of independent members and an independent chair;
- general managers may not be members of audit committees (but may attend meetings unless excluded by the committee); and
- the Chair of the audit committees must report at least biannually to a council meeting on the organisation's performance in financial management, good governance and continuous improvement.

Councils will be permitted to have joint arrangements for internal audit and share audit committees.

Current provisions:

Discretionary guidelines issued under section 23A.

Independent Local Government Review Panel (P)/Local Government Acts Taskforce (T) recommendation:

P: 22 Improvement, Productivity and Accountability (Box 17)

Background

Mandating internal audit will:

- entrench within each council an internal assurance mechanism that offers an alternative to prescription and external oversight as a means of addressing risk, ensuring compliance and promoting best practice;
- drive and inform a culture of continuous improvement;
- facilitate reporting; and
- promote increased accountability.



DUBBO REGIONAL
COUNCIL

NOTICE OF MOTION: Temporary Accommodation Wellington

REPORT DATE: 19 November 2019

FILE: ID19/1570

Council had before it a Notice of Motion dated 19 November 2019 from Councillor Grant regarding the Temporary Accommodation Wellington as follows:

1. *That the Chief Executive Officer investigate the possibilities of making land available in the Wellington township to help facilitate the construction of temporary accommodation with a report to be presented at the February 2020 Council meeting.*
2. *That such land could include market square or any other sites that council sees suitable for this type of accommodation arrangement*
3. *That any such construction on this council owned or managed land would be of a temporary nature and not be undertaken by council.*

RECOMMENDATION

1. **That the Chief Executive Officer investigate the possibilities of making land available in the Wellington township to help facilitate the construction of temporary accommodation with a report to be presented at the February 2020 Council meeting.**
2. **That such land could include market square or any other sites that council sees suitable for this type of accommodation arrangement**
3. **That any such construction on this council owned or managed land would be of a temporary nature and not be undertaken by council.**

Councillor D Grant
Councillor

Appendices:

1. [Notice of Motion - Clr Grant - Temporary Accommodation Wellington](#)

Councillor David Grant
PO Box 81
DUBBO NSW 2830

14 November 2019

The Chief Executive Officer
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Dear Michael

NOTICE OF MOTION – TEMPORARY ACCOMMODATION WELLINGTON

I would like to place the following notice of motion on the agenda for the 25 November 2019 Ordinary meeting of Council.

1. *That the Chief Executive Officer investigate the possibilities of making land available in the Wellington township to help facilitate the construction of temporary accommodation with a report to be presented at the February 2020 Council meeting.*
2. *That such land could include market square or any other sites that council sees suitable for this type of accommodation arrangement*
3. *That any such construction on this council owned or managed land would be of a temporary nature and not be undertaken by council.*

Yours faithfully



David Grant
Councillor



DUBBO REGIONAL
COUNCIL

NOTICE OF MOTION: Extension of Bushrangers Creek Road Walking Path

REPORT DATE: 19 November 2019

FILE: ID19/1571

Council had before it a Notice of Motion dated 19 November 2019 from Councillor Grant regarding the Extension of Bushrangers Creek Road Walking Path as follows:

1. *That the Chief Executive Officer provide a report to the April 2020 Council meeting on the extension of the Bush Rangers Creek Road walking path from Brennan's Way to the start of Scenic Drive at the base of Mount Arthur (Stage 2).*
2. *That the report include full costings, concept plan and potential funding avenues to see this project achieved.*

RECOMMENDATION

1. **That the Chief Executive Officer provide a report to the April 2020 Council meeting on the extension of the Bush Rangers Creek Road walking path from Brennan's Way to the start of Scenic Drive at the base of Mount Arthur (Stage 2).**
2. **That the report include full costings, concept plan and potential funding avenues to see this project achieved.**

Councillor D Grant
Councillor

Appendices:

- 1 [Notice of Motion - Clr Grant - Extension of Bushrangers Creek Road Walking Path](#)

Councillor David Grant

PO Box 81
DUBBO NSW 2830

14 November 2019

The Chief Executive Officer
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Dear Michael

NOTICE OF MOTION – EXTENSION OF BUSH RANGERS CREEK ROAD WALKING PATH

I would like to place the following notice of motion on the agenda for the 25 November 2019 Ordinary meeting of Council.

1. *That the Chief Executive Officer provide a report to the April 2020 Council meeting on the extension of the Bush Rangers Creek Road walking path from Brennan's Way to the start of Scenic Drive at the base of Mount Arthur (Stage 2).*
2. *That the report include full costings, concept plan and potential funding avenues to see this project achieved.*

Yours faithfully



David Grant
Councillor



DUBBO REGIONAL
COUNCIL

NOTICE OF MOTION: Casino Licence for Dubbo

REPORT DATE: 19 November 2019

FILE: ID19/1573

Council had before it a Notice of Motion dated 19 November 2019 from Councillor J Ryan regarding the Casino Licence for Dubbo as follows:

- “1. That the Chief Executive Officer be requested to advocate to the State Government to change the current regulations to permit a restricted gaming licence in Dubbo for the purpose of a casino.*
- 2. That council note its immediate preference that any third casino not contain poker machines.*
- 3. That the report be included for consideration for the April 2020 meeting of Dubbo Regional Council. ”*

RECOMMENDATION

- 1. That the Chief Executive Officer be requested to advocate to the State Government to change the current regulations to permit a restricted gaming licence in Dubbo for the purpose of a casino.**
- 2. That council note its immediate preference that any third casino not contain poker machines.**
- 3. That the report be included for consideration for the April 2020 meeting of Dubbo Regional Council. ”**

Councillor J Ryan
Councillor

Appendices:

- 1 Notice of Motion - Clr Ryan - Casino Licence for Dubbo**

Councillor John Ryan
PO Box 81
DUBBO NSW 2830

18 November 2019

The Chief Executive Officer
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Dear Michael

NOTICE OF MOTION – CASINO LICENCE FOR DUBBO

I would like to place the following notice of motion on the agenda for the November 2019 Ordinary meeting of Council.

- 1. That the Chief Executive Officer be requested to advocate to the State Government to change the current regulations to permit a restricted gaming licence in Dubbo for the purpose of a casino.*
- 2. That council note its immediate preference that any third casino not contain poker machines.*
- 3. That the report be included for consideration for the April 2020 meeting of Dubbo Regional Council.*

Yours faithfully



John Ryan
Councillor



REPORT: Water Strategy - November 2019

AUTHOR: Chief Executive Officer
REPORT DATE: 13 November 2019
TRIM REFERENCE: ID19/1542

EXECUTIVE SUMMARY

This report outlines an extensive and ambitious program of proposed infrastructure works which seek to address the immediate issues of water security across the LGA created by the current drought as well as providing Council with a much more diverse and resilient water supply system to withstand the impacts of future droughts whilst providing for responsible population growth.

The key elements identified in this report, which are proposed to be funded by the \$30m provided by the NSW Government, include:

- Development of additional groundwater sources in Dubbo and Wellington and the re-establishment of the Geurie groundwater source.
- Construction of a network of pipes throughout Dubbo which:
 - Connects existing recreational bores to the water filtration plant to enable these bores to augment the city's water supply; and
 - Enables high quality recycled water to be piped from the sewage treatment plant to appropriate locations across Dubbo to be used as a replacement water source to relieve demand on the existing potable water supplies.
- Provision of enhanced water treatment processes at the Dubbo Sewage Treatment Plant to ensure the quality of recycled water discharged for re-use meets appropriate quality standards.
- Construction of a backwash water re-use scheme at the Dubbo Water Filtration Plant.
- Purchase of additional groundwater water entitlements.

Work will also proceed on the development of the first stage of the Dubbo Stormwater Harvesting Scheme as part of Council's overall drainage strategic program. In addition, subject to support from other councils along the Macquarie River and the NSW Government, the report outlines the key steps needed to develop a Regional Water Supply Pipe Network, from Burrendong Dam to Nyngan/Cobar to provide for the long term security of urban water supplies in the lower Macquarie.

FINANCIAL IMPLICATIONS

This report outlines the key elements which are to be funded by the \$30m provided by the NSW Government to improve water security across the Dubbo Regional Council LGA.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

- 1. That report of the Chief Executive Officer dated 13 November 2019, be noted.**
- 2. That Council develop a suite of local water supply initiatives across the LGA based on an integrated water supply system which effectively addresses the immediate water supply needs during the current drought as well as providing long term resilience for future droughts. These initiatives include, but are not limited to:**
 - a. The development of additional groundwater sources in Dubbo and Wellington and the re-establishment of groundwater sources in Geurie.**
 - b. The targeted use of recycled water as replacement water for existing surface or groundwater supplies, where these existing supplies can then be used to augment town water supplies.**
 - c. Development of urban stormwater harvesting schemes.**
 - d. The re-use of backwash water at the Dubbo Water Filtration Plant.**
 - e. Securing additional groundwater for town water use through either temporary trading or permanent purchase.**
 - f. Investigating the development of a Managed Aquifer Recharge Scheme.**
- 3. That Council proceed with necessary infrastructure works to deliver these initiatives including:**
 - a. Investigation of new groundwater sources in Wellington, with development of new bores if suitable groundwater supplies are found.**
 - b. Re-establishment of bores in Geurie.**
 - c. Development of an integrated groundwater supply network in Dubbo which optimises the effectiveness of individual bores and maximises the efficiency of the entire network, without long term adverse impact on the groundwater resource.**
 - d. Construction of a pipe network in Dubbo which:**
 - i. Connects existing recreational bores in the City to the Water Filtration Plant to enable groundwater extractions from these bores to be used to augment the City's water supply; and**
 - ii. Enables high quality recycled water to be piped from the Sewage Treatment Plant to appropriate locations across the City for re-use as a replacement water source, including key open space areas, Taronga Western Plains Zoo and other identified locations where recycled water use offers the highest value outcome to Council.**
 - e. Construction of a backwash re-use system at Dubbo Water Filtration Plant.**
 - f. Development of Stage 1 of the Dubbo Stormwater Harvesting Scheme.**
- 4. That Council develop a Recycled Water Management Plan to identify the necessary levels of additional treatment required to ensure recycled water use is of an appropriate quality standard for its intended re-use, and deliver these additional treatment processes as part of the implementation of the Plan.**
- 5. That Council review its current use of recycled water at Greengrove, and the supply of**

- recycled water to existing commercial operators, with a further confidential report on this issue to be prepared for Council early in the New Year.
6. That Council consider the outcomes of the current Expression of Interest process to secure additional temporary or permanent water through the water market, with responses used to develop agreements which offer the greatest benefit to Council and authorise the Chief Executive Officer to enter into water trading purchase agreements on behalf of Council.
 7. That Council support, in principle, the development of a Regional Water Supply Pipe Network to enhance the long term security of urban water to all communities currently supplied by the Macquarie River downstream of Burrendong Dam.
 8. That Council authorise the Chief Executive Officer to finalise and sign the Dubbo Drought and Groundwater Infrastructure Project Funding Deed with Department Planning Industry and Environment.
 9. That Council jointly seek funding assistance from the NSW Government, as a matter of urgency, in conjunction with Narromine Shire, Bogan Shire, Warren Shire and Cobar Shire councils to:
 - a. Undertake a comprehensive business case assessment of the Regional Water Supply Pipe Network project.
 - b. Develop a long term financial model for the project which is sustainable for Council.
 - c. Develop a governance model for the development and operation of the pipeline project based on regional collaboration amongst associated Councils; and
 - d. Progress the technical development of the project to a 'shovel ready' stage by April 2020.
 - e. Engage a suitably qualified consultant to act for the group of councils in developing each stage of the project planning process.
 10. That Council examine options, in collaboration with Department Planning Industry and Environment Water and Water NSW, to extend critical urban water supplies in the lower Macquarie River catchment and fast-track delivery of the Regional Water Supply Pipe Network project, including staged construction options, with the aim of ensuring a continued supply of water to all urban centres supplied by the Macquarie River downstream of Burrendong Dam.

Michael McMahon
Chief Executive Officer

REPORT

Following the Water Security Strategy report to the September 2019 Council meeting, Council staff and consultants have been working on developing numerous elements of the infrastructure required to deliver on this Strategy.

The initiatives have been selected for their capacity to not only address short term water security needs in response to the current drought, but also, as is the very clear direction from the NSW Government, to deliver long term water supply solutions. The suite of options outlined in this report provide a diverse, innovative and sustainable range of water supply solutions, many of which are scalable and able to be further augmented to meet future water supply demands. Delivery of these projects will significantly enhance the resilience of Council's overall water supply system to manage future droughts.

Climate Outlook

The three-monthly climate outlook from the Bureau of Meteorology (BOM) is as follows:

"Issued: 31 October 2019

- *November and December rainfall is likely to be below average across most of the Country. November is likely to be wetter in western Tasmania. The outlook for November 2019 to January 2020 suggests much of Australia is likely to be drier than average, whereas the summer (December to February) outlook suggests mainly eastern Australia may be drier than average.*
- *Daytime temperatures are likely to be above average across Australia for the remainder of 2019 and into early 2020. However, November is likely to be cooler than average in southwest Victoria and most of Tasmania.*
- *Nights are likely to be warmer than average for November in northwest and eastern Australia. Conversely, much of northeast and south to southeast Australia are likely to have cooler than average November nights. Cooler nights for the southeast and northeast continue for December in some areas, but December to February nights overall are likely to be warmer than average almost nation-wide.*
- *The strong positive Indian Ocean Dipole (IOD) is continuing to influence Australian climate, while a negative Southern Annular Mode (SAM) is likely to influence Australia for the coming weeks."*

NSW Government Involvement

The Dubbo Regional Town Water Supply Steering Committee, which involves Council staff and representatives of key government agencies involved in the drought, have met monthly since August. Water NSW provides updates on their activities aimed at extending the limited water supplies in the Castlereagh/Macquarie system for as long as possible. They are currently advising Council that it needs to have alternative water supplies in place by the end of May 2020 when they project that the river could cease to flow based on the worst-case scenario of zero inflows into Burrendong Dam. While this could be seen as a very cautious approach, based on effectively no meaningful inflows into the system since May 2017, plus projected lower than average rainfall and hotter than average temperatures, Water NSW

believe such an approach is appropriate. As part of this Council is being actively encouraged to play its part, as is all other surface water users in the catchment, by reducing water usage to help preserve supplies for as long as possible. In addition, Water NSW are having to make very restrictive interventions throughout the catchment with major impacts on downstream water users, including stopping river flows for the Macquarie River, and a number of its tributaries, downstream of Warren.

The provision of \$30m in funding to Council for the development of alternative water supplies is an indication of how seriously the NSW Government views the water security situation for the LGA. In response it is appropriate that Council work collaboratively with the Government to ensure these funds are utilised effectively on projects that deliver both short term relief, but also sustainable long-term benefits.

Infrastructure Strategy Approach

The approach adopted in developing this infrastructure strategy is based upon identifying additional water sources that:

- In the short term, are reliable, of appropriate quality, readily accessible and the associated infrastructure can be developed within a short period of time with minimal risk of delay from issues such as land access negotiations, regulatory approvals or legal issues.
- Can also form part of the longer-term permanent water supply.
- Add to the diversity of the water supply system to build resilience within the system.
- Have the capacity to be further augmented in the future to meet demands from a growing population.
- Provide Council with a level of independence over the management of its water supply rather than being totally reliant upon the state government.
- Provide the community with an adaptable and sustainable water supply system, which embraces innovation and delivers high quality, reliable water to residents.

Dubbo

Expansion of Groundwater Supplies

Groundwater offers the most immediate solution to Dubbo's water supply, as it already forms a key part of the City's supply network, is of good quality and is physically accessible. Indications from staff at the Department of Planning, Industry and Environment - Water (DPIE-Water) are that the resource, if managed effectively, can meet Dubbo's short to medium water supply needs.

The extraction of groundwater is heavily regulated through water sharing plans to ensure usage of the resource does not exceed its long term sustainable yield. Under the Upper Macquarie Alluvial Aquifer Water Sharing Plan:

- The annual sustainable yield is around 20,000 ML/a.
- Council's current annual allocation is 3,850 ML/a.
- Target supply for Level 4 (groundwater only) 6,250 ML/a.

- Additional allocation required 2,400 ML/a.
- Council's current average annual usage is around 2,000 ML/a.

The key outcomes Council needs to achieve in order to reliably depend on increased groundwater supplies are:

1. Establishing that it can safely extract its full entitlement under the current Water Sharing Plan.
2. Being able to then expand this physical extraction capacity by a further 2,400 ML/a.
3. At the same time securing the necessary additional entitlements to extract this increased volume, either on a temporary or permanent basis.

Council currently has a network of seven bores which it utilises on a rotational basis to supply its existing groundwater to the water filtration plant. These bores are located in the southern areas of the City. In the past this bore field has been able to deliver over 4,000ML in a year, so the necessary pumping capacity exists. However, there is uncertainty about how sustainable such an extraction rate is over the longer term, and how quickly the aquifer can recover. DPIE Water is also concerned about the long term impacts on the aquifer from such an extraction regime, both at individual bore locations as well as more broadly across the aquifer, due to the potential for the aquifer to compact under sustained extraction and be unable to fully recover when the aquifer recharges.

Council is currently undertaking an assessment of the long term capacity of these seven bores to better understand how they can reliably contribute to a sustained groundwater supply for Dubbo.

As well, Council has undertaken initial investigations into the development of additional bores to the south of Dubbo, where extensive groundwater supplies exist. An interference assessment was undertaken at a number of sites, up to 15 km south of Dubbo, which established that the development of new bores in this area has the potential to create adverse drawdown impacts on existing bores, would be comparatively low yielding when compared to other alternatives and likely to result in a long and complex approvals process possibly requiring additional hydrogeological assessments.

Given the need to develop additional groundwater supplies as quickly as possible, and while the pursuit of additional bores south of Dubbo has not been fully discounted, Council's focus has now shifted to investigating a number of other existing bores in Dubbo. Specifically Council currently has eight separate bores spread across the City. Specifically these bores have a combined entitlement of 444ML, some of which are all fully equipped and have been supplying water for the City's open spaced for many years.

Given these bores are not located in close proximity to other licensed bores, there are no issues around interference impacts on other licensed bores which may limit the extraction capacity of these bores. However, there are numerous domestic bores across Dubbo, which greater extraction of these open space bores could have impacts on any domestic bores within close proximity. Work will be undertaken to establish the long term yield of these bores, with preliminary indications that a number may be quite high yielding. This assessment

will also provide advice on how to optimise the output from each individual bore as well as how this field of additional bores could be used in conjunction with the seven existing town water supply bores to provide an adequate long term groundwater supply during the current drought. A detailed water quality assessment will be undertaken for each of these bores to ensure their suitability for addition to the City's potable supply.

In order to be able to utilise the groundwater from these recreation bores a network of pipes needs to be installed across the City to connect these bores to the Dubbo Water Filtration Plant. These pipelines have been designed and it is expected to let a contract for these works early in the New Year. These existing bores have been utilised for many years.

The use of these recreation bores also provides Council with access to an additional 444ML/a of entitlement from the Upper Macquarie Alluvial aquifer, thus reducing the additional entitlement required by Council from 2400 ML/a to 1950ML/a.

These additional entitlements should, based on advice from DPIE Water staff, be acquired by Council through engagement in the existing water market as provided in the Water Sharing Plan. To achieve this Council has engaged a water broker to act on its behalf to undertake an initial Expression of Interest (EOI) to assess the degree of interest amongst all other water users to trading water with Council, either on a temporary or permanent basis. Once this process is complete, written proposals will be considered and a further report prepared for Council with the aim of securing a number of agreements, which could secure significant additional groundwater for the 2020/2021 water year (Council's current surface and groundwater allocations are sufficient to meet demands for the current 2019/2020 water year even if the surface water allocations cease in May if the river stops flowing). While it is difficult to accurately predict the cost of these water trades given the complexity of the market an amount of \$3.6m has been allocated at this stage.

Council has also been advised by DPIE Water staff that it could seek a Ministerial determination under section 324 of the Water Management Act, 2000:

“(1) If satisfied that it is necessary to do so in the public interest (such as (but not limited to) to cope with a water shortage, threat to public health or safety or to manage water for environmental purposes), the Minister may, by order in writing, direct that, for a specified period, the taking of water from a specified water source is prohibited, or is subject to specified restrictions, as the case requires.”

To allow Council to temporarily access additional groundwater entitlements due to the critical importance given to town water needs.

As outlined above Council's initial approach is to work within the current water market to achieve these additional entitlements, hopefully to provide long term access to additional groundwater. However, due to the critical need to secure the City's water supply, and the requirement to utilise public funds responsibly, section 324 remains available for Council to use if necessary.

Re-use of Recycled Water

Recycled water from the Dubbo Sewage Treatment Plant (STP) offers a sustainable, reliable and readily accessible supply of water which can be effectively utilised to help secure the City's future water supply needs. At the present time this water is provided, under a series of commercial supply agreements, to a number of properties to the north of Dubbo for irrigation of fodder crops, as well as to the Council owned Greengrove property.

The current drought has provided a renewed focus on the highest and best potential use of recycled water, and so requires these current arrangements to be reviewed. The volume of recycled water produced by the Dubbo STP is very reliable, effectively representing a fixed portion of the water used by residents to meet their daily indoor human needs, as well as commercial and industrial uses. Therefore, the volume is not significantly impacted by variations in weather or reductions due to water restrictions, as these issues mainly affect the volume of outdoor water utilised by residents.

It is necessary to undertake a full review of Council's current and future re-use of recycled water. Given that this involves a number of commercial arrangements bound by existing agreements, it is appropriate that this review be undertaken in consultation with these customers, as well as the individuals and organisations involved in the operation of Greengrove. This review should be the subject of a confidential report to Council in the New Year.

In the meantime, the option of utilising recycled water for alternative uses should be developed as a viable response to the current water supply crisis. Around 1,200 ML/a of recycled water, not subject to existing commercial supply arrangements, could be made available in the short term. This volume could increase over time as existing supply arrangements are reviewed, or reach the end of their contract period. In addition the volume of recycled water will grow as a direct consequence of further population growth.

It is proposed to develop a Recycled Water Management Plan to guide decisions on the potential opportunities for recycled water usage, and the ensure Council is fully aware of the appropriate levels of additional treatment, and ongoing management requirements, needed to secure the necessary Ministerial approval under section 60 of the Local Government Act 1993 for the re-use of recycled water. This Plan will be developed utilising external specialist consultants and will involve all Council staff who will be involved in the planning, development and operation of any future recycled water system.

Recycled water has a number of potential uses, in the short term:

- As replacement water for existing groundwater currently being used to irrigate key open space areas or other appropriate Council operations.
- As a substitute water supply for current commercial operators who are high water users, but do not require full potable water for their operations, including Taronga Western Plains Zoo.
- As substitute water for groundwater irrigators, enabling the trading of an agreed volume of groundwater to Council in return for this recycled water.

These initiatives would all lessen the dependence on either the existing potable supply or high-quality raw water supplies, especially groundwater. This would extend the availability of these supplies whilst at the same time maximising the effective usage of the recycled water.

To enable these uses to occur it will be necessary to construct a network of pipes from the Dubbo STP to locations throughout the City where the recycled water can be utilised. This would include the open space areas discussed above which are currently utilising groundwater for irrigation. Where appropriate pipes carrying recycled water to these locations could be laid in the same trench as the pipes carrying groundwater away from these areas, thus minimising cost and disruption while maximising long term operational opportunities. The recycled water pipeline would also extend to the south of the City, past the Water Filtration Plant, to areas where there is potential opportunities to utilise significant volumes of recycled water. In addition, depending on the outcome of the EOI process with irrigators, there may be locations identified where the recycled pipe network could be extended to supply these users.

The key components of this pipe network have been designed and documents are being prepared to enable tenders for this work to be called before the end of the year. This will be a significant infrastructure project involving in excess of 19 km of new pipes being installed across the City during the first half of 2020, including 8 km of dual groundwater/recycled water pipes. In order to enable construction to proceed as quickly as possible, many of these pipes will be laid at the edge of the roadway to minimise interactions with existing underground services and trees. The alignment chosen for these pipes largely follows areas where there are minimal properties, however the work will result in some localised impacts to residents and businesses as well as to traffic during construction. It is expected that the works will be undertaken quickly and the overall impacts minimised.

Once in place this network of pipes will provide the core infrastructure to enable further use of recycled water across the City, through staged expansion of the network to other open space areas or to areas/businesses where recycled water could be used in lieu of potable water. As well this pipe network is necessary in order for the potential development of a future Managed Aquifer Recharge Scheme, (MAR) a longer term innovative solution which has been identified as being viable south of Dubbo. This project involves the injection of high quality excess water into a section of the aquifer for storage without evaporation and eventual extraction for use, as a source of raw water for the Water Filtration Plant, particularly during future droughts.

The initial cost estimate of this network of pipes is around \$10.6m.

In conjunction with construction of this pipe network it is expected that additional layers of treatment of the existing recycled water at the STP will be required. While the eventual type of treatment will be determined during the development of the Recycled Water Management Plan, processes such as micro-filtration and reverse osmosis are likely to be required. These can be installed relatively easily as package treatment processes at the STP, where any resulting waste products from the treatment process can also be effectively managed.

The estimated order of cost of these additional treatment processes is around \$9.0m.

Stormwater Harvesting

Preliminary investigations have identified that stormwater harvesting offers a viable additional water supply for Dubbo. This option has the advantages of being effectively a new source of water which can be readily incorporated into the City's water supply without significant impact on other users, provides both a short term and long term solution, is scalable and offers a very cost effective option which delivers significant long term environmental outcomes.

While stormwater harvesting relies on rainfall, generally a very minor rain event of around 5 to 10 mm can produce a significant volume of stormwater runoff to enable harvesting to occur. This is due to the impervious nature of urban catchments, with a high percentage of the catchment area made up of roofs, roads and footpaths, which produce reliable runoff during rain events. This water is directed into underground drainage pipes which discharge at the catchment outlet, providing a very convenient and efficient point at which to capture a percentage of these flows in a stormwater harvesting system. Dubbo is fortunate in that most of its urban sub-catchments discharge along the Macquarie River, or to Eulomogo Creek, where sufficient open space exists to construct the necessary infrastructure to capture and treat this stormwater before piping it to the Water Filtration Plant.

Such a scheme can be constructed in stages, and additional catchments to be added in the future as the scheme is extended. The initial treatment generally involves removal of suspended sediments in the stormwater, as well as designing the system to ensure contaminants such as oils are not captured in the harvested water. The harvested stormwater is then incorporated into the inlet of the Water Filtration Plant, along with raw water from the river and/or groundwater, to be fully treated to the appropriate Australian Drinking Water standards before being distributed for general use. Water quality data from similar schemes in NSW demonstrate that the quality of harvested stormwater is generally significantly better than that of raw water from natural sources such as creeks and rivers. This is due the fact that with a whole-of-catchment management approach the potential for contaminants to enter stormwater is limited, and the initial pre-treatment process can be designed to address any potential contamination issues which could occur within the catchment.

A detailed concept is being developed for the first stages of a stormwater harvesting scheme, with the initial investigation and design focused on four drainage catchments in close proximity to the Dubbo Water Filtration Plant. The key environmental, regulatory and compliance issues will be identified along with an outline the infrastructure works required and the associated estimated cost and delivery timeframe. This is expected to be completed by the end of the year, following which a report will be prepared for Council and, if agreed detailed design work, including development of cost estimates, can proceed early in the New Year.

Re-use of Water Filtration Plant Backwash Water

The existing water treatment process at the Dubbo Water Filtration Plant in Dubbo involves the discharge of around 300 ML of relatively clean process water each year. Around 50 ML/a

of this water is utilised for open space watering. The remaining 250 ML/a can be recycled back through the plant with a relatively minor reconfiguration of pipes and valves. This work is currently in the preliminary stages and will be completed in the New Year at an estimated cost of \$150,000.

Groundwater Wellington

Wellington currently has very limited groundwater, with an entitlement of 350 ML/a on a bore which is currently not operating at Montefiores. Therefore, due to its full reliance on river supply currently, there is an urgent need to develop additional water sources for Wellington as no viable alternative supply exists if the river ceases to flow.

A number of new groundwater options have been explored in recent weeks, with test-drilling currently underway near the Wellington Water Filtration Plant to determine the viability of groundwater supplies in this area. If successful, this would represent a very cost effective solution with minimal pipework needed to connect these bores to the plant.

Until this work is completed the need for additional groundwater investigations around Wellington, to ensure the provision of around 930ML to meet Level 4 demands, is uncertain. Therefore, it is essential that this work is concluded as quickly as possible, as alternative options for further groundwater supplies would also require extensive investigation into the installation of the necessary pipelines to pump the water to the Water Filtration Plant.

Other potential groundwater options do exist, including the refurbishment of Council's existing Montefiores bore, as well as other potential supplies west of the Bell River, at Pioneer Park and the Wellington Showground. These later options however are located within the Bell Alluvial aquifer which is connected to the Wellington Caves Karst system, requiring very careful assessment of any potential long term impacts before such a source is further investigated.

While opportunities such as effluent re-use and stormwater harvesting exist in Wellington for future investigation, these solutions are not as cost effective to implement in Wellington in the short term as is the case in Dubbo. However, investigations have identified a number of potential options worthy of further consideration, in conjunction with Water NSW, for continuing to supply Wellington with surface water beyond projected cease-to-flow date in the river. Given its proximity to Burrendong Dam, a 28 km pipeline could be constructed if a small pool of water is quarantined in the dam for Wellington town water use, representing in the order of less than 0.1% of the Dam's active storage for a year's supply. Alternatively, it could also be possible to provide a similar volume of water as a temporary storage within the river by modifying the existing causeway at Falls Road, just upstream of the Wellington Water Filtration Plant, to create a weir pool upstream of the crossing for town water use.

Groundwater Geurie

Council is currently investigating options to re-establish a groundwater supply for Geurie. Two bores and a well have been developed in the past, however have not served any operational use for many years. In addition, the necessary pipe infrastructure to deliver water from these bores to the Geurie Water Treatment Plant is currently not in place. An option

currently being considered includes re-establishing the existing bores near its current location at a much greater depth to intercept more depth of the aquifer and thus improve the bore's yield. These works, plus the replacement of any necessary pipework, are proposed for the near future.

Groundwater - Cost Estimate

This report outlines a comprehensive program of groundwater projects in Dubbo, Wellington and Geurie. Given the extensive level of groundwater investigation and testing underway as well as the inherent uncertainty of developing reliable groundwater supplies, it is difficult to accurately estimate the expected total cost of this work at this stage. However, based on the proposed program of work at this time and estimates provided from a recent tender the estimated cost of this work is around \$6.3m.

Regional Water Supply Option

The current drought has highlighted the lack of water security for many urban centres along the Macquarie River downstream of Burrendong Dam. With the record low inflows into Burrendong, and very low prospects of significant inflows into the dam in the short to medium term, Water NSW, under its Extreme Events Policy, has identified the Macquarie River as being at Level 4 – Critical Drought, the highest criticality level under its Incident Response Guide. This has required Water NSW to develop a range of responses within the catchment to extend, for as long as possible, the remaining water supplies to meet the critical needs of local water utilities. At the same time many of these communities have responded by activating their Demand Management Plans and progressively implementing water restrictions to reduce demand whilst also exploring additional localized supply options, particularly groundwater where appropriate.

The current situation highlights the high level of dependence most of these communities have on continued flows within the Macquarie River to provide sufficient water to meet town water needs. For the majority of the time the inflows into the system and the volume of water in the storages enables the system to be operated to satisfy the needs of all users within the catchment. However, as the availability of water decreases and critical supply situations develop, as is currently being experienced, the ability of the system to meet the highest priority needs of local water utilities comes under greater scrutiny. With Burrendong Dam at around 4% of capacity, and the water sharing plan providing town water supplies with the highest priority access to this remaining water, the need to efficiently deliver this diminishing source of water to towns becomes critical in order for them to continue to function until the drought breaks.

At the current time the river is the only conduit available to supply surface water to towns and while significant management strategies have been already put in place, and further initiatives are being developed to extend flows in the river for as long as possible, the currently projections are that the river will stop flowing around May next year.

The development of a regional pipeline, as an alternative means of delivering water to towns along the lower Macquarie River, has been proposed on numerous occasions, particularly during times of drought. However, as has often been the case, once the drought breaks and the river system returns to normal operations, the focus on the need for such a pipeline

diminishes. A key message coming out from the NSW Government in response to the current drought is that this past practice of not following through on such initiatives must not occur again. Lessons learnt from this drought need to drive solutions which not only help communities get through the current crisis, but, most importantly, will deliver long term resilience and capacity within communities to manage future droughts more effectively.

The development of a regional water supply pipeline network along the lower Macquarie, between Burrendong Dam and Nyngan, including a new branch to Warren and upgrading of the existing pipeline from Nyngan to Cobar, would provide a critical linkage between urban centres and the various water supplies in this region. In addition to providing a means of distributing water from Burrendong Dam with virtually no transmission losses, the pipe network could also link various groundwater supplies throughout the catchment, with the system designed to enable two-way flow to create a catchment-wide water supply grid which would deliver significant resilience to all communities connected to the network. This critical infrastructure project could deliver significant regional economic benefits, by only ensuring the long term reliability of water supply to existing towns and therefore removing the constant threat of reduced water supply during drought, but also potentially promoting increased economic development on the back of a very reliable and resilient water supply.

In order to progress this initiative a significant amount of work needs to be undertaken as a matter of urgency, given the current drought situation.

A detailed business case needs to be developed to understand the various operating models which could be implemented, as well as fully understand the costs and benefits associated with such a project. As well this analysis should explore various scenarios to fully understand the potential opportunities arising from such a significant project, with the aim of optimizing the size and scale of the network to deliver the most effective long term outcome.

The ongoing ownership and operation of the pipe network also needs to be fully examined to ensure its continued effective operation at a level which is financially sustainable for water users.

At the same time a Project Plan for the delivery of the project needs to be developed as a priority. This will enable a full understanding of the actual capital cost of the project and the ongoing whole-of-life operational costs to be established. As well this Plan will identify how the project can be delivered in a manner which potentially provides significant benefits during the current drought as well as much greater long term benefits. With the potential of a less onerous project approval regime, the key to delivering at least the first stage of this project lies with the Project Development Plan. Issues such as route selection, land access, environmental and archaeological impacts, constructability as well as technical design issues need to be fully addressed. Preliminary work on possible pipe sizes, material type, pump station capacity and potential alignments has already commenced within the Dubbo Regional Council area, with the same methodology able to be applied to the whole potential network in the short term to fully understand the scale and cost of this project. Initial costings indicate the project could be delivered at least in line with similar sized projects completed recently in NSW, in regards to cost and delivery time.

In conjunction with the development of the Project Plan for this pipe network, options need to be examined for extending flows in the Macquarie River for as long as possible in collaboration with the NSW Regional Town Water Supply Coordinator, Water NSW and DPIE Water. If this can be achieved the opportunity potentially exists to undertake construction of the first stage of the pipeline network before flows in the river cease at a point where no further water can be supplied to towns at the end of the system, such as Cobar, Nyngan and Warren. While such an outcome cannot be guaranteed, with all communities working to reduce demand and develop a range of alternative water supply options, coupled with a concerted focus to fully resource the development of the first stage of the pipe network project, a fast-track project delivery approach should be adopted at the outset to provide maximum opportunity to complete key elements of the project as soon as possible.

To achieve this financial support needs to be sought from the NSW Government as a matter of priority, ideally though a joint delegation of all councils to the Minister for Water as soon as possible. Prior to this it is essential that all councils consider a report on this matter at their earliest opportunity and, if in agreement, resolve to pursue this project as a priority.

This project offers a unique opportunity to the councils in the lower Macquarie to work collaboratively on an inter-generational infrastructure project which could significantly enhance the current level of service to their communities as well as deliver very long term sustainable water supplies and associated economic prosperity. This project would build on the vision for reliable urban water supplies in the lower Macquarie region which commenced with the construction of the Albert Priest Channel, between Warren and Nyngan in 1942, the installation of the first water supply pipeline to Cobar in 1963, the construction of Burrendong Dam in 1967 (a project which actually started in 1946 but was delayed due to financial constraints) and the completion of Windamere Dam in 1984. The connection of these key water infrastructure elements via a regional pipe network would not only be a fitting final element to regional water security goals commenced almost 80 years ago, but would also secure a very positive future for the region, built on sustainable and reliable water infrastructure and a spirit of genuine regional co-operation.



REPORT: 2018/2019 Annual Report (including Statutory Reporting Requirements)

AUTHOR: Chief Executive Officer
REPORT DATE: 12 November 2019
TRIM REFERENCE: ID19/1436

EXECUTIVE SUMMARY

All Councils in New South Wales are obliged to prepare an Annual Report within 5 months of the end of each financial year which is prepared in accordance with the Local Government (General) Regulation and the Integrated Planning and Reporting Guidelines.

The 2018/2019 Annual Report provides a review of the major projects and services to the community delivered through 2018/2019. (**Appendix 1**)

Despite the ongoing drought Council has continued to make significant progress with significant projects across the local government area which have been completed such as the Dubbo Adventure Playground at Elizabeth Park, the design and upgrade of the Dubbo and Wellington Public CCTV systems, the new modern amenities and renewal of synthetic courts at Rygate Oval Wellington, the Splash Pad at the Dubbo Aquatic Leisure centre. We also saw a Royal visit which was a most exciting time and brought thousands of people to the region and put the Dubbo Region on the world stage.

Some of the major projects which commenced, are ongoing or have been delivered in 2018/2019 include the Victoria Park No. 1 Oval Clubhouse, the Dubbo Cycle Facility, the major redevelopment of the Wellington Aquatic Leisure centre which opened on 16 November 2019. Dubbo City Regional Airport Precinct has also seen a number of projects over the last 12 months including the General Aviation expansion, construction of 4 drive-through aeromedical hangars for the Royal Flying Doctors Service, Stage 1 and 2 of the Rural Fire Service Training Academy and the start of construction on Stage 3, the new VRA/SES Services Centre was opened and the new rental car park has been opened.

Statements on a specific matters as required by the Local Government Regulation have been included as part of the Annual Report under Statutory Reporting. These include overseas visits, contracts awarded, legal proceedings and employment of senior staff.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

- 1. That the 2018/2019 Annual Report as attached Appendix 1 to the report of the Chief Executive Officer dated 12 November 2019 be adopted.**
- 2. That the 2018/2019 Annual Report be published on Council's website.**
- 3. That the 2018/2019 Annual Report be forwarded to the Office of Local Government.**

Michael McMahon
Chief Executive Officer

BACKGROUND

Reporting is a key element of the Integrated Planning and Reporting Framework. Reporting back to the community about progress being made on implementation of the Delivery Program, progress towards achievement of Community Strategic Plan outcomes, and financial performance against the annual and longer-term budgets are all part of the way a council is accountable to its community.

All Councils in New South Wales are obliged to prepare an Annual Report within 5 months of the end of each financial year which is prepared in accordance with the Local Government (General) Regulation and the Integrated Planning and Reporting Guidelines.

The report must include a copy of the council's audited financial reports and be posted on the council's website.

The 2018/2019 Annual Report provides a review of the major projects and services to the community delivered through 2018/2019.

Statements as required by the Local Government (General) Regulation have been included as part of the Annual Report under Statutory Reporting.

REPORT

2018/2019 was the first year Dubbo Regional Council operated a combined Operational Plan. Significant community consultation was completed in order to develop, review and adopt a Community Strategic Plan and three year Delivery Program which came into effect 1 July 2018.

Major programs initiated by the new Council which have been delivered in 2018/2019 included launching the Great Business Program, providing the Kanopy Service to the Macquarie Regional Library and launching the Open Access app at the Old Dubbo Gaol allowing the deaf and hard of hearing community to equally experience the award-winning tourist attraction.

Some of the major project completed in 2018/2019 include:

- Construction of Rural Fire Service Training Facility
- Royal Flying Doctor Service aeromedical facility
- Combined SES/VRA Services Centre
- Upgrade of Dubbo Airport General Aviation Precinct
- Victoria Park Project including construction of the Victoria Park No. 2 and 3 carpark
- Dubbo Regional Botanic Garden Adventure Playground and carpark
- Dubbo Regional Theatre and Convention Centre Operable Door
- Boundary Road Extension
- Keswick Estate acoustic fence fronting Mitchell Highway
- Dubbo Aquatic Leisure Centre Splash Pad

Other projects significantly advanced in 2018/2019 include:

- Cootha Sewage Pump Station
- Construction of Wellington Aquatic Leisure Centre
- Construction of Wellington Caves Visitor Experience Centre
- Construction of Victoria Park No. 1 Oval New Clubhouse Building
- Dubbo Cycle Facility
- Dubbo Sale Yards Truck Washing Facility
- Keswick Stage 5 Subdivision

The Annual Report also includes the major programs delivered through 2018/2019 and provides a snapshot of the range of services across Council's key responsibilities including water, waste services, roads and Council businesses.

Statements on a specific matters as required by the Local Government Regulation have been included as part of the Annual Report under Statutory Reporting.

The Annual Report also includes a copy of Council's Audit Financial Statements for 2018/2019 which will be adopted by Council in November 2019. These statements have not been included here but can be found in the respective agenda as indicated above.

SUMMARY

All Councils in New South Wales are obliged to prepare an Annual Report within 5 months of the end of each financial year which is prepared in accordance with the Local Government (General) Regulation and the Integrated Planning and Reporting Guidelines.

The 2018/2019 Annual Report provides a review of the major projects and services to the community delivered through 2018/2019.

Statements as required by the Local Government (General) Regulation have been included as part of the Annual Report under Statutory Reporting.

Appendices:

[1](#) [DRC Annual Report 2019](#)

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ANNUAL REPORT 2018-2019



2 DUBBO REGIONAL COUNCIL - 2018-2019 ANNUAL REPORT

ANNUAL REPORT 2018-2019

<i>MAYOR'S MESSAGE</i>	<i>4</i>
<i>CEO'S MESSAGE</i>	<i>6</i>
<i>MAJOR PROJECT HIGHLIGHTS</i>	<i>8</i>
<i>SERVICES TO THE COMMUNITY</i>	<i>12</i>
<i>OUR VISION, OUR PURPOSE, OUR VALUES</i>	<i>16</i>
<i>WHO ARE WE?</i>	<i>18</i>
<i>SNAPSHOT OF COUNCIL SERVICES</i>	<i>20</i>
<i>FINANCIAL SNAPSHOT</i>	<i>22</i>
<i>ANNUAL STATUTORY REPORT 2018-2019</i>	<i>24</i>

MAYOR'S MESSAGE



Despite the challenges of an ongoing drought, your Council continued to forge ahead in 2018-2019. Significant projects are in progress or have been completed across the communities of Dubbo, Wellington and the surrounding villages.

Dubbo is already known as the capital of Western NSW but I have the goal of making it the number one inland city in NSW. I don't think it is an unrealistic goal and when you look at the work that has been going on, we are on our way.

Major projects for the region made progress or were completed during 2018-2019 including the Dubbo Adventure Playground at Elizabeth Park, the Victoria Park Ovals redevelopment, the new Dubbo Cycle Club on River Street, and the incredible Wellington Aquatic Leisure Centre.

The significant investment at Dubbo Regional Airport continued with the completion and opening of the Royal Flying Doctor Service aeromedical facility and new general aviation area, the combined State Emergency Service and Volunteer Rescue Association Headquarters, and the impressive Rural Fire Service Training Centre.

As well as providing a number of exciting infrastructure projects for Wellington, the Council has also looked at ways to boost the economy, which has been identified as a concern for local residents. Council has partnered with the Wellington Business Chamber to launch the #BuyLocalorByeLocal business campaign, aimed at promoting the benefits of spending locally and helping the local economy.

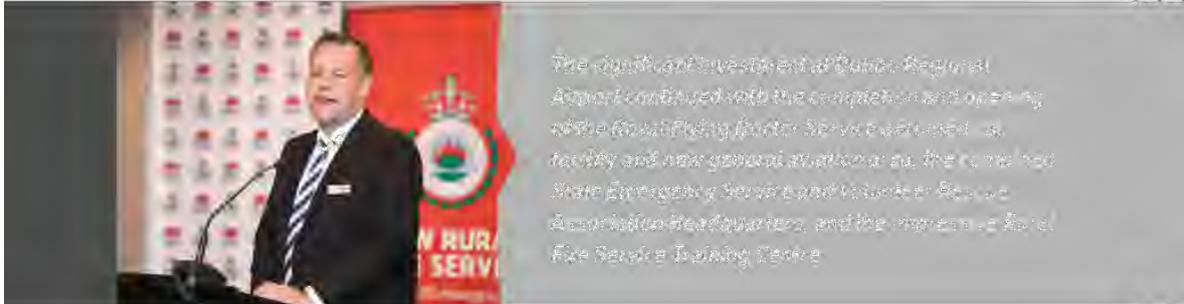
I'm proud to report that this Council is the most pro-growth and development council in our city's history. The data clearly shows that our push to make the Dubbo Region open for business is working.

The Dubbo Region continues to benefit from low unemployment with our figure of 2 per cent sitting below the national average. There is no doubt tourism is a major boost to our economy. Our domestic day and overnight visitors have significantly increased on the previous year, as have the total visitors per year and total visitor nights.

This annual report acts as a snapshot for Dubbo Regional Council and a chance to monitor progress of the region. I am proud of what Council has achieved in the last 12 months and look forward to continued success.



Ben Shields, Mayor of the Dubbo Region



CEO'S MESSAGE



Dubbo Regional Council's annual report for 2018-2019 provides a snapshot of Council investment in local communities and local people who are at the heart of the region.

The key areas of Liveability, Culture and Economy, Development and Environment, Infrastructure and Organisational Performance capture the essence of Council activity in support of development across the region, and managing key community assets and services on behalf of the region with more than 39,000 residents and being more financially resilient.

Council is a \$3.36 billion operation responsible for the maintenance of more than 2000km of roads, waste landfill facilities that in 2018-2019 handled almost 70,000 tonnes of waste and diverted 4200 tonnes of waste for recycling.

The ongoing drought has provided Council with a set of challenges that have rightly demanded attention and action by all branches of the organisation. Water restrictions are leading to greater community awareness and empowerment to become more water-wise and reduce average daily consumption.

Council, like every resident, is playing its part in advancing a water-use culture that will make the region more resilient in both this drought and in the future.

Council's first Integrated Planning and Reporting (IPR) Framework was adopted in June 2018 and in the first full year, there were 342 Operational Plan Actions under the Delivery Program. Pleasingly, a high 75% were completed, 20% nearing completion and the remaining 5% are in the planning stage or awaiting changed conditions before proceeding.

During the 2018-2019 year, Council awarded 47 major contracts

ranging from \$116,001.50 for construction of a pressure sewerage system in East and Baird Streets, Dubbo, to more than \$7.3 million for the Wellington Aquatic and Leisure Centre.

Assistance was given to 35 community organisations totalling \$156,609. This support from Council indicates the important value placed on the role played by volunteers in strengthening communities across the Dubbo Region.

This document also includes the Annual Statutory Report for Dubbo Regional Council, meeting our reporting obligations under the Local Government Act, the Local Government (General) Regulation 2005, the Environmental Planning and Assessment Act 1979 and Public Interest Disclosure Act 1994.



Michael McMahon
Chief Executive Officer



Assistance was given to 35 community organisations totalling \$156,609. This support from Council indicates the important value placed on the role played by volunteers in strengthening communities across the Dubbo Region.

MAJOR PROJECT HIGHLIGHTS

LIVEABILITY



WELLINGTON AQUATIC LEISURE CENTRE

Liveability delivered a number of projects, and commenced construction on the new Wellington Aquatic and Leisure Centre. The \$8.25 million redevelopment was commissioned because it was found that the previous facility, which had been built in the 50s, had deteriorated, and without urgent intervention, the pool would continue to crumble. Three options were given to the public on the redesign of the pool. 508 people voted for an eight lane, 50 metre pool with disabled access, a large splash pad, a heated toddler pool, and learn-to-swim pool. Work was due for completion in mid-November 2019, with the doors being thrown open for patrons just in time for summer.



ADVENTURE PLAYGROUND

Located with popular Shoyoen Japanese Gardens, the new Adventure Playground, has been constructed. The \$1.75 million attraction offers 40 play elements including a big concrete slide, a suspended footbridge, and a liberty swing for children in wheelchairs.

The playground also has a senior's fitness area to encourage intergenerational interaction.

Throughout construction phase, Dubbo Regional Council engaged local contractors for fencing, welding, building, landscaping and turfing, where more than 60% of the funds from the project were spent locally.

CULTURE & ECONOMY



ROYAL VISIT

October 2018 saw one of the most televised media opportunities and largest event delivery operation that the Dubbo Region has experienced in decades. Kensington Palace descended on Dubbo as the selected location for regional tour of Their Royal Highnesses, The Duke and Duchess of Sussex. The positive impact of the visit on Wednesday October 17 2018, was not only visible in the morale boost of a community struck by significant drought but also on the economic scale, with the 6 weeks of planning and 12,000 visitors to Victoria Park estimating a total economic impact of the three hour event as an immediate economic output to over \$3.1 million.

The delivery of the public 'Picnic in the Park' event moved from the original position of a private royal picnic with 150 guests, to a public event that supported over 12,000 people catching a glimpse of the Royal Couple. 250 selected members of the community were recognised for their dedication to the Region based on cultural, youth and environmental (drought relief) themes of the full Australian Tour. Comments received back from all levels of government including aids close to Their Royal Highnesses were very positive. They were blown away by the professionalism of the tour delivery in Dubbo, the event development and management.



AIRPORT PRECINCT

There have been a number of projects that have come to life in the airport, morphing the precinct into its own mini city! Over the last 12 months, we've seen numerous capital works projects completed including the General Aviation expansion and construction of four drive-through aeromedical hangars, and associated pilot's rest facility for the transfer of patients with the Royal Flying Doctor Service.

The General Aviation expansion has also allowed for an additional 11 hangar sites to be made available for lease. Stage 1 and 2 of the NSW Rural Fire Service Training Academy was also completed in June 2019, where the construction of the auditorium and kitchen area, meeting rooms, and associated administration space, catering facilities, parking and accommodation facilities were part of the first two stages.

Construction on stage 3, the final accommodation blocks, is underway. The \$2.3 million VRA and SES Emergency Services Centre was opened in June 2019. With the airport's general public car park known to be at capacity year-on-year, the construction of the rental car park has been widely welcomed by the community, and the rental car companies, providing an additional 118 car spaces for airport users. There was also the construction of the staff car park, providing another 18 car spaces for staff. Funding for these projects has come from federal and state governments, in addition to Dubbo Regional Council.

DEVELOPMENT & ENVIRONMENT



LED STREET LIGHT UPGRADE PROJECT

Dubbo Regional Council has entered into an agreement to upgrade 6,283 street lights across Dubbo and Wellington to smart ready LEDs with installation to take place in late 2019/ early 2020.

This first stage of the project will be followed by a separate project to upgrade an additional 714 street lights in the CBD precincts of Dubbo and Wellington.

Benefits include reduced upward light pollution, a reduction in greenhouse gas emissions of over 1600 tonnes CO₂ equivalent per year and savings of more than \$11 million over a 20 year period.



DUBBO REGIONAL ORGANICS PROCESSING PLANT (DROPP)

Since the Dubbo Regional Organics Processing Plant (DROPP) opening in 2018, there have been 7,970 tonnes of food and garden waste diverted from landfill and turned into compost which has been used by farmers to return vital nutrients to the soil. That figure is made up of Narromine, Mid-Western and Dubbo combined; however, on its own, Dubbo produced 5,500 tonnes of organic waste. Most of the organics are processed at the Whylandra Waste Facility, while a small amount is landfilled at the Wellington waste facility. The DROPP has been a great addition to Dubbo Regional Council's waste management, working alongside our collection of recyclables. The Dubbo Region currently diverts an average of 3,700 tonnes annually through the kerbside recycling services.



THERE HAVE BEEN 7,970 TONNES OF FOOD AND GARDEN WASTE DIVERTED FROM LANDFILL AND TURNED INTO COMPOST WHICH HAS BEEN USED BY FARMERS TO RETURN VITAL NUTRIENTS TO THE SOIL.

INFRASTRUCTURE



BLUE HOUSE

This year, we've seen the 'Blue House' take off over in Keswick Estate. The Council-owned home is currently being transformed into a water efficient home, with water-saving taps, sustainable gardens, and appliances that allow for low water consumption.

The project has been many months in the making, and will be aimed at helping the public better understand what their water usage means.

The Blue House will also eventually be open to school students, where they can get some tips and tricks on how they can help save water in their own home. With Council moving onto level 4 water restrictions towards the end of 2019, the Blue House is more important than ever in helping educate school children.



CCTV CAMERAS

This year saw the design and upgrade of the Dubbo and Wellington Public CCTV system, where the two systems are now connected and allow for police in Dubbo's 24 hour station to access the footage in both locations.

Funded federally, in partnership with the NSW Government's Community Safety Fund, Dubbo Regional Council matched the funding dollar-for-dollar.

All up, the complete design and upgrade came at a total of \$800,000, with \$250,000 from state, \$250,000 from Council, and a further \$300,000 from the federal government.

All up, there are 40 sites with more than 170 cameras operating across Wellington and Dubbo.



SERVICES TO THE COMMUNITY



RYGATE OVAL WELLINGTON - NEW AMENITIES BUILDING AND RENEWAL OF THE MULTI-SPORT COURTS

The construction of a new modern amenities building and renewal of the synthetic courts to include a combination of synthetic and hard court surface to accommodate a range of sports including hockey, tennis, netball and basketball, as well as sports lighting was completed at Rygate Oval in July 2019.

The overall cost of stage 2 of the project was \$1.2 million.



VICTORIA PARK NO. 1 OVAL NEW CLUBHOUSE BUILDING

The development of the Victoria Park No. 1 Oval clubhouse building commenced during June 2019.

The building will include a function room, canteen, change rooms and public toilets and will significantly contribute to increasing the profile of Victoria Park No. 1 Oval.

The development is due to be completed in February 2020, with a budget of \$3.1 million.



DUBBO CYCLE FACILITY

Worth \$4.4 million, work on the development of the Dubbo Cycle Facility which includes a flat track, criterion track and clubhouse are nearing completion with the facility set to be completed in December 2019.



DUBBO AQUATIC LEISURE CENTRE

Dubbo Regional Council has overhauled the aquatic leisure centres, with the new splash pad installed in October 2018, allowing for children and adults of all abilities to access the area.



DUBBO HEALTH EDUCATION AND WELL-BEING PRECINCT MASTER PLAN

Council has partnered with Charles Sturt University (CSU) and the Western NSW Local Health District in preparation of a Master Plan for the Dubbo Health, Education and Well Being Precinct. Located just 2.5km from the Dubbo CBD and bounded by CSU in the North, Macquarie Homestay in the East, Dubbo TAFE in the South and the Coonamble railway line in the West, the Masterplan aims to create synergies between the various health, aged care, education and recreational uses and facilitate the Precincts capacity to become a significant employment generator into the future.



SPORTING PARTNERSHIPS

Dubbo Regional Council continued to forge a strong partnership with Cricket NSW, with a 3 year commitment for Dubbo and Wellington to host the Cricket NSW Under 13, 14 and 15 Boys Youth Championships and the Under 13 and 14 Boys and Under 13 Girls State Cricket Carnival which have a significant economic benefit to the region.



THE GREAT BUSINESS PROGRAM AIMS TO GIVE LOCAL BUSINESS OWNERS AND THEIR EMPLOYEES THE CHANCE TO MEET AND NETWORK WITH LIKEMINDED PEOPLE, AND ACCESS RESOURCES FOR THINGS LIKE GRANT FUNDING.



GREAT BUSINESS PROGRAM

The Great Business Program was launched in February 2019, and aims to give local business owners and their employees the chance to meet and network with likeminded people, and access resources for things like grant funding.



MACQUARIE REGIONAL LIBRARY'S 'KANOPY' SERVICE

Members of Macquarie Regional Library can now access the popular on-demand film streaming service Kanopy to stream more than 30,000 films for free with their library card. Kanopy also has an entire section dedicated to films and programs for children, with hundreds of new titles are added every month. Kanopy was launched in March 2019.



OPENACCESS APP AT OLD DUBBO GAOL

In December 2018, Dubbo Regional Council launched the OpenAccess app at the Old Dubbo Gaol, allowing the deaf and hard of hearing community to equally experience the award-winning tourist attraction. The OpenAccess app has translated interpretive signage into Auslan for many sites across the country including Maitland Gaol, Art Gallery of NSW and the National Gallery of Australia. This project is driven by Dubbo Regional Council's Disability Inclusion Plan aiming to make Dubbo and the region as accessible as possible to all sections of the community.



OUR VISION

Creating Community
for today and tomorrow

OUR PURPOSE

Lead, Connect, Deliver



OUR VALUES



PROGRESSIVE
BE CURIOUS, COURAGEOUS AND COMMITTED

- Challenging the status quo
- Finding better ways
- Seeking change and innovation



SUSTAINABLE
BALANCED APPROACH TO GROWTH AND OPPORTUNITY

- Financially sound
- Social equity
- Conscientious leadership and governance
- Environmentally responsible



ONE TEAM
WORKING TOGETHER

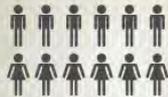
- We take care of each other and ourselves
- Partnering to deliver better outcomes
- Fostering positive experience
- Investing in people



INTEGRITY
ACCOUNTABLE FOR OUR ACTIONS

- Leading by example
- Open and ethical practices
- Upholding our commitments
- Valuing and acknowledging our cultures

WHO ARE WE?



POPULATION 53,240

43,892 PEOPLE
RESIDE IN DUBBO
9,348 PEOPLE
RESIDE IN WELLINGTON



7,986

ABORIGINAL &
TORRES STRAIT ISLANDER
POPULATION



13,505 PEOPLE BELOW 19 YRS OLD

THIS REFLECTS A FOCUS OF THE
REGION AS A CENTRE
FOR EDUCATION



BETWEEN 0.9% & 1.11% P.A

SUSTAINED GROWTH RATE
THE MAJORITY OF THIS POPULATION
GROWTH IS EXPERIENCED IN DUBBO.
WELLINGTON ALSO EXPERIENCES
BETWEEN 0.2 & 0.4% POPULATION
GROWTH PER ANNUM.



21,752 DWELLINGS

17,800 IN DUBBO
& 3,952 IN WELLINGTON
DWELLING OCCUPANCY RATE
2.43 PERSONS DUBBO
& 2.30 PERSONS WELLINGTON



1.8 MOTOR VEHICLES PER DWELLING HOUSE

REFLECTIVE OF OUR
WIDE OPEN SPACES



SNAPSHOT OF COUNCIL SERVICES

Dubbo Regional Council has continued to support a full range of services across Council's key responsibilities. For the 2018-2019 financial year these services have included:



366 LITRES DUBBO
323 LITRES WELLINGTON
377 LITRES GEURIE
262 LITRES MUMBIL

Average water consumption per person per day
 Average over the whole LGA - 532 litres per person per day (residential)



73,147
 Tonnes entombed at primary site (Whylandra)

5156 tonnes at other sites (total)

1285 tonnes Whylandra (eg crushed concrete, shredded green waste etc)



10,504
 Tonnes of recycling diverted from landfill

3741 tonnes Co-Mingled Recycling - kerbside

5478 tonnes Food Organics & Garden Organics - kerbside



694
 Households receiving relocation information

*Note: these are not moved cases these include all enquiries which usually cover students, employers, real estates and those considering a move.

BUSINESS



\$3.545 B
 Gross Domestic Product (Real GRP)



5,127
 Number of businesses
 *business with turnover



748
 Development Applications approved
 *No. of Development and COCs Approved within the 2018/19 Financial year including modifications



\$334,183,535
 Total value of development applications

ROADS



1,339 KM
 Total Length of unsealed roads maintained by Council



1,392 KM
 Total Length of sealed roads maintained by Council

VISITATION



DUBBO REGIONAL LIVESTOCK MARKETS



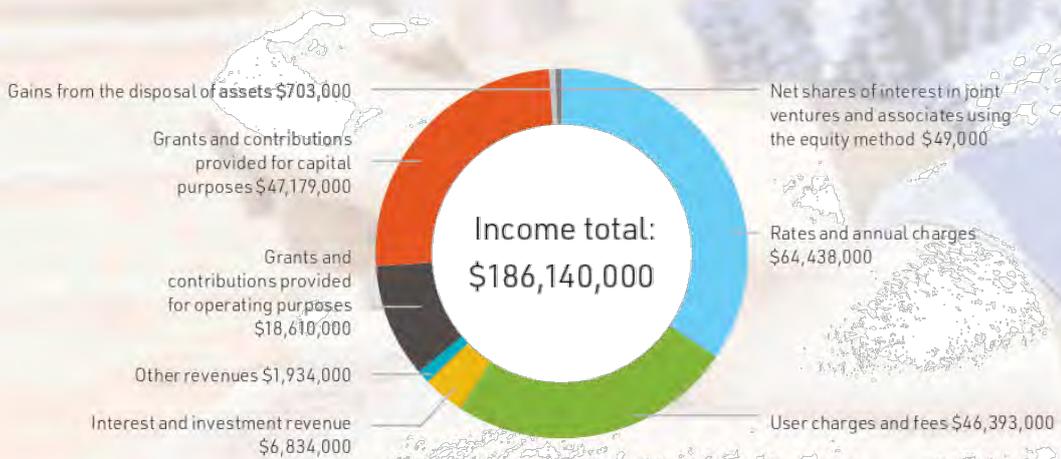
COUNCIL OPERATIONS

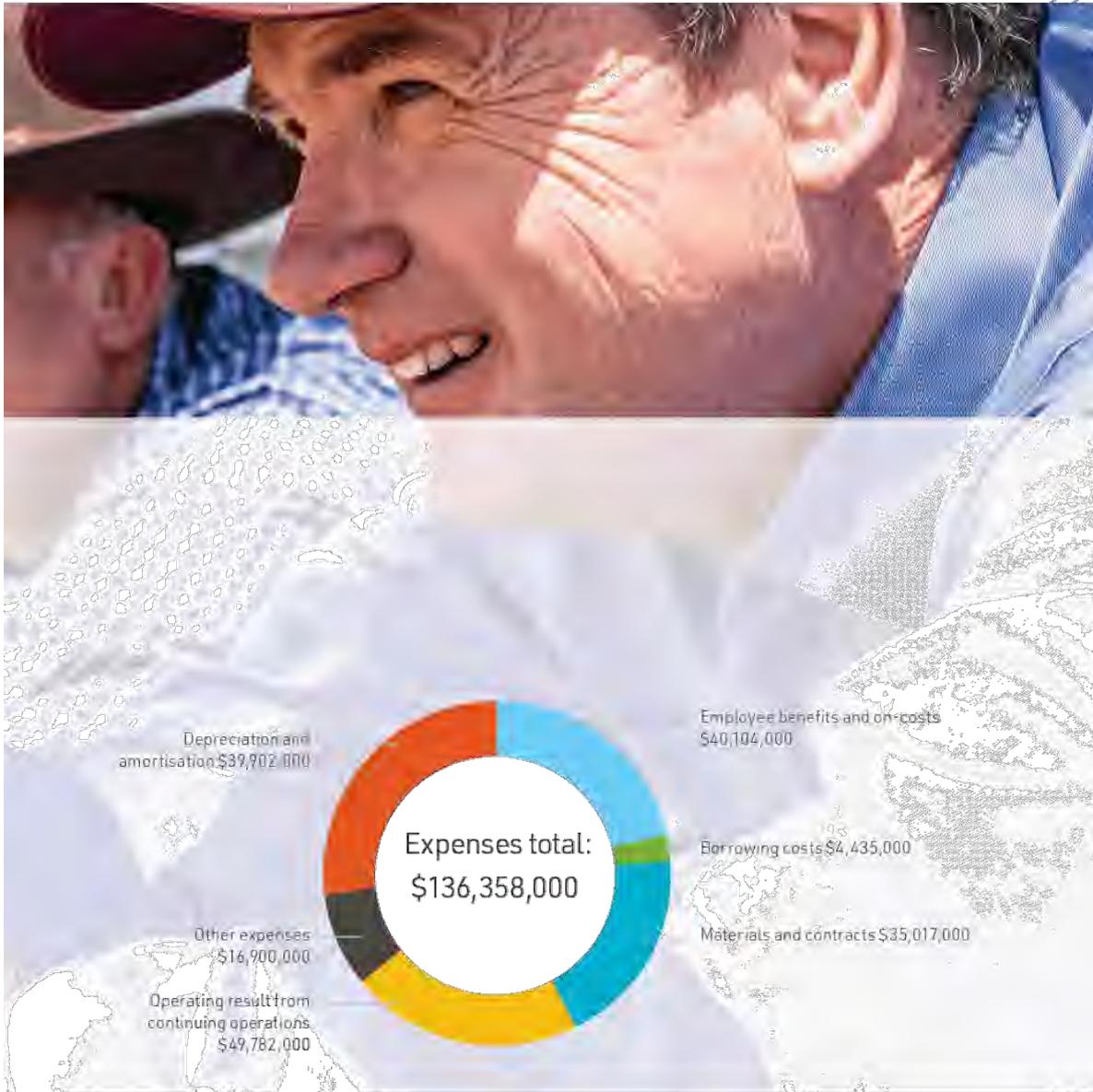


FINANCIAL SNAPSHOT

In 2018-2019 Council recorded a net operating result before grants and contributions provided for capital purposes of \$603,000.

The Statement of Financial Position indicates that Council is in a sound financial position with Net Current Assets of some \$2.66 billion.





ANNUAL STATUTORY REPORT 2018-2019

<i>DELIVERY PROGRAM IMPLEMENTATION</i>	<i>26</i>
<i>COMMUNITY STRATEGIC PLAN IMPLEMENTATION</i>	<i>27</i>
<i>DELIVERING FOR OUR COMMUNITY: HOUSING</i>	<i>30</i>
<i>INFRASTRUCTURE</i>	<i>32</i>
<i>ECONOMY</i>	<i>34</i>
<i>COMMUNITY LEADERSHIP</i>	<i>36</i>
<i>LIVEABILITY</i>	<i>38</i>
<i>AUDITED FINANCIAL REPORTS</i>	<i>40</i>
<i>RATES AND CHARGES WRITTEN OFF</i>	<i>41</i>
<i>PAYMENT OF EXPENSES AND PROVISION OF FACILITIES TO COUNCILLORS</i>	<i>43</i>
<i>NEW – COUNCILLOR PROFESSIONAL DEVELOPMENT</i>	<i>45</i>
<i>CONTRACTS AWARDED</i>	<i>46</i>
<i>LEGAL PROCEEDINGS</i>	<i>49</i>
<i>PRIVATE WORKS</i>	<i>50</i>
<i>CONTRIBUTIONS</i>	<i>51</i>
<i>EXTERNAL BODIES</i>	<i>52</i>
<i>CONTROLLING INTERESTS</i>	<i>53</i>
<i>JOINT VENTURES</i>	<i>54</i>
<i>EQUAL EMPLOYMENT OPPORTUNITY</i>	<i>55</i>
<i>EMPLOYMENT OF SENIOR STAFF</i>	<i>56</i>
<i>STORMWATER MANAGEMENT SERVICES</i>	<i>58</i>
<i>STATEMENT IN COMPLIANCE WITH SPECIAL VARIATIONS APPROVAL CONDITIONS</i>	<i>59</i>
<i>COMPANION ANIMALS ACT AND REGULATION</i>	<i>60</i>
<i>GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009</i>	<i>62</i>
<i>PLANNING AGREEMENTS</i>	<i>68</i>
<i>PUBLIC INTEREST DISCLOSURES</i>	<i>69</i>

LOCAL GOVERNMENT ACT SECTION 428(1)

DELIVERY PROGRAM IMPLEMENTATION



Within 5 months after the end of each year, a council must prepare a report (its annual report) for that year reporting its achievements in implementing its delivery program and the effectiveness of the principal activities undertaken in achieving the objectives at which those principal activities are directed.

Following the amalgamation of the former Dubbo City and Wellington Local Government Areas on 16 May 2016, both Council's continued to move forward with separate Delivery Programs. Following the amalgamation, the new Dubbo Regional Council prepared the new 2040 Community Strategic Plan, 2040 Delivery Program and 2040 Operational Plan. The next item included in the Statutory Annual Report provides an overall breakdown as to Council's achievement of the Community Strategic Plan over the last Financial Year.

LOCAL GOVERNMENT ACT SECTION 428(1)

COMMUNITY STRATEGIC PLAN IMPLEMENTATION

The annual report in the year in which an ordinary election of councillors is to be held must also report as to the council's achievements in implementing the community strategic plan over the previous 4 years.

Council on 25 June 2018 adopted the first Integrated Planning and Reporting IPR Framework for the new Dubbo Regional Local Government Area. The IPR Framework requires Council to undertake 'whole of Council' planning for the short, medium and long-term future.

The Integrated Planning and Reporting Framework requires Council to implement reporting and monitoring mechanisms to

ensure the actions identified by the community are delivered in a timely manner.

As Dubbo Regional Council implements the adopted Delivery Program and Operational Plan, it is imperative that Council keeps track of progress, specifically the activities undertaken. Council aims to report on progress in a direct and transparent manner to the community of the Dubbo Region.

STATUTORY OBLIGATION

The Integrated Planning and Reporting manual for local governments in NSW (the guidelines) are enforced by the Local Government Act 1993 (the LGA) and require statutory reporting requirements. The guidelines specify that Operational Plans must be reported on in the Annual Report.

This section contains the required information to satisfy the reporting requirements for the Operational Plan in accordance with the guidelines.





YEAR 1 OF THE DELIVERY PROGRAM AND OPERATIONAL PLAN IMPLEMENTATION

The Integrated Planning and Reporting Framework requires Council's in New South Wales to have an adopted Delivery Program being a four (4) year action plan and an Operational Plan being a one (1) year action plan. Council adopted a combined document which comprises both the Delivery Program and Operational Plan into a single and easy to use document. 2018/2019 was the first year that this plan was in force for Dubbo Regional Council.

This section provides the community with a transparent and clear method to review Council's activities towards achieving the Operational Plan actions as contained in the Delivery Program and Operational Plan 2018/2019. Performance is evaluated as complete, tracking, initiating and observing.



There were 342 Operational Plan Actions for the first year of the Delivery Program and Operational Plan. 75% of actions have been completed which represents a high achievement rate. Almost 20% of actions are continuing to be tracking meaning they are nearing completion. The remaining 5% of actions are in the project planning stage or are waiting for a condition to alter before the action can be progressed.

DELIVERING FOR OUR COMMUNITY: HOUSING

WHY IS IT IMPORTANT?

Access to affordable housing in the Dubbo Regional Local Government Area is viewed by the community as a significant benefit of living in the region.

Across Dubbo and Wellington, considerable land is available for the development of housing which could provide in excess of approximately 10,000 additional dwellings. This includes approximately 7,000 in Dubbo and approximately 3,000 in Wellington. Significant residential development opportunity is available across many of the villages in the LGA.

However, the availability of land is only one component of the housing spectrum. It is

also important to examine housing choice, affordability and the availability of public housing and crisis accommodation for our community.

Council has a number of roles across the housing spectrum, including identifying land for housing and streamlining planning processes, to setting appropriate local policy positions through planning instruments, to assessing applications and importantly, building and maintaining relationships with stakeholders.

Council also has a role in articulating and negotiating with government in respect of the need and demand for public housing and crisis accommodation.

HOW ARE WE PROGRESSING?



HOW WE MEASURE SUCCESS

MEASURE	RESPONSIBLE DIRECTORATE	COMMENT
Overall development approvals and approvals for specific housing types	Development and Environment	<p>In the 2018/2019 financial year Council determined and approved a total of 838 Development Applications for the Dubbo Regional Local Government Area. 73% or 615 of these development applications were for residential purposes.</p> <p>68% or 572 of residential approvals were for Single Dwellings within the local government area.</p> <p>The remaining 6% of approvals were for higher density residential proposals. 4% or 30 approvals were granted for Dual Occupancy or Secondary Dwelling proposals. 1% or eight (8) approvals were granted for Multi-dwelling proposals which means three (3) or more dwellings. 1% or five (5) approvals were granted for Seniors housing proposals.</p>
Number of Planning Proposals requests to amend the planning controls	Development and Environment	<p>The Planning Proposal process is the legislated process of amending a Local Environmental Plan (LEP).</p> <p>A Planning Proposal request may seek to amend controls such as amendments to zoning provisions, amendments to minimum lot size provisions or Council may seek to make alterations to provisions to ensure that the Local Environmental Plan is functioning properly for the community.</p> <p>The Development and Environment Division received three (3) Planning Proposals in the 2018/2019 financial year. A proposals for an Additional Permitted Use and a Re-zoning proposals were gazetted under State Legislation.</p> <p>Council currently has six (6) Planning Proposals lodged all of which are at different stages in the process. Progression of these Planning Proposals will continue into the 2019/2020 financial year.</p>
Residential Land Monitor and the maintenance of a land development pipeline	Development and Environment	<p>It is important for Council to have an understanding of the movement of residential Land throughout the land development pipeline. The residential land monitor and land supply pipeline calculates the number of lots which can be developed, considers the number of lots with approval to be developed and how many are under construction.</p> <p>The Development and Environment Division continues to monitor the residential land supply pipeline. Since July 2017, an additional 1855 lots were constructed, additionally 597 lots have Council approval but construction has not begun.</p>

INFRASTRUCTURE

WHY IS IT IMPORTANT?

Infrastructure provision provides some of the very foundations of our community and the services that we rely upon every day. Traditional infrastructure includes transportation infrastructure in the form of roads, pedestrian and cycle facilities, reticulated sewer and water supply, stormwater drainage, waste and recycling facilities and a street lighting system that aims to deliver a safe environment for our community.

Our community benefits from our geographical location at the centre of NSW with Dubbo forming the junction of three highways. The region has access to Sydney through a daily train service and access to Sydney, Melbourne, Brisbane, Canberra and Newcastle from the Dubbo City Regional Airport. The community also has access to the Bodangora Airstrip which provides general aviation facilities and is a vital asset for the Wellington community.

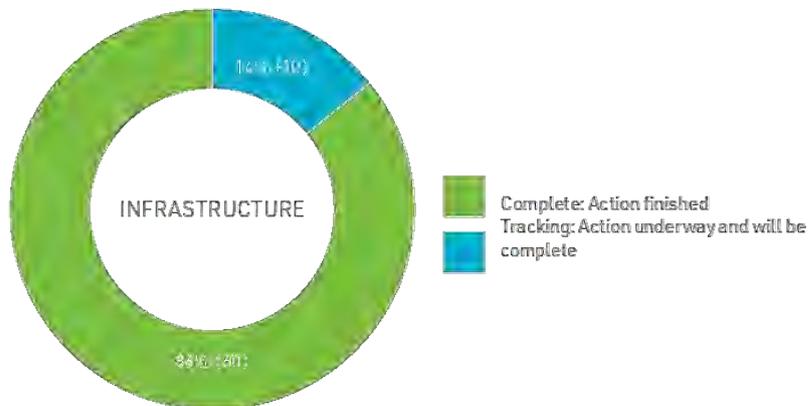
Dubbo has benefited from the initial roll-out of

the National Broadband Network (NBN) however, this Plan recognises that we must advocate to government for NBN to be provided in Wellington and for NBN and an improved mobile phone service to be available in our villages and rural areas.

The Dubbo Regional Local Government Area has one of the highest take-up rates for solar energy provision in Australia. This Plan recognises that our community, business and industry understand the financial and environmental benefits of renewable energies and the role they can play in our sustainable future.

The provision and maintenance of infrastructure is a key consideration for Council and the community over time in both Dubbo and Wellington. The provision of appropriate infrastructure provides economic development opportunity and ensures our community can continue to benefit.

HOW ARE WE PROGRESSING?



HOW WE MEASURE SUCCESS

MEASURE	RESPONSIBLE DIRECTORATE	COMMENT
Overall complaints received for rural and urban roads	Infrastructure	<p>The Local Government Area has 738km of sealed roads which are maintained by Council. Additionally, there is a total of 1,339km of unsealed roads which are also maintained by Council.</p> <p>Council has an ongoing maintenance schedule to ensure roads are in working order for the community.</p> <p>When the community advises Council of a complaint or a request for action a Customer Request Management (CRM) incident is actioned to Council staff. In 2018/2019 financial year a total of 695 CRM's were received regarding urban roads another 543 CRM's were received regarding rural roads.</p>
Percentage uptake in renewable energy across Council facilities	Infrastructure	<p>Council operates a number of facilities across the Local Government Area. These facilities include the Dubbo Aquatic and Leisure Centre, Macquarie Regional Library, Dubbo Regional Airport, Dubbo Regional Theatre and Convention Centre, two (2) administration buildings, two (2) depots and a number of other facilities.</p> <p>In the 2018/2019 financial year Dubbo Regional Council had a 1% uptake of renewable energy across all of these Council facilities. There are 16 solar photovoltaic (PV) systems installed across the LGA, with a total Kilo Watt (KW) capacity greater than 153kw.</p>
Percentage of residents overall suitability of waste and recycling facilities	Infrastructure	<p>In April 2019 a survey of approximately 1,000 residents using Dubbo Regional Council's Water and Recycling Facilities was conducted. The survey found that 76% of residents used the waste and recycling facilities regularly.</p> <p>When residents were asked "If you don't use this service regularly, why not?" 40% residents had insufficient waste and 34% residents use personal compost and mulching mechanism as an alternative.</p>
It appears that the majority of residents using the service regularly are satisfied with the overall suitability of waste and recycling facilities.	Development and Environment	<p>It is important for Council to have an understanding of the movement of residential land throughout the land development pipeline. The residential land monitor and land supply pipeline calculates the number of lots which can be developed, considers the number of lots with approval to be developed and how many are under construction.</p>
Overall kilometres of road rebuilt or re-sheeted	Infrastructure	<p>Council maintains a total of 1,339km of unsealed roads in the Local Government Area.</p> <p>Council has an ongoing maintenance schedule to ensure roads meet community needs and expectations.</p> <p>In addition to the maintenance of all roads 34 kilometres of road re-building and re-sheeting has been completed.</p>
Number of water and sewerage complaints and call out	Infrastructure	<p>The Infrastructure Division have recorded 2,645 water call outs and 772 sewerage call outs for the 2018/2019 financial year.</p> <p>There were 9 water supply related complaints made and 2 sewerage complaints.</p>

ECONOMY

WHY IS IT IMPORTANT?

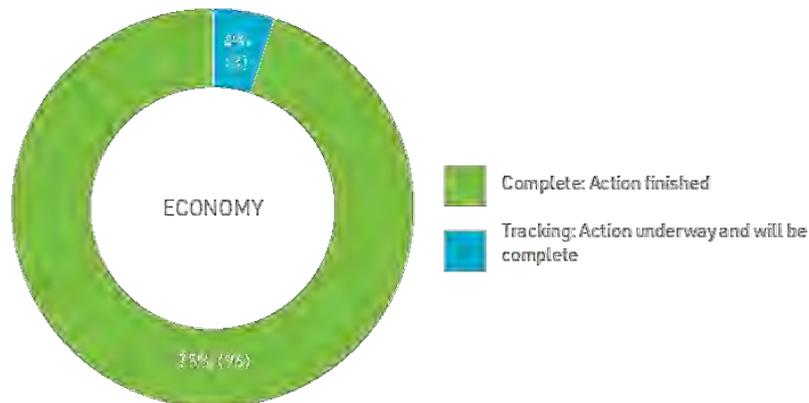
The Dubbo Regional Local Government Area benefits from its strategic location in the centre of NSW. Dubbo is located at the junction of the Golden, Newell and Mitchell Highways. The region also benefits from connections offered by the Dubbo City Regional Airport to Brisbane, Melbourne and Newcastle. The region will also have the benefit of being within close proximity to the Brisbane to Melbourne Inland Rail. The strategic location of the region and the significant Infrastructure and transport connections in place provide the very foundations for the development of a diverse regional economy.

Over time, the focus of the region's economy has shifted to be strongly reliant on the service, health and education sectors. This is reflective of the role the region now plays in servicing a significant percentage of western NSW.

The region includes significant tourism assets which serve to drive the visitor economy and attract significant numbers of both domestic and overseas tourists. The region boasts the Taronga Western Plains Zoo, Wellington Caves and the Old Dubbo Gaol as prime tourist attractions. The importance of tourism to the region can be highlighted by the 606,000 domestic day visitors, 555,000 domestic overnight visitors and the 10,000 international visitors in 2017.

Council has a role in providing leadership in the region to both promote the significant economic development opportunities available and to partner with existing business, industry and providers to ensure our workforce has the appropriate range of skills and experience to meet industry demands.

HOW ARE WE PROGRESSING?



HOW WE MEASURE SUCCESS

MEASURE	RESPONSIBLE DIRECTORATE	COMMENT
Percentage of business and industry active participants in programs and activities	Culture and Economy	<p>Council encourages strong and effective relationships between businesses and Council. Council operates a number of programs and activities across Council operations. Tourist business, new resident programs, events, attractions, festivals and other things.</p> <p>The Tourism Destination program is partnered by 120 businesses located in the Dubbo Regional Local Government Area. The program advertises these businesses to visiting tourists.</p>
	Development and Environment	<p>The Planning Proposal process is the legislated process of amending a Local Environmental Plan (LEP).</p> <p>There are 25 Businesses which are involved in Council's New Resident program. The new residents program primarily focuses on advertising Dubbo as a place to live, work and play.</p> <p>There are 20 businesses who partner with Council to provide support to events throughout the regions. Lastly there are 35 businesses who partner with Council for support at the Visitor Information Centre.</p>
Number of placemaking activities facilitated	Culture and Economy	<p>Place making capitalises on a local community's assets, inspiration and potential, with the intention of creating public spaces that promote people's health, happiness and well-being.</p> <p>Dubbo Regional Council has facilitated seven (7) place marking activities in the 2018/2019 financial year. Two (2) placemaking activities were specifically dedicated to the Christmas festivities. Another two (2) activities were specifically aimed at encouraging residents to shop locally in the region.</p>
Number of visitors to Council-owned and other tourist parks	Culture and Economy	<p>It is important to monitor Council operated tourist facilities to ensure that these businesses are operating appropriately. Council is the owner/operator of a number of tourist facilities including the Wellington Cave and Old Dubbo Goal.</p> <p>The Wellington Caves complex includes public tours, school tours and accommodation. In the 2018/2019 financial year there were 12,842 attendees to public and school tours. Further, 3,093 guest stayed at the Wellington Caves accommodation facilities.</p> <p>The Old Dubbo Goal off public admission and group tours throughout the facility. There were 42,060 admissions to the facility in the 2018/2019 financial year.</p>

COMMUNITY LEADERSHIP

WHY IS IT IMPORTANT?

Community Leadership is an important term that aims to ensure the delivery of the actions and initiatives provided by the community is achieved across a variety of connected stakeholders, including all levels of government, our community and other interconnected service providers. Importantly, our civic leaders are the champions of Council's Integrated Planning and Reporting Framework and the effective liaison between the community and Council.

Most importantly, community leadership ensures that Council can continue to operate within its means and ensure our income streams, including land rates, are treated with respect and value for

money is sought across all of Council's processes and actions, including the actions and initiatives identified by the community.

Of course, this Plan recognises that limited funds are available to deliver all of the identified actions and initiatives which means that Council cannot deliver all actions and initiatives in the first 12 months of the Plan.

The Community Strategic Plan will take our community to 2040. It is important in this period that we have a view on the future whilst ensuring we continue to leverage and maintain our existing community assets.

HOW ARE WE PROGRESSING?



HOW WE MEASURE SUCCESS

MEASURE	RESPONSIBLE DIRECTORATE	COMMENT
Overall community satisfaction with customer services provided	Organisational Performance	In May 2019 Dubbo Regional Council completed a Community Needs and Satisfaction Survey. The survey collected 607 responses from residents of the region aged 18 years and over.
In total 74% of customers were satisfied with Council's customer services. 13% of surveyed customers expressed dissatisfaction with customer services. The overall average rating was 3.96 out of 5.	Development and Environment	The Planning Proposal process is the legislated process of amending a Local Environmental Plan (LEP).
Council's financial sustainability	Organisational Performance	Dubbo Regional Council takes great care in ensuring that the organisation runs in a financially sustainable manner.
The Long-Term Financial Plan defines financial sustainability as the ability to provide services and service levels in line with the priorities and aspirations of the community in a manner that ensures equitable funding of services across both the current and future generations of ratepayers.	Culture and Economy	Place making capitalises on a local community's assets, inspiration and potential, with the intention of creating public spaces that promote people's health, happiness and well-being.
The 2018/2019 Long-Term Financial Plan, budget, annual statement of revenue and fees and charges outlines exactly what strategies will be used to ensure financial sustainability and what income and expenditure Council can expect.	Culture and Economy	It is important to monitor Council operated tourist facilities to ensure that these businesses are operating appropriately. Council is the owner/operator of a number of tourist facilities including the Wellington Cave and Old Dubbo Gaol.
Overall employee satisfaction rating	Organisational Performance	<p>Dubbo Regional Council being an amalgamation from Dubbo City Council and Wellington Council have approximately 600 employees across all branches of the organisation.</p> <p>A survey was completed by Council employees to determine which areas of the organisation may require strategies to be implemented to improve employee satisfaction.</p> <p>The survey identified three priority areas which Council continues to provide incentives and encourages improvement in these areas for employees.</p>

LIVEABILITY

WHY IS IT IMPORTANT?

The quality of life our community enjoys comprises a number of interconnected components. Our quality of life and, in fact, the liveability of our community is underpinned by a number of key elements that include access to health care, education, community protection, access to recreation and open space areas, an understanding of our past in terms of Aboriginal and European heritage, public health and safety and the sustainable enjoyment of our natural environment.

Council has a community leadership role in ensuring the population is provided with services and facilities equitable with those provided in other local government areas. However, it should also be recognised that for a number of services and facilities which add to the liveability of our region, Council has an advocacy role with government and other service providers.

Our community has access to a unique range of arts and cultural facilities and parks and recreation facilities which are considered to be unparalleled in regional NSW.

Crime and safety is viewed by our community as a significant issue for the future of the region. This includes the 24-hour availability of police services in Wellington and the provision and maintenance of the safety camera system in Dubbo and Wellington.

Our community understands the need for all levels of government to address issues of crime and drug dependency across the region and the need for a dedicated Drug Court, Youth Koori Court and residential drug rehabilitation facilities in the region.

It is acknowledged that the redevelopment of the Dubbo Base Hospital is continuing. However, it is unclear as to the long-term intentions of government for the Wellington Hospital.

The health of the Bell, Macquarie and Talbragar rivers and associated environments is an important issue for the community. In addition, the continued conservation of our unique, natural environment and the further education of our community in the importance of environmental issues will ensure we sustainably manage our environment for future generations.

HOW ARE WE PROGRESSING?



HOW WE MEASURE SUCCESS

MEASURE	RESPONSIBLE DIRECTORATE	COMMENT
Overall satisfaction with parks and recreational facilities	Liveability	In May 2019 Dubbo Regional Council completed a Community Needs and Satisfaction Survey 2019. The survey collected 607 responses from residents of the region aged 16 years and over.
	Development and Environment	The Planning Proposal process is the legislated process of amending a Local Environmental Plan (LEP).
The survey found that the three highest scoring satisfaction rating for liveability services was firstly the library with 85% satisfaction rate, secondly sports grounds and facilities with 81% satisfaction rating and thirdly parks with 80% satisfaction rating.	Organisational Performance	Dubbo Regional Council takes great care in ensuring that the organisation runs in a financially sustainable manner.
	Culture and Economy	Placemaking capitalises on a local community's assets, inspiration and potential, with the intention of creating public spaces that promote people's health, happiness and well-being.
As an average rating from 1-5 both sporting grounds and facilities and parks received 4.1 rating being a high average rating.	Culture and Economy	It is important to monitor Council operated tourist facilities to ensure that these businesses are operating appropriately. Council is the owner/ operator of a number of tourist facilities including the Wellington Cave and Old Dubbo Goal.
	Organisational Performance	Dubbo Regional Council being an amalgamated from Dubbo City Council and Wellington Council has approximately 600 employees across all branches of the organisation. Additionally, the survey found that each participant visited sporting grounds and facilities and park an average of 23 times annually.
Complaints received in relation to public areas	Infrastructure	Dubbo Regional Council has a large amount of public areas which are controlled and operated by Council. Due to the number of areas and difficulties in defining each specific area this measure has been taken to include the Central Business District (CBD) of Dubbo. The CBD is the most important area of the city particularly in ensure the public areas are up kept, neat, tidy and welcoming. There were 26 Customer Requests received in the 2018/2019 Financial Year surrounding the use of the Central Business District.
Number of children in care facilities including family day care	Liveability	Dubbo Regional Council provides two (2) child caring facilities. These facilities are the Rainbow Cottage Childcare Centre and Family Day Care. Rainbow Cottage Childcare Centre has 98 children attending this facility weekly, from 85 families. Rainbow Cottage Childcare Centre has 58 places available per day. The Family Day Care Facility has 322 children enrolled at the facility.

LOCAL GOVERNMENT ACT SECTION 428(4)(A)

AUDITED FINANCIAL REPORTS

A copy of the council's audited financial reports prepared in accordance with the Local Government Code of Accounting Practice and Financial Reporting published by the Department, as in force from time to time.

See Attachment A – Financial Statements.

LOCAL GOVERNMENT (GENERAL) REGULATION 2005 CLAUSE 132

RATES AND CHARGES WRITTEN OFF

The council's annual report must include the amount of rates and charges written off during the year.

Rates and charges written off by Dubbo Regional Council during 2018/2019:

Description	Amount
Rates - Pension Rebates (S 583(1) Local Government Act 1993)	\$1,368,338
Rates - Postponed Rates (S 595(1) Local Government Act 1993)	\$27,821
Rates - Non Rateable Properties (S 555(1) Local Government Act 1993)	\$1,799
Rates - Levy Adjustments (S 598(1) Local Government Act 1993)	Nil
Charges - Interest on Postponed Rates (S 595(1) Local Government Act 1993)	\$10,392
Charges - Amounts which were unrecoverable	\$3,289

**LOCAL GOVERNMENT ACT SECTION 428(4)(B)
LOCAL GOVERNMENT (GENERAL) REGULATION 2005 CLAUSE 217 (1)(A)**

OVERSEAS VISITS

Details (including the purpose) of overseas visits undertaken during the year by councillors, council staff or other persons while representing the council (including visits sponsored by other organisations).

The following overseas travel was undertaken during 2018/2019 by Councillors or staff:

- Nil

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSES 217 (1(A1))(I-VIII)

PAYMENT OF EXPENSES AND PROVISION OF FACILITIES TO COUNCILLORS

Details of the total cost during the year of the payment of the expenses of, and the provision of facilities to, councillors in relation to their civic functions (as paid by the council, reimbursed to the councillor or reconciled with the councillor), including separate details on the total cost of each of the following:

- (i) The provision during the year of dedicated office equipment allocated to councillors on a personal basis, such as laptop computers, mobile telephones and landline telephones and facsimile machines installed in councillors' homes (including equipment and line rental costs and internet access costs but not including call costs).*
- (ii) Telephone calls made by councillors, including calls made from mobile telephones provided by the council and from landline telephones and facsimile services installed in councillors' homes.*
- (iii) The attendance of councillors at conferences and seminars.*
- (iv) The training of councillors and the provision of skill development for councillors.*
- (v) Interstate visits undertaken during the year by councillors while representing the council, including the cost of transport, the cost of accommodation and other out-of-pocket travelling expenses.*
- (vi) Overseas visits undertaken during the year by councillors while representing the council, including the cost of transport, the cost of accommodation and other out-of-pocket travelling expenses.*
- (vii) The expenses of any spouse, partner (whether of the same or the opposite sex) or other person who accompanied a councillor in the performance of his or her civic functions, being expenses payable in accordance with the Guidelines for the payment of expenses and the provision of facilities for Mayors and Councillors for Local Councils in NSW prepared by the Director-General from time to time.*
- (viii) Expenses involved in the provision of care for a child of, or an immediate family member of, a councillor, to allow the councillor to undertake his or her civic functions.*

Mayoral and Councillor Fees for the period 1 July 2018 until 30 June 2019 was \$260,899.60.

Mayor and Councillor Travel Subsistence 1 July 2018 until 30 June 2019 was \$21,463.42.

Description	Cost
i. Cost of dedicated office equipment allocated to Mayor and Councillors	\$17,904
ii. Telephone/data charges for Mayor and Councillors	\$5,987
iii. Attendance of Mayor and Councillors at conferences and seminars	\$11,430
iv. Training of Mayor and Councillors and provision of skill development	\$7,050
v. Interstate visits by Mayor and Councillors (transport/accommodation/other travelling expenses)	\$8,383
vi. Overseas visits by Mayor and Councillors (transport/accommodation/other travelling expenses)	Nil
vii. Expenses of any spouse/partner who accompanied the Mayor or Councillors	Nil
viii. Expenses involved in the provision of child care for the Mayor or Councillors	Nil

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSES 217 (1(A1))(I-VIII)

COUNCILLOR PROFESSIONAL DEVELOPMENT

Holding elected office in a council is a role that carries with it significant responsibilities. All holders of elected offices in councils owe it to the communities that entrust them with this responsibility to ensure that they hold and maintain the skills necessary to exercise their functions effectively on behalf of the community.

Mayors and councillors are ultimately accountable to the community that elects them for the performance of their functions. For this reason, councils are required to publicly report each year in their annual report on the participation of the mayor and each councillor in the council's induction and professional development programs during that year.

The information published in the annual report is to include:

- the name of the mayor and each individual councillor that completed council's induction program (where an induction program has been delivered during the relevant year)
- the name of the mayor and each councillor who participated in any ongoing professional development program during the year
- the number of training and other activities provided to the mayor and councillors during the year as part of a professional development program, and
- the total cost of induction and professional development activities and any other training provided to the mayor and councillors during the relevant year.

There was no induction program completed during 2018/2019 as Councillors were elected in September 2017 and the induction program had been completed prior to 1 July 2018.

The Mayor, Councillor Ben Shields, and Councillors Jane Diffey, Vicki Etheridge, David Grant, Dayne Gumley, Anne Jones, Stephen Lawrence, Greg Mohr, Kevin Parker and John Ryan participated in ongoing professional development throughout the year consisting of Council workshops, seminars, conferences and formal training opportunities.

The number of training and other activities provided to the mayor and councillors during the year as part of a professional development program were 17.

The total cost of induction and professional development activities and any other training provided to the mayor and councillors during 2018/2019 was \$26,863.

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A2)(I-II)

CONTRACTS AWARDED

Details of each contract awarded by the council during that year (whether as a result of tender or otherwise) other than:

- (i) Employment contracts (that is, contracts of service but not contracts for services), and
 (ii) Contracts for less than \$150,000 or such other amount as may be prescribed by the regulations,

including the name of the contractor, the nature of the goods or services supplied by the contractor and the total amount payable to the contractor under the contract.

Name of contractor	Goods / services	Amount
Glenn Healey Constructions	Refurbishment of the River Bank Amenities	\$ 176,091.00
Panel Contract <ul style="list-style-type: none"> ▪ Lynco Pty Ltd T/a Lynlet Communications Pty Ltd ▪ Kennedy Surveying Pty Ltd 	The Provision of Underground Utility Location Services	\$600,000
Yoff Pty Ltd T/as Dubbo Terrazzo & Concrete Industries	Refurbishment of the Lady Cutler Amenities	\$152,179.68
On the Level (NSW) Pty Ltd Mr Con Lappa	The Grave Digging Contract for Cemeteries	\$450,000
Westrac	718 - Front-end Grader	\$ 354,300.00
Maas Constructions Pty Ltd	The Construction of the Rygate Amenities	\$ 701,534.25
Maas Civil Pty Ltd	Construction of Judy Jakin Drive Realignment at Dubbo City Regional Airport	\$ 772,653.20
Hines Construction PTY LTD	Construction of Wellington Pool	\$ 7,357,230.00
Portball Pty Ltd t/as Laser Electrical Dubbo	Design, Supply and Installation of Sports Lights for Pioneer Park Dubbo	\$ 193,680.00
Portball Pty Ltd t/as Laser Electrical Dubbo	Design, Supply and Installation of Sports Lights for Pioneer Park Wellington	\$ 238,910.00
Paveline International	Plant 159 - Road Maintenance Truck (Dubbo)	\$ 374,425.20
Techni Clean PTY LTD	Cleaning of Open Space and Recreation Amenities, Dubbo and Wellington	\$ 471,919.28
Stanaway Pty Ltd T/as David Payne	The Documentation and Construction of the NSW RFS Training Academy at Dubbo City Regional Airport	\$16,819,016.15
P&TS Group PTY LTD	The Construction of Pressure Sewerage System in East and Baird Street Dubbo	\$ 116,001.50

Name of contractor	Goods / services	Amount
Tracserv	Valve Maintenance Truck - Plant 151	\$ 200,831.82
L-Don Sporting Areas T/as Active Energy Pty Ltd	The Construction of Multipurpose Courts for Rygate Park	\$ 496,848.00
Ramsben Pty Ltd T/as Country Powerline Constructions	The construction of Level 1 Electricity Installation Dubbo City Regional Airport	\$ 324,255.00
Bennett Lister Developments T/as BLD Constructions	Construction of proposed emergency services facility	\$2,091,191.00
Conplant	Plant 2213 - Padfoot Roller - Infrastructure & Delivery Wellington	\$ 197,000.00
Redox Pty Ltd	The Supply and Delivery of Water Treatment Chemical Part A 48 tonnes of PAC	\$ 89,760.00
IXOM Pty Ltd	The Supply and Delivery of Water Treatment Chemical Part B 350 tonnes of Soda Ash	\$ 175,000.00
IXOM Pty Ltd	The Supply and Delivery of Water Treatment Chemical Part D 60 tonnes of hydrofluorosilicic Acid	\$ 66,720.00
IXOM Pty Ltd	The Supply and Delivery of Water Treatment Chemical Part E 55 tonnes of Chlorine Gas	\$ 190,706.00
IXOM Pty Ltd	The Supply and Delivery of Water Treatment Chemical Part F 600 TONNES OF Ferric Chloride	\$ 238,200.00
Country Rite Mix	The supply of Pre Cast Concrete Stormwater Pits - Purvis Lane Project	\$ 123,685.00
Insituform Pacific Pty Ltd	The Construction of Reling of Sewer R Gravity Main - High Street to Cobbora Road	\$ 577,327.59
Tracserv	Plant 2234 - Watercraft Wellington	\$ 498,294.55
Laser Plumbing Dubbo	Purvis Lane Early Works - Construction of Pressure Sewer System	\$ 602,983.49
Tracserv	Water truck for Whylandra Waste Depot - Plant 720	\$ 197,233.00
Maas Construction Pty Ltd	The Construction of the Hire Car Park At Dubbo City Regional Airport	\$ 421,624.67
Gardenscape Design (Dubbo)	Installation of Playground Botanic Gardens	\$ 660,094.00
Maas Construction Pty Ltd	The Refurbishment of the Woolpack Function Centre Dubbo Showground	\$ 367,425.90
Maas Civil Pty Ltd	The Construction of the Unnamed Road off Judy Jenkins Drive DCRA - Stage 2	\$ 970,557.48

Name of contractor	Goods / services	Amount
Ellis and Sons Group Pty Ltd	Documentation and Construction of shade sails at Dubbo Regional Livestock Markets	\$ 684,900.00
West Orange Motors	Replacement of plants 4 Tipping trucks and 3 Tri-axle dog trailers	\$ 1,156,039.98
Yoff Pty Ltd T/as Dubbo Terrazzo & Concrete Industries	The Construction of the Wellington Caves Visitor Experience Centre	\$ 3,545,948.00
Interflow Pty Ltd	The Supply of Sewer Rehabilitation Works Wellington	\$ 664,975.00
BMT WBM Pty Ltd	Baltimore Village Flood Study and Floodplain Risk Management Study and Plan	\$ 98,090.00
Westrac	Supply of an excavator - Plant 197	\$ 343,903.41
Stanaway Pty Ltd T/as David Payne	The Construction of Dubbo Cycling Facility	\$ 4,687,828.00
Rewards Hospitality	The supply of Bedding Furniture and Linen for NSW Rural Fire Service Training Academy Dubbo	\$ 97,949.56
Accent Furniture	The Supply and Installation of Furniture and Equipment for the NSW Rural Fire Service Training Academy Dubbo	\$ 240,640
P&TS Group Pty Ltd	The Construction of the Stuart Town Non-Potable Water Supply Pipeline and Reservoirs	\$ 149,366.00
Skilltech Consulting Service	The Reading of Water Meters	\$ 190,207.20
Tracserv	Purchase of plant 2201, 2717, 381 - Three Skid Steer Loaders	\$ 259,518.00
Austex Constructions Pty Ltd	Playground Renewal - Cameron Park Wellington	\$ 450,000
Maas Civil Pty Ltd	The Construction of Pavans Land Sporting Fields	\$ 582,405.00
Willis Australia Ltd (Willis Towers Watson)	Provision of insurance brokerage services and placement of insurance.	\$ 3,793,752.00

LOCAL GOVERNMENT (GENERAL) REGULATIONS CLAUSE 217(1)(A3)

LEGAL PROCEEDINGS

A summary of the amounts incurred by the council during the year in relation to legal proceedings taken by or against the council (including amounts, costs and expenses paid or received by way of out of court settlements, other than those the terms of which are not to be disclosed) and a summary of the state of progress of each legal proceeding and (if it has been finalised) the result.

Details of Legal Proceedings	Amount Incurred	Amount Recovered	State of Progress	Result
Council v Arantz - civil claim for outstanding rates	\$0	\$0	Ongoing	Court awarded Consent Judgement in Council's favour defendant has until 16 October 2019 to pay debt - if not paid will go back to Court
Jetgo - Legal action for the recovery of debts and winding up proceedings	\$24,235	\$0	Ongoing	

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A4)

PRIVATE WORKS

Details or a summary (as required by section 67 (3) of the Act) of resolutions made during that year under section 67 of the Act concerning work carried out on private land and details or a summary of such work if the cost of the work has been fully or partly subsidised by the council, together with a statement of the total amount by which the council has subsidised any such work during that year.

There were no private works undertaken by Dubbo Regional Council in 2018/2019 which were either fully or partly subsidised by Council.

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A5)

CONTRIBUTIONS

The total amount contributed or otherwise granted under section 356 of the Act.

During 2018/2019, a total of \$156,609 was contributed under this section of the Act, as follows:

Organisation	Donation
Bodangora Reserve Trust	\$1,000
Burrendong Botanic Garden & Arboreta	\$3,500
Central West Leadership Academy	\$5,300
City of Dubbo Eisteddfod Society	\$10,000
Dubbo & District Pipe Band	\$1,500
Dubbo & District Preschool	\$4,000
Dubbo District Concert Band	\$1,845
LeaderLife Limited	\$2,000
Life Education NSW Ltd	\$7,400
LifeLine Central West Incorporated	\$15,000
Lions Club Incorporated Wellington	\$2,300
Mount Arthur Reserve Trust	\$2,518
Muller Park Tennis Club Incorporated	\$2,900
Orana Early Childhood Intervention	\$2,500
Orana K9 Training Club Incorporated	\$3,536
Orana Support Services Ltd	\$12,654
ORISCON Incorporated	\$700
Parkrun Incorporated t/as Parkrun Australia	\$2,500
Provision of Aged Persons Accommodation	\$2,500
St Marys Catholic School	\$1,500
The Salvation Army Orana - Wellington	\$1,114
Twin River's Fishing Club	\$3,000
U3A Dubbo Chapter Incorporated	\$3,197
Walter T Grant Memorial Sen	\$6,230
Wellington Amateur Theatrical	\$4,768
Wellington Art Centre Incorporated	\$3,000
Wellington Connect t/as Wellington Men's Shed	\$7,500
Wellington Cowboys Junior Rugby League	\$2,500
Wellington District Cricket	\$2,500
Wellington Girl Guides	\$5,000
Wellington Golf Club	\$2,170
Wellington Information & Neighbourhood Services Incorporated	\$20,000
Wellington PCYC	\$2,830
Wellington Warriors FC Incorporated	\$4,800
Western Region Academy of Sport	\$2,847

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A6)

EXTERNAL BODIES

A statement of all external bodies that during that year exercised functions delegated by the council.

There are no external bodies exercising functions delegated by Dubbo Regional Council.

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A7)

CONTROLLING INTERESTS

A statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies (whether or not incorporated) in which the council (whether alone or in conjunction with other councils) held a controlling interest during that year.

Dubbo Regional Council held no controlling interest in any company during 2018/2019.

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A8)

JOINT VENTURES

A statement of all corporations, partnerships, trusts, joint ventures, syndicates or other bodies (whether or not incorporated) in which the council participated during that year.

Council was involved in the following joint ventures:

- Macquarie Regional Library
- The North West Weight of Loads Groups
- The Bathurst, Orange, Dubbo Alliance of Councils
- The Lower Macquarie Water Utilities Alliance
- Central West Salinity Water Quality Alliance
- Netwaste
- Evocities

LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(A9)

EQUAL EMPLOYMENT OPPORTUNITY

A statement of the activities undertaken by the council during that year to implement its equal employment opportunity management plan.

Dubbo Regional Council supports and implements the principles of Equal Employment Opportunity (EEO) by recognising and valuing diversity within the workplace. We achieve this by having workplace policies, practices and behaviours that are fair and do not disadvantage people who belong to particular groups.

The EEO Management Plan supports these principles by facilitating the removal of the systematic barriers to access equity in employment of groups that have been traditionally under represented or disadvantaged.

Building capability of our leaders was Council's focus during the past 12 months, with training and development playing a significant role. Council conducted the following programs to equip our leaders and staff with the necessary skills to recognise, value and respect diversity within the workplace:

- Mental First Aid for Managers;
- Dealing with Aggressive Behaviours;
- GIPA;
- Workplace Support Skills;
- KSAC – Leadership Development and Mentoring Program; and
- Respect in the Workplace.

Looking ahead an EEO Management Plan 2019-2021 is currently being developed to reflect the requirements of Council which aims to build on the actions and achievements previously realised as well as continue fostering a diverse and skilled workforce with improved employment access for EEO target group members. The main focus of the EEO Management Plan will be:

- Increasing cultural diversity & female representation in the workforce through EEO plan and increased participation on matters of equity, diversity and inclusion through the EEO Committee.

Additionally Council will be developing an Aboriginal Employment Strategy in consultation with our indigenous communities with the aim of promoting mutual respect and understanding, breaking down the barriers to employment faced by our indigenous communities as well as increasing our representation of aboriginal employees to reflect the representation of our community.

**LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(B)(I-V)
LOCAL GOVERNMENT (GENERAL) REGULATION CLAUSE 217(1)(C)(I-V)**

EMPLOYMENT OF SENIOR STAFF

A statement of the total remuneration comprised in the remuneration package of the general manager during the year that is to include the total of the following:

- (i) The total value of the salary component of the package.*
- (ii) The total amount of any bonus payments, performance payments or other payments made to the general manager that do not form part of the salary component of the general manager.*
- (iii) The total amount payable by the council by way of the employer's contribution or salary sacrifice to any superannuation scheme to which the general manager may be a contributor.*
- (iv) The total value of any non-cash benefits for which the general manager may elect under the package.*
- (v) The total amount payable by the council by way of fringe benefits tax for any such non-cash benefits.*

A statement of the total remuneration comprised in the remuneration packages of all senior staff members (other than the general manager) employed during the year, expressed as the total remuneration of all the senior staff members concerned (not of the individual senior staff members) and including totals of each of the following:

- (i) The total of the values of the salary components of their packages.*
- (ii) The total amount of any bonus payments, performance payments or other payments made to them that do not form part of the salary components of their packages.*
- (iii) The total amount payable by the council by way of the employer's contribution or salary sacrifice to any superannuation scheme to which any of them may be a contributor.*
- (iv) The total value of any non-cash benefits for which any of them may elect under the package.*
- (v) The total amount payable by the council by way of fringe benefits tax for any such non-cash benefits.*

During 2018/2019, Council employed six senior staff as defined under the requirements of the Local Government Act with these being the Chief Executive Officer, Director Organisational Performance, Director Infrastructure, Director Development and Environment, Director Liveability and Director Culture and Economy.

The total amount spent on employing these senior staff was \$1.852 million. This amount includes salaries, fringe benefit tax, leave entitlements, private use of a Council vehicle, employer's superannuation contributions and termination benefits.

Position	Total Employment Cost	Salary Component	Termination	Employers Contribution to Superannuation	Non Cash Benefits - Motor Vehicle	Result
CEO - Temporary	\$141,811	\$98,340	\$0	\$5,506	\$19,614	\$18,351
CEO - Permanent	\$277,605	\$247,294	\$0	\$15,025	\$7,312	\$7,149
Senior Staff	\$1,433,211	\$1,311,620	\$0	\$112,843	\$5,911	\$5,779

LOCAL GOVERNMENT (GENERAL) REGULATION 2005 CLAUSE 217 (1)(E)

STORMWATER MANAGEMENT SERVICES

If the council has levied an annual charge for stormwater management services—a statement detailing the stormwater management services provided by the council during that year.

Financial details of Council's projected and actual stormwater management services provided in 2018/2019 are as follows:

Stormwater Management Services	Budget	Actual
Income from Continuing Operations	\$2,990,517	\$11,085,625
Expenses from Continuing Operations	\$2,729,367	\$2,383,776
Operating Resultsurplus/(Deficit)	\$261,150	\$8,701,849
Grants included in Income	\$100,000	\$20,892

Council's Annual Stormwater charge for Dubbo City defined urban area in 2018/2019 was \$93.73 per property, which generated income of \$1,435,041. The Annual Stormwater management fee for Wellington residential and business in 2018/2019 was \$15.57, which generated income of \$33,079.

Council's stormwater operations provided 8,160 pits, 71 retention basins, 61 Gross Pollutant Traps (GPTs), 240 kilometres of drainage pipes, two wetlands and one Bioswale.

The total operating revenue increased due to an increase in Developer Contributed Assets to infrastructure.

The total operating expenses decreased due to the ongoing drought, which reduced cleaning expenditure and asset management costs.

LOCAL GOVERNMENT ACT SECTION 508(2) AND SECTION 508A

STATEMENT IN COMPLIANCE WITH SPECIAL VARIATIONS APPROVAL CONDITIONS

A report on special variation expenditure if required to do so by the instrument made by the Minister.

The Minister for Local Government has approved Special Variation Rate increases of two per cent above the general increase for 2004/2005, four per cent for 2005/2006 and five per cent for 2006/2007 and 2007/2008.

These Special Variation increases were an essential element of Council's strategy for funding the long-term requirements for the maintenance and improvement of its Civil Infrastructure (Roads and Footpaths) Asset Base, Parks and Landcare maintenance and renewals, and the construction and ongoing operations of the Dubbo Regional Theatre and Convention Centre.

A condition of the approval of these special variations is that outcomes and expenditures are clearly reported in the Annual Report. In 2018/2019, the total revenue generated from the Special Variations was \$3.679 million and the outcomes achieved from this revenue were as follows:

- Dubbo Regional Theatre and Convention Centre operations
- Asset Maintenance:
 - Urban Parks Asset Maintenance
 - Rural Parks Asset Maintenance
 - Sporting Facilities Asset Maintenance
- Roadworks:
 - Urban Preconstruction and General Maintenance.

The total expenditures were \$3.679 million with no unexpended balance required to be allocated.

**LOCAL GOVERNMENT (GENERAL) REGULATION 2005 CLAUSE 217(1)(F)
AND COMPANION ANIMAL GUIDELINES**

COMPANION ANIMALS ACT AND REGULATION

A detailed statement, prepared in accordance with such guidelines as may be issued by the Director-General from time to time, of the council's activities during the year in relation to enforcing, and ensuring compliance with, the provisions of the Companion Animals Act 1998 and the regulations under that Act including:

- a) Lodgement of pound data collection returns with the Office.
- b) Lodgement of data about dog attacks with the Office.
- c) The amount of funding spent on companion animal management and activities.
- d) Companion animal community education programs carried out and strategies the council has in place to promote and assist the desexing of dogs and cats.
- e) Council's strategies for complying with the requirement under section 64 of the Act to seek alternatives to euthanasia for unclaimed animals.
- f) Off leash areas provided in the council area.

Council lodged an annual return in September 2019 to the Office of Local Government for 2018/2019. The return outlined the year's data for animals entering the Dubbo City Animal Shelter and the Wellington Pound including animals returned to their owners, animals released to new owners, animals relocated to other organisations and animals euthanised.

In the 2018/2019 financial year, Council reported 75 dog attacks to the Office of Local Government. Rangers responded to 870 stray animals, 189 barking dog complaints, 151 cat trap requests and impounded 1,613 dogs and 1,105 cats.

Council's total expenditure on Companion Animals in 2018/2019 was \$883,514 including the operation of the Dubbo Animal Shelter.

A total of \$97,884.50 was received on behalf of the Office of Local Government for animal registrations. Income returned to Council from the Office of Local Government Companion Animal Registration funds was \$90,522 for the year.

A further amount of \$112,159 was received from impounding fees/fines and other related income.

The total income amount of \$203,307 reduced the General Fund contribution for running this activity by that amount.

The Ranger and Impounding Services Function undertook a range of educational activities to promote responsible pet ownership. This included media releases and information distributed via local media and online as well as a range of printed brochure material. The Dubbo City Animal Shelter facebook page is a major tool for communicating with residents. Topics covered include animal welfare tips and environmental pollution issues. Information has also been distributed to new residents via Council's new resident kits and information evenings.

Ranger Services also facilitated the tenth annual Dubbo Pets Month promotion in September 2018. This promotion encourages responsible pet ownership and offers sponsor-supplied prizes for the annual photo competition and colouring in competition. As part of Pets Month, Rangers held

educational talks with many local schools. Tips were delivered via local radio and incentives were given to residents walking dogs on lead. Free microchipping was offered in the Wellington area to improve compliance. The Shelter pet tag engraving machine has also been popular with a free engraved tag being included with all releases and adoptions from the Shelter.

Dubbo Regional Council provides 16 leash-free areas in its Council area including three fenced areas with agility courses. As part of Council's program to improve these areas, continued maintenance was undertaken on all three fenced leash-free areas.

The Dubbo City Animal Shelter has strategies in place to seek alternatives to euthanasia for unclaimed animals. The primary strategy is to encourage the re-homing of animals through partnership with the RSPCA and other rescue groups. In 2018/2019 the Shelter continued to increase its rehoming of animals by building on its relationships with rescue groups and through its own adoption program. The use of social media facilitates the shelter's re-homing efforts and a 'Pet of the Week' is advertised in the local print media as part of a campaign to encourage the adoption of pets. A strong partnership with Dubbo RSPCA Foster Care provides a regular avenue for RSPCA to re-home impounded animals. Council have a Policy for the Management of Infant and Feral Animals to allow fostering of infant animals and immediate euthanasia of feral animals that are received. All animals adopted from Council are vaccinated, desexed, microchipped and registered.

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009 S125(1)
GOVERNMENT INFORMATION (PUBLIC ACCESS) REGULATION 2009 PART 3 CLAUSE 8

GOVERNMENT INFORMATION (PUBLIC ACCESS) ACT 2009

Each agency (other than a Minister) must, within 4 months after the end of each reporting year, prepare an annual report on the agency's obligations under this Act for submission to the Minister responsible for the agency. A copy of the report is to be provided to the Information Commissioner.

The annual report of an agency (other than a Minister) required to be prepared under section 125 of the Act must include the following:

(Note: An agency's report under section 125 of the Act can be included in the agency's annual report required to be prepared under the annual reporting legislation—see section 6 of the Annual Reports (Departments) Act 1985 or section 5A of the Annual Reports (Statutory Bodies) Act 1984 (as the case requires).)

- (a) Details of the review carried out by the agency under section 7 (3) of the Act during the reporting year and the details of any information made publicly available by the agency as a result of the review.
- (b) The total number of access applications received by the agency during the reporting year (including withdrawn applications but not including invalid applications).
- (c) The total number of access applications received by the agency during the reporting year that the agency refused, either wholly or partly, because the application was for the disclosure of information referred to in Schedule 1 to the Act (Information for which there is conclusive presumption of overriding public interest against disclosure).

(Note: Table D in Schedule 2 also requires information relating to access applications in respect of which there is a conclusive presumption of overriding public interest against disclosure.)

- (d) Information, as set out in the form required by the tables in Schedule 2, relating to the access applications (if any) made to the agency during the reporting year.

Dubbo Regional Council's program for proactive release of information involves:

- A review and continual improvement of the systems and mechanisms utilised by the organisation to facilitate easy and effective access by members of the public to information that they have a right to view, download or copy (where applicable).
- Scheduled review of Council-held information, including what is available to the public on the Council website.
- In instances when information is not available on the Council website, ensuring that it may be accessed by other means.
- Reviewing the types of information requested via Formal Access applications and via customer contact with Council's Customer Service Centre and deciding if the information should be made readily available to all members of the public.

For the period 2018/2019, Council received in total 25 Formal Applications, of which 19 applications were granted access in full.

Council is proactively releasing all information as required by the GIPA Act via an Information Guide and will continue to monitor the types of information that the public requests to ensure that, if applicable, it is made proactively available.

**Government Information (Public Access) Regulation 2009
Schedule 2 Statistical information about access applications to be included in
annual report (Clause 7)**

Table A: Number of applications by type of applicant and outcome*

Details of Legal Proceedings	Amount		State of Progress	Result						
	Incurring	Recovered		Access granted in full	Access granted in part	Access refused in full	Info not held	Info already available	Refuse to deal with application	Refuse to confirm/deny whether information is held
Media	0	0	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0	0	0
Private sector business	3	0	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	1	0	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	16	3	1	1	0	0	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B.

Table B: Number of applications by type of application and outcome

	Access granted in full	Access granted in part	Access refused in full	Info not held	Info already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	0	0	1	0	0	0	0	0
Access applications (other than personal information applications)	20	3	0	1	0	0	0	0
Access applications that are partly personal information applications and partly other	0	0	0	0	0	0	0	0
Private sector business	3	0	0	0	0	0	0	0
Not for profit organisations or community groups	1	0	0	0	0	0	0	0
Members of the public (application by legal representative)	16	3	1	1	0	0	0	0
Members of the public (other)	0	0	0	0	0	0	0	0

* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act

Reason for invalidity	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	0
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under Electricity Network Assets (Authorised Transactions) Act 2015	0
Information about authorised transaction under Land and Property Information NSW (Authorised Transaction) Act 2016	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	3
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

Table F: Timeliness

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	25
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0
Total	25

Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision-maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

Table H: Applications for review under Part 5 of the Act (by type of applicant)

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)

	Number of applications transferred
Agency-initiated transfers	0
Applicant-initiated transfers	0

ENVIRONMENTAL PLANNING AND ASSESSMENT ACT 1979 S93G(5)

PLANNING AGREEMENTS

A planning authority that has entered into one or more planning agreements must, while any such planning agreements remain in force, include in its annual report particulars of compliance with and the effect of the planning agreements during the year to which the report relates.

Council did not enter into any Planning Agreements in 2018/2019.

PUBLIC INTEREST DISCLOSURE ACT 1994 S31 CL 1

PUBLIC INTEREST DISCLOSURES

Information required to be provided in accordance with s2 of the Public Interest Disclosures Regulation 2011 is included herewith:

- (a) the number of public officials who have made a public interest disclosure to the public authority - *Two*
- (b) the number of public interest disclosures received by the public authority in total and the number of public interest disclosures received by the public authority relating to each of the following - *Nil*
 - (i) corrupt conduct - *Two*
 - (ii) maladministration - *Nil*
 - (iii) serious and substantial waste of public money or local government money (as appropriate) - *Nil*
 - (iv) government information contraventions - *Nil*
 - (v) local government pecuniary interest contraventions - *Nil*
- (c) the number of public interest disclosures finalised by the public authority - *Two*
- (d) whether the public authority has a public interest disclosures policy in place - *Public Interest Disclosures Policy adopted by Dubbo Regional Council at its Ordinary meeting held 24 October 2016*
- (e) what actions the head of the public authority has taken to ensure that his or her staff are aware of responsibilities under section 6E (1) (b) of the Act have been met - *posters on notice boards throughout work areas, Code of Conduct training to all staff and Councillors including Public Interest Disclosures processes, policy available on Council website and Intranet.*
- (f) public interest disclosures made by public officials in performing their day to day functions as such public officials - *Two*
- (g) public interest disclosures not within paragraph (f) that are made under a statutory or other legal obligation - *Nil*
- (h) all other public interest disclosures - *Nil*



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ANNUAL REPORT 2018-2019

Dubbo Regional Council

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REPORT: September 2019 Quarterly Budget Review Statements

AUTHOR: Chief Executive Officer
REPORT DATE: 4 November 2019
TRIM REFERENCE: ID19/1492

EXECUTIVE SUMMARY

The quarterly review for the period ending 30 September 2019 of Council's 2019/2020 Budget Review Statements shows satisfactory implementation with the current financial position estimated to be a balanced budget.

FINANCIAL IMPLICATIONS

In accordance with the requirements of Clause 203(2) of the Local Government (General) Regulations 2005, I now advise that the Chief Financial Officer, as the Responsible Accounting Officer of Dubbo Regional Council has reported that they consider the attached Quarterly Operational Plan Review Statements indicate that the financial position of the Council is satisfactory. This is on the basis that the *"result"* for the year is a balanced budget.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

1. That the Quarterly Budget Review Statements as at 30 September 2019, as attached to the report of the Chief Executive Officer dated 4 November 2019, be adopted and such sums voted for such purpose.
2. That the Statement of the Responsible Accounting Officer that Council is in a satisfactory financial position having regard to the changes herewith to the original budget, be noted.

Michael McMahon
Chief Executive Officer

BACKGROUND

The Local Government (General) Regulation 2005 requires the Responsible Accounting Officer to submit on a quarterly basis to Council a budget review statement that shows a revised estimate of the income and expenditure for the year as follows:

Clause 203 of the Local Government (General) Regulation 2005 provides as follows:

- (1) *“Not later than two months after the end of each quarter, the responsible accounting officer of a council must prepare and submit to the council a budget review statement that shows, by reference to the estimate of income and expenditure set out in the statement of the council’s revenue policy including in the Operational Plan for the relevant year, a revised estimate of the income and expenditure for that year.*
- (2) *A budget review statement must include or be accompanied by:*
 - (a) *a report as to whether or not the responsible accounting officer believes that the statement indicates that the financial position of the council is satisfactory, having regard to the original estimate of income and expenditure; and*
 - (b) *if that position is unsatisfactory, recommendations for remedial action.*
- (3) *A budget review statement must also include any information required by the Code to be included in such a statement.”*

REPORT

The Responsible Accounting Officer has reported in respect of the September 2019 Quarterly Review of Council’s Budget as follows:

*“In accordance with the requirements of Clause 203(2) of the Local Government (General) Regulations 2005, I now advise that, as the Responsible Accounting Officer of Dubbo Regional Council, it is considered that the attached Quarterly Financial Review Statements indicate that the financial position of the Council is satisfactory. This is on the basis that the **“result”** for the year is a balanced budget.”*

During the September 2019 quarterly review additional funding has been provided for the following projects:

- The street lighting function includes the LED street light replacement project which has been funded from Internal Loan Funding.
- Wellington Administration Building, Wellington Visitor information Centre and the Dubbo Civic Administration Building Customer Experience refurbishments have been included in the September Quarterly Review which have been funded from the remaining amalgamation funds restricted asset.
- Insurance premium savings have been placed in separate restricted asset in Governance and Internal Control of \$500,000.
- Drought Communities Fund provided \$1M for the following projects:
 - Stuart Town Bore - \$560,000

- Toilet block - \$245,000
- Dubbo Regional Livestock Markets Shade Sails - \$195,000

Adjustment have been made to the following income items.

- Water and Sewer income has decreased by \$1.6M due to the decrease in Fees and Charges from 5% increase to 2.7% increase (Council Resolutions CCL19/101) as well as a reduced income from water consumption due to the Water restrictions.
- Interest on investment income has been reduced due to falling interest rates by \$500,000.
- Road Network has included \$1.4M in the September Quarterly from the Bridges Renewal Program for the construction of Burrendong Bridge #2 and Terrabella Bridge, additional funding is required to proceed with the projects.

Destination Dubbo grant funding of \$10,147,000 NSW Government (RGETF) and council contribution of \$2,536,760 have been allocated to the following projects in the BILT function.

Destination Dubbo - Summary of Project Costs and Funding

Project Component	FY 2019-2020	FY 2020-2021	TOTAL
Old Dubbo Gaol Plaza (inc. property acquisition)	2,902,679	2,107,322	5,010,001
Wiradjuri Tourism Centre - Building	1,264,675	2,894,235	4,158,910
Macquarie Foreshore - Event Precinct and Cultural Trails	466,949	3,047,900	3,514,849
TOTAL	4,634,303	8,049,457	12,683,760

The capital expenditure summary for 30 September 2019 is attached (**Appendix 1**). Which includes all carry over projects from 2018/2019. The major carryover projects and New Project (over \$1M) are as follows:

	Original Budget	September Adjustment	Annual Forecast
1000 - Wellington Caves Visitor Exp Centre	2,000,000	1,435,166	3,435,166
1000 - Wellington Pool Redevelopment	3,000,000	2,288,432	5,288,432
1000 - Victoria Park (Cycling)	3,234,500	1,830,654	5,065,154
6913 - Upgrade Truck Wash Facilities - DRLM	0	1,269,000	1,269,000
6774 - Muronbung Road	0	1,000,785	1,000,785
6782 - Muronbung Stage 3	0	2,096,498	2,096,498
5911 - Cootha SPS - Upgrade (C)	0	2,900,000	2,900,000
5989 - Upgrade Sewer R (incl all component) (C)	2,591,812	1,556,600	4,148,412
6677 - Purvis Lane Reconstruction	5,102,941	1,186,008	6,288,949
6685 - Swift Street (Arthur to Railway Station)	0	1,467,634	1,467,634
6697 - Boundary Rd Extension Stage 2	0	6,837,708	6,837,708

3000 - Groundwater Pipeline - Water for the Future	0	14,500,000	14,500,000
3001 - Non-Potable Pipeline - Water for the Future	0	13,500,000	13,500,000
6210 - Lime Dosing Unit - Water Fund	1,375,000	1,500,000	2,875,000
Old Dubbo Gaol Plaza (inc. property acquisition)	0	2,902,679	5,010,000
Wiradjuri Tourism Centre - Building	0	1,264,675	4,158,910
Macquarie Foreshore - Event Precinct and Cultural Trails	0	466,949	3,514,849

Purvis Lane redevelopment has been reviewed the total project costs (including 2018/2019 actual and 2019/2020 forecasts) cost is as follows:

Total Purvis Lane Budget	
Original Estimate	9,478,810
Actual to date	4,934,568
Revised Budget	9,538,738

Council, at its Ordinary meeting held on Monday 28 May 2018, resolved in regard to a playground at Brocklehurst as follows: *“That Dubbo Regional Council investigates the possibility of funding the playground through unexpended funds identified at the end of the 2017/2018 financial year.”* Council estimates the cost of this playground will be between \$50,000 and \$60,000. \$25,773 has been set aside in a reserve for this purpose. The Brocklehurst Community is to apply for grant funding to fund the remaining cost. The project has not been included the September 2019 Quarter.

As per ICRC18/65 Council resolved a purpose built shed be built at Victoria Park Number 1 Oval for Operations Staff to enable the Dubbo Community Mens Shed to expand. The estimated cost of shed construction is \$250,000 this has been included in the September Quarterly Review.

Adjustment have been made in the September 2019 Quarterly Review for the allocation of the State Government Drought Grant of \$30 million. The grant funds have been provided to future proof the water supply for the growing LGA and reduce reliance on the Macquarie River. The funds have been allocated to two major capital pipeline project of groundwater pipeline and non-potable pipeline.

Appendices:

[1](#) September Quarterly Budget Review Statements Reporting

REPORT BY RESPONSIBLE ACCOUNTING OFFICER

DUBBO REGIONAL COUNCIL
Quarterly Budget Review Statement - Quarter Ending 30 September 2019

The following statement is made in accordance with Clause 203(2) of the Local Government (General) Regulations 2005.

It is my opinion that the Quarterly Budget Review Statement for Dubbo Regional Council for the Quarter Ended 30 September 2019 indicates that Council's projected financial position as at 30 June 2020 will be satisfactory, having regard to the projected estimates of income and expenditure and the original budgeted income and expenditure.

Signed:

Name: Jane Bassingthwaighte
Responsible Accounting Officer

Date: 31 October 2019

CASH & INVESTMENTS

DUBBO REGIONAL COUNCIL

Quarterly Budget Review Statement - Quarter Ending 30 September 2019

Comment on Cash and Investments Position

There have been no major impacts during the quarter that have impacted on Council's original budgeted cash and investments position.

Statements:

Investments

Restricted funds have been invested in accordance with Council's investment policies.

Cash

A reconciliation of cash with bank statements has been undertaken, with the latest reconciliation being prepared on 10 October 2019.

Reconciliation

The YTD total Cash and Investments has been reconciled with funds invested and cash at bank

Signed:

Name: Jane Bassingthwaighte
Responsible Accounting Officer

Date: 31 October 2019

Budget Review Statement - Quarter Ending 30 September 2019
 Clause 203 Local Government (General) Regulation 2005

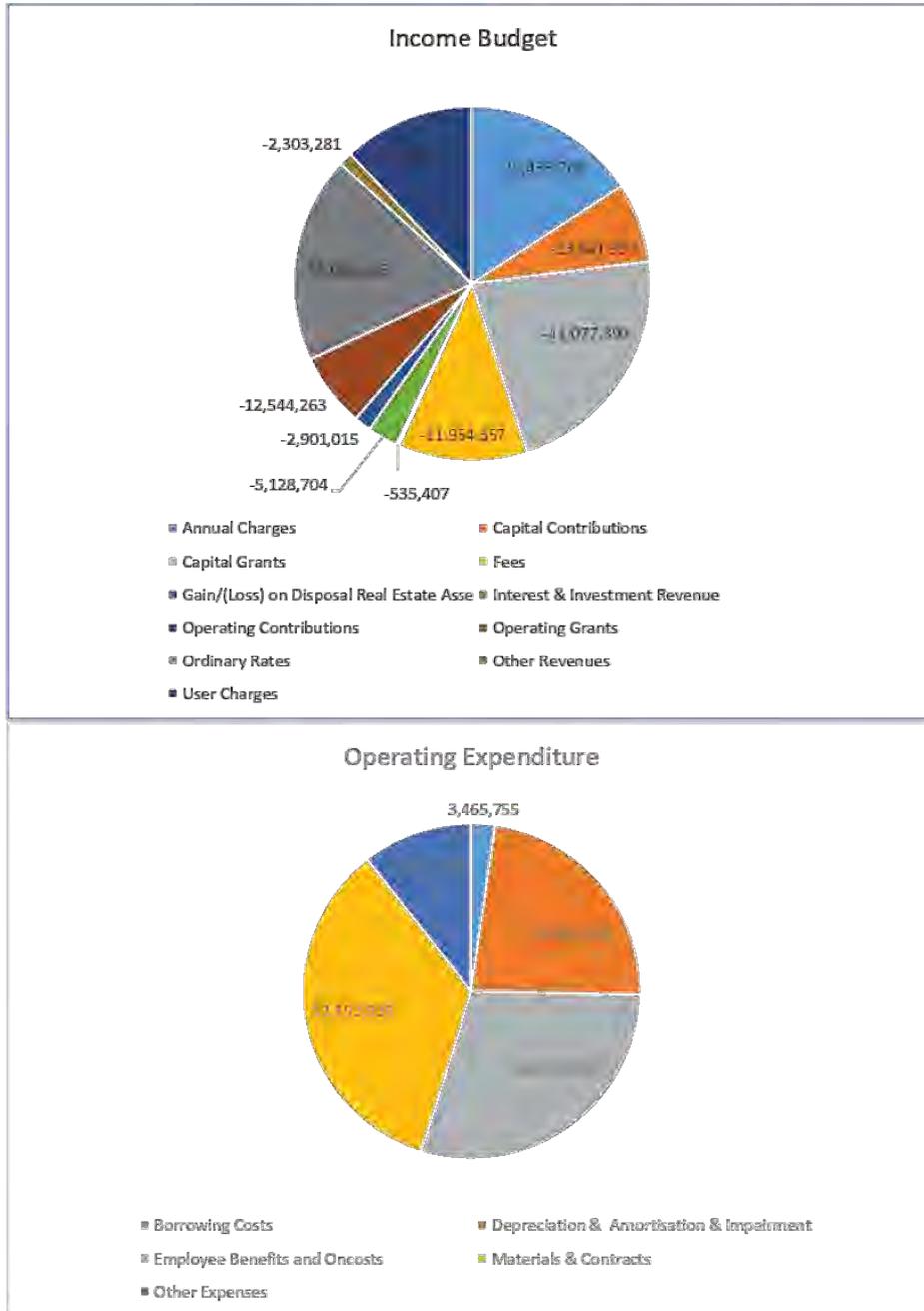
Function	Operating Revenue		Operating Expense		(Surplus) / Deficit from Operations		Capital Revenue				Capital Expense				Funds Transferred To / (From) Restricted Assets		Net Funds Available (to) / Required from Rates and General Revenue	
	Original	Revised	Original	Revised	Original	Revised	Expenses Not Involving Flows of Funds (Depr etc)		Loan Borrowings Assets Sold		Loan Repayment Principal		Assets Purchased		Original	Revised	Original	Revised
							Original	Revised	Original	Revised	Original	Revised	Original	Revised				
Culture and Economy																		
Dubbo Regional Airport	-13,660,426	-12,059,078	4,285,823	4,999,600	-9,454,503	-7,059,469	-1,029,674	-1,029,674	0	0	0	0	8,789,000	-7,438,478	1,423,920	920,404	-901,257	-301,257
Dubbo Regional Livestock Markets	-3,495,179	-1,024,675	3,628,351	3,534,472	343,172	-895,707	-3,320,152	-1,320,152	0	0	0	0	3,941,000	3,416,435	-499,692	1,825,872	-235,632	-235,632
Economic Development and Marketing	-225,419	-458,071	3,254,741	3,075,641	3,075,641	3,075,641	-1,277,571	-1,277,571	0	0	0	0	0	0	-137,592	2,624,734	2,518,614	-200,000
Holiday Park	-1,811,327	-1,911,217	1,731,103	1,731,103	-1,811,327	-1,811,327	-484,355	-484,355	0	0	0	0	555,618	-555,618	-895,723	-111,824	-895,723	-111,824
OH Dubbo Golf	-3,611,324	-1,011,734	2,893,759	1,072,005	3,008,075	107,751	-842,231	-146,111	0	0	0	0	30,000	-90,361	-530,252	-5,044	385,692	271,217
Regional Events	0	-120,961	0	0	0	0	576,428	0	0	0	0	0	0	0	0	0	0	576,428
Regional Experiences	0	160,371	0	0	0	0	1,273,175	0	0	0	0	0	0	0	0	261,129	0	1,012,096
Regional Theatre and Convention Centre	-1,857,235	-1,807,055	4,581,499	4,461,594	2,734,264	3,574,041	-868,217	-868,217	0	0	537,220	537,220	507,890	518,483	-280,000	-286,593	2,631,157	2,470,434
Stagegrounds	-236,868	-61,301	1,585,830	1,184,101	3,168,942	1,901,811	-635,638	-185,618	0	0	0	0	329,575	115,400	-376,685	-28,254	536,194	464,683
Strategic Culture and Economy	580	580	580	580	0	0	176,299	0	0	0	0	0	0	0	0	0	0	176,299
Wellington Gaves Complex	-915,821	-915,821	1,567,885	1,395,205	652,165	467,384	-139,580	-139,580	0	0	0	0	118,000	-157,998	-309,599	523,785	230,804	1,339,889
Western Plains Cultural Centre	-676,200	151,075	2,562,233	1,122,399	2,286,033	1,471,722	-489,030	-489,030	0	0	327,024	327,024	329,000	637,711	-656,825	802,211	2,113,692	1,339,889
TOTAL	-23,420,599	-31,223,663	25,058,003	26,366,011	1,637,412	1,045,146	-5,030,292	-5,030,292	0	0	864,254	864,254	12,200,777	13,666,595	-1,465,085	-1,246,625	8,127,005	8,278,883
Development and Environment																		
Building and Development Services	-1,615,700	-1,615,700	2,642,354	7,100,218	1,026,654	494,510	0	0	0	0	0	0	0	0	0	0	0	1,026,654
Compliance	-389,628	-389,628	2,081,733	1,863,559	1,612,085	1,473,931	-36,033	-36,033	0	0	69,803	69,803	69,803	69,803	0	0	0	1,645,917
Environment and Health	-103,525	-103,275	988,237	536,201	884,712	426,929	0	0	0	0	0	0	0	0	0	126,006	894,712	200,928
Growth Planning	-106,900	-106,000	937,345	1,095,017	934,345	993,017	0	0	0	0	0	0	0	0	0	5,000	-195,006	836,345
Resource Recovery and Efficiency	580	580	256,954	141,050	256,954	141,050	0	0	0	0	0	0	0	0	0	0	256,954	141,050
Strategic Development and Environment	580	580	580	580	0	0	1,208,263	0	0	0	0	0	0	0	0	0	0	1,208,263
Waste Management - Domestic	-7,599,299	-8,146,911	6,963,918	6,954,711	-1,035,381	-1,340,240	-299,381	-299,381	-100,000	-100,000	0	0	1,480,000	1,480,000	-252,338	131,421	0	0
Waste Management - Other	-6,018,692	-1,722,092	1,989,217	2,477,351	-4,709,675	-1,207,670	-429,670	-429,670	0	0	22,934	22,934	430,000	754,163	1,411,411	544,209	0	0
TOTAL	-13,823,544	-14,064,118	15,694,938	16,675,572	3,869,494	2,951,424	-463,084	-463,084	-127,000	-127,000	92,719	92,719	1,860,000	2,896,065	1,091,573	452,689	4,684,322	4,741,177
Executive Services																		
Corporate Image and Communications	0	0	890,288	1,010,712	890,288	1,010,712	0	0	0	0	0	0	0	0	35,000	-64,951	890,288	700,759
Government and Internal Control	-76,590	-76,590	3,917,694	3,969,185	3,841,194	3,841,194	0	0	0	0	0	0	0	0	200,000	138,778	4,041,194	4,051,463
People Culture and Safety	-220,000	-220,000	300,000	107,000	0	0	0	0	0	0	0	0	0	0	0	0	300,000	107,000
TOTAL	-276,590	-276,590	4,897,982	4,907,577	4,731,482	4,731,482	0	0	0	0	0	0	0	0	34,000	-29,661	4,931,482	4,832,229
Infrastructure																		
BILT	-4,203,443	-405,000	356,867	80,107	-4,446,455	-504,500	0	0	0	0	0	0	15,740,613	16,546,811	-10,442,751	-16,047,313	1,094,476	970,000
Depot Services	-3,860	-5,028	395,763	293,409	292,125	292,125	-328,136	-328,136	0	0	0	0	502,182	438,411	-435,105	-402,598	0	0
Fire and Emergency Services	-1,008,161	-607,606	2,041,717	2,472,252	3,935,550	2,064,446	-662,339	-662,339	-500,000	-500,000	0	0	389,256	220,000	338,888	367,893	1,501,261	1,440,440
Fleet Services	-397,637	-101,177	-46,854	-97,107	-444,491	-486,284	-3,008,175	-3,106,175	-1,350,000	-1,350,000	0	0	5,563,923	6,093,901	-1,290,892	-1,209,170	-377,676	-377,676
Infrastructure Strategy and Design	-109,319	-509,719	707,440	712,720	597,221	601,001	-101,515	-101,515	0	0	0	0	0	0	15,859	-445,185	0	0
Roads Network	-11,837,167	-14,000,949	16,342,895	10,110,186	4,308,286	2,294,217	-9,386,166	-9,386,166	0	0	0	0	49,886	2,662,663	11,189,664	-10,136,697	10,449,749	9,494,778
Roadside Network	-3,639,432	-1,676,438	13,827,071	12,903,427	10,693,698	10,927,385	0	0	0	0	0	0	0	0	-80,160,559	-11,077,793	-66,565	-159,779
Sewerage Services	-30,397,672	-20,101,128	15,331,186	15,699,411	-5,052,446	-4,401,015	-4,989,591	-4,972,754	-18,000	-18,000	3,027,373	2,027,372	10,368,907	15,856,166	-2,336,142	-46,597,571	0	0
Sewerwater	-2,892,463	-3,96,106	2,438,942	2,494,501	-452,120	-471,067	-1,042,500	-1,042,500	0	0	291,867	291,867	6,658,556	7,500,000	-4,892,927	-5,100,117	480,526	258,573
Strategic Infrastructure	580	580	580	428,017	0	0	428,117	0	0	0	0	0	0	0	0	0	0	428,117
Street Lighting	-5,199,000	193,000	6,662,803	1,761,140	3,469,803	3,000,140	0	0	0	0	0	0	0	0	-35,000	-2,846,792	1,434,807	1,407,410
Traffic Management	-2,203,088	-1,199,159	1,094,470	864,572	-1,268,618	-374,587	-29,578	-29,578	0	0	229,303	229,303	3,300,000	3,000,000	939,406	1,132,822	1,190,513	1,297,662
Water for The Future	-27,363,593	-25,426,021	18,570,205	16,739,061	-8,793,277	-6,106,510	-5,353,714	-5,353,714	62,000	62,000	-11,994	-11,994	1,129,689	1,129,689	16,722,923	10,020,421	-16,575,444	0
Water Supply	-78,497,493	-77,925,101	76,534,293	77,424,305	-3,763,276	-20,498,296	-26,110,715	-26,110,715	-9,950,000	-9,950,000	-2,811,186	-2,811,186	3,784,333	1,724,333	61,818,693	128,741,444	-43,063,251	-71,246,316
TOTAL	-78,497,493	-77,925,101	76,534,293	77,424,305	-3,763,276	-20,498,296	-26,110,715	-26,110,715	-9,950,000	-9,950,000	-2,811,186	-2,811,186	3,784,333	1,724,333	61,818,693	128,741,444	-43,063,251	-71,246,316
Livability																		
Aquatic Leisure Centres	-965,445	-965,445	2,867,066	2,869,913	3,622,641	1,894,468	-320,693	-320,693	0	0	40,108	40,108	76,000	742,674	623,138	-863,546	1,472,134	1,404,211
Cemeteries	-468,544	-468,544	348,794	257,575	-119,750	-119,750	-40,920	-40,920	0	0	0	0	486,000	486,000	-246,160	-246,160	0	-12,051
Community Services	-80,968	-80,657	2,156,760	2,282,027	3,845,822	2,001,170	-683,829	-683,829	0	0	0	0	668,588	-11,641	-92,535	1,796,752	3,840,222	1,949,402
Family Day Care	-1,745,500	-1,745,500	1,982,500	1,841,150	144,000	116,955	-1,911	-1,911	0	0	0	0	0	0	-21,527	-12,527	120,566	112,417
Library Services	-367,389	714,616	2,807,699	7,905,317	2,645,314	3,501,511	-293,538	-293,538	0	0	0	0	54,227	75,119	0	80,886	2,441,009	2,301,200
Open Space	-295,434	-416,464	3,800,945	3,899,026	2,805,511	2,952,502	-1,301,432	-1,301,432	0	0	0	0	1,445,576	3,416,544	-851,867	-2,751,752	2,330,064	2,315,938
OpenSpace	-100,482	-100,482	7,270,794	7,453,018	7,170,371	7,156,562	-3,593	-3,593	0	0	0	0	0	0	-150,000	-150,000	7,150,779	7,255,600
Rainbow Cottage	-1,391,929	-1,301,002	1,343,583	1,336,377	153,438	135,575	-292,929	-										

Summary

Dubbo Regional Council
Detailed Financial Statement - Quarter Ending 30 September 2019

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Operating				
Income				
Annual Charges	-29,262,125	-171,639	-29,433,764	-30,138,114
Capital Contributions	-15,466,888	1,924,955	-13,541,933	-1,330,543
Capital Grants	-18,545,487	-22,531,912	-41,077,399	-4,023,024
Fees	-22,274,025	319,668	-21,954,357	-4,997,734
Gain/(Loss) on Disposal Real Estate Asse	-535,407	0	-535,407	-143,534
Interest & Investment Revenue	-5,701,752	573,048	-5,128,704	-1,564,032
Operating Contributions	-2,525,591	-375,424	-2,901,015	-1,031,550
Operating Grants	-17,959,847	5,415,584	-12,544,263	-2,376,245
Ordinary Rates	-36,068,660	981,995	-35,086,665	-35,327,371
Other Revenues	-1,952,811	-350,470	-2,303,281	-590,046
User Charges	-24,053,597	1,689,822	-22,363,775	-4,913,530
Income Total	-174,346,190	-12,524,373	-186,870,563	-86,435,723
Expenditure				
Borrowing Costs	3,465,755	0	3,465,755	498,625
Depreciation & Amortisation & Impairment	34,683,008	0	34,683,008	8,670,782
Employee Benefits and Oncosts	44,478,518	107,470	44,585,988	11,319,117
Materials & Contracts	47,340,370	4,853,569	52,193,939	6,665,255
Other Expenses	14,996,957	956,039	15,952,996	4,171,355
Expenditure Total	144,964,608	5,917,078	150,881,686	31,325,134
Operating Total	-29,381,582	-6,607,295	-35,988,877	-55,110,589
Capital				
Income				
Assets Sold Eliminations	-2,077,000	-844,106	-2,921,106	-935,470
Current Interest Bearing Liabilities	0	0	0	0
Employee Benefits and Oncosts	-921,735	453,977	-467,758	0
Gain/(Loss) on Disposal Real Estate Asse	-247,309	0	-247,309	-190,909
Non Current Infrastructure & Property & Pl	-34,683,008	0	-34,683,008	-8,272,719
Income Total	-37,929,052	-390,129	-38,319,181	-9,399,098
Expenditure				
Assets Purchased Eliminations	105,597,471	55,992,222	161,589,693	19,283,986
Non Current Interest Bearing Liabilities	5,199,242	0	5,199,242	1,307,004
Expenditure Total	110,796,713	55,992,222	166,788,935	20,590,990
Capital Total	72,867,661	55,602,093	128,469,754	11,191,891
Restricted Assets				
Restricted Assets	-43,486,634	-48,994,243	-92,480,877	59,691
Restricted Assets Total	-43,486,634	-48,994,243	-92,480,877	59,691
Total	-555	555	0	-43,859,007

September 2019 Quarterly Review Income and Expenditure



Income and Expenses Budget Review

Dubbo Regional Council
Detailed Financial Statement - Quarter Ending 30 September 2019

	2019 / 2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Operating				
Income				
Annual Charges	-29,262,125	-171,639	-29,433,764	-30,138,114
Capital Contributions	-15,466,888	1,924,955	-13,541,933	-1,330,543
Capital Grants	-18,545,487	-22,531,912	-41,077,399	-4,023,024
Fees	-22,274,025	319,668	-21,954,357	-4,997,734
Gain/(Loss) on Disposal Real Estate Asset	-535,407	0	-535,407	-143,534
Interest & Investment Revenue	-5,701,752	573,048	-5,128,704	-1,564,032
Operating Contributions	-2,525,591	-375,424	-2,901,015	-1,031,550
Operating Grants	-17,959,847	5,415,584	-12,544,263	-2,376,245
Ordinary Rates	-36,068,660	981,995	-35,086,665	-35,327,371
Other Revenues	-1,952,811	-350,470	-2,303,281	-590,046
User Charges	-24,053,597	1,689,822	-22,363,775	-4,913,530
Income Total	-174,346,190	-12,524,373	-186,870,563	-86,435,723
Expenditure				
Borrowing Costs	3,465,755	0	3,465,755	498,625
Depreciation & Amortisation & Impairment	34,683,008	0	34,683,008	8,670,782
Employee Benefits and Oncosts	44,478,518	107,470	44,585,988	11,319,117
Materials & Contracts	47,340,370	4,853,569	52,193,939	6,665,255
Other Expenses	14,996,957	956,039	15,952,996	4,171,355
Expenditure Total	144,964,608	5,917,078	150,881,686	31,325,134
Operating Total	-29,381,582	-6,607,295	-35,988,877	-55,110,589

Recommended Changes to revised Budget

Income

Annual Charges	Increased	Mainly due to a increase in the Water Supply Availability Charge.
Capital Contributions	Decreased	Mainly due to a decrease in Capital Contributions for Rural Fire Services Training Facilities, adjustment to budget due to the funds being received last financial year of \$1.7 million and adjustment to Road contributions of \$564,022.
Capital Grants	Increased	Mainly due to the additional Grant funding for Drought Infrastructure of \$30 million
Fees	Decreased	Mainly due to a decrease in expected funds received from RMS for State Road construction.
Interest & Investment Revenue	Decreased	Investments have decreased by \$573,048 due to current markets and investment forecasts.
Operating Contributions	Increased	Mainly due to additional funding for Emergency Services Levy of \$155,424 and funding for Gollan Brigade Station of \$220,000.
Operating Grants	Decreased	Mainly due to the Financial Assistance Grant payment received in advance in 2018/2019.
Ordinary Rates	Decreased	Mainly due to adjustment to the Mining Rate forecast of \$1 million not expected to be levied in 2019/2020.
Other Revenues	Increased	Mainly due to additional income for Lease Rentals and Economic Development Programs (Event Guide, New Resident and Great Big Adventure Pass).
User Charges	Decreased	Mainly due to reduction in expected income from Water consumption charges due to the water restrictions.

Expenditure

Employee Benefits and Oncosts	Increased	No significant variation in budget
Materials & Contracts	Increased	Mainly due to additional expenditure for Drought funding of \$1.5 million and the LED Streetlight upgrade of \$2.6 million, additional Domestic Waste expenditure of \$1.3 million
Other Expenses	Increased	Mainly due to additional expenditure for Electricity (\$234,906), Contributions (\$326,318)

Capital Budget Review

Dubbo Regional Council
Detailed Financial Statement - Quarter Ending 30 September 2019

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	VTD Actuals in 30 September 2019
0				
Capital				
Income				
Assets Sold Eliminations	-2,077,000	-844,106	-2,921,106	-935,470
Current Interest Bearing Liabilities	0	0	0	0
Employee Benefits and Oncosts	-921,735	453,977	-467,758	0
Gain/(Loss) on Disposal Real Estate Asse	-247,309	0	-247,309	-190,909
Non Current Infrastructure & Property & Pl	-34,683,008	0	-34,683,008	-8,272,719
Capital				
Expenditure				
Culture and Economy				
Dubbo Regional Airport				
Dubbo Regional Airport - Acquisition of Assets				
01.09206 - Airport - Buildings				
6953 - New Workshop in Compound	300,000	-300,000	0	0
6959 - NSRF-Stage 4-Aeromedical Building Const.	0	90	90	90
6960 - RFS Training Facility	8,000,000	-1,281,999	6,718,001	3,526,057
01.09206 - Airport - Buildings Total	8,300,000	-1,581,909	6,718,091	3,526,147
Dubbo Regional Airport - Acquisition of Assets Total	8,300,000	-1,581,909	6,718,091	3,526,147
Dubbo Regional Airport - Asset Renewals - Maint.				
01.09208 - Airport - Other Structures				
6951 - CCTV Enhancement	9,000	0	9,000	0
6978 - Security Screening Renewal	450,000	0	450,000	0
01.09208 - Airport - Other Structures Total	459,000	0	459,000	0
01.09209 - Airport - Furniture & Fittings				
7000 - Carpet - Terminal Building	30,000	-30,000	0	0
01.09209 - Airport - Furniture & Fittings Total	30,000	-30,000	0	0
01.09210 - Airport - Other Assets				
6953 - Airside Upgrade	0	102,551	102,551	13,893
01.09210 - Airport - Other Assets Total	0	102,551	102,551	13,893
01.09212 - Airport - Infrastructure Pavements				
6956 - Design Asphalt Overlay Runway 05/23	0	500	500	500
6974 - NSRF - Stage 6 - Int Rds/Taxiways/Servic	0	24,868	24,868	749
6975 - NSRF - Stage 4 - Electricity/Comms	0	24,885	24,885	14,885
6977 - NSRF - Stage 2 Aeromed Apron & Service	0	11,172	11,172	-493
6980 - NSRF-Stg7-Construct Taxiways India & Jul	0	10,500	10,500	4,330

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
6982 - Reseal 11/29 Delta/Echo	0	38,200	38,200	0
01.09212 - Airport - Infrastructure Pavements Total	0	110,125	110,125	19,971
01.09213 - Airport Infrastructure - Roads				
6962 - Hire Car Car Park	0	3,711	3,711	3,711
6965 - RFS Road Realignment	0	95,000	95,000	67,333
01.09213 - Airport Infrastructure - Roads Total	0	98,711	98,711	71,044
Dubbo Regional Airport - Asset Renewals - Maint. Total	489,000	281,387	770,387	104,908
Dubbo Regional Airport Total	8,789,000	-1,300,522	7,488,478	3,631,055
Dubbo Regional Livestock Markets				
Livestock Markets - Acquisition of Assets				
01.09167 - Livestock Markets - Other Structures				
6913 - Upgrade Truck Wash Facilities	0	1,269,000	1,269,000	48,187
6931 - Pig Shed & Yards Dismantle	0	4,219	4,219	4,219
6946 - Shade Structures (Cattle Yards)	280,000	502,000	782,000	201,837
6951 - Cattle Yards Rubber Matting	150,000	0	150,000	63
6955 - Weighbridge Area	150,000	0	150,000	0
01.09167 - Livestock Markets - Other Structures Total	580,000	1,775,219	2,355,219	254,306
01.09170 - Livestock Markets - Plant & Equipment				
6895 - Security Cameras	80,000	0	80,000	0
01.09170 - Livestock Markets - Plant & Equipment Total	80,000	0	80,000	0
Livestock Markets - Acquisition of Assets Total	660,000	1,775,219	2,435,219	254,306
Livestock Markets - Asset Renewals - Maintenance				
01.09174 - Livestock - Infrastructure - Road & Bridge & Footpath				
6881 - Reseal Car Park	75,000	0	75,000	34
01.09174 - Livestock - Infrastructure - Road & Bridge & Footpath Total	75,000	0	75,000	34
01.09176 - Livestock Markets - Buildings - Non Specialised				
7000 - Canteen/amenities/office	700,000	0	700,000	0
01.09176 - Livestock Markets - Buildings - Non Specialised Total	700,000	0	700,000	0
01.09177 - Livestock Markets - Other Structures				
6907 - Upgrade Sheep Paddock Fences	60,000	0	60,000	0
6908 - Sheep Loading Ramps	46,000	0	46,000	0
01.09177 - Livestock Markets - Other Structures Total	106,000	0	106,000	0
Livestock Markets - Asset Renewals - Maintenance Total	881,000	0	881,000	34
Dubbo Regional Livestock Markets Total	1,541,000	1,775,219	3,316,219	254,340
Holiday Park				

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Holiday Park - Acquisition of Assets				
01.09263 - Holiday Park - Plant & Equipment				
7082 - Air Conditioners	5,410	0	5,410	0
7089 - Washing Machine/Dryers	5,202	0	5,202	0
01.09263 - Holiday Park - Plant & Equipment Total	10,612	0	10,612	0
01.09269 - Holiday Park - Infrastructure				
7093 - U/Ground Electric S/Board & Dist Upgrade	40,000	0	40,000	0
7116 - Water Main Upgrade	40,000	0	40,000	0
7118 - Sewer Upgrade	40,000	0	40,000	0
7121 - Natural Gas Reticulation	30,000	0	30,000	0
7122 - Data Cabling	20,000	0	20,000	0
01.09269 - Holiday Park - Infrastructure Total	170,000	0	170,000	0
Holiday Park - Acquisition of Assets Total	180,612	0	180,612	0
Holiday Park - Asset Renewals - Maintenance				
01.09276 - Asset Renewal - Buildings				
7109 - Upgrade Family Budget Cabins	120,000	0	120,000	0
7112 - Upgrade Family Cabins	210,000	0	210,000	0
7113 - Upgrade Motel Units	45,000	0	45,000	0
01.09276 - Asset Renewal - Buildings Total	375,000	0	375,000	0
Holiday Park - Asset Renewals - Maintenance Total	375,000	0	375,000	0
Holiday Park Total	555,612	0	555,612	0
Old Dubbo Gaol				
Old Dubbo Gaol - Acquisition of Assets				
01.09458 - Assets Purchased - Other Assets				
5671 - Event Furniture	20,000	0	20,000	0
5672 - Interactive Experience Exhibition	50,000	0	50,000	0
6516 - Bepoz Terminal	0	563	563	563
01.09458 - Assets Purchased - Other Assets Total	70,000	563	70,563	563
Old Dubbo Gaol - Acquisition of Assets Total	70,000	563	70,563	563
Old Dubbo Gaol Total	70,000	563	70,563	563
Regional Theatre and Convention Centre				
Regional Theatre Convention Ctr-Acquisition Assets				
01.09551 - DRTPCC - Furniture & Fittings				
9015 - Refrigeration	8,000	0	8,000	0
01.09551 - DRTPCC - Furniture & Fittings Total	8,000	0	8,000	0
01.09573 - DRTPCC - Loan Principal Repayment Total	537,220	0	537,220	0
01.09580 - Wellington Civic Centre - Furniture & Fittings				
7405 - Air Conditioners	35,500	0	35,500	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
7406 - Storage Room	89,000	0	89,000	0
7407 - WCC Light Sound & Kiosk Upgrade(SCCF R2)	65,390	6,593	71,983	6,457
01.09580 - Wellington Civic Centre - Furniture & Fittings Total	189,890	6,593	196,483	6,457
Regional Theatre Convention Ctr-Acquisition Assets Total	735,110	6,593	741,703	6,457
Regional Theatre Convntn-Asset Renewals-Mainten				
01.09578 - DRTCC - Furniture & Fittings				
7304 - Air Conditioners	280,000	0	280,000	0
7305 - Heating Water Boiler	30,000	0	30,000	0
01.09578 - DRTCC - Furniture & Fittings Total	310,000	0	310,000	0
Regional Theatre Convntn-Asset Renewals-Mainten Total	310,000	0	310,000	0
Regional Theatre and Convention Centre Total	1,045,110	6,593	1,051,703	6,457
Showgrounds				
Showgrounds - Acquisition of Assets				
01.09292 - Showground -Buildings				
7118 - Overnight Stables	250,000	0	250,000	0
01.09292 - Showground -Buildings Total	250,000	0	250,000	0
01.09297 - Showground - Other Assets				
7141 - OEC Toilets (Grandstand)	60,000	0	60,000	0
01.09297 - Showground - Other Assets Total	60,000	0	60,000	0
Showgrounds - Acquisition of Assets Total	310,000	0	310,000	0
Showgrounds - Asset Renewals - Maintenance				
01.09295 - Showground - Buildings				
0057 - Upgrade - Expo Centre	0	336,165	336,165	464
7122 - Showground CCTV Renewal	17,575	0	17,575	0
7123 - Showground Building Lighting Upgrade	52,000	0	52,000	0
01.09295 - Showground - Buildings Total	69,575	336,165	405,740	464
Showgrounds - Asset Renewals - Maintenance Total	69,575	336,165	405,740	464
Showgrounds Total	379,575	336,165	715,740	464
Wellington Caves Complex				
Wellington Caves Complex - Asset Renewals - Maint.				
01.08200 - Land & Buildings				
7100 - Caravan Park - Land & Buildings & Repair	40,000	0	40,000	0
01.08200 - Land & Buildings Total	40,000	0	40,000	0
01.08201 - Other Infrastructure				
7100 - Caves Kiosk	40,000	0	40,000	0
7101 - Sibbalds Cottage	38,000	0	38,000	348
7104 - Communication Link Upgrade	0	49,790	49,790	0
01.08201 - Other Infrastructure Total	78,000	49,790	127,790	348

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Wellington Caves Complex - Asset Renewals - Maint.				
Total	118,000	49,790	167,790	348
Wellington Caves Complex Total	118,000	49,790	167,790	348
Western Plains Cultural Centre				
Cultural Centre - Acquisition of Assets				
01.09535 - WPCC - Other Structures				
7053 - Large Object Storage	190,000	0	190,000	0
01.09535 - WPCC - Other Structures Total	190,000	0	190,000	0
01.09539 - WPCC - Loan Principal Repayment Total				
	327,034	0	327,034	0
01.09545 - Cultural Facilities - Buildings				
7395 - CCTV Monitoring	6,700	0	6,700	0
7403 - Front of house alterations	0	150,000	150,000	0
7404 - Community Arts Centre Upgrades	0	70,000	70,000	0
7405 - Cafe Extensions	0	100,000	100,000	0
01.09545 - Cultural Facilities - Buildings Total	6,700	320,000	326,700	0
01.09546 - WPCC - Acquisition of Assets - Art Works				
7401 - Williams Ferguson Project	0	40,800	40,800	13,611
01.09546 - WPCC - Acquisition of Assets - Art Works Total	0	40,800	40,800	13,611
Cultural Centre - Acquisition of Assets Total	523,734	360,800	884,534	13,611
Cultural Centre - Asset Renewals - Maintenance				
01.09533 - WPCC - Furniture & Fittings				
7303 - Flooring	3,000	0	3,000	0
7306 - 150kW-75kW Chiller Unit	0	197,211	197,211	49,303
7316 - CAC - Air-conditioning replacement	0	40,000	40,000	0
01.09533 - WPCC - Furniture & Fittings Total	3,000	237,211	240,211	49,303
01.09544 - Ex Dubbo High School - Buildings				
7372 - Carpark Reseal	40,000	0	40,000	0
01.09544 - Ex Dubbo High School - Buildings Total	40,000	0	40,000	0
Cultural Centre - Asset Renewals - Maintenance Total	43,000	237,211	280,211	49,303
Western Plains Cultural Centre Total	566,734	598,011	1,164,745	62,914
Culture and Economy Total	13,065,031	1,465,819	14,530,850	3,956,141
Development and Environment				
Compliance				
Compliance - Acquisition of Assets				
Compliance - Acquisition of Assets Total	69,805	0	69,805	0
Compliance Total	69,805	0	69,805	0
Waste Management - Domestic				
Domestic Waste - Acquisition of Assets				

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09103 - DWM - Plant & Equipment Purchases Total	780,000	0	780,000	1,180
01.09104 - DWM - Other Structures				
6730 - Transfer Stations Capital Exp	386,459	0	386,459	0
6750 - Eumungerie Transfer Station Facility	0	0	0	27,093
6751 - Ballimore Transfer Station Facility	0	0	0	27,093
6752 - Toongi Transfer Station Facility	0	0	0	2,622
6753 - Geurie Transfer Station Facility	48,708	0	48,708	136,975
6754 - Mumbil Transfer Station Facility	67,446	0	67,446	0
6755 - Stuart Town Transfer Station Facility	63,338	0	63,338	349,219
6756 - Euchareena Transfer Station Facility	68,049	0	68,049	43,197
6757 - Elong Elong Transfer Station Facility	46,000	0	46,000	25,000
01.09104 - DWM - Other Structures Total	680,000	0	680,000	611,199
Domestic Waste - Acquisition of Assets Total	1,460,000	0	1,460,000	612,379
Waste Management - Domestic Total	1,460,000	0	1,460,000	612,379
Waste Management - Other				
01.08111 - Loan Principal Repayments Total	22,934	0	22,934	0
01.09114 - Other Waste - Plant & Equipment Total	230,000	-134,183	95,817	79,502
01.09116 - Other Waste - Other Structures				
6809 - Fence and Gate at Waste Depot	0	80,000	80,000	0
6810 - Whylandra Int Access Roads - Sealing	0	0	0	-410
01.09116 - Other Waste - Other Structures Total	0	80,000	80,000	-410
01.09119 - Other Waste - Land				
6776 - Land purchase - Lot 5 Gidgee Road	0	358,348	358,348	358,348
01.09119 - Other Waste - Land Total	0	358,348	358,348	358,348
01.09120 - Other Waste - Land Improvements				
6784 - Landfill Rehabilitation - Wellington	100,000	0	100,000	0
6787 - Landfill Cell Extraction	100,000	0	100,000	0
01.09120 - Other Waste - Land Improvements Total	200,000	0	200,000	0
Other Waste - Acquisition of Assets Total	452,934	304,165	757,099	437,440
Waste Management - Other Total	452,934	304,165	757,099	437,440
Development and Environment Total	1,982,739	304,165	2,286,904	1,049,819
Executive Services				
Corporate Image and Communications				
Communications - Acquisition of Assets				
01.09493 - Acquisition of Assets - Plant & Equipment				
7000 - Video & Audio Equipment	0	35,000	35,000	0
01.09493 - Acquisition of Assets - Plant & Equipment Total	0	35,000	35,000	0
Communications - Acquisition of Assets Total	0	35,000	35,000	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Corporate Image and Communications Total	0	35,000	35,000	0
People Culture and Safety				
People & Culture and Safety - Acquisition of Assets				
01.09647 - People Culture & Safety - Office Equipment				
7855 - Chain of Compliance System	0	9,900	9,900	0
01.09647 - People Culture & Safety - Office Equipment Total	0	9,900	9,900	0
People & Culture and Safety - Acquisition of Assets Total	0	9,900	9,900	0
People Culture and Safety Total	0	9,900	9,900	0
Executive Services Total	0	44,900	44,900	0
Infrastructure				
BILT				
BILT - Expenditure on Grants				
01.09350 - BILT - Wellington Caves Visitor Exp Centre				
1000 - Wellington Caves Visitor Exp Centre	2,000,000	1,435,166	3,435,166	1,080,553
01.09350 - BILT - Wellington Caves Visitor Exp Centre Total	2,000,000	1,435,166	3,435,166	1,080,553
01.09351 - BILT - Wiradjuri Tourism Experience				
1000 - Wiradjuri Tourism Experience - Dubbo	0	0	0	17,040
01.09351 - BILT - Wiradjuri Tourism Experience Total	0	0	0	17,040
01.09352 - BILT - Rygate Park Stage 2				
1000 - Rygate Park Stage 2	0	0	0	14,441
01.09352 - BILT - Rygate Park Stage 2 Total	0	0	0	14,441
01.09353 - BILT - Wellington Pool Redevelopment				
1000 - Wellington Pool Redevelopment	3,000,000	2,288,432	5,288,432	3,450,460
01.09353 - BILT - Wellington Pool Redevelopment Total	3,000,000	2,288,432	5,288,432	3,450,460
01.09354 - BILT - SES Headquarters				
1000 - SES Headquarters	0	11,582	11,582	3,097
01.09354 - BILT - SES Headquarters Total	0	11,582	11,582	3,097
01.09356 - BILT - Victoria Park Redevelopment (Cycling)				
1000 - Victoria Park (Cycling)	3,234,500	1,830,654	5,065,154	1,741,235
01.09356 - BILT - Victoria Park Redevelopment (Cycling) Total	3,234,500	1,830,654	5,065,154	1,741,235
01.09357 - BILT - Victoria Park Redevelopment (Ovals)				
1000 - Victoria Park (Ovals)	2,235,000	551,479	2,786,479	185,253
01.09357 - BILT - Victoria Park Redevelopment (Ovals) Total	2,235,000	551,479	2,786,479	185,253

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09359 - BILT - Cycle Facility				
1000 - Cycle Facility	5,274,133	-5,274,133	0	0
01.09359 - BILT - Cycle Facility Total	5,274,133	-5,274,133	0	0
BILT - Expenditure on Grants Total	15,743,633	843,180	16,586,813	6,492,079
BILT Total	15,743,633	843,180	16,586,813	6,492,079
Depot Services				
Depot Services - Acquisition of Assets				
01.09694 - Depot Services - Furniture & Fittings				
7959 - Carpet and Vinyl	7,182	0	7,182	0
01.09694 - Depot Services - Furniture & Fittings Total	7,182	0	7,182	0
01.09697 - Depot - Buildings				
7968 - Rec Operations-Office Block and Amenit	0	320,000	320,000	600
7969 - Hawthorn St Depot Improvements	500,000	0	500,000	785
8076 - Solar Panels - Hawthorne St Depot	0	11,231	11,231	466
01.09697 - Depot - Buildings Total	500,000	331,231	831,231	1,851
Depot Services - Acquisition of Assets Total	507,182	331,231	838,413	1,851
Depot Services Total	507,182	331,231	838,413	1,851
Fire and Emergency Services				
Fire Services - Acquisition of Assets				
01.09156 - Fire Control - Plant & Equipment Total	389,256	-389,256	0	0
01.09164 - Fire Control - Buildings				
6899 - Gollan Hall Road Fire Shed	0	220,000	220,000	1,220
01.09164 - Fire Control - Buildings Total	0	220,000	220,000	1,220
Fire Services - Acquisition of Assets Total	389,256	-169,256	220,000	1,220
Fire and Emergency Services Total	389,256	-169,256	220,000	1,220
Fleet Services				
Fleet - Acquisition of Assets				
01.09615 - Assets Purchased - Sundry Plant (\$5000 to \$9999) Total	19,000	0	19,000	0
01.09619 - Assets Purchased - Minor Plant (\$50000 to \$149999) Total	745,000	285,420	1,030,420	285,420
01.09621 - Assets Purchased - Major Plant (>\$150 & 000) Total	3,035,000	197,000	3,232,000	197,000
01.09623 - Assets Purchased - Light Vehicles Total	1,502,923	33,227	1,536,150	141,905
01.09625 - Assets Purchased - Small Plant (\$10000 to \$49999) Total	214,000	62,361	276,361	62,361
Fleet - Acquisition of Assets Total	5,515,923	578,008	6,093,931	686,686
Fleet Services Total	5,515,923	578,008	6,093,931	686,686

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Infrastructure Strategy and Design				
Infrastructure Strategy - Acquisition of Assets				
01.09679 - Tech.Support - Office Equipment				
7924 - GPS Equipment	0	45,850	45,850	45,850
01.09679 - Tech.Support - Office Equipment Total	0	45,850	45,850	45,850
Infrastructure Strategy - Acquisition of Assets Total	0	45,850	45,850	45,850
Infrastructure Strategy and Design Total	0	45,850	45,850	45,850
Roads Network				
Footpaths & Cycleways - Acquisition of Assets				
01.09006 - Paved Footpaths - Construction				
6577 - Smith Street (Cobra to Reakes)	0	1,588	1,588	1,588
6581 - Hutchins Avenue	60,000	-60,000	0	0
6600 - Macquarie St	0	23,286	23,286	23,286
6601 - Bridge Club Access Footpath (Mayor)	0	25,208	25,208	8,309
6602 - Wheelers Lane/Myall St Pram Ramps	0	151,915	151,915	0
01.09006 - Paved Footpaths - Construction Total	60,000	141,997	201,997	33,183
01.09008 - Cycleways Construction				
6554 - Future Cycle Project	140,000	0	140,000	0
01.09008 - Cycleways Construction Total	140,000	0	140,000	0
01.09010 - Cycleway & Footpath Preconstruction				
6500 - Tech Support - F Paths & C Ways General	15,000	0	15,000	0
01.09010 - Cycleway & Footpath Preconstruction Total	15,000	0	15,000	0
01.09012 - Contributed Assets - Footpaths				
6516 - Footpaths	64,000	0	64,000	0
01.09012 - Contributed Assets - Footpaths Total	64,000	0	64,000	0
Footpaths & Cycleways - Acquisition of Assets Total	279,000	141,997	420,997	33,183
Footpaths & Cycleways - Asset Renewals				
01.09004 - Paved Footpaths - Reconstruction				
6670 - Bourke Street (Macleay to Myall)	0	543,512	543,512	3,644
6682 - Wellington CBD Redevelopment	0	3,070	3,070	3,070
6685 - Future Reconstruction Program	341,210	-88,544	252,666	0
6686 - UPSS Decommissioning 133 Lee St Wton	0	50,000	50,000	48,163
01.09004 - Paved Footpaths - Reconstruction Total	341,210	508,038	849,248	54,877
Footpaths & Cycleways - Asset Renewals Total	341,210	508,038	849,248	54,877
Rural Roads - Acquisition of Assets				
01.09078 - Extension Sealed Road Network				
6670 - Village Sealing Program	0	793,439	793,439	61,112
6699 - Old Mendooran Road (R2R additional)	0	5,491	5,491	5,491
6702 - Village Sealing - Eumungerie & Emu Street	0	10,000	10,000	8,199

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
6704 - Village Sealing – Mara St & Brocklehurst	0	10,000	10,000	25,943
01.09070 - Extension Sealed Road Network Total	0	818,930	818,930	100,745
01.09079 - Rural Roads - Land Acquisition				
6700 - Land Acquisition Costs	17,942	16,720	34,662	3,015
01.09079 - Rural Roads - Land Acquisition Total	17,942	16,720	34,662	3,015
01.09082 - Bridge Improvements Program				
6682 - Terrabella Bridge	4,000,000	0	4,000,000	4,395
6683 - Burrendong Bridge No 2	0	4,655	4,655	4,655
01.09082 - Bridge Improvements Program Total	4,000,000	4,655	4,004,655	9,050
Rural Roads - Acquisition of Assets Total	4,017,942	840,305	4,858,247	112,810
Rural Roads - Asset Renewals - Asset Maintenance				
01.09072 - Rural Road-Major Construction & Reconstruction				
6658 - Regional Roads Upgrading Program	800,000	-800,000	0	0
6710 - Pinedale Road (Seal Extension)	0	150,000	150,000	785
6754 - Benelong Road Seg 110	0	583	583	583
6774 - Muronbung Road	0	1,000,785	1,000,785	1,000,785
6777 - Minore Rd (Near Chapmans Lane)	0	335,000	335,000	106
6781 - Burrendong Way 19/20	0	880,000	880,000	115,271
6782 - Muronbung Stage 3	0	2,096,498	2,096,498	36,002
01.09072 - Rural Road-Major Construction & Reconstruction Total	800,000	3,662,866	4,462,866	1,153,532
01.09073 - Rural Road- Construction & Reconstruction Backlog				
6713 - Rural Road Construction	500,000	-457,000	43,000	0
01.09073 - Rural Road- Construction & Reconstruction Backlog Total	500,000	-457,000	43,000	0
01.09074 - Rural Road Construction - Preconstruction				
6670 - Technical Support Charge - Rural Roads	140,000	-5,601	134,399	785
6687 - Benelong Road Improvement	0	363	363	363
01.09074 - Rural Road Construction - Preconstruction Total	140,000	-5,238	134,762	1,148
01.09077 - Rural Roads - Resealing				
6695 - Annual Reseal Program	898,809	0	898,809	0
6697 - Rural Unsealed - Resheeting (West)	420,000	0	420,000	8,247
6698 - Rural Unsealed - Resheeting (East Zone)	602,000	0	602,000	0
01.09077 - Rural Roads - Resealing Total	1,920,809	0	1,920,809	8,247
Rural Roads - Asset Renewals - Asset Maintenance Total	3,360,809	3,200,628	6,561,437	1,162,927
Urban Roads - Acquisition of Assets				
01.09039 - Urban Road Construction				
6650 - Boundary Rd Extens.-Transport Strategy	4,800,000	-4,800,000	0	18,017

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09039 - Urban Road Construction Total	4,800,000	-4,800,000	0	18,017
01.09043 - Preconstruction				
6617 - Technical Support Charge-Preconstruction	195,000	-5,042	189,958	0
6724 - Boundary Road Extension	0	785	785	785
6727 - Purvis Lane Freightway Upgrade	0	0	0	9,094
6729 - Swift Street	0	4,257	4,257	4,257
6738 - Talbragar St (Fitzroy-Darling) Concept	0	0	0	1,000
01.09043 - Preconstruction Total	195,000	0	195,000	15,136
01.09045 - Contributed Assets - Roads				
6625 - Roads	2,000,000	0	2,000,000	0
01.09045 - Contributed Assets - Roads Total	2,000,000	0	2,000,000	0
01.09046 - Urban Roads - Land Acquisition				
6644 - Land Acquisition Costs	5,980	5,072	11,052	503
01.09046 - Urban Roads - Land Acquisition Total	5,980	5,072	11,052	503
01.09053 - Public Transport Infrastructure Program				
6638 - Bus Shelters	0	58,917	58,917	58,917
01.09053 - Public Transport Infrastructure Program Total	0	58,917	58,917	58,917
01.09060 - Urban Road - Loan Principal Repayment Total				
	46,880	0	46,880	0
Urban Roads - Acquisition of Assets Total	7,047,860	-4,736,011	2,311,849	92,573
Urban Roads - Asset Renewals - Asset Maintenance				
01.09041 - Urban Road Construction & Reconstruct				
6651 - St Andrews Drive	0	350,000	350,000	2,865
6656 - St Georges Terr (Murrayfield/Pine Knoll)	0	1,462	1,462	1,462
6669 - Naman Street (Darling to Dalton)	0	300,000	300,000	0
6677 - Purvis Lane Reconstruction	5,102,941	1,186,008	6,288,949	919,884
6679 - Gipps Street Reconstruction	250,000	-250,000	0	0
6685 - Swift Street (Arthur to Railway Station)	0	1,467,634	1,467,634	28,130
6687 - Urban Roads Reconstruction - Wellington	0	1,758	1,758	1,758
6688 - Nanima Crescent	0	0	0	8
6689 - Nanima Crescent CBD	0	106,715	106,715	106,715
6690 - Urban Roads Construction	1,500,000	-1,500,000	0	0
6693 - Charles St (Simpson to Thornton)	0	3,270	3,270	3,270
6696 - Percy St (Gisborne to Whitely)	0	0	0	13,468
6697 - Boundary Rd Extension Stage 2	0	6,837,708	6,837,708	10,218
01.09041 - Urban Road Construction & Reconstruct Total	6,852,941	8,504,555	15,357,496	1,087,778
01.09044 - Urban Roads - Resealing				
6730 - Annual Reseal Program	630,375	0	630,375	205

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
6731 - Heavy Patching Program	500,000	0	500,000	164
01.09044 - Urban Roads - Resealing Total	1,130,375	0	1,130,375	369
01.09055 - K&G Construct				
6674 - Bourke Street (Macleay to Myall)	0	955,531	955,531	38,300
6677 - Gipps St (Wingewarra to Bultje)	190,000	-190,000	0	0
6678 - Wingewarra Street Reconstruction	64,000	-64,000	0	0
6683 - Percy Street (Maxwell to Zouch)	0	83	83	83
6686 - Simpson Street (New to Maxwell)	0	141	141	141
6692 - Purvis Lane	0	1,042	1,042	1,042
01.09055 - K&G Construct Total	254,000	702,797	956,797	39,566
Urban Roads - Asset Renewals - Asset Maintenance Total	8,237,316	9,207,352	17,444,668	1,127,713
Roads Network Total	23,284,137	9,162,309	32,446,446	2,504,083
Sewerage Services				
Sewerage Services - Acquisition of Assets				
03.08051 - Pumps & Equipment				
5057 - Telemetry Equipment	21,224	0	21,224	0
5120 - Telemetry RTU Upgrades	100,000	0	100,000	7,179
03.08051 - Pumps & Equipment Total	121,224	0	121,224	7,179
03.08053 - Plant & Equipment Purchases Total	488,000	38,864	526,864	39,171
03.08057 - Land & Buildings				
5163 - Bungarbee Homestead Major Repairs	0	34	34	34
5165 - 20 William Farrer Drive	0	11,211	11,211	1,230
03.08057 - Land & Buildings Total	0	11,245	11,245	1,264
03.08059 - Contributed Assets - Sewer				
5123 - Sewer Mains	250,000	0	250,000	0
03.08059 - Contributed Assets - Sewer Total	250,000	0	250,000	0
03.08071 - Augmentation				
5002 - Augmentation Program	1,000,000	0	1,000,000	30,300
5911 - Cootha SPS - Upgrade (C)	0	2,900,000	2,900,000	777,206
5988 - Upgrade Sewer R (incl all components) PC	0	4,000	4,000	4,000
5989 - Upgrade Sewer R (incl all component) (C)	2,591,812	1,556,600	4,148,412	0
5995 - Keswick Upgrade RM & Pipeline (C)	1,260,000	0	1,260,000	0
6053 - Nanima Village STP Scheme (PC)	0	18,413	18,413	0
6055 - Sewer Intercept West Margaret Cres. (C)	78,030	0	78,030	0
6060 - Troy Gully Upgrade Switch Board	400,000	0	400,000	0
6063 - Wellington STP Step Screen	53,060	0	53,060	0
6066 - Well STP Reline Lagoon-Bpass Capac. (PC)	0	500,000	500,000	0
6102 - Upgrade Purvis Lane Pressure System (C)	0	350,000	350,000	8,739
6103 - Wellington STP Grav Main to River/Recy	750,000	0	750,000	33,708
6106 - Wellington Mech/Elect Upgrades	50,000	0	50,000	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
6121 - Wellington Pierce St SPS - Replace (C)	53,060	0	53,060	0
6203 - Wellington Palmer St SPS - Replace (C)	757,703	0	757,703	0
03.08071 - Augmentation Total	6,993,665	5,329,013	12,322,678	853,953
03.08073 - Asset Replacement/Refurbishment				
6361 - Dubbo STP Effluent Lift PS Pump 1	15,918	0	15,918	0
6587 - Troy Gully SPS Switchboard	0	36,000	36,000	8,500
6605 - Wellington Palmer St SPS - Replace (PC)	0	50,000	50,000	8,788
6615 - DSTP Transformer Replacement	0	22,239	22,239	22,298
6617 - Dubbo Mech/Elect Renewals	100,000	0	100,000	4,775
03.08073 - Asset Replacement/Refurbishment Total	115,918	108,239	224,157	44,361
03.08090 - Sewer - Loan Principal Repayment Total	2,027,372	0	2,027,372	0
Sewerage Services - Acquisition of Assets Total	9,996,179	5,487,361	15,483,540	945,928
Sewerage Services - Asset Renewals - Asset Mainten				
03.08077 - Main Rehabilitation				
5653 - Mains Rehabilitation	2,400,000	0	2,400,000	570,775
03.08077 - Main Rehabilitation Total	2,400,000	0	2,400,000	570,775
Sewerage Services - Asset Renewals - Asset Mainten Total	2,400,000	0	2,400,000	570,775
Sewerage Services Total	12,396,179	5,487,361	17,883,540	1,516,703
Stormwater				
Stormwater - Acquisition of Assets				
01.09131 - Minor Drainage Extensions (In assoc with K&G)				
6824 - Preconstruction - Tech Support	20,000	0	20,000	0
01.09131 - Minor Drainage Extensions (In assoc with K&G) Total	20,000	0	20,000	0
01.09133 - Gross Pollutant Trap Installation				
6814 - Preconstruction - Tech Support	80,000	0	80,000	0
6833 - Future Works	1,000,000	0	1,000,000	0
01.09133 - Gross Pollutant Trap Installation Total	1,080,000	0	1,080,000	0
01.09137 - Contributed Assets - Stormwater				
6826 - Stormwater Drainage	1,135,089	0	1,135,089	0
01.09137 - Contributed Assets - Stormwater Total	1,135,089	0	1,135,089	0
01.09145 - Wongarbon Drainage				
4628 - Wongarbon Drainage Scheme	2,300,000	0	2,300,000	70,368
01.09145 - Wongarbon Drainage Total	2,300,000	0	2,300,000	70,368
01.09146 - Stormwater - Loan Principal Repayment Total	291,087	0	291,087	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09147 - Keswick Estate Development				
4627 - Northern Stormwater Channel Stg 5	0	331,210	331,210	0
4630 - Redirect.Channel Nth Keswick Stg4 Rel3B	0	86,421	86,421	86,421
01.09147 - Keswick Estate Development Total	0	417,631	417,631	86,421
Stormwater - Acquisition of Assets Total	4,826,176	417,631	5,243,807	156,789
Stormwater - Asset Renewals - Asset Maintenance				
01.09127 - Rectification Works				
6805 - Technical Support Charge	50,000	0	50,000	0
6807 - Oland Flow Pths Gipps Bourke sth ofWinge	60,000	0	60,000	0
6819 - Devils Hole	256,817	0	256,817	8,841
6840 - Pipe Relining	75,000	93,169	168,169	87,905
6849 - Other Infrastructure - Wellington	31,650	0	31,650	1,789
6867 - Paringa Place	0	0	0	218
01.09127 - Rectification Works Total	473,467	93,169	566,636	98,753
01.09144 - Troy Basin Facility				
4627 - Purvis Lane	1,560,000	500,834	2,060,834	457,653
01.09144 - Troy Basin Facility Total	1,560,000	500,834	2,060,834	457,653
Stormwater - Asset Renewals - Asset Maintenance Total	2,033,467	594,003	2,627,470	556,406
Stormwater Total	6,859,643	1,011,634	7,871,277	713,195
Traffic Management				
Traffic Management - Acquisition of Assets				
01.09020 - Traffic - Loan Principal Repayment Total	229,305	0	229,305	0
Traffic Management - Acquisition of Assets Total	229,305	0	229,305	0
Traffic Management - Asset Renewals				
01.09023 - Intersection Improvement Program				
6590 - AIPP Intersection Improvements	1,000,000	-1,000,000	0	0
9668 - Windsor Pde Lights	300,000	0	300,000	9,260
01.09023 - Intersection Improvement Program Total	1,300,000	-1,000,000	300,000	9,260
Traffic Management - Asset Renewals Total	1,300,000	-1,000,000	300,000	9,260
Traffic Management Total	1,529,305	-1,000,000	529,305	9,260
Water for the Future				
Water for the Future - Acquisition of Assets				
02.09701 - Acquisition of Assets				
3000 - Groundwater Pipeline	0	14,500,000	14,500,000	27,270
3001 - Non-Potable Pipeline	0	13,500,000	13,500,000	0
3050 - Re-use of Backwash WTP	0	300,000	300,000	0
3351 - Pipeline Options from Burrendong	0	500,000	500,000	0
02.09701 - Acquisition of Assets Total	0	28,800,000	28,800,000	27,270
Water for the Future - Acquisition of Assets Total	0	28,800,000	28,800,000	27,270
Water for the Future Total	0	28,800,000	28,800,000	27,270

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
Water Supply				
Water Supply - Acquisition of Assets				
02.08051 - Works Plant - Purchases Total	161,000	148,993	309,993	77,782
02.08055 - New House Services				
5171 - Construction - House Services	54,816	0	54,816	11,277
02.08055 - New House Services Total	54,816	0	54,816	11,277
02.08063 - Contributed Assets - Water Mains Total	535,076	0	535,076	0
02.08064 - Other Structures				
5226 - WTP -Automatic Sliding Entry Gate - Wel	0	60,000	60,000	3,280
02.08064 - Other Structures Total	0	60,000	60,000	3,280
02.08069 - Augmentation Works Total	11,785,000	3,071,851	14,856,851	518,919
02.08071 - Asset Replacement / Refurbishment Total	2,170,301	961,976	3,132,277	88,017
02.08090 - Water - Loan Principal Repayments Total	1,129,689	0	1,129,689	0
Water Supply - Acquisition of Assets Total	15,835,882	4,242,820	20,078,702	699,275
Water Supply - Asset Renewals - Asset Maintenance				
02.08073 - Mains Replacement				
6557 - W135-138 Tamworth (Bris to Fitzroy St PC	0	363	363	363
6753 - Mains replacement	1,671,400	-363	1,671,037	8,720
02.08073 - Mains Replacement Total	1,671,400	0	1,671,400	9,083
02.08074 - Mains Extensions Total	0	0	0	55
Water Supply - Asset Renewals - Asset Maintenance Total	1,671,400	0	1,671,400	9,138
Water Supply Total	17,507,282	4,242,820	21,750,102	708,413
Infrastructure Total	83,732,540	49,333,137	133,065,677	12,786,610
Liveability				
Aquatic Leisure Centres				
Aquatic Leisure Centres - Acquisition of Assets				
01.09472 - DALC - Acquisition of Assets - Other Structures				
7309 - Kiosk Improvements	0	0	0	5,767
7310 - BBQ Area	0	14,637	14,637	14,637
7311 - Office Rooms	0	27,734	27,734	33,600
7312 - Canteen	0	140,000	140,000	3,411
7314 - 3 x Decks	0	116,000	116,000	0
7315 - 3D Signage	0	15,000	15,000	776
7318 - WALC - Entry Refurbishment	0	270,000	270,000	1,108

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09472 - DALC - Acquisition of Assets - Other Structures Total	0	583,371	583,371	59,299
01.09474 - DALC - Acquisition of Assets - Plant & Equipment Total	0	48,503	48,503	32,310
01.09475 - DALC - Loan - Principal Repayment Total	40,108	0	40,108	0
01.09476 - DALC - Acquisition of Assets -Furniture & Fittings				
7290 - Cafe - Furniture	0	5,000	5,000	0
01.09476 - DALC - Acquisition of Assets -Furniture & Fittings Total	0	5,000	5,000	0
Aquatic Leisure Centres - Acquisition of Assets Total	40,108	636,874	676,982	91,609
Aquatic Leisure Centre -Asset Renewals -Maintenance				
01.09470 - DALC - Asset Renewal - Other Structures				
7296 - 50m Switchboard	36,000	0	36,000	0
7317 - Dosing system	40,000	0	40,000	0
7318 - Shade Structure Renewal	0	10,000	10,000	9,660
7320 - DALC Fencing Renewal	0	20,000	20,000	26,300
01.09470 - DALC - Asset Renewal - Other Structures Total	76,000	30,000	106,000	35,960
Aquatic Leisure Centre -Asset Renewals -Maintenance Total	76,000	30,000	106,000	35,960
Aquatic Leisure Centres Total	116,108	666,874	782,982	127,569
Cemeteries				
Cemeteries - Acquisition of Assets				
01.09403 - Cemetery - Land Improvements				
7178 - Irrigation Extension	196,000	0	196,000	0
7180 - New Concrete Beams	70,000	0	70,000	0
7182 - Landscaping/Furniture/Signage	45,000	0	45,000	0
7186 - Tubba-Gah Burial Ground Improvements	5,000	0	5,000	0
7187 - Land Acquisition - New Wellington Cmtry	170,000	0	170,000	0
01.09403 - Cemetery - Land Improvements Total	486,000	0	486,000	0
Cemeteries - Acquisition of Assets Total	486,000	0	486,000	0
Cemeteries Total	486,000	0	486,000	0
Community Services				
Community Services - Acquisition of Assets				
01.09501 - Social Services - Acquisition of Buildings				
7320 - Wiradjuri Tourism Experience - Wton	0	623,971	623,971	0
01.09501 - Social Services - Acquisition of Buildings Total	0	623,971	623,971	0
Community Services - Acquisition of Assets Total	0	623,971	623,971	0
Community Services - Asset Renewals - Maintenance				

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09415 - Recreation Services - Buildings (Renewals)				
7209 - Airconditioner	36,000	-36,000	0	0
7214 - Racecourse Painting	32,148	-32,148	0	0
7218 - South Scout Hall Flooring	5,440	0	5,440	0
7240 - Wellington Public Halls	85,000	-85,000	0	0
7245 - Disability Access Infrastructure Replace	500,000	518,166	1,018,166	42,410
01.09415 - Recreation Services - Buildings (Renewals) Total	658,588	365,018	1,023,606	42,410
01.09507 - Social Services - Other Assets				
7302 - Dubbo CCTV Purchase & Installation	0	668,836	668,836	0
7304 - CCTV Cameras - NSW Community Safety Fund	0	0	0	6,938
01.09507 - Social Services - Other Assets Total	0	668,836	668,836	6,938
Community Services - Asset Renewals - Maintenance Total	658,588	1,033,854	1,692,442	49,348
Community Services Total	658,588	1,657,825	2,316,413	49,348
Library Services				
Library Services - Acquisition of Assets				
01.09444 - Furniture and Fittings				
7252 - Various Furniture & Fittings	5,000	4,131	9,131	9,131
01.09444 - Furniture and Fittings Total	5,000	4,131	9,131	9,131
Library Services - Acquisition of Assets Total	5,000	4,131	9,131	9,131
Library Services - Asset Renewal - Maintenance				
01.09442 - Library - Buildings Renewal				
7249 - Carpet	19,434	0	19,434	0
7252 - Building Renewals - Wellington	29,793	0	29,793	0
01.09442 - Library - Buildings Renewal Total	49,227	0	49,227	0
01.09447 - Library - Furniture and Fittings Renewal				
7000 - Air Conditioning Unit	0	16,755	16,755	16,755
01.09447 - Library - Furniture and Fittings Renewal Total	0	16,755	16,755	16,755
Library Services - Asset Renewal - Maintenance Total	49,227	16,755	65,982	16,755
Library Services Total	54,227	20,886	75,113	25,886
Open Space				
Horticulture - Acquisition of Assets				
01.09555 - Horticultural Services - Other Structures				
7461 - Dubbo Regional Botanic Playground	0	34,462	34,462	538
7484 - Walker Crescent Playground	0	4,721	4,721	10,024
7503 - Cameron Park Regional Playground	0	378,691	378,691	46,702
7512 - DRBG Kiosk	0	130,000	130,000	3,527
7515 - Lions Park Wellington playground	0	61,297	61,297	41,929
9021 - Macquarie Lions Park Shade & Path (S94)	67,000	14,927	81,927	38
9027 - Joira Road - Playground (S94)	280,586	0	280,586	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
9029 - Wiradjuri Tourism Experience - Dubbo	0	879,273	879,273	0
9031 - Royal Plinth	0	8,857	8,857	0
9420 - Cafe Furniture - DRBG	0	15,000	15,000	0
9422 - Minokamo Way Signage	0	6,643	6,643	0
01.09555 - Horticultural Services - Other Structures				
Total	347,586	1,533,871	1,881,457	102,758
01.09559 - Horticultural Services - Land				
9426 - West Dubbo Water Scheme -Lions Park West	100,000	0	100,000	0
9465 - LHFord to Serisier Bridge Beautification	510,650	-60,000	450,650	0
01.09559 - Horticultural Services - Land Total	610,650	-60,000	550,650	0
Horticulture - Acquisition of Assets Total	958,236	1,473,871	2,432,107	102,758
Horticulture - Asset Renewals - Maintenance				
01.09563 - Horticultural Service- Other Structures (Renewals)				
7445 - Wambool Park Shade Cloth	12,000	0	12,000	0
7449 - Victoria Park Skate Park BBQ	15,000	-15,000	0	0
7451 - Lions Park West BBQ	20,000	0	20,000	0
7453 - Macquarie Lions Park Playgroud Softfall	30,000	0	30,000	0
7456 - Wahroonga Park BBQ West	16,000	0	16,000	0
7475 - Teresa Maliphant Playground	30,000	0	30,000	0
7476 - Teresa Maliphant Playground Softfall	30,000	0	30,000	0
7505 - Redhill Park Pedestrian Lights	15,000	0	15,000	4,179
7507 - Muller Park Playground	0	46,000	46,000	66
7508 - Macquarie Lions Playground	36,000	0	36,000	0
7517 - Elizabeth Park - Shoyoen Pumps	22,000	-22,000	0	0
8531 - Wahroonga Park Playground	0	37,000	37,000	0
8538 - Margaret Crescent Bore Pump Replacement	100,000	-40,455	59,545	0
8546 - Cameron Park Rotunda	0	0	0	279
9008 - Cameron Park Amenities	0	232,406	232,406	255
9010 - Renewals - Buildings	27,500	0	27,500	0
9015 - Rewire Ollie Robbins Oval	0	74,612	74,612	37,730
9017 - Daphne Park Irrigation Renewals	0	29,002	29,002	0
01.09563 - Horticultural Service- Other Structures (Renewals) Total	353,500	341,565	695,065	42,509
01.09566 - Horticultural Services - Amenities (Renewals)				
7438 - Victoria Park Drinking Fountains	12,000	0	12,000	0
01.09566 - Horticultural Services - Amenities (Renewals) Total	12,000	0	12,000	0
Horticulture - Asset Renewals - Maintenance Total	365,500	341,565	707,065	42,509
Landcare Services - Acquisition of Assets				
01.09577 - Acquisition of Assets				
7400 - Riverbank Park Lighting Stage 1	0	20,509	20,509	20,509
7404 - Geurie Multi Court Facility	0	77,973	77,973	0
7412 - Ponto Falls Dump Point	5,000	4,916	9,916	10,769

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
7414 - Geurie Show Ground Irrigation (SCCF R2)	101,840	50,160	152,000	0
7416 - Ford Street Reserve Fence - Wellington	0	1,973	1,973	2,299
01.09577 - Acquisition of Assets Total	106,840	155,531	262,371	33,577
Landcare Services - Acquisition of Assets Total	106,840	155,531	262,371	33,577
Landcare Services - Asset Renewals - Maintenance				
01.09558 - Renewal of Assets-Asset Maintenance Program-West				
7408 - Dickigundi Fence	15,000	0	15,000	0
7488 - Regard Park Signage	0	0	0	-541
01.09558 - Renewal of Assets-Asset Maintenance Program-West Total	15,000	0	15,000	-541
Landcare Services - Asset Renewals - Maintenance Total	15,000	0	15,000	-541
Open Space Total	1,445,576	1,970,967	3,416,543	178,303
Operations				
Operations - Acquisition of Assets				
01.09612 - Parks & Landcare Operations - Other Structures				
7852 - Shed - Victoria Park Number 1 Oval	0	250,000	250,000	25,106
01.09612 - Parks & Landcare Operations - Other Structures Total	0	250,000	250,000	25,106
Operations - Acquisition of Assets Total	0	250,000	250,000	25,106
Operations Total	0	250,000	250,000	25,106
Sporting Facilities				
Sporting Facilities - Acquisition of Assets				
01.09596 - Sporting Facilities - Other Structures				
7808 - Vic Park 2&3 BBQ/PA/Shelter (SCF2)	0	0	0	2,822
7818 - Pioneer Park Wellington Sports Lighting	0	0	0	-282
7820 - Bicentennial Playground Installation	0	92,213	92,213	102,495
7821 - Rygate Park Irrigation Installation	0	28,133	28,133	31,448
01.09596 - Sporting Facilities - Other Structures Total	0	120,346	120,346	136,483
01.09598 - Sporting Facilities - Land Improvement				
7544 - Shared Pathways/Mt Arthur (SCCF)	0	143,134	143,134	0
7545 - Batistells & Pavans Greenfield (SCCF R2)	1,170,000	313,759	1,483,759	318,506
01.09598 - Sporting Facilities - Land Improvement Total	1,170,000	456,893	1,626,893	318,506
01.09609 - Sporting Facilities - Loan Principal Repayment Total				
	172,773	0	172,773	0
Sporting Facilities - Acquisition of Assets Total	1,342,773	577,239	1,920,012	454,989
Sporting Facilities - Asset Renewals - Maintenance				
01.09600 - Sporting Fac. -Other Structures (Renewals)				
7545 - Hans Clavan Sport Field Lighting	0	9,091	9,091	2,273
7601 - Victoria Park Scoreboard	0	149,745	149,745	154,739

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
7761 - Paramount Tennis Court Resurfacing	140,000	0	140,000	0
7762 - Nita McGrath Sports Field Train. Lights	120,000	0	120,000	8,650
7779 - Rygate Park Fencing	40,000	0	40,000	0
01.09600 - Sporting Fac. -Other Structures (Renewals)				
Total	300,000	158,836	458,836	165,662
01.09601 - Sporting Facilities - Buildings - Amenities				
7668 - Jubilee Oval Amenities	250,000	0	250,000	0
7738 - Rygate Park Amenities	0	0	0	3,122
7742 - Kennard Park Amenities (SCCF R2)	301,500	148,500	450,000	0
7743 - South Dubbo Oval Amenities (SCCF R2)	234,500	115,500	350,000	0
7744 - Apex Oval Jnr Rugby Amenities (SCCF R2)	335,000	165,000	500,000	17,165
01.09601 - Sporting Facilities - Buildings - Amenities				
Total	1,121,000	429,000	1,550,000	20,287
Sporting Facilities - Asset Renewals - Maintenance				
Total	1,421,000	587,836	2,008,836	185,949
Sporting Facilities Total	2,763,773	1,165,075	3,928,848	640,938
Liveability Total	5,524,272	5,731,627	11,255,899	1,047,150
Organisational Performance				
Customer Experience				
Customer Experience - Acquisition of Assets				
01.09611 - Customer Experience - Acquisition of Assets				
6501 - LivePro Knowledge Management System	0	200,000	200,000	5,775
01.09611 - Customer Experience - Acquisition of Assets				
Total	0	200,000	200,000	5,775
Customer Experience - Acquisition of Assets Total	0	200,000	200,000	5,775
Customer Experience Total	0	200,000	200,000	5,775
Information Services				
Information Services - Acquisition of Assets				
01.09653 - Office Equipment				
7891 - Communications - Telephones	0	3,000	3,000	2,832
7893 - Hardware Purchases - PC's/Laptops	50,000	0	50,000	39,041
7911 - LAN Network Upgrade	60,000	0	60,000	11,531
7912 - Hardware Purchases (Printer)	150,000	0	150,000	104,317
7928 - Hardware Purchases - Server	60,000	-20,000	40,000	0
7935 - Software	30,000	0	30,000	2,413
7950 - Hardware Purchases - Misc	25,000	0	25,000	0
7960 - Mobile Computing Development	10,000	0	10,000	0
7962 - Upgrade Network at Remote Sites	50,000	0	50,000	0
7965 - Sharepoint Development	15,000	0	15,000	0
01.09653 - Office Equipment Total	450,000	-17,000	433,000	160,134
Information Services - Acquisition of Assets Total	450,000	-17,000	433,000	160,134
Information Services Total	450,000	-17,000	433,000	160,134
Property Assets				
Civic Admin. Buildings - Acquisition of Assets				

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.08270 - Administration Buildings - Loan Total	58,217	0	58,217	0
01.09664 - Civic Admin Building - Loan Principal Repayment Total	246,818	0	246,818	0
Civic Admin. Buildings - Acquisition of Assets Total	305,035	0	305,035	0
Civic Admin. Buildings - Asset Renewals - Maint.				
01.08280 - Wellington Administration Building - Asset Renewal				
5911 - Refurbishment	0	650,000	650,000	278,525
5912 - Stage 2 - WAB Information Centre	0	215,000	215,000	0
01.08280 - Wellington Administration Building - Asset Renewal Total	0	865,000	865,000	278,525
01.09672 - Capital Renewals - Dubbo CAB				
5002 - Foyer Refurbishment	90,000	0	90,000	0
01.09672 - Capital Renewals - Dubbo CAB Total	90,000	0	90,000	0
01.09673 - Capital Renewals - Wellington CAB				
5002 - Refurbishment	505,000	-505,000	0	0
01.09673 - Capital Renewals - Wellington CAB Total	505,000	-505,000	0	0
Civic Admin. Buildings - Asset Renewals - Maint. Total	595,000	360,000	955,000	278,525
Property Assets Total	900,035	360,000	1,260,035	278,525
Property Development				
Property Development - Acquisition of Assets				
01.09233 - Assets Constructed - Landscaping				
7077 - Acoustic Fencing	234,000	0	234,000	0
7078 - Moffat Estate Scar Tree Shelter project	0	0	0	130
01.09233 - Assets Constructed - Landscaping Total	234,000	0	234,000	130
01.09234 - Assets Const - Land Development - Stormwater				
7048 - Moffat Estate Stage 3 Release 1	476,000	0	476,000	0
7074 - Keswick Stage 5 Rel 1	241,300	0	241,300	0
01.09234 - Assets Const - Land Development - Stormwater Total	717,300	0	717,300	0
01.09238 - Assets Const - Land Development - Water				
7029 - Moffat Estate	238,000	0	238,000	0
7048 - Moffat Estate Stage 3 Release 1	201,000	0	201,000	0
01.09238 - Assets Const - Land Development - Water Total	439,000	0	439,000	0
01.09240 - Assets Const - Land Development - Sewer				
7048 - Moffat Estate Stage 3 Release 1	221,000	0	221,000	0
7077 - Keswick Stage 5 Rel 1	216,250	0	216,250	0

	2019/2020 Original Budget	September Adjustment	Revised Annual Estimate	YTD Actuals to 30 September 2019
01.09240 - Assets Const - Land Development - Sewer				
Total	437,250	0	437,250	0
01.09242 - Assets Const - Land Development - Roads				
7052 - Moffatt Estate Stage 3 Release 1	544,000	0	544,000	0
7080 - Keswick Stage 5 - Works Services	440,120	0	440,120	0
7086 - Moffatt - Purvis Lane	350,000	0	350,000	0
7088 - Keswick Stage 5 - Release 1 - Final Seal	150,000	0	150,000	0
01.09242 - Assets Const - Land Development - Roads				
Total	1,484,120	0	1,484,120	0
Property Development - Acquisition of Assets Total	3,311,670	0	3,311,670	130
Property Development Total	3,311,670	0	3,311,670	130
Organisational Performance Total	4,661,705	543,000	5,204,705	444,564
Expenditure Total	108,966,287	57,422,648	166,388,935	19,284,284
Capital Total	108,966,287	57,422,648	166,388,935	19,284,284
Total	108,966,287	57,422,648	166,388,935	19,284,284

CONSULTANCY AND LEGAL EXPENSES

DUBBO REGIONAL COUNCIL		
Quarterly Budget Review Statement - Quarter Ending 30 September 2019		
Expense	Expenditure YTD	Budgeted (Y/N)
Legal Expenses	\$25,509.21	Y
Consultant Services (Quarterly Details provided on Engaged Consultants Report)	\$915,801.86	Y

CONTRACT LISTING				
DUBBO REGIONAL COUNCIL				
Quarterly Budget Review Statement - Quarter Ending 30 September 2019				
Contractor	Details and Purpose	Contract Value	Commencement Date	Budgeted (Y/N)
Robert Armstrong Cleaning	DRLM 2019/20 weekly washdown	\$ 274,975.01	02/07/2019	Y
Aerometrex Pty Ltd	RGBi imagery at 15cm resolution across the entire LGA	\$ 178,500.02	03/07/2019	Y
Simtec Surveillance & Security	Supply and install 25 meter radio tower	\$ 68,790.01	05/07/2019	Y
Maas Civil Pty Ltd	T18-061 - Stormwater component - Council contribution	\$ 76,795.21	17/07/2019	Y
Pitt & Sherry (Operations) Pty Ltd	Undertake detailed design/drawings for construction	\$ 46,360.00	22/07/2019	Y
Yoff Pty Ltd T/as Dubbo Terrazzo & Concrete Industries	T19-035 - Construction of the Victoria Park No.1 O	\$ 3,007,106.86	25/07/2019	Y
Globe Australia Pty Ltd	Lo HB Slow release fertiliser for all fields,, etc	\$ 54,545.46	30/07/2019	Y
Hines Constructions Pty Ltd	T18-037 - Variation 3B Rev 4 - Bad ground	\$ 378,584.91	30/07/2019	Y
The Trustee for Birchall Family Trust	Purchase of 5 super advanced Phoenix carnariensis	\$ 77,727.28	30/07/2019	Y
Yoff Pty Ltd T/as Dubbo Terrazzo & Concrete Industries	Wellington Civic Centre - Fire Damge Repairs	\$ 90,850.00	31/07/2019	Y
Waters Marine Pty Ltd	Cleaning and Inspection of Reservoirs Quotati, etc	\$ 63,039.98	02/08/2019	Y
J R & E G Richards (NSW) Pty Ltd T/as J	Weekly Domestic MGB Collections - Geurie/Well, etc	\$ 3,139,235.08	02/08/2019	Y
GHD Pty Ltd	Consultancy Services	\$ 62,240.00	09/08/2019	Y
WO Services Pty Ltd T/as Williams Oriel	WPCC - T19-030 - Chiller Replacement	\$ 246,513.02	09/08/2019	Y
Innovyze Pty Ltd	Innovyze SCADAWatch Server including 5 Licences	\$ 69,660.01	13/08/2019	Y

CONTRACT LISTING				
DUBBO REGIONAL COUNCIL				
Quarterly Budget Review Statement - Quarter Ending 30 September 2019				
Contractor	Details and Purpose	Contract Value	Commencement Date	Budgeted (Y/N)
J R & E G Richards (NSW) Pty Ltd T/as J	Collection of recyclables	\$ 2,091,299.11	14/08/2019	Y
Charlmont Gravel Pty Ltd T/as Central	The supply and delivery of 4,000 tonnes of DGB20 f	\$ 106,000.01	15/08/2019	Y
Ramsben Pty Ltd T/as Country Powerline	Contract Number RFT-10024821 - Relocation of Power	\$ 50,327.28	15/08/2019	Y
Bucher Municipal Pty Ltd	Bucher VT652 on an Isuzu FSR140-	\$ 327,089.48	15/08/2019	Y
Dubbo Turf Supplies Pty Ltd	T19-032 Supply and Maintenance of Turf for Pavans	\$ 313,250.03	16/08/2019	Y
Fabranamics Pty Ltd T/as Pureablue	Supply and Installation of an Amenity Block Camera	\$ 226,517.02	16/08/2019	Y
Simtec Surveillance & Security	Liveability - T19-015 design and upgrade public CC	\$ 546,312.00	16/08/2019	Y
Spencer Cocoa Pty Ltd	Joint Three Council Education Engagement - Co, etc	\$ 45,760.00	19/08/2019	Y
Evergreen Turf Group Pty Ltd	LI - T19-014 - Victoria Park No 1 Oval - construct	\$ 1,342,120.00	19/08/2019	Y
Lifetime Improvements Pty Ltd	Install of Irrigation system for Geurie Showground	\$ 70,000.01	21/08/2019	Y
Outwest Pumps & Irrigation	Supply irrigation system as per attached quotation	\$ 80,000.01	21/08/2019	Y
RK Media Pty Ltd T/as Leonards	Advertising Tenders, Quotations and EOIs in Sydney	\$ 69,818.19	21/08/2019	Y
Adaptive Trading Pty Ltd T/as Adaptive	T19-026 Refurbishment of Wellington Administration Building	\$ 613,985.06	22/08/2019	Y
Dubbo Hardcore Soils & Earthmoving	Hire of Mobile crushing and screening for WWRC	\$ 79,858.31	23/08/2019	Y
Tracserv Pty Ltd T/as Tracserv	Isuzu NLR45-150 Single Cab Truck	\$ 63,220.00	27/08/2019	Y

CONTRACT LISTING				
DUBBO REGIONAL COUNCIL				
Quarterly Budget Review Statement - Quarter Ending 30 September 2019				
Contractor	Details and Purpose	Contract Value	Commencement Date	Budgeted (Y/N)
Fewster Brothers Contracting Pty Ltd	Wellington Sewerage Treatment Plant Upgrade	\$ 846,510.08	02/09/2019	Y
Yoff Pty Ltd T/as Dubbo Terrazzo &	Undertake conversion of building at Dubbo Regional Botanic Gardens into Cafe	\$ 119,227.01	09/09/2019	Y
Gilgandra Shire Council	Stabilisation of basecourse and existing pavement	\$ 52,330.00	09/09/2019	Y
Sydney Night Patrol and Inquiry Co Pty	Airport - Monthly Contract Fee for Airport Screeni	\$ 818,181.90	13/09/2019	Y
Regional Envirosience Pty Ltd	Asbestos Management Services Progress Payment	\$ 100,499.23	13/09/2019	Y
Westrac Pty Ltd	Caterpillar 12M Grader	\$ 368,704.74	16/09/2019	Y
DTC Training Pty Ltd	Training	\$ 68,000.00	24/09/2019	Y
Yoff Pty Ltd T/as Dubbo Terrazzo & Concrete Industries	T19-035 - Construction of the Victoria Park N, etc	\$ 1,121,603.91	25/09/2019	Y
Hynash Constructions Pty Ltd	T18-065 - Site Establishment / Disestablishment	\$ 3,007,106.56	25/09/2019	Y
Civil Independence Industries Pty Ltd	Mill and Fill with AC20 & 14. Total Volume 47, etc	\$ 134,580.01	26/09/2019	Y
Hines Constructions Pty Ltd	T18-037 - Variation 30 - Extra Irrigation and Turf	\$ 68,075.00	26/09/2019	Y
Hines Constructions Pty Ltd	T18-037 - Variation 5 - Pool Equipment	\$ 59,399.09	26/09/2019	Y
Note : Contracts listed are those entered into during the quarter and have yet to be fully performed (excluding preferred suppliers).				



Civic Administration Building
P.O. Box 81 Dubbo NSW 2830
T (02) 6801 4000
F (02) 6801 4259
ABN 53 539 070 928

Consultants Engaged between 1/07/2019 - 30/09/2019

Date	Order No.	Supplier Name	Details/Order Description	Division	Value
1/07/2019	234808	Stapleton Transportation and Planning Pty Ltd	Review of Transportation Strategy 2045	Infrastructure	\$79,600.00
02/07/2019	261054	Bams on Pty Ltd	C&R - Pavans Land - Construction Plans	Liveability	\$1,485.00
12/08/2019	263039	Doherty Smith & Associates	Surveying Services - Lot 1 & 2 DP 1252106 King St	Organisational Performance	\$4,554.00
22/08/2019	263544	Envirowest Consulting Pty Ltd	Contamination Assessment - Dubbo City Bowling Club	Organisational Performance	\$9,383.00
03/07/2019	261154	Premise NSW Pty Ltd Dubbo	Professional Services - Laneway Closures at Davids Lane	Organisational Performance	\$990.00
03/07/2019	261224	Bams on Pty Ltd	DALC - Structural report for Slide	Liveability	\$2,000.00
03/07/2019	261348	Engineering Management Consulting Pty	Road revaluations assessment	Infrastructure	\$18,040.00
05/07/2019	261718	GHD Pty Ltd	Consultancy Services	Infrastructure	\$73,228.10
12/07/2019	261698	Next Energy Lighting Pty Ltd	Public street lighting consultancy services	Development and Environment	\$16,500.00
12/07/2019	261765	Premise NSW Pty Ltd Dubbo	Environment monitoring at Wellington Waste Depot	Development and Environment	\$12,901.94
15/07/2019	261766	Premise NSW Pty Ltd Dubbo	Environment monitoring at Whylandra Waste Depot	Development and Environment	\$12,900.00
15/07/2019	261824	NSW Public Works Advisory a Division of	Design Review and approval - Obley road	Infrastructure	\$1,000.00
16/07/2019	261849	Premise NSW Pty Ltd Dubbo	Ballimore Water Supply Environmental Monitoring	Infrastructure	\$2,748.00
16/07/2019	261850	GHD Pty Ltd	Consultancy Services	Infrastructure	\$223,530.84
16/07/2019	261954	NSW Public Works Advisory a Division of	Additional hours for defect work Macquarie River under bore	Infrastructure	\$4,549.60
18/07/2019	261971	Bams on Pty Ltd	LI - Geo-tech Services for new Sports Lights - Nita McGrath Oval	Liveability	\$8,690.00
18/07/2019	261979	NSW Public Works Advisory a Division of	Variation for liaison with EPA, DI Water & Fisheries	Infrastructure	\$4,400.00
18/07/2019	261999	Upright Management Pty Ltd T/as Upright	T17-022 - Project Management tasks	Infrastructure	\$42,456.00
18/07/2019	262092	Luka Group	Assistance with 2019 year end audit and road revaluation	Organisational Performance	\$4,389.00
22/07/2019	262108	Clive Sefton	Mediation Intake and Assessment	Executive Services	\$675.00
22/07/2019	262192	Premise NSW Pty Ltd Dubbo	Preparation of revised Landfill Staging Plans	Development and Environment	\$10,865.25
23/07/2019	262195	Impact Environmental Consulting Pty Ltd	2019 Education Program Delivery - Primary Schools	Development and Environment	\$41,000.00
23/07/2019	262228	NSW Public Works Advisory a Division of	Investigation Report into Wellington Fluoride System	Infrastructure	\$1,100.00

23/07/2019	262228	NSW Public Works Advisory a Division of	Investigation Report into Wellington Fluoride System	Infrastructure	\$1,100.00
24/07/2019	262269	Bamson Pty Ltd	LI - Pavans land - additional plans	Liveability	\$880.00
24/07/2019	262657	Bamson Pty Ltd	T18-055 - Easement Transfer for Dubbo Cycling Facilities	Infrastructure	\$2,970.00
6/08/2019	262817	John Nolan T/as iConsult Elevator Services	Dubbo CAB - Consulting Services for Replacement Lift	Organisational Performance	\$18,480.00
01/08/2019	262857	Airport Pavement Engineering	Airport - Analysis and report for aircraft weights	Culture and Economy	\$4,800.00
07/08/2019	262923	Bamson Pty Ltd	Supply a structural report on condition of amenities	Liveability	\$1,540.00
08/08/2019	263017	GHD Pty Ltd	Consultancy Services	Infrastructure	\$62,240.00
09/08/2019	263040	Upright Management Pty Ltd T/as Upright	T18-020 - Project Management fees - Wellington Memorial Pool	Infrastructure	\$49,500.00
12/08/2019	263091	Cardno (NSW/ACT) Pty Ltd	Councillor Workshop Presentation - 19/08/2019	Infrastructure	\$1,540.00
13/08/2019	263331	Airport Pavement Engineering	Airport - 737 and RJ85 L100 Report and draft lease	Culture and Economy	\$4,800.00
19/08/2019	263341	Facility Design Group Pty Ltd	T17-049 - Variation 4 - Architectural Services - Wellington Pool	Infrastructure	\$8,800.00
19/08/2019	263363	Bamson Pty Ltd	LI - Kenard Park - design of amenities	Liveability	\$8,910.00
19/08/2019	263408	Moir Landscape Architecture Pty Ltd	Preparation of a draft concept plan for Teamsters	Liveability	\$3,960.00
20/08/2019	263410	Bamson Pty Ltd	LI - Lady Cutler South design of fwalls	Liveability	\$1,300.00
20/08/2019	263536	University of Technology Sydney	DRLM - Report	Culture and Economy	\$26,235.00
22/08/2019	263545	Premise NSW Pty Ltd Dubbo	Surveying Services - 11 Subdivision Dubbo Airport	Organisational Performance	\$1,493.25
22/08/2019	263716	Premise NSW Pty Ltd Dubbo	Start Circle Kookaburra Close & Twickenham Drive	Organisational Performance	\$1,767.60
26/08/2019	263728	Bamson Pty Ltd	Structural engineering design, drafting and certificates	Infrastructure	\$8,360.00
27/08/2019	264033	Bamson Pty Ltd	Wellington Administration Building - Project Management	Organisational Performance	\$49,500.00
02/09/2019	264126	NSW Public Works Advisory a Division of	Dubbo Regional Airport - A/C Overlay August 2019	Infrastructure	\$550.00
04/09/2019	264272	Luka Group	Audit Grant Acquittal - NSRF300175	Infrastructure	\$1,100.00
05/09/2019	264477	Bamson Pty Ltd	Q18-017 - Variation 2 - Level 3 Electrical Design	Infrastructure	\$5,476.28
10/09/2019	264524	GHD Pty Ltd	Consultancy Services	Infrastructure	\$4,862.00
11/09/2019	264531	GHD Pty Ltd	Consultancy Services	Infrastructure	\$4,224.00
11/09/2019	264666	Lambert & Rehbein SEQ Pty Ltd T/as	Airport - Separation distances on Delta Taxiway	Culture and Economy	\$2,200.00
13/09/2019	264669	Lambert & Rehbein SEQ Pty Ltd T/as	Airport - Report on RPT Markings for QantasLink	Culture and Economy	\$1,870.00
13/09/2019	265105	Bamson Pty Ltd	Supply structural design for stormwater drop pit - Devil's Hole	Infrastructure	\$7,018.00
24/09/2019	265264	Premise NSW Pty Ltd Dubbo	Dubbo Airport - 11 Lot Subdivision Surveying Services	Organisational Performance	\$4,500.00
26/09/2019	265361	NSW Public Works Advisory a Division of	Dubbo Troy Gully SPS Upgrade Works - Consultancy Services	Infrastructure	\$49,940.00
30/09/2019	264892	Devitt Consulting Pty Ltd	Provision of Consultancy Services	Infrastructure	\$9,870.97
					<u>\$925,672.83</u>



REPORT: Presentation of Council's 2018/2019 Financial Statements

AUTHOR: Chief Financial Officer
REPORT DATE: 14 November 2019
TRIM REFERENCE: ID19/1558

REPORT

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

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

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

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

- (1) *For the purpose of Section 413(2)(b) of the Act, any matters required by the Code [Local Government Code of Accounting Practice and Financial Reporting] or the Manual [Local Government Asset Accounting Manual] to be included in Council's financial reports are prescribed matters.*
- (2) *For the purpose of section 413(3)(b) of the Act, the Code and the Manual are prescribed standards.*

Section 416(1) of the Local Government Act 1993 requires that: "A Council's financial reports

for a year must be prepared and audited within the period of 4 months after the end of that year". Due to issues and complexities associated with the revaluation decrement of road assets and the revaluation increment of the bulk earth work assets following the merger of Dubbo and Wellington Councils an extension to lodge Councils 2018/2019 financial statements was granted by the Office of Local Government until the 30 November 2019.

Section 419 of the Local Government Act 1993 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The Audit Office will not be attending the meeting to present the 2018/2019 audited financial statements. The audit office has advised that they will provide an independent auditors report after the adoption of the General Purpose and Special Purpose financial statements by Council.

FINANCIAL IMPLICATIONS

The financial statements show Council to be in a sound financial position as at 30 June 2019.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the General Purpose Financial Statements and the Special Purpose Financial Statements for the year ended 30 June 2019 be accepted by Council.

Jane Bassingthwaight
Chief Financial Officer

Appendices:

- 1↓ Annual Financial Statements - General Purpose Financial Statements 2018/2019
- 2↓ Annual Financial Statements - Special Purpose Financial Statements 2018/2019

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

Contents	Page
1. Statement by Councillors & Management	3
2. Primary Financial Statements:	
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
3. Notes to the Financial Statements	9
4. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	85
On the Financial Statements (Sect 417 [3])	86

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 25 November 2019.

Ben Shields
Mayor
25 November 2019

Stephen Lawrence
Deputy Mayor
25 November 2019

Michael McMahon
Chief Executive Officer
25 November 2019

Jane Bassingthwaighe
Responsible Accounting Officer
25 November 2019

Dubbo Regional Council

Financial Statements 2019

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	<i>Notes</i>	2019	Restated 2018 ⁽¹⁾
Net operating result for the year (as per Income Statement)		47,782	83,936
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	8(a)	<u>101,348</u>	<u>47,062</u>
Total items which will not be reclassified subsequently to the operating result		<u>101,348</u>	<u>47,062</u>
Total other comprehensive income for the period		<u>101,348</u>	<u>47,062</u>
Total comprehensive income for the year		<u>149,130</u>	<u>130,998</u>
Total comprehensive income attributable to Council		149,130	130,998

⁽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	Restated 2018 ¹	Restated 1 July 2017
ASSETS				
Current assets				
Cash and cash equivalent assets	6(a)	47,179	36,755	25,752
Investments	6(b)	81,330	89,068	45,138
Receivables	7	23,570	21,379	18,198
Inventories	8a	2,844	1,873	1,876
Other	8b	464	663	463
Total current assets		<u>155,387</u>	<u>149,738</u>	<u>91,427</u>
Non-current assets				
Investments	6(b)	104,001	108,664	117,235
Receivables	7	287	629	755
Inventories	8a	4,076	2,025	1,993
Infrastructure, property, plant and equipment	9(a)	2,396,172	2,253,503	2,172,475
Investments accounted for using the equity method	14	1,533	1,484	1,333
Other	8b	495	495	495
Total non-current assets		<u>2,506,564</u>	<u>2,366,800</u>	<u>2,294,286</u>
TOTAL ASSETS		<u>2,661,951</u>	<u>2,516,538</u>	<u>2,385,713</u>
LIABILITIES				
Current liabilities				
Payables	10	12,930	12,038	7,688
Income received in advance	10	414	328	770
Borrowings	10	5,159	4,922	4,652
Provisions	11	13,158	13,765	15,047
Total current liabilities		<u>31,661</u>	<u>31,053</u>	<u>28,157</u>
Non-current liabilities				
Payables	10	1	1	1
Borrowings	10	57,228	62,434	67,356
Provisions	11	5,327	4,446	2,593
Total non-current liabilities		<u>62,556</u>	<u>66,881</u>	<u>69,950</u>
TOTAL LIABILITIES		<u>94,217</u>	<u>97,934</u>	<u>98,107</u>
Net assets		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</u>
EQUITY				
Accumulated surplus	12a	2,296,488	2,248,706	2,164,770
Revaluation reserves	12a	271,246	169,898	122,836
Council equity interest		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</u>
Total equity		<u>2,567,734</u>	<u>2,418,604</u>	<u>2,287,606</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 Financial Position should be read in conjunction with the accompanying notes.

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		2,382,880	169,898	2,552,778	2,291,534	122,836	2,414,370
Correction of prior period errors	12b	(134,174)	–	(134,174)	(126,764)	–	(126,764)
Restated opening balance		2,248,706	169,898	2,418,604	2,164,770	122,836	2,287,606
Net operating result for the year		47,782	–	47,782	91,346	–	91,346
Correction of prior period errors	12b	–	–	–	(7,410)	–	(7,410)
Restated net operating result for the period		47,782	–	47,782	83,936	–	83,936
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	101,348	101,348	–	47,062	47,062
Other comprehensive income		–	101,348	101,348	–	47,062	47,062
Total comprehensive income		47,782	101,348	149,130	83,936	47,062	130,998
Equity – balance at end of the reporting period		2,296,488	271,246	2,567,734	2,248,706	169,898	2,418,604

(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.

Dubbo Regional Council

Financial Statements 2019

Statement of Cash Flows

for the year ended 30 June 2019

<i>Original unaudited budget</i>			<i>Actual</i>	<i>Actual</i>
2019	\$ '000	<i>Notes</i>	2019	2018
Cash flows from operating activities				
<i>Receipts</i>				
61,663	Rates and annual charges		61,777	56,224
42,790	User charges and fees		47,063	58,031
5,605	Investment and interest revenue received		6,837	6,404
43,463	Grants and contributions		51,515	69,391
-	Bonds, deposits and retention amounts received		67	216
2,090	Other		771	5,929
<i>Payments</i>				
(47,096)	Employee benefits and on-costs		(40,548)	(38,646)
(30,810)	Materials and contracts		(34,386)	(36,109)
(4,092)	Borrowing costs		(3,809)	(3,865)
(14,763)	Other		(16,628)	(17,825)
58,850	Net cash provided (or used in) operating activities	13b	72,659	99,750
Cash flows from investing activities				
<i>Receipts</i>				
41,646	Sale of investment securities		103,568	220,916
260	Sale of real estate assets		2,678	4,460
2,480	Sale of infrastructure, property, plant and equipment		2,645	1,672
-	Deferred debtors receipts		461	864
<i>Payments</i>				
-	Purchase of investment securities		(91,167)	(256,275)
(99,814)	Purchase of infrastructure, property, plant and equipment		(71,850)	(54,312)
-	Purchase of real estate assets		(3,515)	(1,210)
-	Deferred debtors and advances made		(86)	(210)
(55,428)	Net cash provided (or used in) investing activities		(57,266)	(84,095)
Cash flows from financing activities				
<i>Payments</i>				
(4,922)	Repayment of borrowings and advances		(4,969)	(4,652)
(4,922)	Net cash flow provided (used in) financing activities		(4,969)	(4,652)
(1,500)	Net increase/(decrease) in cash and cash equivalents		10,424	11,003
3,000	Plus: cash and cash equivalents – beginning of year	13a,8a	36,755	25,752
1,500	Cash and cash equivalents – end of the year	13a	47,179	36,755
Additional Information:				
143,288	plus: Investments on hand – end of year	6(p)	185,331	197,732
144,788	Total cash, cash equivalents and investments		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

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Income from continuing operations	16
4	Expenses from continuing operations	24
5	Gains or losses from the disposal, replacement and de-recognition of assets	30
6(a)	Cash and cash equivalent assets	31
6(b)	Investments	31
6(c)	Restricted cash, cash equivalents and investments – details	33
7	Receivables	34
8	Inventories and other assets	36
9(a)	Infrastructure, property, plant and equipment	38
9(b)	Externally restricted infrastructure, property, plant and equipment	42
10	Payables and borrowings	43
11	Provisions	46
12	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
13	Statement of cash flows – additional information	53
14	Interests in other entities	54
15	Commitments	56
16	Contingencies and other assets/liabilities not recognised	57
17	Financial risk management	60
18	Material budget variations	64
19	Fair Value Measurement	66
20	Related Party Transactions	73
21	Events occurring after the reporting date	74
22	Statement of developer contributions	75
23	Financial result and financial position by fund	78
24(a)	Statement of performance measures – consolidated results	80
24(b)	Statement of performance measures – by fund	81
	Additional Council disclosures (unaudited)	
24(c)	Statement of performance measures – consolidated results (graphs)	82
25	Council information and contact details	84

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 25 November 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these 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 mandatorily 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).

(b) Historical cost convention

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

- 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 - refer Note 9
- (ii) estimated remediation provisions - refer Note 11
- (iii) employee benefit provisions - refer Note 11

continued on next page ...

Page 10 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

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

Monies 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

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.

continued on next page ...

Page 11 of 86

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 standards 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 rates 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 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 1004 Contributions. This standard is effective for annual reporting periods beginning on or after 1 January 2019, ie the Council's financial statements for the year ended 30 June 2020.

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. In cases where the Council enters into other transactions, the Council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standards (eg AASB 116 Property, Plant and Equipment)

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.

continued on next page ...

Page 12 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

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 2018-8 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 Restated	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated	2019	2018 Restated
Functions or activities										
Governance	–	–	614	303	(614)	(303)	–	–	–	–
Administration	1,669	1,715	1,726	1,284	(57)	431	–	–	188,417	687,041
Public order and safety	1,170	2,757	4,051	4,021	(2,881)	(1,264)	521	1,074	32,255	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	241,642	202,579
Community services and education	3,759	3,519	4,944	4,751	(1,185)	(1,232)	2,736	2,241	1,393	–
Housing and community amenities	1,333	1,445	5,400	4,157	(4,067)	(2,712)	199	–	9,975	3,356
Water supplies	29,383	30,953	19,933	18,950	9,450	12,003	587	121	320,316	307,866
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	12,993	145,756	26,499
Mining, manufacturing and construction	1,067	1,184	1,687	2,034	(620)	(850)	–	–	1,997	1,012
Transport and communication	37,646	50,000	32,467	36,993	5,179	13,007	24,279	22,067	1,321,300	896,554
Economic affairs	9,710	15,001	11,494	9,744	(1,784)	5,257	978	2,789	54,933	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	184,140	212,052	136,358	128,116	47,782	83,936	44,452	52,585	2,661,951	2,516,538

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; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(a) Rates and annual charges		
Ordinary rates		
Residential	19,981	17,618
Farmland	5,946	5,778
Mining	2	2
Business	8,279	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.498, s.496A, s.496B, s.501 & s.511)</small>		
Domestic waste management services	7,309	6,009
Water supply services	6,882	6,585
Sewerage services	12,681	12,078
Drainage	1,465	1,393
Waste management services (non-domestic)	608	639
Less: pensioner rebates (mandatory)	(656)	(621)
Less: pensioner rebates (Council policy)	(185)	-
Annual charges levied	28,104	26,083
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 and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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

continued on next page ...

Page 16 of 86

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)

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' 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	<u>26,257</u>	<u>26,386</u>
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	<u>2,113</u>	<u>2,346</u>

continued on next page ...

Page 17 of 86

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)

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(ii) Fees and charges – other (incl. general user charges (per s.608))		
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
Caves entry fees	470	470
Western Plains Cultural Centre	135	107
Aquatic leisure centre	518	425
Family day care	406	341
Fodder sales 'greengrove' effluent reuse property	26	450
Old dubbo gaol	599	579
Private works	418	371
Public halls	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	1,588
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.

continued on next page ...

Page: 18 of 86

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)	252	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	3,794	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.

continued on next page ...

Page 19 of 86

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)

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(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
<u>TOTAL OTHER REVENUE</u>	<u>1,934</u>	<u>1,359</u>

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 notified, or the payment is received, whichever occurs first.

continued on next page ...

Page 20 of 86

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)

	<i>Operating 2019</i>	<i>Operating 2018</i>	<i>Capital 2019</i>	<i>Capital 2018 Restated</i>
\$ '000				
(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	95	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 infrast. renewal scheme interest subsidy	–	–	335	397
Tourism	35	–	240	2,789
Community services	194	262	–	216
Family day care	1,444	1,392	–	–
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	2,613
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	61	–	–	–
	16,384	18,057	28,068	34,528

continued on next page ...

Page 21 of 86

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 <i>Restated</i>
(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 space		–	–	711	865
S 7.11 – drainage		–	–	595	166
S 7.11 – roadworks		–	–	1,678	1,476
Voluntary planning agreements		–	–	198	136
Total developer contributions – cash		<u>–</u>	<u>–</u>	<u>5,397</u>	<u>6,475</u>
Total developer contributions	22	<u>–</u>	<u>–</u>	<u>5,397</u>	<u>6,475</u>
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		2,118	11,903	–	–
Other		108	102	371	59
Sporting facilities		–	–	56	25
Total other contributions – cash		<u>2,226</u>	<u>12,005</u>	<u>427</u>	<u>84</u>
Non-cash contributions					
Drainage		–	–	8,935	6,464
Paving		–	–	638	–
Roads and bridges		–	–	1,904	8,641
Sewerage (excl. section 64 contributions)		–	–	943	1,851
Water supplies (excl. section 64 contributions)		–	–	792	1,011
Land under roads		–	–	75	175
Total other contributions – non-cash		<u>–</u>	<u>–</u>	<u>13,287</u>	<u>18,142</u>
Total other contributions		<u>2,226</u>	<u>12,005</u>	<u>13,714</u>	<u>18,226</u>
Total contributions		<u>2,226</u>	<u>12,005</u>	<u>19,111</u>	<u>24,701</u>
TOTAL GRANTS AND CONTRIBUTIONS		<u>18,610</u>	<u>30,062</u>	<u>47,179</u>	<u>59,229</u>

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 in Note 3(g).

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

continued on next page ...

Page 22 of 86

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)

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

A 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.

\$ '000 **2019** **2018**

(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: grants recognised as income in the current period but not yet spent	8,848	29,585
Less: grants recognised as income in a previous reporting period now spent	(19,789)	(10,867)
Unexpended and held as restricted assets	<u>41,162</u>	<u>52,103</u>

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(a) Employee benefits and on-costs		
Salaries and wages	35,560	33,630
Travel expenses	310	300
Employee leave entitlements (ELE)	4,337	3,830
Superannuation	3,992	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	<u>46,505</u>	<u>43,607</u>
Less: capitalised costs	<u>(6,401)</u>	<u>(6,420)</u>
TOTAL EMPLOYEE COSTS EXPENSED	<u>40,104</u>	<u>37,187</u>
Number of 'full-time equivalent' employees (FTE) at year end	459	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.

continued on next page ...

Page 24 of 86

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)

<u>\$ '000</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
(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			
Discount adjustments relating to movements in provisions (other than ELE)			
– 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.

continued on next page ...

Page 25 of 86

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	25,544	25,739
Contractor and consultancy costs	15,804	13,420
– 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	–	9
– Legal expenses: other	118	70
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	196	311
Total materials and contracts	<u>41,840</u>	<u>39,750</u>
Less: capitalised costs	(6,823)	(6,814)
TOTAL MATERIALS AND CONTRACTS	<u>35,017</u>	<u>32,936</u>

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	<u>134</u>	<u>105</u>

Non NSW Auditor-General audit firms

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

continued on next page ...

Page 26 of 86

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 <i>Restated</i>
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		4,104	3,792
Office equipment		430	296
Furniture and fittings		227	271
Land improvements (depreciable)		329	305
Infrastructure:			
– Buildings – non-specialised		1,162	429
– Buildings – specialised		3,724	2,202
– Other structures		3,842	3,434
– Roads		15,490	15,196
– 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(a),11	201	156
– Quarry assets	9(a),11	60	13
Total gross depreciation and amortisation costs		<u>41,120</u>	<u>37,623</u>
Less: capitalised costs		<u>(1,218)</u>	<u>(1,381)</u>
Total depreciation and amortisation costs		<u>39,902</u>	<u>36,242</u>
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		<u>39,902</u>	<u>36,242</u>

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 IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new 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 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.

continued on next page ...

Page 27 of 86

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)

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.

continued on next page ...

Page 28 of 86

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)

<u>\$ '000</u>	<u>2019</u>	<u>2018</u>
(e) Other expenses		
Advertising	606	683
Bad and doubtful debts	296	418
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
Election expenses	–	303
Electricity and heating	4,492	3,380
Insurance	1,661	1,814
Postage	152	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	<u>16,900</u>	<u>16,069</u>
TOTAL OTHER EXPENSES	<u>16,900</u>	<u>16,069</u>

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	1,672
Less: carrying amount of plant and equipment assets sold/written off		<u>(2,602)</u>	<u>(1,417)</u>
Net gain/(loss) on disposal		<u>43</u>	<u>255</u>
Infrastructure	5(a)		
Less: carrying amount of infrastructure assets sold/written off		<u>(1,333)</u>	<u>(838)</u>
Net gain/(loss) on disposal		<u>(1,333)</u>	<u>(838)</u>
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		2,678	4,460
Less: carrying amount of real estate assets sold/written off		<u>(685)</u>	<u>(1,115)</u>
Net gain/(loss) on disposal		<u>1,993</u>	<u>3,345</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		103,568	220,916
Less: carrying amount of investments sold/redeemed/matured		<u>(103,568)</u>	<u>(220,916)</u>
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>703</u>	<u>2,762</u>

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 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)				
Term deposits	77,830	93,500	85,818	94,663
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.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

continued on next page ...

Page 31 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

- 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, investments 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 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.

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.

continued on next page ...

Page 32 of 86

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 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	2019	2018
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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	673
Property development	6,600	5,394
Dubbo city regional airport	410	20
Livestock markets	4,210	3,973
Other waste management services	8,696	3,737
Road network – state roads	2,145	2,756
Fleet management services	7,519	10,781
Future Asset Renewal	34,235	47,207
Total internal restrictions	66,960	86,541

TOTAL RESTRICTIONS

229,510 231,487

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	287	434	629
Government grants and subsidies	4,932	–	3,945	–
Net GST receivable	2,767	–	912	–
Due from other levels of government	39	–	29	–
Other debtors	1,035	–	1,737	–
Total	24,298	287	21,812	629
Less: provision for 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	6,396	–	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.

continued on next page ...

Page 34 of 86

Dubbo Regional Council

Financial Statements 2019

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 uncollectable 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 uncollectable 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.

Dubbo Regional Council

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	–

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
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	2,536	2,520

(i) Other disclosures

\$ '000	Notes	2019		2018	
		Current	Non-current	Current	Non-current
(a) Details for real estate development					
Residential		512	1,091	690	1,247
Industrial/commercial		1,019	2,985	83	778
Total real estate for resale		1,531	4,076	773	2,025

continued on next page ...

Page 36 of 86

Dubbo Regional Council

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		<u>1,531</u>	<u>4,076</u>	<u>773</u>	<u>2,025</u>
Total real estate for resale		<u>1,531</u>	<u>4,076</u>	<u>773</u>	<u>2,025</u>
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		<u>1,531</u>	<u>4,076</u>	<u>773</u>	<u>2,025</u>

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.

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			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Tifs from (to) real estate assets (Note 0)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000															
Capital work in progress	15,587	-	15,587	-	10,861	-	-	(4,929)	1,646	-	-	-	23,165	-	23,165
Plant and equipment	52,934	(25,622)	27,312	75	8,985	(2,602)	(4,104)	-	12	-	-	-	53,878	(24,200)	29,678
Office equipment	3,818	(2,124)	1,694	-	880	(7)	(430)	-	(5)	-	-	-	4,657	(2,524)	2,133
Furniture and fittings	4,398	(2,755)	1,643	17	118	(20)	(227)	-	(21)	-	-	-	4,373	(2,863)	1,510
Land:															
- Operational land	35,545	-	35,545	-	1,104	-	-	-	-	-	-	-	36,649	-	36,649
- Community land	35,691	-	35,691	-	-	(7)	-	-	-	-	-	-	35,684	-	35,684
- Land under roads (post 30/6/08) ²	1,096	-	1,096	-	110	(26)	-	-	-	21	-	-	1,201	-	1,201
Land improvements – non-depreciable	1,801	-	1,801	-	-	-	-	-	-	-	-	-	1,801	-	1,801
Land improvements – depreciable	6,505	(4,037)	2,468	25	218	(7)	(329)	-	1	-	-	-	6,712	(4,336)	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	1,692	-	-	(1,162)	-	(958)	-	-	-	46,050	(21,871)	24,179
- Buildings – specialised	151,224	(58,200)	93,024	19,367	1,207	(395)	(3,724)	-	960	-	-	-	173,736	(63,296)	110,440
- Other structures	131,967	(60,532)	71,435	2,346	4,331	(215)	(3,842)	-	(639)	-	-	-	135,466	(62,050)	73,416
- Roads ²	1,208,279	(315,063)	893,216	902	12,402	-	(15,490)	2,302	(391)	-	-	-	1,223,558	(330,617)	892,941
- Bulk earthworks (non-depreciable) ²	308,302	-	308,302	-	914	-	-	-	417	-	93,316	-	402,948	-	402,948
- Stormwater drainage	226,935	(31,524)	195,411	-	9,044	(166)	(1,046)	709	-	-	-	-	236,522	(32,570)	203,952
- Water supply network	356,343	(109,154)	247,189	160	1,191	-	(5,123)	1,915	616	-	3,886	-	365,940	(116,106)	249,834
- Sewerage network	322,766	(57,276)	265,490	81	941	-	(4,804)	3	(1,638)	-	4,146	-	327,282	(63,063)	264,219
- Swimming pools	6,933	(3,829)	3,104	3,753	-	(490)	(107)	-	-	-	-	-	8,633	(2,373)	6,260
- Quarry assets	1,997	-	1,997	-	-	-	-	-	-	-	-	-	1,997	-	1,997
Other assets:															
- Heritage collections	33	(5)	28	-	-	-	-	-	-	-	-	-	33	(5)	28
- Library books	13	(13)	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other	2,395	(1,201)	1,194	33	114	-	(41)	-	-	-	-	-	2,542	(1,242)	1,300
Reinstatement, rehabilitation and restoration assets (refer Note 11):															
- Tip assets	897	(831)	66	-	249	-	(201)	-	-	(112)	-	-	1,034	(1,030)	4
- Quarry assets	1,056	(240)	816	-	119	-	(60)	-	-	-	-	-	1,175	(308)	875
Total Infrastructure, property, plant and equipment	2,966,455	(712,952)	2,253,503	32,302	54,164	(3,935)	(41,120)	-	-	(112)	21	101,348	3,142,841	(746,669)	2,396,172

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

(2) The balances as at 30 June 2017 and 30 June 2018 have been restated.

continued on next page ...

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 (continued)

	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount Revalued	Accumulated depreciation Revalued	Net carrying amount Revalued	Additions renewals ⁽¹⁾	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Re-measurement adjustment (via P/L)	Tifs from (to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount Revalued	Accumulated depreciation Revalued	Net carrying amount Revalued
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	6,009	(1,417)	(3,792)	-	45	-	-	-	52,934	(25,622)	27,312
Office equipment	3,084	(1,774)	1,310	-	680	-	(296)	-	-	-	-	-	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	-	-	-	-	-	(149)	-	-	-	35,691	-	35,691
- Land under roads (post 30/6/08)	913	-	913	-	175	-	-	-	(1)	-	9	-	1,096	-	1,096
Land improvements – non-depreciable	1,801	-	1,801	-	-	-	-	-	-	-	-	-	1,801	-	1,801
Land improvements – depreciable	8,296	(4,875)	3,421	340	106	-	(305)	-	(1,094)	-	-	-	6,505	(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	(66,937)	65,792	1,473	3,395	-	(2,202)	-	1,062	-	-	23,504	151,224	(58,200)	93,024
- Other structures	109,723	(52,674)	57,049	10,930	3,932	-	(3,434)	-	2,958	-	-	-	131,967	(60,532)	71,435
- Roads	1,186,361	(299,867)	886,494	2,482	15,228	-	(15,196)	3,833	374	-	-	-	1,208,279	(315,063)	893,216
- Airport runways	32,743	(16,804)	15,939	8,314	572	-	(429)	-	391	-	-	-	42,580	(17,793)	24,787
- Bulk earthworks (non-depreciable)	307,792	-	307,792	263	274	-	-	-	(27)	-	-	-	308,302	-	308,302
- Stormwater drainage	219,427	(30,536)	188,891	639	6,868	-	(987)	-	-	-	-	-	226,935	(31,524)	195,411
- Water supply network	336,801	(101,967)	234,834	869	4,281	(56)	(5,067)	7,495	(1)	-	-	4,834	356,343	(109,154)	247,189
- Sewerage network	312,092	(51,496)	260,596	416	4,800	(782)	(4,902)	-	2	-	-	5,360	322,766	(57,276)	265,490
- Swimming pools	6,964	(4,077)	2,887	-	402	-	(100)	-	(85)	-	-	-	6,933	(3,829)	3,104
- Other open space assets	6,174	(3,756)	2,418	-	-	-	-	-	(2,418)	-	-	-	-	-	-
- 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 11):															
- Tip assets	1,044	(675)	369	-	436	-	(156)	-	-	(583)	-	-	897	(831)	66
- Quarry assets	465	(227)	238	-	591	-	(13)	-	-	-	-	-	1,056	(240)	816
Total infrastructure, property, plant and equipment	2,867,937	(695,462)	2,172,475	26,015	48,402	(2,255)	(37,623)	-	-	(583)	9	47,062	2,966,455	(712,952)	2,253,503

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

continued on next page ...

Page 39 of 86

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 (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.

When infrastructure, property, plant and equipment are acquired by council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

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
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	80 to 200
Bores	30	Culverts	50 to 120
Reticulation pipes: PVC	70	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	21 to 24	Bulk earthworks	Infinite
Sealed roads: structure	15 to 90	Swimming pools	5 to 50
Unsealed roads	10 to 34	Other open space/recreational assets	15 to 80
Bridge: concrete	110		
Bridge: other	80		
Road pavements	60 to 90		
Kerb, gutter and footpaths	40 to 200		

The assets' residual values 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.

continued on next page ...

Page 40 of 86

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 (continued)

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

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

	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount Restated	Accumulated depn. and impairment	Net carrying amount Restated
\$ '000						
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	115,525	248,876	355,450	108,624	246,826
Roads	3,378	1,176	2,202	3,447	558	2,889
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	371,879	110,890	260,989
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	951	385	1,336	926	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	64,473	287,657	342,819	59,320	283,499
Domestic waste management						
Plant and equipment	1,964	710	1,254	2,366	1,084	1,282
Land						
Other structures	733	349	384	395	342	53
Roads	–	–	–	54	25	29
Bulk earthworks	–	–	–	49	–	49
Total DWM	2,697	1,059	1,638	2,864	1,451	1,413
Other restricted assets						
WIP	1,544	–	1,544	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	202,281
TOTAL RESTRICTED I,PP&E	977,074	216,628	760,446	951,305	203,123	748,182

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019	2019	2018	2018
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	9,663	–	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	<u>12,930</u>	<u>1</u>	<u>12,038</u>	<u>1</u>
Income received in advance				
Payments received in advance	414	–	328	–
Total income received in advance	<u>414</u>	<u>–</u>	<u>328</u>	<u>–</u>
Borrowings				
Loans – secured ¹	5,159	57,228	4,922	62,434
Total borrowings	<u>5,159</u>	<u>57,228</u>	<u>4,922</u>	<u>62,434</u>
TOTAL PAYABLES AND BORROWINGS	<u>18,503</u>	<u>57,229</u>	<u>17,288</u>	<u>62,435</u>

(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 17.

\$ '000	2019	2019	2018	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	<u>3,831</u>	<u>39,198</u>	<u>3,882</u>	<u>42,355</u>
Total payables and borrowings relating to unrestricted assets	<u>14,672</u>	<u>18,031</u>	<u>13,406</u>	<u>20,080</u>
TOTAL PAYABLES AND BORROWINGS	<u>18,503</u>	<u>57,229</u>	<u>17,288</u>	<u>62,435</u>

continued on next page ...

Page 43 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

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

\$ '000	2019	2018
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(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	600	600
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

continued on next page ...

Page 44 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

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.

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
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(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 ELE provisions at end of period	3,773	832	9,006	161	13,772

continued on next page ...

Page 46 of 86

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	
2018					
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)	(2,642)	(242)	(1,474)	(536)	(4,894)
Remeasurement effects	387	4	385	20	796
Total ELE 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	3,973	3,973
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

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

continued on next page ...

Page 47 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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.

Self-insurance

Council does not self-insure.

Page 48 of 86

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) Correction of errors relating to a previous reporting period

Nature of prior-period error

Roads Infrastructure (depreciable)

During the current financial year, Dubbo Regional Council undertook a comprehensive revaluation of its road assets. The revaluation identified a significant decline in the unit rates adopted for road assets amounting to a net decrement of \$118.479 million (revaluation increment on road base and revaluation decrement on road sub-base) in IPPE balance that should have been reflected in previous years and an understatement in the 2018 depreciation expense of \$5.835 million.

The last valuation exercise was performed in June 2015. The Council did not perform fair value assessments of its IPP&E on 12 May 2016 upon amalgamation of Dubbo City Council and Wellington Council, and subsequently thereafter.

The decline in the unit rate of road assets were due to the following:

- Incorrect rates adopted by the Council on 12 May 2016 upon amalgamation of the former councils. The rates adopted for road assets were based on the 2015 Rawlinsons Construction Handbook and no assessment was made on amalgamation to evaluate the reasonableness of these rates in comparison to actual road construction costs. There has been no significant change in road construction costs between financial years 2017 and 2019.
- Inconsistent depreciation methodology applied in the 2015 revaluation (modified straight line method), adopted on 12 May 2016, instead of straight line valuation methodology.
- Inconsistent condition assessments performed between 2015 and 2019, incorporated in the fair values adopted on 12 May 2016.

The increase in depreciation expense for the year ended 30 June 2018 arose from the revaluation exercise whereby road base components have increased in value and are depreciated for shorter periods compared to road sub-base components which have decrease in value and are depreciated for a long period.

The Council has corrected these errors by:

- restating the balance of its Infrastructure, property, plant and equipment as at the beginning of the earliest period presented (1 July 2017) to reflect the impact of the revaluation decrement in road assets and
- restating its income statement and total comprehensive income for the financial year 30 June 2018 for the effect of the additional depreciation charges

Land Under Roads (non-depreciable)

Dubbo Regional Council valued Land under roads based on the Valuer General average unit rate for Crown Land. AASB 13 'Fair Value Measurement' paragraph 11(b) requires when measuring the fair value of an asset, the entity shall take into account restrictions, if any, on the sale or use of the asset. Therefore discounting factors must be applied to reflect the restrictions placed on land under roads (as opposed to the adjoining land which is not restricted).

This correction resulted in a \$9.589 million decrement to the land under roads (non-depreciable) asset class in Infrastructure, Property, Plant and Equipment. Represented by a \$8.284 million decrement to the land under roads (non-depreciable) asset class in 2016/2017, along with a decrease in income from contributed assets of \$1.575 million in 2017/2018.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2017) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

continued on next page ...

Page 49 of 86

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 (continued)

Statement of Financial Position

\$ '000	<i>Original Balance 1 July, 2017</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 1 July, 2017</i>
Changes to the opening Statement of Financial Position at 1 July 2017			
Infrastructure, property, plant and equipment	2,299,239	(126,764)	2,172,475
Total assets	2,512,477	(126,764)	2,385,713
Accumulated Surplus	2,291,534	(126,764)	2,164,770
Total equity	2,414,370	(126,764)	2,287,606

Adjustments to the comparative figures for the year ended 30 June 2018

Statement of Financial Position

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure, property, plant and equipment	2,387,677	(134,174)	2,253,503
Total assets	2,650,712	(134,174)	2,516,538
Accumulated Surplus	2,382,880	(134,174)	2,248,706
Total equity	2,552,778	(134,174)	2,418,604

Income Statement

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Infrastructure contributions (non-cash) – land under roads	1,750	(1,575)	175
Total income from continuing operations	213,627	(1,575)	212,052
Depreciation and amortisation	30,407	5,835	36,242
Total expenses from continuing operations	122,281	5,835	128,116
Net operating result for the year	91,346	(7,410)	83,936

Statement of Comprehensive Income

\$ '000	<i>Original Balance 30 June, 2018</i>	<i>Impact Increase/ (decrease)</i>	<i>Restated Balance 30 June, 2018</i>
Net operating result for the year	91,346	(7,410)	83,936
Other comprehensive income	47,062	–	47,062
Total comprehensive income for the year	138,408	(7,410)	130,998

continued on next page ...

Page 50 of 86

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 (continued)

(c) 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).

Classification of financial assets and financial liabilities

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

\$ '000	Classifi- cation under AASB 139	Classifi- cation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Trade and other receivables [*]	Loans and receivables	Amortised cost	21,096	–	–	21,096
Cash and cash equivalents	Loans and receivables	Amortised cost	36,755	–	–	36,755
Term deposits	Held to maturity	Amortised cost	197,732	–	–	197,732
[*] Excludes statutory receivables						
Total financial assets under AASB 9 at 1 July 2018			255,583	–	–	255,583
Financial liabilities						
Secured bank loans	Other financial liabilities	Other financial liabilities	67,356	–	–	67,356

continued on next page ...

Page 51 of 86

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 (continued)

\$ '000	Classifi- cation under AASB 139	Classifi- cation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Trade payables	Other financial liabilities	Other financial liabilities	12,038	-	-	12,038
Total financial liabilities under AASB 9 at 1 July 2018			79,394	-	-	79,394

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 at '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	6(a)	47,179	36,755
Balance as per the Statement of Cash Flows		<u>47,179</u>	<u>36,755</u>
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		47,782	83,936
Adjust for non-cash items:			
Depreciation and amortisation		39,902	36,242
Net losses/(gains) on disposal of assets		(703)	(2,762)
Non-cash capital grants and contributions		(13,287)	(18,142)
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		295	387
Decrease/(increase) in inventories		(213)	57
Decrease/(increase) in other current assets		199	(200)
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	(226)
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		<u>72,659</u>	<u>99,750</u>
(c) Non-cash investing and financing activities			
Infrastructure contributions		14,280	19,717
Total non-cash investing and financing activities		<u>14,280</u>	<u>19,717</u>

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

\$ '000	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

(i) 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

\$ '000	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, Narromine and Warrumbungle Council area

(c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Macquarie Regional Library	66.5%	69.0%	72.2%	72.9%	33.0%	33.0%

(d) Summarised financial information for joint ventures

\$ '000	Macquarie Regional Library	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	1,595	1,930
Other current assets	69	71
Non-current assets	1,202	1,089
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	694	1,009

continued on next page ...

Page 54 of 86

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)

\$ '000	<i>Macquarie Regional Library</i>	
	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	(2,592)	(2,376)
Profit/(loss) from continuing operations	74	221
Profit/(loss) for the period	74	221
Total comprehensive income	74	221
Share of income – Council (%)	66.5%	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	5,593
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

Details of capital commitments

Dubbo Regional Council has committed to the following:

- Construction of the Wellington Pool
- Construction of the Rural Fire Service Training Academy
- Construction of the Dubbo Cycling Facility
- Development of Keswick Stage 5, Release 1

(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 lease 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 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.

continued on next page ...

Page 57 of 86

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'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.

continued on next page ...

Page 58 of 86

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	21,090	21,096	21,090	21,096
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	254,095	256,078	254,095	256,078
Financial liabilities				
Measured at amortised cost				
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 market 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:

continued on next page ...

Page 60 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

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	2,325	2,325	(2,326)	(2,326)
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 other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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.

continued on next page ...

Page 61 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	2,547	650	–	–	–	3,197
2018						
Gross carrying amount	1,804	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.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	16,837	827	76	42	839	18,621
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2018						
Gross carrying amount	17,276	531	481	114	591	18,993
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(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	0.00%	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

continued on next page ...

Page 62 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

<i>\$ '000</i>	<i>Weighted average interest rate</i>	<i>Subject to no maturity</i>	<i>payable in:</i>		<i>Total cash outflows</i>	<i>Actual carrying values</i>
			<i>≤ 1 Year</i>	<i>1 - 5 Years</i>	<i>> 5 Years</i>	
2018						
Trade/other payables	0.00%	1,681	10,358	–	–	12,039
Loans and advances	6.10%	–	8,958	35,653	54,495	99,106
Total financial liabilities		<u>1,681</u>	<u>19,316</u>	<u>35,653</u>	<u>54,495</u>	<u>111,145</u>
						<u>79,395</u>

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

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
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	47,179	22,970	95%	F
Additional grant money was received for the below projects: - \$6m 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 cash and 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	40,104	7,407	16%	F
The number of job vacancies and wage capitalisation was higher than anticipated, which resulted in a lower employee cost.					
Borrowing costs	4,037	4,435	(398)	(10)%	U
Council's provision for quarry and tip restoration was higher than originally budgeted.					
Materials and contracts	27,854	35,017	(7,163)	(26)%	U
Council engaged additional contractors and consultants to finalise many ongoing projects.					

continued on next page ...

Page 64 of 86

Dubbo Regional Council

Financial Statements 2019

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 -----	
Depreciation and amortisation	31,529	39,902	(8,373)	(27)% U
Additional depreciation incurred due to asset revaluation.				
Other expenses	14,763	16,900	(2,137)	(14)% U
Council had increased expenses in relation to advertising, bad and doubtful debts, street lighting and donations and contributions to local organisations than originally budgeted.				

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	58,850	72,659	13,809	23% F
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.				
Net cash provided from (used in) investing activities	(55,428)	(57,266)	(1,838)	3% U
Net cash provided from (used in) financing activities	(4,922)	(4,969)	(47)	1% U

Dubbo Regional Council

Financial Statements 2019

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	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Infrastructure, property, plant and equipment						
	9(a)					
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		12/05/16	–	–	35,684	35,684
Land under roads (post 30/06/2008)		30/06/19	–	–	1,201	1,201
Land improvements – non-depreciable		30/06/10	–	–	1,801	1,801
Land improvement – depreciable		30/06/08	–	–	2,376	2,376
Airport runways/taxiways		30/06/15	–	–	29,582	29,582
Buildings – non-specialised		30/06/18	–	–	24,179	24,179
Buildings – specialised		30/06/18	–	–	110,440	110,440
Other structures		30/06/13	–	–	73,416	73,416
Roads		30/06/19	–	–	892,941	892,941
Bulk earthworks		30/06/19	–	–	402,948	402,948
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		12/05/16	–	–	6,260	6,260
Other open space/recreational assets		12/05/16	–	–	–	–
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	2,326,202	2,396,172

continued on next page ...

Page 66 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	Fair value measurement hierarchy			Total Restated
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
	9(a)				
Capital works in progress		30/06/17	–	–	15,587
Plant and equipment		30/06/14	–	27,312	–
Office equipment		30/06/14	–	1,694	–
Furniture and fittings		30/06/14	–	1,643	–
Operational land		30/06/18	–	35,545	–
Community land		30/06/11	–	–	35,691
Land under roads (post 30/06/2008)		At cost	–	–	1,096
Land improvements – non-depreciable		30/06/10	–	–	1,801
Land improvement – depreciable		30/06/08	–	–	2,468
Airport runways/taxiways		30/06/15	–	–	24,787
Buildings – non-specialised		30/06/18	–	–	24,607
Buildings – specialised		30/06/18	–	–	93,024
Other structures		30/06/13	–	–	71,435
Roads		30/06/15	–	–	893,216
Bulk earthworks		30/06/15	–	–	308,302
Stormwater drainage		30/06/15	–	–	195,411
Water supply network		30/06/17	–	–	247,189
Sewerage network		30/06/17	–	–	265,490
Swimming pools		12/05/16	–	–	3,104
Other open space/recreational assets		12/05/16	–	–	–
Quarry assets		30/06/14	–	–	1,997
Heritage collections		30/06/07	–	–	29
Other assets		30/06/07	–	–	1,193
Tip restoration assets		30/06/18	–	–	66
Quarry restoration assets		30/06/18	–	–	816
Total infrastructure, property, plant and equipment			–	66,194	2,187,309
					2,253,503

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

(2) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Level 2 inputs

Plant & equipment

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

continued on next page ...

Page 67 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 and other structures

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

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 then discounted accordingly. 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.

Airport runways/taxiways

Airport runways/taxiways 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 airport runways/taxiways.

continued on next page ...

Page 66 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 historical 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 historical 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.

continued on next page ...

Page 69 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

<i>\$ '000</i>	<i>Capital works in progress</i>	<i>Community Land</i>	<i>Land under Roads Restated</i>	<i>Land improvement non-dep</i>	<i>Land improvement dep</i>
2018					
Opening balance	26,917	35,840	913	1,801	3,421
Transfers from/(to) another asset class	(11,464)	(149)	8	-	(1,094)
Purchases (GBV)	134	-	175	-	447
Depreciation and impairment	-	-	-	-	(305)
Closing balance	15,587	35,691	1,096	1,801	2,468
2019					
Opening balance	15,587	35,691	1,096	1,801	2,469
Transfers from/(to) another asset class	(3,283)	-	-	-	-
Purchases (GBV)	10,861	-	131	-	243
Disposals (WDV)	-	(7)	(26)	-	(7)
Depreciation and impairment	-	-	-	-	(329)
Closing balance	23,165	35,684	1,201	1,801	2,376

<i>\$ '000</i>	<i>Buildings non specialised</i>	<i>Building specialised</i>	<i>Other structures</i>	<i>Roads Restated</i>	<i>Airports, runways, taxiways</i>
2018					
Opening balance	15,633	65,792	57,049	886,496	15,939
Transfers from/(to) another asset class	(1,069)	1,062	2,958	4,206	391
Purchases (GBV)	245	4,869	14,863	17,710	8,886
Depreciation and impairment	(429)	(2,202)	(3,434)	(15,196)	(429)
FV gains – other comprehensive income	10,227	23,504	-	-	-
Closing balance	24,607	93,025	71,436	893,216	24,787
2019					
Opening balance	24,607	93,025	71,436	893,216	24,787
Transfers from/(to) another asset class	(958)	960	(640)	1,911	-
Purchases (GBV)	1,692	20,574	6,677	13,304	5,225
Disposals (WDV)	-	(395)	(215)	-	-
Depreciation and impairment	(1,162)	(3,724)	(3,842)	(15,490)	(430)
Closing balance	24,179	110,440	73,416	892,941	29,582

<i>\$ '000</i>	<i>Bulk earthworks</i>	<i>Stormwater drainage</i>	<i>Water supply network</i>	<i>Sewerage network</i>	<i>Swimming pools</i>
2018					
Opening balance	307,792	188,891	234,834	260,596	2,887

continued on next page ...

Page 70 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	<i>Bulk earthworks</i>	<i>Stormwater drainage</i>	<i>Water supply network</i>	<i>Sewerage network</i>	<i>Swimming pools</i>
Transfers from/(to) another asset class	(27)	–	7,494	(254)	(85)
Purchases (GBV)	537	7,506	5,149	5,217	402
Disposals (WDV)	–	–	(56)	(527)	–
Depreciation and impairment	–	(987)	(5,067)	(4,902)	(100)
FV gains – other comprehensive income	–	–	4,834	5,360	–
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)	913	9,044	1,352	1,022	3,753
Disposals (WDV)	–	(166)	–	–	(490)
Depreciation and impairment	–	(1,046)	(5,123)	(4,804)	(107)
FV gains – other comprehensive income	93,316	–	3,886	4,146	–
Closing balance	402,948	203,952	249,834	264,219	6,260

\$ '000	<i>Other open space recreational</i>	<i>Quarry assets</i>	<i>Heritage collections</i>	<i>Other assets</i>	<i>Tip restoration assets</i>
2018					
Opening balance	2,418	1,997	28	1,238	369
Transfers from/(to) another asset class	(2,418)	–	–	–	–
Purchases (GBV)	–	–	–	–	436
Disposals (WDV)	–	–	–	–	(583)
Depreciation and impairment	–	–	–	(45)	(156)
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	<i>Quarry restoration assets</i>	<i>Total</i>
2018		
Opening balance	238	2,111,089
Transfers from/(to) another asset class	–	(441)
Purchases (GBV)	591	67,167
Disposals (WDV)	–	(1,166)
Depreciation and impairment	(13)	(33,265)
FV gains – other comprehensive income	–	43,925
Closing balance	816	2,187,309
2019		

continued on next page ...

Page 71 of 86

Dubbo Regional Council

Financial Statements 2019

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	2,187,309
Transfers from/(to) another asset class	–	13
Purchases (GBV)	119	75,309
Disposals (WDV)	–	(1,306)
Depreciation and impairment	(60)	(36,471)
FV gains – other comprehensive income	–	101,348
Closing balance	875	2,326,202

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Capital works in progress	23,165	Cost approach	Gross replacement cost
Community Land	35,684	NSW Valuer General land valuation	Land value, land area
Land under Roads	1,201	NSW Valuer General land valuation	Land value, land area
Land improvements non-depreciable	1,801	Cost approach	Asset condition, remaining lives, residual value
Land improvements depreciable	2,376	Cost approach	Asset condition, remaining lives, residual value
Buildings non specialised	24,179	Cost approach	Gross replacement cost
Building specialised	110,440	Cost approach	Gross replacement cost
Other structures	73,416	Cost approach	Asset condition, remaining lives, residual value
Roads	892,941	Cost approach	Asset condition, remaining lives, residual value
Airports, runways, taxiways	29,582	Cost approach	Asset condition, remaining lives, residual value
Bulk earthworks	402,948	Cost approach	Asset condition, remaining lives, residual value
Stormwater drainage	203,952	Cost approach	Asset condition, remaining lives, residual value
Water supply network	249,834	Cost approach	Asset condition, remaining lives, residual value
Sewerage network	264,219	Cost approach	Asset condition, remaining lives, residual value
Swimming pools	6,260	Cost approach	Asset condition, remaining lives, residual value
Other open space recreational	–	Cost approach	Asset condition, remaining lives, residual value
Quarry assets	1,997	Cost approach	Gross replacement cost
Heritage collections	28	Cost approach	Gross replacement cost
Library books	–	Cost approach	Gross replacement cost
Other assets	1,300	Cost approach	Gross replacement cost
Tip restoration assets	4	Cost estimate of future liability	
Quarry restoration assets	875	Cost estimate of future liability	

(4) Highest and best use

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

Page 72 of 86

Dubbo Regional Council

Notes to the Financial Statements

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	2019	2018
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

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. 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

\$ '000	as at 30/6/2018		Contributions received during the year				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)
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,105	1,678	–	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	–
S64 contributions	–	2,215	–	21	(2,236)	–	–	–
Total contributions	13,622	5,430	–	270	(5,085)	–	14,237	–

continued on next page ...

Page 75 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	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)
		Cash	Non-cash					
S7.11 Contributions – under a plan								
CONTRIBUTION PLAN (former Dubbo)								
Drainage	1,789	595	–	35	(845)	–	1,574	–
Roads	9,105	1,678	–	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	–

continued on next page ...

Page 76 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	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)
		Cash	Non-cash					
S7.11 Contributions – not under a plan								
(former Wellington)								
Drainage	75	–	–	–	–	–	75	–
Roads	118	–	–	–	–	–	118	–
Open space	35	–	–	–	–	–	35	–
Community facilities	10	–	–	–	–	–	10	–
Emergency services	36	–	–	–	–	–	36	–
Total	274	–	–	–	–	–	274	–

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. 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	18,235	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	42,417	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	133,597	29,381	21,162
Expenses from continuing operations			
Employee benefits and on-costs	31,092	5,014	3,998
Borrowing costs	1,985	1,534	916
Materials and contracts	28,642	4,154	2,221
Depreciation and amortisation	29,269	5,560	5,073
Other expenses	12,347	3,012	1,541
Net losses from the disposal of assets	19	(2)	(17)
Total expenses from continuing operations	103,354	19,272	13,732
Operating result from continuing operations	30,243	10,109	7,430
Net operating result for the year	30,243	10,109	7,430
Net operating result attributable to each council fund	30,243	10,109	7,430
Net operating result for the year before grants and contributions provided for capital purposes	(12,174)	7,629	5,148

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.

continued on next page ...

Page 78 of 86

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. 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	10,349
Investments	43,000	23,330	15,000
Receivables	13,864	6,778	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	1,846,154	262,361	287,657
Investments accounted for using the equity method	1,533	-	-
Other	451	44	-
Total non-current assets	1,912,502	279,905	314,157
TOTAL ASSETS	1,999,201	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	5,262	65	-
Total non-current liabilities	23,293	23,800	15,463
TOTAL LIABILITIES	49,911	26,566	17,740
Net assets	1,949,290	293,750	324,694
EQUITY			
Accumulated surplus	1,820,530	230,339	245,619
Revaluation reserves	128,760	63,411	79,075
Council equity interest	1,949,290	293,750	324,694
Total equity	1,949,290	293,750	324,694

NB. All amounts disclosed above are gross – that is, they include internal 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 s410(3) of the *Local Government Act 1993*)

Dubbo Regional Council

Financial Statements 2019

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2019	2019	2018	2017	
			<i>Restated</i>		
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(149)	(0.11)%	14.54%	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	116,948	63.77%	57.00%	62.54%	>60.00%
Total continuing operating revenue ¹	183,388				
3. Unrestricted current ratio					
Current assets less all external restrictions	86,957	4.35x	5.52x	3.63x	>1.50x
Current liabilities less specific purpose liabilities	19,988				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	44,188	4.70x	6.17x	5.79x	>2.00x
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	3,557	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	26.13 mths	25.79 mths	16.00 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	8,362				

(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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		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}	(14.29)%	7.95%	28.36%	31.02%	27.27%	26.26%	>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	53.76%	46.71%	91.13%	89.07%	88.65%	84.17%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.35x	5.52x	14.61x	9.22x	12.42x	14.07x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.69x	4.87x	9.51x	9.39x	11.90x	10.81x	>2.00x
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	17.81	19.63	44.60	34.38	71.85	71.82	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(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.

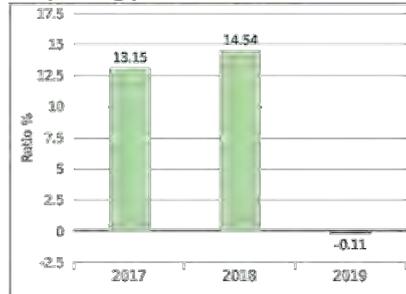
Dubbo Regional Council

Financial Statements 2019

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

Note 24(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 (0.11)%

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

Commentary on 2018/19 result

2018/19 ratio 63.77%

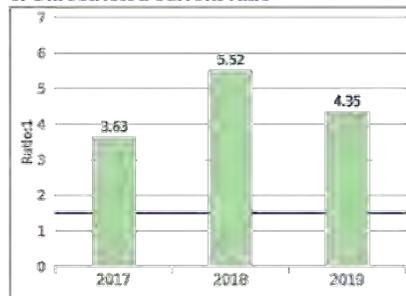
Own source operating revenue ratio has risen above the benchmark of 60% this year due to the normal level of Grant funding.

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: — > 1.50x

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

- Ratio achieves benchmark
- Ratio is outside benchmark

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Page 82 of 86

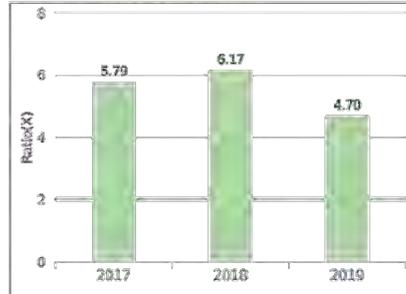
Dubbo Regional Council

Financial Statements 2019

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

Note 24(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 4.70x

This ratio result is particularly strong indicating that there is \$4.70 of cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.00.

Benchmark: — > 2.00x

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 26.13 mths

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

Benchmark: — > 3.00mths

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 25. Council information and contact details

Principal place of business:

Church Street
Dubbo NSW 2830

Contact details

Mailing Address:

PO Box 81
Dubbo NSW 2830

Telephone: 02 6801 4000

Facsimile: 02 6801 4259

Opening hours:

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

Internet: www.dubbo.nsw.gov.au

Email: council@dubbo.nsw.gov.au

Officers

Chief Executive Officer

Michael McMahon

Responsible Accounting Officer

Jane Bassingthwaighte

Public Officer

Craig Giffin

Auditors

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

Elected members

Mayor

Ben Shields

Councillors

Annemarie Jones OAM
Jane Diffey
Vicki Etheridge
David Grant
Dayne Gumley
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 GPFS 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

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Income Statement – Dubbo City Regional Airport	6
Income Statement – Livestock Markets	7
Income Statement – Property Development	8
Income Statement – Dubbo City Holiday Park	9
Income Statement – Rainbow Cottage	10
Statement of Financial Position – Water Supply Business Activity	11
Statement of Financial Position – Sewerage Business Activity	12
Statement of Financial Position – Dubbo City Regional Airport	13
Statement of Financial Position – Livestock Markets	14
Statement of Financial Position – Property Development	15
Statement of Financial Position – Dubbo City Holiday Park	16
Statement of Financial Position – Rainbow Cottage	17
Note 1 – Significant Accounting Policies	18
Auditor's Report on Special Purpose Financial Statements	22

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).

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 25 November 2019.

Ben Shields
Mayor
25 November 2019

Stephen Lawrence
Deputy Mayor
25 November 2019

Michael McMahon
Chief Executive Officer
25 November 2019

Jane Bassingthwaighe
Responsible Accounting Officer
25 November 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	19,460
Interest	1,193	969
Grants and contributions provided for non-capital purposes	127	121
Other income	63	41
Total income from continuing operations	<u>26,901</u>	<u>27,634</u>
Expenses from continuing operations		
Employee benefits and on-costs	5,014	4,878
Borrowing costs	1,534	1,633
Materials and contracts	4,154	4,381
Depreciation, amortisation and impairment	5,560	5,280
Loss on sale of assets	(2)	50
Calculated taxation equivalents	130	131
Other expenses	3,012	2,778
Total expenses from continuing operations	<u>19,402</u>	<u>19,131</u>
Surplus (deficit) from continuing operations before capital amounts	7,499	8,503
Grants and contributions provided for capital purposes	2,480	3,369
Surplus (deficit) from continuing operations after capital amounts	<u>9,979</u>	<u>11,872</u>
Surplus (deficit) from all operations before tax	9,979	11,872
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(2,062)	(2,338)
SURPLUS (DEFICIT) AFTER TAX	<u>7,917</u>	<u>9,534</u>
Plus accumulated surplus	220,889	208,886
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	130	131
– Corporate taxation equivalent	2,062	2,338
Closing accumulated surplus	<u>230,339</u>	<u>220,889</u>
Return on capital %	3.4%	3.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	7,917	9,534
Less: capital grants and contributions (excluding developer contributions)	(2,480)	(3,369)
Surplus for dividend calculation purposes	<u>5,437</u>	<u>6,165</u>
Potential dividend calculated from surplus	2,718	3,082

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	199	673
Interest	1,483	1,361
Grants and contributions provided for non-capital purposes	119	121
Other income	63	55
Total income from continuing operations	<u>18,880</u>	<u>18,713</u>
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
Total expenses from continuing operations	<u>13,972</u>	<u>13,992</u>
Surplus (deficit) from continuing operations before capital amounts	4,908	4,721
Grants and contributions provided for capital purposes	2,282	3,687
Surplus (deficit) from continuing operations after capital amounts	<u>7,190</u>	<u>8,408</u>
Surplus (deficit) from all operations before tax	7,190	8,408
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,350)	(1,298)
SURPLUS (DEFICIT) AFTER TAX	<u>5,840</u>	<u>7,110</u>
Plus accumulated surplus	239,415	230,765
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	240	242
– Corporate taxation equivalent	1,350	1,298
Closing accumulated surplus	<u>245,619</u>	<u>239,415</u>
Return on capital %	2.0%	2.0%
Subsidy from Council	–	1,808
Calculation of dividend payable:		
Surplus (deficit) after tax	5,840	7,110
Less: capital grants and contributions (excluding developer contributions)	(2,282)	(3,687)
Surplus for dividend calculation purposes	<u>3,558</u>	<u>3,423</u>
Potential dividend calculated from surplus	1,779	1,711

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019	2018
	Category 1	Category 1
Income from continuing operations		
User charges	3,689	3,952
Grants and contributions 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
Borrowing costs	126	64
Materials and contracts	1,921	1,811
Depreciation, amortisation and impairment	1,017	785
Loss on sale of assets	9	–
Calculated taxation equivalents	103	119
Other expenses	332	600
Total expenses from continuing operations	4,042	3,877
Surplus (deficit) from continuing operations before capital amounts	(66)	211
Grants and contributions 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
Closing accumulated surplus	59,157	37,806
Return on capital %	0.1%	0.7%
Subsidy from Council	587	833

Dubbo Regional Council

Special Purpose Financial Statements 2019

Income Statement – Livestock Markets

for the year ended 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
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	558
Materials and contracts	1,206	1,229
Depreciation, amortisation and impairment	1,347	1,295
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
Closing accumulated surplus	26,125	26,213
Return on capital %	(1.4)%	4.0%
Subsidy from Council	535	–

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019	2018
	Category 1	Category 1
Income from continuing operations		
Interest	168	123
Profit from the sale of assets	1,999	3,359
Other income	21	12
Total income from continuing operations	<u>2,188</u>	<u>3,494</u>
Expenses from continuing operations		
Employee benefits and on-costs	228	159
Materials and contracts	208	193
Calculated taxation equivalents	212	209
Other expenses	1	1
Total expenses from continuing operations	<u>649</u>	<u>562</u>
Surplus (deficit) from continuing operations before capital amounts	1,539	2,932
Surplus (deficit) from continuing operations after capital amounts	<u>1,539</u>	<u>2,932</u>
Surplus (deficit) from all operations before tax	1,539	2,932
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(423)	(806)
SURPLUS (DEFICIT) AFTER TAX	<u>1,116</u>	<u>2,126</u>
Plus accumulated surplus	12,340	9,199
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	212	209
– Corporate taxation equivalent	423	806
Closing accumulated surplus	<u>14,091</u>	<u>12,340</u>
Return on capital %	702.7%	0.0%

Dubbo Regional Council

Special Purpose Financial Statements 2019

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

\$ '000	2019	2018
	Category 2	Category 2
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	64	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
Less: 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	64	63
– Corporate taxation equivalent	28	94
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
	Category 2	Category 2
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	939
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
Closing accumulated surplus	130	452
Return on capital %	(24.2)%	(13.2)%
Subsidy from Council	347	222

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Water Supply Business Activity
as at 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	260,989
Other	44	44
Total non-current assets	279,905	281,196
TOTAL ASSETS	320,316	307,866
LIABILITIES		
Current liabilities		
Payables	465	644
Borrowings	1,089	1,069
Provisions	1,212	1,180
Total current liabilities	2,766	2,893
Non-current liabilities		
Borrowings	23,735	24,865
Provisions	65	50
Total non-current liabilities	23,800	24,915
TOTAL LIABILITIES	26,566	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
as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	10,349	(622)
Investments	15,000	28,658
Receivables	2,928	2,468
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	245,619	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
as at 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
ASSETS		
Current assets		
Cash and cash equivalents	1	1
Investments	17,897	2,819
Receivables	115	87
Total current assets	18,013	2,907
Non-current assets		
Infrastructure, property, plant and equipment	49,000	41,636
Total non-current assets	49,000	41,636
TOTAL ASSETS	67,013	44,543
LIABILITIES		
Current liabilities		
Payables	132	231
Borrowings	796	787
Provisions	180	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	59,157	37,806
Revaluation reserves	4,060	3,290
TOTAL EQUITY	63,217	41,096

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Livestock Markets

as at 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
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	20,616
Total non-current assets	19,598	20,616
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

as at 30 June 2019

\$ '000	2019	2018
	Category 1	Category 1
ASSETS		
Current assets		
Investments	8,255	9,393
Receivables	13	–
Inventories	1,531	773
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
as at 30 June 2019

\$ '000	2019	2018
	Category 2	Category 2
ASSETS		
Current assets		
Cash and cash equivalents	4	1
Investments	1,777	1,424
Total current assets	1,781	1,425
Non-current assets		
Infrastructure, property, plant and equipment	5,987	6,174
Total non-current assets	5,987	6,174
TOTAL ASSETS	7,768	7,599
LIABILITIES		
Current liabilities		
Payables	91	9
Borrowings	125	121
Total current liabilities	216	130
Non-current liabilities		
Borrowings	–	125
Total non-current liabilities	–	125
TOTAL LIABILITIES	216	255
NET ASSETS	7,552	7,344
EQUITY		
Accumulated surplus	6,014	5,848
Revaluation reserves	1,538	1,496
TOTAL EQUITY	7,552	7,344

Dubbo Regional Council

Special Purpose Financial Statements 2019

Statement of Financial Position – Rainbow Cottage

as at 30 June 2019

\$ '000	2019	2018
	Category 2	Category 2
ASSETS		
Current assets		
Investments	–	37
Receivables	13	13
Total current assets	<u>13</u>	<u>50</u>
Non-current assets		
Infrastructure, property, plant and equipment	1,357	1,406
Total non-current assets	<u>1,357</u>	<u>1,406</u>
TOTAL ASSETS	<u>1,370</u>	<u>1,456</u>
LIABILITIES		
Current liabilities		
Payables	34	32
Provisions	240	214
Total current liabilities	<u>274</u>	<u>246</u>
Non-current liabilities		
Provisions	21	17
Borrowings	204	–
Total non-current liabilities	<u>225</u>	<u>17</u>
TOTAL LIABILITIES	<u>499</u>	<u>263</u>
NET ASSETS	<u>871</u>	<u>1,193</u>
EQUITY		
Accumulated surplus	130	452
Revaluation reserves	741	741
TOTAL EQUITY	<u>871</u>	<u>1,193</u>

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 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

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 taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Water Supply Service

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

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 Boothenba Road.

e. Property Development

continued on next page ...

Page 18 of 22

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)

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

NB. The surplus on disposal of land is disclosed in the Income Statement of the Business Activities as operating revenue. In the 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.

(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 \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

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 ...

Page 19 of 22

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 SPFS.

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 ...

Page 20 of 22

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

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).



REPORT: 'Destination Dubbo': International Ready - Project Overview

AUTHOR: Director Culture and Economy
REPORT DATE: 14 November 2019
TRIM REFERENCE: ID19/1458

EXECUTIVE SUMMARY

On 8 October 2019, Member for Dubbo, Dugald Saunders announced that Dubbo Regional Council was successful in receiving \$10,147,000 for a major tourism infrastructure project through the Regional Growth: Environment and Tourism Fund. Council will contributing \$2,536,760 to the project.

The project, 'Destination Dubbo – International Ready' is aimed at developing three international-ready tourism products that will drive visitation and grow nights of stay. In addition to economic outcomes of this project, 'Destination Dubbo' will also provide a platform for community engagement and education, cultural development and building community pride.

This report provides a summary of the key projects that will be delivered including the Old Dubbo Gaol Heritage Plaza, Dubbo Wiradjuri Tourism Centre and the Macquarie River Foreshore Event Precinct.

The development of the experiences will occur concurrently. The three projects that reside within the 'Destination Dubbo' project are already supported by varying levels of community consultation, business cases and concept designs. There will be further community and stakeholder consultation on the designs, content and future operating models. In consultation with stakeholder and community, Council must ensure delivery on the objectives of the the Regional Growth: Environment and Tourism Fund, and Council's objective to position Dubbo as the number one inland visitor destination in NSW and Australia, both for Australian families and international visitors to NSW.

Community consultation process and engagement plans will differ for each project. In particular the development of the Dubbo Wiradjuri Tourism Centre will be supported through the establishment of a Wiradjuri Technical Advisory Panel, as adopted by Council at the Ordinary Council Meeting in October 2019. Appointments to the Advisory Panel will be undertaken through a public expression of interest process.

To proceed with the development of the Old Dubbo Gaol Heritage Plaza, Council is required to acquire a building in Macquarie Street, Dubbo, and engage in a partnered approach with neighboring facilities, including Telstra to further refine the concept designs for that project.

FINANCIAL IMPLICATIONS

The 'Destination Dubbo' Project is being funded with \$10,147,000 from the Regional Growth: Environment and Tourism Fund, and \$2,536,760 from Dubbo Regional Council.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

- 1. That the information in the report by the Director Culture and Economy dated 14 November 2019 be noted.**
- 2. That to progress with construction of the Old Dubbo Gaol Heritage Plaza, that the CEO be authorised to undertake the required acquisition of 92 Macquarie Street, Dubbo.**
- 3. That the CEO be authorised to undertake an Expressions of Interest process and make subsequent appointments to the Wiradjuri Technical Advisory Panel that will provide advice to Council on the development of the Dubbo Wiradjuri Tourism Centre and Aboriginal interpretation across the other 'Destination Dubbo' projects.**

Natasha Comber
Director Culture and Economy

BACKGROUND

'Destination Dubbo – International Ready' seeks to position Dubbo as the number one inland visitor destination in NSW and Australia, both for Australian families and international visitors to NSW. The project will increase the Region's support to the NSW Government in achieving its overnight visitation expenditure targets of \$20 billion by 2025 and \$25 billion by 2030 in regional NSW.

The Project will be delivered across three locations:

- Old Dubbo Gaol – 92 Macquarie Street, Dubbo.
- Wiradjuri Tourism Centre – Elizabeth Park, Windsor Parade and Coronation Drive, Dubbo.
- Macquarie River Event Precinct Ollie Robbins Oval – Blight Street, Dubbo.

REPORT

'Destination Dubbo' Project One: Old Dubbo Gaol Public Heritage Plaza

Development of a new public plaza in front of the State Heritage listed Old Dubbo Gaol located in the heart of Dubbo's Central Business District, comprising of:

- Landscaping and artworks that recreate and interpret former historic structures which occupied the site, including the watchtower and judge's bench/seating,
- A skeletal steel and timber shade 'ghost building' structure – signifying the form, location and materials of the original 1847 timber slab courthouse and lockup – with an outdoor table for activation of a plaza restaurant/café, and
- Kinetic Artwork Screen projecting images onto the façade of the Telstra Telephone Exchange that forms the southern side of the plaza.

The plaza, as per the concept image below, will open up clear views of the Gaol's gatehouse entrance and Gaol wall as well as the ornate Post Office colonnade and its iconic clock tower, creating a civic space in Dubbo's justice precinct.

Concept only: Old Dubbo Gaol Public Heritage Plaza



The plaza will enhance the Gaol as a visitor attraction, which is currently undergoing a \$1.3 million refurbishment of infrastructure inside the Gaol's walls - exhibitions and interpretive themes, including new cutting-edge animatronics - to improve the cultural tourism experience.

To proceed this project, Council will need to acquire the privately owned 92 Macquarie Street Dubbo. Owners of this commercial building were made aware of Council's proposed plans when the business case for the 'Destination Dubbo' project was developed for the funding application.

'Destination Dubbo' Project Two: Dubbo Wiradjuri Tourism Centre

The Wiradjuri Tourism Experience project will encourage the celebration of Aboriginal culture in regional Australia. The experience will create a platform for custodians of the land to share the diversity of Aboriginal culture in the Dubbo region to the domestic and international tourism markets and provide a facility to encourage development and exposure of Aboriginal tourism businesses and products to a wider audience. Working closely with the local community including descendants of the eight clan groups within Dubbo and representatives and other nations within the Aboriginal Community that now calls this region home, this facility will allow Aboriginal Curators to tell the stories of the rich cultural diversity of Australia's custodians of the land, and provide experiences for the community and visitors alike to engage, celebrate and learn about our rich Aboriginal culture.

The Dubbo Wiradjuri Tourism Centre will be a perfect complement to the Wiradjuri Garden that will also be developed within the Dubbo Regional Botanical Gardens (project underway - see concept design further below). Council undertook significant consultation with the community on the development of the Wiradjuri Garden concept this included the initial community led concept and masterplan for Wiradjuri Park developed 2013 with a location by the Macquarie River, through to 2018 concept design to deliver a Wiradjuri Garden with the \$900,000 Stronger Community Grant provided by the NSW Government. Whilst the funding available for the garden experience did not extend to the construction of a building, as part of

the consultation in 2018, ideas were gathered and support garnered, for a tourism centre building to safely house local artefacts and create an engaging space for cultural demonstrations and experiences.

The development process of this product will be facilitated by Council, but the experience creation will be led by community. Defining how our local community want to celebrate their culture, share their story and enhance their offerings to the visitor market must come from community. This partnered approach will ensure the tourism experience is authentic and the community's social, cultural and economic objectives are defined, agreed and delivered. Importantly this partnered approach will also achieve desired levels of community and business engagement to support the Centres' long term sustainability.

Further consultation may raise new ideas and community desires that cannot be addressed in this particular project, however these ideas will be captured and directed appropriately to Council's Cultural Plan (in development) or Community Strategic Planning process (Dubbo 2040).

This project has the capacity to create a sustainable tourism product that would promote cultural pride and employment, in addition to business opportunities that could develop within the space. As outlined in the funding application opportunities for the product to be further explored with community include:

- Cultural education opportunities;
- Aboriginal Employment Opportunities;
- Aboriginal Business Start-up Co-Op Space (Tours/Art/Cultural Demonstrations and Experiences);
- Artist in residence and/or Aboriginal art sales space.

Since the funding announcement formal and informal consultation with the Aboriginal community has continued including a project briefing to the Dubbo Aboriginal Community Working Party on 12 November 2019. The Working Party provided a letter of support to the funding application and are very excited to see the project progressing. The Working Party was also informed that the Aboriginal content and storytelling to the visitor market through the 'Destination Dubbo' project was not limited to the Dubbo Wiradjuri Tourism Centre, but that Aboriginal interpretation would be required through the Old Dubbo Gaol Public Plaza, Riverside Event Precinct and interpretive tourism trail.

Further consultation will be undertaken with broader community and specifically through the Wiradjuri Technical Advisory Panel, as adopted by Council at the Ordinary Council Meeting in October 2019. Appointments to the Technical Advisory Panel will be undertaken through an open expression of interest process in December 2019 to mid-February 2020.

Appointments to the Advisory Committee will be made by a panel consisting of the Council's Chief Executive Officer, Director Culture and Economy and Aboriginal Liaison Officer. The Committee will likely have its first meeting late February 2020. This process will be undertaken in close consultation with the community, including the Dubbo Aboriginal Community Working Party. In addition to the Chairperson and Deputy Chairperson of Dubbo Aboriginal Community Working Party, volunteers for the committee will be sought with a

background in the following areas: Tourism operations (2 persons), economic development/employment (2 persons), Wiradjuri culture and language (2 persons) and local Aboriginal community engagement (2 persons). The Wiradjuri Technical Advisory Committee will review and finalise the building design. The building design will be based on the vision of the visitor experience to be delivered. They will also provide advice to Council on Aboriginal cultural elements with the other 'Destination Dubbo' projects including the Public Plaza, Event Precinct and Tourism Trails.

As part of the funding application for the construction of a new Wiradjuri Tourism Centre it was proposed to exhibit the carved trees, or dendroglyphs belonging to the Dubbo area, that are currently held in storage at the Australian Museum, Sydney. If there is community support for this part of the project, the ultimate aim is for the trees to be repatriated back to country, Wilay Wiradjuri Country. This element of the project will only happen if there is cohesive community support for this to occur.

Concept only: Wiradjuri Tourism Centre



Proposed Tourism Centre location north of the Wiradjuri Garden



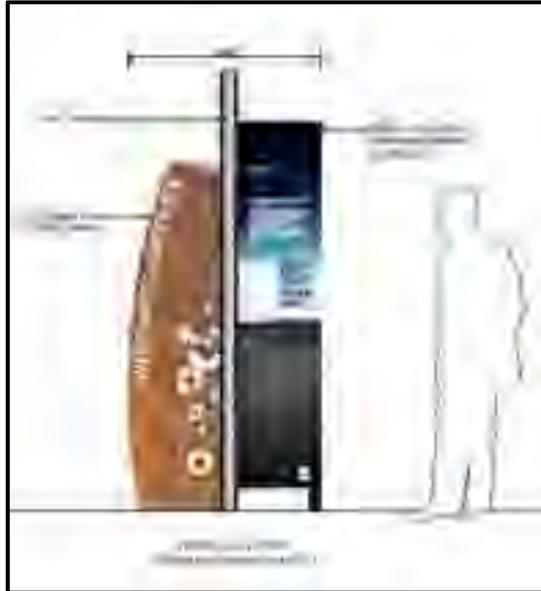
'Destination Dubbo' Project Three: Macquarie River Foreshore Event Precinct

Construction of a state-of-the-art outdoor event arena at Ollie Robbins Oval in Dubbo's CBD, with capacity to attract major year-round events and festivals to Dubbo and ignite new economic growth initiatives within this precinct. Infrastructure will be designed and constructed to cope with periods of flooding. Major local events can cost effectively expand with required infrastructure supplied to support development of their events including staging, electricity, amenities. Precinct will further grow visitor economy through potential new or revived tourism offerings including kayak hire, bike hire, fishing hire, pop up cafes and Aboriginal and wildlife tours. The facility will play an important role in connecting the river with Dubbo CBD, and will be the first stage of the Macquarie River Master Plan to be implemented.

Concept only: Macquarie River Foreshore Event Precinct



New Aboriginal and cultural heritage interpretive trails will be created linking tourism experiences. The trails will consist of 20 interpretative signboards (concept below) that explain the Wiradjuri culture and heritage of Dubbo.



SUMMARY

Dubbo Regional Council will deliver three tourism-based infrastructure products in Dubbo to encourage day trippers to the Region convert their visit into an overnight stay, or the existing visitor nights are extended to an extra night or two and further contribute to visitation spend.

This report provides a summary of the key projects that will be delivered including Old Dubbo Gaol Heritage Plaza, Dubbo Wiradjuri Tourism Centre and the Macquarie River Foreshore Event Precinct.

All three projects have had concept designs developed but further consultation is required to define the visitor experience and in particular community consultation on the development of a Dubbo Wiradjuri Tourism Centre - the experience and the building. This consultation will be strongly supported through the establishment of a Wiradjuri Technical Advisory Committee.



REPORT: Initiatives to build local business confidence and support local spend.

AUTHOR: Manager Economic Development and Marketing
REPORT DATE: 12 November 2019
TRIM REFERENCE: ID19/1540

EXECUTIVE SUMMARY

This report outlines the activities that have been developed and initiated by the Economic Development and Marketing Branch to support the business and local residential community of the Dubbo Regional LGA in the face of a predicted downward trend in retail spending leading into the Christmas period.

This report covers both the lead into Christmas with initiatives focused on 'Buy Local or Bye Local' in Wellington, as well as carrying through to the regular Christmas Programs implemented by the Branch through 'Smile its Christmas' in Dubbo and 'Jingle on the Bell' in Wellington.

The business community have been consulted throughout the development of these programs and have been overwhelmingly supportive of the implementation and the proactive positive actions of Council to support local spending.

Whilst the Regional economy is remaining fairly strong year on year, particularly in Dubbo City, this is supported by ongoing proactive developments and partnerships developed by Council staff to support destination marketing, product development in tourism and platform programs for business engagement with community. Retail spend has taken a significant hit in Wellington, but detailed outcomes of the 'Buy Local or Bye Local' Program delivered specific to Wellington have yielded positive results. It should be noted that in order to maintain business confidence and minimise the impacts of falling spend, that a focus on capturing escape spending through people buying from out of the Region and capturing as much new money into the Region as possible are the key objectives of campaigns.

It is also an imperative of these Programs that they lift morale not only of consumers but also of business people. An objective of the enclosed Christmas promotional campaigns is that they are fun, engaging and free to be a part of. These Program details are in addition to the launch Christmas functions that occur every year as part of the Smile Its Christmas Program in Dubbo, and the Jingle on the Bell Program in Wellington, which engage community and business in a fun community fair atmosphere and include the turning on of the Christmas Tree lights and arrival of Santa.

FINANCIAL IMPLICATIONS

Initiatives in this report are budgeted within the Economic Development and Marketing 2019/2020 Operational budget.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That the report from Manager Economic Development and Marketing dated 12 November 2019 be noted.

Joanna Howard

Manager Economic Development and Marketing

BACKGROUND

Retail spending across the Region has been impacted in different ways in the face of this one in a generation drought with community and businesses tightening or changing their spending habits.

Whilst the data on spending for the year to date remains positive for the Region due to an increase in tourism visitation in Dubbo, albeit with a falling number of nights stay, the Regional economy is forecast to experience a downward trend into the Christmas period. With January and February typically slower months for retail spending generally, without the injection of direct spend at Christmas the summer quarter could be very bleak for locally owned businesses without some platform support from Council to take advantage of the opportunities presented with Christmas, the school holidays and existing social media movements such as the Buy from the Bush campaign.

REPORT

The following Economic Development and Marketing programs have been developed to support businesses across the LGA implemented by Council staff. These programs have been developed to proactively address a forecasted downturn in spending across the Region during the Christmas period. Council data shows that whilst year on year for 2018/2019 the unique card holder spend in the LGA is still positive that data is being supported by a major spike during the 2019 Easter Period, which can be credited to proactive destination marketing activity leading into the peak visitation period and the investment made by the tourism sector in infrastructure and product development.

It should be noted that the dates of these Programs have been selected to encourage people not only to spend their money locally and engage people in the retail sector of the Dubbo Region, but also to encourage Christmas spending earlier than the two weeks prior to Christmas, when people would be typically spending money anyway.

All programs leading into Christmas period focus on the buying local and supporting local business messaging. This year's Jingle on the Bell and Smile its Christmas CBD flags are all local business owners and partnering businesses in the Christmas promotions aligned to these Programs are driven by the businesses themselves, who commit to offering a customer incentive, but that incentive is at the discretion of business and will not be regulated by Council for approval.

Refer to **Appendix 2** for design and detail on individual AR and VR programs from a consumer and engagement perspective.

Program: Buy Local or Bye Local (Wellington)

Time in market: Six weeks – 30 September – 8 November 2019

Status: Complete

Purpose: Increase local spend in Wellington by Wellington people and surrounding towns of Dubbo, Orange, Parkes and Mudgee and raise awareness of local businesses and local business people.

Outcomes:

- 39 Wellington businesses registered participants in the program.
- 3,368 competition entries were received during the 6 week campaign.
- \$383,705.66 total spend registered by valid entries into the competition.
- \$113.92 was the average amount spent locally per entry.
- Four local Wellington businesses were utilised for producing and assisting with campaign collateral (print, signage, post, photography, videography and delivery).
- Prize money of \$5,000 (10 x \$500 My Dubbo Region local spend cards) are to be spent locally across the 39 participating stores.

Wellington NSW Facebook Social Engagement Results

Sponsored post

People reached – 9,198 (68.3% women, 31.7% men)

Link clicks – 171

Cost per link click - \$1.31 (linked to dubbo.com.au/shop)

Targeted audience – Mudgee, Narromine, Orange, Wellington, Parkes (+50km)

Organic posts

Average people reached – 1,406 per post

Average engagements – 196 per post



Program: Buy Local or Bye Local – Free Postage: Dubbo Regional LGA, small and micro businesses

Time in market: 21 November – 5 December 2019

Status: Approved for market

Purpose and objectives: Leveraging the #Buyfromthebush movement, Dubbo Regional Council will be supporting locally owned businesses within the Region through a proactive

partnership with Australia Post, whereby Council will allocate \$500 a day worth of free postage during the Councils Christmas Promotional Period.

Australia Post as part of the partnership will allocate a 35% discount to all registered packages sent out as part of the Program, increasing the value of support (Council support of \$5000) to over \$8000 across the whole Region. Packages will need to be sent from Talbragar Street Dubbo and Maughan Street Wellington, Post Offices only and its first in first served for the \$500 per day allocation (Monday to Friday only).

This Program is removing the barrier of metropolitan customers not wanting to pay postage and making locally owned businesses in the Dubbo Region more competitive in the online market.

The initiative also benefits businesses who would normally absorb the postage costs to be competitive in the online market at the expense of their own bottom line.

Registered businesses will be supplied with 'postcards' inviting the purchasers to come and visit the Dubbo Region with call to action being www.dubbo.com.au which will need to be put into all packages sent out through the Program.

Businesses will need to register with Economic Development and Marketing Branch through web registration and be approved for program and agree to terms and conditions.

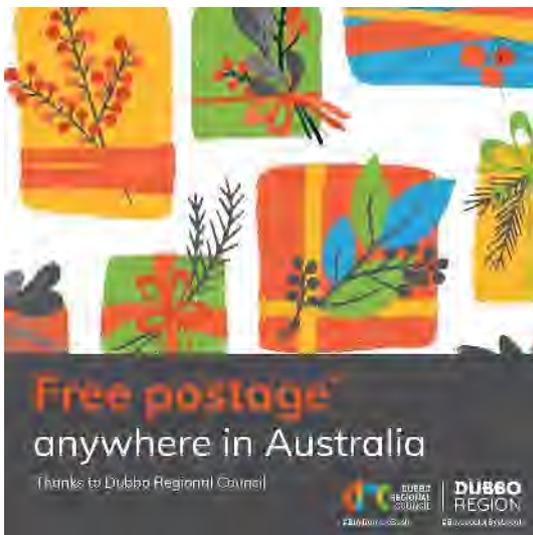
Measurements in place:

- Number of businesses participating.
- Amount of money registered as being sent out through the purchases supported by the Program.
- Postcode analysis of where packages have been sent.
- Number of packages sent (individual package weight limit of 5kg).
- Hits to the website as conversions from the postcard insert for destination marketing.
- Conversions to visitation during late January and Easter School Holiday period.
- Spendmapp retail spending data on individual card holders outside the Region.

Example collateral recognition of program to be used on social and partnered websites associated and participating in the Program

Free postage* anywhere in Australia

Thanks to Dubbo Regional Council



Program: Jingle on the Bell, Wellington CBD

Time in Market: 23 November – 24 December 2019 (VR game in market 14-24 December 2019)

Status: Approved for market

Purpose:

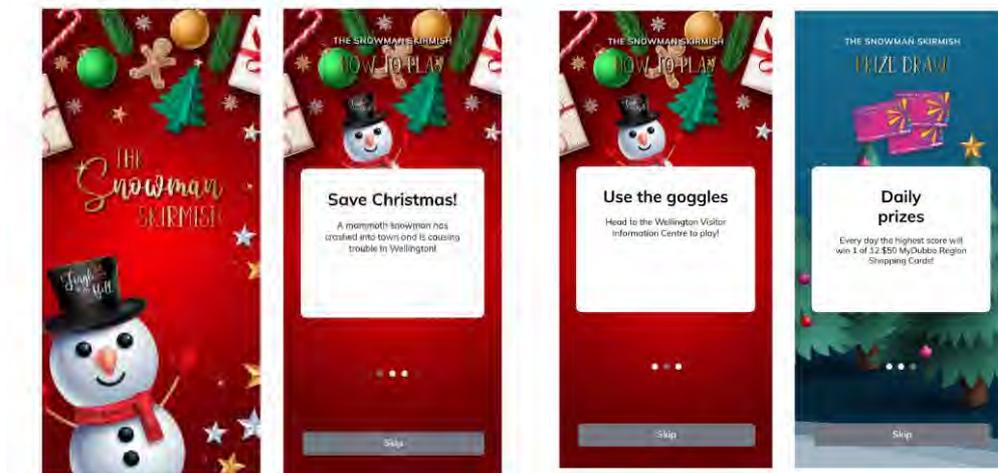
- Create fun activation in the CBD for locals and visitors alike to celebrate Christmas.
- Increase dwell time in the CBD and expose residents and visitors to local business products and offers to increase spend.
- Boost morale of locals in a tough time of drought, low spending and extreme weather conditions.
- Engage CBD businesses with Council through no cash cost initiative to support Christmas spend locally.
- Engage residents and visitors in the new Visitor Information Centre building in Wellington.

Measurements in place:

- Uptake of business promotional support for the Jingle of the Bell promotional period.
- Door counter at Wellington VIC. Participation in the Snowman Virtual Reality Game.
- Spendmapp data on retail spending.
- Social media engagement and interaction with Jingle Promotion and organic Snowman Game social content development
- Survey participating businesses on morale and foot traffic.

Game and collateral for market examples

In app draft screen:



Program launch event promotion



Program: Smile It's Christmas, Dubbo CBD

Time in Market: 21 November – 15 December 2019 (AR Christmas Chase: 28-15 December)

Status: Approved for Market

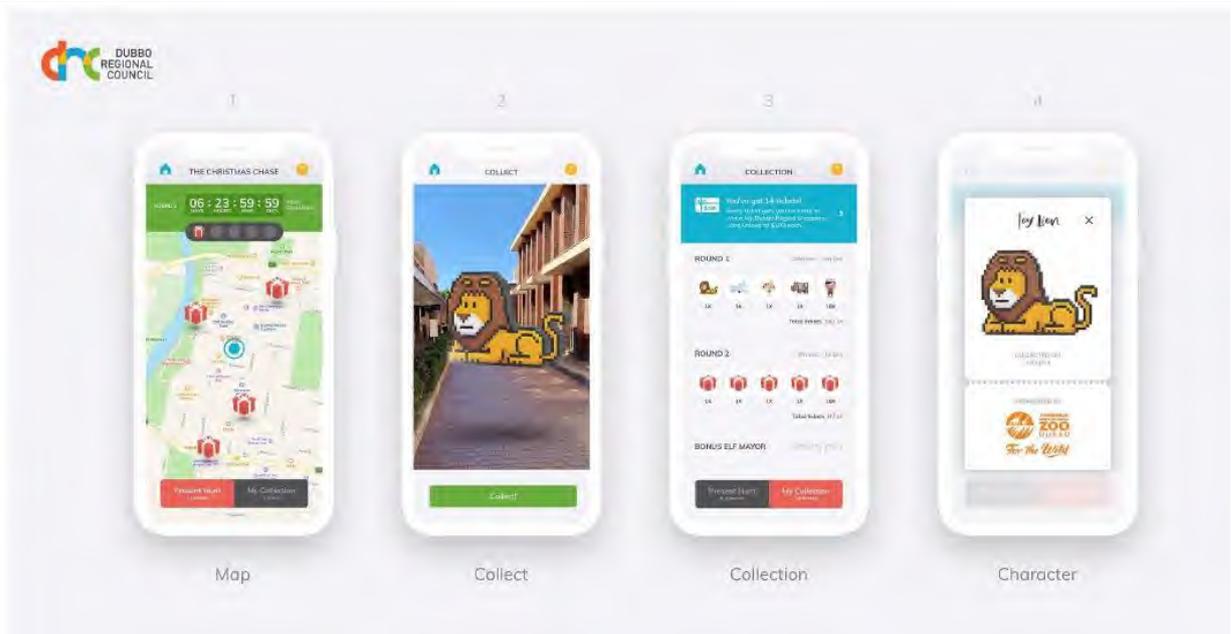
Purpose and Objectives:

- Create fun activation in the CBD for locals and visitors alike to celebrate Christmas.
- Increase dwell time in the CBD and expose residents and visitors to local business products and offers to increase spend.
- Engage locals and visitors to spend time exploring the CBD, rather than destination shopping i.e. Using all day parking and then spending time walking through several shops, not parking in front of one store walking in and out and leaving the CBD.
- Boost morale of locals in a tough time of drought, low spending and extreme weather conditions.
- Engage CBD businesses with Council through no cash cost initiative to support Christmas spend locally.
- Support Level 1 Destination Partnership businesses through fun interactive engagement.

Measurements in place:

- Uptake of business promotional support for the Smile It's Christmas promotional period.
- CBD foot traffic counters.
- Downloads of the Dubbo Discovery App and number of entrants in the prize draw participating in the Christmas Chase Augmented Reality Game.
- Spendmapp data on retail spending.
- Social media engagement and interaction with Smile Its Christmas Promotion and organic Christmas Chase social content development.
- Survey participating businesses on morale and game feedback.

Core app design – collect a character, Christmas Chase concept:



SUMMARY

Whilst the current data available suggests that year on year that visitation spending in particular sectors is still remaining strong, spending by unique card holders from outside the LGA is down by approximately 20% when comparing month on month for August 2018/2019 and a downward trend is forecast into the Christmas Period.

Council staff are awaiting the September spend data to see real impacts of environmental conditions verses the extra work being done in tourism infrastructure spend and destination marketing activities which were credited by industry for the Easter influx of visitation and spend. With the data suggesting a downward trend for the spending flowing into Christmas, Economic Development and Marketing have proactively been working with industry and supporting local business to be able to take advantage of some of the existing campaigns currently in market for retail spending and developing some new, fun, innovative ways to engage both locals and visitors into our Region's CBDs to encourage longer dwell times and more spend.

This Report covers the outcomes of the recently completed 'Buy Local or Bye Local' campaign focused on retail spend in Wellington, which from initial reporting has yielded great results, not only in the spending habits of people into Wellington, but also in terms of morale boosting for local businesses and brand awareness of retail industry in Wellington.

This report outlines what will be happening across the LGA for the Christmas Period, engaging technology to create a fun, innovative and family friendly activity for visitors and residents alike that supports businesses in gaining foot traffic both through the CBD and directly into their businesses.

These initiatives are all supported by a consumer prize incentive delivered through the MyDubbo Region Card, which puts money directly back into the Dubbo Region economy and supports the buying local message.

Appendices:

- 1 [Buy Local or Bye Local Results](#)
- 2 [Christmas AR/VR Program](#)

The infographic is a 2x4 grid of colored boxes with icons and text. The top-left box is green with a yellow banner containing the hashtag #BuyLocalorByeLocal. The top-middle box is orange with a dollar sign icon and an upward arrow. The top-right box is blue with an icon of three people and a speech bubble containing a dollar sign. The bottom-left box is blue with an icon of a stack of coins and a dollar sign. The bottom-middle box is green with an icon of a document and a pencil. The bottom-right box is orange with an icon of two \$500 bills. The bottom-most box is yellow and contains logos for Dubbo Regional Council, Wellington Business Chamber, and the Wellington logo.

<p>#BuyLocalorByeLocal</p> <p>campaign success</p>	<p>\$383,705.66 in total was spent locally (a tally of the value all of the competition entries)</p>	<p>4 local Wellington businesses were utilised for producing and assisting with campaign collateral (print, signage, post, photography, videography & delivery)</p>	
<p>\$113.92 Average amount spent locally per entry</p>	<p>3,368 competition entries were received</p>	<p>\$5,000 prizemoney (10 x \$500) will be spent locally across the 39 participating stores</p>	<p>#BuyLocalorByeLocal</p> <p>DUBBO REGIONAL COUNCIL WELLINGTON Business Chamber</p> <p>wellington</p>



THE GREAT Christmas CHASE

Round 1: 28th Nov - 5th Dec
Round 2: 6th Dec - 12 Dec

LOCATION
Dubbo CBD

THE GAME
A couple of sneaky inmates have broken out of the Old Dubbo Gaol and stolen Dubbo's Christmas presents! Explore the CBD with your smart phone and Dubbo Region Discovery App to find where they have stashed the presents and help Santa save Christmas! Once you find all the presents, track down those cheeky inmates and send them back to the Old Dubbo Gaol! Present and inmate locations change every day.

HOW TO WIN
Every present or inmate collected earns you a ticket in the draw. Receive bonus prize entries for collecting the inmate in each round, and even more bonus entries for collecting everything.

PRIZE DRAW
Round 1: 5 x \$100
MyDubbo Region Shopping Cards
Round 2: 5 x \$100
MyDubbo Region Shopping Cards

Round 3: 13 Dec - 15 Dec

LOCATION
Dubbo CBD

THE GAME
Santa's elves have snuck off to do some shopping in Dubbo's CBD, but Santa needs their help in his Christmas workshop! Explore inside the shops throughout the CBD and find as many elves as you can so that Santa knows where to find them!

HOW TO WIN
Every elf collected earns you a ticket in the draw. There are 40 to collect!

PRIZE DRAW
Round 3: 15 x \$100
MyDubbo Region Shopping Cards
(5 winners every day of the final promotion)



THE Snowman SKIRMISH

14 Dec - 24 Dec

LOCATION
Wellington Visitor Information Centre

THE GAME
A mammoth snowman has crashed into town and is causing trouble at the Visitor Information Centre! Head into the Centre and try out the virtual reality goggles to try and defeat the snowman and help save Christmas!

HOW TO WIN
Every game played earns you an entry into the draw. Prizes are awarded to the highest score of the day.

PRIZE DRAW
Round 3: 12 x \$50
MyDubbo Region Shopping Cards
(1 winner drawn every day, with two winners being drawn on Christmas Eve)




Please read our Terms and Conditions: dubbo.com.au/discoveryapp



REPORT: Western Plains Cultural Centre - Draft Fees and Charges - 2019/2020

AUTHOR: Manager Regional Experiences
REPORT DATE: 14 November 2019
TRIM REFERENCE: ID19/1414

EXECUTIVE SUMMARY

The Culture, Economy and Corporate Committee, at its meeting on 8 October 2019 had before it the report dated 16 September 2019 from the Director Culture and Economy regarding the Cultural Development Program and Western Plains Cultural Centre Fees and Charges. The committee resolved;

“That the proposed changes to identified fees and charges for hire of the Western Plains Cultural Centre to go on Public Exhibition for no less than 28 days, with a further report to be provided to the Ordinary Meeting of Council on 25 November 2019 for consideration.”

Western Plains Cultural Centre Draft Fees and Charges 2019/2020 were placed on public exhibition from Wednesday 16 October 2019 to Wednesday 13 November 2019. The public exhibition document is attached to this report as **Appendix 1**. The document outlines changes to individual fees/charges, minimum booking times, exemptions and inclusions and defines ‘Community Hire’ verses ‘Commercial Hire’.

Consultation included a public exhibition period, a public meeting, online and media communications, in addition to direct communication with current user groups.

A total of one submission was received by Council during the public Exhibition period. A copy of the submission is included here in **Appendix 2**.

The purpose of this report is to provide an analysis of the submissions received during the public exhibition period and to seek Councils adoption of the proposed Western Plains Cultural Centre Fees and Charges to commence on 1 January 2020.

FINANCIAL IMPLICATIONS

Income from the Fees and Charges is contained within the Western Plains Cultural Centre operations budget.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

- 1. That the report from the Manager Regional Experiences dated 14 November 2019 be noted.**
- 2. That the proposed changes to the Western Plains Cultural Centre Fees and Changes 2019/2020 as amended and included here in Appendix 1, be adopted by Council and commence operation on 1 January 2020.**
- 3. That the proposed fee for “(community) Annual Hire Fee – Licence Agreement – Per Room \$2,500.00 ” as included here in Appendix 1, be adopted by Council, commence operation on 1 January 2020 and be carried through to the adoption of the 2020/2021 Revenue Policy.**
- 4. That all existing Permanent Hire Agreements currently held with Community Groups remain in affect until the expiry date of the agreement.**
- 5. That any Community Group that does not have an Annual Hire Fee – Licence Agreement must vacate the Western Plains Cultural Centre by 31 December 2019.**

Jamie Angus

Manager Regional Experiences

BACKGROUND

Council at its Ordinary Meeting on 24 June 2019 considered a report relating to 2019/2020 Budget, Delivery Program and Operational Plan and associated documents. Council in consideration of the report resolved as follows:

“That in respect of fees and charges relating to the Western Plains Cultural Centre as included in the Revenue Policy (Appendix 6) that they remain at the current 2018/2019 financial year level and a review of these fees and charges be undertaken by Council and a further report be provided to Council for consideration”

In requesting this review, no increases were applied to any Fees or Charges for Western Plains Cultural Centre in the current Revenue Policy.

The Culture, Economy and Corporate Committee, at its meeting on 8 October 2019 had before it the report dated 16 September 2019 from the Director Culture and Economy regarding Cultural Development Program and Western Plains Cultural Centre Fees and Charges. The motion was carried as follows:

“That the proposed changes to identified fees and charges for hire of the Western Plains Cultural Centre to go on Public Exhibition for no less than 28 days, with a further report to be provided to the Ordinary Meeting of Council on 25 November 2019 for consideration.”

A review of fees, charges, annual hire agreements, subsidies and facility usage has been undertaken by the Director Culture and Economy, Manager Regional Experiences and WPCC Operations Coordinator. It is clear from this review that a more consistent approach is required to hire charges for various rooms, clarity between corporate and community hires and a more consistent approach to Annual Hire Agreements. Improvements in these areas will support improved communication with user groups, increased transparency for Council and support operational efficiency of a multi-use facility.

The WPCC has a range of permanent and casual room hire agreements and wide range community usage. In summary the WPCC has:

- The Community Arts Centre comprising of 7 classrooms, 1 black box theatre, 1 art studio, and one dark room.
- The Cultural Centre (main building) has 4 classrooms for hire in addition to the Boardroom and Auditorium.

In adopting the revenue policy for WPCC, Council also needs to adopt how community and corporate hires will be defined.

For the Western Plains Culture Centre facility fees and charges it is proposed that;

- **Community Hire** fees apply to Creative Artists for work development and community education, not-for-profit community groups run by Volunteers, include charities, not for profit groups and social community groups, students using facilities for creative arts, multicultural groups, Church groups and wellbeing groups. If a creative arts based

business wanted to provide lessons/workshops accessible to the whole community in the Community Arts Centre they would be offered the casual community rate.

- **Corporate Hire** fees rates apply to: State and Federal Government Agencies and subsequent service programs, Private and Public Educational Institutes, include non-artistic businesses and government organisations, for example University of NSW, GWAHS, Carers NSW, GM Rail Services, Real Estate Agents, Marathon Health and Department of Juvenile Justice. An exception would be if a government organisation is holding an information session open to the public that is beneficial to community – i.e., public health information campaign, would be offered the Community Rate.

Community Arts Centre

The purpose of the Community Arts Centre is to provide a creative, interactive and welcoming space for community and organisations to create, engage, entertain and educate.

It is proposed that;

- Rooms in the Community Arts Centre be priced with the Community Hire Rate being a maximum of half the corporate hire rate. All prices exclude GST, as GST is generally not applicable.

Similarly to other Council facilities available for hire, community groups could apply to the CEO Sponsorship Fund for up to \$1,000 that could be used to offset hire fees payable to Council. Community Groups can only apply to this fund once a year, but can include multiple hires in that request. Cultural stakeholders could become partners of the proposed Regional Cultural Program. This partnership support could include the provision of space in WPCC as part of an identified service delivery. Community groups or creative individuals would apply to be program partners by providing services that deliver outcomes aligned to the community driven Regional Cultural Program.

- To bring all Annual Room Hire Agreements within the Community Arts Centre into alignment with a fee of \$2,500 per year, per room commencing 1 July 2020. This permanent room hire fee is aimed at achieving around 50% of the annual maintenance and renewal costs of the Community Arts Centre. Future Annual Hire Agreements will only be entered into with Community Groups that are delivering quality cultural (for example history, creative arts, performing arts) outcomes aligned to the (to be developed) Regional Cultural Program.

Whilst \$2,500 annual Hire fees will deliver around 50% of predicted maintenance and renewal costs of the Community Arts Centre building, this income is not contributing to the general facility operations and does not include staff, electricity, insurance or capital improvements. It is noted that consolidating, and potentially expanding annual hire agreements with user groups will also save staff time not rearranging or cleaning rooms where by the fee paid for short casual hire doesn't even cover staff time.

Current Permanent Hire Agreements are listed below with expiry dates.

- University of The Third Age - June 2020
- Dubbo District Family History Society – June 2020

Cultural Centre (Main Building)

From January 2020, Council staff will be relocated from two rooms in the main building to the science rooms in the Community Arts Centre. This will result in a total of four rooms being available for casual hire in the Cultural Centre, in addition to the auditorium. It is proposed that these hires are for WPCC operational hours only, and be available 7 days a week with minimum two hour bookings.

Unlike the Community Arts Centre, no CEO sponsorship will be provided for the casual hire for these rooms. The focus for the facility would be increasing usage of multiple use by organisations, not for profits and corporates. Requests for permanent hire of these rooms by organisations aligned to enhancing cultural amenity in the region will be considered by the CEO in relation to user demand and services provided by the applying organisation or community group.

The purpose of this report is to provide an analysis of the submissions received during the public exhibition period and to seek Councils adoption of the proposed Western Plains Cultural Centre Fees and Charges to commence on 1 January 2020.

REPORT

Western Plains Cultural Centre Draft Fees and Charges 2019/2020 were placed on public exhibition from Wednesday 16 October 2019 to Wednesday 13 November 2019. The public exhibition document is attached to this report as **Appendix 1**. The document outlines changes to individual fees/charges, minimum booking times, exemptions and inclusions and defines 'Community Hire' verses 'Commercial Hire'.

During the public exhibition period, a public meeting was held at Western Plains Cultural Centre on 28 October 2019. This meeting was facilitated by the Director Culture and Economy, Manager Regional Experiences and Western Plains Cultural Centre Operations Coordinator and provided an opportunity for community members to ask questions, seek clarification and gain a better understanding of the draft Fees and Charges. One person attended the public meeting. President of the University of the Third Age (U3A), Nola Younghusband, did not have any concerns and attended to ensure they were across the changes. University of the Third Age (U3A) holds a current Permanent Hire Agreement of the Community Arts: English room. This agreement will expire June 2020.

Current permanent and regular hirers were contacted directly by email to ensure they were aware of the report being on Public Exhibition and were invited to attend the information session. Some groups sought some clarification but were satisfied with the proposal and expressed their appreciation of the support they receive from Council. Communication from community groups was positive overall with the change of minimum hours for hire and community rates to the Drama room resulting in rooms becoming more affordable in some cases.

A summary of the submissions received by Council during the public exhibition period are as follows:

Submission 1 – Dubbo and District Family History Society – Appendix 3

- *User group has concerns regarding their ability to retain their membership base due to the increase in fees and charges*
- *User group believes it will have to increase membership fees to cover the increased room costs.*

Comment:

Cultural stakeholders could become partners of the proposed Regional Cultural Program. This partnership support could include the provision of space in WPCC as part of an identified service delivery. Community groups or creative individuals would apply to be program partners by providing services that deliver outcomes aligned to the community driven Regional Cultural Program.

To ensure a consistent, transparent framework of Fees and Charges for the WPCC this report recommends that subsidies or funding support should be delivered through identified avenues, not through a variety of tailored arrangements or reducing hire fees. This approach will support long-term facility/asset management, but importantly ensure community groups have clear avenues to apply for support or partner with Council to deliver programs and service that enhance cultural amenity across the region.

Council's new Cultural Development Team will be developing a Regional Cultural Program that delivers clear framework to design, implement, monitor and report on agreed activities, partnerships and services to deliver a range of cultural outcomes. In addition to other Council funding programs the Regional Cultural Program will provide opportunity for Council to partner with community groups that deliver identified cultural services. This may include facility hire of venues such as the WPCC.

It is expected that the two primary hirers, U3A and DDFHS, given the services provided to the community, would be eligible to receive funding through the Cultural Development Program to support their hire agreements. Further discussions regarding this process will occur with these community groups in the near future. It is proposed that community cultural groups would be invited to seek funding from the Cultural Development Program in 2020 to support delivery of the cultural/creative arts services to the community. This may, or may not be for services at the WPCC, however for example it could include a history service such as provided by Family History Society at the WPCC. This service currently provides around 16 hours of services a week some at a very minimal charge. If not provided by DDFHS, this service would potentially need to be fulfilled by Council staff, or be forgone. If forgone, the content developed by this volunteer organisation would also not be available to support local studies within the Cultural Development Team. If through the Regional Cultural Program the history preservation, research, education and engagement is deemed to be of value to the Dubbo Regional Community than the operation of the service - for example the costs for the permanent room hire agreement - could be partially funded by the Cultural Development

Program. This approach would ensure hire agreements are standard and minimise unnecessary altering, or over complication, of the Revenue Policy as it relates to the WPCC.

Appendices:

- 1  WPCC - Draft Fees and Charges Public Exhibition
- 2  Submission - Dubbo and District Family History Society Inc.

Name	Year 18/19 Last		Proposed January 2020 - June 2020			GST	Fee Type	GST Code
	YR Fee (Incl. GST)	and Current	GST	Fee (Incl. GST)				

ADMISSION FEES (CHARGED FOR SPECIFIC EVENTS ONLY)

EXHIBITION CATEGORY A (NATIONAL SIGNIFICANCE)

Adult	\$ 10.00	\$ -	\$ 10.00	N	PCR	GST Free
Concession/Students	\$ 5.00	\$ -	\$ 5.00	N	PCR	GST Free
Children under 16 years			No charge	N	PCR	GST Free

GUIDED TOURS

After Hours (per person/MIn, 20 people)	\$ 8.00	\$ -	\$ 8.00	N	PCR	GST Free
School tour (per person, extended hour/paid guide)	\$ 5.00	\$ -	\$ 5.00	N	PCR	GST Free

WORKSHOPS

School Workshops Photo/Clay price per student (minimum charge of \$192.00)	\$ 20.00	\$ -	\$ 20.00	N	PCR	GST Free
School Workshops (all other) price per student (minimum charge of \$168.00)	\$ 18.00	\$ -	\$ 18.00	N	PCR	GST Free
Custom workshops			Cost plus 130%	N	PCR	GST Free

ANNUAL VENUE HIRE

Fee applied for hire of facility to partially cover operational costs

Licence Agreement, 12 months - new agreements fee applicable to 2020/2021 Fees and Charges - Community Groups Only

Subject to availability of eligible rooms

(Community) Annual Hire Fee - Licence Agreement - Per Room	\$ -	\$ -	\$ 2,500.00	N	PCR	GST Free
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CASUAL VENUE HIRE

Fee applied for hire of facility to partially cover operational costs

MEETING ROOM - Cultural Centre

(community) - per hour, minimum two hour booking	\$ 12.00	\$ -	\$ 15.00	N	PCR	GST Free
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*not eligible for CEO Sponsorship, access within WPCC terms

(Corporate) - per hour, minimum three hour booking	\$ 30.00	\$ -	\$ 30.00	N	PCR	GST Free
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*not eligible for CEO Sponsorship, access within WPCC terms

STUDIOS (WET & DARK ROOM)

(Community) - per hour, minimum two hour booking	\$ 20.00	\$ -	\$ 20.00	N	PCR	GST Free
(Corporate) - per hour, minimum two hour booking	\$ 52.00	\$ -	\$ 55.00	N	PCR	GST Free
Printing @press - per hour (+ costs @ 20%)	\$ 20.50	\$ -	\$ 20.50	N	PCR	GST Free

BLACK BOX DRAMA STUDIO

Community - Full day booking (8am-5pm)	\$ 130.00	\$ -	\$ 150.00	N	PCR	GST Free
Community - per hour, minimum three hour booking	\$ 23.00	\$ -	\$ 25.00	N	PCR	GST Free
Corporate - full day booking (8am-5pm)	\$ 360.00	\$ -	\$ 360.00	N	PCR	GST Free
Corporate - per hour, minimum two hour booking	\$ 60.00	\$ -	\$ 60.00	N	PCR	GST Free

Note: Includes technical equipment and handover

Technical Support	No Charge	At Cost				
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*basic handover included in hire - additional services at cost charge of external contractor if required by user

GROUNDS

Workshop Courtyard - per hour - minimum two hours	\$20	\$ -	\$ 25.00	N	PCR	GST Free
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AUDITORIUM

Auditorium (business hours) (per hour Min two hours)	\$ 72.00	\$ -	\$ 75.00	N	PCR	GST Free
Full Day Rate (8am to 5pm) - Days	\$ 455.00	\$ -	\$ 450.00	N	PCR	GST Free
Extended hire (>2day) Additional Days - Per day	\$440 + \$300 additional day	\$ -	\$ 300.00	N	PCR	GST Free

Note: Auditorium included 2 microphones, projector, screen and laptop as standard equipment

FOYER AND/OR AUDITORIUM

Foyer and/or Auditorium (after hours only)	\$ 226.00	\$ -	\$ 230.00	N	PCR	GST Free
*not eligible for CEO Sponsorship; access within WPCC terms						
Board Room per hour (business hours only)	\$ 39.00	\$ -	\$ 39.00	N	PCR	GST Free
Gallery Space - per 24hr period only if space empty	\$ 2,050.00	\$ -	\$ 2,050.00	N	PCR	GST Free
Key Deposit Discretionary (Refundable upon return of keys)	\$ 52.00	\$ -	\$ 52.00	N	PCR	GST Free
Security Access Code (non-refundable)	\$ 52.00	\$ -	\$ 52.00	N	PCR	GST Free
Hire Cancellation Fee if made within 5 working days of booking (Auditorium/foyer only)	\$ 103.00	\$ -	\$ 103.00	N	PCR	GST Free

PHOTOCOPYING CHARGE

Black and White - A4 - up to 10 pages - per copy	\$ 0.90	\$ 0.08	\$ 0.09	Y	PCR	10%
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ADDITIONAL MATERIALS AND CLEANUP

Materials (e.g. chemicals, art resources)			Cost + 130%	Y	PCR	10%
Additional clean-up (minimum 1/2 hour)			Cost + 120%	Y	PCR	10%

STAFF WAGES - PER HOUR

(General set up of rooms is included in the venue hire fee. Assistance is set up beyond this will be charged)

Staff assistance (min 1/2hr)	\$	65.00	\$	-	\$	65.00	N	PCR	GST Free
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CORPORATE HIRE EQUIPMENT

PROJECTOR/LAPTOP

Projector/Laptop - per session	\$	52.00	\$	-	\$	52.00	N	MB	GST Free
maximum as charge for projector/Laptop	\$	103.00	\$	-	\$	103.00	N	MB	GST Free
Video Conferencing - per hour	\$	77.00	\$	-	\$	77.00	N	MB	GST Free
IT Support - per 30min	\$	41.00	\$	-	\$	41.00	N	MB	GST Free
Piano rental (per day)	\$	77.00	\$	-	\$	77.00	N	MB	GST Free

TELECONFERENCING EQUIPMENT

per session	\$	52.00	\$	-	\$	52.00	N	MB	GST Free
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EXHIBITION APPROVAL APPLICATION FEE

Cost of processing applications

Regional Artists Spaces - per exhibition	\$	52.00	\$	-	\$	52.00	N	MB	GST Free
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ART WORK RENTAL FEES

Charges applied to artworks displayed at DRC sites based on similar hire costs at other venues

Artwork rental fee is on a monthly basis or part thereof					0.67% of valuation		N	MB	GST Free
for exhibiting institutions									
Art Work rental fee is on a monthly basis					1.5% of valuation		N	MB	GST Free

RETURN / REMOVAL OF ART WORKS

Return / removal of uncollected art works from exhibitions					Cost + 130%		N	MB	GST Free
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PROFESSIONAL CONSULTANCY FEES

CONSERVATION, PRESERVATION, CURATORIAL, PROGRAMMES

Per hour	\$	103.00	\$	-	\$	103.00	N	MB	GST Free
Materials for the above					Cost + 50%				

ART WORK SALE FEES

Charges applied to artworks sold whilst on exhibition at the WPCC. Based on similar costs at other venues

Artwork sale fee (variable according to sale price of the artwork)					30% of sale price		N	MB	GST Free
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Note: Artist will be the GST agent for all such sales

TRADING STOCK

Merchandise Sales				Cost = 30%	N	MB	GST Free
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Contractual arrangement with exhibition providers may differ from this rate.

IMAGE REPRODUCTION FEES

Charges applied to parties using WPCC copyrighted images

FEES ACCORDING TO USEAGE

Research/ internal publication	\$	99.00	\$	-	\$	99.00	N	FCR	GST Free
Commercial use (inside pages)	\$	144.00	\$	-	\$	144.00	N	FCR	GST Free
Commercial use (cover)	\$	205.00	\$	-	\$	205.00	N	FCR	GST Free

*may include chemicals, materials, papers etc. includes microphones, laptop, lectern, projector



DUBBO & DISTRICT FAMILY HISTORY SOCIETY INC.

Post: PO Box 868 Dubbo 2830

Email: info@dubbofamilyhistory.org.au

Submission re: CEC19/3 Cultural Development Program and Western Plains Cultural Centre Fees and Charges (ID19/1192)

We appreciate the meetings we have had with Dubbo Regional Council regarding the proposed changes that are designed to improve the cultural amenities of the Dubbo region. We feel we contribute to many aspects of Dubbo life; providing a research service for family and local history and conserving and preserving unique Dubbo resources. Our volunteers add greatly to the cultural life and livability of the Dubbo area.

We have, however, concerns about the proposed changes to rental for rooms in the Community Arts Centre of the Western Plains Cultural Centre. We are a not-for-profit organisation providing an important service to the community and we work hard to be self-sufficient having rarely sought additional Council financial assistance.

Our group depends mainly on retirees for our membership and volunteers and this section of the community, as you are well aware, have limited finances. When setting our membership fees and our charges for talks and educational sessions we are very conscience of how price sensitive our market is.

We have been very successful in increasing our membership and in encouraging the participation of the public in our events by keeping our charges sufficient to cover costs and to keep our target market involved. Any profit goes to improving our resources and to purchasing supplies to preserve original Dubbo materials.

The thought that we would have to generate an additional \$1 410.00 per annum is daunting, to say the least. Even given support of \$1 000.00 from DRC we would still have to substantially increase our membership, our membership fees and our charges for events to pay the balance. While we are working on increasing our membership, a large increase seems unrealistic and increasing our fees would simply mean a reduction in our membership and the community's participation in our activities.

Our dozens of volunteers who keep our rooms open by offering their time, their range of skills and knowledge and our volunteers who spend hours making our important Dubbo resources such as the Vincent Studio Photographic Collection more accessible by organising, indexing and scanning may well find increased membership fees prohibitive and we could well lose them.

I would also like to mention that there are no costs shown for other rooms in the Centre apart from the Black Box Drama Studio. As we regularly hire two or three additional rooms per month for our talks and educational sessions we are interested in knowing if other rooms will be available and if so at what cost.

We would love to see the Community Arts Centre full of art and culturally minded groups but fear that such groups would not be able to pay the prices you are proposing. We are a well-established organisation with a very active committee and membership but we would find the increases challenging.

The increase in charges will make it more difficult to attract and develop the sort of cultural hub that the DRC is envisioning. By encouraging the energies and enthusiasms of volunteer groups with realistic rents and then developing their ability to draw on other sources of funding would seem to be a more positive way of achieving the admirable vision that the new division of DRC is proposing.

Linda Barnes
President
7 October 2019



REPORT: Draft Community Participation Plan - Results of Public Exhibition

AUTHOR: Growth Planner
REPORT DATE: 8 November 2019
TRIM REFERENCE: ID19/1480

EXECUTIVE SUMMARY

Council's Development and Environment Committee at its meeting on Tuesday 8 October 2019 considered a report in respect of the new draft Community Participation Plan (CPP). In consideration of the report, the Committee resolved as follows:

1. *That the draft Community Participation Plan as attached to the report of the Growth Planning Projects Leader – Digital Futures dated 21 September 2019 be adopted for the purposes of public exhibition.*
2. *That the draft Community Participation Plan as attached to the report of the Growth Planning Projects Leader – Digital Futures dated 21 September 2019 be placed on public exhibition for a period of not less than 28 days in accordance with the provisions of the Environmental Planning and Assessment Act, 1979.*
3. *That following completion of the public exhibition process, a further report be presented to Council for consideration addressing the outcomes of the public exhibition period and any submissions received.*
4. *That on adoption of the Community Participation Plan by Council the following sections of the Dubbo and Wellington Development Control Plans be repealed:*
 - a) *Chapter 2.1 Notification of Development within the Dubbo Development Control Plan 2013; and*
 - b) *Chapter A11 Notification and advertising of Development Applications within the Wellington Development Control Plan 2013."*

The draft Community Participation Plan was placed on public exhibition from Friday 11 October 2019 to Friday 8 November 2019, a period of 28 days. One (1) written submission was received during the exhibition period.

Minor amendments were made to the document to ensure clarity in the public exhibition process for statutory planning functions. All amendments to the CPP are shown in red in **Appendix 1**.

The purpose of this report is to provide an analysis of submissions received during the public exhibition process and to seek Council's adoption of the CPP.

FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

POLICY IMPLICATIONS

Once adopted, the Community Participation Plan will be used by Council's Development and Environment Division to interact and engage with the community for planning related matters.

The relevant chapters of the Dubbo and Wellington Development Control Plans relating to notification of Development Applications will be repealed.

RECOMMENDATION

- 1. That Council adopt the Community Participation Plan as attached to the report of the Growth Planner dated 8 November 2019,**
- 2. That the following sections of the Dubbo and Wellington Development Control Plans be repealed:**
 - a) Chapter 2.1 Notification of Development within the Dubbo Development Control Plan 2013; and**
 - b) Chapter A11 Notification and advertising of Development Applications within the Wellington Development Control Plan 2013.**
- 3. That those who made a written submission be acknowledged and advised of Council's determination in this matter.**
- 4. That Council submit the Community Participation Plan to the Department of Planning Industry and Environment, for the purpose of notation.**

Stefanie Presland
Growth Planner

BACKGROUND

Council's Development and Environment Committee at its meeting on Tuesday 8 October 2019 considered a report in respect of the new draft Community Participation Plan (CPP). In consideration of the report, the Committee resolved as follows:

- "1. That the draft Community Participation Plan as attached to the report of the Growth Planning Projects Leader – Digital Futures dated 21 September 2019 be adopted for the purposes of public exhibition.*
- 2. That the draft Community Participation Plan as attached to the report of the Growth Planning Projects Leader – Digital Futures dated 21 September 2019 be placed on public exhibition for a period of not less than 28 days in accordance with the provisions of the Environmental Planning and Assessment Act, 1979.*
- 3. That following completion of the public exhibition process, a further report be presented to Council for consideration addressing the outcomes of the public exhibition period and any submissions received.*
- 4. That on adoption of the Community Participation Plan by Council the following sections of the Dubbo and Wellington Development Control Plans be repealed:*
 - a) Chapter 2.1 Notification of Development within the Dubbo Development Control Plan 2013; and*
 - b) Chapter A11 Notification and advertising of Development Applications within the Wellington Development Control Plan 2013."*

The draft CPP was placed on public exhibition from Friday 11 October 2019 to Friday 8 November 2019, a period of 28 days. One (1) written submission was received during the exhibition period.

The purpose of this report is to provide an analysis of submissions received during the public exhibition process and to seek Council's adoption of the CPP.

REPORT

1. What is the Community Participation Plan?

Amendments made to the Environmental Planning and Assessment Act, 1979 (EP&A Act) came into force on 1 March 2018. One of the key changes to the EP&A Act amendments is the requirement for all NSW Council's to prepare and adopt a Community Participation Plan (CPP).

The draft CPP outlines in a single, easy to read document, how and when Council will engage with the community across relevant planning functions. The planning functions referred to include Development Applications lodged with Council and Strategic Planning matters including Local Strategic Planning Statements, Local Environmental Plans, Development Control Plans, strategic land use plans and policies.

2. Public Exhibition

The draft CPP was placed on public exhibition from Friday 11 October 2019 to Friday 8 November 2019, a period of 28 days.

The draft CPP was available for view online at www.dubbo.nsw.gov.au with hard copies available at the Dubbo Council Civic Administration Building on the corner of Darling and Church Streets, at the Macquarie Regional Library (Dubbo Branch) and at the Wellington Administration Building on the corner of Nanima Crescent and Warne Street.

The public exhibition included exposure of the draft CPP on social media outlets and in newspaper advertisements. There were two (2) organic Facebook posts regarding the draft CPP and one (1) newspaper advertisement.

Council received one (1) written submission during the public exhibition period. A copy of the submission is provided in **Appendix 2**.

Submission 1 – Ms Karina McLachlain

- Ms McLachlain expressed concern that Committees run by Council are closed to the public until reports go to Council meetings.
- Ms McLachlain would like members of the community to sit alongside Councillors on these Committees.
- Ms McLachlain is under the impression that when a resident speaker addresses the Council that decisions on whether a recommendation should be supported or not has already been made, giving the public limited influence over Council decisions.
- Ms McLachlain would like to know what project external consultant Mr Stapleton (a traffic engineer) has been commissioned to do.

The CPP provides guidance to Council staff and the community when consultation activities are to be undertaken in regards to statutory and strategic planning activities. Therefore, Ms McLachlan's comments regarding the operational details of Committees meetings are considered not relevant to the CPP.

However the following general comments are provided to clarify the operational characteristics of Council's Committee structure:

- Members of the community can register to speak to a matter on the agenda for any of the following committees, Development and Environment Committee, Infrastructure and Liveability Committee and Culture, Economy and Corporate Committee.

- With regard to the Ordinary meeting of Council there is an allocated 30 minute Public Forum time where members of the public can register to speak on any matter that is deemed to be the business of the Council.
- The Local Traffic Committee is a technical committee that reports to the Infrastructure and Liveability Committee. The public can register to speak to this Committee as detailed above.
- All Committee and Council meetings are open to the public apart from any consideration of confidential items to Council in accordance with the Local Government Act, 1993.
- Committee Meetings are live streamed for public view. Council sends formal invitation's to any person who has provided a submission to Council in respect of the item.
- Council adopts and publishes Committee and Council meeting dates on Council's website.
- Council Committee meetings are generally held on the second Monday of each month. However, public holidays or other events may alter these dates.

The whole of Mr Chris Stapleton's work is not directly relevant to the CPP. However, Mr Chris Stapleton is currently undertaking a review of the Dubbo City Transportation Strategy to 2045. Following the completion of Mr Chris Stapleton's work, a report will be presented to Council for consideration. At this time Council will undertake consultation with Stakeholders and the general public.

4. Future Direction

Minor amendments were made to the document to ensure clarity in the public exhibition process for statutory planning functions. All amendments to the CPP are shown in red in **Appendix 1**.

This report recommends Council adopt the Community Participation Plan as a legislative requirement of the Environmental Planning and Assessment Act 1979. Adoption of the CPP will repeal parts of the Dubbo and Wellington Development Control Plan.

Upon adoption, Council staff will need to formally submit the CPP to the Department of Planning, Industry and Environment for endorsement and publication on the NSW Planning Portal.

SUMMARY

Amendments made to the Environmental Planning and Assessment Act, 1979 (EP&A Act) came into force on 1 March 2018. One of the key changes to the EP&A Act amendments is the requirement for all NSW Council's to prepare and adopt a Community Participation Plan (CPP).

A Community Participation Plan (CPP) outlines in a single, easy to read document, how and when Council will engage with the community across relevant planning functions. The planning functions refer to Development Applications lodged with Council and Strategic Planning including Local Strategic Planning Statements, Local Environmental Plans, Development Control Plans, strategic land use plans and policies.

This report recommends Council adopt the Community Participation Plan as a legislative requirement of the Environmental Planning and Assessment Act 1979. Adoption of the CPP will repeal parts of the Dubbo and Wellington Development Control Plan.

Upon adoption, Council staff will need to formally submit the CPP to the Department of Planning, Industry and Environment for endorsement and publication on the NSW Planning Portal.

Appendices:

- 1 [↓](#) Revision 2 - Community Participation Plan
- 2 [↓](#) Submission 1 - Community Participation Plan



COMMUNITY PARTICIPATION PLAN



DUBBO REGIONAL COUNCIL

TABLE OF CONTENTS

TABLE OF CONTENTS	2
PART 1. INTRODUCTION.....	3
1.1 WHAT IS A COMMUNITY PARTICIPATION PLAN?	3
1.2 PURPOSE OF THE COMMUNITY PARTICIPATION PLAN	3
1.3 OBJECTIVES OF THE COMMUNITY PARTICIPATION PLAN	3
1.4 PLANNING FRAMEWORK	4
1.5 PLANNING FUNCTIONS THIS COMMUNITY PARTICIPATION PLAN APPLIES TO	4
1.6 WHAT IS COMMUNITY ENGAGEMENT	4
PART 2. NOTIFICATION REQUIREMENTS AND TIMEFRAMES	5
2.1 INTRODUCTION	5
2.2 STATUTORY PLANNING FUNCTIONS	5
2.3 EXEMPT AND COMPLYING DEVELOPMENT.....	6
2.4 STRATEGIC PLANNING FUNCTIONS	7
PART 3. COMMUNITY PARTICIPATION IN THE PLANNING PROCESS.....	9
3.1 OUR APPROACH TO COMMUNITY ENGAGEMENT	9
a) Statutory Planning Approach	9
b) Strategic Planning Approach	10
3.1 SUBMISSION PROCESS	10
3.2 MAKING A SUBMISSION	11
GLOSSARY	12

PART 1. INTRODUCTION

1.1 What is a Community Participation Plan?

A Community Participation Plan (CPP) outlines in a single, easy to read document of how and when Council will engage with the community across planning functions. This CPP encourages Council and the community to interact in an informed, meaningful and transparent manner when considering Strategic Plan making and Development Assessment functions and activities.

The extent of community participation will vary on the community, the size of the proposal and the extent of the potential impacts of the proposal. This CPP provides guidance on how the community can have a say in different types of planning processes. The aims of the CPP are to provide transparency and clarity for the community, to understand its role in different planning functions.

It is generally acknowledged that community participation in the planning system encourages better outcomes for residents, business, industry and the community.

Dubbo Regional Council being an amalgamated Council previously had Development Applications notification requirements within two (2) separate documents including the Dubbo Development Control Plan 2013 and the Wellington Development Control Plan 2012.

This plan provides a consolidated set of community participation requirements for the notification or advertisement of Development Applications within the Dubbo Regional LGA. This CPP will supersede each section of the DCPs which relates specifically to the notification and advertisements of Development Applications.

1.2 Purpose of the Community Participation Plan

The purpose of the CPP is to:

- Encourage community confidence in planning processes undertaken by Council.
- To encourage effective and on-going partnerships with the community to provide meaningful opportunities for community participation in planning.
- Provide the community with opportunities to participate in strategic planning as early as possible to enable community views to be genuinely considered.
- Allow early consultation to ensure members of the community who area affected by proposed major development will be consulted by the proponent before an application for planning approval is made.
- Grow a shared sense of purpose, direction and understanding of planning functions and directions.
- Provide an effective process of engagement between Council and the community, which embraces the community's knowledge, ideas and expertise.

1.3 Objectives of the Community Participation Plan

The objectives of the CPP are:

- To provide information that is easily accessible and in plain English.
- To ensure our strategic planning reflects the aspirations of our community and partners.
- To meet statutory obligations regarding notification, exhibition and decisions of Council on relevant planning materials.
- To ensure the needs and concerns of the community are identified and addressed wherever possible.
- To provide engagement material which is inclusive, transparent and encourages participation.
- To notify adjoining and/or adjacent owners where Council considers that the proposal may have an impact on them.
- To ensure consistency to the manner in which Council considers development applications.
- To enhance opportunities for all members of the community to participate in planning decisions to achieve better planning outcomes.
- To ensure the community understands how they can participate in planning decisions.

1.4 Planning Framework

Planning functions in New South Wales are largely governed by the State Statutory Legislation Instruments such as:

- Environmental Planning and Assessment Act 1979
- Environmental Planning and Assessment Regulation 2000
- Local Government Act 1993
- Local Government (General) Regulation 2005

This Plan has been prepared to satisfy the requirements of Division 6 Community Participation of the Environmental Planning and Assessment Act 1979 (EP & A Act). In particular, the Plan has been prepared having regard to the matters included in Section 2.23(2) of the EP & A Act. These matters relate to community participation being inclusive, relevant, timely and meaningful.

1.5 Planning functions this Community Participation Plan applies to

The CPP applies to the Dubbo Regional Local Government Area (LGA). The community participation methods and approaches will reach different communities within the Dubbo Regional LGA dependent on the size of proposal and potential impacts of such proposal.

Planning matters that fall under the responsibility of other planning authorities (such as State Significant Development Assessed by the NSW Government) are subject to the relevant CPP adopted by that authority.

The aims of the CPP are to provide transparency and clarity for the community to understand its role in different planning functions. For the purposes of this CPP, planning functions have been identified as either Statutory or Strategic.

Statutory Planning	The assessment of Development Applications lodged with Council, primarily under the provisions of the Environmental Planning and Assessment Act, 1979.
Strategic Planning	<p>Sets the desired outcomes and provides direction on how to achieve them. The strategic planning function enables development and assists in managing growth and change. Strategic Planning projects include:</p> <ul style="list-style-type: none"> • Community Participation Plans. • Local Strategic Planning Statements. • Planning Proposals. • Development Control Plans. • Developer Contributions Plans. • Master Plans. • Structure Plans and, • Policies relating to Development and Environment. • Community Strategic Plan

1.6 What is Community Engagement

Community engagement is the process of involving people in the decisions that affect their lives and environment. It is proactive and ongoing, promoting open discussion and shared responsibilities for decisions. Community engagement can involve a broad variety of activities from informing (reflecting a low level of engagement) through to active participation or collaboration (reflecting a high level of engagement). An overview of the level of activities are:

- Informing** To provide balanced and objective information to the community in a timely manner
- Consultation** To obtain feedback on analysis, issues, alternatives and decisions
- Involvement** To work with the public to make sure that concerns and aspirations are considered and understood
- Collaboration** To partner with the public in each aspect of the decision-making

PART 2. NOTIFICATION REQUIREMENTS AND TIMEFRAMES

2.1 Introduction

Schedule 1 of the EP & A Act outlines the statutory minimum requirements for public exhibition of strategic planning documents and statutory Development Applications.

Table 1 and Table 2 provides guidance for minimum exhibition timeframes and if written notice and council website notice is required. All applications, projects and policies will be notified in the following ways:

2.2 Statutory Planning Functions

The level of community participation for statutory planning functions, such as Development Applications, will depend upon the expected impact, scale and type of development.

Table 1: Statutory Planning Services Community Participation Requirements

Application	Minimum Days	Written Notice	Application Tracker
Development Applications	14 Development Applications considered to have negligible impacts are not required to be notified (see below on page 6)	✓	✓
Integrated Development Applications	14 - 28	✓	✓
Designated Development Applications	30	✓	✓
Modified Development Applications	No requirement. Notification for all Modified Application (being Section 455 (1) (1a) and (2)) will be at the discretion of the Manager Building and Development Services.		✓

Circumstances where Development Applications require notification in local print media

If a Development Application is lodged for a new land use listed below in Table 2, an advertisement is required to be placed in Local Print Media. This requirement may be satisfied by notification via an online platform, including Council's website and Application Tracker.

Where alterations or additions are proposed, the level of notification will be at the discretion of the Manager Building and Development Services.

Table 2: Development Applications required to be notified in local print media

▪ Air transport facilities	▪ Helipads	▪ Registered clubs
▪ Aquaculture	▪ Heliports	▪ Residential flat building
▪ Biosolids treatment facilities	▪ Highway service centres	▪ Restricted premise
▪ Boarding house	▪ Hospitals	▪ Resource recovery facility
▪ Caravan park	▪ Hotel or motel accommodation	▪ Sewerage treatment
▪ Correctional centres	▪ Liquid fuel depot	▪ Sex services premise
▪ Crematoriums	▪ Livestock processing industry	▪ Stock and sale yards
▪ Educational establishments	▪ Manufacture home estates	▪ Subdivision with more than 50 lots
▪ Electricity generating works	▪ Medical centres	▪ Waste disposal facilities
▪ Entertainment facilities	▪ Mining (open cut)	▪ Water recycling facilities
▪ Extractive industries	▪ Mining (underground)	▪ Waste or resource transfer stations
▪ Gas pipelines	▪ Offensive industry establishment	▪ Water reticulation systems
▪ Hazardous industries	▪ Petroleum production	▪ Water storage facilities
▪ Hazardous storage establishments	▪ Places of public worship	▪ Water treatment facilities
	▪ Pubs	
	▪ Recreation facilities (major)	

*For definitions of these land use activities, please see the relevant Local Environmental Plan.

Circumstances where notification is not required

Some minor development is of a scale and nature that does not require formal notification of neighbouring properties. Provided the proposal complies with all applicable development controls (LEP, DCP & other relevant policies) and/or is considered unlikely to detrimentally impact neighbouring properties, no formal notification period applies.

This applies to development such as:

- Residential dwellings.
- Alterations and additions.
- Residential sheds and garages.
- Rural buildings.
- Landscaping.
- Fences.
- Pools.
- Change of use.
- Strata subdivisions of existing developments.
- Boundary adjustments where no additional lots are created.

Note:

- Development Applications may be notified for longer than the minimum days if deemed necessary.
- Notification periods may be extended in consideration of the mailing process aiming to ensure that people notified receive the full notification period to consider the proposal.
- Timeframes are in calendar days and include weekends.
- If the exhibition period is due to close on a weekend or a public holiday. The exhibition may finish on the next available work day.
- The period between 20 December and 10 January (inclusive) is excluded from the calculation of a period of public exhibition.

2.3 Exempt and Complying Development

Some development, such as exempt and complying development under the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008, does not allow opportunities for community engagement.

2.4 Strategic Planning Functions

The level of community participation for Strategic Planning projects will depend upon the expected impact, the scale and the type of project.

Table 3: Strategic Planning Community Participation Requirements

Application/Project/Policy	Minimum Days	Written Notice	Website
Community Participation Plans	28		✓
Local Strategic Planning Statements	28		✓
Planning Proposals (Gateway Determination)	28 (Gateway Determination requirements may change the minimum)	✓	✓
Development Control Plans	28	✓	✓
Developer Contribution Plans	28	✓	✓
Planning Agreements	28	✓	✓
Re-classification of Public Land	28	✓	✓
Master/Precinct Plans	28	✓	✓
Structure Plan	28	✓	✓
Planning/Land use Policies	28	✓	✓
Land use strategies	28	✓	✓

Circumstances where a Community Engagement Strategy is required

Dependent on the level of complexity of a project, the number of directly impacted community members, the project will have monetary impacts and the anticipated level of importance for the community. If deemed appropriate by Director Development and Environment, a community and stakeholder engagement strategy, prepared specifically for the individual project may be required. The strategy would aim to ensure that the participation level of community collaboration is achieved.

The engagement plan includes the activities and methodology for providing feedback to the stakeholders. This may include the use of a number of the following activities (this list is not comprehensive list, consultation activities not listed may still be used).

- Social media posts;
- Local print media notices;
- Letter box flyer;
- Council website;
- Public displays in the relevant Civic Administration Building, library and popular community locations (i.e. cafés);
- Workshops and focus groups;
- Public meetings and information sessions;
- Discussion papers;
- Councillor briefing sessions;
- Pop up stall at event, markets and in popular community areas;
- Information sessions;
- Surveys; and
- Drop-in sessions.

For projects where the collaboration level of participation is achieved, it is expected that two (2) public exhibitions will occur. This would include the initial 'blank page' consultation asking the community for their thoughts on a matter. The collation of this data would be used to inform the draft project. The second consultation being public exhibition of the draft document.

Minimum Participation Activities

For projects which are not required to have a dedicated Community Engagement Strategy, Council will undertake a number of participation activities to ensure that the participation level of consultation is achieved. The following activities are undertaken as a minimum for all Strategic Planning projects.

- Public displays in the relevant Civic Administration Building, library and popular community locations (i.e. cafés).
- Council website.
- Local print media notices.
- Written notification if residents are directly impacted by proposal.
- Responsible officer to answer enquiries.

PART 3. COMMUNITY PARTICIPATION IN THE PLANNING PROCESS

3.1 Our approach to Community Engagement

Community engagement is a planned process with the specific purpose of working with identified groups of people, whether they are connected by geographic location, special interest, or affiliation or identify to address issues affecting their well-being.

Community engagement can take many forms and the International Association for Public Participation (IAP2) has developed the 'IAP2 public participation spectrum' to help groups define the public's role in any public participation process.

The spectrum of community engagement has been designed to assist in determining the most appropriate level of participation of the public. The spectrum shows that differing levels of participation are legitimate depending on the goals, time frames, resources and levels of concern in the decision to be made. However, and most importantly, the spectrum sets out the goal being made to the public at each level.

While the IAP2 Spectrum for Public Participation has been adopted for this framework, within the context of Local Government, the highest level of 'Empower' will rarely be achievable or appropriate. The spectrum notes that the level of 'Empower' places the "final decision-making in the hands of the public". As elected representatives for the community, final decisions will ultimately rest with the elected Councilor's.

'Consider' and 'Determine' have been included within the statutory planning approach to provide a more practical approach as to how development applications are considered and determined, with respect to the Environmental Planning and Assessment Act, 1979.

a) Statutory Planning Approach



	Inform	Consult	Consider	Determine
Goal	We will tell you about relevant applications and give you accurate and relevant information.	We will keep you informed, listen to and acknowledge your concerns and aspirations.	We will consider your submission when assessing the application.	We will let you know the decision regarding the application.
When	As soon as practical following the application's lodgment.	Consultation will continue as specified in the notification letter.	After the exhibition period the application will be formally assessed by Council.	After the determination has been made.
Example Techniques	<ul style="list-style-type: none"> Written notification Online Application Tracker Newspaper advertisements (if required under Section 2.2 of this CPP) 	<ul style="list-style-type: none"> Reviewing Documentation by Application Tracker Making Submission 	<ul style="list-style-type: none"> Council development assessment process 	<ul style="list-style-type: none"> Written letter Application tracker Notice of decision in local newspaper

b) Strategic Planning Approach



	Inform	Consult	Involve	Collaborate
Goal	To provide balanced and objective information in a timely manner	To obtain feedback on analysis, issues, alternatives and decisions	To work with the public to make sure that concerns and aspirations are considered and understood	To partner with the public in each aspect of the decision-making
When	Across the entire project, however, will usually be upfront, on adoption of a draft plan and adoption of the final plan.	Could be prior to developing a draft plan, and/or on adoption of a draft plan for exhibition	At a series of stages within a project that seek feedback and explain involving outcomes.	Multiple opportunities across the projects.
Example Techniques	<ul style="list-style-type: none"> • Council website • Social media • Written notification • Advertisements 	<ul style="list-style-type: none"> • Surveys • Drop-in sessions • Markets 	<ul style="list-style-type: none"> • Community workshops • Targeted workshops • Information sessions 	<ul style="list-style-type: none"> • Working groups • Stakeholder meetings • Surveys • Submissions

3.1 Submission Process

Written submissions received during the exhibition period will be considered as part of the assessment of the application. No determination of any matters will be made before the conclusion of the exhibition period.



3.2 Making a submission

It is important that submissions contain information relevant to the application, project or policy. Council officers are required to assess proposals on planning grounds identified within the planning framework. Issues such as moral objection, commercial competition or personal circumstance of an applicant or objector cannot be given weight in Council's assessment. At a minimum submission must:

- Clearly identify the matter to which the submission relates
- State the grounds for support or objection with adequate details as to reasons
- Include appropriate contact details

Late submissions may be considered at Council's discretion until a determination has been made.

Submission can be:

Posted: PO Box 81, DUBBO NSW 2830

Emailed: council@dubbo.nsw.gov.au

Dubbo drop in: Cnr Church and Darling Street, DUBBO

Wellington drop in: Cnr Nanima Crescent and Warne Street, WELLINGTON

All submissions should be addressed to the Chief Executive Officer.

GLOSSARY

Planning term	Definition
Contribution plans	A plan developed by councils for the purpose of levying financial contributions from development towards the cost of new and upgraded public amenities and/or services required to accommodate the development
Designated development	Designated Development refers to high-impact developments (e.g. likely to generate pollution) or are located in or near an environmentally sensitive area.
Development application	Refers to developments which require consent pursuant to the Environmental Planning and Assessment Act.
Development control plans	A plan that provides detailed planning and design guidelines to support the planning controls in a LEP
Gateway determination	A gateway determination is issued by the Department of Planning, Industry and Environment (DPIE) following an assessment of the strategic merit of a proposal to amend or create an LEP and allows for the proposal to proceed to public exhibition
Local environmental plan (LEP)	An environmental planning instrument developed by a local planning authority, generally a council. An LEP sets the planning framework for a Local Government Area
State Environmental Planning Policy (SEPP)	An environmental planning instrument developed by the DPIE, that relates to planning matters that are state significant or are applicable across the state
Local Government Area (LGA)	A Local Government Area is an administrative division of the Country that Local Government is responsible for.
Environmental Planning and Assessment Act 1979	The Environmental Planning and Assessment Act 1979 sets out the laws under which planning in New South Wales takes place.

DOCUMENT CONTROL TABLE

Revision	Purpose	Date
1	Draft Issued for Public Exhibition	11 October 2019
2	Amendments for Council Adoption	8 November 2019

Cnr Church and Darling Street, Dubbo
 Cnr Namira Crescent and Warne Street, Wellington
 Ph: (02) 6801 4000
www.dubbo.nsw.gov.au



Subject: RE: Submission - Draft Community Participation Plan

From: Karina McLachlain <karinaluisa@yahoo.com>
Sent: Thursday, 24 October 2019 12:34 PM
To: Dubbo Regional Council <council@dubbo.nsw.gov.au>
Subject: Submission - Draft Community Participation Plan

Dear Council,

There are a number of committees that council has which deal with matters where the public are supposed to have input, according to the draft CPP. These include:

- Development and environment committee
- Infrastructure and liveability committee
- Culture, economy and corporate committee
- Local Traffic Committee

Yet these committees are closed to the public and the public only have a say once reports reach an ordinary council meeting, if the public are aware. I would like members of the public to sit in on and contribute to these committees on a regular basis. My major concern is that in particular, the local traffic committee (with the exception of John Morris) badly let down Dubbo by allowing a former council employee to hijack the RMS Bridge consultation and insist that the RMS did not consider Troy Bridge Rd as one of the options and by the time the general public found out, it was too late to do anything about it. There are likely to be similar issues with other committees. The public should be taken into account on any new issues and not simply relegated to speaking at an ordinary council meeting, if they happen to hear about the issue. Speaking places at council meetings are very limited and at this stage, we believe that councillors have already made up their mind which way they are going to vote on an issue, so this exercise gives the public very limited influence over the council decisions.

Further, I'm concerned that a decision has been made by council to engage the services of engineer Chris Stapleton once more to do a study of some sort related to traffic and river crossings. There are no details on the the council's website about this matter that I have been able to find. As a ratepayer, I would like to know what he has been commissioned to do, what his remit or terms of reference are and if he has been asked to consult with locals, including the Aboriginal traditional owners of the land about heritage issues. My concern is that the council, like the RMS are failing to consult with the locals, not only to get rich local knowledge but also to know about local opinions. We believe that Mr Stapleton and the council originally supported Purvis Lane as a crossing connected to a bypass at least partly because the council owns land in this vicinity. Factors other than finding the best location for a Newell Highway Bypass were at work. Purvis Lane, with a very wide floodplain is not a suitable location for a high level crossing. As NSW's most important highway, its river crossing needs to be flood proof. As it is a Newell Highway issue and not just a Dubbo issue, consulting with the transport industry, as well as locals, is also something that should be done during the planning process and not just as an after thought when a report is issued to council.

I note that there are a number of advisory committees that members of the public can sit on. However, the issues considered are sometimes relatively minor compared to the ones that council has got very wrong in the above committees, due to the lack of consultation with the public.

I hope that my thoughts are considered and some changes are made to have more public input into every day decisions of the council.

Kind regards,

Karina McLachlain



REPORT: 30th Anniversary Visit to Minokamo by Dubbo Delegation

AUTHOR: Sister Cities Officer
REPORT DATE: 11 November 2019
TRIM REFERENCE: ID19/1537

EXECUTIVE SUMMARY

A delegation of 21 people representing Dubbo Regional Council visited Minokamo for three days to attend their 30th Anniversary celebrations of the Dubbo Minokamo sister city relationship. During the visit a declaration was signed by Mayor Shields and Mayor Ito acknowledging the 30 year milestone and identifying the areas of education and youth exchange, tourism, and health and wellbeing as future areas of cooperation. Dubbo's 30th anniversary gift, a statue of two Kangaroos was unveiled by the two Mayors on the recently constructed Dubbo Road along the Kiso River. Dubbo is looking forward to hosting a return visit from 22 November 2019.

FINANCIAL IMPLICATIONS

All the delegates self-funded the visit, except the Sister Cities Officer (SCO), for whom the travel was work; and was funded by Council. This was in keeping with a resolution of Council, stipulating strict conditions.

POLICY IMPLICATIONS

There are no policy implications arising from this report.

RECOMMENDATION

That Council continue to support the sister city partnership with Minokamo and investigate ways of increasing cooperation in the areas of youth exchange, tourism, health and wellbeing.

Kylie Sutherland
Sister Cities Officer

BACKGROUND

Dubbo and Minokamo commenced a sister city relationship, 2 June 1989. During the past thirty years, approximately 400 students from Minokamo and Dubbo have participated in an annual reciprocal student exchange. In the early days of our friendship, Charles Sturt University and the Ajisai Nursing School in Minokamo collaborated to teach English to Japanese students, so that they could pursue a degree in nursing at the university. There have also been collaborative art and musical exchanges between members of our cultural communities, including the Tracks Exhibition at the Western Plains Cultural Centre in 2013. While local Tubba-Gah Wiradjuri man Lewis Burns has visited to perform and showcase his culture on numerous occasions since 1999.

REPORT

The Dubbo delegation spent three nights in Minokamo from Friday 18 October, to Monday 21 October. The delegates that represented DRC were:

Clr Ben Shields – Mayor

Clr Dane Gumley

Clr Greg Mohr

Mr Jeremy Ellis

Ms Ashlee Fisher

Ms Leanne Biles

Mr Phil Priest – Sister City Advisory Committee

Ms Annette Priest

Mr Peter Bray

Mrs Christine Bray – Sister City Advisory Committee

Mr Geoff Mann – Sister City Advisory Committee

Mrs Bridget Mann – Sister City Advisory Committee

Mr Michael McMahon – CEO

Mrs Narelle McMahon

Mrs Kylie Sutherland – Sister Cities Officer

Mr Robert Wilson

Mrs Julie Wilson – Past Member Sister City Committee

Mr Greg Shortis

Mrs Anne Shortis

Mr Ivor Trapman

Mrs Caryl Trapman

On arrival in Minokamo, the delegation was whisked away for a delicious morning tea at the Cultural Forest Centre. After an explanation of the itinerary for the visit, the delegation visited the Mitsukan Natto Factory where they learned how soybean is transformed into different Natto products; and even sampled one of their most popular Natto snack packs.

Next, the delegation visited the local Miyozakura Sake Brewery, for a tour and tasting with owner Mr Watanabe. A delicious bento box lunch at the Nakasendo Kaikan (local museum & tourist information) followed, with a presentation on the Nakasendo (Edo period trade route through Minokamo) trail and the Princess Procession. After lunch, delegates were treated to a traditional blade making demonstration, at the Seki Blade Museum. Some delegates tried their hand at swinging the heavy hammer, to flatten the heated steel blade. A wonderful first day in Minokamo was topped off with a special dinner at the Maru-sankaku-shikaku. The delegates were treated to some very special Japanese dishes, including barbequed Wagyu and Shioyaki (salt crusted fish cooked on coals).

Saturday started with a visit to Yusen-ji Temple (Buddhist temple), for a tea ceremony. In the afternoon the delegation met with Mayor Ito, other councillors; and city officials at the River Port Park for the official 30th anniversary speeches. The two Mayors participated in a discussion about the future of our sister city friendship. Mayor Ito flagged the areas of education and youth exchange, tourism and health, as focus areas for the future of our sister city partnership. After which both Mayors signed a 30th Anniversary declaration which acknowledges our past sister city friendship and nominates these areas of common interest, to strengthen and promote our relationship into the future.

With rain teaming down the assembled gathering and a plethora of umbrellas, proceeded down the recently constructed Dubbo Road. This was Mayor Ito's surprise for the Dubbo delegates. He had the walking path, which meanders along the Kiso River, constructed and named Dubbo Road complete with a Kiso and Macquarie River scenic viewing area, when he learned of Mayor Shields gazetting Minokamo Way, in the Elizabeth Park Regional Botanic gardens. It was a wonderful surprise including an area of recent plantings of species of Australian trees and shrubs. Mayor Ito and Mayor Shields planted a Callistemon to mark the 30th anniversary. This was followed by short speeches by the Mayors and finally the moment all the Dubbo delegates had been waiting for – the unveiling of Dubbo Regional Council's gift to the citizens of Minokamo, the Brett Garling statues of Kangaroos. The Kangaroos have been installed to one side of Dubbo Road in the trees with a view of the Kiso River. The rain cleared as evening approached and delegates enjoyed a delicious barbeque in the River Port Park, cooked by members of MIEA and staff from Minokamo Council.

Sunday was the day of the Onsai Festival and the parade of Princess along the Nakasendo Trail. This festival celebrates a custom from the Edo period when the Princess were carried along the Nakasendo in Palanquins with a huge number of retainers from Kyoto to their homes or to marry a shogun. The delegates attended the festival opening where Mayor Shields gave a greeting and distributed rice cakes to the children. All the Dubbo delegates chose to dress in harpy, kimono or samurai and join the parade of princess. The parade was led by Mayor Shields (dressed as Shakespeare) and Mayor Ito (dressed as the famous Japanese poet Tsubouchi Shoyo) sitting in a rickshaw.

The delegates' final night in Minokamo was one of celebration, with a dinner hosted by Mayor Ito at the City Hotel with speeches, delicious food, exquisite Japanese traditional dancing (including a dance performance by a male geisha), all washed down with sake.

SUMMARY

Hospitality extended to the DRC delegation was outstanding, with the team of Minokamo City Council and MIEA staff working tirelessly during the visit, to ensure the 30th anniversary celebrations proceeded without a hitch. It was obvious that a lot of planning and preparation went into the arrangements to ensure the delegation had a memorable anniversary visit. Dubbo Regional Council is looking forward to welcoming a delegation of 21 people, led by Mayor Ito to our region on 22 November 2019 for three nights; and intends to repay the wonderful hospitality extended to the Dubbo delegates.

