



EXTRAORDINARY MEETING OF COUNCIL BUSINESS PAPER

18 October 2018

Extraordinary Meeting of Council

EXTRAORDINARY MEETING
OF COUNCIL

18 October 2018



Extraordinary Council Meeting

18 October 2018 at 3:00pm

Uralla Shire Council Chambers

- BUSINESS AGENDA -

- 1. OPENING OF EXTRAORDINARY MEETING**
- 2. PRAYER**
- 3. ACKNOWLEDGEMENT OF COUNTRY**
- 4. APOLOGIES**
- 5. DISCLOSURES & DECLARATIONS**
- 6. PURPOSE OF EXTRAORDINARY MEETING**
 1. To consider undertaking community consultation for the potential SRV.
 2. To approve the financial statements for the year ending 30 June 2018.
- 7. CLOSE OF EXTRAORDINARY MEETING**

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REPORT TO COUNCIL

Department:	General Manager's Office
Submitted by:	<i>Andrew Hopkins</i>
Reference/Subject:	Report 1 – Undertake Community Engagement about Special Rate Variation

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Objective:	4.2	An effective and efficient organisation
Strategy:	4.2.2	Operate in a financially responsible and sustainable manner
Activity:	4.2.2.1	Maintain and control financial system and improve long term financial sustainability
Annual Action:		Make an application for a special rate variation in accordance with the Independent Pricing and Regulatory Tribunal criteria, subject to the approval and resolution of Council

SUMMARY:

Demonstration of the community's awareness of a proposed special rate variation (SRV), including the need for, extent and impact of the SRV is an essential element of the Independent Pricing and Regulatory Tribunals (IPART) consideration of a council's SRV application. Should Council wish to retain the option to make application to IPART for an SRV to take effect from the commencement of the 2019-20 financial year, it will need to ensure that the required community engagement is undertaken. It is preferable but not essential, for the engagement to take place prior to the Christmas holiday period.

Based on the independently constructed long term financial plan and modelling undertaken by Morrison Low consultants the following options have been identified:

- Base Case – no SRV. Council's General Fund unrestricted cash reserves are likely to fall into an overdraft position by approximately 2020-21. Under this scenario Council would fail many of the Office of Local Government performance measures.
- Improvement Plan + SRV - which includes a range of productivity options to improve Council's financial performance (as identified through the Horizontal Service Review). This scenario is a mix of increased rate revenue together with the full cost recovery of user fees and charges and reduced expenditure (including an annual decrease in asset renewal for General Fund infrastructure by \$500,000). The SRV component would be 37.3% (cumulative, including the 10.38% rate peg) over four years, commencing 1st July 2019.
- SRV only – this would see the introduction of a 54.4% (cumulative, including the 10.38% rate peg) SRV over four years, commencing 1st July 2019.

OFFICER'S RECOMMENDATION:

That Council:

1. ***Commence community engagement for a permanent Special Rate Variation (SRV) to the General Fund commencing in 2019-20, at indexation above the rate peg, of 12%, then 10%***

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in 2020-21, then 8% in 2021-22 and 6% in 2022-23 (a cumulative increase in rates of 54.4%), as per Scenario 3 of the Morrison Low Long Term Financial Plan 2018 to 2029 report, acknowledging that the community may recommend a lesser SRV percentage based on reduced service levels and/or other revenue improvements and/or efficiency gains.

- 2. Council endorse and implement the Special Rate Variation Application Engagement Strategy - Uralla Shire Council prepared by the Centre for Local Government of the University of Technology Sydney.**
- 3. Council engage the Centre for Local Government of the University of Technology Sydney to undertake community engagement generally consistent with their Special Rate Variation Application Engagement Strategy - Uralla Shire Council**
- 4. On or before 30th November 2018, formally notify the Independent Pricing and Regulatory Tribunal (IPART) that Council intends to submit a Special Rate Variation application on or before 11th February 2019.**

REPORT:

What is the problem?

- Based upon the evidentiary research and benchmarking undertaken by Council's consultants, Council will have a shortfall in cash.

What does that mean?

- Council will not be able to provide current services/service levels; and/or
- Council won't be able to maintain assets to required levels - meaning assets will deteriorate further, thereby exacerbating the problem; and/or
- If substantial change isn't made, Council will eventually run out of cash.

What can we do?

- Introduce an SRV; and/or
- Reduce services; and/or
- Identify and implement savings; and/or
- Introduce new revenue sources (e.g. increased fees and charges).

Council Improvement Plan (2015)

The Council Improvement Plan (CIP) is a document completed and endorsed by Council resolution in June 2015 and which highlights the key issues facing Uralla Shire Council (USC) and lists the improvement strategies and outcomes in order for Council to maintain its financial sustainability and Fit for the Future rating.

At the time of compiling the CIP, council had undertaken a community engagement program to inform the construction of its new 2015 Community Strategic Plan. The engagement program included a community survey which revealed very conclusive key themes as follows:

- 92% of respondents wanted Council to remain independent and not pursue a voluntary merger;
- Of the respondents who wanted Council to remain independent, 94% committed to some level of special rate variation to return Council's operating result before capital grants into surplus;
- Almost 70% of those respondents stated that a special variation of between 10 and 20 percent was acceptable to return Council's operating result before capital grants into surplus;
- A number of areas were identified for review of their current service levels as a part of achieving the operating performance ratio benchmark.

The survey results informed the CIP initiatives and included:

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- Continuing implementation of Council's Organisational Development Strategy and related Action Plan to further build on Council organisation capacity and capability;
- Implementation of a rolling service review program to be undertaken on all service areas at least once during every four year cycle;
- Review of all Business Plans and strategies for Council's commercial businesses undertakings;
- A further review of all of Council's user fees and charges to ensure that income is maximised as much as possible under a revised user pays philosophy;
- A further investigation of expanded opportunities for resource sharing or joint tendering with other regional Councils;
- The implementation of a number of systems to maximise automation and improve Council's data collection and business intelligence capabilities;
- The ongoing implementation of Councils Workforce Management Strategy and the targeted actions contained therein; and
- An application to the Independent Pricing and Regulatory Tribunal (IPART) for a Special Rate Variation.

Council continues to drive organisational efficiencies and is progressively implementing the key actions of the CIP, however simultaneously Council has also advanced its Asset Management Plans (AMP) which have brought into focus future asset renewal challenges which cannot be funded from current revenues.

Since the adoption of the CIP Council included an action item in its 2016/17 Operational Plans to make application to IPART for an SRV. However due to disruptions to the management of the Council organisation and the need to develop the supporting plans (eg AMPs) which provide the evidence for future funding deficiencies, an application and its supporting evidence, including the results of community consultation, was not an achievable outcome for the 2017/18 Operational Plan so the matter was excluded. It was then reintroduced into the current Delivery Program 2017-2021 and Operational Plan 2018-2019.

Long Term Financial Plan

Central to the determination of Council's sustainability is the Long Term Financial Plan (LTFP). Council has its own LTFP and that plan has, for successive recent years, identified a deterioration of Council's General Fund unrestricted cash position over the 10 year life of the plan. The pace at which the cash position deteriorates has accelerated in accordance with the improved intelligence around asset condition and asset renewal requirements.

To ensure transparency, Council engaged Morrison Low consultants to independently construct an LTFP and to provide independent assessments of the sustainability of the Council over the 10 year planning horizon.

Morrison Low have prepared a LTFP report (Attachment A) which identifies and assesses a 'business as usual' base case scenario together with two changed circumstance future scenarios.

The key attributes of each scenario, as identified by Morrison Low are as follows (as they relate to the General Fund only):

Base Case:

- This model assumes business as usual, generally.
- Council does not meet many of the performance measure benchmarks over the 10 year period.
- The General Fund annual operating deficit averages 8.6% per annum and Council is reducing its unrestricted general fund cash by an annual average of \$623,000 over the 10 year period. This has the effect of the General Fund falling into an overdraft position in about 2020-21 and the overdraft continues to increase for the balance of the 10 year period.
- Council will be unable to maintain infrastructure to a satisfactory level due to its negative cash position from about 2020-21.

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Scenario 2:

- Reduces General Fund asset renewal by \$500,000 per annum – in order to assist arrest the annual cash deficit described in the Base Case.
- Introduces a range of potential productivity options (some requiring initial investment to achieving the saving/efficiency) to improve Councils financial performance. These opportunities were identified through the Horizontal Service Review process recently undertaken and include:
 - increasing fees and charges to reflect costs of service delivery;
 - reducing maintenance of certain nature strips;
 - reduction in frequency of newsletter;
 - reduction in opening hours for the Waste Management Centre;
 - efficiency improvements for Business Paper (electronic only and new software);
 - upgrade the Bundarra maintenance water truck;
 - reduce councillor numbers (to seven);
 - Rationalise and improve telecommunications technology;
 - Implement energy management systems;
 - Close the Bundarra library (replace with mobile service);
 - dividends to Council from water and sewer businesses;
 - issue fines,
- This scenario incorporates increasing revenue above the rate peg via tapered SRV commencing at 8% in 2019-20, then 6% in 2020-21, 5% in 2021-22 and 4% in 2022-23. The cumulative increase in rates is 37.3% over 4 years, including the cumulative increase of 10.38% from the rate peg increase.
- After applying the special rate variation, the additional annual income included in Council's rates base is \$983,000 by 2022-23.
- Under this scenario Morrison Low state that the Council will receive additional revenues from rates and charges and user fees and charges, and also invests in initiatives which create productivity savings and cut costs, all of which improves the bottom line and the cash position. A marginal operating surplus is generated in the General Fund by the sixth year, 2024-25. This indicates that Council is becoming financially sustainable and has generated some limited financial capacity to respond to opportunities or risks as they arise.
- In this scenario, Council has reduced its funding for general fund asset renewals and the infrastructure backlog will gradually be impacted, increasing to 2.6% by the end of the ten year planning period, compared to the 2% benchmark of the OLG.
- This scenario presents an improvement option that keeps Council in a financially sustainable position, and that also keeps the special rates variation impost as low as possible. There are reductions in service levels in some areas, and increases in fees and charges for user-pay services. At the same time, Council invests time and resources in productivity improvements that realise further efficiency savings.

Scenario 3:

- This scenario represents the additional revenue Council would need in the event that identified service level reductions (particularly the annual reduction of \$500,000 towards asset renewals) and efficiency improvements identified for Scenario 2 are not achievable or are unachievable. It therefore assumes there are no significant changes in terms of the level and nature of services provided by Council for the 10 year period.
- This scenario incorporates increasing revenue above the rate peg via a tapered SRV commencing at 12% in 2019-20 then 10% in 2020-21, 8% in 2021-22 and 6% in 2022-23.
- The cumulative increase in rates is 54.4% over the 4 year period, including the cumulative increase of 10.38% from the rate peg increase.
- General Fund assets continue to be renewed in accordance with the Council's program of works, at similar levels as in previous years, over the 10 year period.

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- Under this scenario Council receives additional rates revenue to improve the bottom line, generating a small operating surplus by the fourth year from 2022-23, also improving Council's cash position. This indicates that Council has become financially sustainable and has some financial capacity to respond to opportunities or risks as they arise.
- In this scenario Council has generated additional revenues from within the local government are, reducing its level of dependence on grant funding from the state and federal governments and meets the state government's criteria for 'own source funding'. Council would not have capacity for additional borrowings due to maintaining only a low operating surplus to fund interest and repayments.
- As Council continues to invest in asset renewal at levels that meet the requirements of its Asset Management Plans the infrastructure backlog is slightly reduced to below the 2% benchmark over the 10 year planning period.

Water and Sewer Funds

The Long Term Financial Plan also reports on the consultant's findings about the future sustainability of Council's Water Supply and Sewerage services and although not relevant to an SRV for the General Fund they improvements required in the Water Fund and the Sewer Fund are significant. The consultant's recommendations are as follows:

Water Fund

Increase water annual charges by 25% per annum for 4 years, then 5% per annum for the following 2 years.

Sewer Fund

Increase sewer annual charges by 5% in the first year, 10% per annum for the following 2 years and 5% in the fourth year.

Community Communication and Engagement

The Independent Pricing and Regulatory Tribunal (IPART) requires that any council proposing an application for a SRV must prepare a community engagement strategy which incorporates an appropriate variety of consultation methods to ensure its community is aware of the need, the extent and the impact of any proposed SRV. The IPART SRV application guidelines can be found here... https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Special%20Variation%20Guidelines_2.pdf

Council staff have researched the community engagement approaches employed by other council's which have made application to IPART for an SRV. Staff have also interrogated the recommended approaches of various industry leading consultants for this important piece of work and have requested the Centre for Local Government, within the Institute for Public Policy and Governance of the University of Technology Sydney (CLG - <https://www.uts.edu.au/research-and-teaching/our-research/institute-public-policy-and-governance>) to prepare an Engagement Strategy (Attachment B) for consideration by Council.

CLG will be available by video for questions during the Council meeting and will be available immediately after the Council meeting to discuss their approach to leading and assisting Council with the various communication and engagement actions identified within their Engagement Strategy.

A summary of the key communications and engagement activities included within the Engagement Strategy are as follows:

- Briefing Councillors on the strategy to build understanding and gain sign off of the communications and engagement activities and key messages, and update Councillors on findings of the engagement process as they become known.

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- Broadcast communications to inform the community of the engagement process and build awareness of the options, need for, extent and impact of the SRV. This includes advertisements in the local newspaper, a page on Council's website, Mayoral radio spots, drop-in sessions at local community centres, and fact sheet mail outs to the entire community.
- A random dial phone survey and online survey to identify the community's service and infrastructure priorities and preferences for what any additional SRV funds should be spent on.
- A deliberative panel so a representative cross-section of the community can consider the Morrison Low options in greater detail and provide advice to Council on these options and the need for, extent and impact of the SRV and what any additional SRV revenue should be spent on.
- An online survey to test the findings of the deliberative panel.
- A submissions process so the community can comment on the SRV application documents before they are lodged with IPART.

IPART's SRV Key Dates

By circular dated 8th October 2018, The Office of Local Government (OLG) issued advice about the key dates associated with IPART SRV applications. These are as follows:

- 30th November 2018 – Councils are to notify IPART that they intend to make an application for an SRV. This does not mean Council commits to making an application for an SRV.
- 11th February 2019 – SRV applications to be lodged with IPART.
- 14th March 2019 – IPART determinations announced.

Next Steps

Should Council determine it wishes to embark on a formal communications and engagement exercise (as outlined within the attached Engagement Strategy) with the community about an SRV it will need to resolve to do the following:

- a) Identify the SRV percentage/quantum it wants to put to the community.
- b) Commence communication and engagement in accordance with an Engagement Strategy.
- c) Notify IPART, by 30th November 2018, of its intent to lodge an SRV.

Prepared by staff member:	Andrew Hopkins
TRIM Reference Number:	TBC
Approved/Reviewed by Manager:	N/a
Department:	General Manager's Office
Attachments:	A: Uralla Shire Council Long Term Financial Plan 2018 to 2029 – Morrison Low Consultants B: Special Rate Variation Application Engagement Strategy Uralla Shire Council – Centre for Local Government, University of Sydney



Uralla Shire Council

Long Term Financial Plan 2018 to 2029

October 2018

Document status

Ref	Approving Director	Date
7329	Greg Smith	October 2018

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Executive Summary

Uralla Shire Council has placed a focus on business improvement over the past several years, responding to the broad support of its community to remain a strong and independent council. Now that the NSW Government has abandoned its policy of forced council amalgamations, Council has been able to look forward and plan for the long term.

Uralla Shire is not financially sustainable within its current level of funding and Council has resolved to implement an Improvement Plan, including consideration for a multi-year special rate variation that is proposed to commence from 1 July 2019.

At the time of writing its Community Strategic Plan, and responding to the Government's *Fit for the Future* program, Council facilitated community engagement activities to inform the community about the reality of Council's unsustainable financial position and to listen to their priorities for the future. The results of a community survey conducted at that time had a high response rate and provided clear evidence of the community's position, which is as follows¹:

- 92% of the respondents wanted Council to remain an independent organisation and, of those,
- 94% wanted a special rate variation to return Council's operating result to an operating surplus.

This Long Term Financial Plan models the implementation of critical financial initiatives designed to correct the financial position of Council, in particular:

- Increase revenue with a proposed tapered special rate variation commencing on 1 July 2019.
- Increase revenue in the water and sewer funds through increases to the Water and Sewer Annual Charges, commencing on 1 July 2019.
- Additional annual budget for Water and Sewer infrastructure renewal, at levels adequate to correct the current infrastructure backlog over time.
- Implement a range of productivity improvements, realising an ongoing net saving of \$449,207 per annum.

Where are we now?

Our Current Financial Position

Operating performance

Uralla Shire Council faces a number of challenges in terms of financial sustainability. It is a small regional NSW Council with a population of 6,390 responsible for providing services across an area of 3,226 sq km and maintaining \$232 million of community assets.²

Uralla Shire Council has forecast net operating losses for a number of years and has recognised that a special rate variation will be necessary to become a financially sustainable organisation.

¹ 400 submissions were received from a population of 6,300

² Uralla Shire Council, *Audited financial statements for the year end 30 June 2017*, written down value of infrastructure, property, plant and equipment.

Financial position³

Council has \$15.6 million of current assets, predominantly cash and investments, and it has current liabilities of \$6.5 million, mostly being bonds repayable to residents within its Aged Care business and Employee Leave Entitlements. Of its total cash and investment assets, Council has a low level of unrestricted cash of \$1,049,000, based on the draft financial statements as at 30 June 2018. This represents the total cash available that is not already committed for a specific purpose.

Council has \$2.8 million in loans payable over the next 10 years. Council's non-current assets amount to \$232 million, with the majority of this being the written down value of roads infrastructure.⁴

Council has an estimated infrastructure backlog of \$8,154,000⁵ which represents 3.7% of its written down infrastructure asset value, as compared to the local government prescribed industry benchmark of less than 2%. Council has not spent adequate funds on asset renewal over the last several years and the condition of assets is being run-down.

Where are we going?

Opportunities and challenges

Uralla Shire Council provides a wide range of services, in particular aged care, community care, domestic waste collection, waste recycling processing and environmental management that similar size councils may not provide, or do to a lesser degree. Some of these differences have a significant resource impact on the organisation as a whole.

Given the moderate estimated increase in population, Uralla has a relatively low rate base to support the delivery of numerous services required of a modern council. Lack of financial resources are a major issue and, as a consequence, Council has limited capacity to deal with compliance and legislative obligations.

As a third tier of government, operating in a heavily regulated legislative environment and being responsible for the management of long term infrastructure assets on behalf of small remote communities, all rural councils face inherent financial challenges:

- Managing the relationship with other tiers of government, including the problem of cost-shifting.
- Managing rising community expectations.
- Maintaining existing service commitments in the face of a large infrastructure bill and constraints on rate income.
- Overcoming skills shortages, perhaps through greater resource sharing.

³ Except where otherwise stated, all Financial Position figures from Uralla Shire Council, *Audited Financial Statements for the year ended 30 June 2017*

⁴ All figures relating to Financial Position referenced from: Uralla Shire Council, *Audited financial statements for the year end 30 June 2017*.

⁵ Uralla Shire Council, *Long Term Financial Plan Model, incorporating current asset management plans and asset data*, Morrison Low, updated August 2018

Where do we want to be?

Community Vision and Key Directions

“In 2027 the Uralla Shire will continue to be an active, prosperous, welcoming and environmentally aware community.”⁶

The vision for the future is built around fifteen goals, set out in the Community Strategic Plan.

- A proud, unique and inviting community.
- A safe, active and healthy shire.
- A diverse and creative culture.
- Access to and equity of services.
- An attractive environment for business, tourism and industry.
- Growing and diversified employment, education and tourism opportunities.
- A safe and efficient network of arterial roads and supporting infrastructure and town streets, footpaths and cycleways that are adequate, interconnected and maintained.
- Communities that are well serviced with essential infrastructure.
- To preserve, protect and renew our beautiful natural environment.
- Maintain a healthy balance between development and the environment.
- Reuse, recycle and reduce wastage.
- Secure sustainable and environmentally sound water-cycle infrastructure and services.
- A strong, accountable and representative council.
- An effective and efficient organisation.
- Deliver the goals and strategies of the Community Strategic Plan.

This Long Term Financial Plan supports the achievement of the community vision. In order to live sustainably Council has to look into the future and provide future generations with sustainable infrastructure and environment without the burden of excessive debt. A Long Term Financial Plan promotes this sustainability by ensuring that decision makers have information about the long term cumulative effects of their decisions.

The aim of the Long Term Financial Plan is to place a structure for financial decision making at a high level by providing guiding principles for the short, medium and long term.

How do we get there?

Financial Strategy

This Long Term Financial Plan outlines three scenarios, providing options for Council to address its financial sustainability. The responsible financial options are scenarios 2 and 3 where Council increases rates with a special variation. Scenario 2 is the preferred scenario because it balances the requirement for a special rate variation with other productivity improvements.

⁶ Uralla Shire Council, Community Strategic Plan, 2017-2027

In Scenario 2, Council increases rates with a cumulative increase of 37.3% over a 4 year period (25% above the rate peg.)

The major reason for the special rate variation is to create a financially sustainable council with forecast operating surplus results, sufficient resources to manage infrastructure renewal and to maintain a balance of unrestricted cash to meet ongoing commitments.

In addition to the special rate variation, Scenarios 2 and 3 increase water and sewer annual charges to resolve ongoing operating deficit positions in the water and sewer funds. In the water fund, annual charges are increased by 25% per annum for 4 years, then 5% per annum for another 2 years, before returning to normal levels of indexation. In the sewer fund, annual charges are increased by 5% in the first year, then 10% per annum for the 2 following years, and 5% in the fourth year, before returning to normal levels of indexation.

Importantly, Scenario 2 takes a conservative approach and even with this additional income Council will only be generating marginal operating surpluses and other funding avenues will still need to be pursued to ensure the operating surplus position is maintained on a consistent basis.

Scenario 2 balances the extent of the special rate variation with other targeted efficiency measures and productivity options. One of the key challenges in Scenario 2 is the implementation of a range of productivity improvements that were identified as part of Council's recent *Horizontal Service Review*⁷ process. Financial impacts of these improvements have been included in the modelling of Scenario 2 to more thoroughly reflect Council's financial strategy and targeted cost savings.

Long Term Financial Sustainability

Purpose of the Long Term Financial Plan

The Long Term Financial Plan is a critical part of Council's strategic planning process. It is a decision-making and problem solving tool for stakeholders (Council and the community) to use in assessing the financial realities of implementing the Uralla Shire Community Strategic Plan 2017-2027. The financial modelling that has been prepared as part of this plan will provide the basis for making decisions about what resources are required for Council to deliver on its commitments to the community.

This plan models the financial implications of the Uralla Shire Community Strategic Plan 2017-2027 and Delivery Program as well as the ability to maintain existing facilities and infrastructure, based on a range of assumptions and within known constraints. It models three different long term financial scenarios, with each scenario presenting different options that answer the objectives of the Community Strategic Plan. The outcomes of each scenario are presented as ten year forecast financial statements, forecast performance measures and analysis and recommendations to achieve the best outcomes for the community.

This Long Term Financial Plan seeks to support Council in addressing the following objectives:

- Source revenue to protect Council's financial sustainability.
- Deliver the infrastructure required to support a healthy local economy.
- Ensure funding sources that allow Council to capitalise on future opportunities as they arise.

⁷ Uralla Shire Council and Morrison Low, *Horizontal Service Review*, 2018

- Adequately resource community infrastructure and services to meet the objectives contained in the Community Strategic Plan.

How do we define long term financial sustainability?

A financially sustainable council is one that has the ability to fund ongoing service delivery and the renewal and replacement of assets without imposing excessive debt or unplanned rate increases on future generations. This definition has been translated into 3 key financial sustainability principles that Council is committed to.

- Council must achieve a fully funded operating position reflecting that Council collects enough revenue to fund operational expenditure, repayment of debt and depreciation.
- Council must maintain sufficient cash reserves and unrestricted cash to ensure that it can meet its short-term working capital requirements.
- Council must maintain its asset base by renewing ageing infrastructure which is identified and by ensuring cash reserves are set aside for those works which are yet to be identified.


How is long term financial sustainability measured?

The NSW Audit Office reports on the performance of all NSW Councils against benchmarks set by the Office of Local Government. The performance indicators are grouped into three main areas:

- Operating revenue performance measures.
- Liquidity and working capital performance measures.
- Asset management performance indicators.

Council has determined to use these performance indicators as part of assessing the long term financial health of the organisation and its capacity to fund the proposed delivery program. The following table shows our starting point.

Table 1 Uralla Shire Council 2016/17 performance results

Ratio	Calculation	What is Being Measured?	Sustainable Target	2016/17 Actual Ratio
Operating Performance	<p>Total operating revenue (excluding capital grants and contributions) less total operating expenditure</p> <p>Divided by continuing operating revenue (excluding capital grants and contributions)</p>	Does Council have a balanced operating budget?	Greater than zero	<p>11.57%</p> 

Ratio	Calculation	What is Being Measured?	Sustainable Target	2016/17 Actual Ratio
Own Source Operating Revenue	Total continuing operating revenue (excluding grants and contributions) Divided by continuing operating revenue	Indicates the level of Council's self-sufficiency	>60%	71.3% 
Unrestricted Current Ratio	Current assets less external restrictions Divided by current liabilities less external restrictions	Can Council meet its short term obligations when they are due?	Greater than 1.5 times	2.07 times 
Debt Service Cover Ratio	Operating results before capital (excluding depreciation and interest) Divided by Loan repayments (interest and principal).	Measures the availability of cash to service debt, including interest, principal and lease payments	Greater than 2 times	16.74 times 
Cash Expense Cover Ratio	Cash and term deposits Divided by cash payment of operating and financing activities	Indicates the number of months Council can continue paying its expenses without additional cashflow	Greater than 3 months	10.54 months 
Asset Renewal Ratio (Buildings and Infrastructure)	Asset renewal expenditure Divided by depreciation	Is asset renewal expenditure sufficient to maintain assets in the long-term?	Greater than 100%	86.6% 
Infrastructure Backlog Ratio	Estimated cost to bring assets to a satisfactory condition Divided by total value of infrastructure, building and other structures	Is the asset backlog manageable?	Less than 2%	0.88% 
Asset Maintenance Ratio	Actual asset maintenance divided by required asset maintenance	Are the assets being adequately maintained?	Greater than or equal to 100%	96% 

Financial Management in Council

Existing environment and past influences

About Uralla Shire Council

Uralla Shire Council is a small NSW rural Council with an area of 3,226 sq km located approximately 545km North West of Sydney in the New England Tablelands. The neighbouring councils are Gwydir, Armidale Regional, Walcha and Tamworth Regional. The main township of Uralla is 22km south of Armidale and 89km north of the major regional centre of Tamworth. It is a 2.5 hour drive from the coastal cities of Coffs Harbour and Port Macquarie, and is located 10 minutes from a regional airport with flights direct to Sydney.

The Shire was established in 1948 as a result of the amalgamation of the Municipality of Uralla with the surrounding Gostwyck Shire. The towns and villages of Uralla Shire include Uralla, Bundarra, Kingstown, Kentucky, Invergowrie, Rocky River and Arding.

The estimated resident population of Uralla Shire Council was 6,390 in June 2016. This represents a slight increase from the estimated 6,250 resident population in 2011. Projections from the NSW Department of Planning and Environment indicate that the population is expected to increase to 6,550 by 2031. Total households have increased from 2,450 in 2011 to 2,550 in 2016. However the projections indicate that dwelling numbers will remain relatively stagnant, with projected growth of 0.2% pa to 2031.⁸

There were 2,778 people who reported being in the labour force in the week before the 2016 census night in Uralla. Of these 55.9% were employed full time, 33.7% were employed part-time and 5.2% were unemployed⁹.

Uralla Shire Council is governed by 9 elected Councillors and employs 136 equivalent fulltime employees to provide a wide range of local services. It has an annual revenue of \$21 million¹⁰ and it provides for the construction and maintenance of \$280 million infrastructure assets, including 294 km of sealed local roads, 507km of unsealed roads, 132km sealed regional roads, 27 hectares of open public space, 76 bridges, 1 public swimming pool, aged care buildings, 2 community halls¹¹, stormwater drainage, landfills and water and sewer system network assets.

Council's cost per capita for the delivery of services is average compared with its peer group of councils. Its total operating cost per capita is \$3,060¹², which is 90% of the peer group average. Small rural councils often provide a wide range of non-traditional services to meet the needs of their communities where other levels of government and commercial providers have not entered the local market.

Uralla Shire Council provides a wide range of services, in particular aged care, community care, domestic

⁸ NSW Planning and Environment, 2016 New South Wales State and Local Government Area Population and Household Projections, and Implied Dwelling Requirements, <http://www.planning.nsw.gov.au/research-and-demography/demography/population-projections>

⁹ ABS Census 2016 Quick Stats, Uralla Code Code LGA17650 (LTA) http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA17650?opendocument

¹⁰ Uralla Shire Council Audited Financial Statements for the year ended 30 June 2017

¹¹ Office of Local Government, NSW Local Government Comparative data, <https://www.olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

¹² Office of Local Government, 2016-17 Council comparative time series data, Uralla Shire Council information compared with all (22) Group 10 Councils with information published <http://olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

waste collection, waste recycling processing and environmental management that similar size councils may not provide, or do to a lesser degree. Some of these differences have a significant resource impact on the organisation as a whole.

Given the moderate estimated increase in population, Uralla has a relatively low rate base to support the delivery of numerous services required of a modern council. Lack of financial resources are a major issue and, as a consequence, Council has limited capacity to deal with compliance and legislative obligations.

Regulatory environment

In NSW, councils obtain all their powers and responsibilities under NSW legislation. The system of local government in NSW is principally created through the Local Government Act 1993. The state also devolves many functions to councils under other Acts including the Environmental Planning and Assessment Act 1979, Roads Act 1993, Protection of the Environment Operations Act 1997, Water Management Act 2000, Swimming Pools Act 1992 and Companion Animals Act 1998.

Principal legislation and State strategies that drive Council operations include:

- The Local Government Act 1993
Defines the scope and boundaries of Council's role and the way it must conduct its business.
- The NSW State Plan
Defines the overarching goals and outcomes that NSW Government has set for this state and which should shape public policy.
- Environmental Planning and Assessment Act 1979
The principal legislation regulating land use in NSW. This Act allows plans to be made to guide the process of development and to regulate competing land uses.

Council incurs significant, increasing operational costs in undertaking its planning, reporting and compliance obligations. The NSW State Government has acknowledged the issue and commissioned the Independent Pricing and Regulatory Tribunal (IPART) to identify the inefficient, unnecessary and excessive burdens that State Government places on local government.¹³ The review was completed in 2016 and is currently under consideration by the Minister for Local Government. Key IPART recommendations that impact Uralla Shire Council include the following:

- NSW Government avoids creating unnecessary and duplicative compliance requirements on councils.
- NSW Government grant programs address ongoing maintenance and renewal costs when funding new assets.
- Government agencies rely on existing council financial reporting processes instead of creating additional audit and performance reporting requirements.
- Streamlined acquittal processes for grants of less than \$20,000.
- Local government data is shared between state government agencies.

Councils Consolidated Fund

Uralla Shire Council operates three distinct funds, being the Water Fund, Sewer Fund, and General Fund,

¹³ IPART, Review of reporting and compliance burdens on Local Government <https://www.ipart.nsw.gov.au/Home/Reviews>

which incorporates all other business units and functions.

This Long Term Financial Plan models the financial forecasts for all three funds, in addition to reporting the Consolidated Fund position.

Financial environment - rate pegging

Council's ability to align rating revenues with the increased cost of providing local government services has been restrained for over 40 years by rate pegging, a legislative instrument whereby the maximum increase in rating revenues is set by the NSW State Government, now via IPART NSW.

Financial environment - federal funding

All Australian councils receive a share of commonwealth revenue to support the provision of local infrastructure and services. This funding is facilitated through the Federal Financial Assistance Grants program. It is a vital source of funding for rural and regional councils and represents over 11% of Council's annual operating income (excluding capital grants)¹⁵.

Council is dependent on other levels of government to make decisions about the allocation of funding. Over time, the financial assistance grant has not increased in line with the real costs of providing local government services. In particular, Council's budget was heavily affected by a Federal Government decision to freeze indexation of Financial Assistance Grants for three years to 30 June 2017.

Financial environment - the state of Council's finances

Uralla Shire Council has delivered operating deficits (excluding capital grants) for four out of five of the financial years to 30 June 2017. The implications are that resources are being run down over time and current service levels are unlikely to be sustainable unless revenue is increased.

Council's largest revenue sources are user fees and charges and government grants and contributions. Council also has some scope to generate additional revenue sources through raising fees and charges under a user-pays system. It has a wide scope of operations to fund including the traditional general fund council services, with additional community-based services to meet the needs of its community.

Council has an estimated infrastructure backlog of \$8,154,000¹⁶ which represents 3.7% of its written down infrastructure asset value, as compared to the local government prescribed industry benchmark of less than 2%. Council has not spent adequate funds on asset maintenance and renewal over the last several years and the current shortfall in Council's funding of required infrastructure renewal is \$847,000 per annum¹⁷.

The total level of Council's cash and investments indicate it has adequate liquidity, by a small margin¹⁸. However, it has a low level of unrestricted cash, cash that is not already committed for a specific purpose. It has a low level of debt but no additional capacity to borrow funds until it addresses its future operating

¹⁵ Uralla Shire Council Audited Financial Statements for the year ended 30 June 2017

¹⁶ Uralla Shire Council, *Long Term Financial Plan Model, incorporating current asset management plans and asset data*, Morrison Low, updated August 2018

¹⁷ Uralla Shire Council, *Long Term Financial Plan Model* - Base Case Scenario, average renewal shortfall over 10 years.

¹⁸ Uralla Shire Council Audited Financial Statements for the year ended 30 June 2017, Note 13 – Unrestricted Current Ratio is 2.07, marginally greater than the Office of Local Government benchmark of 1.5.

deficit position.

Council's financial forecasts contained in its 2017-21 Delivery Program and 2018-19 Operational Plan are for ongoing operating deficits over the next two years.

In summary, Council's current financial position is unsustainable and this Long Term Financial Plan includes scenarios that improve its position by incorporating the outcomes of implementing the Council Improvement Plan, including the application of a special rate variation.

Context – Community priorities

Uralla Shire Council redeveloped its Community Strategic Plan during 2014-15 and undertook a rigorous community engagement program to determine the community's priorities for the future of the council.

Council conducted community engagement programs to inform the community of Council's current and future projected financial position, service level impacts, and resourcing opportunities and consequences of service level decisions.

The community consultation program culminated in a community survey, with a high response rate, and conclusive results providing very strong evidence of community preferences, as follows¹⁹:

- 92% of the respondents wanted Council to remain an independent organisation and, of those,
- 94% wanted a special rate variation to return Council's operating result to an operating surplus.

Impact of 'Fit for the Future'

In October 2014, the Minister for Local Government required NSW Councils to provide improvement proposals to demonstrate how they were, or would become, *Fit for the Future*. Uralla Shire Council submitted a proposal opting to retain its status as a stand-alone Council and prepared a plan to undertake a program of improvements. The Improvement Plan has three central elements that focus on providing significant increases to Council's funding sources:

- Increasing revenue for user pays services through fees and charges.
- Increasing revenue through a special rate variation.
- Review services, systems and structures and implement improvements to realise efficiency savings.

The proposal and related improvement plan was examined by IPART which determined that Council satisfied the government's financial sustainability criteria, based on its plan to adopt a permanent special rate variation of 17.4% (15% above the rate peg) from 2016-17.

However, Council's *Fit for the Future* proposal states that its decision to proceed with the specific special variation increase is contingent on the outcome of its efficiency programs, the success of which may lead to a reduction in the proposed increase.

The Council Improvement Program was completed and endorsed by Council resolution in June 2015. Council has begun to implement a number of improvement initiatives and still has difficult trade-off decisions to make to increase revenues and reduce expenditure in its future planning. Council has not yet applied for a special rate variation, as it remains under consideration.

¹⁹ 400 submissions were received from a population of 6,300.

Financial management principles

Council's approach to financial management is underpinned by the following principles:

- Spending is responsible and sustainable.
- Functions and operations are adequately and responsibly resourced.
- Investment in responsible and sustainable infrastructure for the benefit of the local community.
- Council is investing in its asset management capability and is developing a comprehensive asset management framework that will continue to improve its asset maintenance and renewal forecasting, and provide better accuracy for estimations of depreciation expense.
- Making policy decisions that consider the financial effects on current and future generations funding the cost of Council services.
- Providing clear reporting to the community allowing for better communication to ensure that services and infrastructure meet community expectations and are within the community's ability to pay.

In conjunction with these principles, Council's Long Term Financial Plan is guided by a number of policies and strategies which are outlined below.

Rating income strategy

Rating income is generated by a levy on properties within the council area for the provision of local government services. Council reviews its rating structure annually, ensuring that it is fair and equitable, with each rating category contributing to the rate levy according to the demands placed on Council's limited resources.

Council's general rate income represents 18% of its annual operating income (excluding capital grants). Council relies on the annual rate pegging increase set by IPART to fund the real cost increases it incurs for funding community infrastructure and services. This plan models a rate peg increase of 2.7% from 2019-20, and 2.5% increase for the remaining life of the plan.

To maintain services at their expected level, Council has considered that an increase in rates is appropriate and is required, and this has been incorporated in to the scenario analysis within this Long Term Financial Plan. Two different special rate variation options are considered in Scenarios 2 and 3.

Investment principles

Council has an investment policy that reinforces Council's ongoing commitment to maintain a conservative risk/return portfolio, an important component of its ongoing prudent financial management practices. The overall objectives of the policy are to ensure that Council invests its funds:

- in accordance with the requirements of the Local Government Act (1993) and Council's investment policy
- in a conservative manner where preservation of capital is the principal objective
- in a manner that seeks to ensure the security of the Council's cash and investment portfolio, achieve appropriate earnings and manage cash resources to ensure that there is sufficient liquidity to meet Council's business objectives.

Loan borrowings

Council's approach to debt is that it be used to fund the cost of major infrastructure renewals when cash reserve funds are not available for the purpose. The objective is to correct the infrastructure backlog and to reduce operating maintenance costs.

Cash reserves and restrictions

Council has a number of cash reserves which are either a legislative requirement (externally restricted) or through a Council decision (internally restricted).

The establishment and funding of cash reserves is a financial management strategy to smooth cash flow, particularly in relation to large asset classes and unpredictable cash outlays such as Employee Leave Entitlements, Waste Management (Tip Remediation), Plant Replacement and Community Care functions.

This strategy provides funds for future expenditure that could not otherwise be financed during a single year without having a material impact on the budget.

Developer contributions

Sections 7.11 and 7.12 of the Environmental Planning and Assessment Act 1979 enable Council to levy contributions for public amenities and services required as a consequence of development. Council has scope to develop and implement Developer Contribution Plans to better target and fund the future development and infrastructure requirements of the local government area.

Discretionary and regulatory fees and charges

Council has a revenue strategy to review its fees and charges and levels of cost recovery, and there is further scope to achieve improved revenue streams from user-pay services. Council's review of fees and charges will have regard to best value principles including value for money, community expectation and values, and a balance between affordability and accessibility of services.

Asset management

Infrastructure assets such as roads, drains, bridges and public buildings present particular challenges as their condition and longevity can be difficult to determine and increasing public demands on quality and standards adds to the complexity. Appropriate resourcing for Council's asset renewal, maintenance and upgrades is critical to Council's financial sustainability, and requires planning for large peaks and troughs in expenditure.

Council has redeveloped its Asset Management Plans for most asset classes within the past 12 months. This Long Term Financial Plan has incorporated the current asset maintenance and renewal estimates, and will continue to be kept current and updated to maintain that consistency as the Asset Management Plans are further developed.

Council's objectives for its Asset Management Planning are to:

- prioritise funding and resources between asset groups
- demonstrate responsible and sustainable stewardship of the community assets

- define how Council's assets are, and will be, managed to achieve the Levels of Service
- assist the management of the environmental, financial and public risks related to the infrastructure assets
- provide the basis for forward works programs
- provide the basis for optimising whole of life costs
- support long term financial planning across all asset classes.

Council has varying levels of confidence in its asset data, and has developed improvement plans so that asset management planning processes will continue to develop and provide good evidence for identifying future funding requirements. In turn, this will provide for an improved basis to the Long Term Financial Plan, and continue to support good long term decision-making.

Employee costs

Employee costs make up approximately 48% of the annual projected expenditure. The high proportionate cost is reflective of the service based nature of a large proportion of activities as well as the construction and maintenance of infrastructure owned by Council. The objective of this Long Term Financial Plan is to accommodate employee costs to retain the necessary workforce to achieve the community's expectations for future service delivery.

Council has recently completed an organisational review to ensure its workforce strategy provides resourcing across the organisational structure to achieve the following:

- efficient and effective delivery of services at the lowest cost
- compliance with statutory requirements
- safe delivery of services, and
- minimisation of risk associated with service delivery to the community.

Efficiency Reviews

Over an extended period of operating within a constrained budget, Council's operations have become financially efficient, with staff trying to manage operations with limited resources. Council is committed to keeping its operational costs low, and has developed a number of cost-containment strategies. However, Council also recognises the reality that prolonged budgetary constraints lead to underfunding of internal support systems, including systems that support regulatory compliance. This Long Term Financial Plan has a dual focus on efficiency gains to enhance organisational productivity, and ensuring that Council meets its current governance and service commitments with an appropriate allocation of resources.

Special Rate Variation

Council has been striving to improve its financial sustainability through a range of initiatives. Council has reviewed all operating expenditure to reduce costs and explored opportunities to maximise non-rating income. After modelling improved outcomes in its operating expenditure and revenue, this Long Term Financial Plan also models a proposed special rate variation.

In developing the special rate variation proposal Council considered the Office of Local Government Guidelines²⁰ that require councils to address the following five criteria.

- The need for, and purpose of, the special rate variation is clearly articulated and identified in councils IP&R documents.
- Evidence that the community is aware of the need for and extent of a rate rise.
- The impact on affected ratepayers must be reasonable.
- The relevant IP&R documents must be exhibited, approved and adopted by Council.
- An explanation of its productivity improvements and cost containment strategies.

Key purpose of special variation

The key purpose of the special rate variation is to enhance financial sustainability.

Council has committed to an Improvement Program, to improve its performance against the Government's *Fit for the Future* performance targets. Council's inability to reach an operating surplus highlights the need to increase general rates. Achieving the benchmarks is now Council's priority to secure its financial sustainability for the future of the community.

Council evaluated its need for a special variation, reviewing its financial sustainability options with the assistance of Morrison Low. The financial evaluation and assessment found that:

- Council's Operating Performance Ratio (average 2019-20 to 2028-29) is a deficit of -9.72% without a special rate variation.
- Operating deficits have been occurring for a prolonged period and, without intervention, will continue in the future.
- Council has low and decreasing unrestricted cash.
- Council needs to increase revenue to maintain its funding of infrastructure maintenance and renewal.

The assessment concluded that Council's current operation is financially unsustainable.

Extent of the rate rise

Two special rate variation options are modelled in this Long Term Financial Plan. Scenario 3 contains the full special rate variation required to return the general fund to an operating surplus position, without implementing any other changes to the Council's operations. In Scenario 2, the extent of the required special rate variation is partially offset by the implementation of other efficiency adjustments.

Special Rate Variation under Scenario 2

The proposed application for a special rate variation incorporated into Scenario 2 will impact on all ratepayers with a cumulative increase of 37.3% over a 4 year period (25% above the rate peg).

²⁰ Office of Local Government, *Guidelines for the preparation of an application for a special rate variation to general income*, October 2018. https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Special%20Variation%20Guidelines_3.pdf

Council was mindful in establishing the quantum of a proposed special variation to generate the financial capacity to start addressing the infrastructure issues to deliver current service levels into the future while creating an operating result that would build its financial capacity.

The estimated additional rating income from the proposed special variation is detailed in the following table.

Table 2 Scenario 2 – additional income from special rate variation (scenario 2)

Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
\$291,000	\$541,000	\$774,000	\$983,000

The following table demonstrates the proposed effect of the permanent, multi-year rates increase. This extends over the four year period as average rates in each category increase by a tapering percentage.

Table 3 Impact on residential rates of proposed special variation (Scenario 2)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average residential rate under an assumed rate peg of 2.5% per annum	\$670	\$687	\$704	\$722	\$740	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average residential rate with the proposed SV	\$670	\$740	\$803	\$864	\$920	37.3%
Annual increase %		10.5%	8.5%	7.5%	6.5%	
Cumulative impact of SV above base year levels		\$54	\$99	\$142	\$180	

Table 4 Impact on farmland rates of proposed special variation (Scenario 2)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average farmland rate under an assumed rate peg of 2.5% per annum	\$3,469	\$3,556	\$3,645	\$3,736	\$3,829	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average farmland rate with the proposed SV	\$3,469	\$3,833	\$4,159	\$4,471	\$4,762	37.3%
Annual increase %		10.5%	8.5%	7.5%	6.5%	
Cumulative impact of SV above base year levels		\$278	\$514	\$735	\$932	

Table 5 Impact on business rates of proposed special variation (Scenario 2)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average business rate under an assumed rate peg of 2.5% per annum	\$687	\$704	\$722	\$740	\$758	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average business rate with the proposed SV	\$687	\$759	\$824	\$885	\$943	37.3%
Annual increase %		10.5%	8.5%	7.5%	6.5%	
Cumulative impact of SV above base year levels		\$55	\$102	\$146	\$185	

Special Rate Variation under Scenario 3

The proposed application for a special rate variation incorporated into Scenario 3 will impact on all ratepayers with a cumulative increase of 54.4% over a 4 year period (41% above the rate peg).

The estimated additional rating income from the proposed special variation is detailed in the following table.

Table 6 Scenario 3 – additional income from special rate variation

Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23
\$436,000	\$866,000	\$1,265,000	\$1,610,000

The following table demonstrates the proposed effect of the permanent, multi-year rates increase. This extends over the four year period as average rates in each category increase by a tapering percentage.

Table 7 Impact on residential rates of proposed special variation (Scenario 3)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average residential rate under an assumed rate peg of 2.5% per annum	\$670	\$687	\$704	\$722	\$740	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average residential rate with the proposed SV	\$670	\$767	\$863	\$954	\$1,035	54.4%
Annual increase %		14.5%	12.5%	10.5%	8.5%	
Cumulative impact of SV above base year levels		\$80	\$159	\$232	\$295	

Table 8 Impact on farmland rates of proposed special variation (Scenario 3)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average farmland rate under an assumed rate peg of 2.5% per annum	\$3,469	\$3,556	\$3,645	\$3,736	\$3,829	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average farmland rate with the proposed SV	\$3,469	\$3,972	\$4,469	\$4,938	\$5,357	54.4%
Annual increase %		14.5%	12.5%	10.5%	8.5%	
Cumulative impact of SV above base year levels		\$416	\$824	\$1,202	\$1,528	

Table 9 Impact on business rates of proposed special variation (Scenario 3)

	Base year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Cumulative increase
Average business rate under an assumed rate peg of 2.5% per annum	\$687	\$704	\$722	\$740	\$758	10.4%
Annual increase %		2.5%	2.5%	2.5%	2.5%	
Average business rate with the proposed SV	\$687	\$787	\$885	\$978	\$1,061	54.4%
Annual increase %		14.5%	12.5%	10.5%	8.5%	
Cumulative impact of SV above base year levels		\$82	\$163	\$238	\$303	

Community awareness

Council has engaged with the community over the last several years in the lead-up to the application for a Special rate variation.

- Council consulted widely with the community in the lead-up to the development of the current Community Strategic Plan in 2015. Feedback received through a community survey process supported a special rate variation to return Council's operating result to a surplus.
- The Delivery Program and Operational Plans of Council have highlighted the Council's intention to seek a special rate variation to put Council on a financially sustainable track.
- Council will develop an additional community engagement program to inform the community of the timing and extent of the special rate variation currently under consideration.

Impact on ratepayers

The impact on ratepayers will be moderate but reasonable given:

- The cumulative increase in rates is 37.3% spread over 4 years under Scenario 2.
- Under Scenario 2 the average residential rate in Uralla will move to 113% of the average Group 10 Council residential rate by the end of the 4 year period.
- Under Scenario 3 the average residential rate in Uralla will move to 127% of the average Group 10 Council residential rate by the end of the 4 year period.

The rate rise will be affordable given:

- The average residential rate is comparable to, or below, most neighbouring councils and councils in the New England Joint Organisation.
- A high average income and low unemployment compared to neighbouring councils.
- Council's outstanding rates ratio is low compared with other rural councils and local government benchmarks and has fallen from 4.77% in 2014-15 to 4.33% in 2016-17.

Current level of rates

Uralla Shire Council currently has lower than average residential and business rates when compared with all 22 Group 10 Councils, however its farmland rates are slightly higher than average. Its residential rates are 9% less than the average, farmland rates are 30% higher than average and business rates are 49% less than average²¹.

Farmland values are comparatively high in the New England Region, and in Uralla Shire Council, when compared with other Group 10 councils. The average ratio of land value to rates revenue for all Group 10 Councils is 155:1; as compared with Uralla's ratio of 227:1.²²

²¹ Office of Local Government, *2016-17 Council comparative time series data*, Uralla Shire Council information compared with all (22) Group 10 councils with information published <http://olq.nsw.gov.au/public/my-local-council/yourcouncil-website>

²² Office of Local Government, *2016-17 Council comparative time series data*, Uralla Shire Council information compared with all (22) Group 10 councils with information published <http://olq.nsw.gov.au/public/my-local-council/yourcouncil-website>

In comparison to its neighbouring Councils, including direct neighbours and other councils in the New England Joint Organisation²³, Uralla Shire Council residential and business rates are similarly less than average. Its residential rates are 10% less than average, farmland rates are 12% higher than average and business rates are 61% less than average.

Table 10 Average rate comparison with group 10 councils²⁴

Rating category	Uralla	Average for all Group 10	Uralla as a % of Average
Residential	\$652.21	\$717.53	91%
Business	\$713.33	\$1,387.18	51%
Farmland	\$3,344.65	\$2,577.66	129%

Table 11 Average rate comparison with neighbouring councils²⁵

Rating category	Uralla	Walcha	Gwydir	Tamworth Regional	Armidale Regional
Residential	\$652.21	\$441.89	\$663.77	\$951.81	\$956.76
Business	\$713.33	\$756.94	\$866.36	\$3,127.74	\$3,369.66
Farmland	\$3,344.65	\$3,628.31	\$5,262.97	\$1,840.57	\$2,692.71

Socio-economic factors for New England

In respect of the ability of the community to pay, some of the key indicators for Uralla Shire Council are as follows.

According to the 2016 census, the average household weekly income in the Uralla local government area was \$674, compared with the NSW average of \$891 and Australian average of \$877. The 2016 unemployment rate was lower than the national average by 1.7%. The average monthly mortgage payment of \$1,500 was also lower than the national average by \$104, and lower than the NSW average by \$458.²⁶

²³ For the purpose of comparison, New England JO councils include Tenterfield, Glen Innes, Inverell, Narrabri and Armidale Regional Council. Moree Plains was excluded from the calculation as its rates base is extremely high compared with the rest of the group.

²⁴ Office of Local Government, *2016-17 Council comparative time series data*, Uralla Shire Council information compared with Group 10 Councils, Edward River Shire Council is excluded from the calculation as it is a newly merged Council and no data was collected <http://olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

²⁵ Office of Local Government, *2016-17 Council comparative time series data*, Uralla Shire Council information compared with neighbouring Councils <http://olg.nsw.gov.au/public/my-local-council/yourcouncil-website>

²⁶ ABS, *Data by region*, Uralla Shire Council, <http://stat.abs.gov.au/itt/r.jsp?databyregion#/>

Table 12 Socio-economic indicators for the New England region²⁷

	Uralla	Walcha	Gwydir	Tamworth Regional	Armidale Regional	Glen Innes	Inverell
Socio-economic index rating 2016²⁸	76	80	38	53	87	18	11
Unemployment rate	4.6%	4%	5.5%	6.6%	6.4%	9.9%	9.2%
% Pensioner residential rate	29.25%	26.1%	36.28%	20.51%	No data	31.64%	26.18%
Average Taxable Income (2015)	\$43,984	\$38,879	\$41,676	\$47,949	\$46,399	\$39,281	\$42,067

These figures reflect that, on a comparative basis, Uralla Shire has a strong economy through relatively high personal income levels and low unemployment rates. It also has a high level of pensioner ratepayers and Council has been mindful of the community's ability to afford a relatively large rate variation from a comparatively low base.

Local impacts

Council's outstanding rates and charges ratio has, over the last three years, been as follows:

2016-17	4.33%
2015-16	4.20%
2014-15	4.77%

The accepted benchmark for rural councils is 10%. This low and declining ratio demonstrates that, generally, Council is able to recover its rates and annual charges within the year they are rated. This demonstrates ratepayers' capacity to pay and provides an indication that ratepayers have historically been able to pay rates and annual charges consistently.

Council has a current Hardship Policy that aims to provide options for ratepayers deemed to be in genuine financial hardship and to provide equitable access to financial assistance for all ratepayers.

Productivity improvements

A special rate variation is only one of a number of initiatives Council has considered in order to improve its overall financial performance and better manage and maintain its essential infrastructure. Council is taking action to develop a positive culture of efficiency and productivity as well as facilitating productivity gains across the organisation. These gains will lead to financial savings as well as non-financial service delivery improvements.

Uralla Shire Council has a strategy to focus on business improvements to create organisational efficiencies

²⁷ Office of Local Government, *2016-17 Council comparative time series data*, Uralla Shire Council information compared with neighboring Councils <http://olq.nsw.gov.au/public/my-local-council/yourcouncil-website>

²⁸ ABS Local Government Area (LGA) SEIFA 2016, Table 3, Index of Relative Socio-economic advantage and disadvantage, ranking within NSW by LGA. A lower ranking indicates that an area is relatively disadvantaged compared to an area with a higher ranking.

for net financial benefits.

Council Improvement Program

The *Council Improvement Program* is a document completed and endorsed by Council resolution in June 2015 which highlights the key issues facing Uralla Shire Council and lists the improvement strategies and outcomes in order for Council to meet industry benchmarks that demonstrate its long term financial sustainability. Council has been implementing components of the Improvement Program over the past several years.

Horizontal Service Review

In 2018 Council completed a *Horizontal Service Review*, gathering ideas from staff and councillors to identify cost savings and revenue generating opportunities across the entire organisation. The purpose of this work was to:

- revisit financial saving or revenue opportunities that have previously been considered and/or discarded but may be necessary given the current projections
- develop further cost saving opportunities using the combined knowledge of Council's Directors and Managers, then challenge and test these before consideration by Council
- provide Council with a list of opportunities that that can be considered and prioritised to create financial savings and improve financial capacity.

The process generated a total of 107 initial ideas that covered a broad range of Council functions. However, some of the ideas were duplicated. After the final staff workshop and review, the ideas were refined and prioritised, leaving 77 individual opportunities.

Each opportunity was evaluated against the future challenges and issues facing Council to prioritise the opportunity and assess its impact on Council's ability to be financially sustainable going forward. Almost all opportunities will have some impact on ratepayers and residents but, to be sustainable, Council must balance those impacts against its future obligations. Short term decision making will only transfer the sustainability burden to a future Council and community.

Specific actions prioritised through the Horizontal Service Review process include the following.

- Increase fees and charges, to properly recover the cost of providing user-pay services.
- Apply business principles to Council's Aged Care, Community Services, Water and Sewer businesses, with overhead costs properly resourced and profits flowing back to Council's general fund as dividends.
- Reduce some service provision and revisit service levels where services are no longer a community priority.
- Change business and administration practices including reducing printing and stationery, improving energy management and reducing electricity consumption, auctioning disused materials at the depot and more effective management of staff leave.
- Conduct a strategic business review of the waste services operation, conducting an in-depth analysis on all potential efficiency savings.
- Increase resources to allow for proper asset management, project management, planning and plant

and fleet management.

- Dispose of, or lease out, currently unused Council land and buildings.

The financial benefits and implementation costs for each of the 77 prioritised opportunities were estimated, and high priority actions were scheduled over 3 financial years. The net savings for these actions have been incorporated into Scenario 2 of the Long Term Financial Plan to partially offset the extent of the required special rate variation.

Planning Assumptions

It is impossible to be precise about forward projects for individual line items and such information is not necessary for a useful Long Term Financial Plan. However, it is necessary to understand the calculation of outcomes for financial indicators in order to identify the drivers of variations in performance between years.

Council has identified the external and internal influences that could significantly impact on Council's future financial performance. The following features of the Long Term Financial Plan have been identified as risks and volatile factors.

Market driven planning assumptions

Population forecasts

Uralla Shire Council's population is currently estimated at 6,390 and this is projected to increase to 6,550 by 2031. Over the same period the number of households is projected to increase from 2,550 to 2,700.²⁹

All three scenario models have assumed a small increase in rates income resulting from growth in the number of residential properties.

Cost and revenue increase assumptions

Factors applied to revenue and expenditure in the long term plan

The following planning assumptions have been used for Scenario 1, base case. Each of the subsequent scenarios build on the base case and all changes to these underlying assumptions are specified.

These assumptions reflect the current low inflation environment in Australia.

²⁹ NSW Department of Planning and Environment, 2016 NSW population and household projects, <http://www.planning.nsw.gov.au/research-and-demography/demography/population-projections>

Table 13 Index factors applied for financial modelling

Assumptions	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Years 7 to 10
Rates peg	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Annual Charges (waste)	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Water Charges and Fees	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Sewer Charges and Fees	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Other user charges and fees	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Other revenue	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Grants and contributions (operating)	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Grants and contributions (capital)	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Salaries and wages (incl. on-costs)	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Materials and contracts	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Other expenses	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Investment interest rate	3%	3%	3%	3%	3%	3%	3%
Average interest rate on borrowings	4%	4%	4%	4%	4%	4%	4%

The following tables outline Council's planning assumptions by revenue and expenditure types. Included within the assumptions is a brief description as to how each assumption was determined and the external impacts.

Table 14 Specific revenue assumptions

Revenue	Assumption
Rate peg	2.7% as announced for the 2018-19 year and 2.5% in all following years in accordance with assumptions provided to Council by IPART. ³⁰
Fees and charges	Fees and charges are indexed at 2.3% per annum based on the assumption that service levels will be maintained and fees are to at least keep pace with increasing costs. Council is committed to all opportunities to increase user fees where possible.
Interest and investment income	Interest on investments is assumed at 3% in 2018-19 and for the life of the Long Term Financial Plan. Interest rates across the financial markets have continued to fall over the past twelve months, consistent with low returns received over the past 10 years. Interest has been calculated on the average balance of funds invested in each year of the financial model. The timing of capital expenditure will affect Council's investment income.
Operating grants and contributions	In previous years the Financial Assistance Grant, and other sources of federal grant funding, have not kept pace with inflation, and therefore this model applies a low inflator to the levels of grants and contributions over the life of the plan. The ten year trend reflected in this model is for operating grants to grow at a slower rate than other income sources.
Capital grants and contributions	An assumption is made that Council will continue to receive capital grants and contributions from Federal and State sources, at a level consistent with previous years.

Table 15 Specific expenditure assumptions

Expense	Assumption
Depreciation	<p>The 2018-19 depreciation rates for each class of assets are consistent with Council's asset management plans. These rates are assumed to continue over the 10 year modelling period. The depreciation expense is calculated on the depreciation rate and the gross asset value. This expense varies over the modelling period dependent on the investment in new assets vs asset renewal.</p> <p>All classes of assets will continue to be revalued over the coming years, including updated condition assessments. As this work is completed, the accuracy of depreciation calculations will continue to be improved.</p>
Interest costs	An average interest rate of 4% per annum on existing and new borrowings has been allowed over the life of this model.
Employee costs	Movement in employee costs is determined through industry wide award negotiations and market forces. Impacts affecting wages volatility include internal and external factors such skills shortages, staff turnover, attraction and retention of staff, increase in superannuation benefits and other entitlements, maternity and paternity leave, and changes in service levels and technical skill requirements and qualifications.

³⁰ IPART, *Guidelines for the preparation of an application for a special variation to general income*, https://www.olg.nsw.gov.au/sites/default/files/OLG%20-%20Special%20Variation%20Guidelines_2.pdf

Financial Modelling

Scenario 1: Base case

Introduction

This future scenario is based on the current operations of Council and models the effect of not implementing any special rate variation. In this scenario, Council maintains its income and expenditure levels based on the 2018-19 operational plan.

Components included in model for Scenario 1

Scenario 1 is predicated on the idea that no significant changes will occur in terms of the level and nature of services provided by Council, the amount of funding required for the maintenance, replacement and renewal of assets or the general environment in which Council operates. It shows what happens if no action is taken to improve against the key performance ratios.

- Council's revenue growth is limited by the decisions of external agencies, including State and Federal government grants for Council operations and capital expenditure, as well as IPART's annual rates determination.
- No significant changes to income or expenditure over the life of the plan.
- Assets continue to be maintained and renewed in accordance with the Council's program of works, at similar levels as in previous years, over the life of the plan.

Scenario 1 Outcomes

As displayed in the key performance measures in the following section (and in the financial statements) Council does not meet many of the performance measure benchmarks over the planning period, under Scenario 1.

Council's general fund annual operating deficit averages 8.6% per annum, and Council is reducing its unrestricted general fund cash by an annual average of \$623,000 over the 10 year planning period, and this becomes unsustainable by 2020-21, when the general fund falls in to a cash overdraft position. The overdraft continues to increase for the remainder of the planning period.

Council's General Fund infrastructure backlog starts at just over the industry benchmark at 2.2%³¹. Council continues to invest in General Fund asset renewal at levels that meet the requirements of its Asset Management Plans, and the infrastructure backlog is slightly reduced to below the 2% benchmark, over the 10 year planning period. However, this scenario will not play out in reality as Council will be unable to maintain this infrastructure renewal due to its negative cash position.

In regards to the Water and Sewer Funds, both are forecasting ongoing operating deficits for the ten year planning period. Council recently revised its Water and Sewer Asset Management Plans, and the analysis that was completed for those asset classes suggests that there is significant under expenditure on asset renewals,

³¹ Note this backlog figure excludes the Water and Sewer Fund.

and a significant infrastructure backlog. Under the current arrangements modelled in Scenario 1, it is likely that the condition of these assets will continue to deteriorate and Council's focus will increasingly be interrupted to respond to the risks faced in relation to its failing water and sewer infrastructure.

This scenario presents a continuation of a 'status quo' or 'do nothing' situation where Council delivers existing services and continues to invest at the current levels in asset renewals. Based on this scenario Council cannot be considered to be financially sustainable, with operating deficits in all funds every year, and increasing its water and sewer infrastructure backlog to a point that will be unacceptable.

General Fund Performance Measures

Table 16 Scenario 1 (Base case) Performance measures

	Target	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Operating Result before Capital Grants (target to achieve and maintain a positive operating balance)	> 0	(1,191)	(1,300)	(1,427)	(1,528)	(1,621)	(1,693)	(1,764)	(1,841)	(1,927)
Operating Performance Ratio	> 0%	(6.96%)	(7.45%)	(8.02%)	(8.4%)	(8.7%)	(8.88%)	(9.03%)	(9.2%)	(9.41%)
Own Source Revenue	> 60%	57%	59%	59%	59%	59%	59%	59%	59%	59%
Unrestricted Current Ratio	> 1.5	0.7	0.5	0.3	0.3	Nil	Nil	Nil	Nil	Nil
Debt Service Cover Ratio (target is to maintain at less than 2 times)	2 times	6.8 x	7 x	7.1 x	7 x	7.4 x	9.2 x	10.5 x	11.9 x	12.6 x
Cash Expense Cover Ratio	> 3 months	3.3 months	1.4 months	0.2 months	0.2 months	Nil	Nil	Nil	Nil	Nil
Building and Infrastructure Asset Renewal Ratio	>= 100%	110%	123%	119%	81%	81%	73%	86%	103%	86%
Infrastructure Backlog Ratio (target to maintain at less than 2%)	< 2%	2.2%	2.1%	2%	2%	2%	2%	2%	1.9%	1.9%

Table 17 Scenario 1 Capital works program

Capital expenditure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Buildings, Transport, and other Infrastructure (\$'000)										
Asset renewals	\$3,117	\$3,590	\$3,548	\$2,469	\$2,555	\$2,349	\$2,836	\$3,468	\$2,989	\$3,605
New assets	\$1,569	\$348	-	-	-	-	-	-	-	-
Water and Sewer (\$'000)										
Asset renewals	\$391	\$101	\$141	\$75	\$38	\$21	\$25	\$24	\$32	\$26
New assets	\$2,880	\$1,747	-	-	-	-	-	-	-	-

Scenario 2: Improvement Plan

Introduction

The modelling in this scenario is based on the implementation of critical financial initiatives designed to correct the financial position of Council's General, Water and Sewer Funds.

This scenario builds on the base case model and adjusts the financial projections with a proposed special rate variation of 37.3% (cumulative, including the rate peg) over four years, commencing 1 July 2019 (25% above the rate peg).

In addition to the General Fund special rate variation, Water and Sewer Annual Charges are increased. In the water fund, annual charges are increased by 25% per annum for 4 years, and then 5% per annum for another 2 years, before returning to normal levels of indexation. In the sewer fund, annual charges are increased by 5% in the first year, then 10% per annum for the 2 following years, and 5% in the fourth year, before returning to normal levels of indexation.

Scenario 2 reduces General Fund asset renewal by \$500,000 per annum, in order to reverse its annual cash deficit.

Water and Sewer asset renewal is resourced at levels adequate to improve the current infrastructure backlog over time.

Scenario 2 also includes a range of productivity options to improve Council's financial performance. These opportunities were identified through the *Horizontal Service Review*³² process that was recently undertaken. This was a broad-brush approach aimed to gather a breadth of ideas across the organisation, rather than an in-depth efficiency review in any one area.

Councillors and staff participated in the process, identifying a large list of improvement opportunities. This list was workshopped by Council's senior management team who analysed the ideas, critiquing and refining the opportunities, including identifying risks, stakeholder impacts and impacts on organisational resources.

The financial benefits and implementation costs for the list of prioritised opportunities were estimated, and high priority actions were scheduled over three financial years. The net savings for these actions have been modelled in Scenario 2, to partially offset the extent of the required special rate variation. The value of the financial benefits and implementation costs across Council's separate business units is shown in the table below.

³² Uralla Shire Council and Morrison Low, *Horizontal Service Review*, 2018

Table 18 Horizontal Service Review – Financial Estimates of Improvement Opportunities

	2019-20 Cost	2019-20 Benefit	2020-21 Cost	2020-21 Benefit	2021-22 Cost	2021-22 Benefit	Recurrent net benefit
General	236,618	277,200	68,618	304,200	8,618	344,200	340,582
Water	26,500	30,000	-	30,000	-	30,000	30,000
Sewer	26,500	30,000	-	30,000	-	30,000	30,000
Waste	61,000	23,625	-	48,625	-	48,625	48,625
Total	350,618	360,825	68,618	412,825	8,618	452,825	449,207

By the third year of implementation, 2021-22, the net financial benefits have the potential to reach up to \$444,207, with an ongoing operational saving of \$449,207 per annum. Some of the identified benefits relate to one-off savings such as asset sales. However, the majority of items have recurrent financial benefits and will improve Council's ongoing operational performance, across its Funds.

These net improvements include increased user fees and charges for user-pay services, decreased expenditure and some upfront capital costs. The value of the financial benefits included in the modelling for Scenario 2 are detailed in the table below. Cash increases are shown as positive values and cash decreases are shown as negative values.

Table 19 Horizontal Service Review – Financial Estimates of Income and Expenditure Improvements

	2019-20	2020-21	2021-22	Recurrent
Income	\$233,625	\$233,625	\$253,625	\$252,625
Expense	(\$20,800)	\$120,582	\$190,582	\$196,582
New Capital	(\$202,618)	-	-	-
Total	\$10,207	\$354,207	\$444,207	\$449,207

Components included in model for Scenario 2

- Increase revenue with a proposed tapered special Rates Variation commencing in 2019-20 at indexation above the rate peg of 8%, then 6%, then 5% and 4% in the final year.
- The special rate variation is tapered so that the annual increase is decreased over four years from 2019-20 to 2022-23. The cumulative increase in rates is 37.3% over 4 years, including the cumulative increase of 10.38% from the rate peg increase. After applying the special rate variation, the additional annual income included in Council's rates base is \$983,000 by 2022-23.
- Increase revenue from User Fees and Charges for user-pay services by \$253,625 per annum.

- Increase Water Annual Charges by 25% per annum for 4 years, then 5% per annum for the following 2 years.
- Increase Sewer Annual Charges by 5% in the first year, 10% per annum for the following 2 years and 5% in the fourth year.
- Implement a range of productivity improvements, realising an ongoing net expense saving of \$195,582 per annum.
- Decrease asset renewal for General Fund infrastructure, saving \$500,000 per annum.
- Additional annual budget for Water and Sewer infrastructure renewal, at levels adequate to correct the current infrastructure backlog over time.
- Additional annual budget for employee costs for Water and Sewer Funds, to adequately resource identified operating requirements.

Scenario 2 Outcomes

As displayed in the key performance measures in the following table, Uralla Shire Council improves on most of the performance measure benchmarks over the planning period.

In Scenario 2, the extent of the special rate variation is kept as low as possible to reduce the sudden financial impact on ratepayers, whilst achieving a minimal operating surplus.

Council receives additional revenues from Rates and Charges and User Fees and Charges, and also invests in initiatives that create productivity savings and cuts costs, all of which improves the bottom line and the cash position. A marginal operating surplus is generated in the General Fund by the sixth year, 2024-25. This indicates that Council is becoming financially sustainable and has generated some limited financial capacity to respond to opportunities or risks as they arise.

As a small rural council, Uralla Shire will always remain dependent on grant funding from other levels of government. However, in Scenario 2 it has generated additional revenues from within the local government area, reducing its level of dependence, and meets the Government's criteria for "own source funding." Council has a low level of manageable borrowings but no capacity for additional borrowings due to maintaining a very marginal operating surplus to fund interest and repayments.

In Scenario 2, Council has reduced its funding for general fund asset renewals and the infrastructure backlog will gradually be impacted, increasing to 2.6% by the end of the ten year planning period, compared to the 2% benchmark.

In regards to the Water and Sewer Funds, additional income has been injected to return both funds to operating surplus positions. The Water and Sewer fund infrastructure backlogs reduce over the life of the planning period, with the water infrastructure backlog falling from 18% to 6% by 2029, and the sewer infrastructure backlog falling from 13% to 2% by 2029.

This scenario presents an improvement option that keeps Council in a financially sustainable position, and that also keeps the special rate variation impost as low as possible. There are reductions in service levels in some areas, and increases in fees and charges for user-pay services. At the same time, Council invests time and resources in productivity improvements that realise further efficiency savings.

General Fund Performance Measures

Table 20 Scenario 2 (Improvement Plan)

	Target	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Operating Result before Capital Grants (target to achieve and maintain a positive operating balance)	> 0	(1,191)	(786)	(547)	(259)	(68)	(43)	6	40	48
Operating Performance Ratio	> 0%	(6.96%)	(4.38%)	(2.94%)	(1.34%)	(0.34%)	(0.21%)	0.03%	0.18%	0.22%
Own Source Revenue	> 60%	57%	59%	60%	60%	61%	61%	61%	61%	62%
Unrestricted Current Ratio	> 1.5	0.9	0.8	0.8	1.1	1.3	1.7	1.9	2.1	2.4
Debt Service Cover Ratio (target is to maintain at less than 2 times)	2 times	6.8 x	8 x	9.3 x	10.2 x	11.6 x	14.7 x	17.3 x	20 x	21.6 x
Cash Expense Cover Ratio	> 3 months	3.3 months	3.2 months	3.6 months	5.2 months	6.5 months	8.4 months	10 months	11.1 months	12.6 months
Building and Infrastructure Asset Renewal Ratio	>= 100%	75%	89%	85%	48%	50%	42%	56%	73%	57%
Infrastructure Backlog Ratio (target to maintain at less than 2%)	< 2%	2.2%	2.2%	2.2%	2.3%	2.4%	2.5%	2.5%	2.5%	2.6%

Table 21 Scenario 2 Capital works program

Capital expenditure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Buildings, Transport, and other Infrastructure (\$'000)										
Asset renewals	\$3,117	\$3,090	\$3,048	\$1,969	\$2,055	\$1,849	\$2,336	\$2,968	\$2,489	\$3,105
New assets	\$1,569	\$348	-	-	-	-	-	-	-	-
Water and Sewer (\$'000)										
Asset renewals	\$391	\$799	\$838	\$855	\$872	\$889	\$907	\$926	\$944	\$1,063
New assets	\$2,880	\$1,747	-	-	-	-	-	-	-	-

Scenario 3: Maximum Special Rate Variation

Introduction

This modelling calculates the amount of the required special rate variation if the improvement opportunities modelled in Scenario 2 are not implemented. Under this scenario, the special rate variation required is increased to 54.4% (cumulative, including the rate peg) over four years, commencing 1 July 2019 (41% above the rate peg).

In addition to the General Fund special rate variation, the Water and Sewer Annual Charges are increased to the same levels as in Scenario 2. In the water fund, annual charges are increased by 25% per annum for 4 years, and then 5% per annum for another 2 years, before returning to normal levels of indexation. In the sewer fund, annual charges are increased by 5% per annum in the first year, then 10% for the 2 following years, and 5% in the fourth year, before returning to normal levels of indexation.

Water and Sewer asset renewal is resourced at levels adequate to improve the current infrastructure backlog over time.

Components included in model for Scenario 3

As for the Base Case Scenario, Scenario 3 is predicated on the idea that no significant changes will occur in terms of the level and nature of services provided by Council, the amount of funding required for the maintenance, replacement and renewal of assets or the general environment in which Council operates. It shows what happens if the only action taken to improve against the key performance ratios is the application of a special rate variation, and increased annual charges in the Water and Sewer Funds.

- Increase revenue with a proposed tapered special rate variation commencing in 2019-20 at indexation above the rate peg of 12%, then 10%, then 8% and 6% in the final year.
- The special rate variation is tapered so that the annual increase is decreased over four years from 2019-20 to 2022-23. The cumulative increase in rates is 54.4% over 4 years, including the cumulative increase of 10.38% from the rate peg increase. After applying the special rates variation, the additional annual income included in Council's rates base is \$1,610,000 by 2022-23.
- Increase Water Annual Charges by 25% per annum for 4 years, then 5% per annum for the following 2 years.
- Increase Sewer Annual Charges by 5% in the first year, 10% per annum for the following 2 years and 5% in the fourth year.
- General Fund assets continue to be maintained and renewed in accordance with the Council's program of works at similar levels as in previous years over the life of the plan.
- Additional annual budget for Water and Sewer infrastructure renewal at levels adequate to correct the current infrastructure backlog over time.
- Additional annual budget for employee costs for Water and Sewer Funds to adequately resource identified operating requirements.

Scenario 3 Outcomes

As displayed in the key performance measures in the following table, Uralla Shire Council improves on all of the performance measure benchmarks over the planning period.

Council receives additional rates revenue to improve the bottom line, generating a small operating surplus by the fourth year from 2022-23, also improving Council's cash position. This indicates that Council has become financially sustainable and has some financial capacity to respond to opportunities or risks as they arise.

In Scenario 3, Council has generated additional revenues from within the local government area, reducing its level of dependence on Grant Funding from the State and Federal Government, and meets the Government's criteria for "own source funding." Council has a low level of manageable borrowings, but no capacity for additional borrowings due to maintaining only a low operating surplus to fund interest and repayments.

As in the base case scenario, Council's General Fund infrastructure backlog starts at just over the industry benchmark at 2.2%. Council continues to invest in asset renewal at levels that meet the requirements of its Asset Management Plans and the infrastructure backlog is slightly reduced to below the 2% benchmark over the 10 year planning period.

The Water and Sewer fund infrastructure backlogs reduce over the life of the planning period, with the water infrastructure backlog falling from 18% to 6% by 2029, and the sewer infrastructure backlog falling from 13% to 2% by 2029.

This scenario presents an improvement option that keeps the Council in a financially sustainable position, by raising rates, fees and charges, and without making changes to service levels or other budget cuts.

General Fund Performance Measures

Table 22 Scenario 3 (Maximum Special Rate Variation)

	Target	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Operating Result before Capital Grants (target to achieve and maintain a positive operating balance)	> 0	(1,191)	(843)	(532)	(211)	77	79	105	117	103
Operating Performance Ratio	> 0%	(6.96%)	(4.71%)	(2.85%)	(1.08%)	0.38%	0.38%	0.49%	0.54%	0.46%
Own Source Revenue	> 60%	57%	60%	61%	62%	62%	63%	63%	63%	63%
Unrestricted Current Ratio	> 1.5	0.7	0.5	0.5	0.6	0.8	1.0	1.1	1.2	1.4
Debt Service Cover Ratio (target is to maintain at less than 2 times)	2 times	6.8 x	8 x	10 x	11 x	13 x	16 x	19 x	22 x	23 x
Cash Expense Cover Ratio	> 3 months	3.3 months	1.7 months	1.3 months	2.2 months	2.9 months	4.2 months	5.2 months	5.8 months	6.8 months
Building and Infrastructure Asset Renewal Ratio	>= 100%	110%	123%	119%	81%	81%	73%	86%	103%	86%
Infrastructure Backlog Ratio (target to maintain at less than 2%)	< 2%	2.2%	2.1%	2%	2%	2%	2%	2%	1.9%	1.9%

Table 23 Scenario 3 Capital works program

Capital expenditure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Buildings, Transport, and other Infrastructure (\$'000)										
Asset renewals	\$3,117	\$3,590	\$3,548	\$2,469	\$2,555	\$2,349	\$2,836	\$3,468	\$2,989	\$3,605
New assets	\$1,569	\$348	-	-	-	-	-	-	-	-
Water and Sewer (\$'000)										
Asset renewals	\$391	\$799	\$838	\$855	\$872	\$889	\$907	\$926	\$944	\$1,063
New assets	\$2,880	\$1,747	-	-	-	-	-	-	-	-

Performance Measurement

We have used the Performance Measures selected by the Office of Local Government and the NSW Audit Office to benchmark Council performance. The following graphs compare the outcomes of the three scenarios against the industry benchmark.

Consolidated Funds

Figure 1 Operating Performance Ratio

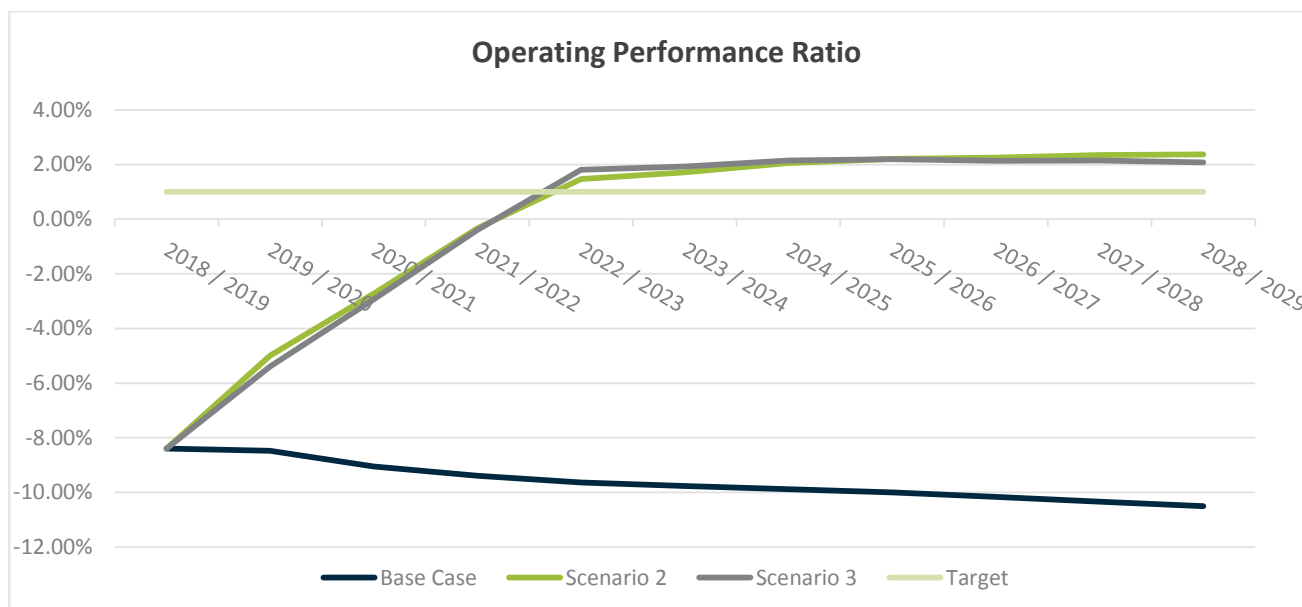


Figure 2 Own Source Revenue

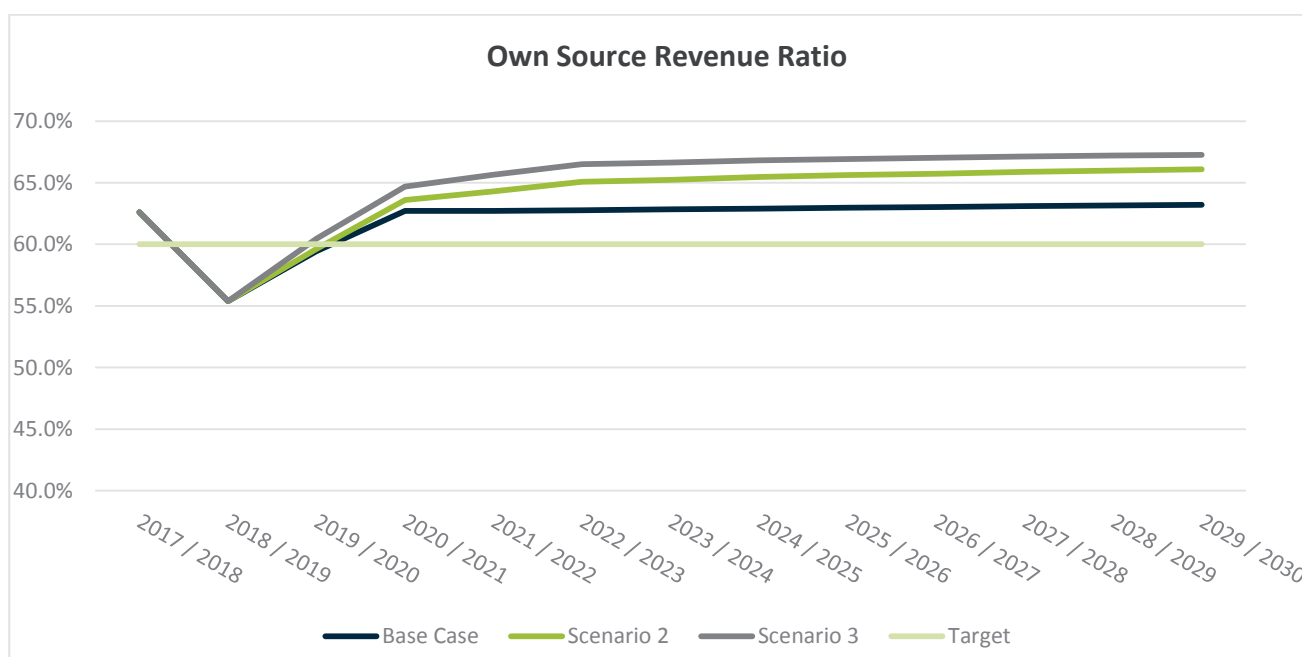


Figure 3 Unrestricted Current Ratio

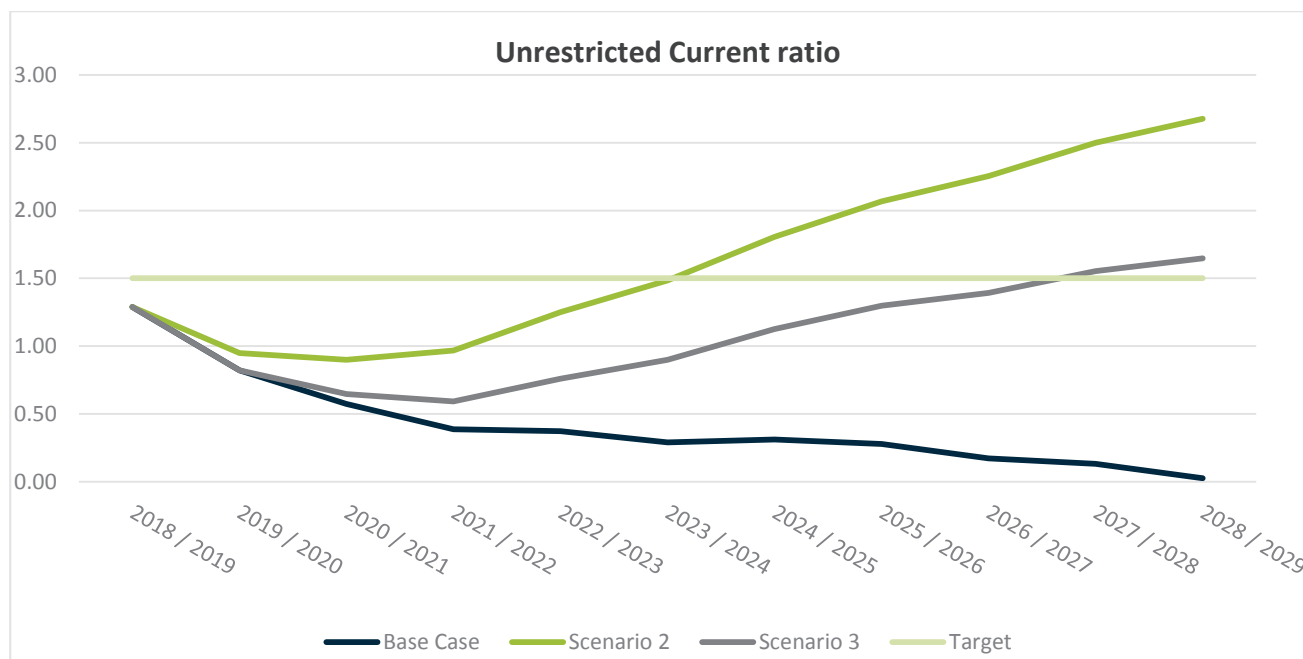


Figure 4 Debt Service Cover Ratio

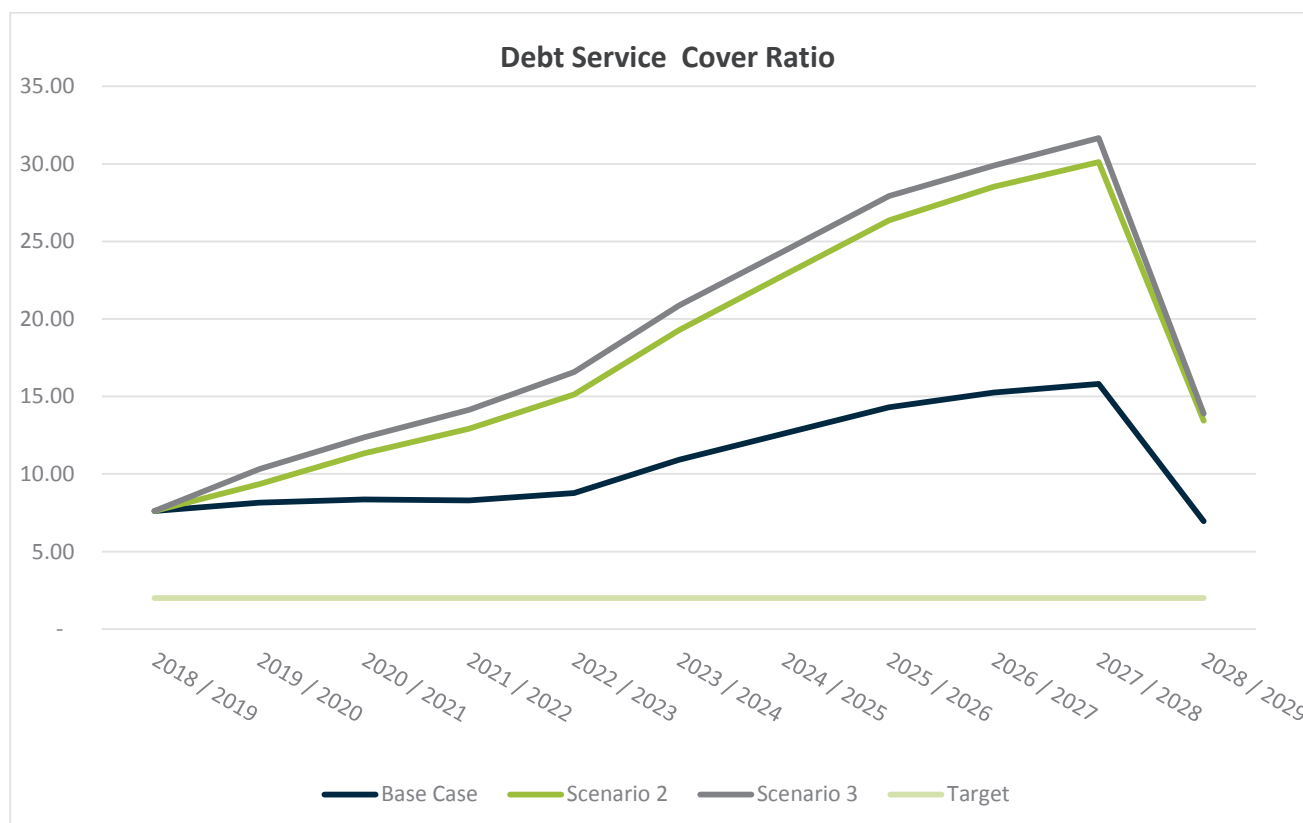


Figure 5 Cash Expense Cover Ratio

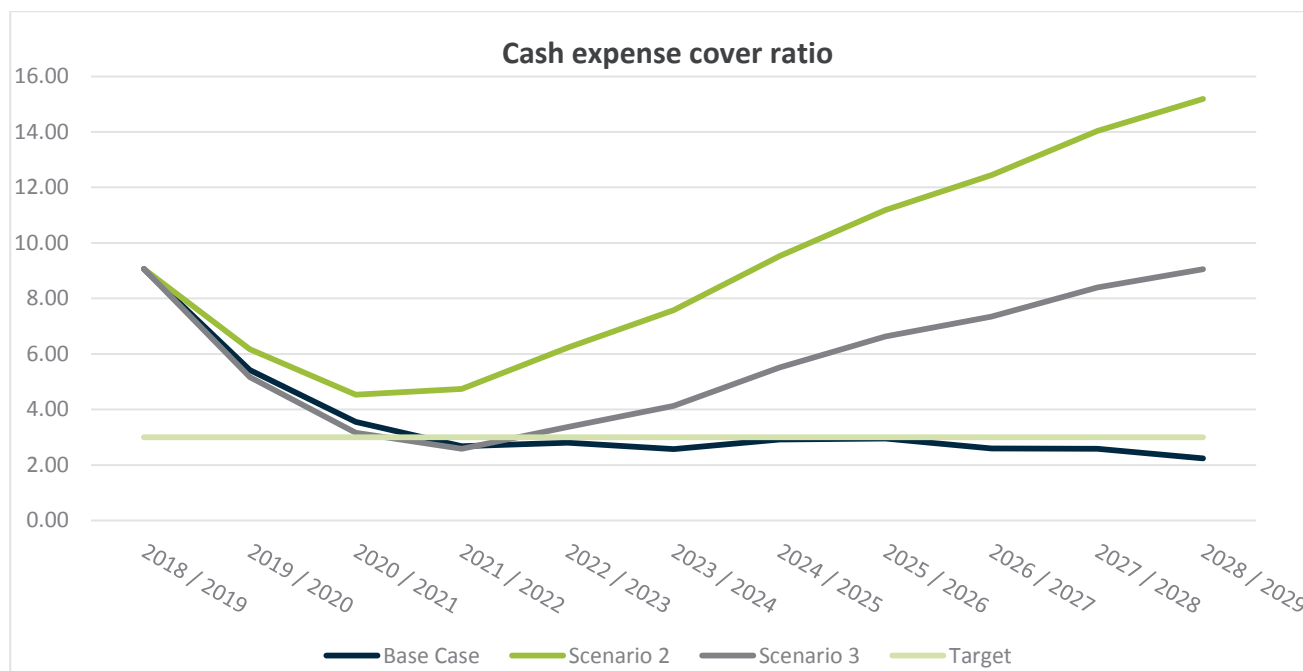


Figure 6 Building and Infrastructure Renewal Ratio

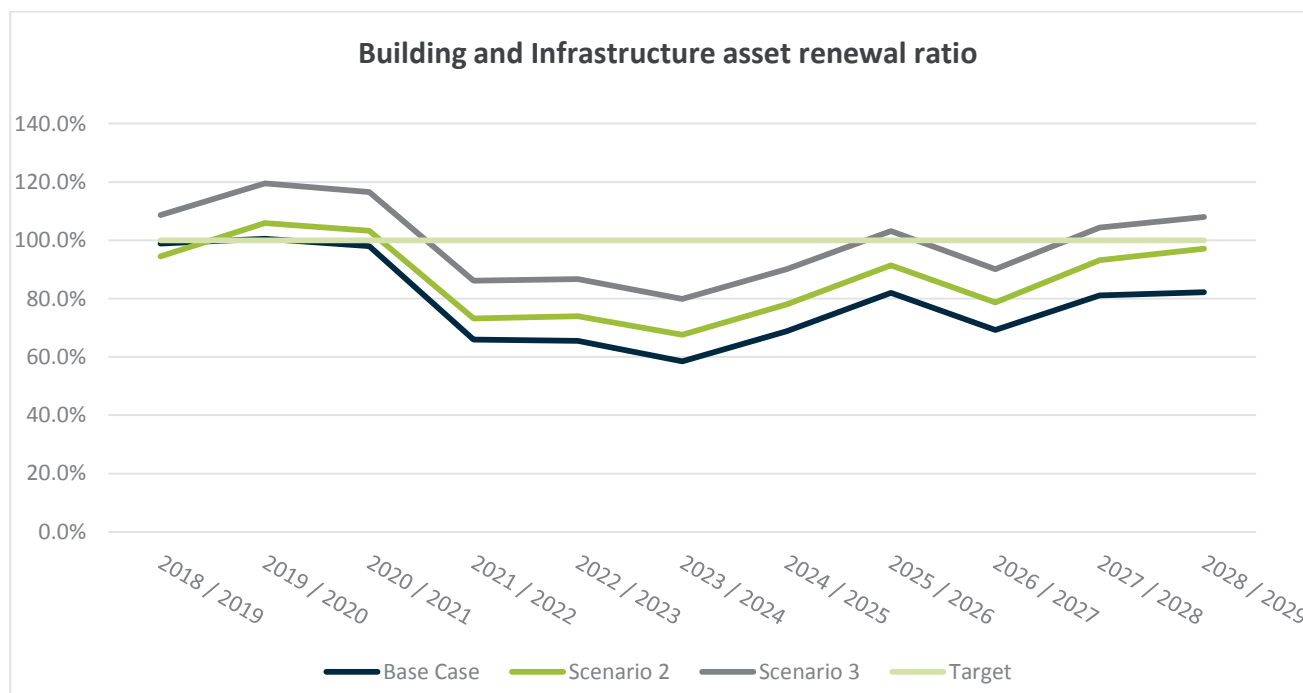
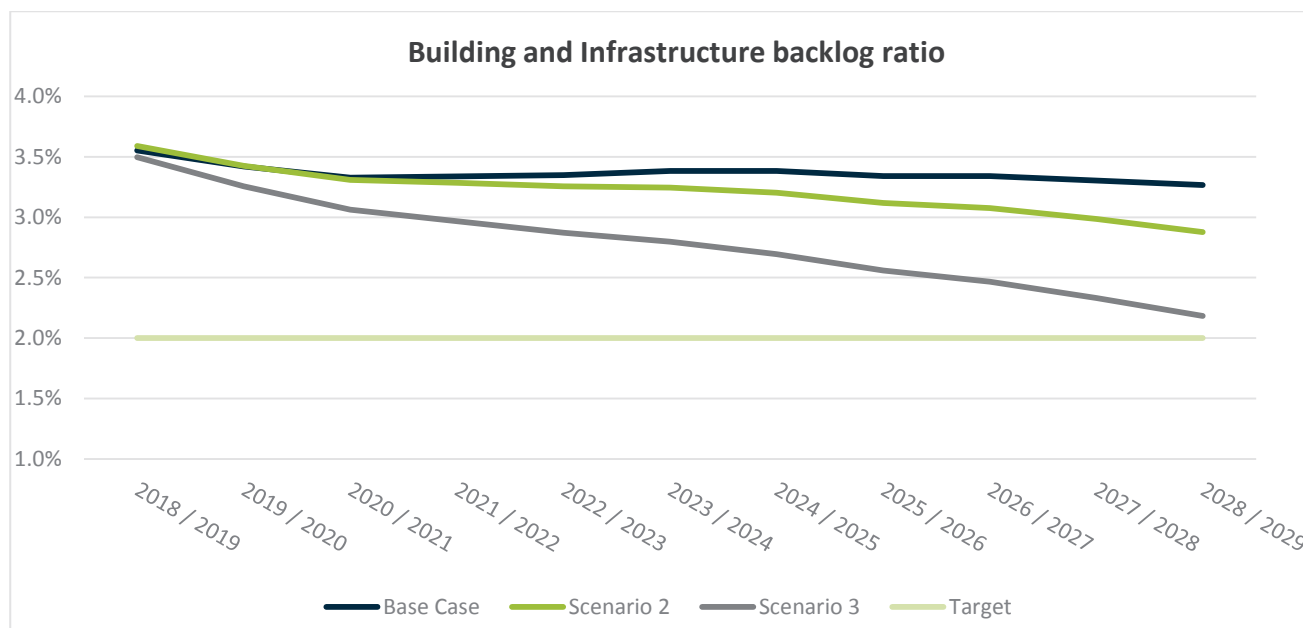


Figure 7 Building and Infrastructure Backlog Ratio



Risks and Sensitivity Analysis

Long Term Financial Plans are inherently uncertain. They contain a wide range of assumptions about interest rates and the potential effect of inflation on revenues and expenditures. Some of these assumptions will have a relatively limited impact if they are wrong. Others can have a major impact on future financial plans. The following analysis is provided to identify those matters that may have a moderate to significant impact on the results.

Risks

The major risk for Council relates to its revenues and the key assumptions which underpin this Long Term Financial Plan model. The major risks relate to:

- Rates revenue
 - A risk of lower than expected rates cap increases.
 - A risk that IPART may not approve in full Council's application for a special variation.
- Other revenues such as fees and charges and operating grants
 - The risk that government grant assistance diminishes or does not grow at the assumed rate. Any government policy decisions to reduce the relative value of operating grants would significantly impact Council's road asset maintenance and renewal program.
 - Lower than expected growth in other revenues.
- Operating expenditure
 - Employee costs account for approximately 52% of projected annual expenditure and wage indexation is dependent on the outcome of award negotiations and the labour market.

Unplanned increases will impact Council's net operating surplus.

- Materials and contracts account for approximately 30% of projected annual expenditure which is reflective of the level of community infrastructure that Council maintains. Considerable pressure is placed on the cost of materials and contracts due to rising raw material costs including fuel and freight. Fuel and energy are subjected to pressure from oil prices and market fluctuations. Should unplanned major increases in cost indexes be experienced, they will impact Council's operating expenses.
- The productivity improvements modelled in Scenario 2 have been estimated based on the information available. Many of these improvements are at an early stage of development and have varying levels of uncertainty. If Council is not able to reach the productivity targets as set, this may impact the value of the special rate variation required to reach an operating surplus.
- Other costs
 - It is assumed that mandated requirements on Council will remain unchanged over the planning period. If there is an increase in Council's legal and regulatory obligations this is likely to subsequently increase annual operating expenses.

Sensitivity analysis

The following table analyses the sensitivity of various assumptions.

Table 24 Sensitivity analysis

Assumption	Sensitivity	Probability (High / Medium / Low)	Impact
Annual rate increase	Minus 1% per annum	M	If the average annual rate increase following the SRV falls below 2% then the operating result will be in deficit for the ten year planning period. The value of a 1% reduction in rates is \$36,000 per annum at 2018-19 values.
Financial Assistance Grant	One off increase 5%	L	Operating surplus increases by \$116,000 per annum in the base year
	One off decrease 3%	M	Operating surplus decreases by \$69,000 per annum in the base year
Employee costs	Plus 1%	M	\$95,000 increase in expenses per annum

Changes to the revenue or expenditure assumptions could have a material effect on the financial projections in the Long Term Financial Plan. However, Council believes the assumptions used are robust. A regular review of the modelling will ensure that Council is able to react and plan for any changes in costs and revenues over the term of this plan.

Conclusion

This Long Term Financial Plan provides scenarios that outline how Council can achieve the outcomes agreed with the community in the Uralla Community Strategic Plan 2017-2027.

To become a financially sustainable organisation and meet its community objectives, Council developed three different long term financial scenarios. Each scenario has been modelled and financial reports have been produced for a ten year forward planning period, as attached in the appendices of this plan.

- Scenario 1 presents a continuation of a 'status quo' or 'do nothing' situation where Council delivers existing services and continues to invest at the current levels in asset renewals. Based on this scenario Council cannot be considered to be financially sustainable, with operating deficits in all funds every year, and increasing its water and sewer infrastructure backlog to a point that will be unacceptable.
- Scenario 2 presents an improvement option that keeps Council in a financially sustainable position and that also keeps the special rate variation impost as low as possible. There are reductions in service levels in some areas and increases in fees and charges for user-pay services. At the same time, Council invests time and resources in productivity improvements that realise further efficiency savings.
- Scenario 3 presents an improvement option that keeps Council in a financially sustainable position by raising rates, fees and charges and without making changes to service levels or other budget cuts.

Each scenario has been modelled and financial reports have been produced for a ten year forward planning period, as appendices to this plan. Analysis of these scenarios, including a review of the risks and rewards of each scenario, demonstrate that the 'status quo' scenario is not a responsible option, and Council will need to make some difficult and smart trade-off decisions.

The Financial Statements contained in the following pages of this plan set out the financial performance, financial position and cashflows projected for the next ten years.

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

Scenario 1 Financial Statements

Scenario 1 Financial Statements

Income Statement - General Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	5,119	5,274	5,425	5,574	5,726	5,882	6,043	6,208	6,377	6,544	6,715
User charges and fees	4,400	4,415	4,517	4,621	4,727	4,836	4,947	5,061	5,177	5,296	5,418
Interest and investment revenue	256	195	120	50	9	7	-	-	-	-	-
Other revenues	724	727	743	760	778	796	814	833	852	871	892
Grants and contributions - Operating	6,437	6,501	6,648	6,797	6,950	7,107	7,266	7,430	7,597	7,768	7,943
Grants and contributions - Capital	631	1,624	800	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	17,567	18,736	18,254	18,620	19,027	19,482	19,945	20,426	20,918	21,415	21,923
Expenses from continuing operations											
Employee benefits and oncosts	9,119	9,547	9,809	10,079	10,356	10,641	10,933	11,234	11,543	11,860	12,187
Borrowing costs	163	149	113	100	87	73	61	50	42	34	29
Materials and contracts	4,467	3,915	4,012	4,113	4,216	4,321	4,429	4,540	4,653	4,770	4,889
Depreciation and amortisation	3,497	3,555	3,655	3,747	3,842	3,967	4,066	4,168	4,272	4,379	4,488
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,129	1,138	1,164	1,191	1,218	1,246	1,275	1,304	1,334	1,365	1,396
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	18,375	18,303	18,754	19,229	19,719	20,248	20,764	21,295	21,844	22,407	22,989
Net Operating Result	(807)	433	(500)	(609)	(692)	(766)	(819)	(870)	(926)	(993)	(1,065)
Net operating result before grants and contributions provided for capital purposes	(1,438)	(1,191)	(1,300)	(1,427)	(1,528)	(1,621)	(1,693)	(1,764)	(1,841)	(1,927)	(2,021)

Statement of Financial Position - General Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	7,652	4,011	1,676	314	224	(409)	(236)	(513)	(1,437)	(1,826)	(2,816)
Receivables	630	630	654	670	687	705	723	741	760	779	798
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	8,535	4,894	2,580	1,239	1,171	560	756	502	(398)	(764)	(1,729)
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	207,146	217,723	225,765	233,578	240,217	247,500	254,178	261,473	269,579	277,297	285,752
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	207,146	217,723	225,765	233,578	240,217	247,500	254,178	261,473	269,579	277,297	285,752
Total Assets	215,681	222,617	228,345	234,817	241,389	248,061	254,934	261,975	269,180	276,533	284,023
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,893	3,996	4,102	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	2,997	3,076	3,158	3,242	3,327	3,416	3,506	3,599	3,694
Total current liabilities	6,507	6,507	6,931	7,109	7,305	7,443	7,613	7,793	7,989	8,199	8,412
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	8,886	8,824	8,766	8,699	8,686	8,700	8,736	8,783	8,833
NET ASSETS	205,841	213,000	219,459	225,993	232,622	239,362	246,248	253,276	260,445	267,750	275,190
Equity											
Accumulated surplus	56,072	56,505	56,004	55,395	54,703	53,937	53,119	52,249	51,322	50,330	49,265
Revaluation reserves	149,769	156,494	163,454	170,597	177,919	185,424	193,129	201,027	209,122	217,420	225,925
TOTAL EQUITY	205,841	212,999	219,458	225,992	232,622	239,361	246,247	253,275	260,444	267,749	275,189

Statement of Cash Flows - General Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	5,352	5,274	5,425	5,574	5,726	5,882	6,043	6,208	6,377	6,544	6,715
User charges and fees	4,167	4,415	4,100	4,604	4,710	4,818	4,929	5,042	5,158	5,277	5,399
Investment revenue and interest	256	195	120	50	9	7	-	-	-	-	-
Grants and contributions	7,068	8,125	7,448	7,615	7,787	7,962	8,141	8,324	8,511	8,703	8,899
Other	724	727	743	760	778	796	814	833	852	871	892
<i>Payments:</i>											
Employee benefits and on-costs	(9,119)	(9,547)	(10,112)	(9,999)	(10,274)	(10,557)	(10,848)	(11,146)	(11,453)	(11,768)	(12,091)
Materials and contracts	(4,467)	(3,915)	(3,830)	(4,019)	(4,120)	(4,223)	(4,328)	(4,436)	(4,547)	(4,660)	(4,776)
Borrowing costs	(163)	(149)	(113)	(100)	(87)	(73)	(61)	(50)	(42)	(34)	(29)
Other	(1,129)	(1,138)	(1,164)	(1,191)	(1,218)	(1,246)	(1,275)	(1,304)	(1,334)	(1,365)	(1,396)
Net cash provided (or used) in operating activities	2,690	3,988	2,617	3,294	3,310	3,366	3,416	3,471	3,524	3,570	3,612
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,256)	(7,406)	(4,738)	(4,417)	(3,160)	(3,745)	(3,039)	(3,565)	(4,282)	(3,799)	(4,438)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,098)	(3,606)	(3,046)	(4,417)	(3,160)	(3,745)	(3,039)	(3,565)	(4,282)	(3,799)	(4,438)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,378	160	(644)	(1,362)	(90)	(633)	173	(277)	(924)	(389)	(990)
Cash at the beginning of the year	782	2,160	2,319	1,676	314	224	(409)	(236)	(513)	(1,437)	(1,826)
Cash at the end of the year	2,160	2,319	1,676	314	224	(409)	(236)	(513)	(1,437)	(1,826)	(2,816)

Scenario 1 Financial Statements

Income Statement - Water Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	424	438	448	458	469	480	491	502	514	525	538
User charges and fees	540	528	540	553	565	578	592	605	619	633	648
Interest and investment revenue	49	64	60	68	71	75	81	87	93	99	106
Other revenues	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	37	21	21	22	22	23	23	24	25	25	26
Grants and contributions - Capital	-	-	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,050	1,051	1,070	1,101	1,128	1,156	1,186	1,218	1,250	1,283	1,317
Expenses from continuing operations											
Employee benefits and oncosts	248	284	356	366	376	386	397	407	419	430	442
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	193	363	172	176	181	185	190	195	200	205	210
Depreciation and amortisation	452	484	496	509	521	534	548	561	575	590	604
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	313	342	350	358	366	375	383	392	401	410	420
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,206	1,473	1,374	1,408	1,444	1,480	1,517	1,555	1,595	1,635	1,676
Net Operating Result	(156)	(422)	(304)	(308)	(316)	(324)	(331)	(338)	(345)	(352)	(359)
Net operating result before grants and contributions provided for capital purposes	(156)	(422)	(304)	(308)	(316)	(324)	(331)	(338)	(345)	(352)	(359)

Statement of Financial Position - Water Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,326	1,997	2,256	2,361	2,496	2,684	2,884	3,086	3,297	3,519	3,742
Receivables	262	262	268	274	281	287	294	300	307	314	322
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,588	2,259	2,524	2,636	2,776	2,971	3,177	3,387	3,604	3,833	4,063
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	2	2	2	2	2	2	2	3	3
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	17,728	18,427	18,843	19,259	19,660	20,020	20,383	20,759	21,142	21,531	21,936
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	17,728	18,427	18,845	19,262	19,662	20,022	20,385	20,761	21,145	21,534	21,938
Total Assets	20,316	20,686	21,369	21,897	22,438	22,993	23,562	24,147	24,749	25,367	26,002
Current liabilities											
Payables	-	-	0	0	0	0	0	0	0	0	0
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	176	180	185	189	194	199	204	209	214
Total current liabilities	-	-	176	180	185	190	194	199	204	209	215
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	176	180	185	190	194	199	204	209	215
NET ASSETS	20,316	20,686	21,193	21,717	22,253	22,803	23,368	23,948	24,545	25,157	25,787
Equity											
Accumulated surplus	8,694	8,272	7,968	7,660	7,344	7,019	6,688	6,351	6,006	5,654	5,295
Revaluation reserves	11,622	12,414	13,225	14,057	14,910	15,784	16,679	17,597	18,539	19,503	20,492
TOTAL EQUITY	20,316	20,686	21,193	21,717	22,253	22,803	23,368	23,948	24,545	25,157	25,787

Statement of Cash Flows - Water Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	424	438	448	458	469	480	491	502	514	525	538
User charges and fees	540	528	534	546	559	572	585	598	612	626	641
Investment revenue and interest	49	64	60	68	71	75	81	87	93	99	106
Grants and contributions	37	21	21	22	22	23	23	24	25	25	26
Other	-	-	(2)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<i>Payments:</i>											
Employee benefits and on-costs	(248)	(284)	(180)	(361)	(371)	(381)	(392)	(403)	(414)	(425)	(437)
Materials and contracts	(193)	(363)	(172)	(176)	(181)	(185)	(190)	(195)	(200)	(205)	(210)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(313)	(342)	(350)	(358)	(366)	(375)	(383)	(392)	(401)	(410)	(420)
Net cash provided (or used) in operating activities	296	62	360	199	203	208	215	222	229	236	243
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(140)	(391)	(101)	(93)	(69)	(20)	(15)	(19)	(18)	(14)	(20)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(140)	(391)	(101)	(93)	(69)	(20)	(15)	(19)	(18)	(14)	(20)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	156	(329)	259	106	134	188	200	203	211	222	223
Cash at the beginning of the year	2,170	2,326	1,997	2,256	2,361	2,496	2,684	2,884	3,086	3,297	3,519
Cash at the end of the year	2,326	1,997	2,256	2,361	2,496	2,684	2,884	3,086	3,297	3,519	3,742

Scenario 1 Financial Statements

Income Statement - Sewer Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	723	717	734	750	768	785	803	822	841	860	880
User charges and fees	15	16	16	17	17	18	18	18	19	19	20
Interest and investment revenue	43	53	38	27	32	39	45	53	60	68	76
Other revenues	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	14	17	17	18	18	19	19	19	20	20	21
Grants and contributions - Capital	220	1,849	1,138	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,015	2,652	1,943	812	835	860	886	912	940	968	996
Expenses from continuing operations											
Employee benefits and oncosts	144	182	221	227	233	240	246	253	260	267	275
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	125	137	120	123	127	130	133	136	140	143	147
Depreciation and amortisation	234	234	264	270	277	284	291	298	306	313	321
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	204	229	234	240	245	251	257	262	269	275	281
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	707	782	839	860	882	904	927	950	974	998	1,023
Net Operating Result	308	1,870	1,104	(49)	(47)	(44)	(41)	(38)	(34)	(31)	(27)
Net operating result before grants and contributions provided for capital purposes	88	21	(34)	(49)	(47)	(44)	(41)	(38)	(34)	(31)	(27)

Statement of Financial Position - Sewer Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,027	1,251	891	1,064	1,287	1,509	1,752	2,006	2,271	2,535	2,823
Receivables	44	44	103	105	108	110	113	115	118	120	123
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,071	1,295	993	1,169	1,395	1,619	1,865	2,121	2,389	2,656	2,946
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	37	38	39	40	41	41	42	43	44
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	9,107	12,111	14,034	14,306	14,542	14,795	15,042	15,295	15,554	15,832	16,104
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	9,107	12,111	14,071	14,344	14,580	14,834	15,082	15,337	15,597	15,875	16,149
Total Assets	11,178	13,406	15,065	15,513	15,975	16,453	16,947	17,458	17,986	18,531	19,095
Current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	115	118	121	124	127	130	134	137	140
Total current liabilities	-	-	115	118	121	124	127	130	134	137	140
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	115	118	121	124	127	130	134	137	140
NET ASSETS	11,178	13,406	14,949	15,395	15,854	16,329	16,820	17,327	17,852	18,394	18,954
Equity											
Accumulated surplus	5,644	7,514	8,618	8,569	8,522	8,478	8,436	8,399	8,364	8,333	8,306
Revaluation reserves	5,534	5,892	6,332	6,826	7,332	7,851	8,384	8,929	9,488	10,061	10,648
TOTAL EQUITY	11,178	13,406	14,949	15,395	15,854	16,329	16,820	17,327	17,852	18,394	18,954

Statement of Cash Flows - Sewer Fund

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	723	717	633	748	765	783	801	819	838	857	877
User charges and fees	15	16	58	17	17	17	18	18	19	19	20
Investment revenue and interest	43	53	38	27	32	39	45	53	60	68	76
Grants and contributions	234	1,866	1,155	18	18	19	19	19	20	20	21
Other	-	-	(37)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
<i>Payments:</i>											
Employee benefits and on-costs	(144)	(182)	(106)	(224)	(230)	(237)	(243)	(250)	(257)	(264)	(271)
Materials and contracts	(125)	(137)	(120)	(123)	(127)	(130)	(133)	(136)	(140)	(143)	(147)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(204)	(229)	(234)	(240)	(245)	(251)	(257)	(262)	(269)	(275)	(281)
Net cash provided (or used) in operating activities	542	2,104	1,387	221	230	239	249	260	271	282	294
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(345)	(2,880)	(1,747)	(48)	(6)	(18)	(6)	(6)	(6)	(18)	(6)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(345)	(2,880)	(1,747)	(48)	(6)	(18)	(6)	(6)	(6)	(18)	(6)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	197	(776)	(360)	173	224	221	243	254	265	264	288
Cash at the beginning of the year	1,830	2,027	1,251	891	1,064	1,287	1,509	1,752	2,006	2,271	2,535
Cash at the end of the year	2,027	1,251	891	1,064	1,287	1,509	1,752	2,006	2,271	2,535	2,823

Scenario 1 Financial Statements

Income Statement - Consolidated

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	6,266	6,429	6,607	6,782	6,963	7,147	7,337	7,532	7,732	7,930	8,133
User charges and fees	4,955	4,959	5,073	5,190	5,309	5,432	5,556	5,684	5,815	5,949	6,086
Interest and investment revenue	348	312	218	145	112	120	126	139	153	167	182
Other revenues	724	727	743	760	778	796	814	833	852	871	892
Grants and contributions - Operating	6,488	6,539	6,686	6,837	6,991	7,148	7,309	7,473	7,641	7,813	7,989
Grants and contributions - Capital	851	3,473	1,938	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	19,632	22,439	21,266	20,532	20,989	21,498	22,017	22,555	23,107	23,665	24,236
Expenses from continuing operations											
Employee benefits and oncosts	9,511	10,013	10,386	10,671	10,965	11,266	11,576	11,895	12,222	12,558	12,903
Borrowing costs	163	149	113	100	87	73	61	50	42	34	29
Materials and contracts	4,785	4,415	4,305	4,413	4,523	4,636	4,752	4,871	4,992	5,117	5,245
Depreciation and amortisation	4,183	4,273	4,415	4,526	4,640	4,785	4,905	5,027	5,153	5,282	5,414
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,646	1,709	1,748	1,788	1,829	1,871	1,914	1,958	2,003	2,050	2,097
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	20,288	20,558	20,967	21,498	22,044	22,632	23,208	23,801	24,413	25,040	25,688
Net Operating Result	(655)	1,881	299	(966)	(1,055)	(1,134)	(1,191)	(1,246)	(1,305)	(1,375)	(1,451)
Net operating result before grants and contributions provided for capital purposes	(1,506)	(1,592)	(1,639)	(1,784)	(1,892)	(1,989)	(2,066)	(2,140)	(2,220)	(2,310)	(2,407)

Statement of Financial Position - Consolidated

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	12,005	7,259	4,822	3,739	4,007	3,784	4,399	4,579	4,131	4,228	3,749
Receivables	936	936	1,025	1,050	1,075	1,102	1,129	1,156	1,185	1,213	1,243
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	13,194	8,448	6,097	5,044	5,342	5,150	5,797	6,010	5,595	5,725	5,281
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	39	40	41	42	43	44	45	46	47
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	233,981	248,261	258,642	267,143	274,419	282,315	289,603	297,527	306,275	314,660	323,792
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	233,981	248,261	258,682	267,183	274,460	282,357	289,646	297,571	306,320	314,706	323,838
Total Assets	247,175	256,709	264,779	272,227	279,802	287,506	295,443	303,581	311,915	320,431	329,119
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,894	3,997	4,103	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	3,288	3,374	3,463	3,555	3,649	3,745	3,844	3,945	4,049
Total current liabilities	6,507	6,507	7,222	7,408	7,611	7,757	7,934	8,122	8,326	8,545	8,767
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	9,177	9,123	9,072	9,013	9,007	9,029	9,073	9,129	9,188
NET ASSETS	237,335	247,092	255,601	263,104	270,730	278,494	286,436	294,551	302,841	311,302	319,931
Equity											
Accumulated surplus	70,410	72,291	72,589	71,624	70,568	69,435	68,243	66,998	65,692	64,317	62,866
Revaluation reserves	166,925	174,801	183,011	191,480	200,161	209,059	218,192	227,553	237,148	246,984	257,065
TOTAL EQUITY	237,335	247,091	255,601	263,104	270,729	278,493	286,435	294,551	302,841	311,301	319,931

Statement of Cash Flows - Consolidated

Base Case	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	6,499	6,429	6,507	6,780	6,960	7,145	7,335	7,529	7,729	7,927	8,130
User charges and fees	4,722	4,959	4,692	5,167	5,286	5,408	5,532	5,659	5,789	5,923	6,059
Investment revenue and interest	348	312	218	145	112	120	126	139	153	167	182
Grants and contributions	7,339	10,012	8,624	7,655	7,827	8,003	8,183	8,367	8,556	8,748	8,945
Other	724	727	704	759	777	795	813	832	851	870	890
<i>Payments:</i>											
Employee benefits and on-costs	(9,511)	(10,013)	(10,398)	(10,585)	(10,876)	(11,175)	(11,483)	(11,798)	(12,123)	(12,456)	(12,799)
Materials and contracts	(4,785)	(4,415)	(4,123)	(4,319)	(4,427)	(4,538)	(4,651)	(4,767)	(4,886)	(5,008)	(5,133)
Borrowing costs	(163)	(149)	(113)	(100)	(87)	(73)	(61)	(50)	(42)	(34)	(29)
Other	(1,646)	(1,709)	(1,748)	(1,788)	(1,829)	(1,871)	(1,914)	(1,958)	(2,003)	(2,050)	(2,097)
Net cash provided (or used) in operating activities	3,528	6,154	4,364	3,715	3,743	3,814	3,880	3,953	4,024	4,088	4,148
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,741)	(10,677)	(6,586)	(4,558)	(3,235)	(3,783)	(3,060)	(3,590)	(4,306)	(3,831)	(4,464)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,583)	(6,877)	(4,894)	(4,558)	(3,235)	(3,783)	(3,060)	(3,590)	(4,306)	(3,831)	(4,464)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,731	(945)	(746)	(1,083)	268	(223)	616	180	(448)	97	(479)
Cash at the beginning of the year	4,782	6,513	5,567	4,822	3,739	4,007	3,784	4,399	4,579	4,131	4,228
Cash at the end of the year	6,513	5,567	4,822	3,739	4,007	3,784	4,399	4,579	4,131	4,228	3,749

Scenario 2 Financial Statements

Scenario 2 Financial Statements

Income Statement - General Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	5,119	5,274	5,716	6,114	6,500	6,865	7,050	7,240	7,436	7,629	7,827
User charges and fees	4,400	4,415	4,517	4,621	4,727	4,836	4,947	5,061	5,177	5,296	5,418
Interest and investment revenue	256	195	150	119	135	200	258	343	418	477	555
Other revenues	724	727	916	923	971	990	1,012	1,036	1,060	1,084	1,109
Grants and contributions - Operating	6,437	6,501	6,648	6,797	6,950	7,107	7,266	7,430	7,597	7,768	7,943
Grants and contributions - Capital	631	1,624	800	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	17,567	18,736	18,747	19,393	20,119	20,852	21,408	22,004	22,601	23,189	23,807
Expenses from continuing operations											
Employee benefits and oncosts	9,119	9,547	9,809	10,079	10,356	10,641	10,933	11,234	11,543	11,860	12,187
Borrowing costs	163	149	113	100	87	73	61	50	42	34	29
Materials and contracts	4,467	3,915	4,012	4,113	4,216	4,321	4,429	4,540	4,653	4,770	4,889
Depreciation and amortisation	3,497	3,555	3,667	3,759	3,854	3,979	4,079	4,181	4,285	4,393	4,502
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,129	1,138	1,132	1,071	1,028	1,051	1,075	1,099	1,124	1,149	1,175
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	18,375	18,303	18,734	19,121	19,541	20,065	20,577	21,104	21,648	22,206	22,782
Net Operating Result	(807)	433	14	271	578	787	831	900	954	983	1,025
Net operating result before grants and contributions provided for capital purposes	(1,438)	(1,191)	(786)	(547)	(259)	(68)	(43)	6	40	48	69

Statement of Financial Position - General Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	7,652	5,011	3,979	4,494	6,671	8,589	11,423	13,928	15,896	18,494	20,607
Receivables	630	630	673	706	738	769	789	809	829	850	871
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	8,535	5,894	4,903	5,455	7,669	9,623	12,481	15,011	17,004	19,628	21,767
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	207,146	216,723	223,956	230,762	236,395	242,670	248,341	254,629	261,726	268,436	275,883
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	207,146	216,723	223,956	230,762	236,395	242,670	248,341	254,629	261,726	268,436	275,883
Total Assets	215,681	222,617	228,859	236,217	244,063	252,293	260,822	269,639	278,730	288,064	297,650
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,893	3,996	4,102	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	2,997	3,076	3,158	3,242	3,327	3,416	3,506	3,599	3,694
Total current liabilities	6,507	6,507	6,931	7,109	7,305	7,443	7,613	7,793	7,989	8,199	8,412
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	8,886	8,824	8,766	8,699	8,686	8,700	8,736	8,783	8,833
NET ASSETS	205,841	213,000	219,973	227,393	235,297	243,594	252,136	260,940	269,994	279,281	288,817
Equity											
Accumulated surplus	56,072	56,505	56,518	56,790	57,368	58,154	58,986	59,886	60,839	61,822	62,847
Revaluation reserves	149,769	156,494	163,454	170,602	177,929	185,439	193,150	201,053	209,154	217,458	225,969
TOTAL EQUITY	205,841	212,999	219,973	227,392	235,297	243,594	252,136	260,939	269,994	279,280	288,816

Statement of Cash Flows - General Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	5,352	5,274	5,716	6,114	6,500	6,865	7,050	7,240	7,436	7,629	7,827
User charges and fees	4,167	4,415	4,254	4,751	4,888	4,999	5,126	5,244	5,364	5,488	5,614
Investment revenue and interest	256	195	150	119	135	200	258	343	418	477	555
Grants and contributions	7,068	8,125	7,448	7,615	7,787	7,962	8,141	8,324	8,511	8,703	8,899
Other	724	727	743	760	778	796	814	833	852	871	892
<i>Payments:</i>											
Employee benefits and on-costs	(9,119)	(9,547)	(10,112)	(9,999)	(10,274)	(10,557)	(10,848)	(11,146)	(11,453)	(11,768)	(12,091)
Materials and contracts	(4,467)	(3,915)	(3,798)	(3,899)	(3,930)	(4,028)	(4,128)	(4,231)	(4,337)	(4,445)	(4,556)
Borrowing costs	(163)	(149)	(113)	(100)	(87)	(73)	(61)	(50)	(42)	(34)	(29)
Other	(1,129)	(1,138)	(1,164)	(1,191)	(1,218)	(1,246)	(1,275)	(1,304)	(1,334)	(1,365)	(1,396)
Net cash provided (or used) in operating activities	2,690	3,988	3,124	4,171	4,577	4,917	5,078	5,253	5,416	5,557	5,714
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,256)	(6,406)	(3,941)	(3,417)	(2,160)	(2,745)	(2,039)	(2,565)	(3,282)	(2,799)	(3,438)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,098)	(2,606)	(2,249)	(3,417)	(2,160)	(2,745)	(2,039)	(2,565)	(3,282)	(2,799)	(3,438)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,378	1,160	660	514	2,177	1,918	2,834	2,504	1,968	2,598	2,113
Cash at the beginning of the year	782	2,160	3,319	3,979	4,494	6,671	8,589	11,423	13,928	15,896	18,494
Cash at the end of the year	2,160	3,319	3,979	4,494	6,671	8,589	11,423	13,928	15,896	18,494	20,607

Scenario 2 Financial Statements

Income Statement - Water Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	424	438	548	684	856	1,069	1,123	1,179	1,206	1,234	1,262
User charges and fees	540	528	540	553	565	578	592	605	619	633	648
Interest and investment revenue	49	64	60	54	51	51	57	66	76	86	97
Other revenues	-	-	30	30	30	31	31	32	33	34	34
Grants and contributions - Operating	37	21	21	22	22	23	23	24	25	25	26
Grants and contributions - Capital	-	-	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,050	1,051	1,199	1,343	1,524	1,752	1,826	1,906	1,958	2,012	2,067
Expenses from continuing operations											
Employee benefits and oncosts	248	284	356	366	376	386	397	407	419	430	442
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	193	363	172	176	181	185	190	195	200	205	210
Depreciation and amortisation	452	484	496	509	521	534	548	561	575	590	604
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	313	342	377	358	366	375	383	392	401	410	420
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,206	1,473	1,401	1,408	1,444	1,480	1,517	1,555	1,595	1,635	1,676
Net Operating Result	(156)	(422)	(202)	(65)	80	272	309	351	364	377	392
Net operating result before grants and contributions provided for capital purposes	(156)	(422)	(202)	(65)	80	272	309	351	364	377	392

Statement of Financial Position - Water Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,326	1,997	1,803	1,685	1,705	1,908	2,195	2,524	2,877	3,247	3,533
Receivables	262	262	295	336	385	447	465	484	495	506	518
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,588	2,259	2,098	2,020	2,090	2,355	2,660	3,008	3,372	3,753	4,052
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	2	3	3	4	4	4	4	4	4
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	17,728	18,427	19,371	20,219	21,086	21,972	22,877	23,802	24,747	25,713	26,801
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	17,728	18,427	19,374	20,222	21,089	21,975	22,880	23,805	24,751	25,717	26,805
Total Assets	20,316	20,686	21,471	22,242	23,179	24,330	25,540	26,814	28,123	29,471	30,856
Current liabilities											
Payables	-	-	0	0	0	0	0	0	0	0	0
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	176	180	185	189	194	199	204	209	214
Total current liabilities	-	-	176	180	185	190	194	199	204	209	215
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	176	180	185	190	194	199	204	209	215
NET ASSETS	20,316	20,686	21,295	22,062	22,994	24,141	25,346	26,614	27,919	29,261	30,642
Equity											
Accumulated surplus	8,694	8,272	8,070	8,005	8,085	8,357	8,666	9,017	9,381	9,758	10,150
Revaluation reserves	11,622	12,414	13,225	14,057	14,910	15,784	16,679	17,597	18,539	19,503	20,492
TOTAL EQUITY	20,316	20,686	21,295	22,062	22,994	24,141	25,346	26,614	27,919	29,261	30,642

Statement of Cash Flows - Water Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	424	438	548	684	856	1,069	1,123	1,179	1,206	1,234	1,262
User charges and fees	540	528	537	542	545	547	605	618	641	655	671
Investment revenue and interest	49	64	60	54	51	51	57	66	76	86	97
Grants and contributions	37	21	21	22	22	23	23	24	25	25	26
Other	-	-	(2)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<i>Payments:</i>											
Employee benefits and on-costs	(248)	(284)	(180)	(361)	(371)	(381)	(392)	(403)	(414)	(425)	(437)
Materials and contracts	(193)	(363)	(199)	(176)	(181)	(185)	(190)	(195)	(200)	(205)	(210)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(313)	(342)	(350)	(358)	(366)	(375)	(383)	(392)	(401)	(410)	(420)
Net cash provided (or used) in operating activities	296	62	435	407	555	749	843	898	933	961	990
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(140)	(505)	(515)	(525)	(535)	(546)	(557)	(568)	(580)	(591)	(703)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(140)	(505)	(515)	(525)	(535)	(546)	(557)	(568)	(580)	(591)	(703)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	156	(443)	(80)	(118)	20	203	286	330	353	370	287
Cash at the beginning of the year	2,170	2,326	1,883	1,803	1,685	1,705	1,908	2,195	2,524	2,877	3,247
Cash at the end of the year	2,326	1,883	1,803	1,685	1,705	1,908	2,195	2,524	2,877	3,247	3,533

Scenario 2 Financial Statements

Income Statement - Sewer Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	723	717	753	828	911	957	979	1,001	1,024	1,048	1,072
User charges and fees	15	16	16	17	17	18	18	18	19	19	20
Interest and investment revenue	43	53	38	12	12	13	16	18	21	24	27
Other revenues	-	-	30	30	30	31	31	32	33	34	34
Grants and contributions - Operating	14	17	17	18	18	19	19	19	20	20	21
Grants and contributions - Capital	220	1,849	1,138	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,015	2,652	1,992	904	988	1,036	1,062	1,089	1,117	1,145	1,174
Expenses from continuing operations											
Employee benefits and oncosts	144	182	221	227	233	240	246	253	260	267	275
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	125	137	120	123	127	130	133	136	140	143	147
Depreciation and amortisation	234	234	264	270	277	284	291	298	306	313	321
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	204	229	261	240	245	251	257	262	269	275	281
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	707	782	866	860	882	904	927	950	974	998	1,023
Net Operating Result	308	1,870	1,126	44	106	132	136	139	143	147	150
Net operating result before grants and contributions provided for capital purposes	88	21	(12)	44	106	132	136	139	143	147	150

Statement of Financial Position - Sewer Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,027	1,251	393	383	434	518	612	709	810	916	1,027
Receivables	44	44	105	116	127	133	137	140	143	146	149
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,071	1,295	499	499	561	652	748	849	953	1,062	1,176
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	38	42	46	48	49	50	51	53	54
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	9,107	12,111	14,550	15,087	15,637	16,198	16,771	17,357	17,956	18,569	19,195
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	9,107	12,111	14,588	15,129	15,682	16,246	16,820	17,407	18,008	18,622	19,249
Total Assets	11,178	13,406	15,087	15,628	16,243	16,898	17,568	18,256	18,961	19,684	20,425
Current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	115	118	121	124	127	130	134	137	140
Total current liabilities	-	-	115	118	121	124	127	130	134	137	140
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	115	118	121	124	127	130	134	137	140
NET ASSETS	11,178	13,406	14,972	15,510	16,122	16,774	17,441	18,126	18,827	19,547	20,285
Equity											
Accumulated surplus	5,644	7,514	8,640	8,684	8,790	8,922	9,058	9,197	9,340	9,486	9,637
Revaluation reserves	5,534	5,892	6,332	6,826	7,332	7,851	8,384	8,929	9,488	10,061	10,648
TOTAL EQUITY	11,178	13,406	14,972	15,510	16,122	16,774	17,441	18,126	18,827	19,547	20,285

Statement of Cash Flows - Sewer Fund

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	723	717	650	818	900	950	976	998	1,021	1,044	1,068
User charges and fees	15	16	88	47	47	48	49	50	51	53	54
Investment revenue and interest	43	53	38	12	12	13	16	18	21	24	27
Grants and contributions	234	1,866	1,155	18	18	19	19	19	20	20	21
Other	-	-	(38)	(4)	(4)	(2)	(1)	(1)	(1)	(1)	(1)
<i>Payments:</i>											
Employee benefits and on-costs	(144)	(182)	(106)	(224)	(230)	(237)	(243)	(250)	(257)	(264)	(271)
Materials and contracts	(125)	(137)	(147)	(123)	(127)	(130)	(133)	(136)	(140)	(143)	(147)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(204)	(229)	(234)	(240)	(245)	(251)	(257)	(262)	(269)	(275)	(281)
Net cash provided (or used) in operating activities	542	2,104	1,405	303	370	411	425	436	447	459	470
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(345)	(3,112)	(2,031)	(313)	(320)	(326)	(332)	(339)	(346)	(353)	(360)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(345)	(3,112)	(2,031)	(313)	(320)	(326)	(332)	(339)	(346)	(353)	(360)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	197	(1,008)	(626)	(10)	50	85	93	97	101	106	110
Cash at the beginning of the year	1,830	2,027	1,019	393	383	434	518	612	709	810	916
Cash at the end of the year	2,027	1,019	393	383	434	518	612	709	810	916	1,027

Scenario 2 Financial Statements

Income Statement - Consolidated

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	6,266	6,429	7,017	7,627	8,266	8,891	9,151	9,420	9,666	9,910	10,161
User charges and fees	4,955	4,959	5,073	5,190	5,309	5,432	5,556	5,684	5,815	5,949	6,086
Interest and investment revenue	348	312	248	185	197	264	330	427	515	588	680
Other revenues	724	727	976	983	1,031	1,051	1,075	1,100	1,125	1,151	1,177
Grants and contributions - Operating	6,488	6,539	6,686	6,837	6,991	7,148	7,309	7,473	7,641	7,813	7,989
Grants and contributions - Capital	851	3,473	1,938	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	19,632	22,439	21,939	21,640	22,630	23,641	24,297	24,999	25,676	26,346	27,049
Expenses from continuing operations											
Employee benefits and oncosts	9,511	10,013	10,386	10,671	10,965	11,266	11,576	11,895	12,222	12,558	12,903
Borrowing costs	163	149	113	100	87	73	61	50	42	34	29
Materials and contracts	4,785	4,415	4,305	4,413	4,523	4,636	4,752	4,871	4,992	5,117	5,245
Depreciation and amortisation	4,183	4,273	4,427	4,538	4,652	4,798	4,917	5,040	5,166	5,296	5,428
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,646	1,709	1,770	1,668	1,639	1,676	1,715	1,754	1,793	1,834	1,876
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	20,288	20,558	21,001	21,390	21,867	22,450	23,021	23,609	24,216	24,839	25,481
Net Operating Result	(655)	1,881	938	250	764	1,191	1,276	1,390	1,460	1,507	1,567
Net operating result before grants and contributions provided for capital purposes	(1,506)	(1,592)	(1,000)	(568)	(73)	336	402	495	546	572	611

Statement of Financial Position - Consolidated

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	12,005	8,259	6,175	6,562	8,809	11,016	14,229	17,161	19,583	22,657	25,167
Receivables	936	936	1,073	1,157	1,251	1,350	1,390	1,432	1,467	1,502	1,538
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	13,194	9,448	7,500	7,974	10,320	12,630	15,889	18,867	21,330	24,443	26,995
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	40	44	49	52	53	54	55	57	58
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	233,981	247,261	257,878	266,069	273,117	280,840	287,989	295,787	304,430	312,718	321,879
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	233,981	247,261	257,918	266,113	273,166	280,892	288,041	295,841	304,485	312,775	321,937
Total Assets	247,175	256,709	265,418	274,087	283,486	293,521	303,930	314,709	325,815	337,218	348,931
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,894	3,997	4,103	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	3,288	3,374	3,463	3,555	3,649	3,745	3,844	3,945	4,049
Total current liabilities	6,507	6,507	7,222	7,408	7,611	7,757	7,934	8,122	8,326	8,545	8,767
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	9,177	9,123	9,072	9,013	9,007	9,029	9,073	9,129	9,188
NET ASSETS	237,335	247,092	256,241	264,965	274,414	284,509	294,923	305,680	316,741	328,089	339,743
Equity											
Accumulated surplus	70,410	72,291	73,229	73,479	74,242	75,434	76,710	78,099	79,560	81,066	82,634
Revaluation reserves	166,925	174,801	183,011	191,485	200,171	209,074	218,213	227,580	237,181	247,022	257,109
TOTAL EQUITY	237,335	247,091	256,240	264,964	274,413	284,508	294,923	305,679	316,740	328,088	339,743

Statement of Cash Flows - Consolidated

Scenario 2	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	6,499	6,429	6,914	7,616	8,255	8,885	9,148	9,417	9,663	9,907	10,158
User charges and fees	4,722	4,959	4,879	5,340	5,480	5,594	5,780	5,912	6,057	6,196	6,339
Investment revenue and interest	348	312	248	185	197	264	330	427	515	588	680
Grants and contributions	7,339	10,012	8,624	7,655	7,827	8,003	8,183	8,367	8,556	8,748	8,945
Other	724	727	703	756	773	793	813	831	851	870	890
<i>Payments:</i>											
Employee benefits and on-costs	(9,511)	(10,013)	(10,398)	(10,585)	(10,876)	(11,175)	(11,483)	(11,798)	(12,123)	(12,456)	(12,799)
Materials and contracts	(4,785)	(4,415)	(4,145)	(4,199)	(4,237)	(4,343)	(4,451)	(4,562)	(4,676)	(4,793)	(4,912)
Borrowing costs	(163)	(149)	(113)	(100)	(87)	(73)	(61)	(50)	(42)	(34)	(29)
Other	(1,646)	(1,709)	(1,748)	(1,788)	(1,829)	(1,871)	(1,914)	(1,958)	(2,003)	(2,050)	(2,097)
Net cash provided (or used) in operating activities	3,528	6,154	4,964	4,881	5,503	6,077	6,347	6,587	6,796	6,977	7,174
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,741)	(10,023)	(6,487)	(4,255)	(3,015)	(3,617)	(2,928)	(3,472)	(4,208)	(3,743)	(4,501)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,583)	(6,223)	(4,795)	(4,255)	(3,015)	(3,617)	(2,928)	(3,472)	(4,208)	(3,743)	(4,501)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,731	(291)	(46)	386	2,248	2,206	3,214	2,932	2,422	3,074	2,510
Cash at the beginning of the year	4,782	6,513	6,221	6,175	6,562	8,809	11,016	14,229	17,161	19,583	22,657
Cash at the end of the year	6,513	6,221	6,175	6,562	8,809	11,016	14,229	17,161	19,583	22,657	25,167

Scenario 3 Financial Statements

Scenario 3 Financial Statements

Income Statement - General Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	5,119	5,274	5,862	6,439	6,991	7,493	7,693	7,900	8,111	8,322	8,537
User charges and fees	4,400	4,415	4,517	4,621	4,727	4,836	4,947	5,061	5,177	5,296	5,418
Interest and investment revenue	256	195	120	63	48	84	116	174	222	253	302
Other revenues	724	727	743	760	778	796	814	833	852	871	892
Grants and contributions - Operating	6,437	6,501	6,648	6,797	6,950	7,107	7,266	7,430	7,597	7,768	7,943
Grants and contributions - Capital	631	1,624	800	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	17,567	18,736	18,690	19,499	20,331	21,170	21,711	22,291	22,873	23,445	24,047
Expenses from continuing operations											
Employee benefits and oncosts	9,119	9,547	9,809	10,079	10,356	10,641	10,933	11,234	11,543	11,860	12,187
Borrowing costs	163	149	92	83	73	64	54	47	40	33	27
Materials and contracts	4,467	3,915	4,012	4,113	4,216	4,321	4,429	4,540	4,653	4,770	4,889
Depreciation and amortisation	3,497	3,555	3,655	3,747	3,842	3,967	4,066	4,168	4,272	4,379	4,488
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,129	1,138	1,164	1,191	1,218	1,246	1,275	1,304	1,334	1,365	1,396
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	18,375	18,303	18,733	19,213	19,705	20,238	20,757	21,292	21,842	22,406	22,986
Net Operating Result	(807)	433	(43)	286	626	932	954	999	1,032	1,038	1,061
Net operating result before grants and contributions provided for capital purposes	(1,438)	(1,191)	(843)	(532)	(211)	77	79	105	117	103	105

Statement of Financial Position - General Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	7,652	4,011	2,104	1,610	2,811	3,854	5,796	7,385	8,417	10,055	11,189
Receivables	630	630	682	727	770	811	831	852	874	895	918
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	8,535	4,894	3,038	2,592	3,842	4,929	6,896	8,512	9,570	11,235	12,396
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	207,146	217,723	225,765	233,578	240,217	247,500	254,178	261,473	269,579	277,297	285,752
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	207,146	217,723	225,765	233,578	240,217	247,500	254,178	261,473	269,579	277,297	285,752
Total Assets	215,681	222,617	228,803	236,170	244,059	252,429	261,074	269,985	279,148	288,531	298,147
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,893	3,996	4,102	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	2,997	3,076	3,158	3,242	3,327	3,416	3,506	3,599	3,694
Total current liabilities	6,507	6,507	6,931	7,109	7,305	7,443	7,613	7,793	7,989	8,199	8,412
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	8,886	8,824	8,766	8,699	8,686	8,700	8,736	8,783	8,833
NET ASSETS	205,841	213,000	219,917	227,346	235,293	243,730	252,389	261,286	270,413	279,748	289,314
Equity											
Accumulated surplus	56,072	56,505	56,462	56,748	57,374	58,306	59,259	60,258	61,290	62,328	63,389
Revaluation reserves	149,769	156,494	163,454	170,597	177,919	185,424	193,129	201,027	209,122	217,420	225,925
TOTAL EQUITY	205,841	212,999	219,916	227,345	235,292	243,729	252,388	261,285	270,412	279,748	289,314

Statement of Cash Flows - General Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	5,352	5,274	5,862	6,439	6,991	7,493	7,693	7,900	8,111	8,322	8,537
User charges and fees	4,167	4,415	4,071	4,576	4,684	4,796	4,926	5,040	5,156	5,275	5,396
Investment revenue and interest	256	195	120	63	48	84	116	174	222	253	302
Grants and contributions	7,068	8,125	7,448	7,615	7,787	7,962	8,141	8,324	8,511	8,703	8,899
Other	724	727	743	760	778	796	814	833	852	871	892
<i>Payments:</i>											
Employee benefits and on-costs	(9,119)	(9,547)	(10,112)	(9,999)	(10,274)	(10,557)	(10,848)	(11,146)	(11,453)	(11,768)	(12,091)
Materials and contracts	(4,467)	(3,915)	(3,830)	(4,019)	(4,120)	(4,223)	(4,328)	(4,436)	(4,547)	(4,660)	(4,776)
Borrowing costs	(163)	(149)	(92)	(83)	(73)	(64)	(54)	(47)	(40)	(33)	(27)
Other	(1,129)	(1,138)	(1,164)	(1,191)	(1,218)	(1,246)	(1,275)	(1,304)	(1,334)	(1,365)	(1,396)
Net cash provided (or used) in operating activities	2,690	3,988	3,046	4,162	4,602	5,041	5,186	5,338	5,479	5,598	5,734
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,256)	(7,406)	(4,738)	(4,417)	(3,160)	(3,745)	(3,039)	(3,565)	(4,282)	(3,799)	(4,438)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,098)	(3,606)	(3,046)	(4,417)	(3,160)	(3,745)	(3,039)	(3,565)	(4,282)	(3,799)	(4,438)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,378	160	(215)	(495)	1,202	1,042	1,942	1,590	1,031	1,639	1,133
Cash at the beginning of the year	782	2,160	2,319	2,104	1,610	2,811	3,854	5,796	7,385	8,417	10,055
Cash at the end of the year	2,160	2,319	2,104	1,610	2,811	3,854	5,796	7,385	8,417	10,055	11,189

Scenario 3 Financial Statements

Income Statement - Water Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	424	438	548	684	856	1,069	1,123	1,179	1,206	1,234	1,262
User charges and fees	540	528	540	553	565	578	592	605	619	633	648
Interest and investment revenue	49	64	56	54	49	49	54	62	71	80	90
Other revenues	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	37	21	21	22	22	23	23	24	25	25	26
Grants and contributions - Capital	-	-	-	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,050	1,051	1,166	1,313	1,493	1,720	1,792	1,870	1,920	1,972	2,026
Expenses from continuing operations											
Employee benefits and oncosts	248	284	356	366	376	386	397	407	419	430	442
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	193	363	172	176	181	185	190	195	200	205	210
Depreciation and amortisation	452	484	496	509	521	534	548	561	575	590	604
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	313	342	350	358	366	375	383	392	401	410	420
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	1,206	1,473	1,374	1,408	1,444	1,480	1,517	1,555	1,595	1,635	1,676
Net Operating Result	(156)	(422)	(208)	(96)	49	240	275	314	326	338	350
Net operating result before grants and contributions provided for capital purposes	(156)	(422)	(208)	(96)	49	240	275	314	326	338	350

Statement of Financial Position - Water Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,326	1,883	1,796	1,648	1,637	1,808	2,060	2,353	2,668	2,998	3,243
Receivables	262	262	295	336	385	447	465	484	495	506	518
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,588	2,145	2,091	1,983	2,023	2,255	2,525	2,837	3,163	3,505	3,761
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	2	3	3	4	4	4	4	4	4
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	17,728	18,541	19,371	20,219	21,086	21,972	22,877	23,802	24,747	25,713	26,801
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	17,728	18,541	19,374	20,222	21,089	21,975	22,880	23,805	24,751	25,717	26,805
Total Assets	20,316	20,686	21,465	22,206	23,112	24,230	25,405	26,643	27,915	29,222	30,566
Current liabilities											
Payables	-	-	0	0	0	0	0	0	0	0	0
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	176	180	185	189	194	199	204	209	214
Total current liabilities	-	-	176	180	185	190	194	199	204	209	215
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	176	180	185	190	194	199	204	209	215
NET ASSETS	20,316	20,686	21,289	22,025	22,927	24,040	25,211	26,443	27,710	29,013	30,351
Equity											
Accumulated surplus	8,694	8,272	8,064	7,968	8,017	8,257	8,532	8,846	9,172	9,509	9,859
Revaluation reserves	11,622	12,414	13,225	14,057	14,910	15,784	16,679	17,597	18,539	19,503	20,492
TOTAL EQUITY	20,316	20,686	21,289	22,025	22,927	24,040	25,211	26,443	27,710	29,013	30,351

Statement of Cash Flows - Water Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	424	438	548	684	856	1,069	1,123	1,179	1,206	1,234	1,262
User charges and fees	540	528	507	512	515	517	573	586	608	622	636
Investment revenue and interest	49	64	56	54	49	49	54	62	71	80	90
Grants and contributions	37	21	21	22	22	23	23	24	25	25	26
Other	-	-	(2)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
<i>Payments:</i>											
Employee benefits and on-costs	(248)	(284)	(180)	(361)	(371)	(381)	(392)	(403)	(414)	(425)	(437)
Materials and contracts	(193)	(363)	(172)	(176)	(181)	(185)	(190)	(195)	(200)	(205)	(210)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(313)	(342)	(350)	(358)	(366)	(375)	(383)	(392)	(401)	(410)	(420)
Net cash provided (or used) in operating activities	296	62	428	377	524	717	809	862	895	921	948
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(140)	(505)	(515)	(525)	(535)	(546)	(557)	(568)	(580)	(591)	(703)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(140)	(505)	(515)	(525)	(535)	(546)	(557)	(568)	(580)	(591)	(703)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	156	(443)	(87)	(148)	(11)	171	252	294	315	330	245
Cash at the beginning of the year	2,170	2,326	1,883	1,796	1,648	1,637	1,808	2,060	2,353	2,668	2,998
Cash at the end of the year	2,326	1,883	1,796	1,648	1,637	1,808	2,060	2,353	2,668	2,998	3,243

Scenario 3 Financial Statements

Income Statement - Sewer Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	723	717	753	828	911	957	979	1,001	1,024	1,048	1,072
User charges and fees	15	16	16	17	17	18	18	18	19	19	20
Interest and investment revenue	43	53	31	11	10	11	12	14	16	18	20
Other revenues	-	-	-	-	-	-	-	-	-	-	-
Grants and contributions - Operating	14	17	17	18	18	19	19	19	20	20	21
Grants and contributions - Capital	220	1,849	1,138	-	-	-	-	-	-	-	-
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	1,015	2,652	1,955	874	957	1,003	1,028	1,053	1,079	1,105	1,132
Expenses from continuing operations											
Employee benefits and oncosts	144	182	221	227	233	240	246	253	260	267	275
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Materials and contracts	125	137	120	123	127	130	133	136	140	143	147
Depreciation and amortisation	234	234	264	270	277	284	291	298	306	313	321
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	204	229	234	240	245	251	257	262	269	275	281
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	707	782	839	860	882	904	927	950	974	998	1,023
Net Operating Result	308	1,870	1,116	14	75	99	101	103	105	107	109
Net operating result before grants and contributions provided for capital purposes	88	21	(22)	14	75	99	101	103	105	107	109

Statement of Financial Position - Sewer Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	2,027	1,019	383	343	362	414	473	534	597	663	732
Receivables	44	44	105	116	127	133	137	140	143	146	149
Inventories	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total current assets	2,071	1,063	489	459	489	547	609	674	740	809	881
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	38	42	46	48	49	50	51	53	54
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	9,107	12,342	14,549	15,086	15,636	16,197	16,770	17,356	17,955	18,568	19,194
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	9,107	12,342	14,587	15,128	15,681	16,245	16,819	17,406	18,007	18,621	19,248
Total Assets	11,178	13,405	15,076	15,587	16,171	16,792	17,429	18,080	18,747	19,430	20,129
Current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Income received in advance	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	115	118	121	124	127	130	134	137	140
Total current liabilities	-	-	115	118	121	124	127	130	134	137	140
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	115	118	121	124	127	130	134	137	140
NET ASSETS	11,178	13,405	14,961	15,469	16,050	16,668	17,301	17,950	18,613	19,293	19,989
Equity											
Accumulated surplus	5,644	7,514	8,630	8,644	8,718	8,818	8,919	9,022	9,127	9,233	9,342
Revaluation reserves	5,534	5,892	6,332	6,826	7,332	7,851	8,384	8,929	9,488	10,061	10,648
TOTAL EQUITY	11,178	13,406	14,962	15,470	16,051	16,669	17,302	17,951	18,614	19,294	19,990

Statement of Cash Flows - Sewer Fund

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	723	717	650	818	900	950	976	998	1,021	1,044	1,068
User charges and fees	15	16	58	17	17	17	18	18	19	19	20
Investment revenue and interest	43	53	31	11	10	11	12	14	16	18	20
Grants and contributions	234	1,866	1,155	18	18	19	19	19	20	20	21
Other	-	-	(38)	(4)	(4)	(2)	(1)	(1)	(1)	(1)	(1)
<i>Payments:</i>											
Employee benefits and on-costs	(144)	(182)	(106)	(224)	(230)	(237)	(243)	(250)	(257)	(264)	(271)
Materials and contracts	(125)	(137)	(120)	(123)	(127)	(130)	(133)	(136)	(140)	(143)	(147)
Borrowing costs	-	-	-	-	-	-	-	-	-	-	-
Other	(204)	(229)	(234)	(240)	(245)	(251)	(257)	(262)	(269)	(275)	(281)
Net cash provided (or used) in operating activities	542	2,104	1,395	273	339	378	391	400	409	419	429
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	-	-	-	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(345)	(3,112)	(2,031)	(313)	(320)	(326)	(332)	(339)	(346)	(353)	(360)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(345)	(3,112)	(2,031)	(313)	(320)	(326)	(332)	(339)	(346)	(353)	(360)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Loan repayments	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in financing activities	-	-	-	-	-	-	-	-	-	-	-
Net increase / (decrease) in cash	197	(1,008)	(636)	(40)	19	52	59	61	63	66	69
Cash at the beginning of the year	1,830	2,027	1,019	383	343	362	414	473	534	597	663
Cash at the end of the year	2,027	1,019	383	343	362	414	473	534	597	663	732

Scenario 3 Financial Statements

Income Statement - Consolidated

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Income from continuing operations											
Rates and annual charges	6,266	6,429	7,162	7,952	8,757	9,518	9,795	10,080	10,342	10,603	10,871
User charges and fees	4,955	4,959	5,073	5,190	5,309	5,432	5,556	5,684	5,815	5,949	6,086
Interest and investment revenue	348	312	207	129	108	144	182	250	308	350	412
Other revenues	724	727	743	760	778	796	814	833	852	871	892
Grants and contributions - Operating	6,488	6,539	6,686	6,837	6,991	7,148	7,309	7,473	7,641	7,813	7,989
Grants and contributions - Capital	851	3,473	1,938	818	836	855	874	894	914	935	956
Net gain from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Share of interest in joint ventures	-	-	-	-	-	-	-	-	-	-	-
Total Income	19,632	22,439	21,811	21,686	22,780	23,893	24,531	25,214	25,872	26,522	27,205
Expenses from continuing operations											
Employee benefits and oncosts	9,511	10,013	10,386	10,671	10,965	11,266	11,576	11,895	12,222	12,558	12,903
Borrowing costs	163	149	92	83	73	64	54	47	40	33	27
Materials and contracts	4,785	4,415	4,305	4,413	4,523	4,636	4,752	4,871	4,992	5,117	5,245
Depreciation and amortisation	4,183	4,273	4,415	4,526	4,640	4,785	4,905	5,027	5,153	5,282	5,414
Impairment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	1,646	1,709	1,748	1,788	1,829	1,871	1,914	1,958	2,003	2,050	2,097
Net loss from the disposal of assets	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	20,288	20,558	20,946	21,481	22,030	22,622	23,202	23,798	24,410	25,039	25,685
Net Operating Result	(655)	1,881	865	204	749	1,271	1,329	1,417	1,462	1,483	1,519
Net operating result before grants and contributions provided for capital purposes	(1,506)	(1,592)	(1,073)	(614)	(87)	416	455	522	548	548	563

Statement of Financial Position - Consolidated

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Current assets											
Cash and investments	12,005	6,913	4,284	3,601	4,811	6,075	8,329	10,273	11,682	13,717	15,164
Receivables	936	936	1,083	1,178	1,283	1,391	1,433	1,476	1,512	1,548	1,585
Inventories	178	178	176	180	185	189	194	199	204	209	214
Other	75	75	75	75	75	75	75	75	75	75	75
Total current assets	13,194	8,102	5,618	5,034	6,354	7,731	10,030	12,023	13,473	15,549	17,038
Non-current assets											
Investments	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	40	44	49	52	53	54	55	57	58
Inventories	-	-	-	-	-	-	-	-	-	-	-
Infrastructure, property, plant and equipment	233,981	248,606	259,685	268,883	276,939	285,669	293,825	302,631	312,281	321,578	331,747
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Joint venture investments	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	233,981	248,606	259,726	268,928	276,988	285,720	293,878	302,685	312,337	321,635	331,805
Total Assets	247,175	256,708	265,343	273,962	283,342	293,451	303,908	314,708	325,810	337,184	348,843
Current liabilities											
Payables	3,515	3,515	3,695	3,793	3,894	3,997	4,103	4,211	4,323	4,437	4,555
Income received in advance	393	393	-	-	-	-	-	-	-	-	-
Borrowings	213	213	239	240	254	205	183	166	160	163	163
Provisions	2,386	2,386	3,288	3,374	3,463	3,555	3,649	3,745	3,844	3,945	4,049
Total current liabilities	6,507	6,507	7,222	7,408	7,611	7,757	7,934	8,122	8,326	8,545	8,767
Non-current liabilities											
Payables	-	-	-	-	-	-	-	-	-	-	-
Borrowings	2,419	2,196	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Provisions	914	914	-	-	-	-	-	-	-	-	-
Total non-current liabilities	3,333	3,110	1,955	1,715	1,461	1,256	1,073	907	747	584	421
Total Liabilities	9,840	9,617	9,177	9,123	9,072	9,013	9,007	9,029	9,073	9,129	9,188
NET ASSETS	237,335	247,091	256,166	264,840	274,269	284,438	294,901	305,679	316,736	328,054	339,655
Equity											
Accumulated surplus	70,410	72,291	73,155	73,360	74,109	75,380	76,710	78,126	79,588	81,071	82,590
Revaluation reserves	166,925	174,801	183,011	191,480	200,161	209,059	218,192	227,553	237,148	246,984	257,065
TOTAL EQUITY	237,335	247,091	256,167	264,840	274,270	284,439	294,901	305,679	316,737	328,055	339,655

Statement of Cash Flows - Consolidated

Scenario 3	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Cash flows from operating activities											
<i>Receipts:</i>											
Rates and annual charges	6,499	6,429	7,059	7,942	8,746	9,512	9,792	10,077	10,338	10,600	10,868
User charges and fees	4,722	4,959	4,637	5,105	5,216	5,330	5,518	5,644	5,782	5,916	6,052
Investment revenue and interest	348	312	207	129	108	144	182	250	308	350	412
Grants and contributions	7,339	10,012	8,624	7,655	7,827	8,003	8,183	8,367	8,556	8,748	8,945
Other	724	727	703	756	773	793	813	831	851	870	890
<i>Payments:</i>											
Employee benefits and on-costs	(9,511)	(10,013)	(10,398)	(10,585)	(10,876)	(11,175)	(11,483)	(11,798)	(12,123)	(12,456)	(12,799)
Materials and contracts	(4,785)	(4,415)	(4,123)	(4,319)	(4,427)	(4,538)	(4,651)	(4,767)	(4,886)	(5,008)	(5,133)
Borrowing costs	(163)	(149)	(92)	(83)	(73)	(64)	(54)	(47)	(40)	(33)	(27)
Other	(1,646)	(1,709)	(1,748)	(1,788)	(1,829)	(1,871)	(1,914)	(1,958)	(2,003)	(2,050)	(2,097)
Net cash provided (or used) in operating activities	3,528	6,154	4,870	4,811	5,465	6,135	6,386	6,599	6,783	6,937	7,111
Cash flows from investing activities											
<i>Receipts:</i>											
Sale of investments	4,158	3,800	1,692	-	-	-	-	-	-	-	-
Sale of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Sale of infrastructure, property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<i>Payments:</i>											
Purchase of investments	-	-	-	-	-	-	-	-	-	-	-
Purchase of real estate assets	-	-	-	-	-	-	-	-	-	-	-
Purchase of infrastructure, property, plant and equipment	(5,741)	(11,023)	(7,284)	(5,255)	(4,015)	(4,617)	(3,928)	(4,472)	(5,208)	(4,743)	(5,501)
Other	-	-	-	-	-	-	-	-	-	-	-
Net cash provided (or used) in investing activities	(1,583)	(7,223)	(5,592)	(5,255)	(4,015)	(4,617)	(3,928)	(4,472)	(5,208)	(4,743)	(5,501)
Cash flows from financing activities											
<i>Receipts:</i>											
New loans	-	-	26	1	14	-	-	-	-	3	-
<i>Payments:</i>											
Loan repayments	(214)	(223)	(241)	(240)	(254)	(254)	(205)	(183)	(166)	(163)	(163)
Net cash provided (or used) in financing activities	(214)	(223)	(215)	(239)	(240)	(254)	(205)	(183)	(166)	(160)	(163)
Net increase / (decrease) in cash	1,731	(1,291)	(937)	(683)	1,210	1,264	2,253	1,944	1,410	2,034	1,447
Cash at the beginning of the year	4,782	6,513	5,221	4,284	3,601	4,811	6,075	8,329	10,273	11,682	13,717
Cash at the end of the year	6,513	5,221	4,284	3,601	4,811	6,075	8,329	10,273	11,682	13,717	15,164

Special Rate Variation Application Engagement Strategy

Uralla Shire Council

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1 Context for this Plan

Uralla Shire Council (Council) has engaged with its community in recent years regarding Council's long-term financial sustainability and service and infrastructure priorities.

As part of the NSW Government's Fit for the Future (FtF) local government merger reforms, Council's engagement with the community revealed a strong preference for Council to standalone and continue to provide the same level of services and infrastructure as it does now whilst remaining financially sustainable over the long term. This engagement also highlighted to the community the prospect of future rate rises in order to ensure Council can remain financially sustainable. Council has since assessed it will meet financial sustainability benchmarks with a permanent Special Rate Variation (SRV) of approximately XX% (being XX% plus the XX% rate peg cumulative over four years).

Council has also engaged the community on the prospect of an SRV in the context of its Delivery Program and Operational Plan, which outlined the SRV as the preferred option to address long term financial sustainability needs. This is a strong foundation for Council's SRV application to the NSW Independent Pricing and Regulatory Tribunal (IPART), which requires councils to engage their communities on the prospect of an SRV in the context of the Integrated Planning and Reporting Framework.

Council has contracted Morrison Low to review its financial position and prepare options for the SRV. These include a 'do nothing' base case of no SRV, an SRV of XX% combined with increases in fees and charges and a service review program to identify efficiency savings, and a full SRV of XX% with no changes to fees and charges or service delivery. These options are in addition to efficiency savings worth \$XX per annum that Council has already achieved over the last couple of years in its XX services. Again, this is a strong foundation for Council's application to IPART, which requires councils to demonstrate to the community what they have been doing to achieve financial sustainability and canvass options so that the SRV is not presented as an 'all or nothing' options.

This engagement strategy outlines further engagement Council will undertake to support its SRV application to IPART.

2 Aims of this Strategy

The overarching aim of this engagement strategy is to communicate the need for, extent, and impact of the SRV and engage the community on its service and infrastructure priorities and expenditure preferences. This engagement will assist Council understand community preferences toward the SRV options prepared by Morrison Low.

The communications and engagement activities will:

- Educate the community on the fiscal constraints Council faces providing services and infrastructure
- Educate the community on the different ways Council can pursue financial sustainability by increasing revenue, containing expenditure or a mixture of both
- Inform the community of the engagement process to be undertaken for the SRV application
- Inform the community of the need for and potential options for an SRV prepared by Morrison Low for Council to remain financially sustainable over the long term
- Inform the community of the cumulative and total impact of a XX% permanent increase across all rating categories
- Inform the community of the average cumulative increase of the proposed SRV in percentage terms and average total increase in real dollar terms for each rating category
- Involve the community in the SRV application by identifying its service and infrastructure priorities and expenditure preferences and considering these in the context of the options prepared by Morrison Low
- Involve the community in the SRV application by identifying its willingness to pay for its preferred level of expenditure on services and infrastructure and considering this in the context of the options prepared by Morrison Low

2.1 Engagement Principles

This engagement strategy is designed with the following principles:

- Be open and inclusive – providing a range of opportunities for community involvement through various mediums including fact sheet mail outs, drop in sessions, a phone and online survey, a deliberative panel, and submissions on the SRV application documents
- Engage early and provide information that is clear – communication activities use a number of formats to clearly communicate the options available, need for, extent and impact of the proposed SRV
- Be considerate and provide feedback – communication activities are planned at various stages

to keep the community up to date on feedback received through the process and how this has shaped the SRV application

- Breadth and depth – use broad and deep engagement activities to consult a representative cross-section of the community and ensure the entire community is aware of the options, need for, extent and impact of the proposed SRV and help inform how any additional SRV revenue will be used

2.2 Key communications and engagement activities

Key elements of this Strategy include:

- Briefing Councillors on the strategy to build understanding and gain sign off of the communications and engagement activities and key messages, and update Councillors on findings of the engagement process as they become known.
- Broadcast communications to inform the community of the engagement process and build awareness of the options, need for, extent and impact of the SRV. This includes advertisements in the local newspaper, a page on Council's website, Mayoral radio spots, drop-in sessions at local community centres, and fact sheet mail outs to the entire community.
- A random dial phone survey and online survey to identify the community's service and infrastructure priorities and preferences for what any additional SRV funds should be spent on.
- A deliberative panel so a representative cross-section of the community can consider the Morrison Low options in greater detail and provide advice to Council on these options and the need for, extent and impact of the SRV and what any additional SRV revenue should be spent on.
- An online survey to test the findings of the deliberative panel.
- A submissions process so the community can comment on the SRV application documents before they are lodged with IPART.

2.2.1 Risks for the Strategy

The key risks for this strategy are:

- Ensuring Council has the relevant information to educate the community on the options, need for, extent and impact of the SRV, and the appropriate financial evidence inputs for the deliberative panel
- Completing the majority of the communications and engagement activities prior to Christmas so the SRV application can be lodged early 2019

3 Communications and engagement activities

The table below summarises the communication and engagement activities.

Communication activities			
Engagement activities			
Timing	Activity	Aim	Purpose
Mid October	Council briefing	Inform Council	Build understanding and sign off for the communications and engagement activities
Late October	Fact sheet mail out	Inform entire community	Educate community on Council's fiscal constraints in providing services and infrastructure
	Advertisement in local newspaper		Educate community on different ways financial sustainability can be achieved by increasing revenue, reducing expenditure or a mixture of both
	Update Council website		Inform community of the options, need for, extent and impact of SRV
	Mayoral radio spot		Inform community of engagement activities to be undertaken for the SRV
Late October	Phone survey	Involve representative cross-section of the community	Identify service and infrastructure priorities, satisfaction, and expenditure preferences
	Online survey on Council website	Involve entire community	Identify how any desired increases in service and infrastructure expenditure should be paid for
Throughout November	Drop in sessions	Inform and involve entire community	Provide open opportunity for the community to speak with Council staff and elected representatives about the SRV options
	Mayoral radio spot	Inform entire community	Promote and build interest in the drop-in sessions
Mid November	Deliberative panel	Engage representative cross-section of the community	Provide opportunity for a representative cross-section to further interrogate the options, need for, extent and impact of the SRV
Early December	Online survey on Council website	Inform and involve entire community	Inform community of phone survey and deliberative panel findings and how they have informed the SRV application
			Provide open opportunity for the community to comment on the panel's advice to Council
Early December	Mayoral radio spot	Inform entire community	

	Update Council website		Inform community of phone survey and deliberative panel findings and how they have informed the SRV application
	Fact sheet mail out		
	Advertisement in local newspaper		
Early December	Council briefing	Inform Council	Promote and build interest in participating in the online survey Inform community of opportunity to comment on SRV application documents
January 2019	Submissions process	Consult entire community	Update Council on engagement findings Provide open opportunity for the community to comment on the SRV application

3.1 Communication activities

The following communication activities are designed to satisfy IPART's criteria for community awareness and engagement on SRV applications.

The first series of communication activities in **late October** will use a fact sheet mail out, page on Council's website, advertisement in the local newspaper, and Mayoral radio spot to:

- remind the community of its preference for Council to stand alone and continue to provide the same level of services and infrastructure as it does now whilst maintaining financial sustainability
- educate the entire community on the fiscal constraints and size of the fiscal gap Council faces in providing services and infrastructure at current levels, for example, the large budget impost of maintaining, upgrading and renewing rural roads and matching funding contribution for the Commonwealths Roads to Recovery program
- educate the community on different ways financial sustainability can be achieved by either increasing revenue, reducing expenditure, or a mixture of both
- communicate the options, extent and impact of the SRV including the average cumulative impact in percentage terms and average total impact in real dollar terms across all rating categories
- inform the entire community of the engagement process to be undertaken for the SRV application

The second series of communication activities throughout **November** will use Mayoral radio spots and advertisements in local newspapers to:

- promote to the community their opportunity to participate in drop-in sessions at Council centres

The third and final series of communication activities in **December** will use a fact sheet mail out, page on Council's website, Mayoral radio spot, and an advertisement in the local newspaper to:

- inform the community of the phone survey and deliberative panel findings and how they have informed the SRV application
- promote the online survey on Council's website

- inform the entire community of the opportunity to comment on the SRV application documents in January 2019

3.1.1 Key messages

The following key messages will be communicated throughout October and November. Additional messages will be developed as the engagement process progresses and findings become known, which will form the basis of communication activities in December and January.

- a) Council faces a range of financial constraints when providing services and infrastructure. For example, rural roads are a large part of Council's budget. The Federal Government also contributes funding to help maintain and upgrade our roads. However, Council must keep money aside to match the Federal Government's contribution. If Council does not match this contribution then it will lose the Federal funding. This means the total amount of money Council can spend on other services and infrastructure is limited.
- b) Council's engagement with the community on the recent local government mergers revealed the community has a strong preference for Council to stand alone and continue to provide the same level of services and infrastructure it does now whilst remaining financially sustainable into the future.
- c) When Council engaged the community on the local government mergers, it advised the community a permanent rate rise would be needed to meet the community's aims for Council to standalone, continue to provide the same level of services and infrastructure, and remain financially sustainable.
- d) Council has a range of income sources. Approximately 17% of Council's income comes from property rates that the entire community pays. Council also receives some income from fees and charges that only some members of the community pay when accessing particular services, such as XX. It also receives a small portion of its income from interest on investments.
- e) Council incurs a range of expenses when providing services and infrastructure. These include the cost to physically provide these services and infrastructure, such as road construction costs, as well as operating costs to support delivery of these services and infrastructure, such as staff salaries and administration costs. The costs to physically provide the services and infrastructure make up the largest component of Council's expenditure at XX% of all costs.
- f) When councils look to at financial sustainability they consider how much income is generated and how much is spent delivering services and infrastructure. The size of the difference between how much income Council earns and how much it spends delivering services and infrastructure is XX annually. Council needs to either increase revenue, reduce expenditure, or a mixture of both by this much each year in order to maintain financial sustainability.
- g) Council has had a number of options prepared to improve its financial sustainability. The first is to 'do nothing', this means Council will continue to have a \$XX gap between its revenue and expenses each year and be financially unsustainable. The second is to increase rates by \$XX, increase XX fees and charges by \$XX, and change the level and/or quality of XX services and infrastructure. The third is to increase rates by \$XX with no changes in the level or quality of services and infrastructure. In the past, the community has told us it would like Council to achieve

financial sustainability and continue to provide the same level and quality of services and infrastructure as it does now. We would like to find out your views about these options.

- h) Council has undertaken a high level review of its services and infrastructure and identified a number of areas that may deliver savings from changes in service levels, quality or the way these are delivered. It is uncertain whether these savings can be achieved and a detailed review will be undertaken in future years to ascertain how the likely savings are.
- i) Council's financial modelling indicates a permanent rate rise of XX% (representing XX% plus the XX% rate cap) across all rating categories phased in over four successive years is needed to meet the aims expressed by the community during Council's engagement on local government mergers.
- j) Council is now engaging the community on the potential rate rise. We will be informing the entire community of the need for, extent and impact of the rate rise through a series of mail-outs, ads in the local newspaper, a page on Council's website, and Mayoral radio spots.
- k) The proposed rate increase means the average **residential / rural residential / farmland / mining / business** rate payer will have to pay:
 - Insert cumulative percentage increase (with and without annual rate cap increase)
 - Insert total real dollar increase (with and without annual rate cap increase)
- l) The SRV will generate an additional \$# per annum in revenue for Council. This is needed to <insert use of SRV funds>
- m) Council has contracted the Centre for Local Government at the University of Technology Sydney to survey our community about its service and infrastructure preferences, satisfaction and expenditure priorities. The survey is being conducted randomly by phone but you can also complete it online on Council's website.
- n) The survey findings will help Council decide whether to continue pursuing the SRV and how to allocate any additional funds to services and infrastructure most valued by our community. We will update the community on the survey findings when they become known.
- o) You can also drop-in to X, Y, Z on DATE/DATE/DATE to hear more about the need for, extent and impact of the SRV and ask Council staff questions about it.
- p) Early next year, we will publish the SRV application documents on our website so the community can comment on them before they are lodged with the NSW Government.

3.2 Engagement activities

3.2.1 October

The first series of engagement activities in October will brief Council to seek sign off on the communications and engagement activities, and identify the community's service and infrastructure priorities, levels of satisfaction, and expenditure preferences.

3.2.1.1 Councillor briefing

A briefing of Uralla Shire Councillors will take place on 18th October 2018. This will outline the communications and engagement activities, including key messages to be communicated and engagement methods to be used. A further briefing will be held in December to provide an update on the engagement findings and how they have informed the SRV application.

3.2.1.2 Phone and online survey

A random dial phone survey of 300 Uralla residents will identify community service and infrastructure priorities, levels of satisfaction and expenditure preferences. It will:

- Ask the community to rank the services and infrastructure Council provides from most to least important
- Ask the community about their satisfaction with current service and infrastructure levels
- Ask the community whether they would like to see Council's current expenditure on services and infrastructure stay the same, increase or decrease into the future
- Ask the community how any increase in service and infrastructure levels should be paid for, for example, by increasing fees and charges, increasing rates, reducing service delivery expenses in selected areas, or reducing operating costs and overheads
- If the community prefer expenditure to increase and for this to be paid for by increasing revenue from rates, fees and charges, ask community members if they personally would be willing to pay any increase

The findings of the survey will then be compared to the SRV options prepared by Morrison Low to analyse the extent to which they align with community preferences. A copy of the survey will be placed on Council's website so the entire community has an open opportunity to provide feedback on these questions, however it is noted IPART will assign greater weighting to the phone survey because of its more rigorous methodology. The survey will use questions developed for SRV applications for other councils across NSW and serve as the recruiting mechanism for a deliberative panel in mid-November.

3.2.2 November

The second series of engagement activities in November will provide the entire community with an opportunity to find out more about the SRV options and test the need for, extent and impact of the SRV, and consider how any additional SRV revenue should be spent.

3.2.2.1 Drop-in sessions

Three half-day drop-in sessions at Council centres in the major townships will be held on Saturday's in November. The sessions will provide an opportunity for community members to hear more about the Morrison Low options, the need for, extent and impact of the SRV, and ask questions of Council staff and elected representatives. It is expected Council's Mayor, General Manager, and Chief Financial Officer will be present and supported by operational staff that will gather the feedback received.

3.2.2.2 Deliberative panel

A one-day deliberative panel will be held on a Saturday in mid-November. It will provide a representative cross-section of the community with an opportunity to more deeply interrogate the Morrison Low options and test the need for, extent, and impact of the SRV and proposed use of any additional SRV revenue.

Panel members will be selected from the phone survey to match the survey results. For example, if half the survey respondents indicate they are not willing to pay additional rates to increase service and infrastructure levels, then half the panel members will also hold these views. Panel members will be offered a financial incentive in acknowledgment of the time they spend participating. It is expected Council's senior executives and elected representatives will be on hand to hear the advice of the panel at the end of the day.

The panel will be educated about the SRV application process and how local services and infrastructure are funded and delivered, including the fiscal constraints for Council in delivering these. The panel will be given information from Council's FFtF process, including the community's preference for Council to stand-alone and continue providing the same level of services and infrastructure as it does now whilst remaining financially sustainable. The panel will also be given information about how savings can be achieved through Council's efficiency program, other savings made by Council over recent years, budgetary information on Council's revenue and expenditure levels and sources, and findings of the phone survey. Council will work with the Centre for Local Government to develop this content.

In small groups, the panel will be asked to identify what they value most about Council services and infrastructure, and whether there is a need to increase, decrease or maintain current service and infrastructure levels. The panel will be given information on the Morrison Low options to test the need for, extent and impact of the proposed SRV. This will include a rates notice tailored for each panel member to reflect the increased rating amount for their property under the two Morrison Low scenarios involving rating increases. It will also include information on the fees and charges to be increased under the second option, including the type and amount of fees and charges to be increased, as well as the likelihood of achieving efficiency savings through changes in the level, quality or delivery of services. The panel will also be given an opportunity to ask Council's senior executives questions about the Morrison Low options, the need for, extent and impact of SRV and how any additional revenue will be used.

At the end of the day, the panel will be asked to recommend whether Council should continue the SRV application and which of the Morrison Low options Council should pursue. The panel will also be asked for any additional recommendations for Council such as altering the timing of the rate increase, the rating categories it is applied to, or how any additional revenue should be spent.

3.2.3 December

The second series of engagement activities in December will brief Council on the engagement findings and provide the entire community with an opportunity to comment on the deliberative panel's recommendation.

3.2.3.1 Council briefing

Council will be briefed on findings of the phone survey and deliberative panel. Due to time

constraints, it will not be possible at this time to brief Council on the findings of the online survey testing the panel's recommendation. A further briefing will be held with Council to provide findings of the survey testing the panel's recommendations. Council will also be updated on future engagement activities including public comments on the SRV application documents via Council's website.

3.2.3.2 Online survey

An online survey will be developed to reflect the recommendation provided by the panel and placed on Council's website. The survey will outline the process the panel went through, the panel's recommendation to Council, and the reasons for this. Survey respondents will then be asked their level of agreement with the recommendation, and indicate their willingness to pay and expenditure preferences in view of this recommendation. Findings of this survey will be compared to the earlier phone survey to see if there is a shift in community attitudes following education about the Morrison Low options, need for, extent and impact of the proposed SRV and in response to the panel's recommendation.

3.2.4 January

The third and final engagement activities in January will provide the entire community with an opportunity to comment on the SRV application documents before they are lodged with IPART.

3.2.4.1 Council website

A copy of the Morrison Low report, SRV application documents and a report documenting the engagement findings will be placed on Council's website with a comment box where respondents can provide Council with additional feedback. The website will also be updated to inform the community about when they will know if the proposed SRV is approved by IPART, the SRV amount approved by IPART, and when the SRV will take effect.

4 Action Plan

The following action plan has been developed to deliver the communication and engagement activities.

TIMING	ITEM	AUDIENCE	ACTIVITY / MESSAGE	CHANNEL	RESPONSIBLE	✓
Prepare						
Mid-October	Councillor briefing	Uralla Shire Council	<ul style="list-style-type: none"> • Sign off SRV engagement process and key messages 	Council briefing	Council	
Mid-October	Determine SRV options	All residents and businesses	<ul style="list-style-type: none"> • Impact of SRV options across all rating categories, including cumulative impact in percentage terms and total impact in real dollar terms with and without rate peg increase • Implications of SRV options for service and infrastructure levels and quality 	Fact sheet mail-out and local newspaper advertisement	Council	
Mid-October	Draft content using key messages		<ul style="list-style-type: none"> • Engagement on SRV in context of IPRF, findings of FFtF engagement, constraints on Council's financial sustainability, different income sources and expenses for council • Morrison Low options for no SRV, X% SRV with increases of \$X to XX fees and charges and changes to service and infrastructure levels, quality and delivery, and X% SRV with no changes to service and infrastructure levels, quality, and delivery • Need for, extent and impact of SRV across all rating categories • Diagram of SRV engagement process 	Fact sheet mail-out Local newspaper advertisement	Council Council	
Mid-October	Arrange bookings		<ul style="list-style-type: none"> • Book mail out and newspaper advertisement for late October • Book community centres for drop-in sessions on Saturdays throughout November • Book radio spots for late October, and early and late November 	Fact sheet mail-out, drop-in sessions, and local newspaper advertisement	Council	

TIMING	ITEM	AUDIENCE	ACTIVITY / MESSAGE	CHANNEL	RESPONSIBLE	✓
Mid-October	Draft Survey		<ul style="list-style-type: none"> • Service and infrastructure priorities, satisfaction with service and infrastructure levels, expenditure (up, down, stay the same) and revenue (rates, fees and charges, reducing overheads etc.) preferences, willingness to pay 	Phone and online survey	UTS	
Engage						
Late October	Fact sheet mail out	All residents and businesses	<ul style="list-style-type: none"> • Distribution commences 	Fact sheet mail out	Council	
	Newspaper advertisement		<ul style="list-style-type: none"> • Distribution commences 	Local newspaper	Council	
	Mayoral radio spot		<ul style="list-style-type: none"> • Radio spot commences 	Local radio	Council	
	Online survey		<ul style="list-style-type: none"> • Upload online survey of service and infrastructure priorities and satisfaction, expenditure and revenue preferences, willingness to pay 	Council website	Council	
	Phone survey		<ul style="list-style-type: none"> • Fieldwork commences 	Phone	UTS	
	Deliberative panel	Representative cross-section of community	<ul style="list-style-type: none"> • Commence recruiting and prepare content 	Deliberative panel	UTS	
Throughout November	Drop-in sessions	All residents and businesses	<ul style="list-style-type: none"> • Saturday drop in sessions at three community centres 	Drop-in sessions	Council, senior executives	
Mid-November	Deliberative panel	Representative cross-section of community	<ul style="list-style-type: none"> • Facilitate and support deliberative panel 	Deliberative panel	UTS, Council	
Mid-November	Draft content using updated key messages	All residents and businesses	<ul style="list-style-type: none"> • Communicate findings of engagement to date, promote online survey, and submissions on SRV application documents • Book mail out and newspaper spots for early December • Book Mayoral radio spot for early December 	Fact sheet mail out, local newspaper advertisement, and radio spots	Council	
Mid-November	Online survey	All residents and businesses	<ul style="list-style-type: none"> • Draft survey testing deliberative panel advice 	Council website	UTS	
Late November			<ul style="list-style-type: none"> • Upload survey testing deliberative panel advice 		Council	

TIMING	ITEM	AUDIENCE	ACTIVITY / MESSAGE	CHANNEL	RESPONSIBLE	✓
Late November	Mayoral radio spot	All residents and businesses	<ul style="list-style-type: none"> Using updated key messages, communicate engagement findings to date, promote online survey, and submissions on SRV application documents 	Local radio	Council	
Early December	Council briefing	Uralla Shire Council	<ul style="list-style-type: none"> Advise Councillors of phone survey, drop-in session, and deliberative panel findings Update Councillors on ongoing engagement through online survey and public comments on SRV application documents 	Council briefing	Council, UTS	
Early December	Mayoral radio spot	All residents and businesses	<ul style="list-style-type: none"> Communicate findings of engagement to date, promote online survey and submissions on SRV application documents 	Local radio	Council	
Early December	Fact sheet mail out	All residents and businesses	<ul style="list-style-type: none"> Distribution commences 	Mail out	Council	
	Newspaper advertisement			Local newspaper		
Mid December	Findings report	All residents and businesses, Council	<ul style="list-style-type: none"> Summary of engagement outcomes, including any changes to SRV application 	Report	UTS	
Close the loop						
Early January	Morrison Low report, SRV application documents, engagement findings report	All residents and businesses	<ul style="list-style-type: none"> Upload to Council website with comment box, and advise community when IPART outcome will be known 	Council website	Council	
After IPART determination	Fact sheet mail out and newspaper advertisement	All residents and businesses	<ul style="list-style-type: none"> Email report identifying how submissions informed final FFMP to stakeholders 	Email	Margie / Alex / Angie / Deb	



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EXTRAORDINARY MEETING OF COUNCIL

18 October 2018



REPORT TO COUNCIL

Department:	Finance
Submitted by:	Chief Financial Officer
Reference/Subject:	Report 2 – Annual Financial Statements 2017/18

LINKAGE TO INTEGRATED PLANNING AND REPORTING FRAMEWORK

Goal:	4.2 An effective and efficient organisation
Strategy:	4.2.7 Ensure compliance with regulatory and statutory requirements and that operations are supported by effective corporate governance
Activity:	4.2.7.1 Improve the corporate governance framework
Action:	4.2.7.1.8 Complete and lodge annual Financial Statements in accordance with statutory requirements

SUMMARY:

The purpose of this report is to present the Audited Financial Statements of Council for the financial year ended 30 June 2018 and to resolve to sign the two Statements by Councillors and Management.

OFFICER'S RECOMMENDATION:

That Council approves the Financial Statements for the year ended 30 June 2018. That the Mayor, Deputy Mayor, the General Manager and the Responsible Accounting Officer sign the following Statements as required under section 413 (2) (c):

General Purpose Financial Statements

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 financial 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.

Special Purpose Financial Statements

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,

- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

BACKGROUND:

Council is required to prepare financial reports for each year, and refer them for audit as soon as practicable after the end of that year. The Council's financial reports must include a general purpose financial report, any other matter prescribed by the regulations, and a statement in the approved form by the council as to its opinion on the general purpose financial report.

Council has four months from the end of financial year to prepare and have financial reports audited in accordance with S416 (1) of the Local Government Act.

REPORT:

Section 413(1) of the Local Government Act, 1993, requires Council to prepare financial reports for each year, and must refer them for audit as soon as practicable after the end of the year.

Once the abovementioned Statements have been signed, the Auditor's Reports required under Section 417 of the Local Government Act 1993 will be included in the attached Financial Reports.

The Audited Financial Statements, including Special Schedules, will then be sent to the Office of Local Government and the Australian Bureau of Statistics.

The Audited Financial Statements differ materially to the first draft of the Financial Statements due to the inclusion of the following adjustments:

✓ Funding for Munsie Bridge received in September 2018 of	\$600,000
✓ Funding for recycling (Exchange for Change) received in late August 2018 of	\$ 44,071
✓ Adjusting the creditor for Tablelands Community Transport funds repayable by	\$ 55,197
Total adjustments	\$699,268

The Financial Statements were presented to the Audit Risk and Improvement Committee for the first time this year. The Committee has recommended to Council that the Financial Statements be approved and signed.

The Engagement Closing Report from the Audit Office has also been included as an attachment to this report together with the draft Report on the Conduct of the Audit.

COUNCIL IMPLICATIONS:

- 1. Community Engagement/ Communication**
- 2. Policy and Regulation**
 - Local Government Act 1993;
 - Local Government Regulations (General) 2005;
 - Local Government Code of Accounting Practice and Financial Reporting; and

➤ Australian Accounting Standards.

3. Financial (LTFP)

Statements cover financial position and performance for the prior financial year.

4. Asset Management (AMS)

N/A

5. Workforce (WMS)

N/A

6. Legal and Risk Management

Nil

7. Performance Measures

N/A

8. Project Management

N/A

Prepared by staff member:	Simon Paul
Approved/Reviewed by Manager:	Andrew Hopkins
Department:	Finance
Attachments	A. Audited 2017/18 Financial Statements

Uralla Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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– On the Financial Statements (Sect 417 [2])	
– On the Conduct of the Audit (Sect 417 [3])	

Overview

Uralla Shire Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

32 Salisbury Street
Uralla NSW 2358

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: <http://www.uralla.nsw.gov.au/>.

Uralla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Uralla Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

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 financial 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 18 October 2018.

Cr M Pearce
Mayor
18 October 2018

Cr R Crouch
Councillor
18 October 2018

Mr Andrew Hopkins
General Manager
18 October 2018

Mr Simon Paul
Responsible Accounting Officer
18 October 2018

Uralla Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
6,265	Rates and annual charges	3a	6,159	5,938
4,641	User charges and fees	3b	4,856	4,890
249	Interest and investment revenue	3c	398	331
761	Other revenues	3d	630	756
7,485	Grants and contributions provided for operating purposes	3e,f	7,761	8,808
593	Grants and contributions provided for capital purposes	3e,f	1,552	16
19,994	Total income from continuing operations		21,356	20,739
Expenses from continuing operations				
9,470	Employee benefits and on-costs	4a	9,424	8,975
163	Borrowing costs	4b	167	190
4,035	Materials and contracts	4c	3,892	3,699
3,932	Depreciation and amortisation	4d	4,270	3,958
–	Impairment of investments	4d	–	(6)
1,632	Other expenses	4e	1,623	1,508
–	Net losses from the disposal of assets	5	84	518
19,232	Total expenses from continuing operations		19,460	18,842
762	Operating result from continuing operations		1,896	1,897
762	Net operating result for the year		1,896	1,897
762	Net operating result attributable to Council		1,896	1,897
169	Net operating result for the year before grants and contributions provided for capital purposes		344	1,881

Uralla Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		1,896	1,897
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	(2,819)	2,306
Total items which will not be reclassified subsequently to the operating result		(2,819)	2,306
Total other comprehensive income for the year		(2,819)	2,306
Total comprehensive income for the year		(923)	4,203
Total comprehensive income attributable to Council		(923)	4,203

Uralla Shire Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	1,443	4,782
Investments	6b	13,550	9,650
Receivables	7	2,065	936
Inventories	8	213	178
Other	8	54	75
Total current assets		17,325	15,621
Non-current assets			
Infrastructure, property, plant and equipment	9	231,289	232,423
Total non-current assets		231,289	232,423
TOTAL ASSETS		248,614	248,044
LIABILITIES			
Current liabilities			
Payables	10	3,836	3,515
Income received in advance	10	475	393
Borrowings	10	221	213
Provisions	11	2,351	2,386
Total current liabilities		6,883	6,507
Non-current liabilities			
Borrowings	10	2,423	2,633
Provisions	11	2,241	914
Total non-current liabilities		4,664	3,547
TOTAL LIABILITIES		11,547	10,054
Net assets		237,067	237,990
EQUITY			
Accumulated surplus	12	72,961	71,065
Revaluation reserves	12	164,106	166,925
Total equity		237,067	237,990

Uralla Shire Council

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	2018			2017		
\$ '000		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		71,065	166,925	237,990	69,168	164,619	233,787
Net operating result for the year prior to correction of errors and changes in accounting policies		1,896	–	1,896	1,897	–	1,897
Net operating result for the year		1,896	–	1,896	1,897	–	1,897
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	(2,819)	(2,819)	–	2,306	2,306
Other comprehensive income		–	(2,819)	(2,819)	–	2,306	2,306
Total comprehensive income (c&d)		1,896	(2,819)	(923)	1,897	2,306	4,203
Equity – balance at end of the reporting period		72,961	164,106	237,067	71,065	166,925	237,990

Net operating result for the year prior to correction of errors and changes in accounting policies

Net operating result for the year

Other comprehensive income

– Gain (loss) on revaluation of IPP&E

Other comprehensive income

Total comprehensive income (c&d)

Equity – balance at end of the reporting period

Uralla Shire Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
<u>Receipts:</u>				
6,265	Rates and annual charges		6,087	5,897
7,015	User charges and fees		4,995	5,274
249	Investment and interest revenue received		366	277
5,704	Grants and contributions		8,807	8,815
761	Other		1,369	1,544
<u>Payments:</u>				
(9,469)	Employee benefits and on-costs		(9,467)	(8,919)
(3,990)	Materials and contracts		(4,347)	(4,261)
(163)	Borrowing costs		(147)	(156)
(1,678)	Other		(1,966)	(1,559)
4,694	Net cash provided (or used in) operating activities	13b	5,697	6,912
Cash flows from investing activities				
<u>Receipts:</u>				
800	Sale of investment securities		17,850	15,800
186	Sale of infrastructure, property, plant and equipment		351	185
<u>Payments:</u>				
–	Purchase of investment securities		(21,750)	(18,294)
(5,986)	Purchase of infrastructure, property, plant and equipment		(4,943)	(3,261)
(5,000)	Net cash provided (or used in) investing activities		(8,492)	(5,570)
Cash flows from financing activities				
<u>Receipts:</u>				
1,000	Proceeds from borrowings and advances		–	–
–	Proceeds from retirement home contributions		1,058	1,777
<u>Payments:</u>				
(214)	Repayment of borrowings and advances		(202)	(201)
–	Repayment of retirement home contributions		(1,400)	(1,336)
(1,000)	Other financing activity payments		–	–
(214)	Net cash flow provided (used in) financing activities		(544)	240
(520)	Net increase/(decrease) in cash and cash equivalents		(3,339)	1,582
5,975	Plus: cash and cash equivalents – beginning of year	13a	4,782	3,200
5,455	Cash and cash equivalents – end of the year	13a	1,443	4,782
Additional Information:				
plus:	Investments on hand – end of year	6b	13,550	9,650
	Total cash, cash equivalents and investments		14,993	14,432

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Uralla Shire Council

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 18 October 2018.

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is 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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 17 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(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:

Uralla Shire Council

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

Note 1. Basis of preparation (continued)

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (ii) estimated tip remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in 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 other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service
- McMaugh Garden Aged Care Centre

(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 other assets 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 other assets subject to Council's control have been included in these reports.

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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

Uralla Shire Council

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

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

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

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Our Society	6,998	6,841	7,453	7,524	(455)	(683)	299	40	13,062	13,557
Our Economy	4,698	3,513	6,322	6,128	(1,624)	(2,615)	2,912	2,022	194,705	193,075
Our Environment	3,943	3,501	3,915	3,588	28	(87)	200	82	33,362	35,080
Our Leadership	5,717	6,884	1,770	1,602	3,947	5,282	1,708	2,676	7,485	6,332
Total functions and activities	21,356	20,739	19,460	18,842	1,896	1,897	5,119	4,820	248,614	248,044

Uralla Shire Council

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

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:

Our Society

Includes public libraries; sporting grounds and venues; swimming pools; parks; gardens; other sporting, recreational and cultural services; public cemeteries; public conveniences; other community amenities, aged person facilities, services for disabled persons, migrants and Indigenous persons; youth services. Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Our Economy

Includes community centres and halls, including public halls and performing arts venues; building control; quarries and pits; urban local, urban regional, sealed and unsealed roads, bridges, footpaths and parking areas; street cleaning; tourism and area promotion; industrial development promotion; real estate development; street lighting and town planning;

Our Environment

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

Our Leadership

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance. Also includes all administrative costs such as finance, human resources, information technology, governance and customer support. Also includes camping areas and caravan parks.

Uralla Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,482	1,474
Farmland	2,013	1,970
Business	101	107
Total ordinary rates	3,596	3,551
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	529	505
Stormwater management services	29	29
Water supply services	388	390
Sewerage services	710	584
Waste management services (non-domestic)	40	41
Environmental	867	838
Total annual charges	2,563	2,387
TOTAL RATES AND ANNUAL CHARGES	6,159	5,938

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

Accounting policy for rates and annual charges

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

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

(b) User charges and fees

Specific user charges (per s.502 – specific 'actual use' charges)

Water supply services	604	534
Sewerage services	5	6
Waste management services (non-domestic)	154	170
Total specific user charges	763	710

Other user charges and fees

(i) Fees and charges – statutory and regulatory functions (per s.608)

Inspection services	37	22
Private works – section 67	75	176
Registration fees	10	8
Section 149 certificates (EPA Act)	21	22
Section 603 certificates	12	11
Town planning	85	81
Total fees and charges – statutory/regulatory	240	320

Uralla Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aged care	951	726
Bundarra neighbour aid	–	4
Caravan park	6	14
Cemeteries	25	21
Community centres	2	16
Kamillaroi aged and disability services – contract service fees	110	387
Lease rentals	–	5
Scrap metal sales	60	31
Sundry sales	83	72
Swimming centres	21	20
Tablelands community support options – client contributions	254	597
Tablelands community support options – contract service fees	2,267	1,877
Tablelands community transport	10	20
Waste disposal tipping fees	56	62
Water and sewer connection fees	8	8
Total fees and charges – other	3,853	3,860
TOTAL USER CHARGES AND FEES	4,856	4,890

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)

Interest

– Overdue rates and annual charges (incl. special purpose rates)	50	27
– Cash and investments	348	304
TOTAL INTEREST AND INVESTMENT REVENUE	398	331

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	37	16
General Council cash and investments	227	188

Restricted investments/funds – external:

Development contributions		
– Section 7.11	14	14
Water fund operations	66	64
Sewerage fund operations	54	49
Total interest and investment revenue recognised	398	331

Accounting policy for interest and investment revenue

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		140	143
Fines		6	3
Legal fees recovery – rates and charges (extra charges)		10	2
Commissions and agency fees		9	6
Diesel rebate		85	87
Donations received		4	25
Insurance claim recoveries		93	73
Other reimbursements		80	88
Other sundry income		80	36
Prior year creditor reversal		–	82
Prior year purchases adjustment		–	70
Recycling income (non-domestic)		57	82
Sales – general		46	34
Staff FBT contributions		20	25
<u>TOTAL OTHER REVENUE</u>		<u>630</u>	<u>756</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.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Uralla Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,558	2,602	–	–
Financial assistance – local roads component	910	906	–	–
Other				
Pensioners' rates subsidies – general component	62	73	–	–
Total general purpose	2,530	3,581	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	19	16	–	–
– Sewerage	17	12	–	–
– Domestic waste management	22	13	–	–
Sewerage services	–	–	98	–
Community centres	1	–	–	–
Employment and training programs	13	3	–	–
Heritage and cultural	–	9	–	–
Library	40	41	–	–
Recreation and culture	–	–	258	–
Street lighting	14	14	–	–
Transport (roads to recovery)	864	1,115	–	–
Transport (other roads and bridges funding)	–	–	1,168	16
Innovation Fund	75	–	–	–
Total specific purpose	1,065	1,223	1,524	16
Total grants	3,595	4,804	1,524	16
Grant revenue is attributable to:				
– Commonwealth funding	3,345	4,624	600	–
– State funding	250	180	324	16
	3,595	4,804	1,524	16
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	90	7	–	–
Total developer contributions – cash	90	7	–	–
Total developer contributions	90	7	–	–

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Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
McMaugh gardens aged care – subsidies	2,203	2,284	–	–
RMS contributions (regional roads, block grant)	1,287	1,126	28	–
Tablelands community transport – subsidies	586	587	–	–
Total other contributions – cash	4,076	3,997	28	–
Total other contributions	4,076	3,997	28	–
Total contributions	4,166	4,004	28	–
TOTAL GRANTS AND CONTRIBUTIONS	7,761	8,808	1,552	16

Accounting policy for 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 below.

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.

(g) Unspent grants and contributions

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

	2018	2017
Operating grants		
Unexpended at the close of the previous reporting period	1,586	909
Add: operating grants recognised in the current period but not yet spent	863	702
Less: operating grants recognised in a previous reporting period now spent	(935)	(25)
Unexpended and held as restricted assets (operating grants)	1,514	1,586
Capital grants		
Unexpended at the close of the previous reporting period	292	166
Add: capital grants recognised in the current period but not yet spent	–	128
Less: capital grants recognised in a previous reporting period now spent	(162)	(2)
Unexpended and held as restricted assets (capital grants)	130	292
Contributions		
Unexpended at the close of the previous reporting period	512	491
Add: contributions recognised in the current period but not yet spent	104	21
Unexpended and held as restricted assets (contributions)	616	512

Uralla Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	7,540	7,224
Travel expenses	26	95
Employee leave entitlements (ELE)	1,371	1,171
Superannuation – defined contribution plans	852	797
Superannuation – defined benefit plans	84	77
Workers' compensation insurance	324	276
Fringe benefit tax (FBT)	2	48
Training costs (other than salaries and wages)	77	38
Other	11	44
Total employee costs	10,287	9,770
Less: capitalised costs	(863)	(795)
TOTAL EMPLOYEE COSTS EXPENSED	9,424	8,975
Number of 'full-time equivalent' employees (FTE) at year end	136	120
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	140	126

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, when 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 15 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	142	165
Total interest bearing liability costs expensed	142	165

(ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	25	25
Total other borrowing costs	25	25
TOTAL BORROWING COSTS EXPENSED	167	190

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	5,261	5,486
Contractor and consultancy costs	2,891	1,903
Auditors remuneration ⁽²⁾	55	47
Legal expenses:		
– Legal expenses: debt recovery	10	9
– Legal expenses: other	19	34
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	53	53
Total materials and contracts	8,289	7,532
Less: capitalised costs	(4,397)	(3,833)
TOTAL MATERIALS AND CONTRACTS	3,892	3,699
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:		
Other	53	53
	53	53
2. Auditor remuneration		
During the year the following fees were paid or payable 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	53	38
Remuneration for audit and other assurance services	53	38
Total Auditor-General remuneration	53	38
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit and review of financial statements	–	9
Other audit and assurance services	2	–
Remuneration for audit and other assurance services	2	9
Total remuneration of non NSW Auditor-General audit firms	2	9
Total Auditor remuneration	55	47

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		556	532
Office equipment		73	91
Furniture and fittings		55	76
Infrastructure:			
– Buildings – non-specialised		409	370
– Other structures		44	29
– Sealed roads structure		1,428	1,376
– Unsealed roads		554	550
– Bridges		320	323
– Footpaths		45	43
– Stormwater drainage		24	23
– Water supply network		453	246
– Sewerage network		223	203
– Swimming pools		15	14
– Other open space/recreational assets		28	39
Other assets:			
– Other		4	4
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9 & 11	39	39
Total depreciation and amortisation costs		4,270	3,958
Impairment of investments			
– Investments other than available for sale		–	(6)
Total investment impairment costs / (reversals)		–	(6)
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		4,270	3,952

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses

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.

Impairment of non-financial assets

Assets 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.

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.

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	18	29
Bad and doubtful debts	–	59
Bank charges	27	24
Computer software charges	2	5
Contributions/levies to other levels of government	6	–
Councillor expenses – mayoral fee	19	19
Councillor expenses – councillors' fees	101	89
Councillors' expenses (incl. mayor) – other (excluding fees above)	8	10
Donations, contributions and assistance to other organisations (Section 356)	466	344
Electricity and heating	209	180
Insurance	316	311
Internet and other communication	8	25
Licences	41	46
Motor vehicle registration fees	46	14
Other fees and charges	19	5
Postage	36	32
Printing and stationery	37	57
Street lighting	57	47
Subscriptions and publications	74	79
Sundry expenses	3	3
Telephone and communications	127	128
Valuation fees	2	–
Volunteer reimbursements	1	2
Total other expenses	1,623	1,508
<u>TOTAL OTHER EXPENSES</u>	<u>1,623</u>	<u>1,508</u>

Accounting policy for other expenses

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		–	7
Less: carrying amount of property assets sold/written off		–	(5)
Net gain/(loss) on disposal		–	2
Plant and equipment	9		
Proceeds from disposal – plant and equipment		470	178
Less: carrying amount of plant and equipment assets sold/written off		(527)	(185)
Net gain/(loss) on disposal		(57)	(7)
Infrastructure	9		
Less: carrying amount of infrastructure assets sold/written off		(27)	(513)
Net gain/(loss) on disposal		(27)	(513)
Financial assets ⁽¹⁾	6		
Proceeds from disposal/redemptions/maturities – financial assets		17,850	15,800
Less: carrying amount of financial assets sold/redeemed/matured		(17,850)	(15,800)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(84)	(518)

Accounting policy for disposal of assets

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 derecognised.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	97	100
Cash-equivalent assets		
– Deposits at call	1,346	4,682
Total cash and cash equivalents	1,443	4,782

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and 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.

Uralla Shire Council

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

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'Held to maturity'	13,550	—	9,650	—
Total investments	13,550	—	9,650	—
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>14,993</u>	<u>—</u>	<u>14,432</u>	<u>—</u>
Held to maturity investments				
Long term deposits	13,550	—	9,650	—
Total	13,550	—	9,650	—

Accounting policy for investments

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.

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.

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.

Uralla Shire Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	14,993	–	14,432	–
attributable to:				
External restrictions (refer below)	9,050	–	9,098	–
Internal restrictions (refer below)	4,894	–	3,165	–
Unrestricted	1,049	–	2,169	–
	14,993	–	14,432	–

\$ '000	2018	2017
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	603	619
McMaugh gardens resident bonds	1,870	2,089
External restrictions – included in liabilities	2,473	2,708

External restrictions – other

Developer contributions – general	616	512
Specific purpose unexpended grants	1,644	1,878
Water supplies	2,275	2,170
Sewerage services	2,042	1,830
External restrictions – other	6,577	6,390
Total external restrictions	9,050	9,098

Internal restrictions

Plant and vehicle replacement	1,517	833
Employees leave entitlement	970	1,014
Carry over works	619	998
Strategic development	440	320
FAGS Received in advance	1,251	–
Tip Remediation	97	–
Total internal restrictions	4,894	3,165

TOTAL RESTRICTIONS

13,944	12,263
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Uralla Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	305	—	233	—
Interest and extra charges	44	—	36	—
User charges and fees	408	—	380	—
Private works	10	—	52	—
Capital debtors (being sale of assets)				
– Other asset sales	119	—	—	—
Accrued revenues				
– Interest on investments	150	—	126	—
– Other income accruals	102	—	8	—
Amounts due from other councils	47	—	50	—
Government grants and subsidies	664	—	79	—
Net GST receivable	159	—	25	—
Resident contributions	105	—	—	—
Other debtors	21	—	16	—
Total	2,134	—	1,005	—
Less: provision for impairment				
Other debtors	(69)	—	(69)	—
Total provision for impairment – receivables	(69)	—	(69)	—
<u>TOTAL NET RECEIVABLES</u>	<u>2,065</u>	<u>—</u>	<u>936</u>	<u>—</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	35	—	29	—
– Other	339	—	233	—
Sewerage services				
– Rates and availability charges	58	—	39	—
– Other	7	—	5	—
Other				
– Unexpended grants	—	—	58	—
Total external restrictions	439	—	364	—
Unrestricted receivables	1,626	—	572	—
<u>TOTAL NET RECEIVABLES</u>	<u>2,065</u>	<u>—</u>	<u>936</u>	<u>—</u>

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	69	10
+ new provisions recognised during the year	—	60
– amounts provided for but recovered during the year	—	(1)
Balance at the end of the year	69	69

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

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.

Impairment

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 on-going 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 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.

Uralla Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	213	–	178	–
Total inventories at cost	213	–	178	–
<u>TOTAL INVENTORIES</u>	<u>213</u>	<u>–</u>	<u>178</u>	<u>–</u>
(b) Other assets				
Prepayments	54	–	75	–
<u>TOTAL OTHER ASSETS</u>	<u>54</u>	<u>–</u>	<u>75</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

Raw materials and stores

Raw materials and stores 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.

Uralla Shire Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	393	–	393	1,574	–	–	–	–	–	–	1,967	–	1,967
Plant and equipment	7,345	3,256	4,089	707	43	(527)	(556)	–	–	–	7,079	3,323	3,756
Office equipment	561	450	111	52	–	–	(73)	–	–	–	613	523	90
Furniture and fittings	1,153	616	537	28	17	–	(55)	(183)	–	–	1,003	659	344
Land:													
– Operational land	1,736	–	1,736	–	36	–	–	–	–	49	1,821	–	1,821
– Community land	3,532	–	3,532	–	–	–	–	–	–	401	3,933	–	3,933
Land improvements – non-depreciable	17	–	17	–	–	–	–	–	–	–	17	–	17
Infrastructure:													
– Buildings – non-specialised	24,026	7,295	16,731	70	289	–	(409)	619	(3,722)	–	25,668	12,090	13,578
– Other structures	1,308	770	538	–	–	–	(44)	–	–	–	1,308	814	494
– Sealed roads structure	100,471	26,278	74,193	1,278	140	(27)	(1,428)	–	–	–	101,914	27,758	74,156
– Unsealed roads	17,423	11,817	5,606	195	–	–	(554)	–	–	–	17,559	12,312	5,247
– Bridges	31,916	11,098	20,818	16	–	–	(320)	1	–	–	31,933	11,418	20,515
– Footpaths	1,791	269	1,522	–	96	–	(45)	1	–	–	1,888	314	1,574
– Bulk earthworks (non-depreciable)	76,786	–	76,786	648	–	–	–	(2)	–	–	77,432	–	77,432
– Stormwater drainage	2,479	565	1,914	–	–	–	(24)	–	–	–	2,479	589	1,890
– Water supply network	27,543	13,629	13,914	15	–	–	(453)	–	–	284	28,137	14,377	13,760
– Sewerage network	13,881	5,232	8,649	6	–	–	(223)	(400)	–	169	13,682	5,481	8,201
– Swimming pools	750	580	170	–	–	–	(15)	–	–	–	750	595	155
– Other open space/recreational assets	791	339	452	18	63	–	(28)	(37)	–	–	668	200	468
Other assets:													
– Heritage collections	90	–	90	–	–	–	–	–	–	–	90	–	90
– Other	84	26	58	–	–	–	(4)	–	–	–	84	30	54
Reinstatement, rehabilitation and restoration assets (refer Note 11):													
– Tip assets	787	220	567	–	–	–	(39)	1,219	–	–	2,006	259	1,747
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	314,863	82,440	232,423	4,607	684	(554)	(4,270)	1,218	(3,722)	903	322,031	90,742	231,289

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. 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 valuations are performed at least every five years, however the carrying amount of assets is assessed 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 Crown Lands and Water (CLAW).

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

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

Land is not depreciated. 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	Years
Office equipment	5 to 20	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	4	Other open space recreational assets	10 to 100
Vehicles, trucks and utilities	5 to 10		
Dozers, graders and rollers	10	Buildings	
Other plant and equipment	10	Buildings: masonry	50 to 100
		Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Sealed roads: surface	15 to 20	Drains	75 to 125
Sealed roads: structure	60 to 100	Culverts	75 to 125
Unsealed roads	20 to 30	Flood control structures	75 to 125
Bridge: concrete	100		
Bridge: other	80	Water and sewer assets	
Road pavements	60	Dams and reservoirs	100
Kerb, gutter and footpaths	40	Water & Sewer Treatment Plants	70 to 100
Other infrastructure assets		Reticulation pipes: PVC	70 to 115
Bulk earthworks	Infinite	Reticulation pipes: other	25 to 75
Swimming pools	50	Pumps and telemetry	15 to 20
Unsealed roads	20	Meters & Water Plant	10
Other open space/recreational assets	20	Water Mains	80 to 100
Other infrastructure	20	Sewer Mains	70 to 100

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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.

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 fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

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

Uralla Shire Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	114	–	334	–
Goods and services – capital expenditure	348	–	–	–
Accrued expenses:				
– Borrowings	14	–	19	–
– Salaries and wages	167	–	229	–
– Other expenditure accruals	696	–	593	–
ATO – net GST payable	–	–	(10)	–
Retirement home contributions	2,000	–	2,350	–
TCS Funding	397	–	–	–
TCT Funding	100	–	–	–
Total payables	3,836	–	3,515	–
Income received in advance				
Payments received in advance	475	–	393	–
Total income received in advance	475	–	393	–
Borrowings				
Loans – secured ¹	221	2,423	213	2,633
Total borrowings	221	2,423	213	2,633
TOTAL PAYABLES AND BORROWINGS	4,532	2,423	4,121	2,633

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Resident Bonds	1,870	–	2,089	–
McMaugh garden (interest bearing liabilities)	5	49	5	54
Payables and borrowings relating to externally restricted assets	1,875	49	2,094	54
Total payables and borrowings relating to restricted assets	1,875	49	2,094	54
Total payables and borrowings relating to unrestricted assets	2,657	2,374	2,027	2,579
TOTAL PAYABLES AND BORROWINGS	4,532	2,423	4,121	2,633

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 16.

Uralla Shire Council

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

Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Retirement home contributions	785	1,187
	785	1,187

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	2,846	(202)	–	–	–	2,644
TOTAL	2,846	(202)	–	–	–	2,644

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	100	100
Credit cards/purchase cards	35	35
Total financing arrangements	135	135

Drawn facilities as at balance date:

– Credit cards/purchase cards	10	7
Total drawn financing arrangements	10	7

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	25	28
Total undrawn financing arrangements	125	128

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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.

Uralla Shire Council

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

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	739	–	708	–
Sick leave	71	–	74	–
Long service leave	1,492	116	1,549	32
Other leave	49	–	55	–
Sub-total – aggregate employee benefits	2,351	116	2,386	32
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	2,125	–	882
Sub-total – asset remediation/restoration	–	2,125	–	882
<u>TOTAL PROVISIONS</u>	<u>2,351</u>	<u>2,241</u>	<u>2,386</u>	<u>914</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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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	1,525	1,443
	<u>1,525</u>	<u>1,443</u>

Uralla Shire Council

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

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	708	74	1,581	–	55	2,418
Additional provisions	518	(3)	144	–	81	740
Amounts used (payments)	(487)	–	(117)	–	(87)	(691)
Total ELE provisions at end of year	739	71	1,608	–	49	2,467

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	670	75	1,595	–	49	2,389
Additional provisions	439	(1)	54	–	78	570
Amounts used (payments)	(401)	–	(68)	–	(72)	(541)
Total ELE provisions at end of year	708	74	1,581	–	55	2,418

2018	Other provisions	
	Asset remediation	Total
At beginning of year	882	882
Changes to provision:		
Revised costs	1,218	1,218
Unwinding of discount	25	25
Total other provisions at end of year	2,125	2,125

2017	Other provisions	
	Asset remediation	Total
At beginning of year	857	857
Changes to provision:		
Unwinding of discount	25	25
Total other provisions at end of year	882	882

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

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 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.

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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions (continued)

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.

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

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.

Uralla Shire Council

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

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	1,443	4,782
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		1,443	4,782
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,896	1,897
Adjust for non-cash items:			
Depreciation and amortisation		4,270	3,958
Net losses/(gains) on disposal of assets		84	518
Impairment losses recognition/(prior period reversals) – financial investments		–	(6)
Unwinding of discount rates on reinstatement provisions		25	25
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,010)	394
Increase/(decrease) in provision for doubtful debts		–	59
Decrease/(increase) in inventories		(35)	(3)
Decrease/(increase) in other assets		21	(23)
Increase/(decrease) in payables		(220)	(61)
Increase/(decrease) in accrued interest payable		(5)	9
Increase/(decrease) in other accrued expenses payable		41	(254)
Increase/(decrease) in other liabilities		581	370
Increase/(decrease) in employee leave entitlements		49	29
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		5,697	6,912

Uralla Shire Council

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

Note 14. Commitments for expenditure

\$ '000	2018	2017
(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		
Plant and equipment	96	–
Bridges	–	741
Land	–	30
Bundarra Sewer Scheme	540	182
Pioneer Park Project	15	–
Total commitments	651	953
These expenditures are payable as follows:		
Within the next year	651	953
Total payable	651	953
Sources for funding of capital commitments:		
Future grants and contributions	540	–
Unexpended grants	–	741
Externally restricted reserves	15	212
Internally restricted reserves	96	–
Total sources of funding	651	953

(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	10	49
Later than one year and not later than 5 years	22	4
Total non-cancellable operating lease commitments	32	53

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

The operating lease in place is for business premises in Tamworth. The lease agreement does not impose any financial restrictions on Council regarding future debt.

A further operating lease relates to rental of a photocopier.

Conditions relating to operating leases:

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

Uralla Shire Council

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

Note 15. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

Council is 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 rate is 1.9 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 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities at 30 June 2016. Council's share of the deficit is 0.16%. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

Uralla Shire Council

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

Note 15. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees

(i) Defined benefit superannuation contribution plans (continued)

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.

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 entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up. There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer. The plan is a defined benefit plan.

The expected contributions to the Fund by Council for the next annual reporting period is \$148,704.

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

		Coverage
Assets	\$1,817.8 million	
Vested Benefits	\$1,778.0 million	102.2%

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

Investment return	6.0% p.a.
Salary inflation	3.5% p.a.
Increase in CPI	2.5% p.a.

Council's additional lump sum contributions per annum as a percentage of the total additional lump sum contributions for all Pooled Employers provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 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.

Uralla Shire Council

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

Note 15. Contingencies and other liabilities/assets not recognised (continued)

1. Guarantees (continued)

(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.

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.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Contingencies and other liabilities/assets not recognised (continued)

ASSETS NOT RECOGNISED (continued):

(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.

(iii) Central Northern Libraries

The Uralla Shire Council is a member of the Central Northern Libraries Group.

This group operates under the Central Northern Library Regional Library Agreement renewed from 1 July 2010, administered by the Tamworth Regional Council on behalf of the six members.

From 1 July 2012, the Gwydir Shire Council has been admitted as a member of the Central Northern Regional Libraries. The Gwydir Shire Council will not be entitled to share in reserves which existed at 30 June 2012 (Clause 2 of the Variation of Central Northern Regional Library Agreement 2012).

Clause 7.1 of the Agreement states: "Tamworth Regional Council shall own the assets acquired from Central Northern Regional Library's budget subject to the 'reimbursement rights' held by each of the Delegating Councils as provided by this clause."

Clause 7.3 states: "Upon the termination of this agreement, a proportion of the assets identified in the asset register shall be distributed to the Delegating Councils. The method for determining the asset distribution to each Delegating Council is specified in Schedule 4 of this Agreement."

Schedule 4 determines that the distribution of the net assets shall be apportioned in the ratio of the contributions made in the three preceding years or the current life of the existing agreement.

The net assets of the Central Northern Regional Library at 30 June 2018 were \$1,586,151 with a Surplus from Ordinary Activities of \$321,781 for the 2017/2018 year.

The percentage of contribution and share of net assets for the Uralla Shire Council is 7.2%.

(iv) Rural Fire Fighting Assets

Council has title to, and is the registered owner of vehicles including category 1 and 2 rural fire appliances and associated rural fire fighting equipment.

These assets are under the control of the Rural Fire Services to enable that authority to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have been recognised in these reports as assets (Note 10a Accounting policy for infrastructure, property, plant and equipment).

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

Uralla Shire Council

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

Note 16. Financial risk management

\$ '000

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio.

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	140	140	(140)	(140)
2017				
Possible impact of a 1% movement in interest rates	113	113	(113)	(113)

Uralla Shire Council

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

Note 16. Financial risk management (continued)

\$ '000

(b) Credit risk

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

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	78%	87%	74%	66%
Overdue	22%	13%	26%	34%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges

	2018	2017
Current	275	174
< 1 year overdue	5	15
1 – 2 years overdue	5	27
2 – 5 years overdue	20	17
	305	233

Other receivables

Current	1,573	520
> 91 days overdue	256	252
	1,829	772

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	2,000	1,836	-	-	3,836	3,836
Loans and advances	4.92%	-	352	1,305	1,465	3,122	2,644
Total financial liabilities		2,000	2,188	1,305	1,465	6,958	6,480
2017							
Trade/other payables	0.00%	2,350	1,165	-	-	3,515	3,515
Loans and advances	4.97%	-	352	1,341	1,986	3,679	2,846
Total financial liabilities		2,350	1,517	1,341	1,986	7,194	6,361

Uralla Shire Council

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

Note 17. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	6,265	6,159	(106)	(2%) U
User charges and fees	4,641	4,856	215	5% F
Interest and investment revenue	249	398	149	60% F
Budget variations arose due to higher cash reserves being held throughout the year.				
Other revenues	761	630	(131)	(17%) U
The major variation to budget relates to reduced income from private works.				
Operating grants and contributions	7,485	7,761	276	4% F
Capital grants and contributions	593	1,552	959	162% F
The major variations in capital grants relate to the receipt of unbudgeted grants for the Pioneer Park upgrade and the receipt of the final instalment of RDAF, the receipt of a special capital grant for Munsie Bridge that had been treated as operational together with a shortfall in funding grants for the Bundarra Sewer project which is only a timing issue.				

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	9,470	9,424	46	0% F
Borrowing costs	163	167	(4)	(2%) U
Materials and contracts	4,035	3,892	143	4% F
Depreciation and amortisation	3,932	4,270	(338)	(9%) U
The major variation in budgeted depreciation arose due to the finalisation of revaluations of water and sewer assets in June 2017. As this was after the preparation of the 2017-18 budget had been completed, it was not possible to include the adjusted depreciation amounts in the original budget.				
Other expenses	1,632	1,623	9	1% F
Net losses from disposal of assets	—	84	(84)	0% U
The major variation to budget relates to the disposal of plant and equipment below carrying value which was not included in the original budget.				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	4,694	5,697	1,003	21.4% F
The major variations in operating activity cash flows relate to increased inflows from capital grants, interest income, section 94 contributions and McMaugh Gardens resident fees.				
Cash flows from investing activities	(5,000)	(8,492)	(3,492)	69.8% U
This variation arises due to the purchase of additional term deposits as a consequence of holding additional cash.				
Cash flows from financing activities	(214)	(544)	(330)	154.2% U
The major variation here relates to the repayment of retirement home contributions in excess of new contributions received.				

Uralla Shire Council

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

Note 18. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	3,756	3,756
Office equipment	30/06/18	—	—	90	90
Furniture and fittings	30/06/18	—	—	344	344
Operational land	30/06/18	—	—	1,821	1,821
Community land	30/06/18	—	—	3,933	3,933
Land improvements – non-depreciable	30/06/14	—	—	17	17
Buildings – non-specialised	30/06/18	—	—	13,578	13,578
Other structures	30/06/14	—	—	494	494
Sealed road structure	30/06/15	—	—	74,156	74,156
Unsealed roads	30/06/15	—	—	5,247	5,247
Bridges	30/06/15	—	—	20,515	20,515
Footpaths	30/06/15	—	—	1,574	1,574
Bulk earthworks	30/06/15	—	—	77,432	77,432
Stormwater drainage	30/06/15	—	—	1,890	1,890
Water supply network	30/06/18	—	—	13,760	13,760
Sewerage network	30/06/18	—	—	8,201	8,201
Heritage collection	30/06/14	—	—	90	90
Other assets	30/06/14	—	—	54	54
Tip assets	30/06/14	—	—	1,747	1,747
Other open space / recreational assets	30/06/14	—	—	468	468
Swimming pools	30/06/14	—	—	155	155
Total infrastructure, property, plant and equipment		—	—	229,322	229,322

Uralla Shire Council

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

Note 18. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

		Fair value measurement hierarchy			
2017		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	—	—	4,089	4,089
Office equipment	30/06/17	—	—	111	111
Furniture and fittings	30/06/17	—	—	537	537
Operational land	30/06/16	—	—	1,736	1,736
Community land	30/06/16	—	—	3,532	3,532
Land improvements – non-depreciable	30/06/14	—	—	17	17
Buildings – non-specialised	30/06/14	—	—	16,731	16,731
Other structures	30/06/14	—	—	604	604
Sealed road structure	30/06/15	—	—	74,193	74,193
Unsealed roads	30/06/15	—	—	5,606	5,606
Bridges	30/06/15	—	—	20,818	20,818
Footpaths	30/06/15	—	—	1,522	1,522
Bulk earthworks	30/06/15	—	—	76,786	76,786
Stormwater drainage	30/06/15	—	—	1,914	1,914
Water supply network	30/06/17	—	—	13,914	13,914
Sewerage network	30/06/17	—	—	8,649	8,649
Heritage collection	30/06/14	—	—	90	90
Other assets	30/06/14	—	—	58	58
Tip assets	30/06/14	—	—	567	567
Other open space / recreational assets	30/06/14	—	—	386	386
Swimming pools	30/06/14	—	—	170	170
Total infrastructure, property, plant and equipment		—	—	232,030	232,030

(2) Transfers between level 1 and level 2 fair value hierarchies

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

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

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

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

Councils Plant & Equipment, Furniture and Fittings incorporates:

Major Plant - trucks, tractors, graders, rollers and excavators

Fleet Vehicles - cars, vans, utes etc.

Minor Plant - chainsaw, brush cutters, mowers, concrete mixers.

Furniture and Fittings - desks, chairs, display system.

Office Equipment - computers, monitors, projectors, laptops

Plant equipment, office equipment and furniture & fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount reflects the fair value of the asset due to the nature of the items as shown above

The unobservable Level 3 inputs used include:

Pattern of Consumption

Useful Life

Asset Condition

Residual Value

Gross Replacement Cost

There has been no change to the valuation process during the reporting period.

Land - Operational Land

Council's "Operational" land by definition has no special restriction other than those that may apply to any parcel of land. Fair value for operational land is obtained from an external valuer every 5 years.

Last valuation was conducted in 2018 using Level 3 Inputs

Generally, fair value is the most advantageous price reasonably obtained by the seller and the most advantageous price reasonably obtained by buyer. This is not necessarily the market selling price of the asset rather, the maximum value that Council would rationally pay to acquire the asset, taking into account quoted market price in an active and liquid market, current market price of similar asset, cost of replacing an asset.

Criteria for this include: Land description and dimensions, planning and other constraints on development and the potential for alternative use (Valued by AssetVal in March 2018).

The unobservable Level 3 inputs used include:

Rates per Square Metre

Description of Land

The 'Market Approach' is used to value operational land. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Land Improvements

Land Improvement are repairs to the dam located at The Glen on New England Highway and a small piece of land at the Sewerage Works. Values are determined based on actual cost of construction and maintenance.

Any infrastructure constructed on improved land is separately valued.

Council carries fair value of land reserves using Level 3 Inputs

The unobservable Level 3 inputs used include:

- Useful Life
- Asset Condition
- Asset Condition

The cost approach is used to value the land improvements. There has been no change to the valuation process during the reporting period.

Land - Community Land

Council's "Community" Land (including owned by Council, The Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed or dedication under section 94 of the EPA Act 1979). This gives rise to the restriction in the Act, intended to preserve the qualities of the land. Community land is valued at Valuer General unimproved capital value (UCV) which takes into account highest and best use values. This land was revalued in 2018.

Community Land:

Cannot be sold

Cannot be leased, licensed, or any other estate granted over the land for more than 21 years

Must have a plan of management for it.

Buildings - Non Specialised

Council buildings includes Libraries, Public Amenities, Sporting Club, Kiosks and Amenities, Depot Building and Workshops, McMaugh's Aged Care Centre, Community Centre, Visitor Information Centre, Pre School, SES Shelter and others. Council carries fair value buildings using level 3 inputs. Valuations were carried out by external valuers - AssetVAL in March 2018 using the cost approach.

This approach estimates the replacement cost for each building by componentising the building into significant parts with different useful life and taking into account a range of factors.

Buildings are valued by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost. These rates are derived from substantial analysis of construction costs by Council's valuer (Valued by AssetVal in March 2018). Each building is assigned a residual value. Further improvements could be achieved by componentising buildings.

The unobservable Level 3 inputs used include:

- | | |
|------------------------|-------------------------|
| Pattern of Consumption | Future Economic Benefit |
| Useful Life | Residual Value |
| Asset Condition | Remaining useful life |

The cost approach is used to value the Buildings. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure - Roads

This asset class comprises the Road Carriageway, Bus Shelter, Car Parks, Guardrails, Kerb and Gutter, Suburb Markers, and Traffic Facilities.

The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter and would include any paved markers parking places along roadside.

Council's Asset Management System include condition assessment data for a 5 year cycle on sealed roads and routine inspections of unsealed roads. An asset condition assessment was carried out by council staff during 2015.

To determine the unit cost of seals, Council has researched actual costs for a range of sealing works on different road types carried out in 2013/14 and 2014/15. These costs were then averaged on a per square metre basis. The average costs were then indexed by 3% per annum in order to estimate current unit rates. For the costs of both sealed and unsealed pavement works, separate estimates have been prepared from first principles using actual 2015 plant and labour rates and applying appropriate contingency factors. The rates were calculated on a volume basis by taking into account the pavement thickness and then compared to recently completed works as a final check. Roads are componentised into road pavement and road seal assets. with pavements split into sealed and Council fair values road infrastructure assets using Level 3 inputs at a component level.

The Cost Approach is used to value roads by componentising the assets into significant parts and then rolling up these component values to provide an overall road valuation (for each road segment) within Council Asset System.

The unobservable Level 3 inputs used include:

Pattern of Consumption	Asset Condition	Remaining useful life
Useful Life and Residual Value	Gross Replacement Cost	

The cost approach is used to value the Roads (Sealed and Unsealed). There has been no change in valuation technique from prior year

Infrastructure- Footpaths

A footpath is defined as all footways (including those shared with a cycleway) sealed or non-sealed. Council has specification for dimensions of cycleway and pathways. A full assessment was conducted in 2015 by council staff. These inspections were carried out to comply with insurance protocols and to provide data for the revaluation that occurred this year. Current replacement costs are based on recent works in King and Bridge Streets, Uralla and Bendemeer Street, Bundarra.

Councils fair values, footpaths, (non componentised) using Level 3 inputs

Pattern of Consumption
Useful Life
Asset Condition
Future Economic Benefit
Remaining useful life

The cost approach is used to value the Footpaths. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure - Stormwater Drainage

Council's Drainage Assets comprises pits, culverts, open channels, headwalls and various type of water quality devices used to collect, store and remove stormwater. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. Council has adopted useful life of between 75 and 125 years for its stormwater drainage assets.

Condition assessment for all stormwater drainage was carried out in 2015, additionally physical inspection of one of council's major lines in Plane Avenue, Uralla was carried out in 2015 by the Bridge/Culvert work gang. All systems have been assessed as being satisfactory or better. Council carries fair value drainage assets (non-componentised) using Level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Stormwater Drainage. There has been no change in valuation technique from prior year.

Infrastructure-Sewerage Network

Council's Sewerage Network consist of Sewer pipes, pump stations, treatment plant, telemetry system, manholes. Council carries fair values Sewerage Network Assets (non - componentised) using Level 3 inputs.

Current replacement costs for sewer assets have been derived by utilizing Rawlinson Rates and NSW Office of Water Revenue rates, unit costs and lump sums. Council engaged a highly qualified and experienced engineer to undertake a revaluation of its sewer assets in 2017. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains section each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist based upon sampling of inspections, lack of historical maintenance and complaint data. All asset components were assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of valuation, with the condition rating determining the remaining useful life. A physical inspection of ground level assets was conducted and photographic evidence, including use of video, was collected of manholes and mains to support condition assessments.

The unobservable Level 3 inputs used include:

- Useful Life
- Asset Condition
- Future Economic Benefit
- Remaining useful life

The cost approach is used to value the Sewerage Network. There has been no change to the valuation process during the reporting period.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Other Assets

Council's other assets comprise of Heritage Collections - Thunderbolts Painting and other miscellaneous assets. A valuation of the collection of Thunderbolts paintings was undertaken by A.N.G Art Consulting in August 2011 providing a reasonable estimate of the replacement value of each work based on current market prices for similar works by the same artist. Other infrastructure assets were revalued during 2016 including the swimming pool which has now been recognised separately in note 9a. Council carries fair values of other assets using level 3 inputs.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value
- Asset Condition
- Gross Replacement Cost
- Remaining useful life

The cost approach is used to value the Other Assets. There has been no change in valuation technique from prior year.

Landfills Assets - Reinstatement, Rehabilitation and Restoration Liabilities

See note 12 for details of Uralla Landfill asset.

Values are estimates of rehabilitation costs, and these included capping of landfill, revegetation, safety fencing and other associated restoration works. The forecast increase in cost of remediation of landfill have been based on independent assessment.

Unobservable Level 3 inputs include:

- Unit rates
- Useful Life
- Asset Condition - dimensions and specifications
- Future Economic Benefit

Infrastructure- Bridges

Council has 50 bridges/major culverts on local roads and 30 bridges/major culverts on regional roads. Of these, two bridges were replaced in 2017/18 with some additional work to be finalised in 2018/19.

All Council bridges are inspected by Council's qualified inspectors on a biannual program.

Council has engaged an independent company to assess HML capacity on selected bridges in 2018-19.

The replacement costs have been upgraded utilising unit costs from the replacement of Abington and Emu Crossing bridges.

Bridges are componentised into bridges and major culverts, and culverts and drainage assets include both pits and pipes. All asset components are assigned residual values at the time of valuation conducted by AST roads assessment in 2014.

The unobservable Level 3 inputs used include:

- Pattern of Consumption
- Useful Life and Residual Value

The cost approach is used to value the Bridges. There has been no change in valuation technique from previous years.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

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

Infrastructure- Bulk Earthworks

Council Bulk Earthworks consists of cuttings, fill and levelling of earth and rocks.
Last valuation conducted by council staff.
Currently using unit rate estimated from first principles using current internal rates.

The unobservable Level 3 inputs used include Unit Rates & Asset Condition.

The cost approach is used to value the Bulk Earthworks. There has been no change in valuation technique from prior years.

Infrastructure- Water Supply Network

Council's Water Network consist of Water pipes, pump stations, treatment plant, telemetry system and reservoirs
Council carries fair value Water Supply Network Assets (non-componentised) using Level 3 inputs.

Current replacement costs for water assets have been derived by utilizing Rawlinson Rates and NSW Office of Water references rates, unit costs and lump sum. Council engaged an engineer to undertake a revaluation of water assets in 2017. Physical inspections were carried out with photographic evidence collected to support condition ratings. 100% of above ground infrastructure was inspected. Council identifies 10 critical mains sections each year for inspection; selection is based on the log of overflows, leakages or complaints. Data limitations therefore exist due to lack of records of historical maintenance and inspection and sampling of inspections. All asset components are assigned a residual value, useful life and remaining useful life, and were conditioned rated at time of revaluation, with the condition rating determining the useful life.

The unobservable Level 3 inputs used include:
Pattern of Consumption
Useful Life

The cost approach is used to value the Water Network. There has been no change in valuation technique from prior years.

Uralla Shire Council

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

Note 18. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Land improve- ments	Buildings and other infrastructure	Total
Opening balance – 1/7/16	1,741	3,532	17	17,792	23,082
Purchases (GBV)	–	–	–	367	367
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	–	–	–	(438)	(438)
Closing balance – 30/6/17	1,736	3,532	17	17,721	23,006
Transfers from/(to) another asset class	–	–	–	582	582
Purchases (GBV)	36	–	–	440	476
Depreciation and impairment	–	–	–	(481)	(481)
FV gains – other comprehensive income	49	401	–	(3,722)	(3,272)
Closing balance – 30/6/18	1,821	3,933	17	14,540	20,311

¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:

YE 17/18	49	401	–	(3,722)	(3,272)
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	Sealed roads	Unsealed roads	Bridges	Footpaths	Total
Opening balance – 1/7/16	74,568	5,987	21,142	1,506	103,203
Purchases (GBV)	1,433	220	21	59	1,733
Disposals (WDV)	(432)	(51)	(22)	–	(505)
Depreciation and impairment	(1,376)	(550)	(323)	(43)	(2,292)
Closing balance – 30/6/17	74,193	5,606	20,818	1,522	102,139
Transfers from/(to) another asset class	–	–	1	1	2
Purchases (GBV)	1,418	195	16	96	1,725
Disposals (WDV)	(27)	–	–	–	(27)
Depreciation and impairment	(1,428)	(554)	(320)	(45)	(2,347)
Closing balance – 30/6/18	74,156	5,247	20,515	1,574	101,492

Uralla Shire Council

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

Note 18. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

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

	Bulk earthworks non-depreciable	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening balance – 1/7/16	75,897	1,937	14,461	6,201	98,496
Purchases (GBV)	897	–	4	40	941
Disposals (WDV)	(8)	–	–	–	(8)
Depreciation and impairment	–	(23)	(246)	(203)	(472)
FV gains – other comprehensive income	–	–	(305)	2,611	2,306
Closing balance – 30/6/17	76,786	1,914	13,914	8,649	101,263
Transfers from/(to) another asset class	(2)	–	–	(400)	(402)
Purchases (GBV)	648	–	15	6	669
Depreciation and impairment	–	(24)	(453)	(223)	(700)
FV gains – other comprehensive income	–	–	284	169	453
Closing balance – 30/6/18	77,432	1,890	13,760	8,201	101,283
¹ FV gains recognised in the Income Statement relating to assets still on hand at year end total:					
YE 17/18	–	–	283	169	452

	Other assets	Tip assets	Plant and equipment	Total
Opening balance – 1/7/16	303	606	4,736	5,645
Purchases (GBV)	33	–	886	919
Disposals (WDV)	–	–	(352)	(352)
Depreciation and impairment	(18)	(39)	(533)	(590)
Closing balance – 30/6/17	318	567	4,737	5,622
Transfers from/(to) another asset class	–	1	(183)	(182)
Purchases (GBV)	–	–	847	847
Disposals (WDV)	–	–	(527)	(527)
Depreciation and impairment	(19)	(39)	(684)	(742)
Adjustment for rehabilitation costs	–	1,218	–	1,218
Closing balance – 30/6/18	299	1,747	4,190	6,236

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)

b. The valuation process for level 3 fair value measurements

The valuation techniques prescribed by AASB 13 can be summarised as:

Cost approach - Valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost).

Income approach - Valuation technique that converts future amounts (cash inflow /outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Market approach - Valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

For the purpose of level 3 fair value measurement a Cost Approach was used for most assets except Land - Operational and Community where a market approach is required. The inputs used for this technique are:

Pattern of consumption

Residual Value

Asset Condition

Useful Life

Unit Rates

(5). Highest and best use

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Related party transactions

\$ '000

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:

Compensation:	2018	2017
Short-term benefits	729	728
Post-employment benefits	80	81
Total	809	809

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.

A close family member of a key management personnel was previously employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The council employs 156 staff of which only 1 is a close family member of key management personnel.

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions

\$ '000

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

PURPOSE	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					
Roads	379	81	–	11	–	–	471	–
Traffic facilities	16	2	–	–	–	–	18	–
Community facilities	71	3	–	2	–	–	76	–
Other	47	4	–	1	–	–	52	–
S7.11 contributions – under a plan	512	90	–	14	–	–	616	–
Total S7.11 and S7.12 revenue under plans	512	90	–	14	–	–	616	–
Total contributions	512	90	–	14	–	–	616	–

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - RURAL INVERGOWRIE

PURPOSE	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					
Roads	75	9		2			86	
Traffic facilities	16	2					18	
Community facilities	71	3		2			76	
Other	42	4		1			47	
Total	203	18	–	5	–	–	226	–

CONTRIBUTION PLAN - RURAL

PURPOSE	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					
Other	5						5	
Total	5	–	–	–	–	–	5	–

CONTRIBUTION PLAN - DCP ROAD MAINTENANCE ROYALTIES

PURPOSE	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					
Roads	304	72		9			385	
Total	304	72	–	9	–	–	385	–

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	388	708	5,063
User charges and fees	604	9	4,243
Interest and investment revenue	66	54	278
Other revenues	7	–	623
Grants and contributions provided for operating purposes	18	16	7,727
Grants and contributions provided for capital purposes	–	98	1,454
Total income from continuing operations	1,083	885	19,388
Expenses from continuing operations			
Employee benefits and on-costs	457	290	8,677
Borrowing costs	–	–	167
Materials and contracts	349	193	3,350
Depreciation and amortisation	485	235	3,550
Other expenses	–	4	1,619
Net losses from the disposal of assets	–	–	84
Total expenses from continuing operations	1,291	722	17,447
Operating result from continuing operations	(208)	163	1,941
Net operating result attributable to each council fund	(208)	163	1,941
Net operating result for the year before grants and contributions provided for capital purposes	(208)	65	487

¹ General fund refers to all Council's activities other than Water and Sewer.

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

Uralla Shire Council

Notes to the Financial Statements
as at 30 June 2018

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	775	542	126
Investments	1,500	1,500	10,550
Receivables	374	65	1,626
Inventories	–	–	213
Other	–	–	54
Total current assets	2,649	2,107	12,569
Non-current assets			
Infrastructure, property, plant and equipment	14,614	8,924	207,751
Total non-current assets	14,614	8,924	207,751
TOTAL ASSETS	17,263	11,031	220,320
LIABILITIES			
Current liabilities			
Payables	–	–	3,836
Income received in advance	–	–	475
Borrowings	–	–	221
Provisions	–	–	2,351
Total current liabilities	–	–	6,883
Non-current liabilities			
Borrowings	–	–	2,423
Provisions	–	–	2,241
Total non-current liabilities	–	–	4,664
TOTAL LIABILITIES	–	–	11,547
Net assets	17,263	11,031	208,773
EQUITY			
Accumulated surplus	8,641	5,499	58,821
Revaluation reserves	8,622	5,532	149,952
Total equity	17,263	11,031	208,773

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Uralla Shire Council

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

Note 22(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	428	2.16%	11.57%	-1.45%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	19,804				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	14,832	69.45%	71.30%	68.24%	> 60.00%
Total continuing operating revenue ⁽¹⁾	21,356				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	7,836	2.25x	2.07x	1.48x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	3,483				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4,865	13.18x	16.74x	10.28x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	369				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	349	5.38%	4.33%	4.20%	< 10% regional & rural
Rates, annual and extra charges collectible	6,488				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	14,993	10.26 mths	10.5 mths	6.9 mths	> 3 mths
Payments from cash flow of operating and financing activities	1,461				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	3.18%	12.80%	-19.21%	0.89%	8.26%	-7.80%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	67.03%	68.95%	98.34%	98.41%	87.12%	98.17%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	2.25x	2.07x	No liabilities	No liabilities	No liabilities	No liabilities	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 22a above.

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

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	11.62x	15.62x	0.00x	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	4.75%	3.83%	9.02%	7.44%	8.19%	6.69%	< 10% Regional & Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	10.11	8.23	11.48	36.07	13.25	43.92	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 22a above.

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

END OF AUDITED FINANCIAL STATEMENTS

Uralla Shire Council

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

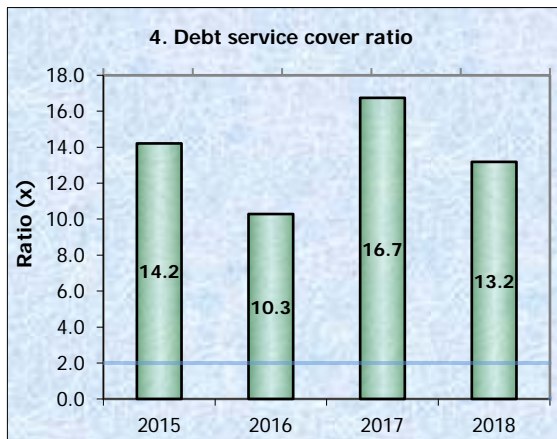
Note 22(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.16%</p> <p>Council has achieved another positive operating performance as a result of increased operating revenue. The performance in 2017 is artificially inflated by the advance payment of the financial assistance grant.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 69.45%</p> <p>Council has maintained a ratio above the benchmark for the past five years reflecting less reliance on other government grants for continuing operations.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.25x</p> <p>This result reflects Council's ability to pay debts from reserves not restricted for other purposes. Council needs to continue to build these reserves to provide future fiscal flexibility.</p>

Uralla Shire Council

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

Note 22(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



Purpose of debt service cover ratio

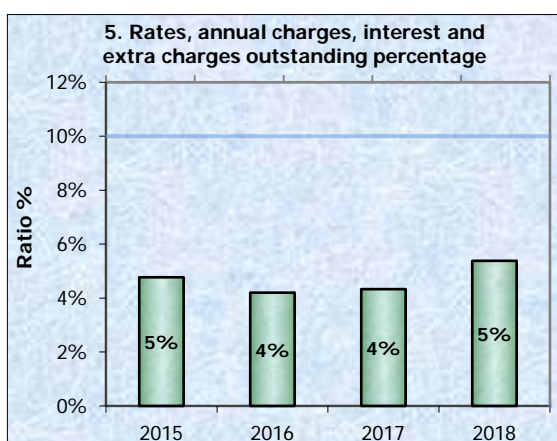
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result

2017/18 ratio 13.18x

The high ratios here reflect Council's decision to fund asset replacement, renewal and expansion without the need to borrow for these activities.

 Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26



Purpose of rates and annual charges outstanding ratio

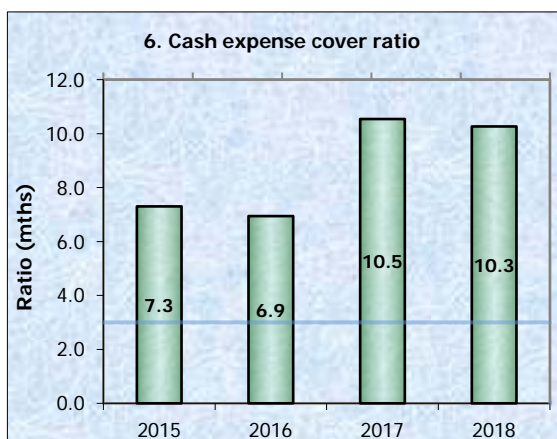
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result

2017/18 ratio 5.38%

Close monitoring of outstanding rates has ensured Council remains within the boundaries of the benchmarking limits. The slight increase this year was a reflection of the late issue of water user charges in June instead of May.

 Ratio is within Benchmark
 Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26



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 2017/18 result

2017/18 ratio 10.26 mths

Council continues to hold sufficient cash to pay for immediate expenses without the need for additional cash inflow.

 Ratio achieves benchmark
 Ratio is outside benchmark

Uralla Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Council information and contact details

Principal place of business:

32 Salisbury Street
Uralla NSW 2358

Contact details

Mailing address:

PO Box 106
Uralla NSW 2358

Opening hours:

Monday - Friday 8.30am to 4.30pm

Telephone: 02 6778 6300

Facsimile: 02 6778 6349

Internet: <http://www.uralla.nsw.gov.au/>

Email: council@uralla.nsw.gov.au

Officers

GENERAL MANAGER

Mr Andrew Hopkins

Elected members

MAYOR

Cr M Pearce

RESPONSIBLE ACCOUNTING OFFICER

Mr Simon Paul

AUDITORS

Audit Office of NSW
Level 15, 1 Margaret Street
Sydney NSW 2000

Other information

ABN: 55 868 272 018

Uralla Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	

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).
-

Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 October 2018.

Cr M Pearce
Mayor

Cr R Crouch
Councillor

Mr Andrew Hopkins
General Manager

Mr Simon Paul
Responsible Accounting Officer

Uralla Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	388	390
User charges	604	536
Interest	66	64
Grants and contributions provided for non-capital purposes	18	16
Other income	7	2
Total income from continuing operations	1,083	1,008
Expenses from continuing operations		
Employee benefits and on-costs	457	430
Materials and contracts	349	288
Depreciation, amortisation and impairment	485	277
Other expenses	—	4
Total expenses from continuing operations	1,291	999
Surplus (deficit) from continuing operations before capital amounts	(208)	9
Surplus (deficit) from continuing operations after capital amounts	(208)	9
Surplus (deficit) from all operations before tax	(208)	9
Less: corporate taxation equivalent (30%) [based on result before capital]	—	(3)
SURPLUS (DEFICIT) AFTER TAX	(208)	6
Plus opening retained profits	8,849	8,840
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	—	3
Closing retained profits	8,641	8,849
Return on capital %	-1.4%	0.0%
Subsidy from Council	592	420
Calculation of dividend payable:		
Surplus (deficit) after tax	(208)	6
Surplus for dividend calculation purposes	—	6
Potential dividend calculated from surplus	—	3

Uralla Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	708	583
User charges	9	10
Interest	54	49
Grants and contributions provided for non-capital purposes	16	12
Total income from continuing operations	787	654
Expenses from continuing operations		
Employee benefits and on-costs	290	278
Materials and contracts	193	213
Depreciation, amortisation and impairment	235	206
Other expenses	4	8
Total expenses from continuing operations	722	705
Surplus (deficit) from continuing operations before capital amounts	65	(51)
Grants and contributions provided for capital purposes	98	–
Surplus (deficit) from continuing operations after capital amounts	163	(51)
Surplus (deficit) from all operations before tax	163	(51)
Less: corporate taxation equivalent (30%) [based on result before capital]	(20)	–
SURPLUS (DEFICIT) AFTER TAX	144	(51)
Plus opening retained profits	5,336	5,387
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	20	–
Closing retained profits	5,499	5,336
Return on capital %	0.7%	-0.6%
Subsidy from Council	170	265
Calculation of dividend payable:		
Surplus (deficit) after tax	144	(51)
Less: capital grants and contributions (excluding developer contributions)	(98)	–
Surplus for dividend calculation purposes	46	–
Potential dividend calculated from surplus	23	–

Uralla Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Private Works		McMaugh Gardens	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
User charges	75	178	930	714
Fees	–	–	8	12
Interest	–	–	57	58
Grants and contributions provided for non-capital purposes	–	–	2,203	2,284
Profit from the sale of assets	–	–	4	–
Other income	–	–	4	22
Total income from continuing operations	75	178	3,206	3,090
Expenses from continuing operations				
Employee benefits and on-costs	12	11	2,105	2,062
Borrowing costs	–	–	11	10
Materials and contracts	27	28	743	821
Depreciation, amortisation and impairment	–	–	169	165
Other expenses	–	–	52	61
Total expenses from continuing operations	39	39	3,080	3,119
Surplus (deficit) from continuing operations before capital amounts	36	139	126	(29)
Surplus (deficit) from continuing operations after capital amounts	36	139	126	(29)
Surplus (deficit) from all operations before tax	36	139	126	(29)
Less: corporate taxation equivalent (30%) [based on result before capital]	(11)	(42)	(38)	–
SURPLUS (DEFICIT) AFTER TAX	25	97	88	(29)
Plus opening retained profits	–	–	2,900	2,929
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	11	42	38	–
Less:				
– Dividend paid	(36)	(139)	–	–
Closing retained profits	–	–	3,026	2,900
Return on capital %	n/a	n/a	3.2%	-0.4%
Subsidy from Council	–	–	–	136

Uralla Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	775	2,170
Investments	1,500	–
Receivables	374	262
Total current assets	2,649	2,432
Non-current assets		
Infrastructure, property, plant and equipment	14,614	18,040
Total non-current assets	14,614	18,040
TOTAL ASSETS	17,263	20,472
LIABILITIES		
TOTAL LIABILITIES	–	–
NET ASSETS	17,263	20,472
EQUITY		
Accumulated surplus	8,641	8,850
Revaluation reserves	8,622	11,622
TOTAL EQUITY	17,263	20,472

Uralla Shire Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	542	1,830
Investments	1,500	–
Receivables	65	44
Total current Assets	2,107	1,874
Non-current assets		
Infrastructure, property, plant and equipment	8,924	8,996
Total non-current assets	8,924	8,996
TOTAL ASSETS	11,031	10,870
LIABILITIES		
TOTAL LIABILITIES	–	–
NET ASSETS	11,031	10,870
EQUITY		
Accumulated surplus	5,499	5,336
Revaluation reserves	5,532	5,534
TOTAL EQUITY	11,031	10,870

Uralla Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Private Works		McMaugh Gardens	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	1,870	2,089
Receivables	–	–	105	–
Total Current Assets	–	–	1,975	2,089
Non-current assets				
Infrastructure, property, plant and equipment	–	–	4,300	4,910
Total non-current assets	–	–	4,300	4,910
TOTAL ASSETS	–	–	6,275	6,999
LIABILITIES				
Current liabilities				
Payables	–	–	2,005	2,354
Total current liabilities	–	–	2,005	2,354
Non-current liabilities				
Payables	–	–	49	54
Total non-current liabilities	–	–	49	54
TOTAL LIABILITIES	–	–	2,054	2,408
NET ASSETS	–	–	4,221	4,591
EQUITY				
Accumulated surplus	–	–	3,026	2,900
Revaluation reserves	–	–	1,195	1,691
TOTAL EQUITY	–	–	4,221	4,591

Uralla Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Uralla Shire Council

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

Note 1. Significant accounting policies

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

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

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

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

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

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) McMaugh Aged Care Centre

Comprising the operations and net assets of the 36 bed aged care facility "McMaugh Gardens Aged Care Centre" in King Street, Uralla.

Uralla Shire Council

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

Note 1. Significant accounting policies (continued)

Category 2

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

(b) Uralla Shire Council Combined Water Supplies

Comprising the operations and net assets of the water supply systems servicing the towns of Uralla and Bundarra, each of which were established as separate Special Rate Funds (see Item 4 Below).

(c) Uralla Local Sewerage Fund

Comprising the operations and net assets of the sewerage reticulation and treatment system servicing the town of Uralla which was established as a Special Rate Fund (see item 4 below).

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with 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.

Uralla Shire Council

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

Note 1. Significant accounting policies (continued)

Income tax

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

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 30%.

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 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

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'.

Uralla Shire Council

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

Note 1. Significant accounting policies (continued)

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 2.63% at 30 June 2018.

(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:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Uralla Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	4,497
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	4,338

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	44,970
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(98,800)

2018 Surplus	(208,000)	2017 Surplus	6,300	2016 Surplus	102,900
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

Uralla Shire Council

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

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,017
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	60.89%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	13,760
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	806
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	15
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-1.88%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Uralla Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	–
(ii)	Number of assessments multiplied by \$3/assessment	4,056
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	–
(iv)	Amounts actually paid for tax equivalents	3,402

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	22,750
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	40,560
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	30,200

2018 Surplus	45,500	2017 Surplus	(51,000)	2016 Surplus	35,700
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	22,750
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	NO
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	733
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	8,201
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	487
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	6
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.13%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	98

**National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)**

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	1,750
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.94%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	21
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-1.13%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Uralla Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	-15.26%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		(263)
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		(120)
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	(151)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	34
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Uralla Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*“...committed to creating a unique environment
which offers an excellent quality of life and
economic opportunities for its people”*



Uralla Shire Council

Special Schedules for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Uralla Shire Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	880	89	–	(791)
Administration	967	167	–	(800)
Public order and safety				
Fire service levy, fire protection, emergency services	224	6	–	(218)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	168	50	–	(118)
Other	–	–	–	–
Total public order and safety	392	56	–	(336)
Health	58	33	–	(25)
Environment				
Noxious plants and insect/vermin control	81	–	–	(81)
Other environmental protection	200	236	–	36
Solid waste management	1,526	1,656	–	130
Street cleaning	50	–	–	(50)
Drainage	68	29	–	(39)
Stormwater management	–	–	–	–
Total environment	1,925	1,921	–	(4)
Community services and education				
Administration and education	(156)	–	–	156
Social protection (welfare)	–	–	–	–
Aged persons and disabled	6,159	6,531	–	372
Children's services	25	1	–	(24)
Total community services and education	6,028	6,532	–	504
Housing and community amenities				
Public cemeteries	53	25	–	(28)
Public conveniences	79	–	–	(79)
Street lighting	57	14	–	(43)
Town planning	264	137	–	(127)
Other community amenities	36	2	–	(34)
Total housing and community amenities	489	178	–	(311)
Water supplies	1,291	1,083	–	(208)
Sewerage services	722	787	98	163

Uralla Shire Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	332	43	—	(289)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	87	44	—	(43)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	39	2	—	(37)
Sporting grounds and venues	96	—	—	(96)
Swimming pools	141	34	—	(107)
Parks and gardens (lakes)	200	2	258	60
Other sport and recreation	—	3	—	3
Total recreation and culture	895	128	258	(509)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	46	—	—	(46)
Other mining, manufacturing and construction	10	—	—	(10)
Total mining, manufacturing and const.	56	—	—	(56)
Transport and communication				
Urban roads (UR) – local	380	—	4	(376)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	935	825	—	(110)
Sealed rural roads (SRR) – regional	1,247	1,248	334	335
Unsealed rural roads (URR) – local	1,826	—	—	(1,826)
Unsealed rural roads (URR) – regional	54	55	—	1
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	436	144	830	538
Bridges on URR – local	—	—	—	—
Bridges on regional roads	75	—	—	(75)
Parking areas	7	—	—	(7)
Footpaths	153	—	—	(153)
Aerodromes	—	—	—	—
Other transport and communication	115	1	28	(86)
Total transport and communication	5,228	2,273	1,196	(1,759)
Economic affairs				
Camping areas and caravan parks	53	45	—	(8)
Other economic affairs	476	122	—	(354)
Total economic affairs	529	167	—	(362)
Totals – functions	19,460	13,414	1,552	(4,494)
General purpose revenues ⁽¹⁾	—	6,390	—	6,390
Share of interests – joint ventures and associates using the equity method	—	—	—	—
NET OPERATING RESULT ⁽²⁾	19,460	19,804	1,552	1,896

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Uralla Shire Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	3,725	3,662
Plus or minus adjustments ⁽²⁾	b	8	9
Notional general income	c = (a + b)	3,733	3,671
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	86	55
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	3,819	3,726
Plus (or minus) last year's carry forward total	l	3	10
Less valuation objections claimed in the previous year	m	—	—
Sub-total	$n = (l + m)$	3	10
Total permissible income	$o = k + n$	3,822	3,736
Less notional general income yield	p	3,821	3,725
Catch-up or (excess) result	$q = o - p$	1	11
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	1	—
Less unused catch-up ⁽⁵⁾	s	—	(8)
Carry forward to next year	$t = q + r - s$	2	3

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.

Uralla Shire Council

Special Schedule 2 – Independent Auditors Report for the year ended 30 June 2019

Report on Special Schedule 2

Insert here signed Independent Auditors Report

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	165	184
b. Engineering and supervision	185	107
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	2	2
b. Maintenance expenses	35	57
– Mains		
c. Operation expenses	–	–
d. Maintenance expenses	118	108
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	3	2
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	4	2
i. Maintenance expenses	10	2
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	103	102
l. Maintenance expenses	181	155
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	370	195
b. Plant and equipment	115	83
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,291	999

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	388	390
b. Usage charges	604	536
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	—	—
8. Extra charges	—	—
9. Interest income	66	64
10. Other income	7	2
10a. Aboriginal Communities Water and Sewerage Program	—	—
11. Grants		
a. Grants for acquisition of assets	—	—
b. Grants for pensioner rebates	18	16
c. Other grants	—	—
12. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
13. Total income	1,083	1,008
14. Gain (or loss) on disposal of assets	—	—
15. Operating result	(208)	9
15a. Operating result (less grants for acquisition of assets)	(208)	9

Uralla Shire Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	9	–
b. New assets for growth	6	4
c. Renewals	–	–
d. Plant and equipment	–	–
17. Repayment of debt	–	–
18. Totals	15	4
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	1,260	1,235
b. Residential (unoccupied, ie. vacant lot)	45	12
c. Non-residential (occupied)	194	195
d. Non-residential (unoccupied, ie. vacant lot)	–	4
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 18,459	\$ 15,772

Uralla Shire Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	2,275	—	2,275
26. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	35	—	35
c. User charges	339	—	339
d. Other	—	—	—
27. Inventories	—	—	—
28. Property, plant and equipment			
a. System assets	—	13,766	13,766
b. Plant and equipment	—	848	848
29. Other assets	—	—	—
30. Total assets	2,649	14,614	17,263
LIABILITIES			
31. Bank overdraft	—	—	—
32. Creditors	—	—	—
33. Borrowings	—	—	—
34. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
35. Total liabilities	—	—	—
36. NET ASSETS COMMITTED	2,649	14,614	17,263
EQUITY			
37. Accumulated surplus			8,641
38. Asset revaluation reserve			8,622
39. Other reserves			—
40. TOTAL EQUITY			17,263
Note to system assets:			
41. Current replacement cost of system assets			28,137
42. Accumulated current cost depreciation of system assets			(14,377)
43. Written down current cost of system assets			13,760

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	94	107
b. Engineering and supervision	50	29
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	42	34
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	–	–
e. Maintenance expenses	30	16
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	51	54
h. Energy costs	–	–
i. Effluent management	–	–
j. Biosolids management	90	122
k. Maintenance expenses	70	87
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	60	51
3. Depreciation expenses		
a. System assets	233	203
b. Plant and equipment	2	2
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	722	705

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	708	583
7. Non-residential charges		
a. Access (including rates)	—	—
b. Usage charges	9	10
8. Trade waste charges		
a. Annual fees	—	—
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	54	49
11. Other income	—	—
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	98	—
b. Grants for pensioner rebates	16	12
c. Other grants	—	—
13. Contributions		
a. Developer charges	—	—
b. Developer provided assets	—	—
c. Other contributions	—	—
14. Total income	885	654
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	163	(51)
16a. Operating result (less grants for acquisition of assets)	65	(51)

Uralla Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	6	40
c. Renewals	–	–
d. Plant and equipment	–	–
18. Repayment of debt	–	–
19. Totals	6	40
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,177	961
b. Residential (unoccupied, ie. vacant lot)	45	62
c. Non-residential (occupied)	130	109
d. Non-residential (unoccupied, ie. vacant lot)	–	2
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 16,764	\$ 11,853

Uralla Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	2,042	—	2,042
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	58	—	58
c. User charges	7	—	7
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	8,357	8,357
b. Plant and equipment	—	567	567
30. Other assets	—	—	—
31. Total assets	2,107	8,924	11,031
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	—	—	—
34. Borrowings	—	—	—
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	—	—	—
37. NET ASSETS COMMITTED	2,107	8,924	11,031
EQUITY			
38. Accumulated surplus			5,499
39. Asset revaluation reserve			5,532
40. Other reserves			—
41. TOTAL EQUITY			11,031
Note to system assets:			
42. Current replacement cost of system assets			13,682
43. Accumulated current cost depreciation of system assets			(5,481)
44. Written down current cost of system assets			8,201

Uralla Shire Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	–	–	1,097	983	13,578	25,660	0%	17%	77%	6%	0%
	Sub-total	–	–	1,097	983	13,578	25,660	0.0%	17.0%	77.0%	6.0%	0.0%
Other structures	Other structures	–	–	–	–	494	1,098	40%	38%	22%	0%	0%
	Sub-total	–	–	–	–	494	1,098	40.0%	38.0%	22.0%	0.0%	0.0%
Roads	Sealed roads	842	1,483	1,020	890	74,156	101,906	40%	15%	31%	12%	2%
	Unsealed roads	–	–	1,055	1,106	5,247	17,565	10%	4%	55%	31%	0%
	Bridges	–	–	65	118	20,515	31,932	31%	61%	8%	0%	0%
	Footpaths	–	–	61	59	1,574	1,889	34%	53%	12%	1%	0%
	Bulk earthworks	–	–	–	–	77,432	77,434	100%	0%	0%	0%	0%
	Sub-total	842	1,483	2,201	2,173	178,924	230,726	56.6%	15.8%	19.1%	7.7%	0.9%
Water supply network	Water supply network	69	138	456	472	13,760	28,137	6%	58%	24%	11%	1%
	Sub-total	69	138	456	472	13,760	28,137	6.0%	58.0%	24.0%	11.0%	1.0%
Sewerage network	Sewerage network	–	–	271	283	8,201	13,681	25%	62%	1%	12%	0%
	Sub-total	–	–	271	283	8,201	13,681	25.0%	62.0%	1.0%	12.0%	0.0%

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	–	–	24	38	1,890	2,480	78%	13%	3%	6%	0%
	Sub-total	–	–	24	38	1,890	2,480	78.0%	13.0%	3.0%	6.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	26	28	155	750	13%	0%	87%	0%	0%
	Other	–	–	49	63	468	877	1%	61%	38%	0%	0%
	Sub-total	–	–	75	92	623	1,627	6.5%	32.9%	60.6%	0.0%	0.0%
	TOTAL – ALL ASSETS	911	1,621	4,124	4,041	217,470	303,409	45.5%	22.1%	23.7%	7.9%	0.8%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	2,246	63.39%	84.42%	96.36%	>= 100%
Depreciation, amortisation and impairment	3,543				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	911	0.42%	0.88%	1.50%	< 2.00%
Net carrying amount of infrastructure assets	217,470				
3. Asset maintenance ratio					
Actual asset maintenance	4,041	97.99%	96.19%	132.26%	> 100%
Required asset maintenance	4,124				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,621	0.53%	0.32%	0.00%	
Gross replacement cost	303,409				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

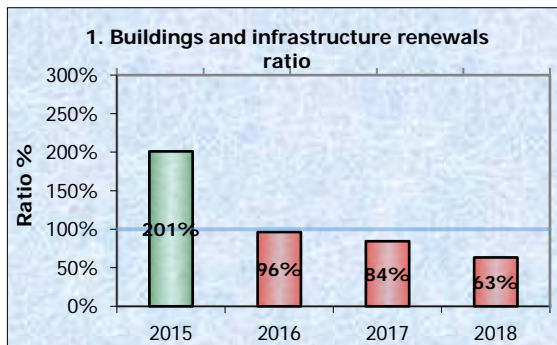
⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

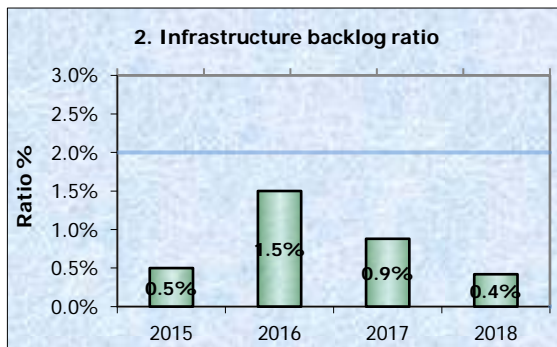
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 63.39%

Council continues to average over 100% renewals in the four year period shown here. If the significant work in progress added this year had been included then the ratio would have been approximately 108%.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

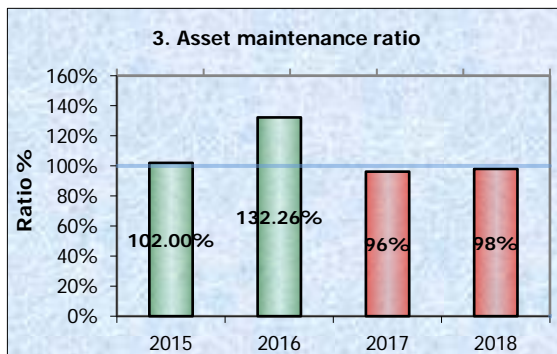
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 0.42%

Based on available information, this ratio shows that Council continues to manage infrastructure in a responsible manner.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

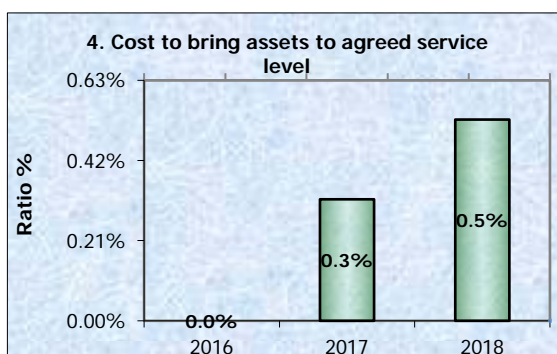
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 97.99%

This ratio only measures actual maintenance against budgeted maintenance. Whilst the ratio may appear adequate, a better ratio would be actual maintenance against required maintenance.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 0.53%

As noted above, this ratio shows that Council continues to manage infrastructure in a responsible manner.

Uralla Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	77.61%	96.53%	3.31%	1.63%	2.69%	19.70%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.43%	0.94%	0.50%	0.98%	0.00%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	96.75%	91.60%	103.52%	109.69%	104.28%	133.76%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.57%	0.33%	0.49%	0.37%	0.00%	0.00%	
Gross replacement cost							

Notes

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

⁽²⁾ Excludes Work In Progress (WIP)

EXTRAODINARY MEETING OF COUNCIL

18 October 2018

END OF BUSINESS PAPER