



# Lockyer Valley Regional Council

Annual Report 2017–2018



REGIONAL COUNCIL

## OVERVIEW OF THE LOCKYER VALLEY

Lockyer Valley is rated among the top ten most fertile farming areas in the world. Affectionately known as the South East Queensland food bowl, this prime agricultural area is laden with features. There are 2,272 square kilometres of rich land that includes the Great Dividing Range, national parks, reserves, creeks, lakes, parks, two nature parks and many waterways and green open spaces.

Council acknowledges the Traditional Owners of the Lockyer Valley region as the Ugarapul People. It has also been identified that the Laidley region was home to the Kitabul People, but little information is known about the family group and their history within Lockyer. Importantly, the region is still home to many Aboriginal and Torres Strait Islander people with 2.9% of the population identifying as Indigenous.

The Lockyer Valley Regional Council estimated resident population for 2017 was 40,189, with a population density of 0.18 persons per hectare. According to the 2016 Census, 5,095 people in the Lockyer Valley hold post school qualifications and 19% of people 15 years and over also volunteer, this is above the State average for giving back to community.

Since 1897, the University of Queensland Gatton Campus has been nestled within the region with staff and students researching or studying agriculture, animals, veterinary science and the environment.

The region is also serviced by twenty-six public and private schools, twenty-one early childhood education services, two hospitals and over forty-five community run organisations. There are also over 3,085 businesses operating out of the Lockyer Valley.

One of our biggest future challenges is managing the expected population and residential growth predicated for the region. It is projected that by 2031 approximately 57,225 people will call the Lockyer Valley home which will require a significant increase in dwellings to accommodate the growth.

Gatton has been identified as the principal rural activity centre in the region for future growth in the business, retail and commercial, government and health sectors. Laidley and Plainland will grow to provide local services to supplement the role of Gatton.

## ACHIEVING THE OUTCOMES OF THE COMMUNITY PLAN 2017-2027

*'Lockyer – Our Valley, Our Vision' Community Plan 2017-2027* details the community's vision to the year 2027. The Community Plan establishes outcomes for the Lockyer Valley community that guides the priority actions which are to be undertaken by a wide range of stakeholders including Council. The outcomes identified in the Community Plan along with its themes form the basis for the development of the Council's Corporate Plan 2017-2022. This Annual Report, is the first to report on the progress Council has made in achieving the identified outcomes of the Corporate Plan 2017-2022 and the Community Plan 2017-2027.

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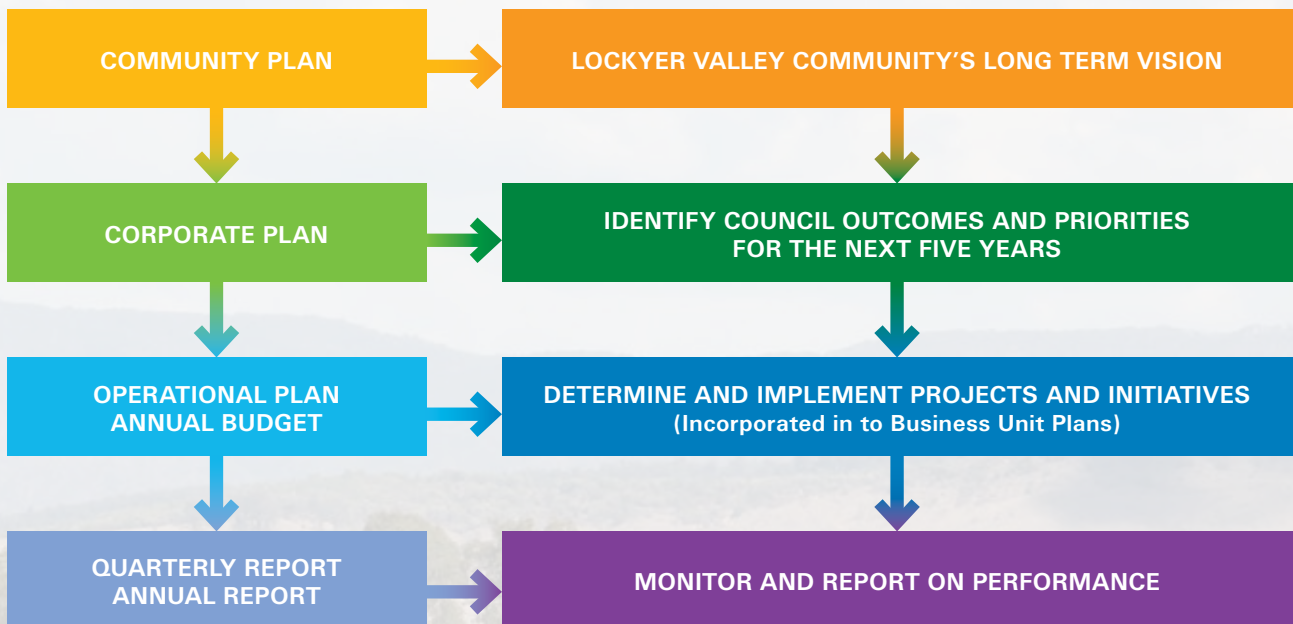
# INTRODUCTION

This Annual Report, for the financial year 1 July 2017 to 30 June 2018, describes Lockyer Valley Regional Council's achievements in providing services to the Lockyer Valley community. It displays Council's progress in delivering the actions in our Corporate and Operational Plans, along with statutory reporting requirements, providing a culmination of Council's regular reports to the community and stakeholders. Council's 2017-2022 Corporate Plan provides the focus and direction for Council over the twelve month period from 1 July 2017 to 30 June 2018.

The Annual Report provides the community with operational and financial information about Council's performance against the outcomes and service delivery commitments set out in the Corporate and Operational Plans which were developed in response to the Lockyer Valley Community Plan 2017-2027.

## COUNCIL'S STRATEGIC PLANNING FRAMEWORK

The diagram below represents the strategic planning framework used by Council:



# VISION, MISSION AND VALUES

## VISION

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We will deliver sustainable services to enhance the liveability of our community while embracing our economic, cultural and natural diversity.

## MISSION

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Lead, engage and empower.

## OUR VALUES

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Values form the basis of our culture. They add meaning to work and they provide a basis for consistent planning and decision making across the organisation. The desired values and behaviours that every employee of Lockyer Valley Regional Council is expected to demonstrate in their daily activities, in the way they behave and in the way they make decisions are:

### LEADERSHIP

We lead through excellence and partner with the community to achieve Council's vision and mission.

### ACCOUNTABILITY

We accept ownership of our role and take responsibility for our actions. We are results focused, take pride in our successes and efforts and learn from our mistakes.

### INTEGRITY

We strive to be valued and trusted by the Lockyer Valley community. We are respectful, open, transparent and honest in our dealings with the community. At all times we act in the best interests of the community.

### COMMUNICATION

We embrace diversity and communicate openly and honestly. We listen actively, consider and value the views of others. Our communication is clear, concise and consistent.

### CUSTOMER FOCUS

We strive to engage and communicate with our internal and external customers to meet agreed outcomes. We identify and aim to meet the needs of all customers in a responsive and equitable manner.

### TEAMWORK AND COLLABORATION

We value creative thinking and look for opportunities to collaborate and connect to deliver a better Lockyer Valley. We work together by recognising and sharing our talents, skills, experience and knowledge.

# MESSAGE FROM THE MAYOR

## FINANCIAL POSITION

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I am very pleased to be able to announce that Council has again achieved a genuine operational surplus building on our strong financial position.

It gives me an enormous sense of pride to see how well this current team of Councillors have worked together to deliver what I believe are the building blocks for our future by adopting a back to basics approach.

We were able to achieve an operational surplus of more than \$3 million which is a real credit for an organisation this size.

We continue to carefully monitor our spending and have paid down an additional \$5 million in loan repayments and plan to continue paying down our debt going forward.

Our Ten Year Financial Plan sees Council in a strong financial position forecasting continued surpluses and accelerated debt repayment, all of which put Council in a good position to be able to weather any unforeseen economic stresses such as natural disasters.

## PARTNERSHIPS AND HONEST CONVERSATIONS

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Part of our success in being able to deliver on our promise of financial sustainability has been through our commitment to being open and transparent and having honest conversations.

It's the same approach which has seen a number of major milestones achieved for our great region.

As an organisation we were able to secure a developer to construct a \$20 million backpacker country retreat that is now operational and which provides not only a real country lifestyle experience, but also safe and affordable accommodation for the regions transient workforce.

We have had meaningful discussions with the new Chief Executive Officer of Inland Rail about the implications the project will have on the Lockyer Valley. As a Council we acknowledge the project is of national significance but there is no doubt it will also come at a cost for our region.

Being able to have an honest relationship with the Inland Rail Chief Executive Officer allows us to address our concerns and ensure they are taken seriously.

We have partnered with key stakeholders and established the Lockyer Valley and Somerset Water Collaborative that is fighting for the long term water security for our region.

Through the Collaborative we have been able to secure a \$1.4 million grant to develop a business case that will look at options to protect our water supply for generations to come for both industry and residential sectors.

We have managed to get a regional hospital on the State Government's ten year projects list that will see the facility fully constructed and operational within the next decade.

This is a major achievement for Council which will no doubt see an increase in health services being offered within the region.

We continue to partner with our neighbouring councils and work with key stakeholder groups such as the Council of Mayors to ensure as a region our voice is being heard and considered on the big stage.

## ACKNOWLEDGEMENTS

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I would like to take this opportunity to thank the Chief Executive Officer, Mr Ian Church and my fellow Councillors for their staunch commitment throughout the year.

Together we have made some tough decisions to further secure the region's financial future and have continued to build on our strong relationships throughout the community by having genuine, honest and engaging conversations with stakeholders and residents.

We have played a part in developing a positive culture within the organisation and increased our customer service focus and enhanced our connected council culture which ensures everything we do as an organisation is for the betterment of the region.

The saying you are only as strong as the people you have working for you is very true and I would like to offer my genuine and heartfelt thank you to our leadership team and staff for the incredible work they do within the community every day in helping us achieve our organisational and operational goals.



**Councillor Tanya Milligan**  
(Mayor)

Community and Council  
Development

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The 2017-18 Annual Report represents a milestone as it is reporting on the first full year of operation of Council's 2017-2022 Corporate Plan.

We achieved many great things during the 2017-18 financial year. I am very proud of the commitment of Lockyer Valley Regional Council staff to our community and every achievement highlighted in this Annual Report represents a contribution by our staff towards achieving Council's vision for the region and the organisation.

## OUR CUSTOMERS AND COMMUNITY

We continued with our in depth "Voice of the Customer" surveys with another four undertaken on different areas of Council's operations during the year. The feedback received has been turned into recommendations for improving our focus on customers and the efficiency with which we do business.

A number of staff were dedicated to working on drafting the new Lockyer Valley Planning Scheme to replace the outdated Laidley and Gatton Schemes. The Scheme will ensure that development in our region, whether a simple boundary change or a major commercial project, is able to be completed effectively and efficiently.

## OUR STAFF

We continued to focus on improving the skills and capability of our staff to enable them to deliver on Council's priorities. This included improving our communication and engagement with staff on important matters and implementing a comprehensive leadership development program for all managers, supervisors and coordinators.

We have very successfully implemented an initiative called "Connected Council". This cross Council initiative addresses the issues raised by staff in response to the 2017 Employee Opinion Survey, including building trust among staff, using customer feedback to improve what we do, cooperating across work areas and building a positive culture. This initiative is an integral part of building our values based culture.

Enterprise Bargaining negotiations were commenced and substantially completed during the 2017-18 year for both the Field and Officers Certified Agreements. The negotiations were undertaken in an atmosphere of good faith and cooperation, which resulted in benefits for all parties to each agreement. The Field Agreement was successfully put to a staff vote on 17 May 2018.

## OUR COMMITMENT TO GOOD GOVERNANCE

Council has always been committed to a strong governance framework and ensuring that risks to the organisation are recognised and managed. This commitment was demonstrated through renewed focus on Council's Audit and Risk Management Committee.

The outstanding internal audit recommendations reduced by 35% during the year and the Committee undertook a comprehensive self-evaluation process resulting in improvements to its operation. Risk Statements for all areas of Council's operations continued to be developed with staff for inclusion in a comprehensive Corporate Risk Register.

## OUR FINANCIAL FUTURE

2017-18 saw a continued emphasis on laying the foundations for a strong long term financial future, with the achievement of a genuine operating surplus, positive financial sustainability ratios for the current year and next 10 years, and a significant reduction in overall debt with an additional \$5 million one off repayment.

Council continued its focus on efficiently managing assets with the emphasis on renewing existing assets rather than building new. As an example of the focus on asset renewals, Council resealed 16kms of bitumen roads and refurbished over 29kms of gravel roads during the year.

In yet another important milestone, Council adopted the 2018-19 budget on 5 June 2018. This was only possible due to the great team effort between Councillors and staff and the strong commitment to achieve this goal by all parties.

I thank the Mayor, Tanya Milligan, and Councillors for the leadership and vision that you provide to the Lockyer Valley Regional Council. With your support we are developing an organisation focused on providing outstanding service to our community. I also thank the committed staff of Council who dedicate themselves to improving the liveability of this region for our residents, both present and future.



**Ian Church**  
Chief Executive Officer

# LOCKYER VALLEY REGIONAL COUNCIL HIGHLIGHTS 2017-18

## 2205

NEW MEMBERS JOINED  
THE LOCKYER VALLEY  
LIBRARIES IN 2017-18



## 9332

ATTENDEES AT 806  
EVENTS HOSTED/  
HELD AT LOCKYER  
VALLEY LIBRARIES



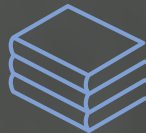
## 145,181

PEOPLE VISITED THE LOCKYER  
VALLEY LIBRARIES DURING  
2017-18 (INCREASE OF 15,000  
FROM 2016-17)



## 130,104

ITEMS WERE LOANED FROM  
LOCKYER VALLEY LIBRARIES  
(INCREASE OF 4970  
COMPARED TO 2016-17)



## 7,495

DOGS WERE  
REGISTERED IN THE  
REGION IN 2017-18



## \$30K

IS THE VALUE OF THE  
HERBICIDE SUBSIDY PROVIDED  
TO LANDHOLDERS TO TREAT  
RESTRICTED MATTER WEED



## 302

NEW DWELLINGS  
BUILT IN 2017-18



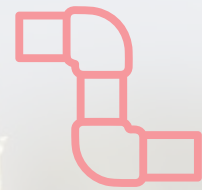
## 179

BUILDING APPLICATIONS  
COMPLETED BY LVRC  
DURING 2017-18



## 403

PLUMBING APPLICATIONS  
COMPLETED BY LVRC  
DURING 2017-18



ESTIMATED CONSTRUCTION  
COSTS OF BUILDINGS  
CONSTRUCTED WITHIN THE  
REGION FOR THE 2017-18  
FINANCIAL YEAR



## \$86m | \$36m

DOMESTIC

COMMERCIAL

## 79

LOTS APPROVED FOR  
SUBDIVISION IN 2017-18



## 16,425ha

IS THE NUMBER OF  
HECTARES OF THE  
LOCKYER VALLEY  
WITHIN THE LAND FOR  
WILDLIFE PROGRAM





# 14,915

KERBSIDE RESIDENTIAL PROPERTIES SERVICED AND 604 KERBSIDE COMMERCIAL PROPERTIES SERVICED



# \$3.18m

OPERATING SURPLUS ACHIEVED, AND BACK TO BACK SURPLUS WITH PREVIOUS FINANCIAL YEAR



# \$17.66m

DELIVERING CAPITAL WORKS PROJECTS ON ROADS, DRAINAGE AND BRIDGE INFRASTRUCTURE, COUNCIL BUILDINGS AND FACILITIES, PLANT AND EQUIPMENT, WASTE MANAGEMENT, PARKS AND IT SYSTEMS



# 1,500km

OF ROAD MAINTAINED THROUGHOUT THE REGION



LANDFILL WASTE DIVERTED TO RECYCLING:

# 2501 TONNES



OF WASTE CONCRETE WAS DIVERTED FROM LANDFILL, THIS MATERIAL WAS CRUSHED FOR OPERATIONAL USE ON ROADS AND DRAINAGE. THE SUCCESSFUL CRUSHING PROGRAM PROVIDED 2104 TONNES OF ROAD BASE AND 397 TONNES OF RUBBLE FOR DRAINAGE MATERIAL.

# 43.8 TONNES

ELECTRONIC WASTE



# 100.84 TONNES

AGRICULTURE TRICKLE TAP



# 797

TYRES



# 187ha

OF PARKS, GARDENS, RESERVES AND PROPERTIES WERE MOWED AND MAINTAINED



# 33,015

WAS THE NUMBER OF CALLS RECEIVED IN CALL CENTRE DURING 2017-18



# 394

IS THE NUMBER OF CUSTOMER REQUESTS MADE ONLINE



# 14,453

IS THE NUMBER OF CUSTOMER REQUESTS RAISED DURING 2017-18



# OUR COUNCILLORS AND THEIR PORTFOLIOS

Lockyer Valley Regional Council, comprising the Mayor and six Councillors, is the elected body responsible for the good governance of Lockyer Valley Regional Council. Councillors have a legal obligation requiring members to represent the current and future interests of Lockyer Valley residents. They are democratically elected and accountable to their communities for the decisions they make and the services they provide. Their role also includes other responsibilities such as providing high quality leadership to the community, participating in Council meetings; developing policy and making decisions

that are in the interests of the whole community.

The Mayor and Councillors are bound by a Code of Conduct, which is their public commitment to open, accountable and ethical standards of behaviour. The community also plays an important role in contributing to good democratic governance by participating in Council elections, being actively involved in community engagement programs and providing feedback on current issues and the services provided.

Each Councillor was responsible for a portfolio which aligned with their interests and strengths.



**Councillor Jason Cook**  
(Deputy Mayor)  
Sport and Recreation,  
Community Facilities;  
Health and Waste  
Management; Animal  
Management



**Councillor Chris Wilson**  
Business Systems and  
Processes; Corporate  
Plans and Performance;  
Finance; Information,  
Communication and  
Technology



**Councillor  
Janice Holstein**  
Roads and Drainage;  
Parks and Gardens;  
Transport and Active  
Transport; Asset  
Management; Disaster  
Management



**Councillor  
Kathy McLean**  
Planning and Building  
Services; Planning  
Scheme; Townships  
and Villages, Cultural  
Heritage and  
Streetscape; Regional  
Planning

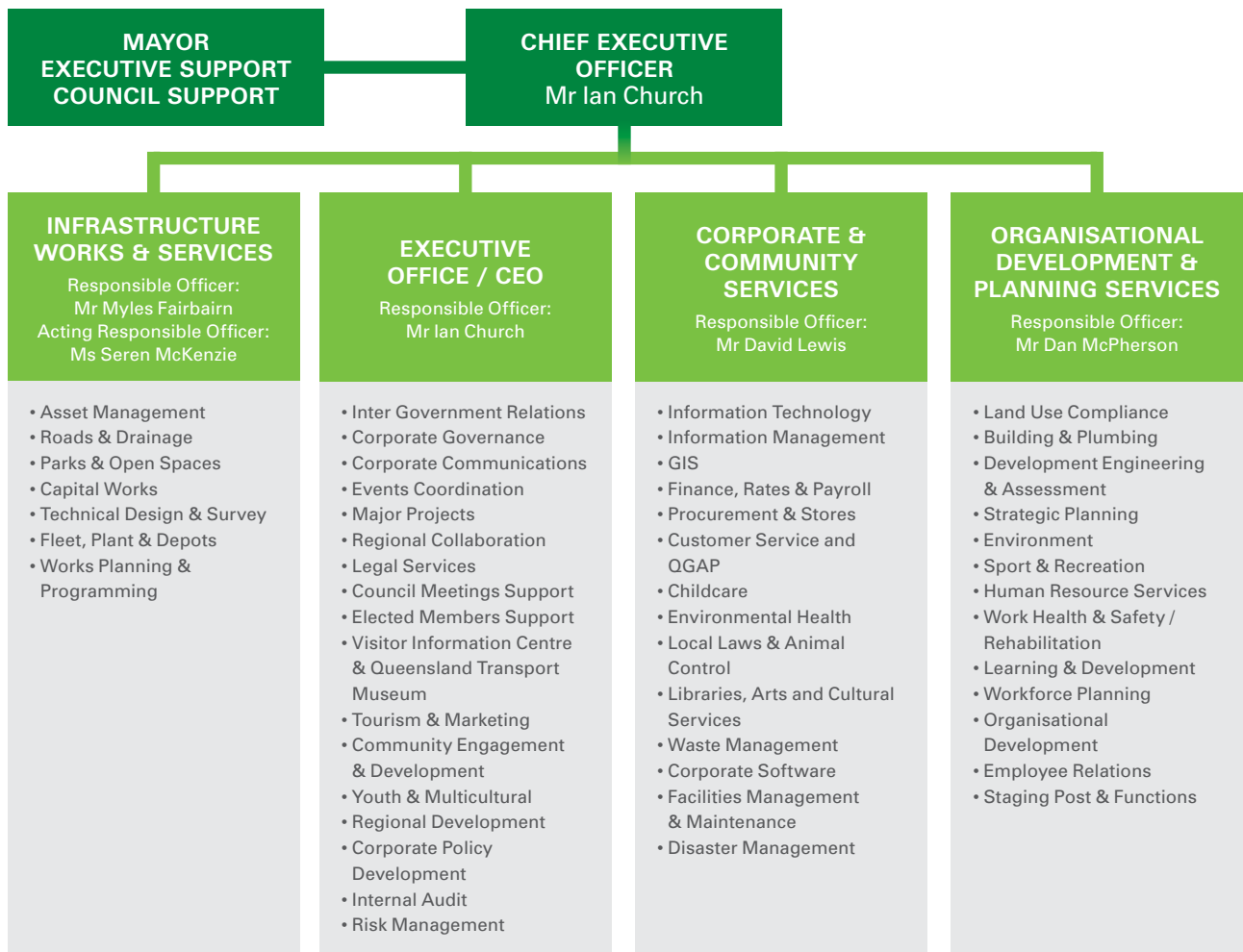


**Councillor Jim McDonald/Councillor Rick Vela**  
Environmental Management; Weed/Pest Management;  
Waterways; Natural Resource Management



**Councillor  
Michael Hagan**  
Arts and Culture;  
Youth and Disability/  
Multicultural; Public  
Safety; Customer  
Service; Community  
Services

# ORGANISATIONAL STRUCTURE



## EXECUTIVE LEADERSHIP TEAM



**Dan McPherson**  
Executive Manager  
Organisational  
Development and  
Planning Services



**David Lewis**  
Executive Manager  
Corporate and  
Community Services



**Myles Fairbairn**  
Executive Manager  
Infrastructure Works  
and Services



**Seren McKenzie**  
Acting Executive  
Manager Infrastructure  
Works and Services

# OUR EMPLOYEES

## EMPLOYEE SATISFACTION

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In February 2017, all Council employees were provided with the opportunity to participate in an employee opinion survey. This survey obtained information from the employees around leadership interactions with staff, communication and decision making within Council, work conditions, sense of belonging, job satisfaction and cross council interactions. The survey was well supported by staff and provided valuable feedback to improve processes across Council.

The first phase of the strategy for improvement in response to the outcomes of the survey is defined in the following themes:

- Aligning our effort across Council
- Developing and promoting our service standards and enhancing our levels of service
- Using leadership roles to help everyone succeed at work
- Using effective communication within Council and with our stakeholders.

**During 2017-18, the following key initiatives were put in place to address the abovementioned themes:**

## CONNECTED COUNCIL PROGRESS GROUP

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The Connected Council Progress Group (Whole of Council Issues) was formed to respond to issues identified in the 2017 employee opinion survey. The group comprises of members from all Groups of Council to ensure an equitable representation. Each member of the Progress Group has been assigned a 'patch' of employees within the organisation to liaise with. One of the members' most important jobs is to share information with staff, listen to what they have to say, and feed their views back to the Progress Group. The work of the Progress Group has been moving quickly with a number of initiatives already actioned to improve communication across Council.

## LEADERSHIP DEVELOPMENT PROGRAM

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The Program's goals are to promote improved leadership practices to all levels of leaders across the Council in the pursuit of boosting leadership capability, enhancing employee engagement and to support our leaders and teams to better deliver the positive outcomes and services to our community.

## SAFETY AND WELLBEING

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Council's Safety Management Plan guides Council's development as we strive to embed health and safety as everyone's responsibility and as a priority in all that we do. A main objective of the current Safety Management Plan has been to recognise Council's responsibilities for the contractors engaged by Council. As Council engages contractors from a wide range of industries, contractor safety management has been a key focus to ensure safety standards and expectations are being achieved.

Council safety performance and safety systems are externally audited, with audit results reflecting continuous improvement. Senior council staff continue to demonstrate safety leadership through the completion of Monthly Action Plans (MAPs), which drive Council's goal to achieve a workplace free from injury. Council continue to conduct regular inspections to identify potential hazards and implement controls to ensure the safety of workers, volunteers, and visitors to Council facilities.

As a significant amount of the operational work Council performs involves plant and fleet, Council's Safety Team have partnered with other business units to prepare for the changing implications of the National Heavy Vehicle Legislation and associated "Chain of Responsibility". This preparedness will ensure operators of Council fleet are able to do so safely and council vehicles are maintained and operated in a manner which meets all national road safety requirements.

Council's safety data management system allows accurate reporting of incidents and hazards, near miss incidents, identifying emerging safety issues and incident trends.

Council's Wellbeing Committee continues to promote a healthy workplace supporting employee's engagement in initiatives such as yoga, fun runs, healthy snack options, flu vaccination programs and continuing awareness of the importance of maintaining sound mental health and general wellbeing. The Wellbeing Committee coordinated and promoted a skin check initiative where 124 skin checks were performed resulting in 54 suspect or changing skin biopsies performed with more than 15 melanomas detected.



## EMPLOYEES AT A GLANCE

The following table identifies the number of staff employed by Council at 30 June 2018 excluding vacant positions. The total approved employee organisational structure is 329.00 Full Time Equivalent (FTE) positions.

| EMPLOYMENT TYPE                | FTE NUMBERS AS AT 30 JUNE 2018 |
|--------------------------------|--------------------------------|
| Permanent                      | 248.05                         |
| Fixed Term                     | 30.57                          |
| Contract                       | 23.00                          |
| Casual (based on hours worked) | 20.97                          |
| <b>TOTAL</b>                   | <b>322.58</b>                  |

| EMPLOYEE TYPE | NUMBER        |
|---------------|---------------|
| Full Time     | 280.00        |
| Part Time     | 21.61         |
| Casual        | 20.97         |
| <b>TOTAL</b>  | <b>322.58</b> |

| GENDER BALANCE                    | FEMALE        | MALE          |
|-----------------------------------|---------------|---------------|
| Executive/senior management group | 0.16          | 3.84          |
| Elected representatives           | 3             | 4             |
| <b>TOTAL EMPLOYEES</b>            | <b>133.65</b> | <b>188.93</b> |

## EXECUTIVE LEADERSHIP TEAM

The total remuneration packages for senior executives includes base salary, vehicle allowance and superannuation for 2017-18 was \$1,020,264.00.

| REMUNERATION RANGE    | NUMBER OF EXECUTIVE LEADERSHIP TEAM PAID |
|-----------------------|--|
| \$100,000 - \$200,000 | 0  |
| \$200,000 - \$300,000 | 4  |

# COMMUNITY FINANCIAL REPORT

## WHAT IS A COMMUNITY FINANCIAL REPORT?

The Community Financial Report is a simplified version of Council's official Financial Statements (page 40).

As Financial Statements are often difficult for people, other than accountants, to understand, the Community Financial report simplifies the Statements so that everyone can get a better understanding of Council's financial position.

Each report in Council's Financial Statements provides information on a specific aspect of our performance and collectively provides a detailed profile on the financial performance and health of Council.

Council's Financial Statements consist of the following five key elements:

The **Statement of Comprehensive Income** measures how Council performed in relation to income and expenses during the financial year. This statement illustrates how money received from Council operations is spent.

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

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

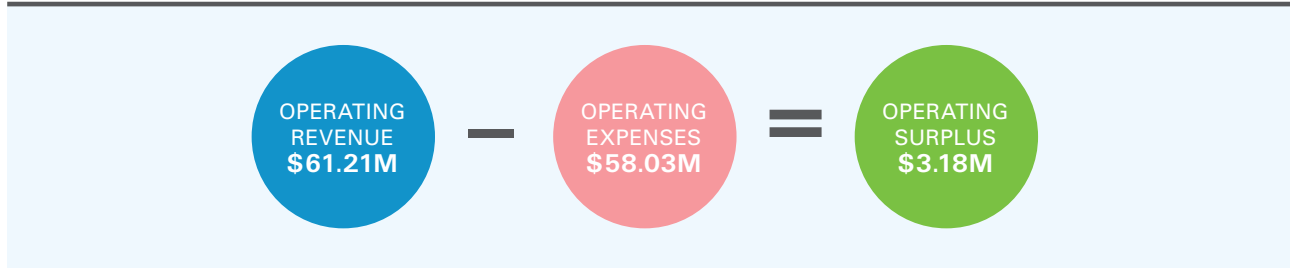
The **Statement of Cash Flows** outlines how much cash was received and spent throughout the year and whether or not Council is spending more than it is receiving. The closing balance reflects how much cash Council had at year end.

The **Notes to the Financial Statements** provide a more detailed breakdown of the information contained in the individual statements.

# SUMMARY OF KEY RESULTS

During the 2017-18 financial year, Lockyer Valley Regional Council continued to deliver its program of services to the community while building a base for improved financial sustainability. Following on from the success of the 2016-17 financial year, the results for the current year once again include the achievement of an operating surplus, completion of a significant capital works program, and an additional repayment on Council's debt.

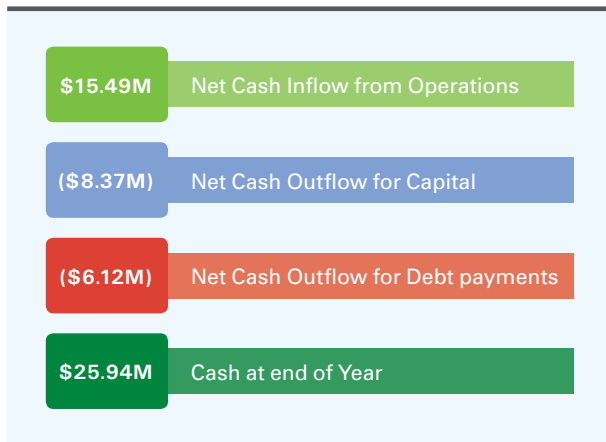
## 2018 OPERATING RESULT



## 2018 FINANCIAL POSITION



## CASH FLOWS 2018



## FINANCIAL SUSTAINABILITY RATIOS

| Operating Surplus | Financial Liabilities | Asset Sustainability |
|-------------------|-----------------------|----------------------|
| 5.20%             | 52.94%                | 97.53%               |
| Target 0 - 10%    | Target < 60%          | Target > 90%         |

These results can be highlighted through the following:

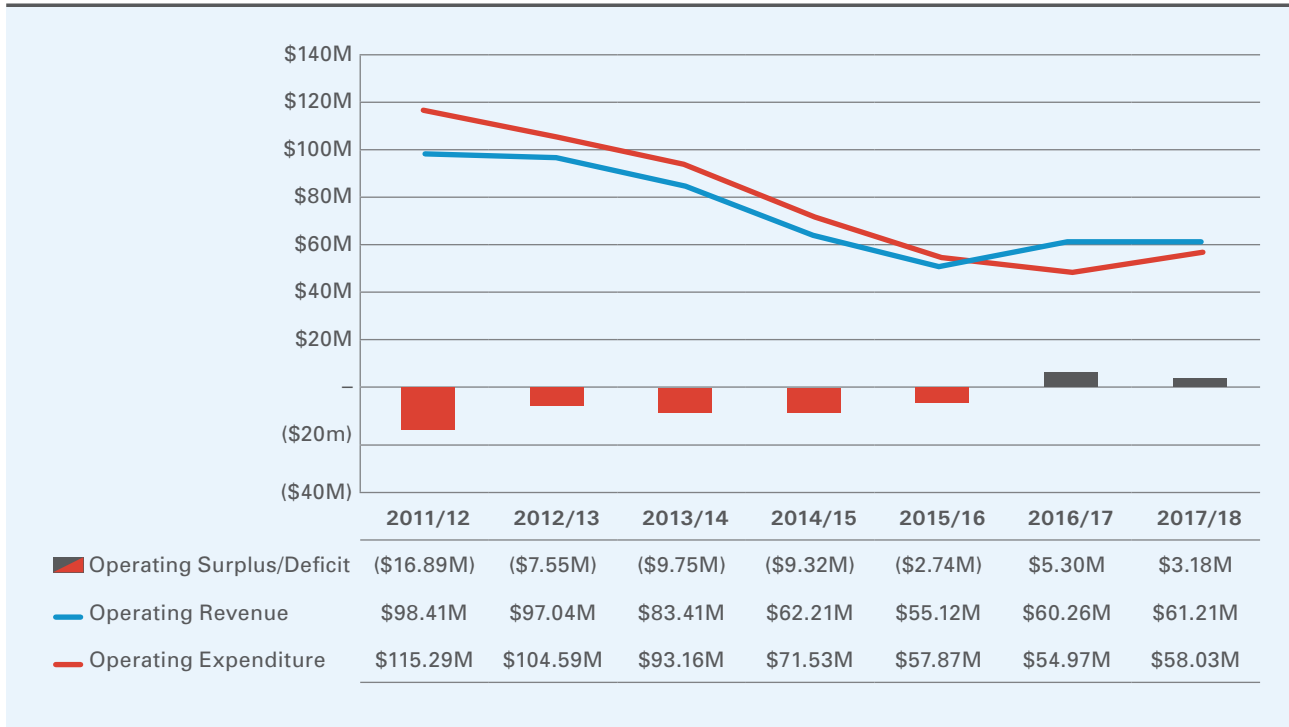
- Achievement of an operating surplus for the second consecutive year.
- Continued increases in fees and charges revenue driven through higher levels of both domestic and commercial development.
- Significant operational expenditures:
  - \$20.26 million on roads, drains, bridges, and associated transport infrastructure.
  - \$11.18 million on community facilities, libraries and parks.
  - \$6.75 million on health, waste and regulatory services.

- Completion of \$17.66 million in capital works including \$11.57 million on roads, drains and bridge infrastructure, \$2.26 million on plant and other equipment, \$1.33 million on parks and other facilities, with the remainder spent on waste management and IT systems.
- An additional loan repayment of \$5.00 million to reduce Council's debt levels and save on long term interest costs.
- Maintenance of adequate cash balances to provide flexibility in the future.

# STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income measures how Council performed in relation to income and expenses during the financial year. This statement illustrates how money received from Council operations is spent.

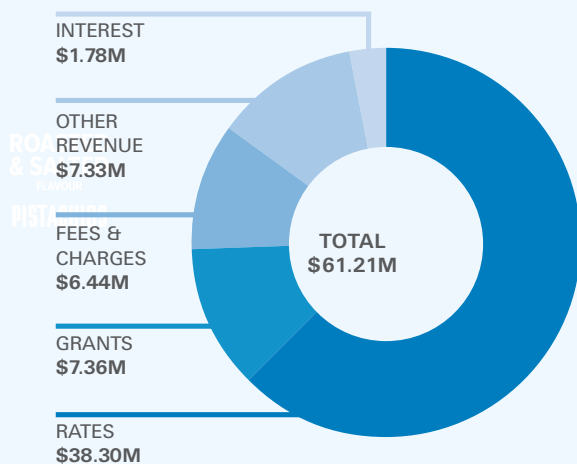
## COMPARATIVE TREND ANALYSIS



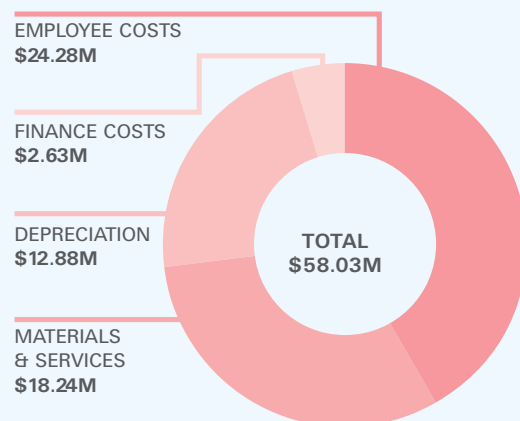
For the 2017-18 financial year, Council had budgeted for an operating surplus of \$1.60 million, and careful monitoring of expenditures during the year combined with additional planning and development fees has delivered a higher than expected surplus of \$3.18 million.

The achievement of the second operating surplus in a row indicates that the long-term sustainability of the organisation is continuing to improve. It shows that Council's commitment to operating within its means is being followed through, providing flexibility for its future operations and an improved ability to withstand unexpected financial shocks.

## 2018 OPERATING REVENUE



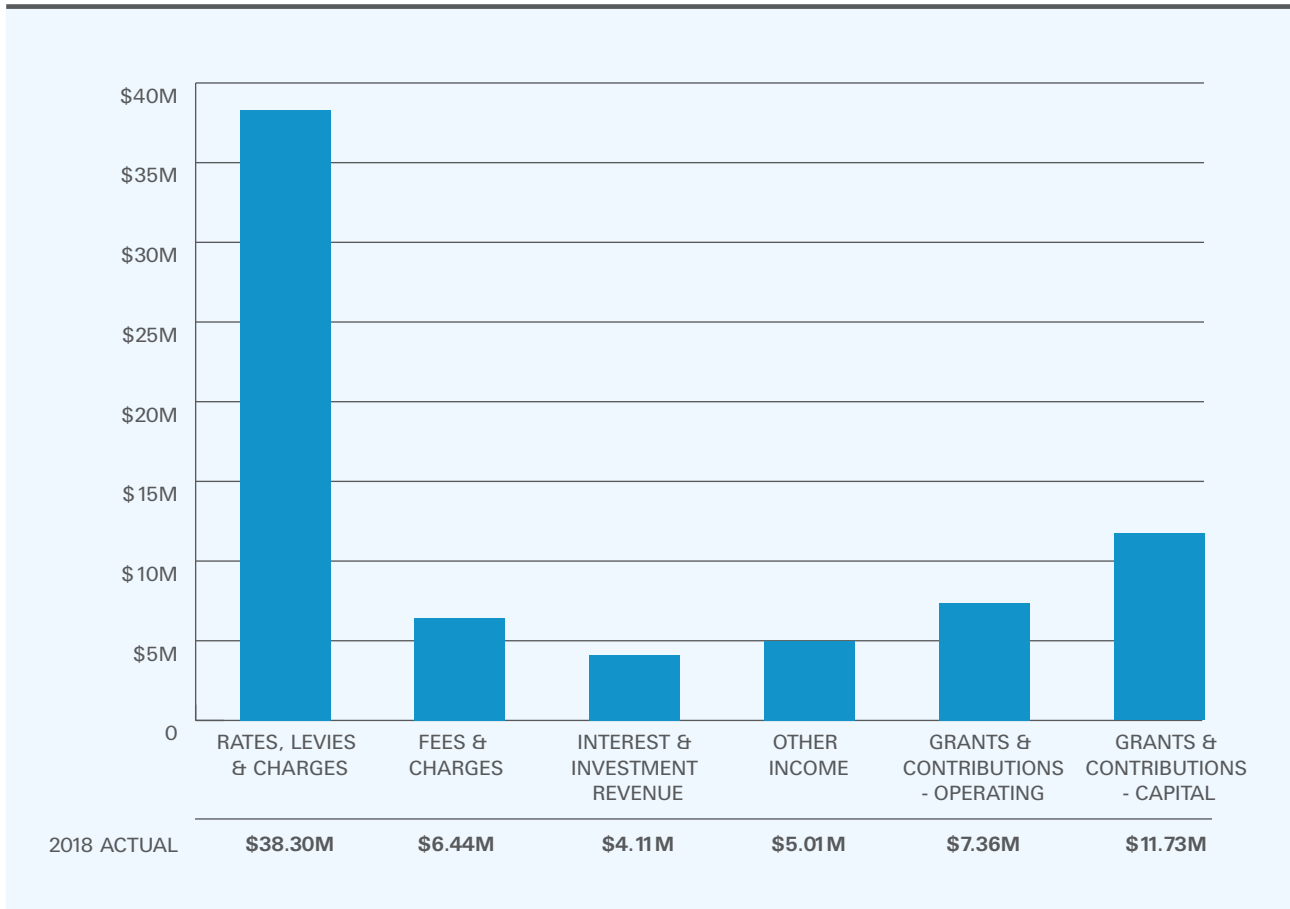
## 2018 OPERATING EXPENSES





# REVENUE SOURCES – WHERE DOES THE MONEY COME FROM?

## REVENUE

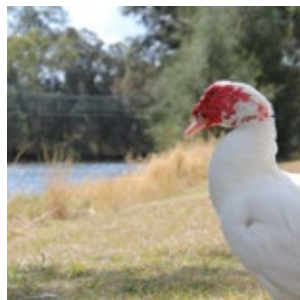


For the 2017-18 financial year, Council received \$61.21 million in operating revenue and \$11.73 million in capital revenue.

While revenue from rates and charges is the main source of income, fees and charges revenues continue to exceed budgeted expectations. This has mainly been driven by the development within the region, and improvements in the level of user fees and charges, including animal registrations. The investment in Queensland Urban Utilities (QUU) continues to provide strong returns with Council’s share of profit

supplemented by interest on the shareholder loan and payments for income tax equivalents required under National Competition Policy.

Capital revenues include grants and subsidies from the State and Federal Governments for the construction of assets as well as the value of assets contributed to Council from developers in the form of road works, stormwater drainage, and park equipment. For 2017-18 the contributed assets totaled \$6.22 million.



## EXPENDITURE – WHERE DOES THE MONEY GO?

Council incurs both operating and capital expenditure in the provision of services to our local community. In addition to the operating expenses of \$58.03 million, there was an additional \$3.90 million capital costs incurred through the disposal of various assets which are no longer in service.

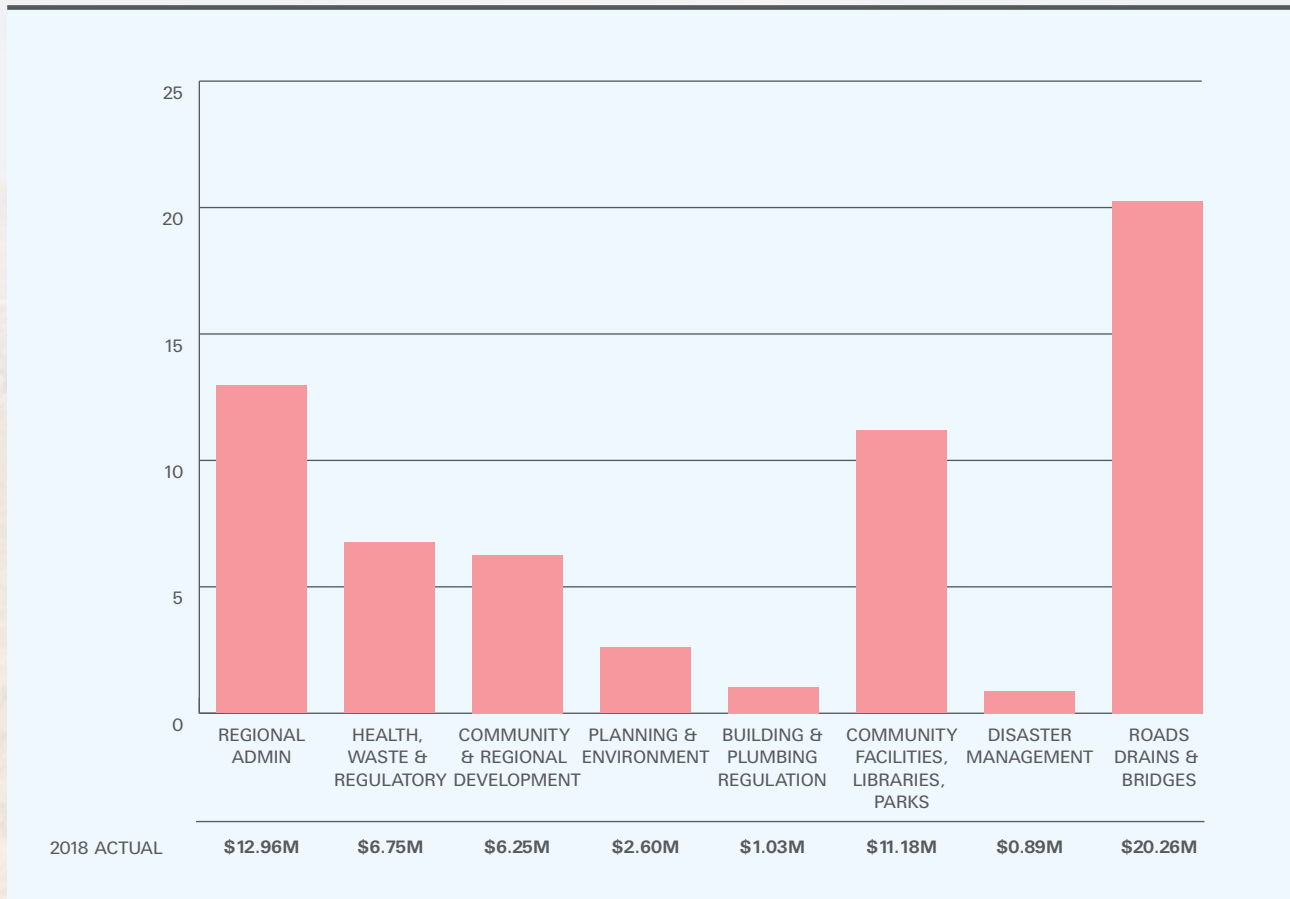
During the 2017-18 financial year, total operational expenditure increased by \$3.06 million or 5.57 per cent on the prior year. Employee costs have increased as a result of planned increases in staffing levels in key areas such as Planning, Local Laws, and Plumbing and Building Regulation to improve service delivery. Materials and services have increased due to one-off election costs,

business assistance waivers, expert consultants in relation to the Toowoomba Second Range Crossing and flood mitigation studies, and increased maintenance on roads and facilities.

Depreciation continues to be a significant cost and is constantly under review through the asset revaluation process.

The largest category of Council's operational expenditure is on roads, drains, and bridges which accounts for thirty-three per cent of the total expenditure. A further eighteen per cent is spent on maintaining community facilities, buildings, parks and libraries.

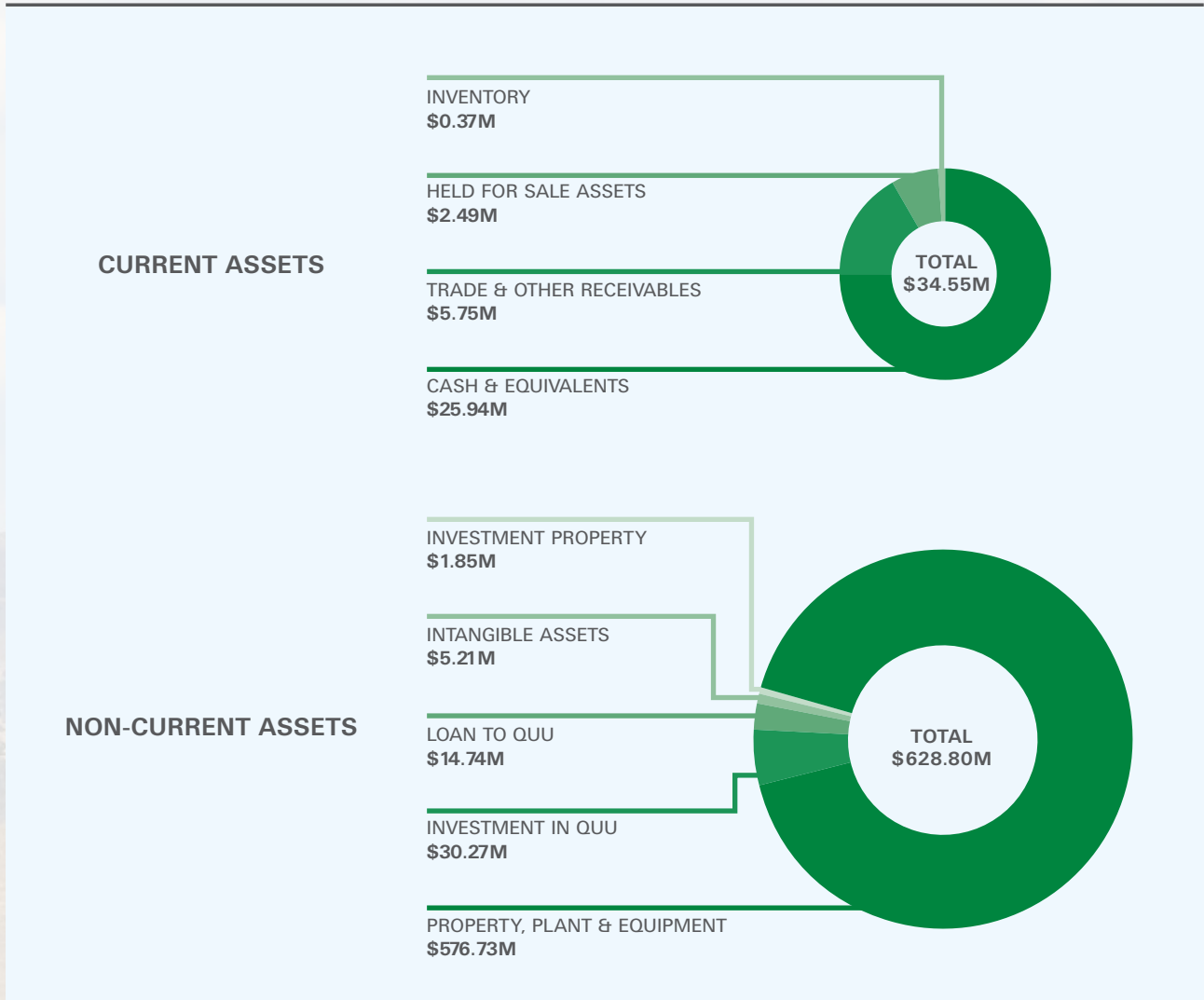
### EXPENSES BY SERVICE



# STATEMENT OF FINANCIAL POSITION

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

## ASSETS – WHAT WE OWN



Council's total cash and investments decreased by \$1.30 million with reduced operating and capital cash outflows offsetting the additional loan repayment made in June 2018. Council's cash balance at the end of 2018 was \$25.94 million (2017 \$27.24 million). Other current assets have increased through a higher level of rates debtors due to transfers of charges against the land and the timing of the contract recoverable works.

Non-current assets have remained on par with the previous year with asset additions offsetting the decrease in value resulting of the revaluation of Council's buildings. This revaluation is in accordance with the Facilities Service Management Plan which has identified that certain buildings are reaching the end of their useful life and therefore will not be replaced; this means that they have no replacement value. The value

of infrastructure assets has also decreased in line with their condition assessments and normal wear and tear.

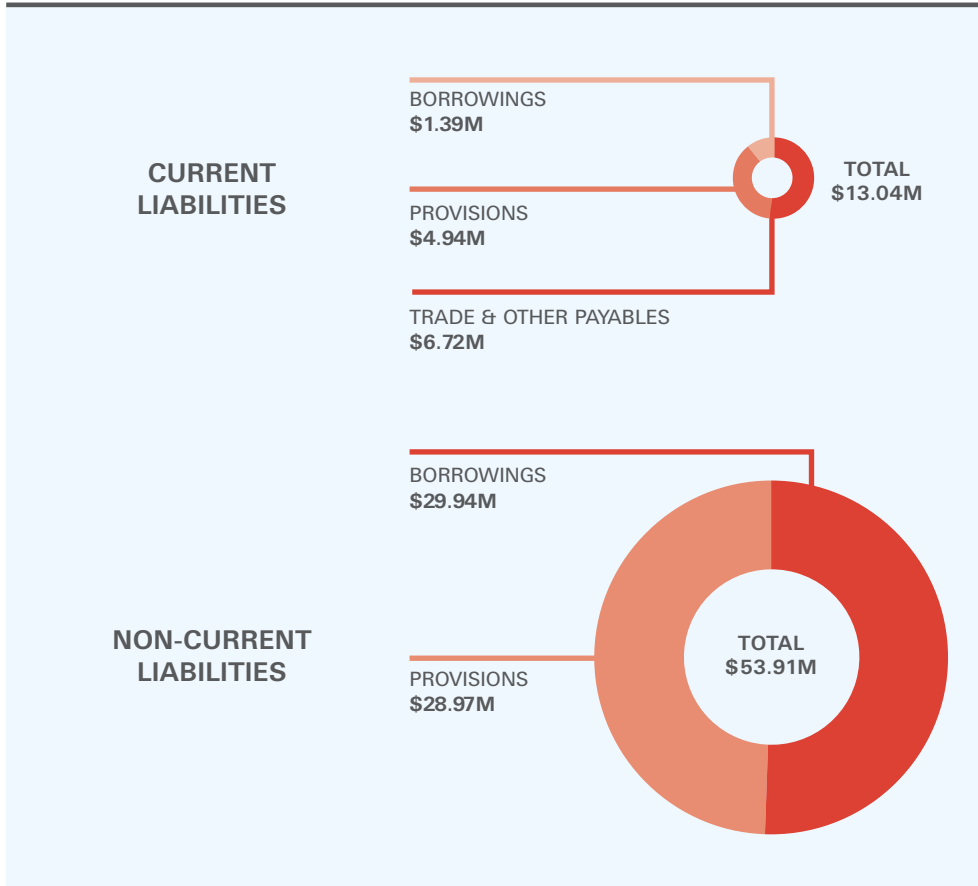
Assets relating to Council's Waste Management function were reviewed and valued at fair value for the first time requiring them to be transferred from Other Assets to their own asset category. These assets include transfer station infrastructure such as weighbridges, bins, internal roadworks, retaining walls, and fencing.

For the 2017-18 financial year, Council completed \$17.66 million in capital works with a further \$6.22 million in developer contributed assets. Works in progress at year end totaled \$5.96 million. The level of completed works was around 88% of the budgeted amount and was mostly renewal works in accordance with Council's Service Management Plans.

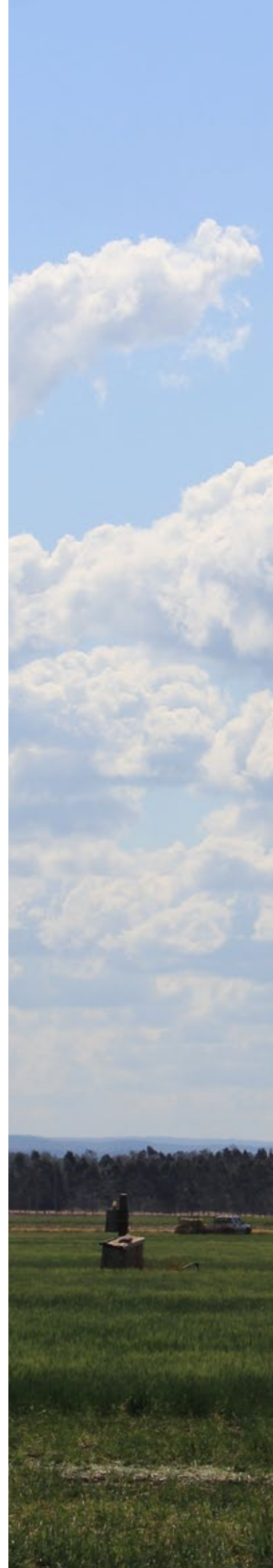
## LIABILITIES – WHAT WE OWE

During the 2017-18 financial year, our liabilities decreased by a net amount of \$4.91 million or 6.84 per cent mainly due to an additional loan repayment and adjustments to Council's provisions. Trade and other payables and provisions have remained relatively stable compared to the previous year with a small increase in payables due to the timing of a large one-off payment.

### LIABILITIES – WHAT WE OWE



Council's largest liability is now the provisions for the rehabilitation of land fill and quarry sites across the region in accordance with environmental requirements. These provisions are generated to recognise the estimated future costs of restoring and maintaining Council's quarries and landfills throughout the region and are reviewed and adjusted annually.



## OUR DEBT

Like most other Local Governments throughout Australia, Lockyer Valley Regional Council utilises loan borrowing to fund the construction of new infrastructure to service the needs of our growing community.

Council's debt policy is based on sound financial management practices with borrowings restricted as follows:

- Council will not utilise loan funds to finance operational activities
- Council will endeavour to fund all capital renewal works from operating cash flows and borrow only for new or upgrade projects.

During 2017-18 Council did not borrow any new funds and made repayments of \$6.12 million which included a one-off additional payment of \$5.00 million.

At 30 June 2018 the amount of debt was 4.50 per cent of Council's total assets.

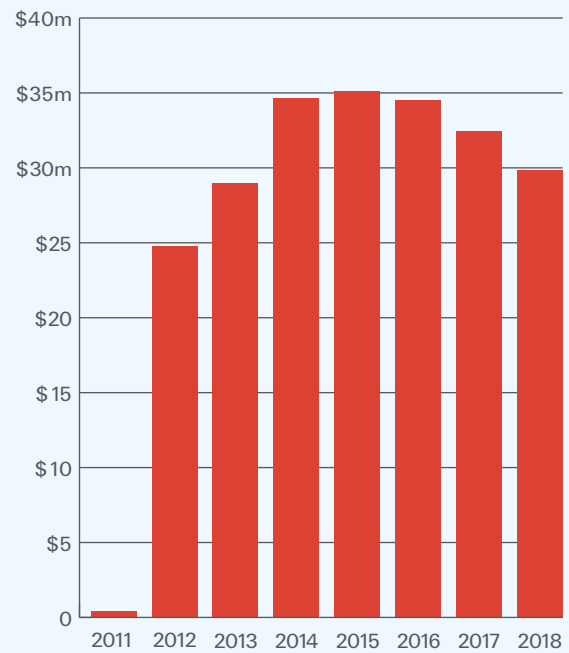
## STATEMENT OF CHANGES IN EQUITY

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

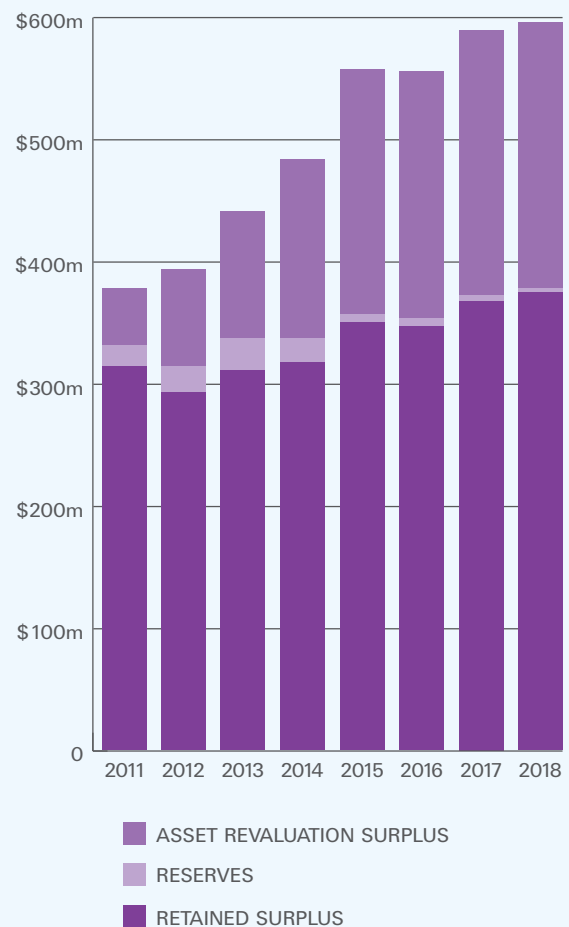
In the 2017-18 financial year, our net worth increased by \$5.22 million or 0.88 per cent with the main contributors being decreases of \$5.79 million in our asset revaluation surplus, being offset by the net result for the year of \$11.01 million. The decrease in the asset revaluation surplus is due to the revaluation of various assets identified in the above section on Assets.

At the end of the year Council's equity balance is \$596.40 million.

## COMPARATIVE DEBT LEVELS



## COMPARATIVE EQUITY BALANCES



# STATEMENT OF CASH FLOWS

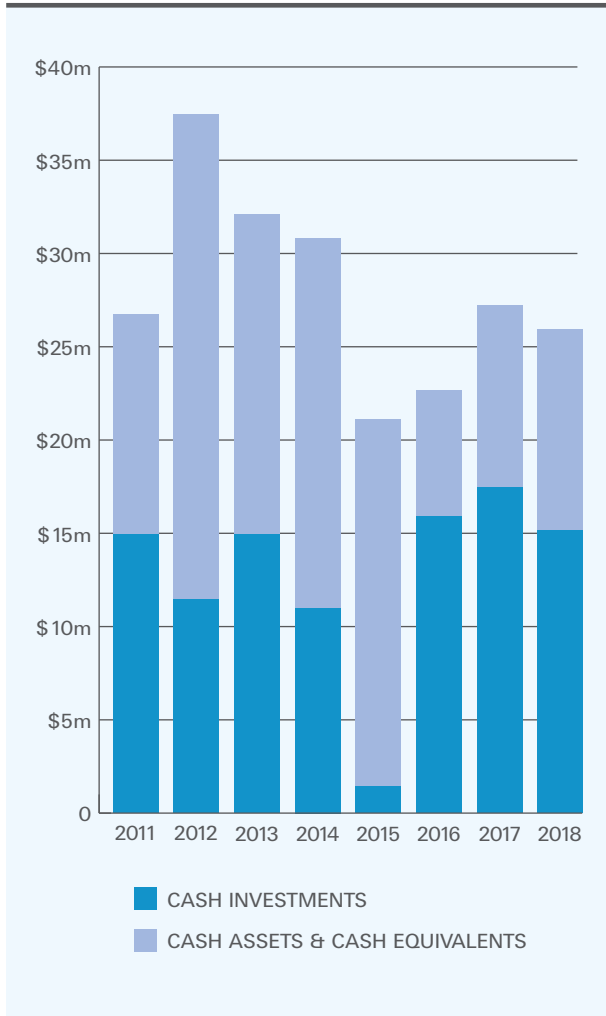
This statement outlines how we received and spent cash throughout the year. The closing balance reflects how much cash Council had at year end.

Council generated a net amount of \$15.49 million from its operating activities which relates to payments received from customers, investment revenues including interest, and non-capital grants and contributions, less the payments to employees and suppliers, and interest on Council’s loans.

In conjunction with the proceeds of the disposal of assets, capital grants, and other investment distributions, the cash generated from operating activities was used in the purchase of assets such as property, plant and equipment, and principal repayments off Council’s debt.

At 30 June 2018, Council’s total cash balance was \$25.94 million which, taking in to account Council’s cash investments was a net decrease in cash of \$1.30 million during the 2017-18 financial year.

## COMPARATIVE CASH BALANCES



## FINANCIAL SUSTAINABILITY RATIOS

Section 178(1) of the *Local Government Regulation 2012*, requires Council to calculate and disclose financial sustainability indicators. The ratios and targets are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Racing and Multicultural Affairs.

Council's performance as at 30 June 2018 against these measures is shown in the following table.

| RATIO                                  | EXPLANATION  | CALCULATION  | TARGET             | 2018   | TARGET MET | COMMENT   |
|--|--|--|--------------------|--------|------------|---|
| <b>Operating surplus ratio</b>         | Measures the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.    | Operating Surplus (Net result excluding all capital items) divided by total operating revenue (excluding capital items). | Between 0% and 10% | 5.20%  | ✓          | This ratio is within the target range as operating revenues have exceeded operating expenditures. Higher than expected planning and development fees, and lower than expected expenditures on wages and salaries have contributed to the result.  |
| <b>Asset sustainability ratio</b>      | This ratio reflects the extent to which infrastructure assets managed by Council are being replaced as they reach the end of their useful lives. | Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.                             | >90%               | 97.53% | ✓          | This ratio is over the target amount due to a focus on renewal capital works and Council's commitment to the Asset Service Management Plans.  |
| <b>Net financial liabilities ratio</b> | Measures the extent to which net financial liabilities of Council can be repaid from operating revenue.  | Total liabilities less current assets divided by total operating revenue.  | < 60%              | 52.94% | ✓          | This ratio has remained within the target range due to an increase in revenues from planning and development fees, and other income sources. Cash generated through operations has maintained Council's bank balance while liabilities have been reduced through the repayment of debt. |

The long term financial forecast shows surpluses for upcoming ten years as well as significant improvements in the net financial liabilities ratio. The forecast for the Asset Sustainability Ratio are derived from the adopted Service Management Plans for each asset class. While the forecast shows that there will be years when the ratio is lower than the target level, the average ratio over the life of the forecast meets the threshold set by the Department.

## CONCLUSION

The results for the 2017-18 financial year show that Council has continued to deliver on its promise to achieve operating surpluses and further improve its financial position. The high level of completed capital works and a clear focus on renewing existing assets is further evidence of Council's determination to achieve a financially sustainable future.

# DELIVERING THE OPERATIONAL PLAN 2017-18

## LOCKYER COMMUNITY

Our healthy community welcomes the spirited diversity found within our region. Times of hardship highlight our resilience. Our high standards support our quality of life and vibrancy while providing a dynamic and safe place full of opportunity. We strive to build on who we are and all that our region has to offer by connecting business, the community and government.

### CORPORATE PLAN 2017-2022 OUTCOMES

### 2017-18 PERFORMANCE

#### 1.1 A community with fair and reasonable access to services

- Provided child care facilities in the region
- A new Community Directory was developed for the community to access online information on health and other community services available in the region. 274 locally based services are currently advertised in the Directory
- One grant writing workshop was conducted for the community to increase skills in grant writing and governance practices

#### 1.2 Council optimises the use of its open spaces and facilities by improving access to and the quality of the facilities for individuals and groups for cultural, recreational and community activities

- Commenced a review of Council's Public Parks Strategy enabling development of an investment plan for the regions parks and gardens
- Determined levels of service for the provision of mowing, slashing and maintenance of the region's parks.
- Implemented 80% of the recommendations identified in the Council Library Services Review to provide more sustainable services to the region
- Implemented self-service hardware in the Libraries enabling visitors to check in and out borrowing independently
- Conducted activities and events for all ages at the region's Libraries

#### 1.3 Enhanced wellbeing and safety of the community

- Upgraded Council's waterRIDE software program (used to manage Council's floodplains) with additional functionality
- Installed a flood camera in Laidley
- Installed the Thornton rain/river/flood camera which was commissioned by the Bureau of Meteorology
- Annual food establishment inspection program was completed and all annual food licences renewed with 10 new food establishment licences issued
- Annual dog survey was conducted with an increase in the overall number of dogs registered in the region and a decrease in infringements issued as a result of program.
- Participation in school-based AVA Petpep programs
- 403 plumbing applications and 179 building applications were completed during the year
- Compliance work was conducted on swimming pools within the region





#### CORPORATE PLAN 2017-2022 OUTCOMES

#### 2017-18 PERFORMANCE

**1.4 Council seeks to understand community needs, resulting in partnerships that realise long-term benefits for the community in a timely manner.**

- Masterplans developed for Springbrook Park, Ropehill Sports Ground and Laidley Recreation Reserve
- Two rounds of funding provided \$79,927.63 in grants for community groups
- School holiday programs conducted in conjunction with the regions schools and Anglicare for local youth included scooter workshops, high ropes course and movie nights throughout the region
- A masterplan was developed for the region's skate parks

**1.5 Events and activities that bring together and support greater connectivity in the community**

- Council conducted and assisted with 57 events in the Region included Gatton CBD Mural Launch and Artist Tour, the Queens Baton Relay Community Event, Laidley Spring Festival, Australia Day and Seniors Week Festivities
- Successful delivery of NAIDOC week celebrations and Multicultural Festival in partnership with the community

**1.6 The community's preparedness for disasters is improved through community education, training and strong partnerships between Council and other agencies**

- Council participated in multi-agency disaster exercise conducted in Gatton, hosted by the Queensland Police Service
- Community engagement activities were conducted throughout the region in relation to disaster preparedness
- Engagement activity conducted with Laidley businesses to provide input into the Business Resilience project.
- Annual training of Local Disaster Coordination Centre staff and Local Disaster Management Group members conducted

## LOCKYER BUSINESS FARMING AND LIVELIHOOD

**Lockyer Business:** Our business community is a thriving and inclusive network where it is easy to do business. We create opportunities and encourage innovation that inspires business confidence and collaborative partnerships.

**Lockyer Farming:** As custodians we manage our water and land assets to ensure our farming future. We pride ourselves on our innovation and clean, green reputation. We work together to support our farmers of current and future generations.

**Lockyer Livelihood:** We are a community where lifelong learning opportunities exist. Our quality education facilities are highly regarded and provide diverse career pathways. We look to develop skills and generate job opportunities for all.

| CORPORATE PLAN 2017-2022 OUTCOMES   | 2017-18 PERFORMANCE   |
|---|---|
| <p><b>2.1 Encourage opportunities for the Lockyer Valley to drive economic and community outcomes</b></p>                           | <ul style="list-style-type: none"> <li>• Information and guidance on economic development in the region was provided to 138 individuals, businesses and developers</li> <li>• A water collaborative steering group was formed to advocate for improved water security for the region</li> <li>• A technical working group was formed to advocate for the region's interest in respect to the Inland Rail Project</li> </ul> |
| <p><b>2.2 Maximise opportunities through engagement and partnership with stakeholders to achieve a strong resilient economy</b></p> | <ul style="list-style-type: none"> <li>• Council hosted and participated in forums, meetings and networking opportunities with the region's business and industry groups including Lockyer Growers Group, Lockyer Chamber of Commerce and Lockyer Valley Tourism</li> </ul>   |
| <p><b>2.3 Promote and market the Lockyer Valley as a destination for commerce, tourism and lifestyle</b></p>                        | <ul style="list-style-type: none"> <li>• The region was marketed as a destination through active displays at Regional Flavours and the Brisbane Exhibition events</li> <li>• A new tourism destination guide was developed and distributed</li> <li>• The Lockyer Valley was marketed on the SEQ Food Trail website hosted by Council of Mayors (South East Queensland)</li> </ul>  |
| <p><b>2.4 Attract and support education and employment opportunities for the community</b></p>                                      | <ul style="list-style-type: none"> <li>• Council co-facilitated nine Bringing Employers Students Together (BEST) meetings</li> <li>• Opportunities were provided for students to undertake work experience with Council through the GenR8 Program</li> </ul>  |
| <p><b>2.5 Foster a flexible, supportive and inclusive business environment</b></p>  | <ul style="list-style-type: none"> <li>• 75% occupancy of the Laidley Business Incubator was maintained in 2017-18</li> </ul>   |

# LOCKYER NATURE

Our natural assets are valued and protected to sustain our unique rural lifestyle.

## CORPORATE PLAN 2017-2022 OUTCOMES

## 2017-18 PERFORMANCE

**3.1 Lockyer Valley's natural assets are managed, maintained and protected**

- Council commenced implementing initiatives of the Lockyer Catchment Action Plan including identifying strategic revegetation options for the Lockyer Creek and improving the community resilience in the Tenthill Creek Catchment
- Council commenced development of the Natural Resource Management Plan, Biosecurity Plan and the Flying Fox Roost Management Plan

**3.2 Council's policies and plans support environmentally sustainable development**

- The Lockyer Valley Planning Scheme development commenced including an environmental overlay that which provides a mechanism for the protection of vegetation across the region

**3.3 Community and private landholders' stewardship of natural assets increases**

- Initiatives of the Land for Wildlife program were delivered including visits to current properties and new properties signed up for the program. Workshops and other information sessions were conducted with landholders.
- Council successfully delivered the environment and pest programs throughout the region

**3.4 Locals and visitors experience our natural assets**

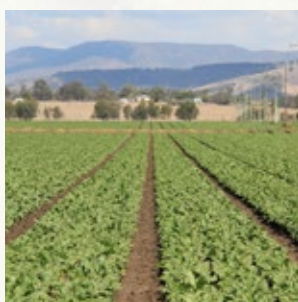
- Scoping work commenced on the development of an eco- tourism promotional video for the region.

**3.5 Council and the community actively reduce waste, recycle and reuse more**

- Waste and recycling services were delivered throughout the region
- A review of the region's Waste Reduction and Recycling Plan commenced
- 95% of the waste management capital works program was completed

**3.6 Council and the community actively reduce consumption of non-renewable resources**

- Outcomes of the energy audits conducted on Council's major facilities commenced including the installation of sub metering and monitoring devices and the installation of solar panels to the Lockyer Valley Cultural Centre



# LOCKYER PLANNED

We have unique, well connected communities. We have places and spaces that bring together people. Local services match the needs of the community. Our built infrastructure is designed and constructed to enable access for all.

| CORPORATE PLAN 2017-2022 OUTCOMES  | 2017-18 PERFORMANCE   |
|--|---|
| <p><b>4.1 Growth and development in the region is sustainably managed through the adoption and implementation of the Lockyer Valley Planning Scheme</b></p>            | <ul style="list-style-type: none"> <li>• Drafting of the Lockyer Valley Planning Scheme commenced</li> </ul>  |
| <p><b>4.2 Provision of fit-for-purpose infrastructure which meets the current and future needs of the region</b></p>   | <ul style="list-style-type: none"> <li>• The service management plan for Council’s cemeteries was adopted by Council</li> <li>• The service management plan for parks and gardens was implemented</li> <li>• The service management plans for plant and fleet and roads and drainage were reviewed and adopted by Council</li> <li>• Council’s road maintenance program was delivered within the allocated budget</li> <li>• More than 90% of the identified roads and drainage capital works program was delivered within the allocated budget</li> <li>• 100% of the externally funded TIDS program was completed</li> <li>• Stormwater catchment modelling, planning and design for Gatton sub-catchments was completed</li> <li>• The Lockyer Valley Local Government Infrastructure Plan was developed and adopted by Council</li> </ul> |
| <p><b>4.3 A development assessment process that delivers quality development that is consistent with legislation, best practice and community expectations</b></p>     | <ul style="list-style-type: none"> <li>• Improvements were made to the assessment timeframes and customer engagement of development applications received to Council</li> <li>• All development applications received were assessed within statutory timeframes</li> <li>• Initiatives of the development assessment improvement plan were achieved</li> </ul>  |
| <p><b>4.4 Regional collaboration and targeted advocacy that drives external funding, for timely delivery of key infrastructure and enhanced community outcomes</b></p> | <ul style="list-style-type: none"> <li>• Advocacy work was undertaken to minimise the construction impacts of the Toowoomba Second Range Crossing</li> </ul>  |
| <p><b>4.5 An integrated approach to the planning of all communities that strengthens local identity and lifestyle</b></p>  | <ul style="list-style-type: none"> <li>• Funding was received for new CCTV to be installed in Laidley CBD at Das Neumann Haus</li> <li>• New bollards were installed at Laidley Recreation Reserve to improve pedestrian access to the Reserve</li> </ul>   |

# LOCKYER LEADERSHIP AND COUNCIL

**Lockyer Leadership:** Our leaders are visionary and seek coordinated outcomes for the benefit of the whole community.

**Lockyer Council:** A well-managed, transparent and accountable organisation that gives the community confidence, demonstrates financial sustainability, where customers are satisfied with our services and our employees are proud to work.

| CORPORATE PLAN 2017-2022 OUTCOMES   | 2017-18 PERFORMANCE  |
|---|--|
| <p><b>5.1 Undertake robust and accountable financial, resource and infrastructure planning and management to ensure affordable and sustainable outcomes for our community</b></p> | <ul style="list-style-type: none"> <li>• A review was conducted into Council's funding and cash management processes in consultation with Queensland Treasury Corporation</li> <li>• An additional repayment of \$5 million on Council's debt was made in June 2018 and a review of Council's Debt Policy allows for further repayments if the opportunity is available</li> <li>• Monthly reporting was provided to Council on its financial position</li> <li>• Reviews of business operations were conducted into Council's child care centres, Staging Post Café and Lake Dyer Camping and Caravan Ground</li> <li>• Inspections were conducted on Council's roads, drainage, parks, gardens and cemetery assets to identify defects</li> <li>• All plant and fleet items schedule for replacement were replaced</li> <li>• A utilisation review of Council's plant and fleet commenced</li> <li>• The annual financial statements and external audit were completed in required timeframes</li> </ul> |
| <p><b>5.2 Excellence in customer service to our community</b></p>   | <ul style="list-style-type: none"> <li>• 77.02% of calls were responded to at first point of contact</li> <li>• Abandoned calls were 3.44 % (target &lt;15%)</li> <li>• Key outcomes of the Customer Service Strategy were delivered including Voice of the Customer projects</li> </ul>   |
| <p><b>5.3 Actively engage with the community to inform council decision making processes</b></p>  | <ul style="list-style-type: none"> <li>• Engagement advice and support in response to Council needs was provided through active internal engagement with staff responsible for delivering key projects in the community</li> </ul>   |
| <p><b>5.4 Commit to open and accountable governance to ensure community confidence and trust in council and our democratic values</b></p>   | <ul style="list-style-type: none"> <li>• Annual program of meetings including all council meetings, tours and workshop conducted</li> <li>• Commenced a comprehensive review of all policies, procedures and strategies to assess alignment with the outcomes of the Corporate Plan 2017-2022 and to assist with the development of a policy framework for future strategy development</li> <li>• A review of Council's performance reporting framework to align with the new Corporate Plan 2017-2022 was conducted including the development of a business unit plan template and business unit plans for five business units</li> </ul>   |
| <p><b>5.5 Promote a values based culture that appreciates and empowers its workforce</b></p>  | <ul style="list-style-type: none"> <li>• The Connected Council working group was established to work on common whole of organisation issues and address outcomes of the employee opinion survey</li> <li>• Commenced development of new enterprise bargaining agreements for field and office staff with new agreement for field based staff successfully voted up by 91.5% of staff</li> </ul>  |

# LOCKYER LEADERSHIP AND COUNCIL CONT'D

## CORPORATE PLAN 2017-2022 OUTCOMES

## 2017-18 PERFORMANCE

**5.6 Provide leadership and contemporary management systems that drive a coordinated and connected organisation**

- Quarterly Executive Leadership Team Roadshows conducted to engage with staff and advise of key points of interest occurring at Council
- The leadership development program for managers and coordinators commenced
- Matters of strategic significance to Council and the community were advocated for through submission of motions to the Australian Local Government Association and Local Government Association Queensland and through other key advocacy channels including Council of Mayors (South East Queensland)

**5.7 Compliant with relevant legislation**

- The annual review of the Local Disaster Management Plan was conducted
- Four Audit and Risk Management Committee Meetings were held
- 100% completion of compliance reporting on Work Health Safety monthly action plans
- Amendments made to two sub-ordinate Local Laws (Animal Management & Parking)
- A Local Law and Subordinate Local Law developed and adopted for waste management

**5.8 Deliver reliable internal support services**

- Internal support was provided in the development of Council's service management plans for roads, drainage and cemeteries
- Legal and property services were provided including drafting of leases for Council facilities and properties and arranged disposal of property that is no longer required by Council
- A review of Council's land register was conducted prior to the development of a service management plan for Council's land
- Council's external and internal communication requirements were delivered including media releases, valley voice updates, advertising, social media posts, website updates, staff newsletters and updates



# STATUTORY INFORMATION

## BENEFICIAL ENTERPRISES

Council did not have any partnership arrangements, or conduct any business with beneficial enterprises under section 41 of the *Local Government Act 2009* during the 2017-18 financial year.

## CONDUCT OF BUSINESS ACTIVITIES

Council did not conduct any business activities under section 43 of the *Local Government Act 2009* during the 2017-18 financial year.

## COMPETITIVE NEUTRALITY COMPLAINTS

Council did not receive any competitive neutrality complaints during the 2017-18 financial year.

## PARTICULAR RESOLUTIONS

### RESOLUTIONS MADE DURING THE FINANCIAL YEAR UNDER SECTION 206(2):

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In accordance with section 185(b) of the *Local Government Regulation 2012*, there were no resolutions made by Council during the 2017-18 year under section 206 (2) setting the amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense.

### RESOLUTIONS MADE DURING THE FINANCIAL YEAR UNDER SECTION 250(1):

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In accordance with section 185(b) of the *Local Government Regulation 2012*, there were no resolutions made by Council during the 2017-18 under section 250 to make changes to Council's Expenses Reimbursement and Provision of Facilities Policy or Guideline for Councillors in 2017-18.

# COUNCILLORS

## ATTENDANCE AT COUNCIL MEETINGS

As required under section 186(d) of the *Local Government Regulation 2012*, the table below details the number of local government meetings each Councillor attended during the financial year ending 30 June 2018.

| NAME                         | ORDINARY MEETINGS<br>(21 HELD) | SPECIAL MEETINGS<br>(3 HELD) | TOTAL |
|------------------------------|--------------------------------|------------------------------|-------|
| Cr Tanya Milligan (Mayor)    | 20                             | 3                            | 23    |
| Cr Jason Cook (Deputy Mayor) | 20                             | 2                            | 22    |
| Cr Chris Wilson              | 21                             | 3                            | 24    |
| Cr Janice Holstein           | 20                             | 3                            | 23    |
| Cr Jim McDonald              | 8                              | 1                            | 9     |
| Cr Kathy McLean              | 20                             | 3                            | 23    |
| Cr Michael Hagan             | 21                             | 3                            | 24    |
| Cr Rick Vela                 | 8                              | 2                            | 10    |

## COUNCILLOR REMUNERATION

Increases in remuneration for Councillors are automatically linked to respective increases to the remuneration levels of Queensland Members of the Legislative Assembly. The Local Government Remuneration and Discipline Tribunal is the independent body established to regularly review and determine the remuneration payable to Councillors.

Mayor: \$125,084

Deputy Mayor: \$78,177

Councillor: \$66,450

| NAME                         | REMUNERATION | ALLOWANCES  | SUPERANNUATION | TOTAL        |
|------------------------------|--------------|-------------|----------------|--------------|
| Cr Tanya Milligan (Mayor)    | \$125,036.75 | \$4,000.07  | \$15,004.40    | \$144,041.22 |
| Cr Jason Cook (Deputy Mayor) | \$ 78,147.56 | \$12,500.01 | \$ 9,377.78    | \$100,025.35 |
| Cr Chris Wilson              | \$ 66,424.96 | \$12,500.01 | \$ 7,970.94    | \$ 86,895.91 |
| Cr Janice Holstein           | \$ 66,424.96 | \$12,500.01 | \$ 7,970.94    | \$ 86,895.91 |
| Cr Jim McDonald              | \$ 24,638.12 | \$4,639.42  | \$ 2,956.56    | \$ 32,234.10 |
| Cr Kathy McLean              | \$ 66,424.96 | \$12,500.01 | \$ 7,970.94    | \$ 86,895.91 |
| Cr Michael Hagan             | \$ 66,424.96 | \$12,500.01 | \$ 7,970.94    | \$ 86,895.91 |
| Cr Rick Vela                 | \$ 23,367.15 | \$4,395.63  | \$ 2,806.00    | \$ 30,568.78 |



## COUNCILLOR EXPENSES

| NAME                         | PHONE & ICT COSTS | MOTOR VEHICLES | TRAINING, CONFERENCES & FUNCTIONS | TOTAL       |
|------------------------------|-------------------|----------------|-----------------------------------|-------------|
| Cr Tanya Milligan (Mayor)    | \$1,908.23        | \$9,570.48     | \$13,670.99                       | \$25,149.70 |
| Cr Jason Cook (Deputy Mayor) | \$978.11          | -              | \$680.45                          | \$1,658.56  |
| Cr Chris Wilson              | \$902.86          | -              | \$1,493.18                        | \$2,396.04  |
| Cr Janice Holstein           | \$1,083.61        | -              | \$495.00                          | \$1,578.61  |
| Cr Jim McDonald              | \$670.78          | -              | \$35.00                           | \$705.78    |
| Cr Kathy McLean              | \$894.53          | -              | \$3,819.81                        | \$4,714.34  |
| Cr Michael Hagan             | \$879.25          | -              | \$2,977.25                        | \$3,856.50  |
| Cr Rick Vela                 | \$220.57          | -              | \$450.00                          | \$670.57    |

## EXPENSES REIMBURSEMENT AND PROVISION OF FACILITIES FOR COUNCILLORS

In accordance with section 250 of the *Local Government Regulation 2012*, Council must have an Expenses Reimbursement and Provision of Facilities Policy for Councillors. The objective of the Policy is to ensure the payment of legitimate and reasonable expenses incurred by Councillors for discharging their duties and responsibilities as Councillors; and to provide facilities to Councillors for those purposes. This is to ensure that Councillors are not financially disadvantaged as a result of carrying out their official duties. The Policy is also aimed at reflecting the community's expectations about the extent of a Councillor's duties and responsibilities and its expectations about the resources and reimbursement provided to Councillors from public funds. This Policy does not deal with the provision of remuneration. This Policy is available on Council's website.



## ADMINISTRATIVE ACTION COMPLAINTS

Council is committed to dealing fairly with administrative action complaints by receiving, enabling, responding and reviewing customer complaints in a professional and cost effective manner. By reviewing, reflecting and learning from the complaints received, Council is able to improve services to the community. The majority of administrative action complaints received were minor or negligible in nature and all investigations were conducted and responses were provided within the identified timeframe. One of the key causes for complaints submitted included the customer not being aware of all the information in relation to their matter. Further advice was able to be provided as part of the outcome of the investigation of their complaint. This outcome enabled improvements to be made to Council's processes and practices.

### ADMINISTRATIVE ACTION COMPLAINTS 2017-18 REPORTABLE ITEMS UNDER SECTION 187 OF THE LOCAL GOVERNMENT REGULATION 2012

| REPORTABLE ITEM  | NUMBER |
|--|--------|
| Number of administrative action complaints received  | 12     |
| Number of administrative action complaints resolved  | 10     |
| Number of administrative action complaints sustained (partly)  | 3      |
| Number of administrative action complaints not sustained   | 6      |
| Number of complaints still in progress/unresolved at the end of the financial year                   | 3      |
| Number of administrative action complaints that were made in the previous financial year (2016-2017) | 23     |

## RIGHT TO INFORMATION AND INFORMATION PRIVACY

The *Right to Information Act 2009* and the *Information Privacy Act 2009* provide the community with access to information balanced by appropriate protection for individuals' privacy. The public can apply for access to documents held by a council, subject to statutory exemptions, unless it is contrary to the public interest to provide that information. The legislation also allows individuals to apply for amendments to be made to documents concerning their personal affairs, where it is believed the information is incomplete, out of date, inaccurate or misleading.

|  |    |
|--|----|
| Applications received under the <i>Right to Information Act 2009</i> (RTI) | 11 |
| Applications received under the <i>Information Privacy Act 2009</i> (IP)   | 1  |
| Total applications received  | 12 |

No applications were withdrawn and eleven decisions were issued to applicants, all within legislative timeframes. One application remained on hand as at 30 June 2018.

No applications were subject to an external review by Office of Information Commissioner.



## RECORD OF COUNCILLOR CONDUCT AND PERFORMANCE COMPLAINTS

There were no reportable items applicable to the following sections of the *Local Government Act 2009* or associated Regulations, dealing with complaints made concerning the misconduct of a Councillor.

## OVERSEAS TRAVEL

No Councillors or Council employees travelled overseas in an official capacity during the 2017-18 financial year.



## GRANTS TO COMMUNITY ORGANISATIONS

The following grants were made to community organisations under Council's Community Grants and Assistance Policy and Procedure.

| ORGANISATION NAME  | PURPOSE                                 | AMOUNT \$ |
|--|---|-----------|
| Laidley District Cricket Club                              | Practice net expansion                  | 4,000.00  |
| Hatton Vale State School Parent and Citizens               | Hatton Vale Community Christmas Concert | 2,000.00  |
| Laidley Walloon Quarter Horse and Performance Association  | Survey for lease renewal                | 2,000.00  |
| Tenthill Baptist Church                                    | Digital road sign                       | 3,000.00  |
| Redeemer Lutheran Church Laidley                           | Dishwasher                              | 3,000.00  |
| Ropehill and Districts Branch Little Athletics Centre Inc. | Linemarker                              | 2,000.00  |
| Laidley District State School Parents and Citizens         | Kitchen upgrade                         | 2,000.00  |
| Lockyer Valley Community Activities Shed Inc.              | Timber thicknesser and dust extractor   | 1,500.00  |
| Gatton and District Historical Society Inc.                | Table and chairs                        | 2,000.00  |
| Gatton and Districts Committee on the Ageing Inc.          | Roofing repairs                         | 2,000.00  |
| Glenore Grove Public Hall Association Inc.                 | Ride on mower                           | 3,000.00  |
| Mulgowie Public Hall Association Inc.                      | Retaining wall                          | 1,500.00  |
| Lockyer Darts Association                                  | Fridge/Freezer replacement              | 2,000.00  |
| Laidley District Historical Society Inc.                   | PA system with integrated audio         | 3,000.00  |
| Laidley Bowls Club Inc.                                    | Message board                           | 2,000.00  |
| Gatton Rugby League Football Club Inc.                     | Player protection                       | 2,000.00  |
| University of Queensland Gatton Rugby Union Club Inc.      | Clubhouse                               | 3,000.00  |
| Hatton Vale Community Uniting Church                       | Children's playground                   | 3,500.00  |
| Lake Clarendon Primary School P&C                          | Sound system                            | 3,500.00  |
| Kentville State School P&C                                 | Resources for technology room           | 3,500.00  |
| Flagstone Creek State School P&C                           | LED community sign                      | 4,000.00  |
| Gatton Junior Rugby League Football Club Inc.              | Toilet block makeover                   | 2,000.00  |

| ORGANISATION NAME  | PURPOSE  | AMOUNT \$          |
|--|--|--------------------|
| Standardbred Association Queensland Inc.                                     | SAQ Horse Placement and Adoption Program Engagement Strategy | 1,700.00           |
| Lockyer Valley Volunteer Area Committee of Crime Stoppers Queensland Limited | Community signage  | 4,000.00           |
| Gatton Lapidary Club Inc   | Local geological information                                 | 813.63             |
| Spirit of the Valley Events Inc.   | Event equipment  | 3,742.00           |
| Laidley Community Centre Inc.  | 30th Celebration Community Day                               | 2,000.00           |
| Uniting Church of Australia Laidley  | Uniting Church of Australia Laidley – Recipe Book            | 1,290.00           |
| Laidley Garden Club  | Laidley Garden Club - equipment                              | 3,000.00           |
| Junction View Hall   | Upgrade to facilities  | 4,000.00           |
| Lockyer Valley Arts Society Inc.   | Workshop materials   | 502.00             |
| Mt Sylvia State School P&C   | Up the Creek Festival  | 2,380.00           |
| <b>TOTAL</b>   |  | <b>\$79,927.63</b> |

**Assistance was also provided under the following categories:**

- Regional Ambassador Support and School Dux Bursary Program - \$6,850.00
- School Chaplaincy Program - \$10,000.00
- Public Halls Assistance Program - \$20,400.00
- Anzac Day Remembrance Program - \$6,600.00
- Sporting Grounds Assistance Program - \$140,637.40
- 83 community organisations were granted fee waivers for the use of Council’s facilities at a total cost of \$160,531.32

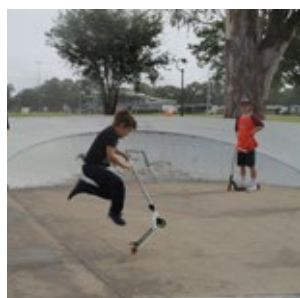


## COUNCILLOR DISCRETIONARY FUNDS

The following donations were made from the Mayoral Donation Program:

| ORGANISATION NAME                             | PURPOSE  | AMOUNT \$ |
|---|--|-----------|
| Queensland Justices Association               | Sponsorship 2017 QJA Conference                    | 200.00    |
| Lights on The Hill                            | Banner for Lockyer Valley Regional Council convoy  | 149.00    |
| Laidley District State School                 | Legends of Term 2 Medallions                       | 178.50    |
| Lockyer Equestrian Group                      | Sponsorship 2017 Dressage Championships            | 500.00    |
| Lockyer Antique Motor Association             | Sponsorship 2017 Tractor Trek                      | 300.00    |
| Gatton State School                           | Parking on oval for Gatton Show                    | 1,818.18  |
| Helidon State School P & F Association        | School Fete  | 200.00    |
| Tabeel Lutheran Home                          | Tree Planting Project                              | 200.00    |
| Lockyer Darts Association Inc.                | Junior Queensland Darts Finals                     | 200.00    |
| Gatton Bowls Club                             | Sponsor Ladies Bowls Carnival                      | 90.91     |
| Lockyer District State High School            | Sponsor Annual Sports Award                        | 136.36    |
| Faith Lutheran College                        | Sports Awards Dinner                               | 350.00    |
| Airforce Cadets                               | 70th Anniversary Dinner                            | 1,272.72  |
| Laidley District State School                 | Legends of Term 3 Medallions                       | 187.00    |
| Withcott State School Parents and Citizens    | Year 4 Students Cycle Course                       | 500.00    |
| Faith Lutheran College                        | Western District Ranges School Sports Shirts       | 1,000.00  |
| Forest Hill Festivities Association           | Face Painting Forest Hill Christmas Festivities    | 200.00    |
| Lockyer Valley Ministers Association          | 2017 Mayoral Christmas Carols Event                | 1,000.00  |
| Laidley District State School                 | Legends of Term 4 Medallions                       | 190.00    |
| Lockyer Darts Association Inc.                | T Ellis representing Queensland in Junior Darts    | 200.00    |
| International Women's Day                     | Hall Hire for International Women's Day Breakfast  | 545.45    |
| Gatton Swimming Club                          | Sponsor 2018 Australia Day Swimming 800 Classic    | 500.00    |
| Southern Queensland Reining Horse Association | Sponsor Pacific Coast Reining Spectacular 2018     | 220.00    |
| Gatton Bowls Club                             | Sponsor Gatton Ladies Fiesta Carnival Day May 2018 | 100.00    |

| ORGANISATION NAME                               | PURPOSE   | AMOUNT \$          |
|---|---|--------------------|
| Standardbred Association Queensland             | Blue Ribbon Sponsor for 2018 State Harness and Hacking Competitions | 200.00             |
| Laidley District State School                   | Legends of Term 1 Medallions  | 187.00             |
| Jayde Kendall Day of Awareness Walk             | Public Liability Costs Jayde Kendall Day of Awareness Walk          | 167.92             |
| Dance Force                                     | Disneyland Hong Kong Dance Tour                                     | 500.00             |
| Teske Family                                    | Purchase of a banner to assist family with fundraising activities   | 123.00             |
| Laidley Bowls Club                              | Maroon Arm Bowlers  | 250.00             |
| Laidley Bowls Club                              | Ladies Carnival   | 250.00             |
| Community Reflection & Thanksgiving Service     | Hall hire fees for service  | 960.00             |
| Laidley Lions Junior Rugby League               | Gorden Tallis Cup   | 250.00             |
| The South East Queensland Paint Horse Club Inc. | Queensland Paint Horse Championships                                | 250.00             |
| Gatton Show Society                             | Campdraft at the Gatton Show 2018                                   | 400.00             |
| Lockyer Uplands Catchments Inc.                 | Lockyer in the Wild Photography Competition                         | 250.00             |
| Papua New Guinea Lockyer Valley Community Inc.  | Sponsorship of Aid Project  | 300.00             |
| <b>TOTAL</b>                                    |   | <b>\$14,326.04</b> |



## COMMERCIAL BUSINESS UNITS

Council did not maintain any Commercial Business Units during the 2017-18 financial year.

## ACTION TAKEN INVOLVING SPECIAL ARRANGEMENTS

Council was not supplied with any services, facilities or activities by another local government under any agreements or joint activities and for which any special rates or charges were levied, during the financial year.

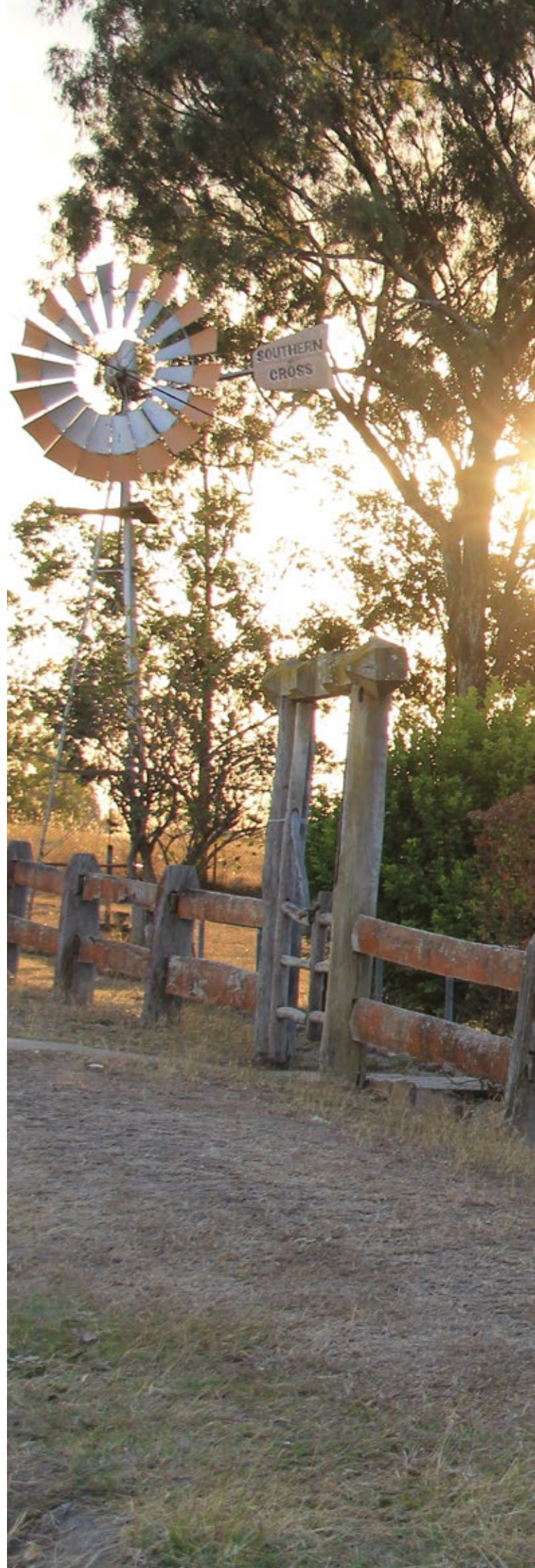
## CHANGES TO TENDERS

Council did not issue invitations to change any tenders under section 228(7) of the *Local Government Regulation 2012* during 2017-18.

## CONCESSIONS FOR RATES AND CHARGES GRANTED

Part 10 of the *Local Government Regulation 2012* provides Council with the ability to grant concessions to property owners in certain circumstances. For the 2017-18 financial year the following concessions were granted:

- Property Identification No 253510 – concession granted due to financial hardship to allow an extended time for payment including an interest free period of six months.
- Faith Lutheran College – rebate of general rates of \$4,679.40 under Council's Community Grant Policy for Not-For-Profit Organisations.
- Council Pension Subsidy – rebate of up to \$60 for eligible pensioners totaling \$170,334.25 for 3,037 properties.





## REGISTERS MAINTAINED

Registers maintained by Council:

- Register of Councillor Interests
- Register of Related Parties
- Register of Delegations by Council
- Register of Delegations by the Chief Executive Officer
- Register of Roads
- Register of General Charges and Regulatory Fees
- Register of Local Laws and Subordinate Local Laws
- Asset Register
- Fraud Allegation Register
- Register of Infrastructure Charges

## INTERNAL AUDIT

Internal Audit activities are performed by a qualified internal audit consultant on a wholly outsourced basis. For the 2017-18 financial year, BDO Pty Ltd provided this service.

The Audit and Risk Management Committee endorsed an Internal Audit Plan at the 21 June 2017 meeting and Internal Audit Progress Reports were presented to the Audit and Risk Management Committee meetings in August 2017, December 2017, March 2018 and June 2018.

Internal audit projects for the financial year included:

- Capital Project Planning (Asset Management)
- Operational risk registers for Facilities, Regional Development, Marketing Communications and Engagement and Environment and Pest Management.

The Internal Audit Progress Report provided to the Audit and Risk Management Committee in June 2018 presented an overview of the work performed by the Internal Auditor from July 2017 - June 2018 in accordance with s.207(3), *Local Government Regulation 2012*.

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# FINANCIAL STATEMENTS

## Lockyer Valley Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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Our Mission:  
*Lead, engage, empower.*



## General Purpose Financial Statements for the year ended 30 June 2018

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# Lockyer Valley Regional Council

## Statement of Comprehensive Income for the year ended 30 June 2018

|  | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Income</b>  |       |                |                |
| <b>Revenue</b>   |       |                |                |
| <b>Recurrent Revenue</b>   |       |                |                |
| Rates, Levies and Charges  | 3a    | 38,300         | 36,850         |
| Fees and Charges   | 3b    | 6,436          | 5,332          |
| Rental Income  |       | 324            | 311            |
| Interest and Investment Revenue  |       | 1,776          | 1,715          |
| Sales Revenue  |       | 1,934          | 1,286          |
| Net Share of Interests in Associated Entities                                | 25    | 2,331          | 2,328          |
| Other Income   | 3c    | 2,752          | 3,116          |
| Grants, Subsidies, Contributions and Donations                               | 4a    | 7,356          | 9,326          |
| <b>Total Recurrent Revenue</b>   |       | <b>61,209</b>  | <b>60,264</b>  |
| <b>Capital Revenue</b>   |       |                |                |
| Grants, Subsidies, Contributions and Donations                               | 4b    | 10,377         | 7,696          |
| <b>Total Revenue</b>   |       | <b>71,586</b>  | <b>67,960</b>  |
| Capital Income   |       | 1,349          | 192            |
| <b>Total Income</b>  |       | <b>72,935</b>  | <b>68,152</b>  |
| <b>Expenses</b>  |       |                |                |
| <b>Recurrent Expenses</b>  |       |                |                |
| Employee Benefits  | 5     | 24,276         | 23,422         |
| Materials and Services   | 6     | 18,242         | 16,045         |
| Finance Costs  | 7     | 2,625          | 2,833          |
| Depreciation and Amortisation  |       | 12,883         | 12,667         |
| <b>Total Recurrent Expenses</b>  |       | <b>58,026</b>  | <b>54,967</b>  |
| Capital Expenses   | 8     | 3,897          | 3,594          |
| <b>Total Expenses</b>  |       | <b>61,923</b>  | <b>58,561</b>  |
| <b>Net Recurrent Result</b>  |       | <b>3,183</b>   | <b>5,297</b>   |
| <b>Net Result</b>  |       | <b>11,012</b>  | <b>9,591</b>   |
| <b>Other Comprehensive Income</b>  |       |                |                |
| <b>Amounts which will not be reclassified subsequently to the Net Result</b> |       |                |                |
| (Loss)/Gain on Revaluation of Property, Plant and Equipment                  | 19    | (5,789)        | 17,120         |
| <b>Total Other Comprehensive Income</b>                                      |       | <b>(5,789)</b> | <b>17,120</b>  |
| <b>Total Comprehensive Income</b>  |       | <b>5,223</b>   | <b>26,711</b>  |

The above statement should be read in conjunction with the accompanying Notes.

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# Lockyer Valley Regional Council

## Statement of Financial Position

as at 30 June 2018

|  | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|--|-------|----------------|----------------|
| <b>ASSETS</b>                                    |       |                |                |
| <b>Current Assets</b>                            |       |                |                |
| Cash and Cash Equivalents                        | 9     | 10,743         | 9,741          |
| Investments                                      | 9     | 15,200         | 17,500         |
| Trade and Other Receivables                      | 10    | 5,747          | 4,979          |
| Inventories                                      |       | 372            | 346            |
| Non-Current Assets classified as "Held for Sale" | 11    | 2,485          | 3,052          |
| <b>Total Current Assets</b>                      |       | <b>34,547</b>  | <b>35,618</b>  |
| <b>Non-Current Assets</b>                        |       |                |                |
| Trade and Other Receivables                      | 10    | 14,735         | 14,735         |
| Associated Entities                              | 25    | 30,273         | 29,740         |
| Investment Property                              | 12    | 1,850          | 1,847          |
| Property, Plant and Equipment                    | 13    | 576,734        | 576,176        |
| Intangible Assets                                | 15    | 5,212          | 4,926          |
| <b>Total Non-Current Assets</b>                  |       | <b>628,804</b> | <b>627,424</b> |
| <b>TOTAL ASSETS</b>                              |       | <b>663,351</b> | <b>663,042</b> |
| <b>LIABILITIES</b>                               |       |                |                |
| <b>Current Liabilities</b>                       |       |                |                |
| Trade and Other Payables                         | 16    | 6,716          | 6,107          |
| Borrowings                                       | 17    | 1,390          | 1,612          |
| Provisions                                       | 18    | 4,937          | 4,678          |
| <b>Total Current Liabilities</b>                 |       | <b>13,043</b>  | <b>12,397</b>  |
| <b>Non-Current Liabilities</b>                   |       |                |                |
| Borrowings                                       | 17    | 24,940         | 30,838         |
| Provisions                                       | 18    | 28,971         | 28,633         |
| <b>Total Non-Current Liabilities</b>             |       | <b>53,911</b>  | <b>59,471</b>  |
| <b>TOTAL LIABILITIES</b>                         |       | <b>66,954</b>  | <b>71,868</b>  |
| <b>Net Community Assets</b>                      |       | <b>596,397</b> | <b>591,174</b> |
| <b>COMMUNITY EQUITY</b>                          |       |                |                |
| Asset Revaluation Surplus                        | 19    | 213,043        | 218,832        |
| Retained Surplus                                 | 20    | 380,111        | 367,461        |
| Reserves   | 21    | 3,243          | 4,881          |
| <b>Total Community Equity</b>                    |       | <b>596,397</b> | <b>591,174</b> |

The above statement should be read in conjunction with the accompanying Notes.

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# Lockyer Valley Regional Council

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

|   | Notes | Asset<br>Revaluation<br>Surplus<br>\$'000 | Retained<br>Surplus<br>\$'000 | Other<br>Reserves<br>\$'000 | Total<br>Equity<br>\$'000 |
|---|-------|---|-------------------------------|-----------------------------|---------------------------|
| <b>2018</b>   |       |   |                               |                             |                           |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts)              |       | 218,832                                   | 367,461                       | 4,881                       | <b>591,174</b>            |
| <b>a. Net Operating Result for the Year</b>                               |       | -   | 11,012                        | -                           | <b>11,012</b>             |
| <b>b. Other Comprehensive Income</b>                                      |       |   |                               |                             |                           |
| - Revaluations : Asset Revaluation Surplus                                | 19    | (5,789)                                   | -                             | -                           | <b>(5,789)</b>            |
| <b>Other Comprehensive Income</b>   |       | <b>(5,789)</b>                            | -                             | -                           | <b>(5,789)</b>            |
| <b>Total Comprehensive Income</b>   |       | <b>(5,789)</b>                            | <b>11,012</b>                 | -                           | <b>5,223</b>              |
| <b>c. Transfers to Reserves</b>   | 21    | -   | (508)                         | 508                         | -                         |
| <b>d. Transfers from Reserves</b>   | 21    | -   | 2,146                         | (2,146)                     | -                         |
| <b>Equity Balance as at 30 June 2018</b>                                  |       | <b>213,043</b>                            | <b>380,111</b>                | <b>3,243</b>                | <b>596,397</b>            |
| <b>2017</b>   |       |   |                               |                             |                           |
| <b>Opening Balance</b> (as per Last Year's Audited Accounts)              |       | 201,712                                   | 346,417                       | 7,593                       | <b>555,722</b>            |
| <b>a. Investment in Associated Entities recognised for the First Time</b> |       | -   | 127                           | -                           | <b>127</b>                |
| <b>b. Property, Plant &amp; Equipment recognised for the First Time</b>   | 13    | -   | 8,614                         | -                           | <b>8,614</b>              |
| <b>Revised Opening Balance</b> (as at 1 July 2016)                        |       | <b>201,712</b>                            | <b>355,158</b>                | <b>7,593</b>                | <b>564,463</b>            |
| <b>c. Net Operating Result for the Year</b>                               |       | -   | 9,591                         | -                           | <b>9,591</b>              |
| <b>d. Other Comprehensive Income</b>                                      |       |   |                               |                             |                           |
| - Revaluations : Asset Revaluation Surplus                                | 19    | 17,120                                    | -                             | -                           | <b>17,120</b>             |
| <b>Other Comprehensive Income</b>   |       | <b>17,120</b>                             | -                             | -                           | <b>17,120</b>             |
| <b>Total Comprehensive Income</b>   |       | <b>17,120</b>                             | <b>9,591</b>                  | -                           | <b>26,711</b>             |
| <b>e. Transfers to Reserves</b>   |       | -   | (81)                          | 81                          | -                         |
| <b>f. Transfers from Reserves</b>   |       | -   | 2,793                         | (2,793)                     | -                         |
| <b>Equity Balance as at 30 June 2017</b>                                  |       | <b>218,832</b>                            | <b>367,461</b>                | <b>4,881</b>                | <b>591,174</b>            |

The above statement should be read in conjunction with the accompanying Notes.

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# Lockyer Valley Regional Council

## Statement of Cash Flows

for the year ended 30 June 2018

|   | Notes | 2018<br>\$'000  | 2017<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>Cash Flows from Operating Activities</b>               |       |                 |                 |
| Receipts from Customers                                   |       | 46,972          | 43,733          |
| Payments to Suppliers and Employees                       |       | <u>(43,584)</u> | <u>(41,838)</u> |
|   |       | 3,388           | 1,895           |
| <b>Receipts:</b>  |       |                 |                 |
| Investment and Interest Revenue Received                  |       | 1,697           | 1,845           |
| Rental Income   |       | 356             | 342             |
| Non Capital Grants and Contributions                      |       | 7,742           | 9,632           |
| Other   |       | 4,403           | 5,353           |
| <b>Payments:</b>  |       |                 |                 |
| Borrowing Costs   |       | (2,093)         | (1,856)         |
| <b>Net Cash - Operating Activities</b>                    | 27    | <u>15,493</u>   | <u>17,211</u>   |
| <b>Cash Flows from Investing Activities</b>               |       |                 |                 |
| <b>Receipts:</b>  |       |                 |                 |
| Sale of Investment Securities                             |       | 2,300           | -               |
| Proceeds on Disposal of Land Held for Resale              |       | 1,000           | 1,361           |
| Proceeds on Disposal of Property, Plant and Equipment     |       | 1,166           | 716             |
| Distributions Received from Joint Ventures and Associates |       | 1,700           | 1,095           |
| Grants, Subsidies, Contributions and Donations            |       | 4,155           | 3,905           |
| <b>Payments:</b>  |       |                 |                 |
| Purchase of Investment Securities                         |       | -               | (1,500)         |
| Purchase of Property, Plant and Equipment                 |       | (17,359)        | (16,436)        |
| Payments for Intangible Assets                            |       | (1,333)         | (1,255)         |
| <b>Net Cash - Investing Activities</b>                    |       | <u>(8,371)</u>  | <u>(12,114)</u> |
| <b>Cash Flows from Financing Activities</b>               |       |                 |                 |
| <b>Receipts:</b>  |       |                 |                 |
| Proceeds from Borrowings and Advances                     |       | -               | -               |
| <b>Payments:</b>  |       |                 |                 |
| Repayment of Borrowings and Advances                      |       | (6,120)         | (2,058)         |
| <b>Net Cash - Financing Activities</b>                    |       | <u>(6,120)</u>  | <u>(2,058)</u>  |
| <b>Net Increase/(Decrease) for the year</b>               |       | <u>1,002</u>    | <u>3,039</u>    |
| plus: <b>Cash and Cash Equivalents - beginning</b>        |       | 9,741           | 6,702           |
| <b>Cash and Cash Equivalents - closing</b>                | 9     | <u>10,743</u>   | <u>9,741</u>    |
| Additional Information:                                   |       |                 |                 |
| plus: <b>Investments on hand - end of year</b>            | 9     | 15,200          | 17,500          |
| <b>Total Cash, Cash Equivalents and Investments</b>       |       | <u>25,943</u>   | <u>27,241</u>   |

The above statement should be read in conjunction with the accompanying Notes.

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# Lockyer Valley Regional Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 1. Summary of Significant Accounting Policies

#### (1.a) Basis of preparation

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

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

#### (1.b) Date of Authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

#### (1.c) Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

- Investment Property - Note 12 and Note 14
- Valuation and depreciation of Property, Plant & Equipment - Note 13 and Note 14
- Provisions - Note 18
- Contingencies - Note 23

#### (1.d) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 unless otherwise indicated.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

#### (1.e) Taxation

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

The associated entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 2009*.

The Council does not pay payroll tax to the Queensland Government as its activities are below the threshold.

#### (1.f) Adoption of New and Revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

This year Council has applied AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 for the first time. As a result, Council has disclosed more



## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Summary of Significant Accounting Policies (continued)

information to explain changes in liabilities arising from financing activities ('debt reconciliation'). This information is presented in note 28.

Lockyer Valley Regional Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers will first apply to the Council in its financial statements for 2019/20. Council has commenced analysing the new revenue recognition requirements under these standards. Potential future impacts identifiable at the date of this report are as follows:

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue at the time of receipt.
- Under the new standards, other grants presently recognised as revenue at the time of receipt may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific.

During the 2017/18 financial year Council received \$0.58 million in prepaid grants. If the standard had been applied in this reporting period there would have been a reduction in revenue of \$0.58 million and an increase in current liabilities of \$0.58 million.

- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received cash but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

During the 2017/18 financial year Council received \$0.05 million in prepaid leases, private works, and hire of facilities. If the standard had been applied in this reporting period there would have been a reduction in revenue of \$0.05 million and an increase in current liabilities of \$0.05 million.

- Council currently recognises amounts received for pre-paid rates as revenue in the year in which it is received. Under AASB 1058, rates received in advance will be required to be recognised as a liability until the rates levy is calculated.

During the 2017/18 financial year Council received \$1.81 million in prepaid rates. If the standard had been applied in this reporting period there would have been a reduction in revenue of \$1.81 million and an increase in current liabilities of \$1.81 million.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

## Lockyer Valley Regional Council

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

#### Note 2(a). Council Functions - Component Descriptions

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

##### **General Public Services**

The objective of this function is to provide internal governance, organisational and administrative services. It includes legislative and executive programs to implement policy, coordinate activities and provide support to Elected Members. It also includes the administrative programs to support effective service delivery to all internal and external customers. All programs not classified elsewhere are aggregated under this function.

##### **Public Order and Safety**

The objective of this function is to provide programs and services that deal with nuisance, safety and public behaviour. It includes programs for the control of domestic animals, administration and enforcement of locals laws and disaster management, and support for local Rural Fire Service and State Emergency Services groups.

##### **Economic Affairs**

The objective of this function is to provide support for programs and services that generate economic activity within the Region. This includes support to the local economy, development and implementation of business and investment strategies, and local business promotion. This function also includes road transport and associated services to maintain and deliver infrastructure such as roads, bridges, drains and footpaths.

##### **Environmental Protection**

The objective of this function is to provide programs that deal with the natural environment and waste management. It includes activities such as pest and weed management and other environmental programs and the collection, disposal and/or recycling of commercial and domestic waste.

##### **Housing and Community Amenities**

The objective of this function is to provide activities that are concerned with support to community groups, community development initiatives, the provision of community facilities such as halls and other community buildings. This function also covers disaster recovery programs including the rebuilding of Council's flood affected infrastructure as well as town planning and approvals.

##### **Recreation, Culture and Religion**

The objective of this function is the provision of sporting, recreation and cultural facilities such as sports grounds, swimming pools, parks and gardens, libraries and art gallery.

##### **Social Protection**

The objective of this function is to conduct the operation of Council's childcare centres and youth development program.

## Lockyer Valley Regional Council

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

#### Note 2(b). Analysis of Results by Function

| Functions                      | Gross Program Income |                 |                  |                 |          |               | Total Income<br>\$'000 | Gross Program Expenses |                 | Total Expenses<br>\$'000 | Net Result from Recurring Operations<br>\$'000 | Net Result<br>\$'000 | Total Assets<br>\$'000 |
|--------------------------------|----------------------|-----------------|------------------|-----------------|----------|---------------|------------------------|------------------------|-----------------|--------------------------|--|----------------------|------------------------|
|                                | Recurring            |                 | Capital          |                 | Other    | Recurring     |                        | Capital                |                 |                          |  |                      |                        |
|                                | Grants<br>\$'000     | Other<br>\$'000 | Grants<br>\$'000 | Other<br>\$'000 |          |               |                        |                        |                 |                          |  |                      |                        |
| <b>2018</b>                    |                      |                 |                  |                 |          |               |                        |                        |                 |                          |  |                      |                        |
| General Public Services        | 3,215                | 35,334          | 66               | 195             | -        | 38,810        | (13,774)               | (533)                  | (14,307)        | 24,775                   | 24,503   | 208,573              |                        |
| Public Order & Safety          | 35                   | 1,818           | 86               | -               | -        | 1,939         | (1,887)                | -                      | (1,887)         | (34)                     | 52   | -                    |                        |
| Economic Affairs               | 2,768                | 2,308           | 3,109            | 1,154           | -        | 9,339         | (18,828)               | (2,810)                | (21,638)        | (13,752)                 | (12,299)                                       | 433,083              |                        |
| Environmental Protection       | 224                  | 7,843           | 6                | -               | -        | 8,073         | (7,184)                | (98)                   | (7,282)         | 883                      | 791  | 14,177               |                        |
| Housing & Community Amenities  | 168                  | 5,161           | 7,085            | -               | -        | 12,414        | (9,128)                | (455)                  | (9,583)         | (3,799)                  | 2,831  | -                    |                        |
| Recreation, Culture & Religion | 374                  | 1,069           | 25               | -               | -        | 1,468         | (6,143)                | (1)                    | (6,144)         | (4,700)                  | (4,676)  | 7,518                |                        |
| Social Protection              | 572                  | 320             | -                | -               | -        | 892           | (1,082)                | -                      | (1,082)         | (190)                    | (190)  | -                    |                        |
| <b>Total</b>                   | <b>7,356</b>         | <b>53,853</b>   | <b>10,377</b>    | <b>1,349</b>    | <b>-</b> | <b>72,935</b> | <b>(58,026)</b>        | <b>(3,897)</b>         | <b>(61,923)</b> | <b>3,183</b>             | <b>11,012</b>                                  | <b>663,351</b>       |                        |
| Functions                      | Gross Program Income |                 |                  |                 |          |               | Total Income<br>\$'000 | Gross Program Expenses |                 | Total Expenses<br>\$'000 | Net Result from Recurring Operations<br>\$'000 | Net Result<br>\$'000 | Total Assets<br>\$'000 |
|                                | Recurring            |                 | Capital          |                 | Other    | Recurring     |                        | Capital                |                 |                          |  |                      |                        |
|                                | Grants<br>\$'000     | Other<br>\$'000 | Grants<br>\$'000 | Other<br>\$'000 |          |               |                        |                        |                 |                          |  |                      |                        |
| <b>2017</b>                    |                      |                 |                  |                 |          |               |                        |                        |                 |                          |  |                      |                        |
| General Public Services        | 4,494                | 34,416          | 54               | -               | -        | 38,964        | (12,689)               | -                      | (12,689)        | 26,221                   | 26,275   | 216,005              |                        |
| Public Order & Safety          | 44                   | 1,677           | 65               | -               | -        | 1,786         | (1,775)                | -                      | (1,775)         | (54)                     | 11   | -                    |                        |
| Economic Affairs               | 3,638                | 1,687           | 3,494            | -               | -        | 8,819         | (17,337)               | (3,070)                | (20,407)        | (12,012)                 | (11,588)                                       | 427,352              |                        |
| Environmental Protection       | 45                   | 7,223           | -                | -               | -        | 7,268         | (6,545)                | -                      | (6,545)         | 723                      | 723  | 12,865               |                        |
| Housing & Community Amenities  | 119                  | 4,727           | 3,941            | -               | -        | 8,787         | (9,666)                | (524)                  | (10,190)        | (4,820)                  | (1,403)  | -                    |                        |
| Recreation, Culture & Religion | 386                  | 877             | 142              | 192             | -        | 1,597         | (5,790)                | -                      | (5,790)         | (4,527)                  | (4,193)  | 6,820                |                        |
| Social Protection              | 600                  | 331             | -                | -               | -        | 931           | (1,165)                | -                      | (1,165)         | (234)                    | (234)  | -                    |                        |
| <b>Total</b>                   | <b>9,326</b>         | <b>50,938</b>   | <b>7,696</b>     | <b>192</b>      | <b>-</b> | <b>68,152</b> | <b>(54,967)</b>        | <b>(3,594)</b>         | <b>(58,561)</b> | <b>5,297</b>             | <b>9,591</b>                                   | <b>663,042</b>       |                        |

## Lockyer Valley Regional Council

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

#### Note 3. Revenue Analysis

| Notes   | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>(a). Rates, Levies and Charges</b>         |                |                |
| General Rates                                 | 30,877         | 29,750         |
| Separate Rates                                | 4,491          | 4,367          |
| Special Charges                               | 302            | 297            |
| Waste Collection Charges                      | 4,253          | 4,007          |
| <b>Total rates and utility charge revenue</b> | <b>39,923</b>  | <b>38,421</b>  |
| Less: Discounts                               | (1,453)        | (1,397)        |
| Less: Pensioner remissions                    | (170)          | (174)          |
| <b>TOTAL RATES, LEVIES AND CHARGES</b>        | <b>38,300</b>  | <b>36,850</b>  |
| <b>(b). Fees and Charges</b>                  |                |                |
| Animal Control                                | 527            | 489            |
| Building and Development Fees                 | 4,024          | 3,191          |
| Refuse Tip and Recycling                      | 717            | 557            |
| Childcare                                     | 320            | 331            |
| Finance and Corporate Governance              | 85             | 83             |
| User Fees and Charges                         | 763            | 681            |
| <b>TOTAL FEES AND CHARGES</b>                 | <b>6,436</b>   | <b>5,332</b>   |
| <b>(c). Other Income</b>                      |                |                |
| Other Income                                  | 1,236          | 1,670          |
| Income Tax Equivalent Received                | 1,003          | 1,008          |
| Sale of Sundry Small Value Items              | 203            | 107            |
| Fuel and Diesel Rebate                        | 136            | 151            |
| Rates Legal Costs Recovered                   | 174            | 180            |
| <b>TOTAL OTHER INCOME</b>                     | <b>2,752</b>   | <b>3,116</b>   |

Rates, levies, grants, rental income, interest, dividends, sales revenue and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 4. Grants, Subsidies, Contributions and Donations

|  | Notes | 2018<br>\$'000       | 2017<br>\$'000      |
|--|-------|----------------------|---------------------|
| <b>(a) Recurrent</b>   |       |                      |                     |
| General Purpose Grants   |       | 4,298                | 6,187               |
| State Government Subsidies and Grants  |       | 555                  | 485                 |
| Commonwealth Government Subsidies and Grants                                     |       | 2,103                | 2,546               |
| Contributions  |       | 400                  | 108                 |
| <b><u>TOTAL RECURRENT GRANTS, SUBSIDIES,<br/>CONTRIBUTIONS AND DONATIONS</u></b> |       | <b><u>7,356</u></b>  | <b><u>9,326</u></b> |
| <b>(b) Capital</b>   |       |                      |                     |
| <i>Monetary Capital Revenue</i>  |       |                      |                     |
| State Government Subsidies and Grants  |       | 3,543                | 3,524               |
| Commonwealth Government Subsidies and Grants                                     |       | 476                  | 237                 |
| Contributions  |       | 136                  | 144                 |
| <i>Non-Monetary Capital Revenue</i>  |       |                      |                     |
| Developer Assets Contributed by Developers at Fair Value                         | 13    | 6,222                | 3,791               |
| <b><u>TOTAL CAPITAL GRANTS, SUBSIDIES,<br/>CONTRIBUTIONS AND DONATIONS</u></b>   |       | <b><u>10,377</u></b> | <b><u>7,696</u></b> |

Physical assets contributed to Council by developers in the form of road works, stormwater and park equipment, are recognised when the development becomes "on maintenance", and there is sufficient information in the form of plans and drawings to determine the approximate specifications and fair value of such assets.

Disposal of non-current assets, discount rate adjustments to restoration provisions and revaluations of investment property, and plant and equipment are recognised as either capital income or capital expenses depending on whether they result in accounting gains or losses.

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers. All other revenue has been classified as recurrent.

## Lockyer Valley Regional Council

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

#### Note 5. Employee Benefits

|  | Notes | 2018<br>\$'000       | 2017<br>\$'000       |
|--|-------|----------------------|----------------------|
| Wages and Salaries                               |       | 18,541               | 17,866               |
| Annual, Sick and Long Service Leave Entitlements |       | 4,524                | 4,321                |
| Superannuation                                   | 24    | 2,587                | 2,459                |
| Councillor Remuneration                          |       | 592                  | 628                  |
| Other  |       | 1,151                | 1,044                |
|  |       | <u>27,395</u>        | <u>26,318</u>        |
| Less: Capitalised Employee Expenses              |       | (3,119)              | (2,896)              |
| <b>TOTAL EMPLOYEE BENEFITS</b>                   |       | <u><u>24,276</u></u> | <u><u>23,422</u></u> |

#### Additional information:

Total Employees at year end:

|   |            |            |
|---|------------|------------|
| Administration Staff                        | 184        | 158        |
| Depot and Outdoors Staff                    | 145        | 156        |
| <b>Total full time equivalent employees</b> | <u>329</u> | <u>314</u> |
| <b>Total Elected members</b>                | <u>7</u>   | <u>7</u>   |

#### Note 6. Materials and Services

|   |                      |                      |
|---|----------------------|----------------------|
| Advertising   | 380                  | 316                  |
| Administration Supplies and Consumables                                   | 748                  | 941                  |
| Audit of Annual Financial Statements by the Auditor-General of Queensland | 90                   | 85                   |
| Communications and IT   | 1,475                | 1,163                |
| Consultancy Services  | 2,238                | 1,845                |
| Contractors   | 6,458                | 6,004                |
| Donations Paid  | 587                  | 512                  |
| Insurance   | 836                  | 804                  |
| Investment Property Expenses  | 286                  | 229                  |
| Power   | 1,076                | 1,083                |
| Repairs and Maintenance   | 1,773                | 1,368                |
| Subscriptions and Registrations   | 527                  | 529                  |
| Travel  | 54                   | 56                   |
| Other   | 1,714                | 1,110                |
| <b>TOTAL MATERIALS AND SERVICES</b>                                       | <u><u>18,242</u></u> | <u><u>16,045</u></u> |

## Lockyer Valley Regional Council

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

#### Note 7. Finance Costs

|   | Notes | 2018<br>\$'000      | 2017<br>\$'000      |
|---|-------|---------------------|---------------------|
| Finance costs - Queensland Treasury Corporation     |       | 1,969               | 1,792               |
| Bank Charges  |       | 122                 | 102                 |
| Impairment of Receivables and Bad Debts Written Off |       | 2                   | (38)                |
| Quarry Rehabilitation                               | 18    | -                   | 550                 |
| Refuse Restoration                                  | 18    | 532                 | 427                 |
| <b><u>TOTAL FINANCE COSTS</u></b>                   |       | <b><u>2,625</u></b> | <b><u>2,833</u></b> |

All borrowing costs are expensed in the period in which they are incurred.

No borrowing costs are capitalised on qualifying assets.

#### Note 8. Capital Expenses

##### (a) Loss on disposal of non-current assets

|   |    |                       |                       |
|---|----|-----------------------|-----------------------|
| Proceeds from the Disposal of Plant and Other Equipment |    | 663                   | 546                   |
| Less: Book Value of Plant and Other Equipment Disposed  | 13 | (651)                 | (611)                 |
|   |    | 12                    | (65)                  |
| Proceeds from Disposal of Land and Buildings            |    | 503                   | 170                   |
| Less: Book Value of Land and Buildings Disposed         | 13 | (656)                 | (422)                 |
|   |    | (153)                 | (252)                 |
| Proceeds from the Disposal of Road & Drainage Network   |    | -                     | -                     |
| Less: Book Value of Road & Drainage Network Disposed    | 13 | (2,822)               | (3,005)               |
|   |    | (2,822)               | (3,005)               |
| Proceeds from the Disposal of Other Assets              |    | -                     | -                     |
| Less: Book Value of Other Assets Disposed               | 13 | (928)                 | (437)                 |
|   |    | (928)                 | (437)                 |
| Proceeds from Land Held for Resale                      |    | 1,000                 | 1,361                 |
| Less: Book Value of Land Held for Resale Disposed       | 11 | (1,006)               | (1,196)               |
|   |    | (6)                   | 165                   |
| <b><u>TOTAL CAPITAL EXPENSES</u></b>                    |    | <b><u>(3,897)</u></b> | <b><u>(3,594)</u></b> |

# Lockyer Valley Regional Council

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

### Note 9. Cash, Cash Equivalents and Investments

| Notes  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>Cash and Cash Equivalents</b>                           |                |                |
| Cash at Bank and on Hand                                   | 1,010          | 841            |
| Cash Equivalent Assets <sup>1</sup>                        |                |                |
| - Deposits at Call   | 9,733          | 8,900          |
| <b>Total Cash and Cash Equivalents</b>                     | <b>10,743</b>  | <b>9,741</b>   |
| <b>Investments - Current</b>                               |                |                |
| Term Deposits  | 15,200         | 17,500         |
| <b>Total Current Investments</b>                           | <b>15,200</b>  | <b>17,500</b>  |
| <b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b> | <b>25,943</b>  | <b>27,241</b>  |

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

#### Restricted Cash, Cash Equivalents and Investments

Council's Cash and Cash Equivalents are subject to a number of Internal and External Restrictions that limit amounts available for discretionary or future use. These include:

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

|   |            |           |
|---|------------|-----------|
| Unspent Government Grants and Subsidies | 582        | 43        |
| <b>Total External Restrictions</b>      | <b>582</b> | <b>43</b> |

Internally imposed Expenditure Restrictions at the reporting date:

|  |              |              |
|--|--------------|--------------|
| Future Capital Works   | 2,564        | 4,838        |
| Future Recurrent Expenditure   | 97           | -            |
| <b>Total Internal Restrictions</b>                                     | <b>2,661</b> | <b>4,838</b> |
| <b>Total Unspent Restricted Cash, Cash Equivalents and Investments</b> | <b>3,243</b> | <b>4,881</b> |

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash at bank is held with the National Australia Bank and Heritage Building Society in normal business cheque accounts. Cash at call is held with Queensland Treasury Corporation. Interest rates are determined on a daily basis. Short and long term deposits are held with various banking institutions with maturities ranging up to twelve months and interest rates from 2.48% to 2.92%.



## Lockyer Valley Regional Council

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

#### Note 10. Trade and Other Receivables

|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| Notes   | \$'000               | \$'000               |
| <b>Current</b>  |                      |                      |
| Rateable Revenue and Utility Charges                        | 2,422                | 2,050                |
| Other Debtors   | 1,356                | 1,077                |
| GST Recoverable   | 343                  | 314                  |
| Accrued Revenues  |                      |                      |
| - Interest on Investments (incl. Q.U.U.)                    | 1,116                | 1,037                |
| Prepayments   | 514                  | 504                  |
| <b>Total</b>  | <u>5,751</u>         | <u>4,982</u>         |
| <b>less: Provision for Impairment</b>                       |                      |                      |
| Other Debtors   | (4)                  | (3)                  |
| <b>Total Provision for Impairment - Receivables</b>         | <u>(4)</u>           | <u>(3)</u>           |
| <b><u>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</u></b>     | <u><u>5,747</u></u>  | <u><u>4,979</u></u>  |
| <b>Non-Current</b>  |                      |                      |
| Loans and Advances to Associates                            | 14,735               | 14,735               |
| <b>Total</b>  | <u>14,735</u>        | <u>14,735</u>        |
| <b><u>TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES</u></b> | <u><u>14,735</u></u> | <u><u>14,735</u></u> |

Trade and other receivables are recognised at the amounts due at the time of sale or service delivery.

Interest is charged on outstanding rates at a rate of 11% per annum. Debtors invoiced during the 2018 financial year and which remain outstanding for greater than 30 days, bear interest at the rate of 11%.

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

The collectability of other receivables is assessed periodically. The amount is calculated as a percentage of receivables. This considers past history of actual defaults, and an assessment of the likelihood of future defaults.

## Lockyer Valley Regional Council

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

#### Note 11. Non-Current Assets Classified as "Held for Sale"

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Non-Current Assets "Held for Sale"</b>                     |       |                |                |
| Land  |       | 2,485          | 3,052          |
| <b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</b> |       | <b>2,485</b>   | <b>3,052</b>   |

Council holds land at Philips Road, Grantham, and Smithfield Road, Gatton. Negotiations for the sale of this land is being undertaken.

Council holds land at Victoria Street, Forest Hill. This land is being offered for sale through real estate agents.

Council sold land at Woodlands Road, Gatton, in July 2017. The sale value matched the fair value of the land.

Note 14 describes the valuation techniques that were used to determine the fair value of the land, which is categorised as a Level 2 valuation.

#### Reconciliation of Non-Current Assets "Held for Sale"

##### Assets "Held for Sale"

|  |    |              |              |
|--|----|--------------|--------------|
| <b>Opening Balance</b>                                       |    | 3,052        | 3,118        |
| <b>less: Carrying Value of Assets Sold</b>                   | 8  | (1,006)      | (1,196)      |
| <b>Balance still unsold after 12 months:</b>                 |    | <b>2,046</b> | <b>1,922</b> |
| <b>plus Net Transfer in/(out):</b>                           |    |              |              |
| Assets "Held for Sale" from Property, Plant and Equipment    | 13 | 439          | 130          |
| Assets "Held for Sale" from Investment Properties            | 12 | -            | 1,000        |
| <b>Closing Balance of Non-Current Assets "Held for Sale"</b> |    | <b>2,485</b> | <b>3,052</b> |

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Investment Property

|  | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|--|-------|----------------|----------------|
| Fair value at Beginning of Financial Year                |       | 1,847          | 1,000          |
| Revaluation Adj to the Statement of Comprehensive Income |       | 3              | -              |
| Transfers from/(to) Property, Plant and Equipment        | 13    | -              | 1,847          |
| Transfers from/(to) Assets Held for Sale                 | 11    | -              | (1,000)        |
| <b><u>TOTAL INVESTMENT PROPERTY</u></b>                  |       | <u>1,850</u>   | <u>1,847</u>   |

Investment Property comprises land at Tryhorn Street, Grantham. Lease contracts are in negotiations.

Investment Property does not include Community Housing.

The 30 June 2018 investment property and land was valued at fair value by: Kim Adams, Certified Practicing Valuer, Registration Number 2124 of Pickles Valuation Services. Pickles Valuation Services have extensive experience in valuing properties of this nature in surrounding areas. Fair Value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of a similar nature.

Gains or losses arising from changes in the fair value of investment property are recognised as income or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

Lockyer Valley Regional Council

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

Note 13. Property, Plant and Equipment

| 30 June 2018  | Measurement Basis |            | Land          | Buildings     | Plant and Other Equipment | Road and Drainage Network | Other Assets | Works In Progress | Artworks   | Park and Cemetery Equipment | Waste         | Total          |
|---|-------------------|------------|---------------|---------------|---------------------------|---------------------------|--------------|-------------------|------------|-----------------------------|---------------|----------------|
|   | \$'000            | Fair Value |               |               |                           |                           |              |                   |            |                             |               |                |
|   |                   | Note       |               |               |                           |                           |              |                   |            |                             |               |                |
| Opening Gross Balance - at Cost   | -                 |            |               |               | 24,203                    | -                         | 22,703       | 7,814             | -          | -                           | -             | 54,720         |
| Opening Gross Balance - at Fair Value                                     | 42,294            |            | 42,294        | 93,391        | -                         | 512,565                   | -            | -                 | 247        | 9,735                       | -             | 658,232        |
| Opening Gross Balance   | 42,294            |            | 42,294        | 93,391        | 24,203                    | 512,565                   | 22,703       | 7,814             | 247        | 9,735                       | -             | 712,952        |
| Additions*  | -                 | 4          | -             | -             | -                         | -                         | -            | 17,665            | -          | -                           | -             | 17,665         |
| Contributed Assets at Valuation   | 175               |            | -             | -             | -                         | 6,047                     | -            | -                 | -          | -                           | -             | 6,222          |
| Disposals   | (61)              | 8          | (61)          | (796)         | (1,864)                   | (4,222)                   | (1,148)      | -                 | (1)        | -                           | (114)         | (8,206)        |
| Revaluation Decrements to Equity (ARS)                                    | -                 | 19         | -             | (9,684)       | -                         | (6,983)                   | -            | -                 | -          | -                           | -             | (16,667)       |
| Revaluation Increments to Equity (ARS)                                    | 721               | 19         | 721           | -             | -                         | -                         | -            | -                 | -          | -                           | -             | 721            |
| Work in Progress Transfers  | 2,560             |            | 2,560         | 342           | 2,262                     | 11,573                    | 161          | (18,083)          | -          | 1,003                       | 182           | -              |
| Transfers from/(to) Held for Sale category                                | (332)             | 11         | (332)         | -             | -                         | -                         | -            | (107)             | -          | -                           | -             | (439)          |
| Transfers from/(to) Intangible Assets                                     | -                 | 15         | -             | -             | -                         | -                         | -            | (1,333)           | -          | -                           | -             | (1,333)        |
| Adjustment Due to Changes in Provision for Rehabilitation                 | -                 | 18         | -             | -             | -                         | -                         | (14,011)     | -                 | -          | -                           | 1,123         | 1,123          |
| Transfers from/(to) Other Assets  | -                 |            | -             | -             | 33                        | -                         | -            | -                 | -          | 136                         | 13,842        | -              |
| <b>Total Gross Value of Property, Plant and Equipment - at Cost</b>       | -                 |            | -             | -             | <b>24,634</b>             | -                         | <b>7,705</b> | <b>5,956</b>      | -          | -                           | -             | <b>38,295</b>  |
| <b>Total Gross Value of Property, Plant and Equipment - at Fair Value</b> | <b>45,357</b>     |            | <b>45,357</b> | <b>83,253</b> | -                         | <b>518,980</b>            | <b>7,705</b> | -                 | <b>246</b> | <b>10,874</b>               | <b>15,033</b> | <b>673,743</b> |
| <b>Total Gross Value of Property, Plant and Equipment</b>                 | <b>45,357</b>     |            | <b>45,357</b> | <b>83,253</b> | <b>24,634</b>             | <b>518,980</b>            | <b>7,705</b> | <b>5,956</b>      | <b>246</b> | <b>10,874</b>               | <b>15,033</b> | <b>712,038</b> |
| Opening Accumulated Depreciation  | -                 |            | -             | 33,953        | 11,882                    | 85,206                    | 2,820        | -                 | -          | 2,915                       | -             | 136,776        |
| Depreciation Expense  | -                 |            | -             | 1,395         | 1,696                     | 7,714                     | 275          | -                 | -          | 406                         | 353           | 11,839         |
| Disposals   | -                 | 8          | -             | (202)         | (1,212)                   | (1,401)                   | (323)        | -                 | -          | -                           | (15)          | (3,153)        |
| Revaluation Decrements to Equity (ARS)                                    | -                 | 19         | -             | (3,816)       | -                         | (5,622)                   | -            | -                 | -          | -                           | (720)         | (10,158)       |
| Transfers from/(to) Other Assets  | -                 |            | -             | -             | 6                         | -                         | (1,281)      | -                 | -          | 35                          | 1,239         | -              |
| <b>Total Accumulated Depreciation of Property, Plant and Equipment</b>    | -                 |            | -             | <b>31,330</b> | <b>12,372</b>             | <b>85,897</b>             | <b>1,491</b> | -                 | -          | <b>3,356</b>                | <b>857</b>    | <b>135,304</b> |
| <b>Total Net Book Value of Property, Plant and Equipment</b>              | <b>45,357</b>     |            | <b>45,357</b> | <b>51,923</b> | <b>12,262</b>             | <b>433,083</b>            | <b>6,214</b> | <b>5,956</b>      | <b>246</b> | <b>7,518</b>                | <b>14,176</b> | <b>576,734</b> |
| Other Information   |                   |            |               |               |                           |                           |              |                   |            |                             |               |                |
| Residual Value  | Indefinite        |            | Indefinite    | 0%            | 15%-30%                   | 0%                        | 0%           | -                 | Indefinite | 0%                          | 0%            | -              |
| Range of Estimated Useful Life (years)                                    | Indefinite        |            | Indefinite    | 20-80         | 3-20                      | 10-100                    | 3-100        | -                 | Indefinite | 25                          | 40            | -              |
| *Asset Additions Comprise   |                   |            |               |               |                           |                           |              |                   |            |                             |               |                |
| Asset Renewals  | -                 |            | -             | -             | -                         | -                         | -            | 11,547            | -          | -                           | -             | 11,547         |
| Other Additions   | -                 |            | -             | -             | -                         | -                         | -            | 6,118             | -          | -                           | -             | 6,118          |
| <b>Total Asset Additions</b>  | -                 |            | -             | -             | -                         | -                         | -            | <b>17,665</b>     | -          | -                           | -             | <b>17,665</b>  |

Lockyer Valley Regional Council

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

Note 13. Property, Plant and Equipment (continued)

| 30 June 2017   | Note | Land       |            | Buildings |            | Plant and Other Equipment |         | Road and Drainage Network |            | Other Assets |            | Works In Progress |       | Artworks   |            | Park and Cemetery Equipment |            | Waste      |            | Total    |            |
|--|------|------------|------------|-----------|------------|---------------------------|---------|---------------------------|------------|--------------|------------|-------------------|-------|------------|------------|-----------------------------|------------|------------|------------|----------|------------|
|  |      | \$'000     | Fair Value | \$'000    | Fair Value | \$'000                    | Cost    | \$'000                    | Fair Value | \$'000       | Fair Value | \$'000            | Cost  | \$'000     | Fair Value | \$'000                      | Fair Value | \$'000     | Fair Value | \$'000   | Fair Value |
| Measurement Basis  |      |            |            |           |            |                           |         |                           |            |              |            |                   |       |            |            |                             |            |            |            |          |            |
| Opening Gross Balance - at Cost                                    |      | -          | -          | -         | 24,195     | -                         | -       | -                         | -          | 15,894       | 7,722      | -                 | -     | -          | -          | -                           | -          | -          | -          | 47,811   | -          |
| Opening Gross Balance - at Fair Value                              |      | 35,171     | 90,521     | 90,521    | 24,195     | 500,191                   | 500,191 | 500,191                   | 500,191    | 15,894       | 7,722      | 162               | 8,755 | 162        | 8,755      | 8,755                       | 8,755      | 8,755      | 634,800    | 634,800  | -          |
| Opening Gross Balance  |      | 35,171     | 90,521     | 90,521    | 24,195     | 500,191                   | 500,191 | 500,191                   | 500,191    | 15,894       | 7,722      | 162               | 8,755 | 162        | 8,755      | 8,755                       | 8,755      | 8,755      | 682,611    | 682,611  | -          |
| Correction to Opening Balances                                     |      | 8,614      | -          | -         | -          | -                         | -       | -                         | -          | -            | 17,691     | -                 | -     | -          | -          | -                           | -          | -          | 8,614      | 8,614    | -          |
| Additions*   |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | -          | 17,691   | -          |
| Contributed Assets at Valuation                                    | 4    | -          | -          | -         | -          | 3,649                     | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | -          | 3,649    | -          |
| Disposals  | 8    | (71)       | (493)      | (493)     | (1,771)    | (5,272)                   | -       | -                         | (5,272)    | (584)        | -          | -                 | -     | -          | -          | -                           | -          | -          | (8,191)    | (8,191)  | -          |
| Reversal of prior period Reval. Decrements to P/L                  |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | -          | 396      | 396        |
| Revaluation Increments to Equity (ARS)                             | 19   | -          | 1,024      | 1,024     | -          | 4,349                     | -       | 4,349                     | 4,349      | -            | -          | 8                 | -     | 8          | -          | -                           | -          | -          | 5,381      | 5,381    | -          |
| Work in Progress Transfers   |      | 275        | 2,339      | 2,339     | 1,779      | 9,648                     | -       | 9,648                     | 9,648      | 1,578        | (16,062)   | 1                 | 442   | 1          | 442        | 442                         | 442        | 442        | -          | -        | -          |
| Transfers from/(to) Held for Sale category                         | 11   | 152        | -          | -         | -          | -                         | -       | -                         | -          | -            | (282)      | -                 | -     | -          | -          | -                           | -          | -          | (130)      | (130)    | -          |
| Transfers from/(to) Investment Properties                          | 12   | (1,847)    | -          | -         | -          | -                         | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | (1,847)    | (1,847)  | -          |
| Transfers from/(to) Intangible Assets                              | 15   | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | (1,255)    | -                 | -     | -          | -          | -                           | -          | -          | (1,255)    | (1,255)  | -          |
| Adjustment Due to Changes in Provision for Rehabilitation          |      | -          | -          | -         | -          | -                         | -       | -                         | -          | 5,891        | -          | -                 | -     | -          | -          | -                           | -          | -          | 5,891      | 5,891    | -          |
| Transfers from/(to) Other Assets                                   |      | -          | -          | -         | -          | -                         | (76)    | -                         | -          | (76)         | -          | 76                | -     | -          | -          | -                           | -          | -          | -          | -        | -          |
| Total Gross Value of Property, Plant and Equipment - at Cost       |      | -          | -          | -         | 24,203     | -                         | -       | 24,203                    | -          | 22,703       | 7,814      | -                 | -     | -          | -          | -                           | -          | -          | 54,720     | 54,720   | -          |
| Total Gross Value of Property, Plant and Equipment - at Fair Value |      | 42,294     | 93,391     | 93,391    | -          | 512,565                   | -       | 512,565                   | 512,565    | 22,703       | 7,814      | 247               | 9,735 | 247        | 9,735      | 9,735                       | 9,735      | 9,735      | 658,232    | 658,232  | -          |
| Total Gross Value of Property, Plant and Equipment                 |      | 42,294     | 93,391     | 93,391    | 24,203     | 512,565                   | 24,203  | 512,565                   | 512,565    | 22,703       | 7,814      | 247               | 9,735 | 247        | 9,735      | 9,735                       | 9,735      | 9,735      | 712,952    | 712,952  | -          |
| Opening Accumulated Depreciation                                   |      | -          | 32,119     | 32,119    | 11,313     | 92,147                    | -       | 92,147                    | 92,147     | 2,310        | -          | -                 | 2,360 | -          | 2,360      | 2,360                       | 2,360      | 2,360      | 140,249    | 140,249  | -          |
| Depreciation Expense   |      | -          | 1,752      | 1,752     | 1,729      | 7,289                     | -       | 7,289                     | 7,289      | 657          | -          | -                 | 351   | -          | 351        | 351                         | 351        | 351        | 11,778     | 11,778   | -          |
| Disposals  | 8    | -          | (142)      | (142)     | (1,160)    | (2,267)                   | -       | (2,267)                   | (2,267)    | (147)        | -          | -                 | -     | -          | -          | -                           | -          | -          | (3,716)    | (3,716)  | -          |
| Revaluation Decrements to Equity (ARS)                             | 19   | -          | -          | -         | -          | (11,963)                  | -       | (11,963)                  | (11,963)   | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | (11,963)   | (11,963) | -          |
| Reversal of prior period Reval. Decrements to P/L                  |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | 204        | 204      | -          |
| Revaluation Increments to Equity (ARS)                             |      | -          | 224        | 224       | -          | -                         | -       | -                         | -          | -            | -          | -                 | -     | -          | -          | -                           | -          | -          | 224        | 224      | -          |
| Total Accumulated Depreciation of Property, Plant and Equipment    | 19   | -          | 33,953     | 33,953    | 11,882     | 85,206                    | -       | 85,206                    | 85,206     | 2,820        | -          | -                 | 2,915 | -          | 2,915      | 2,915                       | 2,915      | 2,915      | 136,776    | 136,776  | -          |
| Total Net Book Value of Property, Plant and Equipment              |      | 42,294     | 59,438     | 59,438    | 12,321     | 427,359                   | 12,321  | 427,359                   | 427,359    | 19,883       | 7,814      | 247               | 6,820 | 247        | 6,820      | 6,820                       | 6,820      | 6,820      | 576,176    | 576,176  | -          |
| Other Information  |      |            |            |           |            |                           |         |                           |            |              |            |                   |       |            |            |                             |            |            |            |          |            |
| Residual Value   |      | Indefinite | 0%         | 0%        | 15%-30%    | 0%                        | 0%      | 0%                        | 0%         | 0%           | -          | Indefinite        | 0%    | Indefinite | 0%         | Indefinite                  | 0%         | Indefinite | -          | -        | -          |
| Range of Estimated Useful Life (years)                             |      | Indefinite | 20-80      | 20-80     | 3-20       | 7-100                     | 3-20    | 7-100                     | 7-100      | 3-100        | -          | -                 | 25    | -          | 25         | -                           | -          | -          | -          | -        | -          |
| *Asset Additions Comprise  |      |            |            |           |            |                           |         |                           |            |              |            |                   |       |            |            |                             |            |            |            |          |            |
| Asset Renewals   |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | 10,540     | -                 | -     | -          | -          | -                           | -          | -          | 10,540     | 10,540   | -          |
| Other Additions  |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | 7,151      | -                 | -     | -          | -          | -                           | -          | -          | 7,151      | 7,151    | -          |
| Total Asset Additions  |      | -          | -          | -         | -          | -                         | -       | -                         | -          | -            | 17,691     | -                 | -     | -          | -          | -                           | -          | -          | 17,691     | 17,691   | -          |

## Lockyer Valley Regional Council

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

#### Note 13. Property, Plant and Equipment (continued)

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##### Valuations - defined by reference to:

###### Land

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

###### Buildings

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

###### Plant and Other Equipment

- Basis of valuation: Cost less accumulated depreciation

###### Road and Drainage Network

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

###### Other Assets

- Basis of valuation: Cost less accumulated depreciation

###### Works In Progress

- Basis of valuation: Cost

###### Artworks

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2016
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

## Lockyer Valley Regional Council

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

#### Note 13. Property, Plant and Equipment (continued)

##### Valuations - defined by reference to: (continued)

##### Park and Cemetery Equipment

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2017
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

##### Waste

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2018
- Valuer: Pickles Valuation Services - Kim Adams, AAPI, CPV 2124

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Capital Work In Progress is the cost of property, plant and equipment being constructed by the Council which includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Land and artworks is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

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

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

## Lockyer Valley Regional Council

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

#### Note 14. Fair Value Measurements

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 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

**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:**

|  | Date of latest valuation | Fair Value Measurement using:                     |  |  | Total          |
|--|--------------------------|---|--|--|----------------|
|  |                          | Level 1<br>Quoted prices in active mkts<br>\$'000 | Level 2<br>Significant observable inputs<br>\$'000 | Level 3<br>Significant unobservable inputs<br>\$'000 |                |
| <b>2018</b>                                |                          |   |  |  |                |
| <b>Assets Held for Sale</b>                |                          |   |  |  |                |
| - Land                                     | 30/06/18                 | -   | 2,485  | -  | 2,485          |
| <b>Total Assets Held for Sale</b>          |                          | <b>-</b>  | <b>2,485</b>                                       | <b>-</b>   | <b>2,485</b>   |
| <b>Investment Properties</b>               |                          |   |  |  |                |
| - Land                                     | 30/06/18                 | -   | 1,850  | -  | 1,850          |
| <b>Total Investment Properties</b>         |                          | <b>-</b>  | <b>1,850</b>                                       | <b>-</b>   | <b>1,850</b>   |
| <b>Property, Plant and Equipment</b>       |                          |   |  |  |                |
| - Land                                     | 30/06/18                 | -   | 37,605   | 5,157  | 42,762         |
| - Buildings                                | 30/06/18                 | -   | -  | 51,923   | 51,923         |
| - Road and Drainage Network                | 30/06/18                 | -   | -  | 433,083  | 433,083        |
| - Artworks                                 | 30/06/16                 | -   | 246  | -  | 246            |
| - Park and Cemetery Equipment              | 30/06/17                 | -   | -  | 7,518  | 7,518          |
| - Waste                                    | 30/06/18                 | -   | -  | 14,176   | 14,176         |
| <b>Total Property, Plant and Equipment</b> |                          | <b>-</b>  | <b>37,851</b>                                      | <b>511,857</b>                                       | <b>549,708</b> |
| <b>2017</b>                                |                          |   |  |  |                |
| <b>Assets Held for Sale</b>                |                          |   |  |  |                |
| - Land                                     | 30/06/17                 | -   | 3,052  | -  | 3,052          |
| <b>Total Assets Held for Sale</b>          |                          | <b>-</b>  | <b>3,052</b>                                       | <b>-</b>   | <b>3,052</b>   |
| <b>Investment Properties</b>               |                          |   |  |  |                |
| - Land                                     | 30/06/17                 | -   | 1,847  | -  | 1,847          |
| <b>Total Investment Properties</b>         |                          | <b>-</b>  | <b>1,847</b>                                       | <b>-</b>   | <b>1,847</b>   |
| <b>Property, Plant and Equipment</b>       |                          |   |  |  |                |
| - Land                                     | 30/06/17                 | -   | 37,253   | 5,041  | 42,294         |
| - Buildings                                | 30/06/17                 | -   | -  | 56,845   | 56,845         |
| - Road and Drainage Network                | 30/06/17                 | -   | -  | 419,894  | 419,894        |
| - Artworks                                 | 30/06/16                 | -   | 247  | -  | 247            |
| - Park and Cemetery Equipment              | 30/06/17                 | -   | -  | 6,820  | 6,820          |
| <b>Total Property, Plant and Equipment</b> |                          | <b>-</b>  | <b>37,500</b>                                      | <b>488,600</b>                                       | <b>526,100</b> |

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## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Fair Value Measurements (continued)

##### (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.

##### (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:

##### Investment Properties

Council obtains independent valuations at least every three years for all investment properties. The last valuation was undertaken by Pickles Valuation Services, Registered Valuers, as at 30 June 2018.

Council's investment properties are all vacant land in areas with regular sales of comparable properties. Therefore they were valued using the direct comparison approach. Sales of properties with similar features have been analysed on a basis of a rate per square metre of land area and compared to the subject properties having regard to value influencing factors such as location, site area, zoning and relativity of market conditions at the time of sale. No allowance has been made for realisation expenses.

##### Land

Where there is an active and liquid market as evidenced by sales transactions of similar property types, a Market Approach by way of Direct Comparison or Income methods can be utilised, and are accepted valuation methodologies under AASB 13. If a Market Approach is adopted, the valuation is deemed to be a Level 2 input.

Direct Comparison method which is considered a Level 2 input on the Fair Value Hierarchy, involves the analysis of sales evidence and comparisons with the subject land taking into account matters such as area, location and other general site characteristics. The Direct Comparison approach has been utilised in the valuer's assessment for all LVRC Land Assets, however the fair value measurement has been either a Level 2 or 3, depending on their assumptions as to:

- Whether the land is subject to restrictions as to use and/or sale;
- Whether there is no active market.

If these assumptions apply to the land as per the better practice guidelines in Queensland Treasury NCAP 3, the Valuers have measured the expected Fair Value as a Level 3. However if an active market can be established and there are no unreasonable restrictions as to use and/or sale, the Valuers have deemed the measurement to be a Level 2. Land that is utilised for footpath or access restriction purposes, land that is a volumetric title, or due to its general characteristics land that has no observable active market, have been assessed as a Level 3.

The valuation techniques used to measure fair value maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Fair Value Measurements (continued)

##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

###### Buildings

Due to the predominantly specialised nature of Local Government Assets, infrastructure, building and other asset valuations are undertaken on a Cost Approach (Current Replacement Cost), an accepted valuation methodology under AASB13. The cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

Where there is no market, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees.

A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value, which is the value at the time the asset is considered to be no longer available, is also factored in. The condition assessment is applied on a component basis.

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (level 3).

The Condition rating inputs can be defined in the following table, noting that the condition assessments for LVRC have been applied in 0.5 intervals:

| Rating | Description  | % of Life Remaining |
|--------|--------------|---------------------|
| 1      | As New       | 71-100              |
| 2      | Good         | 51-70               |
| 3      | Fair         | 11-50               |
| 4      | Poor         | 4-10                |
| 5      | Failed asset | 0-3                 |

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

## Lockyer Valley Regional Council

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

#### Note 14. Fair Value Measurements (continued)

##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

###### Infrastructure, Property, Plant and Equipment, Parks, Waste and Cemeteries

Due to the predominately specialised nature of Local Government Assets, the infrastructure valuations have been undertaken on a Cost Approach (Current Replacement Cost), an accepted valuation methodology under AASB13. The Cost approach is deemed a Level 3 Input. Under this approach, the following process has been adopted:

- Where there is no market, the net current value of an asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.
- In determining the level of accumulated depreciation for major assets, we have disaggregated into significant components which exhibit different patterns of consumption (useful lives). Residual value, which is the value at the time the asset is considered to be no longer available, is also factored in. The condition assessment is applied on a component basis.
- While the replacement cost of the assets could be supported by market supplied evidence (Level 2), the other unobservable inputs (such as estimates of residual value, useful life, and asset condition) were also required (Level 3).

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for a sample of above ground assets), the assets were allocated a condition assessment this was then scaled to LVRC 1-5 score, which is used to estimate remaining useful life.

| Rating | Description  | % of Life Remaining |
|--------|--------------|---------------------|
| 1      | As New       | 71-100              |
| 2      | Good         | 51-70               |
| 3      | Fair         | 11-50               |
| 4      | Poor         | 4-10                |
| 5      | Failed Asset | 0-3                 |

Where site inspections were not conducted (i.e. for passive assets outside the sample or underground), the remaining useful life was calculated on asset age and estimated useful life.

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

## Lockyer Valley Regional Council

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

#### Note 14. Fair Value Measurements (continued)

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

##### The Valuation Process for Level 3 Fair Value Measurements

###### Roads & Road Structures

The Roads and Road Structures assets were classified as passive assets; passive assets were further componentised and consisted of Formation, Base and Sub-base Pavement, and Seal for Roads assets and Substructure, Superstructure, Retaining Works, Deck and others for Road Structures. Unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction rates and quotations.

Roads are segmented based on the Department of Transport & Main Roads standards and these are classified as Formed, Unformed, and then further by sealed and unsealed types.

The CRC was calculated by reference to asset length and width for Formation and Seal and depth for Pavements.

Location factors, soil type, weather conditions, raw material access and service level standards were assumed to be uniform across the Council area.

###### Urban Infrastructure

The Urban infrastructure assets were classified as passive assets; passive assets were further componentised and consisted of Assorted Stormwater Pits, Stormwater Gravity Pipework, Footpaths and Kerb and Channel. Unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's Construction rates and quotations.

The CRC was calculated by reference to asset length for Pipework and, length, width, number of connections and depth for Pits.

Location factors, soil type, weather conditions, raw material access and service level standards were assumed to be uniform across the Council area.

###### Percentage of Assets Inspected

- Infrastructure Assets including Road Network 5% to 20% (Bridges 70%)
- Waste 100%
- Land 50%
- Buildings 60%

###### Review of Valuations

All valuations were subjected to review by Council engineering, facilities and finance staff including:

- unit rates
- condition ratings
- useful lives
- depreciation
- written down values
- residual values

## Lockyer Valley Regional Council

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

#### Note 15. Intangible Assets

| Notes  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| Intangible Assets represent identifiable non-monetary assets without physical substance. |                |                |
| Intangible Assets are as follows;  |                |                |
| <b>Software</b>  |                |                |
| <b>Opening Gross Carrying Value</b>  | 7,618          | 6,363          |
| Additions  | 1,333          | 1,255          |
| Disposals  | (91)           | -              |
| <b>Closing Gross Carrying Value</b>  | <u>8,860</u>   | <u>7,618</u>   |
| <b>Opening Accumulated Amortisation</b>  | (2,692)        | (1,803)        |
| Amortisation   | (1,044)        | (889)          |
| Accumulated Amortisation charges written off   | 88             | -              |
| <b>Closing Accumulated Amortisation</b>  | <u>(3,648)</u> | <u>(2,692)</u> |
| <b>Net Carrying Value</b>  | <u>5,212</u>   | <u>4,926</u>   |
| <b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE <sup>1</sup></u></b>                      | <u>5,212</u>   | <u>4,926</u>   |
| <b><sup>1</sup> The Net Book Value of Intangible Assets represent:</b>                   |                |                |
| - Software   | 5,212          | 4,926          |
|  | <u>5,212</u>   | <u>4,926</u>   |

Software assets have a finite life estimated at between 3 and 10 years.

Straight line amortisation has been used with no residual value.

Intangible assets with a cost or other value exceeding \$10,000 are recognised in the financial statements. Items with a lesser value are expensed.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate.

#### Note 16. Trade and Other Payables

##### Current

|  |              |              |
|--|--------------|--------------|
| Creditors and Accruals                               | 4,196        | 3,605        |
| GST Payable  | 85           | 34           |
| Payments Received in Advance                         | 50           | 36           |
| State Fire Levy                                      | 168          | 147          |
| Annual Leave   | 2,061        | 2,127        |
| Other Employee Entitlements                          | 156          | 158          |
| <b><u>TOTAL CURRENT TRADE AND OTHER PAYABLES</u></b> | <u>6,716</u> | <u>6,107</u> |

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 16. Trade and Other Payables (continued)

Trade payables are recognised upon receipt of the goods or services ordered, and are measured at the agreed purchase/contract price. Amounts owing are unsecured, and generally settled on 30 day terms.

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense.

Annual leave and other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the current liability is calculated using current pay rates, employee on-costs, and discounted to present values.

Council has no obligation to pay sick leave on termination of employees. No liability is recognised for sick leave.

Superannuation is paid within three days of a pay period. No liability is recognised for superannuation.

#### Note 17. Borrowings

|  | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|--|-------|----------------|----------------|
| <b>Current</b>                                       |       |                |                |
| Loans - Queensland Treasury Corporation              |       | 1,390          | 1,612          |
| <b><u>TOTAL CURRENT BORROWINGS</u></b>               |       | <u>1,390</u>   | <u>1,612</u>   |
| <b>Non-current</b>                                   |       |                |                |
| Loans - Queensland Treasury Corporation              |       | 24,940         | 30,838         |
| <b><u>TOTAL NON-CURRENT BORROWINGS</u></b>           |       | <u>24,940</u>  | <u>30,838</u>  |
| <b>Reconciliation of Loan Movements for the year</b> |       |                |                |
| <b>Loans - Queensland Treasury Corporation</b>       |       |                |                |
| Opening Balance at Beginning of Financial Year       |       | 32,450         | 34,508         |
| Principal Repayments                                 |       | <u>(6,120)</u> | <u>(2,058)</u> |
| <b>Book value at end of financial year</b>           |       | <u>26,330</u>  | <u>32,450</u>  |

The QTC loan market value at the reporting date was \$29,077,989. This represents the value of the debt if Council repaid it at that date. Council made an additional payment of \$5,000,000 in the 2018 year, however no changes were made to the loan term. As such no provision for early repayment has been made in these accounts.

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Borrowings (continued)

##### Loan Disclosures

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

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

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 March 2031 to 15 March 2036.

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

Principal and interest repayments are made quarterly in arrears.

In accordance with the *Local Government Regulation 2012*, Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset.

#### Note 18. Provisions

|  | Notes | 2018<br>\$'000       | 2017<br>\$'000       |
|--|-------|----------------------|----------------------|
| <b>Current</b>                             |       |                      |                      |
| Long Service Leave                         |       | 4,826                | 4,535                |
| Quarry Rehabilitation                      |       | 12                   | 45                   |
| Refuse Restoration                         |       | 99                   | 98                   |
| <b><u>TOTAL CURRENT PROVISIONS</u></b>     |       | <b><u>4,937</u></b>  | <b><u>4,678</u></b>  |
| <b>Non-Current</b>                         |       |                      |                      |
| Long Service Leave                         |       | 274                  | 469                  |
| Quarry Rehabilitation                      |       | 620                  | 1,740                |
| Refuse Restoration                         |       | 28,077               | 26,424               |
| <b><u>TOTAL NON-CURRENT PROVISIONS</u></b> |       | <b><u>28,971</u></b> | <b><u>28,633</u></b> |

## Lockyer Valley Regional Council

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

#### Note 18. Provisions (continued)

##### Details of movements in Provisions:

| Class of Provision    | Notes | Opening                        | Change in  | Decrease     | Remeasur           | Closing                          |
|-----------------------|-------|--------------------------------|------------|--------------|--------------------|----------------------------------|
|                       |       | Balance<br>as at<br>01/07/2017 |            | Provisions   | due to<br>Payments | e -ment<br>due to<br>Discounting |
|                       |       | \$'000                         | \$'000     | \$'000       | \$'000             | \$'000                           |
| Long Service Leave    |       | 5,004                          | 585        | (489)        | -                  | 5,100                            |
| Quarry Rehabilitation |       | 1,785                          | (1,153)    | -            | -                  | 632                              |
| Refuse Restoration    |       | 26,522                         | 1,122      | -            | 532                | 28,176                           |
| <b>TOTAL</b>          |       | <b>33,311</b>                  | <b>554</b> | <b>(489)</b> | <b>532</b>         | <b>33,908</b>                    |

Provisions are measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the payment.

##### Quarry rehabilitation

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

Balaam Hills Quarry has been removed from Council's EPA Licence. This has resulted in monitoring costs reducing by \$2.6 million over the rehabilitation period.

The projected cost is \$640,450 and this cost is expected to be incurred between 2014 and 2072.

##### Refuse restoration

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

The projected cost is \$27,986,715 and this will be incurred periodically from 2014 to 2076.

##### Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates, future pay increases, employee on-costs, and the probability of the employee remaining in Council's employment which would result in the Council being required to meet the liability. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.



## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 18. Provisions (continued)

##### Long Service Leave (continued)

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

#### Note 19. Asset Revaluation Surplus

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Movements in the asset revaluation surplus:</b>  |       |                |                |
| Balance at beginning of financial year  |       | 218,832        | 201,712        |
| <b>Net adjustment to non-current assets at end of period to reflect a change in current fair value:</b> |       |                |                |
| Land  |       | 721            | -              |
| Buildings   |       | (5,868)        | 800            |
| Road and Drainage Network   |       | (1,362)        | 16,312         |
| Artworks  |       | -              | 8              |
| Waste   |       | 720            | -              |
|   | 13    | <u>(5,789)</u> | <u>17,120</u>  |
| Balance at end of financial year  |       | <u>213,043</u> | <u>218,832</u> |

##### Asset revaluation surplus analysis

The closing balance of the Asset Revaluation Surplus comprises the following asset categories:

|                                  |                |                |
|----------------------------------|----------------|----------------|
| Land                             | 16,711         | 15,990         |
| Buildings                        | 4,005          | 9,873          |
| Road and Drainage Network        | 191,481        | 192,843        |
| Artworks                         | 126            | 126            |
| Waste                            | 720            | -              |
| Balance at end of financial year | <u>213,043</u> | <u>218,832</u> |

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Increases and decreases on revaluation are offset within a class of assets. Any decreases on revaluation in excess of the asset revaluation surplus are treated as an expense. There are no adjustments to the asset revaluation surplus on the disposal of assets.

## Lockyer Valley Regional Council

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

#### Note 20. Retained Surplus

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| <b>Movements in the retained surplus:</b>   |       |                |                |
| <b>Retained Surplus at Beginning of Financial Year</b>  |       | 367,461        | 346,417        |
| Net Result Attributable to Council  |       | 11,012         | 9,591          |
| <b>Transfers (to)/from Capital Reserves for Future Capital Project Funding, or from Reserves Funds that have been Expended or Closed:</b> | 21    |                |                |
| Restricted Capital Works Reserve - Grants & Subsidies   |       | (193)          | (81)           |
| Park Improvements Reserve   |       | -              | 440            |
| Roads Infrastructure Reserve  |       | 2,074          | 1,120          |
| Roadworks Extractive Industry Reserve   |       | 72             | 47             |
| Roads - Property Access Reserve   |       | -              | 362            |
| <b>Transfers (to)/from Recurrent Reserves for Future Project Funding, or from Reserves funds that have been Expended or Closed:</b>       | 21    |                |                |
| Rates Levies Reserve  |       | (197)          | 748            |
| Prepaid Grants Reserve  |       | (118)          | 76             |
| <b>Other Movements:</b>   |       |                |                |
| Property Plant & Equipment Recognised for the First Time  |       | -              | 8,614          |
| Investment in Associated Entities Recognised for the First Time   |       | -              | 127            |
| <b>Retained surplus at end of financial year</b>  |       | <u>380,111</u> | <u>367,461</u> |

## Lockyer Valley Regional Council

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

#### Note 21. Reserves

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

Council's Cash, Cash Equivalents and Investments are subject to a number of External and Internal Restrictions that limit the amount that is available for discretionary or future use. In prior years, Council accounted for these Restrictions using a system of Reserves.

#### **Restricted Capital Works Reserve - Grants & Subsidies**

This corresponds to the amount of cash which has been received in respect of capital works where the required capital works have not yet been carried out.

#### **Roads Infrastructure Reserve**

This represents the future development of roads across the region from specific contributions.

#### **Roadworks Extractive Industry Reserve**

This represents the future development of roads used by extractive industry operators from voluntary contributions.

#### **Rates Levies Reserve**

This represents the unspent funds from the Emergency Preparedness, Rural Fire and Waste Management Levies. These funds will provide disaster management, SES, rural fire, environmental and waste functions as needed.

#### **Prepaid Grants Reserve**

This corresponds to the amount of cash which has been received in respect of operational works where the required operations have not yet been carried out.

#### **Reserves held for funding future capital exp:**

|   |              |              |
|---|--------------|--------------|
| Restricted Capital Works Reserve - Grants & Subsidies | 321          | 128          |
| Roads Infrastructure Reserve                          | 2,564        | 4,638        |
| Roadworks Extractive Industry Reserve                 | -            | 72           |
|   | <u>2,885</u> | <u>4,838</u> |

# Lockyer Valley Regional Council

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

### Note 21. Reserves (continued)

|  | 2018                | 2017                |
|--|---------------------|---------------------|
| Notes  | \$'000              | \$'000              |
| <b>Reserves held for funding future recurrent exp:</b> |                     |                     |
| Rates Levies Reserve                                   | 197                 | -                   |
| Prepaid Grants Reserve                                 | 161                 | 43                  |
|  | <u>358</u>          | <u>43</u>           |
| <b>TOTAL RESERVES</b>                                  | <u><u>3,243</u></u> | <u><u>4,881</u></u> |

### Movements in reserves:

|   | Opening<br>Balance<br>as at<br>01/07/2017<br>\$'000 | Tfr to<br>Retained<br>Surplus<br>\$'000 | Tfr from<br>Retained<br>Surplus<br>\$'000 | Closing<br>Balance<br>as at<br>30/06/2018<br>\$'000 |
|---|---|---|---|---|
| <b>Capital Reserves</b>                               |   |   |   |   |
| Restricted Capital Works Reserve - Grants & Subsidies | 128   | -                                       | 193                                       | 321   |
| Roads Infrastructure Reserve                          | 4,638   | (2,074)                                 | -   | 2,564   |
| Roadworks Extractive Industry Reserve                 | 72  | (72)                                    | -   | -   |
| <b>Total Capital Reserves</b>                         | <u>4,838</u>  | <u>(2,146)</u>                          | <u>193</u>                                | <u>2,885</u>  |
| <b>Recurrent Reserves</b>                             |   |   |   |   |
| Rates Levies Reserve                                  | -   | -                                       | 197                                       | 197   |
| Prepaid Grants Reserve                                | 43  | -                                       | 118                                       | 161   |
| <b>Total Recurrent Reserves</b>                       | <u>43</u>   | <u>-</u>                                | <u>315</u>                                | <u>358</u>  |
| <b>TOTAL RESERVES</b>                                 | <u><u>4,881</u></u>                                 | <u><u>(2,146)</u></u>                   | <u><u>508</u></u>                         | <u><u>3,243</u></u>                                 |

# Lockyer Valley Regional Council

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

### Note 22. Commitments for Expenditure

| Notes  | 2018<br>\$'000 | 2017<br>\$'000 |
|--|----------------|----------------|
| <b>(a) Capital Commitments (exclusive of GST)</b>  |                |                |
| Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities: |                |                |
| <b>Property, Plant and Equipment</b>   |                |                |
| Facility, Buildings, Plant and Equipment Expenditure   | 1,063          | 731            |
| Road Operations & Bridge Construction  | 1,501          | 745            |
| <b>Total Commitments</b>   | <b>2,564</b>   | <b>1,476</b>   |
| <b>These expenditures are payable as follows:</b>  |                |                |
| Within the next year   | 2,564          | 1,476          |
| <b>Total Payable</b>   | <b>2,564</b>   | <b>1,476</b>   |
| <b>Sources for Funding of Capital Commitments:</b>   |                |                |
| Restricted Reserves  | 2,564          | 1,476          |
| <b>Total Sources of Funding</b>  | <b>2,564</b>   | <b>1,476</b>   |

### (b) Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Garbage Collection Contract     | 8,434         | 9,272         |
| Waste Site Supervision Contract | 6,392         | 7,351         |
| Computer Leasing Contract       | 613           | 299           |
|                                 | <b>15,439</b> | <b>16,922</b> |

## Lockyer Valley Regional Council

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

#### Note 23. Contingent Liabilities

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

##### Local Government Mutual

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

As at 30 June 2017, the financial statements reported an accumulated surplus totalling \$70,521,289. It is not anticipated any liability will arise.

##### Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$540,274.

The latest audited financial statements for Local Government Workcare are as at 30 June 2017 and show accumulated member funds (equity) of \$50,306,803.

##### Legal Claims

The Council is a defendant, or may be called upon to defend claims that arise, as a result of operations of the Council and ownership of public assets.

Council is currently defending a legal claim before the courts where the claimed amount is not finally calculated, but is in excess of \$2.2 million. Since the proceeding was commenced, the Applicant has amended its claim on three occasions in response to strike-out applications by Council, and the amount claimed has significantly decreased from the original \$25 million sought by the Applicant. No substantive steps have been taken by the Applicant to pursue this proceeding, and only those steps which will keep the proceeding 'live' in accordance with the Court Rules have now been taken. Council is of the opinion that if this claim is progressed it can be successfully defended.

## Lockyer Valley Regional Council

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

#### Note 23. Contingent Liabilities (continued)

Council is currently defending or has received three insurance claims which are currently being progressed by or in consultation with Council's insurer. These claims relate to personal injury or damage to third party infrastructure (approximately \$5,000). The balance are claims relevant to property alleged to be caused by Council works on Council roads or footpaths. An insurance excess of \$15,000 per claim applies to the majority of these claims.

Council is also aware of the following potential liability risks:

Seven Council assets have not been properly constructed by a particular contractor and now present risk to further liability to Council. Steps have been taken to resolve these issues with the contractor but this process has been frustrated. It is considered that Council is unlikely to recover any rectification costs from the contractor, which are expected to be in excess of \$4 million. Council will incur out of pocket costs to rectify the construction issues and may have liability to third parties in the event of any of these assets failing.

Information in respect of any individual claims has not been disclosed in accordance with AASB137 "Provisions, Contingent Liabilities and Contingent Assets" on the basis that Council considers such disclosures may seriously prejudice the outcome of the claim.

#### Note 24. Superannuation

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

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

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

Technically Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed.

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

## Lockyer Valley Regional Council

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

#### Note 24. Superannuation (continued)

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

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

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

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

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

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

|   | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|---|-------|----------------|----------------|
| Superannuation contributions made to the Regional Defined Benefits Fund                 |       | 112            | 124            |
| Other superannuation contributions for employees  |       | 2,475          | 2,335          |
| Total superannuation contributions paid by Council for employees                        | 5     | <u>2,587</u>   | <u>2,459</u>   |
|   |       |                | 2019<br>\$'000 |
| Contributions council expects to make to the Regional Defined Benefits Fund for 2018-19 |       |                | <u>115</u>     |



## Lockyer Valley Regional Council

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

#### Note 25. Associated Entities

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows:

#### Associated Entities

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations but does not control them.

#### Accounting Recognition:

Associated Entities are accounted for using the Equity Accounting Method and are disclosed as a one line entry in the Statement of Comprehensive Income and Statement of Financial Position

|                     | Council's Share of Net Income |              | Council's Share of Net Assets |               |
|---------------------|-------------------------------|--------------|-------------------------------|---------------|
|                     | 2018                          | 2017         | 2018                          | 2017          |
|                     | \$'000                        | \$'000       | \$'000                        | \$'000        |
| Associated Entities | 2,331                         | 2,328        | 30,273                        | 29,740        |
| <b>Total</b>        | <b>2,331</b>                  | <b>2,328</b> | <b>30,273</b>                 | <b>29,740</b> |

#### Associated Entities

Council has incorporated the following Associated Entities into its Financial Statements.

#### (a) Net Carrying Amounts - Council's Share

| Name of Entity                                      | Nature of Relationship | Measurement Method | 2018<br>\$'000 | 2017<br>\$'000 |
|---|------------------------|--------------------|----------------|----------------|
| SEQ Regional Recreational Facilities Pty Ltd        | Shareholder            | Equity Accounting  | 65             | 62             |
| Queensland Urban Utilities                          | Shareholder            | Equity Accounting  | 29,917         | 29,476         |
| Council of Mayors South East Queensland             | Shareholder            | Equity Accounting  | 291            | 202            |
| <b>Total Carrying Amounts - Associated Entities</b> |                        |                    | <b>30,273</b>  | <b>29,740</b>  |

# Lockyer Valley Regional Council

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

### Note 25. Associated Entities (continued)

#### (b) Details

| Name of Entity                               | Principal Activity               | Place of Business |
|--|----------------------------------|-------------------|
| SEQ Regional Recreational Facilities Pty Ltd | Recreational Facilities          | Brisbane          |
| Queensland Urban Utilities                   | Water and waste water management | Brisbane          |
| Council of Mayors South East Queensland      | Advocacy                         | Brisbane          |

#### (c) Relevant Interests and Fair Values

| Name of Entity                               | Quoted Fair Value |      | Interest in Outputs |      | Interest in Ownership |      | Proportion of Voting Power |      |
|--|-------------------|------|---------------------|------|-----------------------|------|----------------------------|------|
|  | 2018              | 2017 | 2018                | 2017 | 2018                  | 2017 | 2018                       | 2017 |
| SEQ Regional Recreational Facilities Pty Ltd | N/A               | N/A  | 4%                  | 4%   | 4%                    | 4%   | 13%                        | 13%  |
| Queensland Urban Utilities                   | N/A               | N/A  | 1%                  | 1%   | 1%                    | 1%   | 20%                        | 20%  |
| Council of Mayors South East Queensland      | N/A               | N/A  | 9%                  | 9%   | 9%                    | 9%   | 9%                         | 9%   |

#### (d) Summarised Financial Information for Associated Entities

##### Summarised Statement of Financial Position

|  | Queensland Urban Utilities |                  |
|--|----------------------------|------------------|
|  | 2018                       | 2017             |
|  | \$'000                     | \$'000           |
| <b>Current Assets</b>                        |                            |                  |
| Cash and Cash Equivalents                    | 131,400                    | 177,887          |
| Other Current Assets                         | 199,600                    | 212,077          |
| <b>Total Current Assets</b>                  | <u>331,000</u>             | <u>389,964</u>   |
| <b>Non-Current Assets</b>                    | <u>5,617,300</u>           | <u>5,410,712</u> |
| <b>Current Liabilities</b>                   |                            |                  |
| Other Current Liabilities                    | 301,500                    | 307,127          |
| <b>Total Current Liabilities</b>             | <u>301,500</u>             | <u>307,127</u>   |
| <b>Non-Current Liabilities</b>               | <u>2,290,300</u>           | <u>2,229,329</u> |
| <b>Net Assets</b>                            | <u>3,356,500</u>           | <u>3,264,220</u> |
| <b>Reconciliation of the Carrying Amount</b> |                            |                  |
| Opening Net Assets (1 July)                  | 29,476                     | 28,323           |
| Profit/(Loss) for the period                 | 2,239                      | 2,635            |
| Distributions Received                       | (1,798)                    | (1,482)          |
| <b>Closing Net Assets</b>                    | <u>29,917</u>              | <u>29,476</u>    |

# Lockyer Valley Regional Council

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

### Note 25. Associated Entities (continued)

#### Summarised Statement of Comprehensive Income

|                                   | Queensland Urban Utilities |                |
|-----------------------------------|----------------------------|----------------|
|                                   | 2018                       | 2017           |
|                                   | \$'000                     | \$'000         |
| Income                            | 1,344,989                  | 1,382,101      |
| Depreciation and Amortisation     | (183,326)                  | (178,043)      |
| Interest Expense                  | (97,025)                   | (97,561)       |
| Income Tax Expense                | (106,262)                  | (125,381)      |
| Other Expenses                    | (710,430)                  | (689,667)      |
| <b>Profit/(Loss) for Period</b>   | <b>247,946</b>             | <b>291,449</b> |
| Other Comprehensive Income        | -                          | 399            |
| <b>Total Comprehensive Income</b> | <b>247,946</b>             | <b>291,848</b> |
| Dividends received by Council     | 1,798                      | 1,097          |

#### (e) Summarised Financial Information for Individually Immaterial Associated Entities

In addition to the Associated Entities disclosed individually above, Council has interests in two individually immaterial Associated Entities that are accounted for using the Equity Method.

| Individually Immaterial Associates   | 2018       | 2017       |
|--|------------|------------|
|  | \$'000     | \$'000     |
| <b>Aggregate carrying amount of individually immaterial Associates</b>             | <b>356</b> | <b>264</b> |
| <b>Aggregate amounts of Council's share of individually immaterial Associates:</b> |            |            |
| Profit/(Loss) from Continuing Operations   | 92         | 78         |
| <b>Total Comprehensive Income - individually immaterial Associates</b>             | <b>92</b>  | <b>78</b>  |

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 26. Trust Funds

| Notes                                       | 2018<br>\$'000 | 2017<br>\$'000 |
|---|----------------|----------------|
| <b>Trust funds held for outside parties</b> |                |                |
| Security Deposits                           | 1,328          | 1,410          |
|   | <u>1,328</u>   | <u>1,410</u>   |

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

#### Note 27. Reconciliation of Net Result for the year to Net Cash from Operating Activities

|  |                |                |
|--|----------------|----------------|
| Net result   | 11,012         | 9,591          |
| <b>Adjust for Non-cash items</b>   |                |                |
| Depreciation and Amortisation  | 12,883         | 12,667         |
|  | <u>12,883</u>  | <u>12,667</u>  |
| <b>Losses/(Gains) recognised on fair value re-measurements through the P&amp;L</b> |                |                |
| Investment Properties  | (3)            | -              |
| Unwinding of Discount Rates on Reinstatement Provisions                            | 532            | 977            |
| Write Offs relating to the Fair Valuation of Property, Plant and Equipment         | -              | (192)          |
|  | <u>529</u>     | <u>785</u>     |
| <b>Investing and development activities</b>  |                |                |
| Net Losses/(Gains) on Disposal of Assets   | 3,897          | 3,594          |
| Capital Grants   | (4,155)        | (3,905)        |
| Share of Net (Profits)/Losses of Associates  | (2,331)        | (2,328)        |
| Capital Contributions  | (6,222)        | (3,791)        |
|  | <u>(8,811)</u> | <u>(6,430)</u> |
| <b>Changes in operating assets and liabilities:</b>                                |                |                |
| (Increase)/Decrease in Receivables   | (769)          | 82             |
| Increase/(Decrease) in Provision for Doubtful Debts                                | 1              | (37)           |
| (Increase)/Decrease in Inventories   | (26)           | 21             |
| Increase/(Decrease) in Payables and Accruals                                       | 591            | 433            |
| Increase/(Decrease) in Other Liabilities   | 18             | (125)          |
| Increase/(Decrease) in Employee Leave Entitlements                                 | 96             | 224            |
| Increase/(Decrease) in Other Provisions  | (31)           | -              |
|  | <u>(120)</u>   | <u>598</u>     |
| <b>Net cash from Operating Activities</b>  | <u>15,493</u>  | <u>17,211</u>  |

## Lockyer Valley Regional Council

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

#### Note 28. Reconciliation of Liabilities arising from Finance Activities

|       | As at<br>30-Jun-17<br>\$'000 | Cashflows<br>\$'000 | Non-Cash<br>Changes<br>\$'000 | As at<br>30-Jun-18<br>\$'000 |
|-------|------------------------------|---------------------|-------------------------------|------------------------------|
| Loans | 32,450                       | (6,120)             | -                             | 26,330                       |
|       | <u>32,450</u>                | <u>(6,120)</u>      | <u>-</u>                      | <u>26,330</u>                |

#### Note 29. Events Occurring After Balance Sheet Date

Council is unaware of any material or significant events occurring after balance date that should be disclosed.

#### Note 30. Financial Instruments

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

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

##### Financial Risk Management

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

Council's Audit and Risk Management Committee has oversight of policies for overall risk management.

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

Council does not enter into derivatives.

##### Credit Risk Exposure

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

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

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar State/Commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

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

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 30. Financial Instruments (continued)

|  |    | 2018          | 2017          |
|--|----|---------------|---------------|
|  |    | \$'000        | \$'000        |
| The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period: |    |               |               |
| <b>Financial Assets</b>  |    |               |               |
| Cash and Cash Equivalents  | 9  | 10,743        | 9,741         |
| Investment Securities  | 9  | 15,200        | 17,500        |
| Receivables - Rates  | 10 | 2,422         | 2,050         |
| Receivables - Other  | 10 | 17,546        | 17,160        |
|  |    | <u>45,911</u> | <u>46,451</u> |
| <b>Other Credit Exposures</b>  |    |               |               |
| Guarantee  | 23 | 540           | 557           |
|  |    | <u>540</u>    | <u>557</u>    |
| <b>Total</b>   |    | <u>46,451</u> | <u>47,008</u> |

#### Cash and Cash Equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

#### Other Financial Assets

Other investments are held with financial institutions, which are rated AA+ to BBB- based on rating agency Standard and Poors ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

#### Trade and Other Receivables

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

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

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely residential and agricultural, there is also a concentration in the residential and agricultural sectors.

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 30. Financial Instruments (continued)

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

|                         | Notes | 2018<br>\$'000 | 2017<br>\$'000 |
|-------------------------|-------|----------------|----------------|
| <b>Receivables</b>      |       |                |                |
| Fully Performing        |       | 19,772         | 18,946         |
| Past due:               |       |                |                |
| - 30 to 60 days overdue |       | 83             | 45             |
| - 61 to 90 days overdue |       | 5              | 1              |
| - Over 90 days          |       | 112            | 221            |
| - Impaired              |       | (4)            | (3)            |
| <b>Total</b>            | 10    | <b>19,968</b>  | <b>19,210</b>  |

#### Liquidity Risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 17.

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

|                          | 0 to 1 year<br>\$'000 | 1 to 5 years<br>\$'000 | Over 5 years<br>\$'000 | Total<br>Contractual<br>Cash Flows<br>\$'000 | Carrying<br>Amount<br>\$'000 |
|--------------------------|-----------------------|------------------------|------------------------|--|------------------------------|
| <b>2018</b>              |                       |                        |                        |  |                              |
| Trade and Other Payables | 4,499                 | -                      | -                      | 4,499  | 4,499                        |
| Loans - QTC              | 2,640                 | 10,553                 | 22,908                 | 36,101                                       | 26,330                       |
|                          | <u>7,139</u>          | <u>10,553</u>          | <u>22,908</u>          | <u>40,600</u>                                | <u>30,829</u>                |
| <b>2017</b>              |                       |                        |                        |  |                              |
| Trade and Other Payables | 3,822                 | -                      | -                      | 3,822  | 3,822                        |
| Loans - QTC              | 3,089                 | 12,353                 | 30,046                 | 45,488                                       | 32,450                       |
|                          | <u>6,911</u>          | <u>12,353</u>          | <u>30,046</u>          | <u>49,310</u>                                | <u>36,272</u>                |

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

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 30. Financial Instruments (continued)

##### Market Risk

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

##### Interest Rate Risk

The Council is exposed to interest rate risk through investments and borrowings with Queensland Treasury and other financial institutions.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

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

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

|                   | Net Carrying   | Net Result  |             | Equity      |             |
|-------------------|----------------|-------------|-------------|-------------|-------------|
|                   | Amount         | 1% increase | 1% decrease | 1% increase | 1% decrease |
|                   | \$'000         | \$'000      | \$'000      | \$'000      | \$'000      |
| <b>2018</b>       |                |             |             |             |             |
| QTC Cash Fund     | 9,733          | 97          | (97)        | 97          | (97)        |
| Other Investments | 15,200         | 152         | (152)       | 152         | (152)       |
| Loans - QTC       | (26,330)       | (263)       | 263         | (263)       | 263         |
| <b>Net</b>        | <b>(1,397)</b> | <b>(14)</b> | <b>14</b>   | <b>(14)</b> | <b>14</b>   |
| <b>2017</b>       |                |             |             |             |             |
| QTC Cash Fund     | 8,900          | 89          | (89)        | 89          | (89)        |
| Other Investments | 18,341         | 183         | (183)       | 183         | (183)       |
| Loans - QTC       | (32,450)       | (325)       | 325         | (325)       | 325         |
| <b>Net</b>        | <b>(5,209)</b> | <b>(52)</b> | <b>52</b>   | <b>(52)</b> | <b>52</b>   |

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

QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.



## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 30. Financial Instruments (continued)

##### Fair Value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is discussed below/ disclosed in Note 17.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

|                                    | Notes | Carrying Value |                | Fair Value     |                |
|------------------------------------|-------|----------------|----------------|----------------|----------------|
|                                    |       | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 |
| <b>Financial Assets</b>            |       |                |                |                |                |
| Cash and Cash Equivalents          | 9     | 10,743         | 9,741          | 10,743         | 9,741          |
| Investments                        |       |                |                |                |                |
| - "Held to Maturity"               | 9     | 15,200         | 17,500         | 15,200         | 17,500         |
| Receivables                        | 10    | 20,482         | 19,714         | 20,482         | 19,714         |
| <b>Total Financial Assets</b>      |       | <b>46,425</b>  | <b>46,955</b>  | <b>46,425</b>  | <b>46,955</b>  |
| <b>Financial Liabilities</b>       |       |                |                |                |                |
| Payables                           | 16    | 6,716          | 6,107          | 6,716          | 6,107          |
| Loans / Advances                   | 17    | 26,330         | 32,450         | 29,078         | 35,877         |
| <b>Total Financial Liabilities</b> |       | <b>33,046</b>  | <b>38,557</b>  | <b>35,794</b>  | <b>41,984</b>  |

# Lockyer Valley Regional Council

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

### Note 31. Transactions with Related Parties

#### (a) Associates

##### Transactions with Associates

|  | Amount of<br>transactions<br>during year<br>2018<br>\$'000 | Amount of<br>transactions<br>during year<br>2017<br>\$'000 |
|--|--|--|
| <b>Queensland Urban Utilities</b>                    |  |  |
| - Water & Waste Water Charges                        | 367  | 373  |
| - Adopted Infrastructure Charges                     | -  | 355  |
| - Sponsorship Received                               | (6)  | (5)  |
| - Contribution to Water Collaborative                | (33)   | -  |
| - Private Works for QUU                              | (30)   | (22)   |
| - Council Development Costs                          | 186  | 189  |
| <b>Council of Mayors South East Queensland</b>       |  |  |
| - Annual Membership Levy                             | 31   | 30   |
| - SEQ Olympic Bid                                    | 16   | 16   |
| - SEQ Regional Food and Agriculture Tourism Platform | 6  | 6  |
| - Resilient Rivers Initiatives                       | (132)  | 41   |
| <b>Spring Bluff Railway Station</b>                  |  |  |
| - Operational Contribution                           | 57   | 56   |
| - Advertising Received                               | (1)  | (1)  |
|  | 461  | 1,038  |

All of the above transactions were in the normal course of business, and subject to standard terms and conditions.

#### (b) Other Related Parties

##### Transactions with Other Related Parties

|   | Amount of<br>transactions<br>during year<br>2018<br>\$'000 | Amount of<br>transactions<br>during year<br>2017<br>\$'000 |
|---|--|--|
| <b>Purchase of Goods &amp; Services from entities controlled by Key Management Personnel</b>                    |  |  |
| - Printing  | 45   | 33   |
| - Transport Services  | 10   | 7  |
| <b>Purchase of Goods &amp; Services from entities controlled by related parties of Key Management Personnel</b> |  |  |
| - Motor Vehicles  | -  | 73   |
| - Earthmoving Services  | 33   | 1,423  |
|   | 88   | 1,536  |

All of the above transactions were in the normal course of business, and subject to standard terms and conditions.

Any contracts with related parties have followed normal procurement and tender processes.

Key management personnel have disclosed any personal interest in relation to decision making around these transactions, or absented themselves from the decision making process. Similar transactions have occurred in previous years, prior to the election or employment of Key Management Personnel.

## Lockyer Valley Regional Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 31. Transactions with Related Parties (continued)

##### (c) Key Management Personnel

###### Transactions with Key Management Personnel

Key Management Personnel include the Councillors, Chief Executive Officer, Executive Managers, the Manager of Finance & Customer Services and the Manager of Planning. Other staff acting in those positions during the year have also been included for the period of time they were acting.

The compensation paid to Key Management Personnel comprises:

|                              | 2018         | 2017         |
|------------------------------|--------------|--------------|
|                              | \$000        | \$000        |
| Short-Term Employee Benefits | 2,363        | 1,838        |
| Post-Employment Benefits     | 258          | 193          |
| Long-Term Benefits           | 16           | 15           |
| <b>Total</b>                 | <b>2,637</b> | <b>2,046</b> |

##### (d) Outstanding Balances

Council holds no contract retentions (2017: \$6,427) on behalf of a related party. This was for the completion of tendered works.

Included in the balances disclosed at (a) is an amount of \$8,674 (2017: \$16,510) which was outstanding at year end. This is in accordance with Council's normal debt collection and creditor payment terms.

Included in the balances disclosed at (b) is an amount of \$59 (2017: \$34,179) which was outstanding at year end. This is in accordance with Council's normal creditor payment terms.

##### (e) Loans and Guarantees to/from Related Parties

Council holds no bank guarantees (2017: \$26,750) on behalf of a related party. This was for completion of tendered works.

Council has provided a loan to QUU for \$14.7 million (2017: \$14.7 million). This is managed by Queensland Treasury Corporation. This loan is at commercial interest rates, and the capacity for QUU to repay this loan is assessed yearly. This loan is disclosed at Note 10.

##### (f) Commitments to/from Other Related Parties

There are no commitments at the end of the reporting period in relation to transactions with related parties.

##### (g) Transactions with Related Parties that have not been disclosed

Transactions within the normal course of Council business with the related parties have not been disclosed as they are on the same basis as ordinary citizens. These transactions include rates payment for properties owned within Council boundaries, dog registrations, and reimbursement of expenses for parking and conferences.

There are three related parties which are employees of Council but not Key Management Personnel. Their employment terms and conditions are in accordance with Council's Enterprise Bargaining Agreement and standard recruitment practices and therefore have not been disclosed.

## Lockyer Valley Regional Council

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

#### Note 32. Council Information and Contact Details

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**Principal Place of Business:**

26 Railway Street  
Gatton QLD 4343

**Contact Details**

**Mailing Address:**

PO Box 82  
Gatton QLD 4343

**Opening Hours:**

8:30am - 4:30pm - Gatton  
9:00am - 5:00pm - Laidley  
Monday to Friday

**Telephone:** 1300 005 872

**Internet:** [www.lockyervalley.qld.gov.au](http://www.lockyervalley.qld.gov.au)

**Email:** [mailbox@lvrc.qld.gov.au](mailto:mailbox@lvrc.qld.gov.au)

**Officers**

**CHIEF EXECUTIVE OFFICER**

Ian Church

**Elected Members**

**MAYOR**

Tanya Milligan

**AUDITORS**

Queensland Audit Office  
PO Box 15396  
City East QLD 4002

**COUNCILLORS**

Jason Cook  
Chris Wilson  
Janice Holstein  
Rick Vela  
Kathy McLean  
Michael Hagan

**Other Information**

**ABN:** 52 673 165 312

## Lockyer Valley Regional Council

### General Purpose Financial Statements for the year ended 30 June 2018

### Management Certificate for the year ended 30 June 2018

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulations 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 50, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Tanya Milligan  
MAYOR

12 SEP 2018



Ian Church  
CHIEF EXECUTIVE OFFICER

12 SEP 2018

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockyer Valley Regional Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Lockyer Valley Regional Council.

In my opinion, the financial report:

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

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

#### Basis for opinion

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

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

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

#### Other information

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

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

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

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

### **Responsibilities of the council for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

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

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

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

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



Melissa Read  
as delegate of the Auditor-General

18 September 2018  
Queensland Audit Office  
Brisbane



# Lockyer Valley Regional Council

## Current Year Financial Sustainability Statement for the year ended 30 June 2018

|  | Actual<br>2018 | Target<br>2018 |
|--|----------------|----------------|
|--|----------------|----------------|

### Measures of Financial Sustainability

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

### Performance Indicators

#### 1. Operating Surplus Ratio

|  |       |         |
|--|-------|---------|
| <u>Net Result (excluding capital items) <sup>(1)</sup></u>       | 5.20% | 0 - 10% |
| Total Operating Revenue (excluding capital items) <sup>(2)</sup> |       |         |

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

#### 2. Asset Sustainability Ratio

|   |        |                  |
|---|--------|------------------|
| <u>Capital Expenditure on the Replacement of Assets (renewals) <sup>(3)</sup></u> | 97.53% | more<br>than 90% |
| Depreciation Expense  |        |                  |

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

#### 3. Net Financial Liabilities Ratio

|  |        |                  |
|--|--------|------------------|
| <u>Total Liabilities less Current Assets</u>                     | 52.94% | less than<br>60% |
| Total Operating Revenue (excluding capital items) <sup>(2)</sup> |        |                  |

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

### Note 1 - Basis of Preparation

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

## Lockyer Valley Regional Council

### Current Year Financial Sustainability Statement (continued) for the year ended 30 June 2018

#### Measures of Financial Sustainability (continued)

##### Notes

- (1) Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions, Donations and Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties, and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration and Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.
- (2) Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations and Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties.
- (3) Asset Renewals are defined as expenditures on existing assets to return the assets to their original service potential (or useful life) while satisfying current construction and required standards. Such expenditure is required periodically to reinstate existing assets and may reduce operating and maintenance costs.

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.

## Lockyer Valley Regional Council

### Current Year Financial Sustainability Statement for the year ended 30 June 2018

### Certificate of Accuracy for the year ended 30 June 2018

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

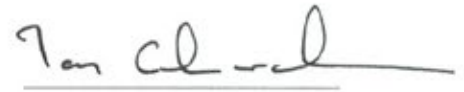
In accordance with Section 212(5) of the Regulation we certify that this Current-Year Financial Sustainability Statement has been accurately calculated.



Tanya Milligan

MAYOR

12 SEP 2018



Ian Church

CHIEF EXECUTIVE OFFICER

12 SEP 2018

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockyer Valley Regional Council

### Report on the Current Year Financial Sustainability Statement

#### Opinion

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

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

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

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

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

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

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

### **Responsibilities of the council for the current year financial sustainability statement**

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

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

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

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

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

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

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



Melissa Read  
as delegate of the Auditor-General

18 September 2018  
Queensland Audit Office  
Brisbane

## Lockyer Valley Regional Council

### Long-Term Financial Sustainability Statement

prepared as at 30 June 2018

|  | Target<br>2018 | Actual<br>2018 | 2019     | 2020   | 2021    | 2022   | 2023   | 2024   | 2025   | 2026   | 2027   | 2028   |
|--|----------------|----------------|----------|--------|---------|--------|--------|--------|--------|--------|--------|--------|
|  |                |                | Forecast |        |         |        |        |        |        |        |        |        |
| <b>Measures of Financial Sustainability</b>  |                |                |          |        |         |        |        |        |        |        |        |        |
| Council's performance at 30 June 2018 against key financial ratios and targets.  |                |                |          |        |         |        |        |        |        |        |        |        |
| <b>Performance Indicators</b>  |                |                |          |        |         |        |        |        |        |        |        |        |
| <b>1. Operating Surplus Ratio</b>  |                |                |          |        |         |        |        |        |        |        |        |        |
| Net Result (excluding capital items) <sup>(1)</sup>  |                |                |          |        |         |        |        |        |        |        |        |        |
| Total Operating Revenue (excluding capital items) <sup>(2)</sup>   |                |                |          |        |         |        |        |        |        |        |        |        |
| An indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes. |                |                |          |        |         |        |        |        |        |        |        |        |
|  | 0 - 10%        | 5.20%          | 3.59%    | 4.64%  | 4.95%   | 4.68%  | 5.31%  | 7.01%  | 8.86%  | 9.55%  | 9.57%  | 9.28%  |
| <b>2. Asset Sustainability Ratio</b>   |                |                |          |        |         |        |        |        |        |        |        |        |
| Capital Expenditure on the Replacement of Assets (renewals) <sup>(3)</sup>   |                |                |          |        |         |        |        |        |        |        |        |        |
| Depreciation Expense   |                |                |          |        |         |        |        |        |        |        |        |        |
| An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.           |                |                |          |        |         |        |        |        |        |        |        |        |
|  | > 90%          | 97.53%         | 134.22%  | 90.49% | 106.97% | 96.54% | 84.42% | 89.31% | 95.31% | 92.98% | 88.40% | 81.32% |
| <b>3. Net Financial Liabilities Ratio</b>  |                |                |          |        |         |        |        |        |        |        |        |        |
| Total Liabilities less Current Assets  |                |                |          |        |         |        |        |        |        |        |        |        |
| Total Operating Revenue (excluding capital items) <sup>(2)</sup>   |                |                |          |        |         |        |        |        |        |        |        |        |
| An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.  |                |                |          |        |         |        |        |        |        |        |        |        |
|  | < 60%          | 52.94%         | 69.89%   | 64.94% | 64.02%  | 58.34% | 49.65% | 42.07% | 36.51% | 27.42% | 17.17% | 6.28%  |

## Lockyer Valley Regional Council

### Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2018

#### Measures of Financial Sustainability (continued)

##### Lockyer Valley Regional Council Financial Management Strategy

The 2016 Queensland Treasury Corporation Credit (QTC) Review saw the Council rated as Weak with a Neutral Outlook. This rating is still related to the significant increase in operating costs and capital expenditure as a result of the flooding events experienced between 2011 and 2013. As Council has completed the restoration works and has returned to a pre-disaster level of operations, the budget forecasts are now reflecting a more stable level of operations. Council would like to see its QTC rating return to "moderate" over the short term, with a longer term rating goal of "sound" however discussions with QTC have indicated that there is no intention to conduct a further review at this time. Council's budgets, forecasts and rating strategies still aim to address the issues raised by QTC and deliver a financially stable future.

Council's adopted Long Term Financial Plan 2019 - 2028 provides a framework for securing its financial sustainability over the life of the forecast period.

To achieve this, Council aims for:

- Operating surpluses for the forecast period.
- Smoother increases in rates from year to year to avoid any 'rate shock'.
- Reductions in debt balances on top of the scheduled payments.
- Review of operations and service levels to focus on core services.
- Improved transparency and consultation in developing future budgets.

The current forecast has the levels of income and expenditure at what should be considered 'normal' operations.

It also sees operating surpluses for the life of the long term plan and a more sustainable level of capital works which is focussed on renewals.

Council has adopted Service Management Plans for its major asset classes. Improved asset data and a planned inspection regime will ensure that Council's understanding of the condition of its assets is better than it has ever been. This will in turn improve the outputs from the service management plans for each class of assets and ensure a more realistic forecast of the required levels of expenditure.

#### Notes

(1) Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions, Donations and Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties, and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration and Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.

(2) Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations and Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties.

(3) Asset Renewals are defined as expenditures on existing assets to return the assets to their original service potential (or useful life) while satisfying current construction and required standards. Such expenditure is required periodically to reinstate existing assets and may reduce operating and maintenance costs.

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.



# Lockyer Valley Regional Council

## Long-Term Financial Sustainability Statement

### Certificate of Accuracy

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

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

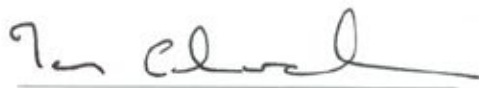
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Tanya Milligan

MAYOR

12 SEP 2018



Ian Church

CHIEF EXECUTIVE OFFICER

12 SEP 2018







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