BUNDABERG
REGIONAL COUNCIL

Building Australia's best regional community

Annual Report
2017/18

1300 883 699

bundaberg.qld.gov.au

2017/18 at a glance

41,758,893
Grants and subsidies received
$

This reduces the burden on ratepayers

No. of trees planted
16,000+

All you need to know about the MULTIPLEX

5 February 2016	11 April 2017	24 January 2018
Sod turning	Stage 1 Opening at a cost of **$15.7 million** built by Oasis Constructions	Stage 2 Opening at a cost of **$12 million** built by Murchie Constructions

10.5 billion litres water treated

14,852m of additional **pathway** added to the network

6.7 billion litres wastewater treated

Libraries
711,597 items were loaned

Total value community assets
$2.24 billion

f likes
17,422

Our friendly Customer Service team received
116,631 calls

The top five requests included: **animals, parks, roads, waste and water.**

Total materials received at our waste facilities
170,000 tonnes

with

53% of the total material **reused or recycled**

Contents

This page has been left intentionally blank.

1 Chief Executive Officer's Report

The successes recorded in the 2017/18 financial year are the result of the professional and collaborative efforts of the Mayor, Councillors, managers and staff right across the Bundaberg Regional Council.

Council is committed to delivering outcomes that propose to elevate the Bundaberg Region to the status of best performing region across the nation.

We have continued to build upon our strengths which include our natural assets, pristine environment, our coastline, commercial centres, hinterland and an agricultural resource capable of wide-ranging production.

Council continues to be proactive in its quest to promote the region as a prime investment location. The Bundaberg – Open for Development initiative has resulted in almost $300 million in approved projects being incentivised. It is this level of investment that continues to strengthen our building sector and delivers on job creation.

Council, after extensive negotiations, was pleased to sign off on a new staff agreement. Council is proud of its reputation as an employer of choice and the contribution the "Council family" makes to the economy of the Bundaberg Region.

An increased focus on sustainability, particularly in the areas of energy, is delivering welcome savings to Council. Currently there are 28 Council sites transferred to the contestable energy market which has resulted in savings to Council of half a million dollars per year since its inception four years ago.

The move to renewables through the ongoing installation of solar and energy efficient lights and air conditioners across many Council facilities will add to these savings in future years.

The partnerships we enjoy with State and Federal Governments continue to deliver vital funding for the region which directly impacts the manner in which Council can set its budgets and limit the impact on our ratepayers.

Council continues its consultative approach with its community and the engagement with programs such as sports and recreation and our parks and community facilities continue to attract well-articulated views from our residents.

The past 12 months have consolidated an economic platform from which the region is launching towards horizons of opportunity. Exciting projects are in the pipeline and we look forward to positive outcomes in relation to the Port of Bundaberg and the declared State Development Area while Council continues its investment in essential infrastructure.

Stephen Johnston
Chief Executive Officer

2 Community Finance Report

The Community Finance Report is prepared to provide residents, businesses and other stakeholders with an understanding of Council's financial performance and position for the 2017/18 financial year. It aims to give the reader a summary of Council's financial statements along with key financial statistics and ratios.

Financial Statements are an audited formal record of the performance and position of Council. There are four financial statements and three sustainability ratios that assist in providing a high level picture of Council finances for 2017/18. These are described as:

2.1 Statement of Comprehensive Income - revenue and expenses in the past 12 months

2.2 Statement of Financial Position - assets owned and liabilities owed at 30 June 2018

2.3 Statement of Cashflows - shows the affect of revenue and expenses, assets and liabilities on cash and investments

2.4 Statement of Changes in Equity - movement in the community's net wealth during the year

2.5 Financial Sustainability Ratios - for reviewing Council performance and sustainability

(a) Operating Surplus

(b) Net financial liabilities

(c) Asset sustainability.

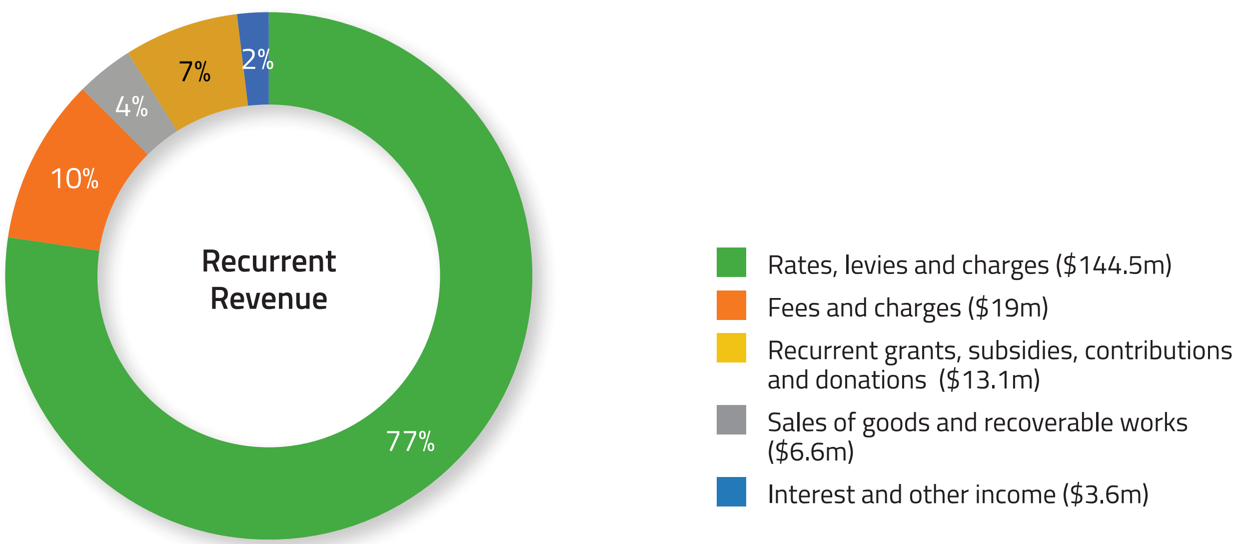
2.1 Statement of Comprehensive Income

The Statement of Comprehensive Income shows the revenue and expenses of Council for the year. This determines the Operating Surplus and Net Result of Council. Council focuses on the Operating Surplus as an important indicator of Councils financial health. The Operating Surplus is the amount of recurrent revenue less recurrent expenses. This year's Operating Surplus of $18.2 million is towards the upper end of Council's sustainability targets.

Total Income $228 million - where did this revenue come from?

Recurrent Revenue

Council received recurrent revenue of $186.8 million. Ratepayers contribute 77% of Council's recurrent revenue through rates and utility charges from 44,720 rateable properties. Other major sources of recurrent revenue include fees and charges (10%) and grants, subsidies, contributions and donations (7%).



Why are rates, levies and charges a significant portion of revenue?

Recurrent revenue is essential for delivering services and for the maintenance, renewal and development of Council assets. To achieve these objectives, Council endeavours to raise their own sources of income, to prevent reliance on volatile funding from the State and Federal government.

Capital Revenue

Council received capital revenue totalling $40.8 million. This revenue consisted mainly of grants and subsidies actively sought from the State and Federal government and infrastructure charges from development activities. Typically this revenue is utilised on capital projects during the year or is held as restricted cash for future capital projects.

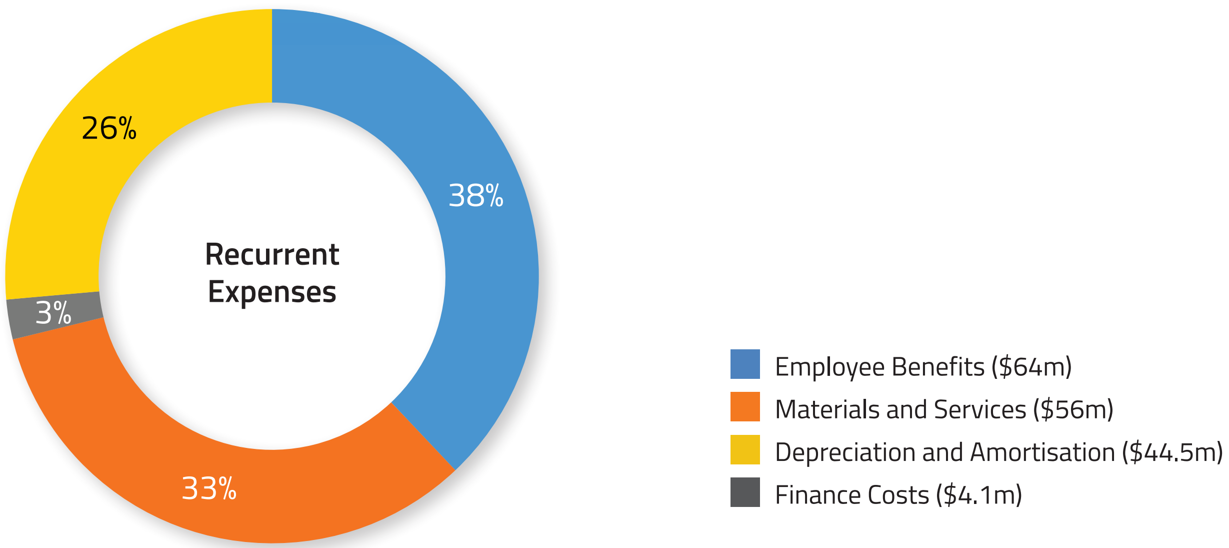
Total Expenses $181 million - what was this spent on?

Recurrent Expenses

A major component of Council's recurrent expenses is employee benefits, representing 38%. Employee benefits include employee salaries and wages, Councillor's remuneration and superannuation (Employee benefits exclude $6.3 million in wages incurred in delivering the capital works program).

Materials and services account for a large portion of Council's recurrent expenses, representing 33%. These costs include repairs and maintenance on Council assets, electricity, fleet operating costs, external plant hire, insurance premiums, consultants, raw water acquisitions and licences.

Council's depreciation expense is around $45 million. This equates to approximately $1,000 per rate assessment, per annum. Assets wear out, are consumed and/or become obsolete over their lifetime, and depreciation is used to record this consumption by allocating the asset's value over its useful life.



Capital Expenses

Capital expenses, totalling $12.3 million are reflected in the Net Result. They represent a decrease in the asset base, primarily through a loss on disposal of assets. Capital expenses do not represent Council's investment in assets during the year.

2.2 Statement of Financial Position

The Statement of Financial Position records the Community's assets and liabilities at the end of the financial year. The result of these two components determines the net worth of Council.

Assets $2.2 billion - what Council owned at 30 June 2018

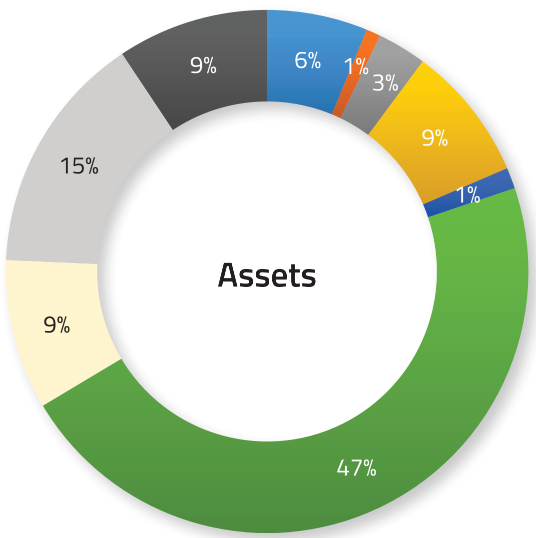
The major investment for Council is in assets which provide essential services for a growing community, namely property, plant and equipment which has a net value of over $2 billion. The bulk of Council's assets are infrastructure assets such as roads, footpaths, bridges, stormwater drainage, water and sewerage, accounting for 80% of Council's asset base.

Cash and receivables represents 6% of net assets and consists predominantly of restricted cash for future capital expenditure.

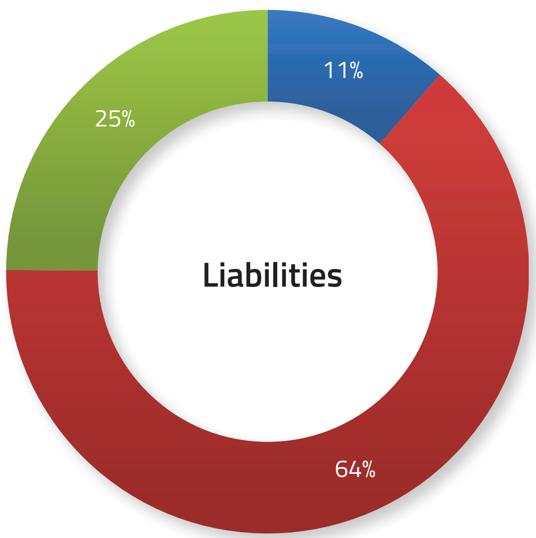
Liabilities $123 million - what Council owed at 30 June 2018

Council's liabilities consist of borrowings (64%), provisions (25%) and trade and other payables (11%). Provisions consist of long service leave payable to employees at 30 June 2018 ($12.7 million) and costs that are expected to be incurred in restoring and monitoring of landfill sites administered by Council ($17.9 million).

Trade and other payables are made up of day-to-day creditors ($7.8 million), for the purchase of items ranging from bitumen to stationery, employee entitlements ($5.7 million) and unearned revenue ($0.6 million). Employee entitlements consist of annual leave, wages, superannuation and other leave amounts (excluding long service leave) payable to employees at 30 June 2018.



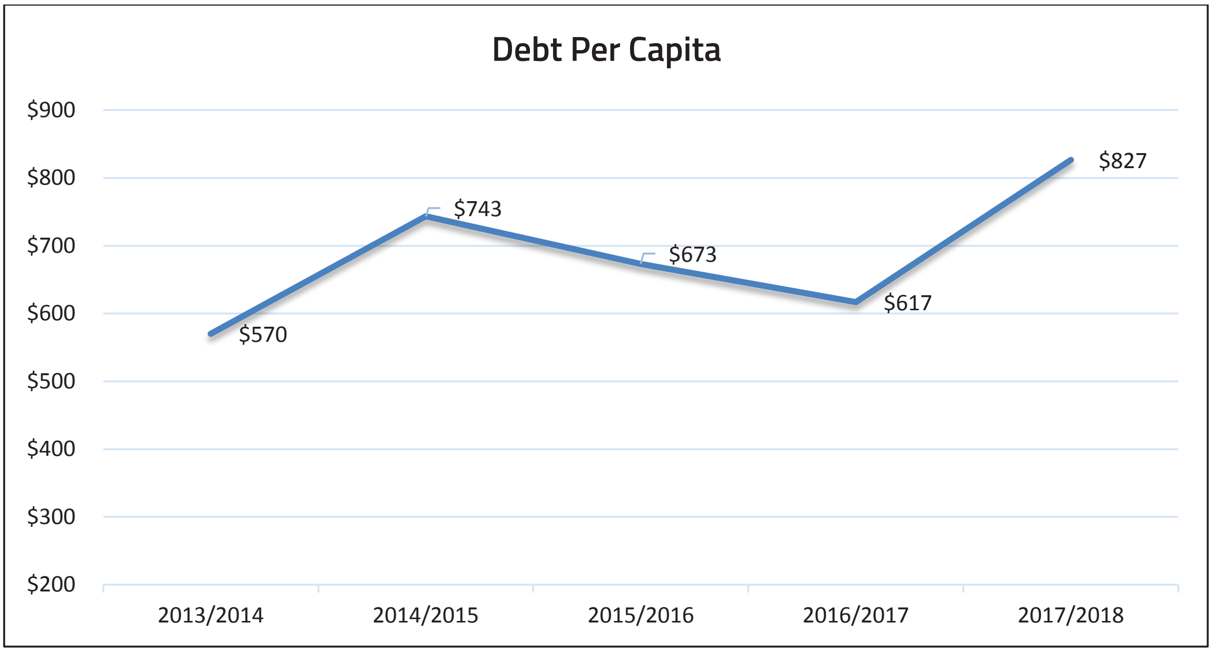
- Roads, footpaths and bridges ($1.04b)
- Sewerage infrastructure ($334.3m)
- Buildings and structures ($187.6m)
- Stormwater drainage ($207.6m)
- Water infrastructure ($209.3m)
- Cash and receivables ($139.4m)
- Land and improvements ($68.2m)
- Plant and Equipment ($29.1m)
- Other assets ($19.6m)



- Borrowings ($78.3m)
- Provisions ($30.6m)
- Trade and other payables ($14.1m)

Borrowings

Council aims to minimise borrowings by seeking alternate funding sources for capital projects such as grants and subsidies for major projects. However there are times where it is necessary to borrow for major projects. Debt per capita has increased in the 2018 financial year, due to the loan draw down of $25.5 million to fund such projects as the construction of the Rubyanna Wastewater Treatment Plant, the Cedars Road Landfill expansion and the Burnett Heads CBD Revitalisation. Debt remains relatively small compared to its net assets and within the targets outlined in net financial liabilities ratio.



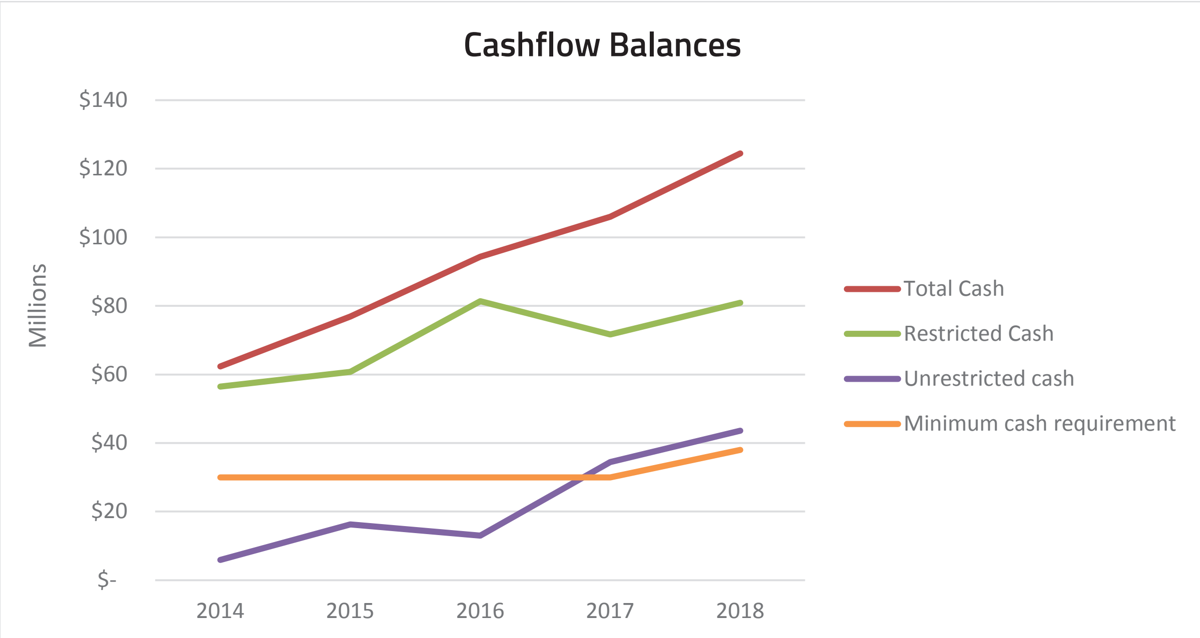
2.3 Statement of Cashflows

This statement records the movement in cash holdings during the year. In 2018 the cash balance increased by $18.5 million from $106 million to a closing balance of $124.5 million at year end.

Council's cash is represented by internally restricted capital cash (reserves) $49.8 million, externally restricted capital cash (unspent grants, infrastructure charges and loans) $31.2 million and unrestricted cash $43.5 million.

Council's cashflow from operating activities remains positive, with surplus operating cash of $62 million available for investing in assets and for the repayment of loans. Council invested $96 million in assets this financial year, which was funded by capital revenue, borrowings and cash from operating activities aforementioned.

Council's minimum cash requirement at 30 June 2018 was estimated to be $38 million. By maintaining this balance, Council allows sufficient cash to be available between rating periods whilst also providing a buffer against unforseen events. Ideally Council should have unrestricted cash greater than our minimum cash requirement.



2.4 Statement of Changes in Equity

The Statement of Changes in Equity determines the net wealth of Council, and therefore the community and includes the asset revaluation surplus, retained surplus and capital. The statement explains the change in the community's retained earnings over the reporting period.

The Asset Revaluation Surplus consists of $492 million in asset revaluation increases.

Retained Surplus of $110.5 million represents restricted cash and the unallocated surplus/(deficit). At 30 June 2018 there was an unallocated surplus of $33.2 million. An unallocated surplus represents the accumulative amount available to Council that enables flexibility in funding future operations and/or investment in assets.

Capital represents the net investment of Council funds in assets purchased to deliver future services to the community.

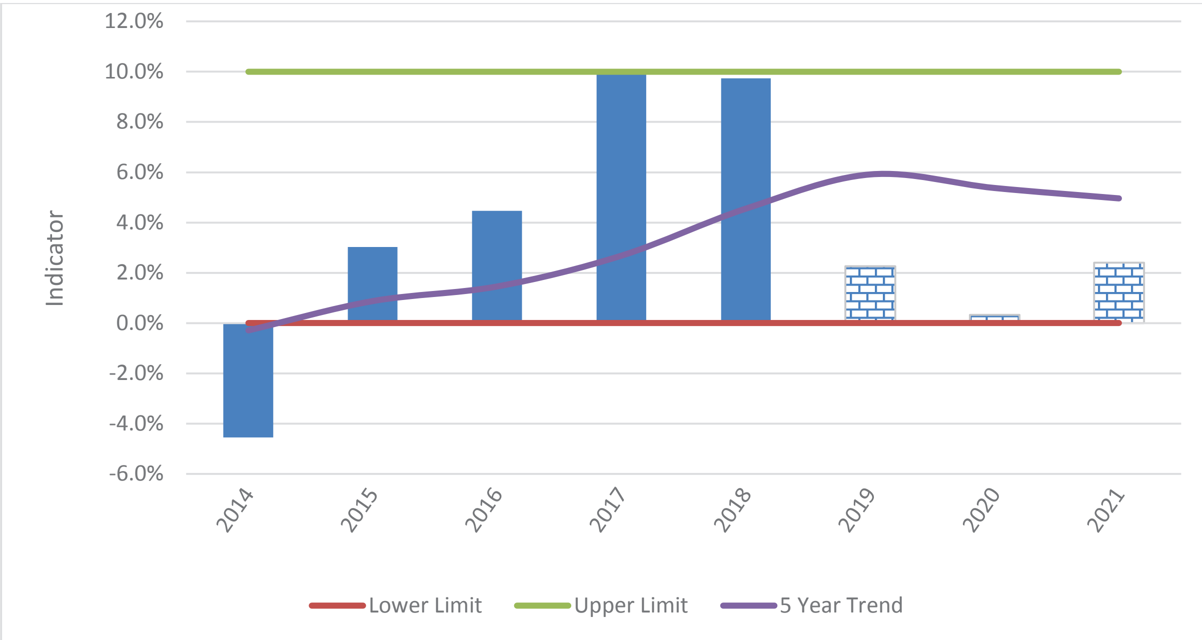
2.5 Financial Sustainability Ratios

The Financial Sustainability of Council is now a cornerstone of the *Local Government Act 2009* and a core responsibility of Council's across Queensland. A financially sustainable Local Government is defined by its ability to maintain its financial capital and infrastructure capital over the long-term.

Council does not use these measures of sustainability as targets that must be achieved at the end of each financial year. Instead, the anticipated long-term results from these measures are considered as planning tools to assess the current sustainability strategy - Councils Long Term Financial Plan. This feedback enables Council to adjust its respective strategies to produce the desired outcomes over the long-term.

The *Local Government Regulation 2012* requires Council to publish Financial Sustainability measures. The Department of Local Government, Racing and Multicultural affairs has set targets for each measure in the Financial Management Sustainability Guideline 2013. The three sustainability measures showing historic and forecasted results are as follows:

(a) Operating Surplus Ratio



INDICATOR
Operating Surplus Ratio (Financial)

DESCRIPTION
Indicates the extent to which operating revenues are available to help fund proposed capital expenditure. If not required within the year, a surplus could be held for future capital expenditure (Reserves), adjust working capital cash or used to reduce current debt levels.

MEASURE
Net Operating Surplus divided by Total Operating Revenue

TARGET
Between 0% and 10%

Commentary

Council has consistently achieved an operating surplus for all years other than 2014 financial year. These positive results enable the Council to invest resources in its vision to build Australia's best regional community. Forecast years are predicted to have a modest surplus reflecting Council's operating theme and performance outcome of sustainable and affordable essential services.

(b) Net Financial Liabilities Ratio

INDICATOR
Net Financial Liabilities Ratio (Financial)

DESCRIPTION
Indicates the extent to which the net financial liabilities can be serviced by its operating revenue. A value less than 60% indicates the capacity to fund existing liabilities. A value greater than 60% indicates limited capacity to increase borrowings.

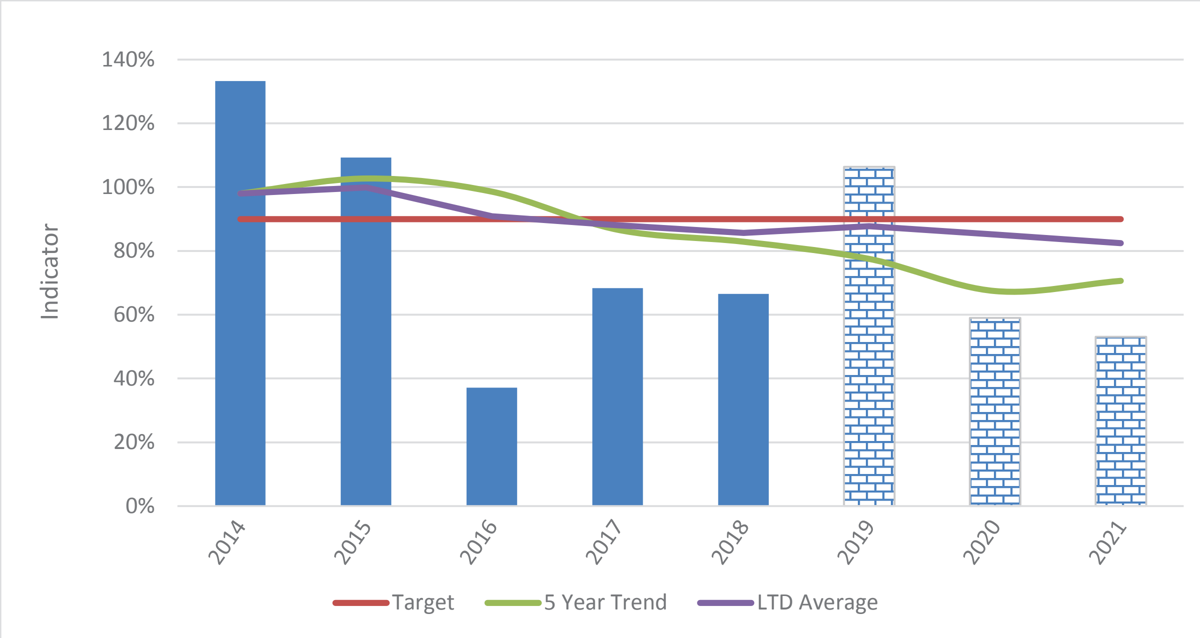
MEASURE
Total Liabilities less Current Assets divided by Operating Revenue

TARGET
Not greater than 60%

Commentary

Council has consistently had a ratio well below the upper threshold due to its strategy to seek alternate funding sources for capital projects and ensure affordability of borrowing levels. There are planned borrowings in the next three years for major projects including Bundaberg CBD Revitalisation, Bundaberg Drainage Improvement Program and Gin Gin Streetscape Stage 2.

(c) Asset Sustainability Ratio



INDICATOR
Asset Sustainability Ratio

DESCRIPTION
Indicates whether a council is renewing or replacing existing infrastructure assets at the same rate that its assets are being expended.

MEASURE
Capital Expenditure on Infrastructure Renewals divided by Depreciation Expense on Infrastructure Assets.

TARGET
Greater than 90%

Commentary

When assessing asset sustainability, Council refers to long term trends as renewal programs fluctuate from year to year. The renewal programs are formulated on Council's Asset Management Plan, which shows that a significant portion of the asset base are in good condition, explaining why the life-to-date average sits just below the target at 86%. This is expected to decrease slightly in the next 3 years to 82%. Council is planning to undertake an external review of its long-term asset management assumptions to ensure the planned level of asset renewal is appropriate.

This page has been left intentionally blank.

3 Annual Financial Statements

3.1 Statement of COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	30-Jun-18 $	30-Jun-17 $
Income			
Revenue			
Recurrent Revenue			
Rates and utility charges	3(a)	144,460,359	134,793,580
Fees and charges	3(b)	19,012,033	19,360,242
Interest received	3(c)	3,525,146	3,747,774
Contract and recoverable works		5,474,005	5,039,489
Sale of goods		1,080,074	986,862
Grants, subsidies, contributions and donations	4(a)	13,150,250	15,864,226
Profit on sale of developed land held for resale		71,074	74,444
Total recurrent revenue		186,772,941	179,866,617
Capital Revenue			
Grants, subsidies, contributions and donations	4(b)	38,974,335	30,351,394
Total Revenue		225,747,276	210,218,011
Capital Income	5	1,808,023	(17,799,719)
TOTAL INCOME		227,555,299	192,418,292
Expenses			
Recurrent Expenses			
Employee benefits	6	(63,966,639)	(61,624,142)
Materials and services	7	(56,052,836)	(49,649,520)
Finance costs	8	(4,060,536)	(4,712,963)
Depreciation of property plant and equipment	15	(44,171,077)	(45,292,826)
Amortisation of intangible assets	17	(327,110)	(495,763)
Total recurrent expenses		(168,578,198)	(161,775,214)
Capital Expenses	9	(12,308,225)	(5,932,090)
TOTAL EXPENSES		(180,886,423)	(167,707,304)
NET RESULT		46,668,876	24,710,988
Net Result Attributable To:			
Operating surplus		18,194,743	18,091,403
Capital surplus		28,474,133	6,619,585
		46,668,876	24,710,988
Other Comprehensive Income			
Items That Will Not Be Classified To Net Result			
Increase/(decrease) in asset revaluation surplus	21	31,128,661	94,096,227
Total Other Comprehensive Income		31,128,661	94,096,227
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		77,797,537	118,807,215

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

3.2 Statement of FINANCIAL POSITION

As at 30 June 2018

	Note	30-Jun-18 $	30-Jun-17 $
Assets			
Current Assets			
Cash and cash equivalents	10	124,464,224	106,021,236
Trade and other receivables	11	14,970,070	16,099,627
Inventories	12	4,139,586	4,090,453
Non-current assets held for sale	13	1,942,834	798,233
Total Current Assets		145,516,714	127,009,549
Non-Current Assets			
Investment property	14	7,158,581	8,347,178
Property, plant and equipment	15	2,078,371,036	1,994,932,761
Intangible assets	17	6,325,612	6,560,269
Total Non-Current Assets		2,091,855,229	2,009,840,208
TOTAL ASSETS		2,237,371,943	2,136,849,757
Liabilities			
Current Liabilities			
Trade and other payables	18	13,485,218	23,117,219
Borrowings	19	6,878,851	5,638,483
Provisions	20	12,389,143	12,089,836
Unearned revenue		595,924	570,928
Total Current Liabilities		33,349,136	41,416,466
Non-Current Liabilities			
Borrowings	19	71,431,485	52,638,535
Provisions	20	18,231,648	17,005,728
Total Non-Current Liabilities		89,663,133	69,644,263
TOTAL LIABILITIES		123,012,269	111,060,729
NET COMMUNITY ASSETS		2,114,359,674	2,025,789,028
Community Equity			
Asset revaluation surplus	21	492,159,443	461,030,782
Retained surplus	22	110,477,666	87,144,143
Capital		1,511,722,565	1,477,614,103
TOTAL COMMUNITY EQUITY		2,114,359,674	2,025,789,028

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

3.3 Statement of CHANGES IN EQUITY

For the year ended 30 June 2018

	Total	Revaluation Surplus	Retained Surplus	Capital
		Note 21	Note 22	
	$	$	$	$
Balances as at 1 July 2017	2,025,789,028	461,030,782	87,144,143	1,477,614,103
Assets not previously recognised/(derecognised)	10,773,109	-		10,773,109
Net result	46,668,876	-	46,668,876	-
Total other comprehensive income				
Increase/(decrease) in asset revaluation surplus	31,128,661	31,128,661	-	-
Total comprehensive income for the year	77,797,537	31,128,661	46,668,876	-
Transfers				
Transfers to/from capital	-	-	(23,335,353)	23,335,353
Total transfers	-	-	(23,335,353)	23,335,353
Balance at 30 June 2018	2,114,359,674	492,159,443	110,477,666	1,511,722,565

Balances as at 1 July 2016	1,821,114,448	366,960,096	76,730,862	1,377,423,490
Assets not previously recognised/(derecognised)	85,867,365	-	-	85,867,365
Net result	24,710,988	-	24,710,988	-
Total other comprehensive income				
Increase/(decrease) in asset revaluation surplus	94,096,227	94,096,227	-	-
Total comprehensive income for the year	118,807,215	94,096,227	24,710,988	-
Transfers				
Transfers to/from capital	-	(25,541)	(14,297,707)	14,323,248
Total transfers	-	(25,541)	(14,297,707)	14,323,248
Balance at 30 June 2017	2,025,789,028	461,030,782	87,144,143	1,477,614,103

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

3.4 Statement of CASHFLOWS

For the year ended 30 June 2018

	Note	30-Jun-18 $	30-Jun-17 $
Cash Flows from Operating Activities :			
Receipts from customers		183,174,977	169,875,858
Payments to suppliers and employees		(134,814,136)	(121,431,240)
		48,360,841	48,444,618
Recurrent grants, subsidies, contributions and donations		13,631,004	15,376,615
Interest received		3,519,807	3,608,077
Proceeds from sale of developed land held for resale		91,120	96,100
Costs incurred on developed land held for resale		(36,337)	(5,552)
Borrowing costs		(2,981,416)	(3,257,809)
Net Cash Inflow/(Outflow) from Operating Activities	28	62,585,019	64,262,049
Cash Flow from Investing Activities :			
Proceeds from sale of non-current assets held for sale		477,562	61,487
Proceeds from sale of property, plant and equipment		590,037	676,255
Proceeds from sale of investment property		131,644	-
Compensation for assets written off		299,682	16,864
Capital grants, subsidies, contributions and donations		31,638,688	28,102,217
Payments for property, plant and equipment		(96,353,262)	(76,218,979)
Payments for intangible assets		(203,945)	-
Payments for investment property		(709,801)	-
Net Cash Inflow/(Outflow) from Investing Activities		(64,129,395)	(47,362,156)
Cash Flow from Financing Activities :			
Proceeds from borrowings		25,500,000	-
Repayment of borrowings		(5,512,636)	(5,236,261)
Net Cash Inflow/(Outflow) from Financing Activities		19,987,364	(5,236,261)
Net Increase/(Decrease) in Cash Held		18,442,988	11,663,632
Cash at beginning of reporting period		106,021,236	94,357,604
Cash at End of Reporting Period	10	124,464,224	106,021,236

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

1 Significant accounting policies

1.01 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* .

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

1.02 Constitution

Bundaberg Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1.03 Currency

Council uses the Australian Dollar as its functional currency and its presentation currency.

1.04 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.

1.05 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect or risk of causing an adjustment to Council's assets or liabilities relate to:

- Valuation of Investment Property (Note 14)
- Valuation of Property, Plant and Equipment (Note 1.15(iv)) including:
  * valuation of infrastructure assets using the depreciated replacement cost method
  * useful lives; and
  * residual values.

1.05 Estimates and judgements (Cont'd)

- Impairment of Property, Plant and Equipment (Note 16)
- Impairment of Intangibles (Note 17)
- Impairment of Non-Current Assets Held for Sale (Note 13)
- Impairment of Receivables (Note 11)
- Contingent Liabilities (Note 25)
- Employee Provisions (Note 20)
- Restoration Provisions (Note 20)

1.06 Rounding and comparatives

Amounts included in the financial statements have been rounded to the nearest $1.

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

1.07 Taxation

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

Council pays Payroll Tax to the Queensland Government on certain activities.

1.08 Recurrent and capital classification

Revenue and expenditure are presented as "recurrent" or "capital' in the Statement of Comprehensive Income on the following basis:

Capital revenue includes grants, subsidies, contributions and donations (cash and non-cash) received which are tied to specific projects for non-current assets.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- disposal of non-current assets held for sale
- adjustments to restoration provisions on land not controlled by Council
- revaluation of investment property
- revaluation of land and improvements
- disposal of property, plant and equipment
- disposal of intangibles
- sale of investment property

All other revenue and expenses have been classified as "recurrent".

1 Significant accounting policies (Cont'd)

1.09 Adoption of new and revised accounting standards

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 information to explain the changes in liabilities arising from financing activities ('debt reconciliation'). This information is presented in Note 29.

Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. Generally Council applies standards and interpretations in accordance with their respective commencement dates.

The expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below:

AASB 9 Financial Instruments

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The new Standard comes into effect from 1 July 2018.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

AASB 15 - Revenue from Contracts with Customers; AASB 1058 Income of Not-for-Profit Entities; and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 15 will replace *AASB 118 Revenue, AASB 111 Construction Contracts* and a number of Interpretations. *AASB 2016-8* provides Australian requirements and guidance for not-for-profit entities in applying *AASB 9* and *AASB 15,* and *AASB 1058* will replace *AASB 1004 Contributions*. Together they come into effect from 1 July 2019 and contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is continuing to review the way that income is measured and recognised under the new Standards to identify whether there will be any material impact arising from these Standards.

1.09 Adoption of new and revised accounting standards (Cont'd)

To date the following impact has been identified:

At 30 June 2018 Council had received pre-paid rates totalling $6,899,567. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied *AASB 1058* this year these rates would have been recognised as a liability in the Statement of Financial Position and therefore decreased Council's net result.

AASB 16 - Leases

This standard will first apply to Council in its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases, AASB Interpretation 4 Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact for Lessees

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the Statement of Financial Position under AASB 16.

Council has not yet quantified the exact impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

Impact for Lessors

Lessor accounting under AASB16 remains largely unchanged from AASB117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

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

1 Significant accounting policies (Cont'd)

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

(i) Rates and utility charges

Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the date they are levied.

(ii) Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Council only receives grants, subsidies and contributions that are non-reciprocal in nature.

(iii) Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided. Rental revenue is recognised as income on a periodic straight line basis over the lease term.

(iv) Contract and recoverable works

Council generates revenues from a number of services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in unearned revenue and is recognised as revenue in the period when the service is performed.

(v) Infrastructure charges

Infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them.

(vi) Non-Monetary contributions

Non-cash contributions with a value in excess of the asset recognition thresholds are recognised as capital revenue and as non-current assets. Non-cash contributions below the asset thresholds are recorded as recurrent revenue and expenses. Non-cash contributions are disclosed under grants, subsidies, contributions and donations.

1.10 Revenue (Cont'd)

Physical assets contributed to Council by developers are recognised as revenue when the development becomes "on maintenance" (i.e. Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received.

1.11 Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. agreed purchase price or contract price. Settlement of these amounts is required within 30 days from the invoice date.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue. Because Council is empowered under the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council generally does not impair any rate receivables. However, Council cannot recover any debt by way of sale under the *Local Government Act 2009* where a lessee of a property is responsible for the rates on a property in accordance with formal lease conditions. Consequently, when the debt becomes unrecoverable, it is impaired.

1.12 Inventories

Stores inventories are valued at cost, adjusted, when applicable, for any loss of service potential.

Land purchased for development and sale is classified as inventory. As inventory, this land is valued at the lower of cost or net realisable value. As an Inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

1.13 Non-Current assets held for sale

Items of property, plant and equipment are reclassified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use.

1 Significant accounting policies (Cont'd)

1.13 Non-Current assets held for sale (Cont'd)

Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

Impairment occurs when on transfer from property, plant and equipment the asset is no longer measured at its fair value but at fair value less disposal costs.

1.14 Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

Investment property is initially recognised at cost (including transaction costs) and subsequently at fair value. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property does not include community housing.

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated.
All investment property was valued at fair value at 30 June 2018. Further information about the valuation techniques used to derive fair value are included in Note 16.

1.15 Property, plant and equipment

(i) Recognition

Buildings with a total value of less than $10,000, plant and equipment with a total value of less than $5,000 and land with a total value of less than $1 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.
Land under roads and reserve land which falls under the *Land Act* 1994 or the *Land Title Act* 1994 is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

(ii) Measurement

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

1.15 Property, plant and equipment (Cont'd)

(ii) Measurement (Cont'd)

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class.

(iii) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land and other identified asset components (road formation, specific excavation works and earthworks) are not depreciated as they have unlimited useful lives.

Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

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. Details of the range of estimated useful lives are shown in Note 15.

1 Significant accounting policies (Cont'd)

1.15 Property, plant and equipment (Cont'd)

(iv) Impairment

Property plant and equipment and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(v) Valuation

Land and improvements, buildings and structures and infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment and* AASB 13 *Fair Value Measurement*. Plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years.

Council continuously reviews asset conditions through the processing of capital expenditure via condition assessment data gathered during planned inspections and reactive maintenance work. Where unit rates are provided by independent valuers, the data is entered into the asset register and the condition score is a factor in calculating the fair value of the asset. The valuers physically inspect a sample of assets to confirm Council's condition assessment.

In the intervening years, Council will assess cost assumptions associated with infrastructure assets and may engage independent valuers to provide desktop valuations by indexation. Where the indices indicate a material movement in the fair value of a subclass of assets, all assets within that subclass, other than assets constructed or gifted during the year, will be revalued by the applicable indices.

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

1.15 Property, plant and equipment (Cont'd)

(v) Valuation (Cont'd)

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 16.

1.16 Intangible assets

Intangible assets with a cost or other value exceeding $10,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council. The amortisation method and useful lives are reviewed at the end of each reporting period where appropriate.

1.17 Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets
- Cash and cash equivalents (Note 10)
- Receivables - measured at amortised cost (Note 11)

Financial liabilities
- Payables - measured at amortised cost (Note 18)
- Borrowings - measured at amortised cost (Note 19)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

1 Significant accounting policies (Cont'd)

1.18 Trade payables

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts and other contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms from the end of month.

1.19 Liabilities - employee benefits

(i) Wages and other employee entitlements

A liability for wages, superannuation, rostered days off and time off in lieu 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. These entitlements are recorded as a liability in Note 18.

(ii) Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels indexed for the increase in the EBA and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels. These projections are based on increases in the EBA and averaged CPI for years beyond the EBA and related employee on-costs which are then discounted to present values using Commonwealth Bond Yields.

As Council does not have an unconditional right to defer this liability beyond 12 months, annual leave is classified as a current liability. This liability is reported in Note 18.

(iii) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates based on increases in the EBA and averaged CPI for years beyond the EBA and related employee on-costs.

1.19 Liabilities - employee benefits (Cont'd)

(iii) Long service leave (Cont'd)

The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value using the interest rates attaching to Commonwealth Bond Yields. This liability is reported in Note 20.

Where employees have met the prerequisite length of service (5 years) 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.

1.20 Borrowings

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

In accordance with the *Local Government Regulation* 2012 Council adopts an annual debt policy that sets out Council's planned borrowings for the next ten years. Council's current policy is to only borrow for capital projects and for a term of 5-20 years.

1.21 Restoration provisions

The provision is measured at the expected future cost of the work required by applying averaged CPI and discounted to current day values using an appropriate rate. Queensland Treasury Corporation's lending rates are considered an appropriate discount rate.

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.

1 Significant accounting policies (Cont'd)

1.21 Restoration provisions (Cont'd)

(i) Restoration on land not controlled by Council

Where the restoration site is on State reserves which Council does not control, the cost of the provisions for restoration of these sites is treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as capital income or capital expense.

(ii) Restoration on land controlled by Council

Where the restoration site is on Council controlled land, the cost of the restoration provision is added to the cost of the land as an improvement and depreciated over the expected useful life of the landfill. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus, for land and improvements. If there is no available revaluation surplus increases in provision are treated as an expense and recovered out of future decreases (if any).

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

2 Analysis of results by function

(a) Components of Council functions

The activities relating to Council's components reported on in Note 2(b) are as follows:

Council departments and branches

Communications

The objectives of this department include:

- High community engagement with social media platforms and Council websites.
- Regular media reporting of Council issues that provides fair and balanced coverage.
- Effective internal communications with high levels of reach across Council.
- Innovative utilisation of data and technology to encourage community engagement.

This department includes branches for Communications and Services to the Executive Office.

Community and Environment

The objectives of this department include:

- Parks and road environment maintenance programs which meet agreed service standards and community expectations.
- Delivery of community awareness, protection and educational programs and initiatives.
- Increase incorporation of clean energy and renewable resource technologies and solutions.
- Accessible, and well-managed natural areas and facilities.
- Increase community resilience to disaster events.
- Delivery of arts and cultural facilities and programs that promote social, cultural and economic development.

This department includes branches for Regulatory Services, Parks Sports and Natural Areas, Health Services, Disaster Management, Community, Library, Arts and Cultural Services, Airports and Tourism.

Organisational Services

The objectives of this department include:

- Delivery of Internal Audit and Quality Audit Programs.
- Productive and engaged staff with high morale and a positive corporate culture.
- High standard of workplace health and safety outcomes.
- Key financial indicators meeting sustainability and operational standards.
- High community satisfaction with customer service and Council's overall performance.

This department includes branches for Governance and Legal Services, Information Systems, Financial Services, People and Performance and Internal Audit and Information Management Systems.

Council departments and branches (Cont'd)

Infrastructure

The objectives of this department include:

- Delivery of network infrastructure maintenance to meet Council's approved plans and standards.
- Council's long-term and annual Capital Works Program delivered on time and on budget.
- Effective integration of land use and infrastructure planning.

This department includes branches for Major Projects, Roads and Drainage, Fleet and Trade Services.

Development

The objectives of this department include:

- Continual enhancement and review of Bundaberg Regional Development Schemes, Plans and Strategies.
- Consistent enforcement of relevant legislation, the planning scheme and local laws to meet statutory requirements in the community's interest.
- Ongoing development of land use policies to address contemporary and emerging planning matters.

This department includes branches for Strategic Planning, Development Assistance and Development Compliance.

Strategic Projects and Economic Development Coordination

The objectives of this department include:

- Development of the Bundaberg Region as a model Australian intelligent community.
- Improve awareness and perception of the region as a place of choice to live, work, invest and visit.
- Improve access to local jobs and services.

This department includes branches for Strategic Projects, Economic Development and Property Leasing.

The following business activities constitute significant business activities under the National Competition Policy Agreements as outlined in the *Local Government Act 2009* and *Local Government Regulation 2012* .

Waste Management

Objectives:

- Waste services meeting industry and legislative standards.
- Implementation and monitoring of landfill services and rehabilitation of landfill sites.

Wastewater Services

Objectives:

- Wastewater services availability meeting customer standards.

Water Services

Objectives:

- Water supply services availability meeting customer standards.

2 Analysis of results by function

(b) Income and expenses are attributed to the following functions:

Functions	Grant Revenue $	Other Revenue $	Total Revenue $	Total Expenses $	Net Result $	Assets $
Council departments	41,072,293	98,747,656	139,819,949	110,539,207	29,280,742	1,586,286,996
Waste services	112,500	23,835,751	23,948,251	17,568,437	6,379,814	32,929,456
Wastewater services	574,100	31,442,424	32,016,524	25,346,197	6,670,327	352,753,377
Water services	-	31,770,575	31,770,575	27,432,582	4,337,993	265,402,114
Total	41,758,893	185,796,406	227,555,299	180,886,423	46,668,876	2,237,371,943

For the year ended 30 June 2017

Functions	Grant Revenue $	Other Revenue $	Total Revenue $	Total Expenses $	Net Result $	Assets $
Council departments	34,182,002	74,014,826	108,196,828	98,231,850	9,964,978	1,565,425,800
Waste services	-	20,652,346	20,652,346	18,702,819	1,949,527	13,278,002
Wastewater services	1,740,898	31,083,990	32,824,888	24,633,538	8,191,350	334,860,991
Water services	-	30,744,230	30,744,230	26,139,097	4,605,133	223,284,964
Total	35,922,900	156,495,392	192,418,292	167,707,304	24,710,988	2,136,849,757

	Note	30-Jun-18 $	30-Jun-17 $
3 Revenue analysis			
(a) Rates and utility charges			
General rates		80,535,932	75,762,186
Waste collection		14,542,112	14,061,670
Water		27,581,856	25,948,163
Wastewater		27,504,615	26,481,226
Special rates and charges		386,737	384,210
Separate rates		2,250,094	-
Total rates and utility charges		152,801,346	142,637,455
Less: Discounts		(6,939,984)	(6,451,137)
Less: Pensioner remissions		(1,401,003)	(1,392,738)
Net rates and utility charges		144,460,359	134,793,580
(b) Fees and charges			
Tourism and events		328,310	349,561
Community care and aged care fees		232,319	235,020
Cemetery fees		419,620	341,294
Hire of facilities and rental income		2,447,417	2,315,702
Airport fees		4,444,356	5,035,184
Fines, penalties and infringements		269,175	391,624
Health, licenses and registrations		913,197	883,674
Waste and recycling fees		3,870,486	3,764,984
Building, planning and plumbing fees		2,649,893	2,602,696
Holiday park income		2,376,726	2,342,505
Rate search fees		640,104	595,550
Commissions		220,557	229,976
Other fees and charges		199,873	272,472
		19,012,033	19,360,242
(c) Interest received			
Interest received from cash and cash equivalents		2,979,901	3,080,451
Interest from overdue rates, levies and charges		545,245	667,323
		3,525,146	3,747,774

4 Grants, subsidies, contributions and donations

(a) Recurrent

Recurrent grants, subsidies, contributions and donations are analysed as follows:

	Note	30-Jun-18 $	30-Jun-17 $
Grants and subsidies		12,790,912	15,477,907
Contributions and donations		359,338	386,319
		13,150,250	15,864,226

	Note	30-Jun-18 $	30-Jun-17 $
4 Grants, subsidies, contributions and donations (Cont'd)			
(b) Capital			
Capital grants, subsidies, contributions and donations are analysed as follows:			
(i) Monetary revenue received:			
Grants and subsidies		28,967,981	20,444,993
Infrastructure charges		2,323,638	4,069,070
Other capital contributions		1,510,141	1,291,539
		32,801,760	25,805,602
(ii) Non-Monetary revenue received*:			
Infrastructure assets contributed by developers at fair value		6,074,775	4,485,292
Non-Infrastructure assets donated		97,800	60,500
		6,172,575	4,545,792
		38,974,335	30,351,394

*Physical assets contributed to Council by developers in the form of roads, stormwater drainage, water and wastewater infrastructure, park equipment and plant.

(c) Conditions over contributions

Restricted contributions recognised as income during the reporting period that were unspent at period end:

	30-Jun-18 $	30-Jun-17 $
Capital grants, subsidies and other capital contributions	6,628,083	4,724,270
Infrastructure charges	2,323,638	3,243,516
	8,951,721	7,967,786

Restricted contributions recognised as income during a previous reporting period that were spent in the current period:

	30-Jun-18 $	30-Jun-17 $
Capital grants, subsidies and other capital contributions	4,698,586	775,883
Infrastructure charges	494,956	1,022,176
	5,193,542	1,798,059

Council receives different forms of contributions from external parties including capital grants and subsidies from State and Federal Governments, infrastructure contributions from developers and other capital contributions from local business. These contributions have conditions attached which restrict what the funds can be spent on.

5 Capital income

	Note	30-Jun-18 $	30-Jun-17 $
Decrease in provision for land restoration		1,160,939	660,409
Revaluation of investment property	14	64,102	2,917,860
Revaluation increment/(decrement) for land and improvements	(i)	283,300	(21,394,852)
Compensation for assets written off		299,682	16,864
		1,808,023	(17,799,719)

(i) The land and improvements asset class was comprehensively revalued during the 2017 financial year. There was a change in valuation methodology from the previous comprehensive valuation in 2012. Consequently there was a significant decrease in the value of the asset class in the 2017 year. This decrease was greater than the amount available in the Asset Revaluation Surplus.

		Note	30-Jun-18 $	30-Jun-17 $
6	**Employee benefits**			
	Staff wages and salaries		52,455,556	50,233,524
	Councillors' remuneration		994,492	1,000,203
	Annual, sick and long service leave entitlements		8,443,117	8,069,356
	Superannuation	26	6,486,629	6,356,680
	Other employee related expenses		1,901,494	2,021,176
	Total employee benefits		70,281,288	67,680,939
	Less: Capitalised employee expenses		(6,314,649)	(6,056,797)
	Net employee benefits		63,966,639	61,624,142

Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.

		Note	30-Jun-18 $	30-Jun-17 $
7	**Materials and services**			
	Audit services	(i)	155,500	155,000
	Rentals and investment property		820,826	793,807
	Grants, contributions and donations		1,621,950	1,634,384
	Valuation fees		748,634	450,453
	Public safety and security		1,490,555	1,624,530
	Communications		1,179,119	1,182,733
	Licences and subscriptions		1,757,308	1,489,268
	Information technology hardware and software		851,046	1,267,924
	Consumables		13,572,382	13,282,356
	Insurance premiums		1,877,866	1,648,165
	External plant hire		6,675,898	3,825,683
	Professional services		1,711,334	1,628,418
	External labour hire		1,135,687	833,289
	Repairs and maintenance		5,717,946	4,267,354
	Land acquisitions and resumptions		900,356	177,689
	Literature for libraries		301,537	482,336
	HMAS Tobruk Dive Experience project		-	1,125,000
	Non-capital projects	(ii)	2,140,189	2,250,212
	Other material and services		13,394,703	11,530,919
			56,052,836	49,649,520

(i) The audit services amount recorded in this note includes expected audit costs associated with the audit of Bundaberg Regional Council. Comparative information has been updated for actual costs incurred where applicable.

(ii) Value of Non-capital projects is exclusive of other costs reflected separately in Note 6 & 7.

		Note	30-Jun-18 $	30-Jun-17 $
8	**Finance costs**			
	Interest payable		3,027,371	3,237,651
	Impairment of debts		271,211	767,809
	Bank charges		320,604	287,283
	Landfill restoration - change in provision over time	20	441,350	420,220
			4,060,536	4,712,963
9	**Capital expenses**			
	Loss on impairment of non-current assets held for sale	13	606,165	12,401
	Increase in provision for landfill restoration		38,623	1,323,585
	Loss on disposal of property, plant and equipment		11,325,162	4,548,789
	Loss on disposal of intangibles		49,447	49,755
	Loss on sale of investment property		43,356	-
	Loss/(gain) on sale of non-current assets held for sale		245,472	(2,440)
			12,308,225	5,932,090

	Note	30-Jun-18 $	30-Jun-17 $
10 Cash and cash equivalents			
Cash at bank and on hand		1,694,224	721,236
Deposits at call		53,350,000	37,400,000
Term deposits		69,420,000	67,900,000
Balance per statement of cash flows		124,464,224	106,021,236

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

Cash and deposits at call are held at the Commonwealth Bank, Bendigo Bank and in a Queensland Treasury Corporation Capital Guaranteed Cash Fund account, with credit ratings ranging from A1+ to A2.

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit the amount that is available for discretionary or future use. These restrictions are managed using internal management accounting functions.

	Note	30-Jun-18 $	30-Jun-17 $
Internally imposed expenditure restrictions at the reporting date	22	49,763,697	47,865,618
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent capital grants, subsidies and contributions	22	6,830,640	4,901,144
Unspent infrastructure charges	22	20,680,793	18,852,111
Unspent loan monies		3,649,188	-
		31,160,621	23,753,255
Total unspent restricted cash for capital projects		80,924,318	71,618,873

	Note	30-Jun-18 $	30-Jun-17 $
11 Trade and other receivables			
Rateable revenue and utility charges		4,767,525	5,751,868
Less impairment		(101,968)	-
Accounts receivable		7,706,116	7,021,885
Less impairment		(232,575)	(116,847)
GST recoverable		1,011,344	2,376,684
Prepayments		1,819,628	1,066,037
		14,970,070	16,099,627

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on accounts receivable. All known bad debts were written-off at 30 June.

	Note	30-Jun-18 $	30-Jun-17 $
12 Inventories			
(a) Stores inventories		731,995	699,153

Stores inventories are held for distribution. They are goods to be supplied at no or a nominal charge and goods to be used for the provision of services at no or a nominal charge.

The value of inventory recognised as an expense during the period was $3,131,540 (2017: $2,676,773).

	Note	30-Jun-18 $	30-Jun-17 $
(b) Land purchased for development and resale			
Opening balance		3,391,300	3,407,404
Additions		36,337	5,552
Less: Cost of developed land sold		(20,046)	(21,656)
Closing balance at end of financial year		3,407,591	3,391,300
Total inventories		4,139,586	4,090,453

Land acquired with the intention of reselling it (with or without further development) and land transferred from Property, Plant and Equipment for development and sale is classified as inventory.

	Note	30-Jun-18 $	30-Jun-17 $
13 Non-current assets held for sale			
Opening balance		798,233	325,681
Internal transfer from land and improvements	15	686,300	544,000
Internal transfer from investment property	14	1,787,500	-
Assets sold during financial year		(723,034)	(59,047)
Impairment adjustment in period	9	(606,165)	(12,401)
Closing balance at end of financial year		1,942,834	798,233

Items of property, plant and equipment are reclassified as non-current assets held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use.

Council had resolved to sell parcels of vacant land that serve no strategic purpose.

	Note	30-Jun-18 $	30-Jun-17 $
14 Investment property			
Fair value at beginning of financial year		8,347,178	5,693,418
Internal transfer from/(to) land and improvements	15	-	(264,100)
Internal transfer from/(to) NCA held for sale	13	(1,787,500)	-
Investment property acquired at cost		709,801	-
NBV of asset sold		(175,000)	-
Revaluation adjustment in period	5	64,102	2,917,860
Fair value at end of financial year		7,158,581	8,347,178

Investment property comprises:

- land which is held for an undetermined future use
- land which is held for capital appreciation
- land which is held to earn rentals
- residential property which is rented out

At reporting date there was no property being constructed or developed for future use as investment property.

15 (a) Property, plant and equipment

30 June 2018	Land and improvements	Buildings and structures	Plant and equipment	Cultural assets (ii)	Roads, footpaths and bridges	Stormwater drainage	Wastewater infrastructure	Water infrastructure	Work in progress	Total
Basis of measurement	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Cost	
Asset values	$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2017	67,743,307	275,642,490	52,827,812	-	1,377,392,791	283,858,466	396,162,157	346,698,634	47,807,473	2,848,133,130
(i) Assets not previously recognised/(derecognised)	3,500	378,740	-	-	3,905,917	8,518,704	(139,182)	(11,056)	-	12,656,623
Additions at cost	2,530,384	17,539,239	4,033,035	-	26,855,619	1,787,831	1,037,178	2,963,234	35,014,855	91,761,375
Contributed assets	13,800	84,000	-	-	3,515,323	1,444,177	972,792	362,451	-	6,392,543
Internal transfers from work in progress	2,442	4,695,716	232,051	-	7,421,239	597,071	1,662,800	1,094,855	(15,706,174)	-
Disposals	(70,600)	(2,779,551)	(2,564,154)	-	(17,749,920)	(229,430)	(1,520,000)	(2,174,741)	-	(27,088,396)
Revaluation adjustment to the asset revaluation surplus	-	6,686,360	-	-	-	-	12,075,258	10,654,826	-	29,416,444
Revaluation adjustment to profit and loss	320,115	-	-	-	-	-	-	-	-	320,115
Assets transferred from/(to) other asset classes	(686,300)	-	-	-	-	-	-	-	-	(686,300)
Prior year work in progress expensed	-	-	-	-	-	-	-	-	(96,977)	(96,977)
Other Internal transfers	252,509	(980,122)	(16,057)	-	(1,966,996)	2,685,149	13,265	12,252	-	-
Closing gross value as at 30 June 2018	70,109,157	301,266,872	54,512,687	-	1,399,373,973	298,661,968	410,264,268	359,600,455	67,019,177	2,960,808,557
Accumulated depreciation										
Opening balance as at 1 July 2017	2,566,760	105,535,058	23,012,369	-	372,352,718	90,138,983	118,130,507	141,463,974	-	853,200,369
(i) Assets not previously recognised/(derecognised)	-	144,773	-	-	1,294,277	(514,717)	1,016,264	(57,084)	-	1,883,513
Depreciation provided in period	10,895	7,669,847	4,274,525	-	19,070,727	3,030,038	4,876,869	5,238,176	-	44,171,077
Contributed assets	-	-	-	-	219,968	-	-	-	-	219,968
Depreciation on disposals	-	(1,750,200)	(1,520,753)	-	(10,316,985)	(101,551)	(589,024)	(1,046,677)	-	(15,325,190)
Revaluation adjustment to the asset revaluation surplus	-	3,310,445	-	-	(15,658,582)	486,690	3,543,144	6,606,087	-	(1,712,216)
Revaluation adjustment to profit and loss	-	-	-	-	-	-	-	-	-	-
Assets transferred from/(to) other asset classes	-	-	-	-		-	-	-	-	-
Other Internal transfers	-	-	-	-	(87,927)	87,927	-	-	-	-
Closing accumulated depreciation as at 30 June 2018	2,577,655	114,909,923	25,766,141	-	366,874,196	93,127,370	126,977,760	152,204,476	-	882,437,521
Total written down value at 30 June 2018	67,531,502	186,356,949	28,746,546	-	1,032,499,777	205,534,598	283,286,508	207,395,979	67,019,177	2,078,371,036
Residual value	-	-	9,743,232		-	-	-	-	-	9,743,232
Range of estimated useful life in years	5-7	5-150	2-100	Not depreciated	10-100	80	7-90	10-100		

(i) Further information is provided in Note 15(b).

(ii) Council resolved during the 2017 financial year to no longer recognise cultural assets as a financial asset.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2018

15 (a) Property, plant and equipment (Cont'd)

30 June 2017	Land and improvements	Buildings and structures	Plant and equipment	Cultural assets (ii)	Roads, footpaths and bridges	Stormwater drainage	Wastewater infrastructure	Water infrastructure	Work in progress	Total
Basis of measurement	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Cost	
Asset values	$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2016	118,590,394	247,975,054	50,372,688	489,769	1,181,005,038	243,470,450	387,850,182	333,105,948	25,068,304	2,587,927,827
(i) Assets not previously recognised/(derecognised)	-	(206,951)	-	-	63,976,627	25,871,259	1,377,907	6,523	-	91,025,365
Additions at cost	-	17,641,944	4,571,413	-	16,242,579	1,758,260	6,270,622	2,289,006	35,440,644	84,214,468
Contributed assets	-	50,000	10,500	-	838,770	2,163,749	1,185,675	297,098	-	4,545,792
Internal transfers from work in progress	-	6,270,290	177,522	-	1,619,252	314,112	2,263,835	1,485,965	(12,130,976)	-
Disposals	(1,000)	(2,067,439)	(2,295,429)	(489,769)	(8,162,678)	(265,549)	(1,224,355)	(1,226,737)	-	(15,732,956)
Revaluation adjustment to the asset revaluation surplus	(29,010,322)	9,394,162	-	-	118,905,556	10,511,839	(1,660,343)	10,542,293	-	118,683,185
Revaluation adjustment to profit and loss	(21,680,152)	-	-	-	-	-	-	-	-	(21,680,152)
Assets transferred from/(to) other asset classes	(279,900)	-	-	-	-	-	-	-	-	(279,900)
Prior year work in progress expensed	-	-	-	-	-	-	-	-	(570,499)	(570,499)
Other Internal transfers	124,287	(3,414,570)	(8,882)	-	2,967,647	34,346	98,634	198,538	-	-
Closing gross value as at 30 June 2017	67,743,307	275,642,490	52,827,812	-	1,377,392,791	283,858,466	396,162,157	346,698,634	47,807,473	2,848,133,130
Accumulated depreciation										
Opening balance as at 1 July 2016	2,831,242	97,602,239	19,979,697	-	307,538,936	87,614,742	125,608,110	147,752,119	-	788,927,085
(i) Assets not previously recognised/(derecognised)	-	(148,276)	-	-	4,979,917	169,274	210,884	(53,799)	-	5,158,000
Depreciation provided in period	109,711	6,768,643	4,556,575	-	21,489,086	2,953,531	4,555,204	4,860,076	-	45,292,826
Contributed assets	-	-	-	-	-	-	-	-	-	-
Depreciation on disposals	-	(1,802,408)	(1,523,903)	-	(5,213,271)	(121,798)	(892,201)	(836,726)	-	(10,390,307)
Revaluation adjustment to the asset revaluation surplus	-	3,569,366	-	-	43,127,545	(500,767)	(11,351,490)	(10,257,696)	-	24,586,958
Revaluation adjustment to profit and loss	(374,193)	-	-	-	-	-	-	-	-	(374,193)
Assets transferred from/(to) other asset classes	-	-	-	-	-	-	-	-	-	-
Other Internal transfers	-	(454,506)	-	-	430,505	24,001	-	-	-	-
Closing accumulated depreciation as at 30 June 2017	2,566,760	105,535,058	23,012,369	-	372,352,718	90,138,983	118,130,507	141,463,974	-	853,200,369
Total written down value at 30 June 2017	65,176,547	170,107,432	29,815,443	-	1,005,040,073	193,719,483	278,031,650	205,234,660	47,807,473	1,994,932,761
Residual value	-	-	10,089,811	-	-	-	-	-	-	10,089,811
Range of estimated useful life in years	5-7	5-150	3-100	Not depreciated	10-100	80	7-90	10-100		

(i) Further information is provided in Note 15(b).

(ii) Council resolved during the 2017 financial year to no longer recognise cultural assets as a financial asset.

15 Property, plant and equipment (Cont'd)

(b) Assets not previously recognised/(derecognised)

Adjustments relate to either assets which have been identified by Council and recognised for the first time, or assets which were unable to be located and have therefore been derecognised, in the current financial year. These include:

- The ongoing review of stormwater assets identified some stormwater drainage assets which, although they were on the asset register, did not exist in Council's GIS system and were unable to be physically verified. Assets with a carrying value of $2,735,440 were therefore removed from the register.
- The data matching exercise discovered stormwater assets that were not in Council's asset register. These assets with a carrying amount of $6,839,110 were added to the asset register.
- The review also discovered some stormwater assets that were duplicates of existing assets and other assets where the dimensions and material types were incorrect. A further fair value adjustment of $4,929,750 was added to the asset register.
- Other minor changes in Council's asset classes arising from the initial recognition/derecognition and data correction of assets amounted to $1,739,687.

The amount recognised in the comparative period relate to the following:

- Stormwater assets with a carrying value of $46,686,776 were identified initially by data matching of assets within the Local Government Infrastructure Planning (LGIP) trunk network and the stormwater drainage asset register, and additionally through a more detailed review of stormwater drainage assets beyond the trunk network.
- The review of stormwater assets also identified some stormwater drainage assets which, although they were on the asset register, did not exist in Council's GIS system and were unable to be physically verified. The review also discovered some assets which were duplicates of existing assets and others where the asset was already accounted for as part of the roads, bridges and drainage asset class. Assets with a carrying value of $23,292,841 were therefore removed from the register.
- Council undertook a resegmentation of its road, bridge and drainage network assets during the year, using updated data collated during a survey completed by an independent consultant in March 2016. The purpose of this project was:

  (a) To establish a consistent rule base across the region for defining 'road segments' and ensure these assets correlate to road assets in the financial asset register; and

  (b) To ensure that all corporate systems are using the same asset dataset, whether it be for asset identification, location, accounting, maintenance, operational or capital works activities, to enable better asset management outcomes.

  The application of updated survey data and the resegmentation exercise resulted in the following outcomes:

  - Identification of previously unrecognised assets with a carrying value of $25,248,414;
  - Changes in asset measurements which resulted in an increase in the carrying value of assets by $33,302,918.
- Other minor changes in values arising from the initial recognition/derecognition of assets in the financial year amounted to $3,922,099.

16 Fair value measurements

Council's valuation policies and procedures are reviewed and endorsed by the Audit and Risk Committee for adoption by Council. The committee comprises two Councillors and two external representatives. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) are set out in Note 1.15(ii) and Note 1.14 respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

(a) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

Investment property
Property, plant and equipment
- Land and improvements
- Buildings and other structures
- Roads, footpaths and bridges
- Stormwater drainage
- Wastewater infrastructure
- Water infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 31 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amount of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

Council also has assets measured at fair value on a non-recurring basis as a result of being classified as assets held for sale. These compromise land as disclosed in Note 13. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land and improvements (level 3)".

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

16 Fair value measurements (Cont'd)

(a) Recognised fair value measurements (Cont'd)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

	Note	Level 2		Level 3		Total	
		Significant other observable inputs		Significant unobservable inputs			
		2018	2017	2018	2017	2018	2017
Recurring fair value measurements		$	$	$	$		$
Investment property	14						
- Land		1,609,720	2,233,000	4,648,316	5,926,300	6,258,036	8,159,300
- Rental property		783,014	73,213	117,531	114,665	900,545	187,878
Land and improvements	15	8,344,194	8,118,500	59,187,308	57,058,047	67,531,502	65,176,547
Cultural assets	15	-	-	-	-	-	-
Buildings and structures	15						
- Market Value		1,923,625	1,979,154	-	-	1,923,625	1,979,154
- Specialised		-	-	184,433,324	168,128,278	184,433,324	168,128,278
Roads, footpaths and bridges	15	-	-	1,032,499,777	1,005,040,073	1,032,499,777	1,005,040,073
Stormwater drainage	15	-	-	205,534,598	193,719,483	205,534,598	193,719,483
Wastewater infrastructure	15	-	-	283,286,508	278,031,650	283,286,508	278,031,650
Water infrastructure	15	-	-	207,395,979	205,234,660	207,395,979	205,234,660
		12,660,553	12,403,867	1,977,103,341	1,913,253,156	1,989,763,894	1,925,657,023
Non-recurring fair value measurements							
Land held for sale	13	-	-	1,942,834	798,233	1,942,834	798,233
		-	-	1,942,834	798,233	1,942,834	798,233

Council's policy is to recognise transfers in and out of the fair value hierarchy levels at the end of the reporting period.

There were transfers during the year from level 3 to level 2 totalling $30,600 for investment property - land.

16 Fair value measurements (Cont'd)

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

Specific valuation techniques used to value Council assets comprise:

Land and improvements - (Level 2 and 3)

Land fair values were determined by independent and qualified Valuers, Australis Asset Advisory Group based on a comprehensive revaluation effective 30 June 2017. Where an observable market for Council's land assets could be identified, Fair Value was measured by way of a Market Approach (Level 2), utilising sale prices of comparable properties after adjusting for differences in key attributes of the property, such as size. Where a significant adjustment was required between the sales prices of comparable properties, Fair Value was measured by way of a Market Approach (Level 3). All land assets were assessed under a Market Approach as either Level 2 or Level 3. The most significant inputs into this valuation approach are price per square metre. An indice of 1.00% provided by Australis Asset Advisory Group was applied for the 2018 financial year.

Investment property land is measured at fair value. The fair value of the land was determined using the approach described in the preceding paragraph.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph.

Land improvements comprise waste landfill cells which were measured at fair value. Current Replacement Cost was determined by AECOM which referenced landfill areas, volume specifications, estimated labour and material inputs and overhead allocations. Existing supplier contracts and local conditions were factored into the unit rates.

In determining the level of accumulated depreciation, remaining useful lives were determined based on the estimated closure dates of the cell relative to its remaining capacity, or its current use.

Buildings and structures (Level 2 and 3)

Building and structures fair values were determined by independent valuer, AssetVal, effective 30 June 2018, using a desktop valuation approach. The last comprehensive valuation assessment for buildings and structures was performed by AssetVal as at 30 June 2014. The revaluation of assets was assessed using either a direct comparison approach (a level 2 assessment) or the cost approach (current replacement cost) which is a level 3 assessment. The current period desktop valuation applied indexation/growth percentage to asset cost or market values determined in the last comprehensive valuation. This indexation assessment supplied by AssetVal has regard to the movement of costs of specified asset categories during the period 1 July 2017 to 30 June 2018.

Buildings and structures (level 3) were assessed by analysing data derived from Rawlinsons Australia Construction Handbook 2017, Costweb and the Australian Bureau of Statistics. The indexation assessment is based on inputs from producer price data, construction indices and recent construction cost guides. The buildings - Level 3 category adopted a 2.5% increase and structures category adopted a 1% increase. Indexation for buildings assessed on a market (level 2) basis at the original valuation has been undertaken with consideration of local market sales and general property movement in the region from 1 July 2017 to 30 June 2018. For the buildings - Level 2 category a 1.0% decrease was applied.

Ponds assets were assessed with regard to indices developed from inputs extracted from producer price, local government and construction indices. The civil index is a composite index developed from combining the road and bridge index with the engineering design and management index. The split is based on an estimated project cost breakdown of 60% and 40% respectively. The 'Ponds' category adopted a 4% increase.

Investment property rental property is measured at fair value. The fair value of the rental property was determined using the market value or cost approach described in the preceding paragraph.

16 Fair value measurements (Cont'd)

(b) Valuation techniques used to derive fair values for level 2 and level 3 valuations (Cont'd)

Infrastructure assets (Level 3)

All Council infrastructure assets were measured at fair value using a cost approach valuation technique. The fair value was the asset's current replacement cost (CRC) less accumulated depreciation on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within Council's planning horizon.

Roads, footpaths and bridges

Council categorises its road infrastructure in urban and rural roads and then further sub-categorises these into sealed and unsealed roads. During 2016-17 Council undertook a survey and re-segmentation of its roads network which confirmed asset linear and area specifications for input into the calculation of current replacement cost (CRC). All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is calculated by reference to asset linear and area specifications, then applying rates based on road stereotypes established by Roads Alliance Valuation Project (RAVP) a joint initiative by Local Government Association of Queensland and the Queensland Government. The RAVP approach uses valuation components, the replacement value of the reference asset is estimated based on the quantum of plant, labour, materials and indirect costs required to create it using the appropriate Work Breakdown Schedules (WBS). WBS are developed using the assumptions including width, length, pavement depth and clearing areas for each appropriate combination of the road stereotype, terrain, environment and soil type.

The roads, footpaths and bridges fair values were determined by independent and qualified Valuers, Lemmah Pty Ltd based on a comprehensive valuation effective 30 June 2017. During 2016-17 Council reviewed the asset valuation methodology for this class resulting in significant changes in the key valuation inputs, including unit rates and useful lives. These changes are considered to better reflect Council's current practices and road types. The revaluation was based on the RAVP methodology and rates which were adjusted to reflect local cost inputs for plant, labour and overheads. Lemmah Pty Ltd advised that Council remain with 2017 unit rates and consequently no revaluation was processed for the current year.

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments. The condition assessments were made using a 10 point scale. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life.

16 Fair value measurements (Cont'd)

(b) Valuation techniques used to derive fair values for level 2 and level 3 valuations (Cont'd)

Stormwater drainage

The stormwater drainage fair values were determined by independent and qualified Valuers, Lemmah Pty Ltd based on a comprehensive valuation effective 30 June 2017. The methodology and unit rates for stormwater drainage were developed through the RAVP. Lemmah Pty Ltd advised that Council remain with 2017 unit rates and consequently no revaluation was processed for the current year.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments. The condition assessments were made using a 10 point scale. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life.

Water and wastewater infrastructure

Water and wastewater active infrastructure assets fair values were determined by independent and qualified Valuers, Australis Asset Advisory Group based on a comprehensive revaluation effective 30 June 2017. Active assets include Treatment Plants, Pump Stations and Reservoirs. These were componentised dependant on size, capacity, site conditions and other relevant factors. Current replacement cost (CRC) was calculated by reference to asset linear and area specifications, or lump sum estimated labour and material inputs, service costs and overhead allocations. An indice of 2.19% provided by Australis Asset Advisory Group was applied for the 2018 financial year.

A comprehensive valuation of water and wastewater passive assets was undertaken by AssetVal effective 30 June 2015. In 2017, Council engaged AssetVal to provide indices to determine whether there has been a material change in the current replacement cost over the index period for the water and wastewater passive assets. The passive water and wastewater price movements were determined by calculating a composite civil index combining the road and bridge index, the engineering design and management index and the concrete product manufacturing index . The weighting of each index is based on an estimated project cost breakdown at 30%, 40% and 30% respectively. An indice of 3.50% provided by AssetVal was applied for the 2018 financial year.

Australis conducted a physical condition survey of the physically accessible assets. Australis has utilised a 0 to 10 point scoring system. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life. The physical condition assessment applied any obsolescence factors to arrive at an adopted remaining useful life. While the inputs to the gross replacement cost being a rate per square metre or per unit can be supported by market evidence (Level 2), the estimates of useful life, pattern of consumption and condition score, which are used to calculate the accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified a level 3.

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

Estimated useful lives and residual values are disclosed in Note 15.

16 Fair value measurements (Cont'd)

(c) Changes in fair value measurements using significant unobservable inputs (Level 3 Assets)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 14 and Note 15. However, since the land and improvements, buildings and structures and investment property disclosed in those notes comprise of both level 2 and level 3 assets, the movement in level 3 assets are detailed below.

	Buildings and structures - specialised		Investment property		Land and improvements	
	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$
Asset values						
Opening gross value	273,563,027	245,931,943	6,040,965	5,620,205	59,624,807	118,590,394
Transfers to level 2 assets		-	(30,600)	(2,233,000)	-	(7,778,200)
Assets not previously recognised/(derecognised)	378,740	(206,951)	-	-	3,500	-
Additions	22,234,955	23,869,399	-	-	2,530,384	-
Contributed assets	84,000	50,000	-	-	13,800	-
Disposals	(2,779,551)	(2,060,957)	(175,000)	-	-	(1,000)
Revaluation adjustment	6,707,155	9,394,163	50,682	2,917,860	278,772	(50,690,474)
Transfers	(980,122)	(3,414,570)	(1,120,200)	(264,100)	(686,300)	(495,913)
Closing gross value	299,208,204	273,563,027	4,765,847	6,040,965	61,764,963	59,624,807
Accumulated depreciation						
Opening balance	105,434,749	97,531,303	-	-	2,566,760	2,831,242
Assets not previously recognised/(derecognised)	144,773	(148,276)	-	-	-	-
Depreciation provided in period	7,633,749	6,732,788	-	-	10,895	109,711
Depreciation on disposals	(1,750,200)	(1,795,926)	-	-	-	-
Revaluation adjustment	3,311,809	3,569,366	-	-	-	(374,193)
Transfers	-	(454,506)	-	-	-	-
Closing accumulated depreciation	114,774,880	105,434,749	-	-	2,577,655	2,566,760
Written down value	184,433,324	168,128,278	4,765,847	6,040,965	59,187,308	57,058,047

17 Intangible assets

30 June 2018	Computer Software	Land Lease	Water Rights	Work in progress	Total
Basis of measurement	Cost	Cost	Cost	Cost	
Asset values	$	$	$	$	$
Opening gross carrying value as at 1 July 2017	3,627,504	311,000	4,346,253	-	8,284,757
Additions at cost	141,900	-	-	-	141,900
Internal transfers from work in progress	-	-	-	-	-
Disposals	(768,351)	-	-	-	(768,351)
Prior year work in progress expensed	-	-	-	-	-
Assets transferred from/(to) property plant and equipment	-	-	-	-	-
Closing gross carrying value as at 30 June 2018	3,001,053	311,000	4,346,253	-	7,658,306
Accumulated amortisation					
Opening balance as at 1 July 2017	1,724,488	-	-	-	1,724,488
Amortisation provided in period	327,110	-	-	-	327,110
Amortisation on disposals	(718,904)	-	-	-	(718,904)
Closing accumulated amortisation as at 30 June 2018	1,332,694	-	-	-	1,332,694
Total intangible assets at 30 June 2018	1,668,359	311,000	4,346,253	-	6,325,612

Computer software have finite estimated useful lives of 3-50 years. Straight line amortisation has been used with no residual value.

Land lease and water rights have an indefinite useful life, and as such are not amortised.

17 Intangible assets

30 June 2017	Computer Software	Land Lease	Water Rights	Work in progress	Total
Basis of measurement	Cost	Cost	Cost	Cost	
Asset values	$	$	$	$	$
Opening gross carrying value as at 1 July 2016	3,789,767	311,000	4,346,253	-	8,447,020
Additions at cost	-	-	-	-	-
Internal transfers from work in progress	-	-	-	-	-
Disposals	(162,263)	-	-	-	(162,263)
Prior year work in progress expensed	-	-	-	-	-
Assets transferred from/(to) property plant and equipment	-	-	-	-	-
Closing gross carrying value as at 30 June 2017	3,627,504	311,000	4,346,253	-	8,284,757
Accumulated amortisation					
Opening balance as at 1 July 2016	1,341,233	-	-	-	1,341,233
Amortisation provided in period	495,763	-	-	-	495,763
Amortisation on disposals	(112,508)	-	-	-	(112,508)
Closing accumulated amortisation as at 30 June 2017	1,724,488	-	-	-	1,724,488
Total intangible assets at 30 June 2017	1,903,016	311,000	4,346,253	-	6,560,269

	Note	30-Jun-18 $	30-Jun-17 $
18 Trade and other payables			
Creditors and accruals		7,840,662	17,810,693
Annual leave		4,719,365	4,451,703
Wages and other employee entitlements		925,191	854,823
		13,485,218	23,117,219
19 Borrowings			
Current			
Loans - Queensland Treasury Corporation		6,878,851	5,638,483
Non-Current			
Loans - Queensland Treasury Corporation		71,431,485	52,638,535
Loans - Queensland Treasury Corporation			
Opening balance		58,277,018	63,533,438
Loans raised		25,500,000	-
Principal repayments		(5,512,636)	(5,236,261)
Movement in interest payable		45,954	(20,159)
Balance at end of financial year		78,310,336	58,277,018

Financing facilities are limited by the requirement to obtain State Government approval for all loan applications. All loans are unsecured.

No interest has been capitalised during the current or comparative reporting period.

Expected final repayment dates vary from 15 March 2021 to 15 March 2038.

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

Principal and interest repayments are made quarterly in arrears.

Council has an approved monthly Credit Card Facility Limit with the Commonwealth Bank of Australia of $1,965,000. $1,157,249 remained unutilised at 30 June 2018. This amount is not reflected in the amounts above.

	Note	30-Jun-18 $	30-Jun-17 $
20 Provisions			
Current			
Landfill restoration		355,298	139,050
Long service leave		12,033,845	11,950,786
		12,389,143	12,089,836
Non-Current			
Landfill restoration		17,591,529	16,223,452
Long service leave		640,119	782,276
		18,231,648	17,005,728
Details of movements in provisions:			
(a) Landfill restoration provision			
Opening balance		16,362,502	15,466,609
Recognition of landfill restoration assets		2,529,493	-
Increase in provision - finance cost due to change in time	8	441,350	420,220
Increase/(decrease) in provision - change in discount rate		(310,270)	5,823
Decrease in provision for actual restoration expenditure		(301,908)	(276,396)
Increase/(decrease) in estimate of future cost		(774,340)	746,246
Balance at end of financial year		17,946,827	16,362,502

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of significant operational landfills.

It represents the present value of the anticipated future costs associated with the closure of the landfills, decontamination and monitoring of historical residues and leaching on these sites.

		30-Jun-18 $	30-Jun-17 $
(b) Long service leave provision			
Opening balance		12,733,062	12,850,073
Additional provision made during the period		1,548,705	1,538,295
Amounts used during the period		(1,418,957)	(1,409,618)
Unused amounts reversed during the period		(76,263)	(47,200)
Change in discount and time		(112,583)	(198,488)
Balance at end of financial year		12,673,964	12,733,062

	Note	30-Jun-18 $	30-Jun-17 $
21 Asset revaluation surplus			
(a) Movements in the asset revaluation surplus were as follows:			
Opening balance		461,030,782	366,960,096
Movement in property plant and equipment		31,128,661	94,096,227
Derecognition of cultural assets		-	(25,541)
Balance at end of financial year		492,159,443	461,030,782

(b) Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus is comprised of the following asset categories:

		30-Jun-18	30-Jun-17
Buildings and structures		37,995,212	34,619,296
Roads, footpaths and bridges		214,910,102	199,251,521
Stormwater drainage		53,679,989	54,166,681
Wastewater infrastructure		103,916,548	95,384,431
Water infrastructure		81,657,592	77,608,853
		492,159,443	461,030,782

The asset revaluation surplus comprises adjustments relating to changes in value of non-current assets that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

22 Retained surplus

	Note	30-Jun-18	30-Jun-17
Internally restricted cash	10	49,763,697	47,865,618
Unspent capital grants, subsidies and contributions	10	6,830,640	4,901,144
Unspent infrastructure charges	10	20,680,793	18,852,111
Unallocated surplus		33,202,536	15,525,270
		110,477,666	87,144,143

Retained surplus represents restricted cash as outlined in Note 10 along with the remaining (unallocated) funds that are available to meet specific future funding needs. An unallocated surplus represents the accumulative amount available to Council that may be used to offset against expenditure in the following year.

	Note	30-Jun-18 $	30-Jun-17 $
23 Commitments for expenditure			
(a) Operating leases			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Not later than one year		690,831	470,243
Later than one year but not later than five years		1,033,597	1,064,567
Later than five years		156,786	252,485
		1,881,214	1,787,295

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term. Council only discloses lease commitments associated with leases with a payment of over $2,000 per year.

		30-Jun-18 $	30-Jun-17 $
(b) Recurrent commitments			
Significant recurrent contractual commitments at the reporting date but not recognised as liabilities		6,691,140	4,019,525
(c) Capital commitments			
Significant capital contractual commitments at the reporting date but not recognised as liabilities are as follows:			
Buildings and structures		500,000	12,030,830
Plant and equipment		1,789,190	-
Roads, footpaths and bridges		9,364,882	1,842,863
Wastewater infrastructure		2,570,638	18,205,916
Water infrastructure		452,060	1,126,570
		14,676,770	33,206,179

Council only discloses individual contractual and capital commitments over $200,000.

		30-Jun-18 $	30-Jun-17 $
24 Expected operating lease income			
(a) Lease receipts			
Future minimum lease payments are expected to be received in relation to non-cancellable operating leases as follows:			
Not later than one year		392,301	393,908
Later than one year but not later than five years		1,267,627	1,162,396
Later than five years		1,380,881	1,619,727
		3,040,809	3,176,031
(b) Sub-lease receipts			
Future minimum lease payments are expected to be received in relation to non-cancellable sub-leases of operating leases as follows:			
Not later than one year		238,767	192,496
Later than one year but not later than five years		746,427	694,178
Later than five years		336,754	520,670
		1,321,948	1,407,344
(c) Contingent rent for the period		145,481	154,881

Council only discloses expected lease income for leases with a yearly income greater than 1% of the total annual lease income of Council.

	Note	30-Jun-18 $	30-Jun-17 $

25 Contingent liabilities

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

Claims

Council is a defendant in a number of claims that arise as a result of the operations of Council. Council is of the opinion that the claims can be successfully defended and that no costs in excess of the recorded accruals will result. Information in respect of individual claims has not been disclosed in accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets* on the basis that council considers such disclosures would seriously prejudice the outcome of the claims.

Landfills

Council has a number of operational and closed landfills throughout the region. Obligations for future remediation are determined annually, with the nature and extent of work required dependant on a condition assessment of the land and any proposed use of that land. The future use of the land has not yet been determined for closed landfills. Council has yet to make a formal determination on the closure of smaller operational landfills and has delayed the remediation of part of the University Drive Landfill. As a consequence Council is unable to reliably estimate potential rehabilitation costs for these sites. A provision for restoration costs for larger operational landfills has been disclosed in Note 20.

Local Government Mutual

Council is a member of the local government mutual liability self-insurance pool, Queensland Local Government Mutual Liability Pool. In the event of the scheme being wound up or if 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 scheme members in the same proportion as their contribution is to the total scheme contributions, in respect to any year that a deficit arises. As at June 2018 the financial statements reported an accumulated surplus and it is not anticipated that any liability will arise.

Local Government Workcare

Council is a member of the Local Government Self-Insurance Scheme, Local Government Workcare. Under this scheme Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled because of insufficient funds being available to cover outstanding liabilities. Only Local Government Workcare may call on any part of the guarantee should the above circumstances arise.

	30-Jun-18	30-Jun-17
Council's maximum exposure is:	1,960,843	2,102,687

	Note	30-Jun-18 $	30-Jun-17 $

26 Superannuation - Regional Defined Benefits Fund

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 Council.

Technically Bundaberg Regional 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 changes to Council's obligations will only be made on the advice of an actuary.

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." 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.

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. Bundaberg Regional Council made 4.51% of the total contributions to the plan for the 2017-18 financial year.

	Note	30-Jun-18 $	30-Jun-17 $
Superannuation contributions made to the Regional Defined Benefits Fund		800,444	902,647
Other superannuation contributions for employees		5,686,185	5,454,033
Total superannuation contributions paid by Council for employees:	6	6,486,629	6,356,680
Contributions Council expects to make to the Regional Defined Benefits Fund for 2018/2019 financial year:		750,262	

	Note	30-Jun-18 $	30-Jun-17 $
27 Trust funds			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities:		3,361,001	3,218,366

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

28 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	Note	30-Jun-18 $	30-Jun-17 $
Net result		46,668,876	24,710,988
Non-cash operating items:			
Depreciation of property plant and equipment	15	44,171,077	45,292,826
Amortisation of intangible assets	17	327,110	495,763
Change in restoration provision to finance costs	8	441,350	420,220
Current cost of developed land sold	12(b)	20,046	21,656
Prior year work in progress expensed	15	96,977	570,499
		45,056,560	46,800,964
Investing and financing activities:			
Change in restoration provision		(1,424,224)	386,780
Capital grants, subsidies, other contributions and donations	4(b)	(38,974,335)	(30,351,394)
Loss on disposal of non-current assets	9	11,325,162	4,598,544
Loss on disposal of non-current assets	9	49,447	
Loss on impairment of non-current assets held for sale	9	606,165	12,401
Loss on sale of investment property	9	43,356	-
Revaluation decrement of land and improvements	5	(283,300)	21,394,852
Revaluation of investment property	5	(64,102)	(2,917,860)
Compensation for assets written off	5	(299,682)	(16,864)
Loss on sale of non-current assets held for sale	9	245,472	(2,440)
		(28,776,041)	(6,895,981)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		2,140,636	(1,360,687)
(Increase)/decrease in inventories		(69,179)	25,837
Increase/(decrease) in payables		(2,401,731)	984,169
Increase/(decrease) in long service leave provision		(59,098)	(117,011)
Increase/(decrease) in unearned revenue		24,996	113,770
		(364,376)	(353,922)
Net cash inflow from operating activities		62,585,019	64,262,049

29 Reconciliation of liabilities arising from finance activities

	Note	As at 30 June 2017	Cash flows	Non-cash movement	As at 30 June 2018
Loans	19	58,277,018	19,987,364	45,954	78,310,336

30 Events after the reporting period

There were no material adjusting or non-adjusting events after the balance date.

31 Financial instruments and financial risk management

Financial risk management

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

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management.

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. Council aims to manage volatility to minimise potential adverse effects on the financial performance of Council.

Council does not enter into derivatives or other high risk investments.

(a) Credit risk

Credit risk exposure refers to the situation where Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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

In other cases, Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk. There is no concentration of credit risk for trade and other receivables.

Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks and other financial institutions in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982* . The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with regulated financial institutions which are rated AAA to BBB based on ratings agency Standard & Poors, and whilst not capital guaranteed, the likelihood of a credit failure is remote.

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

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

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period.

Financial assets

	Note	2018	2017
Cash and cash equivalents	10	124,464,224	106,021,236
Receivables - rates	11	4,665,557	5,751,868
Receivables - other	11	8,484,885	9,281,722
Other credit exposures - Guarantee	25	1,960,843	2,102,687
Total		139,575,509	123,157,513

31 Financial instruments (Cont'd)

(a) Credit risk (Cont'd)

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

Included within Council's receivable balance are debtors past due date for which Council has not provided against as there has been no significant change in credit quality and amounts are still considered recoverable.

The following table represents an analysis of the age of Council's financial assets that are either fully performing, past due or impaired:

	2018	2017
Not past due	6,656,633	6,239,285
Past due less than 30 days	781,381	1,630,725
Past due 31-60 days	585,682	711,212
Past due 61-90 days	27,735	51,896
Past due more than 90 days	5,433,554	6,517,319
Impairment	(334,543)	(116,847)
Total	13,150,442	15,033,590

(b) Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from QTC for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient cash reserves and undrawn facilities both short and long term to cater for unexpected volatility in cash flows. The following facilities were available but not utilised at the end of the reporting period.

	2018	2017
Approved Credit Card Facility - Commonwealth Bank of Australia	1,965,000	1,965,000
Available at 30 June	1,157,249	1,133,202

The following table sets out the liquidity risk of financial liabilities held by Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual (principal and interest) undiscounted cash flows at balance date:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2018					
Trade and other payables	13,485,218	-	-	13,485,218	13,485,218
Loans - QTC	10,326,114	36,983,791	56,202,728	103,512,633	78,310,336
	23,811,332	36,983,791	56,202,728	116,997,851	91,795,554
2017					
Trade and other payables	23,117,219	-	-	23,117,219	23,117,219
Loans - QTC	8,494,053	31,769,478	35,935,673	76,199,204	58,277,018
	31,611,272	31,769,478	35,935,673	99,316,423	81,394,237

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.

31 Financial instruments (Cont'd)

(c) Market risk

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

Interest rate risk

Council is exposed to interest rate risk through its investments held with financial institutions.

Financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity. Council's loan portfolio is subject to fixed interest rates.

Sensitivity

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

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net carrying amount		Profit		Equity	
	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$
Deposits - Call	53,350,000	37,400,000	533,500	374,000	533,500	374,000
Term Deposits	69,420,000	67,900,000	694,200	679,000	694,200	679,000
	122,770,000	105,300,000	1,227,700	1,053,000	1,227,700	1,053,000

Fair value

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.

QTC applies a book rate approach in the management of debt. The book value represents the carrying value based on amortised cost using the effective interest method.

The net fair values of other financial assets and liabilities, except QTC loans, approximates their carrying amounts.

Financial liabilities		2018		2017	
	Note	Carrying amount	Fair Value	Carrying amount	Fair Value
		$	$	$	$
Loans - QTC	19	78,310,336	83,942,127	58,277,018	64,528,961

	Note	30-Jun-18 $	30-Jun-17 $

32 Transactions with related parties

(a) Joint controlled entities

Council is a joint member of the Wide Bay Burnett Regional Organisation of Councils (WBBROC) Incorporated.

WBBROC represents the interests of all councils within the Wide Bay Burnett region. WBBROC lobbies Federal and State Governments on behalf of members Councils on matters of common interest and is often the point of contact for other levels of Government seeking the views of Councils on a broad range of issues.

WBBROC other member Councils are Cherbourg Community Council, Fraser Coast Regional Council, Gympie Regional Council, North Burnett Regional Council and South Burnett Regional Council.

The following transactions occurred with WBBROC:

Council membership contributions		95,289	78,510

WBBROC is dependent on contributions from member Councils.

(b) Key management personnel (KMP) compensation

KMP include the Mayor, Councillors, Chief Executive Officer and members of the Executive Leadership Team.

The compensation paid to KMP comprises:

Short-term benefits		2,485,097	2,292,114
Long-term benefits		25,580	13,133
Post-employment benefits		262,886	221,469
		2,773,563	2,526,716

Additional remuneration disclosures are provided in the Annual Report.

(c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members.

Details of transactions between Council and other related parties are disclosed below:

Donation to an entity controlled by KMP	(i)	-	23,259
Provision of facilities to an entity controlled by KMP	(i)	-	55,225
Purchases of materials and services from entities controlled by KMP	(ii)	74,402	64,829

	Note	30-Jun-18 $	30-Jun-17 $

32 Related parties (Cont'd)

(c) Transactions with other related parties (Cont'd)

(i) Council has historically supported the Bundaberg Police Citizens Youth Club (PCYC) in providing a broad range of recreational, youth and sporting programs, catering to all sections of the community. During 2017 Council provided temporary accommodation for the PCYC, as well as reimbursing relocation expenses.
Former Councillor David Batt held the position of Deputy Chairman of the PCYC during his tenure.

	Note	30-Jun-18 $	30-Jun-17 $
(ii) Impact Community Services Inc.		74,402	64,829

Included above are services purchased from the following -

Impact Community Services (Impact) are engaged by Council under a panel of prequalified suppliers for transportation services in relation to waste throughout the region. Impact is a not-for-profit organisation which offers a wide range of support, training and employment programs to the Bundaberg community. Former Councillor David Batt held the position of Chairperson of Impact during his tenure.

Council employs 776 full time equivalent staff. Less than 1% of staff are close family members of KMP with their remuneration representing less than 1% of employee benefits. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the relevant industrial award for the job they perform and Council's enterprise bargaining agreement.

Council has 83 community service lease agreements where Council owned facilities are leased at a nominal value. 5% of these leases are with community groups which are related parties of KMP. The community groups are required under the lease to maintain and operate the facilities at their expense. Council believes the value of the maintenance and operating costs borne by groups approximates the lease value forgone.

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Note	30-Jun-18 $	30-Jun-17 $
Contribution to Eggmolesse Street drainage works	(i)	-	80,000

(i) Council had an infrastructure deed with Across The Waves (ATW) in relation to drainage works in Eggmolesse Street associated with an adjoining development. This contribution has now been paid and the works completed. The agreement was executed by senior staff in accordance with the *Sustainable Planning Act 2009,* Council's Planning Scheme and Register of Delegations. Former Councillor David Batt held the position of Committee Member of ATW during his tenure.

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(e) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(f) Commitments to/from other related parties

Council has no outstanding commitments to/from other related parties.

33 National competition policy

Business activities to which the code of competitive conduct is applied

Bundaberg Regional Council has applied the competitive code of conduct (CCC) to the following activities:

Water and Wastewater Operations;
Waste Management;
Council's Holiday Parks; and
Bundaberg Airport.

This requires the application of full cost pricing, the identification of community service obligations (CSOs) and the elimination of any advantages or disadvantages of public ownership within that activity.

The CSO value is determined by Council and represents an activity's cost(s) which would not be incurred if the activity's primary objective was to make a profit. Council provides funding from general revenue to the business activity to cover cost of providing non-commercial community services or costs deemed to be CSOs by Council.

In calculating the value of some CSOs management is required to make judgements, estimates and assumptions which may impact on the values disclosed. 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 following table summarises the financial performance of Council's activities subject to the CCC:

Financial performance of activities subject to competition reforms:

	Water	Wastewater	Waste Management	Council Holiday Parks	Bundaberg Airport
	2018	2018	2018	2018	2018
	$	$	$	$	$
Revenue for services provided to Council	1,465,467	445,494	242,051	-	-
Revenue for services provided to external clients	27,384,352	27,731,724	18,625,521	2,691,334	4,825,851
Community service obligations	1,192,346	998,906	3,878,624	-	551,191
	30,042,165	29,176,124	22,746,195	2,691,334	5,377,042
Less: Expenditure	(16,537,896)	(15,402,553)	(14,739,438)	(2,342,670)	(3,530,811)
Surplus/(deficiency)	13,504,269	13,773,571	8,006,757	348,664	1,846,231

33 National competition policy (Cont'd)

Description of CSOs provided to business activities

Activities	CSO description	Amount
		$
Water	Provision of water allocations to unlicensed sporting clubs free of charge	$188,151
	Pension remissions	$159,199
	Water leak relief	$78,574
	Infrastructure charges incentives	$698,658
	Internal bulk water provisions	$67,764
Wastewater	Providing pedestal discount for community and aged care facilities	$308,405
	Infrastructure charges incentives	$483,242
	Pension remissions	$207,259
Waste Management	Provision of bins and waste disposal for community events	$23,340
	Provision of free disposal days for residents	$224,243
	Provision of free storm damage disposal for residents	$173,821
	In-kind assistance - for charities	$77,999
	Unrecovered costs incurred in operating rural transfer stations	$412,533
	Internal waste collection	$2,776,424
	Pension remissions	$190,264
Bundaberg Airport	Access agreement	$551,191

3.6 Management Certificate

For the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to Section 176 and Section 177 of the *Local Government Regulation 2012* 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 Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, present a true and fair view, in accordance with Australian Accounting Standards, of Council's transactions for the financial year and financial position at the end of the year.

Mayor

Date: 20 / 9 / 18

Chief Executive Officer

Date: 19 / 9 / 18

3.7 Independent Auditor's Report - Financial Statements

Queensland Audit Office
Better public services

To the Councillors of Bundaberg Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Bundaberg 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 management certificate given by the Mayor and the 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 the Bundaberg 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 and 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.

Queensland Audit Office
Better public services

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 of the Council.

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.

Queensland Audit Office
Better public services

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

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

Report on other legal and regulatory requirements

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

M Read

15 October 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

3.8.1 Current Year Financial Sustainability Statement

For the year ended 30 June 2018

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 Council's general purpose financial statements for the year ended 30 June 2018.

Measures of Financial Sustainability

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

	How the measure is calculated	2018	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	10%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by depreciation expense for infrastructure assets.	67%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-12%	not greater than 60%

3.8.2 Current Year Financial Sustainability Statement - 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.*

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

Mayor

Date: 20 / 9 / 18

Chief Executive Officer

Date: 19 / 9 / 18

3.8.3 Independent Auditor's Report - Financial Sustainability Statement

Queensland Audit Office
Better public services

To the Councillors of Bundaberg Regional Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of Bundaberg 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 Bundaberg 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 Bundaberg 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, the long-term financial sustainability statement and the annual report.

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

Queensland Audit Office
Better public services

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.

Queensland Audit Office
Better public services

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.

15 October 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

3.8.4 Long Term Financial Sustainability Statement

For the year ended 30 June 2018

Measures of Financial Sustainability

	How the measure is calculated	Target	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	2%	0%	2%	1%	2%	2%	3%	3%	2%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by depreciation expense for infrastructure assets.	greater than 90%	106%	59%	53%	41%	56%	55%	42%	54%	48%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	6%	21%	21%	14%	2%	-8%	-19%	-22%	-29%

Financial Management Strategy

Council's vision through its Corporate Plan 2019-2023 is to build Australia's best regional community, where residents enjoy a safe and healthy lifestyle in a region that is attractive, economically prosperous and inclusive and supportive of its members. Council's financial management strategy supports the delivery of these outcomes by ensuring that the allocation of financial and physical resources is aligned with the goals of this vision. The specific strategies are outlined in include its Long Term Financial Plan 2019-2028 and are summarised below:

- Optimising organisational efficiencies.
- Pursuing spending and rating policies that are consistent with a reasonable degree of stability in the level of the rates burden.
- Ensuring that decisions and actions taken have due regard for the financial effects on future generations.
- Confronting issues of inter-generational equity so that the financial burden does not adversely affect current or future ratepayers.
- Making certain that when new assets are acquired or constructed, the Long Term Financial Forecast captures 'whole of life costs'.
- Delivering an increased focus on asset management to ensure appropriate maintenance and renewal of assets that supports service standards in the region.
- Securing as much grant funding as possible to contribute to the cost of constructing new capital infrastructure.
- Optimising the capital and borrowing programs by ensuring the delivery of projects meets the objectives of the financial strategy whilst debt remains within acceptable limits.
- Investing surplus funds subject to Council's approved risk profile, with the aim of maximising investment returns to minimise financial impacts on ratepayers.

3.8.5 Long Term Financial Sustainability Statement - Certificate of Accuracy

For the year ended 30 June 2018

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

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

Mayor

Date: 20 / 9 / 18

Chief Executive Officer

Date: 19 / 9 / 18

4 Statutory Information

Mayor and Councillors

4.1 Remuneration of the Mayor and Councillors

In accordance with section 186(a) of the *Local Government Regulation 2012,* the total remuneration paid to each Councillor during the financial year are as follows.

Table 4.1

Division	Councillor	Remuneration	Superannuation
	Mayor Jack Dempsey	$148,535.92	$17,824.31
1	Cr Jason Bartels	$85,993.96	$10,319.28
2	Cr Bill Trevor (Deputy Mayor)	$97,722.04	$11,726.64
3	Cr Wayne Honor	$85,993.96	$10,319.28
4	Cr Helen Blackburn	$85,993.96	$10,319.28
5	Cr Greg Barnes	$85,993.96	$10,319.28
6	Cr Scott Rowleson	$85,993.96	$10,319.28
7	Cr Ross Sommerfeld	$85,993.96	$10,319.28
8	Cr David Batt	$30,759.38	$3,691.13
8	Cr Steve Cooper	$31,751.62	$3,810.19
9	Cr Judy Peters	$85,993.96	$10,319.28
10	Cr Peter Heuser	$46,635.19	$5,596.22
10	Cr John Learmonth	$29,105.65	$3,492.68

4.2 Reimbursement of Expenses and Provision of Facilities

In accordance with section 186(b) of the *Local Government Regulation 2012*, the total expenses incurred by, and the facilities provided to each Councillor during the financial year under Expenses and Reimbursement for Councillors Policy are as follows.

Table 4.2

Division	Councillor	Reimbursement of Expenses and Provision of Facilities	Note
	Mayor Jack Dempsey	$31,898.49	Costs for provision of facilities (including travel) is included in the Reimbursement of Expenses
1	Cr Jason Bartels	$17,176.28	
2	Cr Bill Trevor (Deputy Mayor)	$17,982.03	
3	Cr Wayne Honor	$15,481.51	
4	Cr Helen Blackburn	$17,245.61	
5	Cr Greg Barnes	$16,731.93	
6	Cr Scott Rowleson	$18,364.40	
7	Cr Ross Sommerfeld	$17,004.52	
8	Cr David Batt	$6,880.03	
8	Cr Steve Cooper	$4,228.01	
9	Cr Judy Peters	$14,010.27	
10	Cr Peter Heuser	$6,752.03	
10	Cr John Learmonth	$3,828.08	

A copy of Council's Policy is available at bundaberg.qld.gov.au/council/councildocuments.

4.3 Overseas travel

In accordance with section 188 of the *Local Government Regulation 2012* the following overseas travel expenses were incurred by Councillors or Council employees in an official capacity during the financial year.

Table 4.3

<table>
<tr><th>Councillor</th><th>From</th><th>To</th><th>Destination</th><th>Purpose</th><th>Total</th></tr>
<tr><td>Mayor Jack Dempsey</td><td>31 May 2018</td><td>8 June 2018</td><td>Boston, USA</td><td>Queensland Premiers Trade and Business Delgation</td><td>$9,799.04 (included in Reimbursement of Expenses s4.2)</td></tr>
<tr><td>Cr William Trevor</td><td rowspan="3">8 September 2017</td><td rowspan="3">19 September 2017</td><td rowspan="3">Nanning, China</td><td rowspan="3">Sister Cities Visit - China ASEAN Trade Expo and Business Meetings.</td><td rowspan="4">$11,630.17 (included in Reimbursement of Expenses s4.2)</td></tr>
<tr><td>Cr Greg Barnes</td></tr>
<tr><td>Cr Scott Rowleson</td></tr>
<tr><td>Stephen Johnston – Chief Executive Officer</td><td>8 September 2017</td><td>19 September 2017</td><td>Nanning, China</td><td>Sister Cities Visit - China ASEAN Trade Expo and Business Meetings.</td></tr>
</table>

4.4 Attendance at Council meetings

In accordance with section 186(c) of the *Local Government Regulation 2012*, the attendance of Councillors at Ordinary and Special Meetings is detailed below.

Please note the following movement of Councillors over the financial year:

- Councillor David Batt resigned as Councillor effective from 7 December 2017.
- Councillor Peter Heuser resigned as Councillor effective from 11 January 2018.
- Councillor Steve Cooper was sworn in on 14 February 2018.
- Councillor John Learmonth was sworn in on 27 February 2018.

Table 4.4

Councillor	Ordinary	Special & budgetary	Total
Mayor Jack Dempsey	14	1	15
Cr Jason Bartels	14	1	15
Cr Bill Trevor (Deputy Mayor)	13	1	14
Cr Wayne Honor	11	1	12
Cr Helen Blackburn	14	1	15
Cr Greg Barnes	10	1	11
Cr Scott Rowleson	14	1	15
Cr Ross Sommerfeld	13	1	14
Cr David Batt	4	0	4
Cr Judy Peters	13	0	13
Cr Peter Heuser	5	0	5
Cr Steve Cooper	5	1	6
Cr John Learmonth	4	1	5

4.5 Councillor Conduct

In accordance with section 186(d)-(f) of the *Local Government Regulation 2012* orders and complaints about Councillors during the financial year are as shown below:

Table 4.5

Section of the *Local Government Act 2009*	Type of Order/Complaint	Number
180(2) and (4)	Orders and recommendations about misconduct	0
181(2)	Orders made for inappropriate conduct	0
176C(2)	Complaints about Councillor conduct or performance for which no action was taken	2
176C(3)(a)(i)	Complaints referred to the Chief Executive of the Department of Local Government about inappropriate conduct of the Mayor or Deputy Mayor.	0
176C(3)(a)(ii) or(b)(i)	Complaints referred to the Mayor about inappropriate conduct by a Councillor other than the Mayor or Deputy Mayor	0
176C(4)(a)	Complaints about misconduct referred to the Chief Executive of the Local Government.	1
176C(5)	Complaints assessed by the Chief Executive as being about corrupt conduct	0
176C(6)	Complaints about another matter	0

Corporate Governance

4.6 Remuneration of Senior Management

In accordance with section 201 of the *Local Government Act 2009* the details of remuneration for senior management during the financial year were as follows.

Number of Executives	Salary Range
2	$100,000 - $200,000
5	$200,000 - $300,000
1	$300,000 - $400,000

Table 4.6

The total remuneration packages payable in 2017-18 to senior management was $1,753,209

4.7 Administrative Action Complaints

In accordance with section 187 of the *Local Government Regulation 2012*, Council has adopted an Administrative Action Complaints Policy and Procedure to effectively deal with complaints in a fair, confidential, prompt and respectful manner.

Council's Governance and Legal Services team is responsible for application of the policy, coordinating complaints, reporting to Council information including recommendations, trends of types of complaints received, systemic issues and improvements to minimise the likelihood of future complaints. An assessment of performance against its policy and procedure has seen a recent review of the complaints framework to ensure compliance with legislation and verify that complaints are handled efficiently. This review included development of a training plan for key staff and review of templates and workflows, which form part of the overall complaints management framework.

As required by section 187(2) of the *Local Government Regulation 2012* the table below provides a summary of Administrative Action Complaint outcomes for 2017-2018.

Table 4.7

Outcome of administrative action complaints	2017-18	2016-17
Number of Administrative Action Complaints made	12	15
Number of Administrative Action Complaints resolved under the complaints management process	12	15
Number of Administrative Action Complaints not resolved under the complaints management process	0	0

4.8 Beneficial Enterprises

In accordance with section 41 of the *Local Government Act 2009*, Council did not conduct any beneficial enterprises during the financial year.

4.9 Significant Business Activities

In accordance with section 45(a) of the *Local Government Act 2009*, Council conducted the following business activities during the financial year:

- Water and Wastewater;
- Waste Management;
- Council Holiday Parks; and
- Bundaberg Airport.

The National Competition Policy (NCP) requires that the competitive neutrality principle be applied to government businesses so they do not attract any net competitive advantage over their competitors as a result of public sector ownership. A review of the appropriate application of NCP reforms across Council determined that the adoption of full-cost pricing is the appropriate structural reform to apply to its significant business activities.

In accordance with section 45(b), Council identifies the following business activities as significant business activities:

- Water and Wastewater; and
- Waste Management.

Pursuant to section 45(c) of the *Local Government Act 2009*, Council advises that the competitive neutrality principle was applied to both activities. Both activities were conducted in the preceding financial year, pursuant to section 45(d).

4.10 Competitive Neutrality Complaints

No competitive neutrality complaints were received during the reporting period.

4.11 Particular Resolutions

Pursuant to section 185 of the *Local Government Regulation 2012*, Council must advise of particular resolutions made under section 250(1) and section 206(2) of the *Local Government Regulation 2012*.

Pursuant to section 250(1) of the *Local Government Regulation 2012*, Council advises that a resolution was made on 12 December 2017 to adopt a revised Reimbursement of Expenses and Provision of Facilities for Councillors Policy. The revised Policy reflected a change to the Australian Taxation Office Determination. A copy of the resolution is included below.

BUNDABERG
REGIONAL COUNCIL

Minutes - 12 December 2017

Item Number - F3

Part - Governance and Communications

Portfolio - Organisational Services

Subject - Council Policy Update

2061

Resolution

Cr HL Blackburn presented the report and moved:

That the:

1. Councillor's Confidentiality of Council Information Policy (as detailed on the 6 pages appended to this report);
2. Reimbursement of Expenses and Provision of Facilities for Councillors Policy (as detailed on the 11 pages appended to this report); and
3. Water Leak Relief Policy (as detailed on the six pages appended to this report);

– be adopted by Council

Seconded by Cr JA Peters.

There being no discuss in on this item - the Motion was put - and carried unanimously.

Council did not make any resolutions during the financial year under section 206(2).

4.12 Changes to tenders

Pursuant to section 190(1)(e) of the *Local Government Regulation 2012*, Council advises that the following changes to tenders were made pursuant to section 228(7) of the *Local Government Regulation 2012* during the 2017-18 financial year.

Contract No.	Contract Description	Change
TEN/0367	Construction of Concrete Pathways - Package E	Prior to evaluation of the Tender Submissions and following late approval of additional works, the tender was amended to include additional sites and incorporate two Separable Portions to prioritise the work. Tenderers were asked to reprice the additional works via LG Tender Box. The additional scope grew the works from four sites to eight sites. Tenderers were given two weeks to price the additional scope.
TEN/0231	Bundaberg CBD Streetscape Design	Post tender clarifications were sought from each of the three selected tenderers to assist in evaluation of tender submissions.
TEN/0399	Miara Foreshore Protection	During initial assessment of tenders, it was identified that some additional data regarding source and properties of materials to be supplied would be beneficial in the evaluation process, and that was not supplied by all tenderers. Each tenderer was invited to provide additional information to optimise the evaluation process.
TEN/0252	Burnett Heads Streetscape	Council representatives and preferred contractor representative met in a pre-award meeting to clarify a number of items under the contract. Tenderer was asked to provide additional information to assist in Council's decision to award.
TEN/0410	Smith's Creek Bridge Replacement	Council invited tenderers to provide additional information to assist with the evaluation of submissions. Tenderers were directed to drawing construction notes and asked to provide a detailed methodology demonstrating their understanding of the works. Council also advised a date of availability for Principal supplied materials and asked tenderers to advise any amendments to program, construction methodology or pricing in relation to the proposed date.
TEN/0249	Road Rehabilitation Works 2017	Council invited the preferred tenderer to provide clarification on a number of items from their tender submission.
TEN/0372	Airport Drive Sewer Pump Station	Council invited the preferred tenderer to attend a post tender clarification meeting to assist in finalisation of tender evaluation and recommendation.
TEN/0322	Woodgate Vacuum Sewer Pump Station	Council invited the preferred tenderer into post tender negotiations following the identification of possible cost savings for the project. The preferred tenderer was requested to revise their tender submission in accordance with a number of changes to scope [for potential cost savings] and provide any further relevant information to support their response.

4.13 Summary of Concessions for Rates and Charges

In accordance with section 190(1)(g) of the *Local Government Regulation 2012*, a summary of all concessions for rates and charges granted by Council is provided in the following section and tables.

Pensioner rebates

Pensioners who are either registered owners or life tenants of their Principal Place of Residence and who hold a Queensland Pensioner Concession Card or a DVA Health Card (all conditions within Australia) or a DVA Health Card (Totally & Permanently Incapacitated) issued by either Centrelink or the Department of Veteran Affairs are eligible to claim a State Government Pensioner Rate Subsidy and a Council Pensioner Remission. The Council pensioner rate remission during 2017-18 was $140.00 per annum for rates and charges.

Reduced Rates and Charges due to Community Organisations concessions

Council recognised the following not-for-profit organisations as providing a service to the community by encouraging community and cultural development. During 2017-18 Council contributed up to a maximum $1,700.00 per annum towards the payment of rates and charges, with the exception of water consumption, for the following facilities and organisations:

- Apple Tree Creek Memorial Hall
- Avenell Heights Progress Association Hall
- Booyal Memorial Hall
- Bucca Hall
- Bullyard Hall
- Bundaberg & District Air Sea Rescue
- Bundaberg Kindergarten
- Bundaberg Railway Historical Society
- Burnett Heads Kindergarten
- Burnett Heads Progress Hall
- Childers Kindergarten
- CWA Hall Bundaberg
- CWA Hall Childers
- CWA Hall Yandaran
- CWA Oakwood
- CWA Wallaville
- Drinan Hall
- Forestview Community Kindergarten
- Gin Gin & District Historical Society Hall
- Gin Gin Kindergarten
- Kepnock Progress Association Hall
- North Bundaberg Progress Association Hall
- Pacifique Surfriders Club
- Pine Creek Hall
- Sandy Hook Ski Club
- Sharon Hall
- South Kolan Kindergarten
- Tegege Hall
- Tegege Combined Sport and Recreation Club
- Wallaville Kindergarten

Council paid all rates and charges, with the exception of water consumption charges, for the following sports clubs:

- Bundaberg Surf Life Saving Club
- Elliott Heads Surf Life Saving Club
- Moore Park Surf Life Saving Club

Water Rates Concessions to Unlicensed and Restricted Licence Sporting Clubs

Council recognised unlicensed/restricted licensed sporting clubs as not for profit entities which provide a community service, namely the provision of recreational services and contribution to the region's aesthetics. In recognition of this, Council charged unlicensed/restricted licensed sporting clubs a Water Access Charge for its largest connection on each assessment and no access charge levied for additional meters. For water meters above 20mm, if unlicensed sporting clubs reduced their largest water meter size to a smaller size, their Water Access Charge was reduced accordingly to the Water Access Charge applicable to the revised water meter size. Where it was impractical to do so, Council charged the equivalent of 40% of the 40mm Water Access Charge. Unlicensed/restricted licensed sporting clubs were entitled to 4,000 kilolitres of water per annum per hectare of playing surface, free of consumption charges, with an adjusted entitlement of 75% for seasonal sports. The Gin Gin Agricultural, Pastoral and Industrial Society was entitled to 4,800 kilolitres of water per annum free of consumption charges for use on the main arena. Water consumption per assessment in excess of these entitlements was levied for the first 300 kilolitres at the 1st tier rate, and any consumption in excess of 300 kilolitres was levied at the 2nd tier rate.

Sewerage Rates Concessions

Multi accommodation self-contained residential units for the aged under the control of charitable/church organisations (excluding care centres); and pedestals installed in the Department of Housing & Public Works units for the aged were granted a concession of 60% of sewerage rates.

Council recognised unlicensed/restricted licensed sporting clubs are not for profit entities which provide a community service, namely the provision of recreational services and contribution to the region's aesthetics. In recognition of this, Council provided unlicensed/restricted licensed sporting clubs a 50% concession on sewerage rates.

Water Leak Relief

Council has a Water Leak Relief Policy which provides relief for ratepayers who experience an undetected water leak. Provided ratepayers repair the water leak and apply for relief, Council may provide a concession in accordance with the Policy. The Policy allows for Council to charge the water consumption at the first step in the water tariff, which in 2017-18 was $1.16, instead of the second tier tariff, which was $1.90.

Concessions to ratepayers for 2017-18

Table 4.9

Type of concession	Assistance Provided
Pensioner rebates	$1,401,002.89
Rates concessions to community organisations	$597,081.86
Water Leak Relief	$78,573.35
Total	**$2,076,658.10**

Analysis of Concessions provided to Community Organisations in 2017-18

Table 4.10

Type of concession	Assistance Provided
Reduced rates and charges to community organisations *	$51,884.70
Water rates concessions to unlicensed and restricted licence sporting clubs	$188,150.36
Sewerage rate concessions	$357,046.80
Total	**$597,081.86**

* Refer to table below

Type of organisation	No.	Annual Rates Levied	Assistance Provided	Average assist per organisation
Halls	19	$39,185.36	$25,323.80	$1,332.83
Kindergartens	7	$26,717.27	$10,657.10	$1,522.44
Surf Lifesaving Clubs	3	$13,927.48	$11,905.90	$3,968.63
Other Community organisations	4	$4,739.51	$3,997.90	$999.48
Total	**33**	**$84,569.62**	**$51,884.70**	**$1,572.26**

4.14 Expenditure on Grants to Community Organisations

In accordance with section 195 of the *Local Government Regulation 2012*, Council has an established a Community Grants Policy.

In accordance with section 189(a) of the *Local Government Regulation 2012*, Council's expenditure on grants to community organisations is as follows.

Summary of Expenditure on Grants to Community Organisations

Table 4.11

Community Organisation	Expenditure on Grants
Bundaberg Life Education Donation	$10,000.00
Bundaberg Toy Library Donation	$10,000.00
Community Grants Program	$57,659.90
Donations to community organisations - assistance with community events	$6,167.42
LifeFlight Rescue Helicopter Donation	$50,000.00
Mayor's Christmas Appeal Donation	$2,500.00
Micro Grants Program	$18,364.64
Regional Men's Sheds - Donation from Old Tools Lunch	$6,000.00
Rotary Club of Bundaberg - Donation from Farm Flavours Picnic	$2,065.40
RSPCA Operation Wanted Donation	$5,000.00
Scripture Union - Donation from Mayoral School Chaplaincy Breakfast	$18,036.81
Special Event Grant Program	$20,428.29
Sport Championships Grant Program	$24,400.00
Young People In Sport Program	$14,000.00
Total	**$244,622.46**

Pursuant to Section 189(b) of the *Local Government Regulation 2012* there were no discretionary fund expenditures by Councillors for community organisations in the reporting period.

4.15 Council Registers

In accordance with section 190(f) of the *Local Government Regulation 2012*, Council kept the following registers:

- Register of Business Activities
- Register of Assets
- Register of Contact with Lobbyists
- Register of Cost-Recovery Fees
- Register of Delegations - Council to CEO and CEO to Officers and/or Contractors
- Register of Interests for CEO and Senior Executive Employees
- Register of Interests of a Councillor and their Related Persons
- Register of Local Laws
- Register of Pre-Qualified Suppliers
- Register of Roads

4.16 Risk Management

Council recognises that effective risk management is paramount in managing its enterprise risks to achieve its corporate strategies, objectives and vision for the future. Council's commitment to risk management practices aims to effectively manage and limit risk exposures but also to identify opportunities through best practice risk management strategies and continuous improvement established in accordance with Risk Management Standards AS/NZS ISO 31000:2009.

Council is committed to the identification and implementation of processes appropriate to the ongoing management of risk and this is achieved by:

- Regular reporting to the Audit and Risk Committee of enterprise risks and the Risk Management Program;
- Continuous review of:
  - The adopted Risk Management Policy;
  - Council's Risk Management Framework, and
  - Council's risk assessment tools.
- Training for staff at induction;
- Biennial review of risk registers; and
- Operational risk analyses of departmental business plans.

4.17 Report on the Internal Audit

Audit and Risk Committee

The Audit and Risk Committee is established in accordance with section 105 the *Local Government Act 2009*. The Committee acts as an advisory committee to Council. Providing independent comment, advice and counsel on audit and risk management issues, covering all Council operations and projects. The Audit and Risk Committee was comprised of Councillors and independent external representatives as follows:

- Bradley Grogan, Chairman and External Community Representative
- Mayor Jack Dempsey, Finance and Economic Development Portfolio spokesperson
- Cr Helen Blackburn, Governance Portfolio spokesperson
- Debbie Rayner, External Community Representative

The Audit and Risk Committee is also attended by the External Auditors, Chief Executive Officer, General Managers, Chief Financial Officer, Internal Auditor, Quality Auditor, Risk and Insurance Officer and other key staff. The Audit and Risk Committee held four meetings during the year in which the following matters were reviewed and assessed:

- Internal Audit reports
- Quality Audit reports
- External Audit reports and updates
- Risk Management updates
- Internal Audit Charter
- Audit and Risk Committee Charter
- Annual Internal Audit Plan
- Strategic Internal Audit Plan
- Major Projects updates
- Accounting position papers
- Annual Report and Financial Statements
- Assessment of Financial Information.

Internal Audits

The internal audit function is established under section 105(1) of the *Local Government Act 2009* and is an integral component of Council's corporate governance framework. Pursuant to section 190 (1)(h) of the *Local Government Regulation 2012*, audits and other activities undertaken in 2017-18 included:

- Internal audit reviews involving:
  - Cash handling, receipting and banking
  - Electronic signatures
  - Name and Address Register
  - Records management
  - State Penalties Enforcement Registry
  - Abandoned vehicles
  - Library resources
  - Penetration testing of ICT infrastructure
- Quality Audit reviews involving:
  - Central Laboratory Management System
  - Thabeban Recycled Water Management Plan
  - Childers Recycled Water Management Plan
- Internal investigations
- Monitoring the actions resulting from internal and external audit recommendations
- Advising on the development of policies, procedures and internal controls.

Index of Legislative Requirements

This page has been left intentionally blank.