



**ATTACHMENTS TO REPORTS OF THE BLAYNEY SHIRE COUNCIL MEETING
HELD ON MONDAY 19 NOVEMBER 2018**

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MEMO TO: General Manager/MERC Delegates

24th October 2018

SUBJECT: Progress with VPA Guidelines

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Introduction

This memorandum provides an update to members on where the negotiations with the VPA Guidelines are up to and requests your consideration in future negotiations with VPA's on the utilisation of the attached Roads Calculator and the negotiation framework Schematic.

Background

In October 2017, I forwarded copies to members of documents agreed between NSW Minerals Council (NSWMC) and the Association's Joint Working party when developing the Guidelines for Voluntary Planning Agreements (VPA's) that Council's and proponents could use negotiating a VPA when a development is proposed ie the Roads Calculator and Schematic. However, the Association would not accept them until all components of the VPA had been agreed to.

Discussions were held in Sydney on 22nd August 2018, following release of the Wilson Report on progress with the VPA Joint Working Party, between the Department of Planning & Environment, NSW Minerals Council and the Association Mining & Energy Related Councils NSW.

Present were Alison Frame and Stephen Barry, Department Planning & Environment (DPE), Steven Galilee and Claire Doherty (NSW Minerals Council) and our Association representatives – Councillors Sue Moore and Owen Hasler, General Manager Steve Loane and the Executive Officer, Greg Lamont.

Current Position

In order to finalise negotiations, the NSWMC required confirmation that the Roads Calculator and the negotiation framework Schematic have been agreed to by the parties before they could proceed with further negotiations, given the considerable investment they have made in the project to date, a desire to demonstrate progress to their members and the goodwill of the parties in completing the negotiations in a timely manner.

Consequently, agreement has now been reached with NSWMC and MERC on the VPA Roads Contributions Framework (the "Roads Calculator") and the Interim VPA Negotiation Process (the "Schematic").

As well, it was agreed that the parties to any VPA (Council and proponent), may need to agree on a form of alternative dispute resolution process to be used if negotiations fail during the negotiation process, no doubt this will depend on the relationship between the parties and is totally at the discretion of the Council and the proponent, such to be determined before negotiations commence.

The agreement required that these three elements of the agreement are to be relayed to both our members, recommending members use the Roads Calculator, the framework Schematic and an alternate dispute resolution process in negotiations for future VPA negotiations.

The purpose of this approach, is to ensure that negotiations by the parties are able to proceed with the aim of reaching a timely agreement on the outstanding components (namely a Non Roads Impacts Calculator – socio economic impacts), as soon as practicable.

Establishment of a Steering Committee

Future negotiations are to be undertaken as part of a Steering Committee (consisting of DPE, NSWMC and MERC), to be established by the DPE and chaired by an independent non - DPE person, suitably experienced in VPA's and of a senior counsel level.

Conclusion

Consequently, in all future VPA negotiations at your Council, whilst there is no obligation to do so, however it is recommended that your Council consider the use of the Roads Calculator, the negotiation framework Schematic and a dispute resolution mechanism, when undertaking any future VPA negotiations.

(Copies of the amended Road Calculator and Schematic are attached for your information).

Any enquiries to the undersigned

Yours sincerely,

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**Mining and Energy Related Councils and
NSW Minerals Council**
Roads Contribution Framework

October 2018

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1. Introduction

1.1 Background

GHD Pty Ltd (GHD) has been engaged by the NSW Mineral Council to develop a generic contributions framework that will provide a clear path for the establishment of contributions related to ongoing road asset funding by mining projects. The engagement is on behalf of the Project Partners, comprising the Mining and Energy Related Councils and the NSW Minerals Council.

1.2 Purpose of this report

The purpose of this report is to present a framework that can be used as a standard approach for determining the potential impact of the construction and operation of new mining developments on the road network. The methodology seeks to use a simple process based on pavement engineering and transport planning principles and replicate the *Interim VPA negotiation process v1.1* developed by the Project Partners.

The Framework aims to:

- Introduce **asset** consumption to the current planning policy settings which typically only considers the **capacity** of transport infrastructure.
- Address variability between regions and engineering approach with regards to traffic growth rates, local and asset management practices/preferences.
- Set the triggers for materiality, and whether a particular Project justifies contributions, or if so at what level, being in part or whole.

It is confirmed that the framework within this report aims to be consistent with current planning practice in NSW and is understood to be so. Current practice requires projects of any nature to directly fund upgrades to infrastructure triggered by their development. This framework will therefore provide most clarity to the determination of ongoing costs, usually captured by Voluntary Planning Agreements (VPAs).

1.3 Acknowledgement

Roads are currently provided by government to facilitate transport and economic activity. Notwithstanding the provisions for upgrades associated with new developments (See Section 1.4.1) roads are generally mostly maintained by local and state governments and funded by general revenues available to those bodies. There are few instances where specific users pay for use of road infrastructure directly, either related to traffic use or general access arrangements. Obvious exceptions include toll roads limited to large capital cities.

The current proposal to develop a framework for road contributions through the VPA mechanism, and based directly proportional to use associated with mining activity, represents a unique arrangement for road pricing. Under the arrangements being considered, this in effect ignores the rates, royalties and other payments by mines that could be considered contributions towards public infrastructure. It also ignores the employment benefits of staff, contractors and services industries that indirectly and directly contribute to government revenues through rates and other taxes.

This study is written acknowledging this context. It is also acknowledged that local government, generally, faces well publicised challenges relating to funding of asset condition backlogs.

1.4 Context within current practice

1.4.1 Capital upgrades

Traffic and Transport studies are currently produced for large developments including mining projects. Typically, these studies are limited to consideration of capacity of the road network, considering the capacity of the travel lanes and intersections to operate at an appropriate level of service (LoS). This process is well defined and understood within government and industry.

Capital works required are typically funded by the Proponent where they are required solely for a project.

1.4.2 Dilapidation

Separate to the Traffic and Transport study, there is typically the requirement to understand the extent of potential pavement damage (dilapidation) relating to construction of a project. This is usually captured by a broad consent condition and is implemented on an agreed basis with the relevant council. It is important this is addressed in the Framework as the estimation and remedies for construction impacts need to be clear prior to commencement of work.

Pavement dilapidation resulting from construction of a project would be repaired at the Proponent's cost.

1.4.3 Consumption

The use of roads through operational phases is not typically captured by the Traffic and Transport study in relation to asset consumption. VPAs are used to capture road maintenance, however these are typically agreed by negotiation between the Proponent and Council. The basis of these agreements and the logic applied to developing the funding is not known.

Conflict between Proponents and Councils has arisen on many projects across all the stages of mine development and operation. The framework presented utilises the well-understood methodology used for Traffic and Transport assessments, and augments with road pavement design standards to provide a robust basis for the estimation of road use, and hence provide a logic basis for negotiations to take place.

Pavement consumption would be funded proportionally to use during operational phases of a project. Total funding would account for the full life-cycle costs relevant to a mine's life. Consumption will be the basis of ongoing VPA funding.

1.5 Negotiation process

The negotiation process and timeline has been broadly agreed by the Project Partners and is referred to as *Interim VPA negotiation process v1.1*. The Framework ties in with the phases nominated in the Process. The Process is attached in Appendix A.

1.6 Nomenclature

Term	
AADT	Average Annual Daily Traffic
ESA	Equivalent Standard Axles
LoS	Level of Service
VPA	Voluntary Planning Agreement

2. Roads contribution framework

The Framework is constructed below in line with the phases of the Process and consistent with current sequence of planning approvals.

Table 2-1 outlines and summarises the Framework at a high level with each stage described in further detail in subsequent sections of this report.

Table 2-1 Framework outline

Stage	Phase	Technical actions
1	Preliminary Environmental Assessment	<ul style="list-style-type: none"> Acknowledge requirement for detailed Traffic and Transport Assessment Study as current practice Following issue of SEARs, proponent to define context of the Project in relation to traffic and transport
2	Phase 1 – Pre-exhibition	<ul style="list-style-type: none"> Council to provide existing data relating to asset condition, pavement management practices, pavement design parameters, traffic count data and costs relating to maintenance and construction Project Partners agree scope of Traffic and Transport Assessment Study (Study)
3	Environmental Assessment	<ul style="list-style-type: none"> Proponent to complete Traffic and Transport Assessment Study, consistent with current practice identifying capacity of roads (mid-block) and intersections used for the construction and operation of the Project Expand the assessment to incorporate: <ul style="list-style-type: none"> Road cross section appropriate for intended traffic Dilapidation through construction Pavement life consumed through operation Estimate of costs for upgrades and ongoing road maintenance. This will help frame negotiations Project Partners hold ongoing discussions on technical matters
4	EA exhibition	<ul style="list-style-type: none"> Detailed consideration by council and formal response Refinement of Traffic and Transport Assessment Study based on exhibition responses (council and others)
5	Phase 2 – Post-exhibition	<ul style="list-style-type: none"> Project Partners discuss funding arrangements and timing Proponent provides formal offer, commencing the Phase 2 negotiation schedule
6	Execution	<ul style="list-style-type: none"> Following project approval, construction and funding contributions commence as agreed Consider validation point to confirm assumptions made in the Study. Possibly at the conclusion of a defect liability period, which is typically 1 year after practical completion

The core technical aspects of the Framework are captured by Section 3, as detailed further below.

2.1 Roads contribution framework

Each of the sections below relate to the steps in Table 2-1. This Framework is intended to be applied in a step by step basis at each relevant stage. The details presented below only relate to the application of this framework and specific planning or other specialist studies are not addressed.

1. Preliminary Environmental Assessment Phase	
Objective:	To develop a Preliminary Environmental Assessment (PEA) that defines and summaries the proposal for mining development and response by NSW Government Department of Planning outlining the Secretary's Environmental Assessment Requirements (SEARs) nominating the requirements of the Environmental Impact Assessment (EIS).
Required inputs:	Nil
Task:	No change proposed to current practice. The requirement for a detailed Study would be acknowledged by the Proponent.
Deliverables/ Outcomes:	Nil

2. Phase 1 – Pre Assessment Phase	
Objective:	<ul style="list-style-type: none"> • To adequately brief council • Project Partners in-principle agreement on study scope • Facilitate handover of data and identification of gaps
Required inputs:	<ul style="list-style-type: none"> • Availability of key personnel • Council data for: <ul style="list-style-type: none"> – Average Annual Daily Traffic (AADT) – Pavement design parameters used locally, such as growth rate – Adopted road design standards (Austroads assumed) – Road asset condition data, typically on a segmented basis on a condition scale of 1 to 5 (Good to poor) – Maintenance records and/or pavement management strategy – Plans for road upgrades to pavement or geometry, including funding applications – Road life cycle and project specific costs, if available and appropriate
Task:	<ul style="list-style-type: none"> • Proponent presents a detailed project briefing to council, nominating infrastructure that is expected to be utilised for construction and operation • Proponent to provide <u>initiation letter</u> to council as per the <i>Process</i> • Council to provide available data. Proponent to identify gaps and define actions to source required information • <u>Heads of Consideration</u> meeting in accordance with the <i>Process</i> (including an agreement on an Alternative Dispute Resolution process to be triggered if the Council does not accept the Proponent's offer in the timeframe provided by the <i>Process</i>) • Discussion and agreement on method to close data gaps. • Project Partners agree scope of work for <u>Study</u>. Subsequent stages of the Framework will provide guidance

2. Phase 1 – Pre Assessment Phase	
Deliverables/ Outcomes:	<ul style="list-style-type: none"> • Council data • Summary of data gaps and method for collection of new data • Agreed scope of <i>Traffic and Transport Assessment Study</i>

3. EIS/EA Phase	
Objective:	To prepare an Environmental Assessment to quantify the environment, heritage and biodiversity impact of the proposed development
Required inputs:	<ul style="list-style-type: none"> • Preliminary Environmental Assessment • Secretary's Environmental Assessment Requirements (SEARs) • Data and heads of agreement from Stage 2
Task:	<ul style="list-style-type: none"> • Prepare an Environmental Assessment and associated studies which determines the impact of the proposed development
Deliverables/ Outcomes:	<ul style="list-style-type: none"> • Environmental Assessment and associated studies including <i>Traffic and Transport Assessment Study</i>

3A. Traffic and Transport Assessment Study (Level of Service)	
Objective:	<ul style="list-style-type: none"> • To determine the traffic issues associated with a proposed development • The assessment is to determine the impacts of the development on the capacity, condition, safety and efficiency of the local and state road network in the vicinity of the development site • Identify any upgrades required by a project
Required inputs:	<ul style="list-style-type: none"> • Defined scope for assessment determined in Phase 1 of consultation with council • Historical traffic count surveys if available • Input regarding nearby planned or proposed developments and potential change to land use
Task: (current practice)	<ul style="list-style-type: none"> • Undertake traffic counts and intersection surveys as required • Inspect the site to validate data • Estimate construction and operation traffic generated by the project in whole and on particular roads. This would include a breakdown of light and heavy vehicles • Prepare a Traffic and Transport Assessment Report in accordance with <i>RTA Guide to Traffic Generating Developments (2002)</i> and <i>Austroads Guide to Traffic Management Part 12</i>, particularly establishing level of service (LoS) relating to: <ul style="list-style-type: none"> – Mid-block capacity in relation to number and adequacy of travel lanes – Intersection performance using Austroads graphs, SIDRA or other appropriate traffic modelling program
Task: (proposed)	<ul style="list-style-type: none"> • Assess existing cross section against <i>Austroads Guide to Road Design Part 3: Geometric Design</i>. Identify widening or upgrade required based on projected AADT This is required to address safety of increased traffic and/or heavy vehicle movements relating to suitably wide carriageway rather than LoS • Benchmark cross section against similar trafficked roads in the locality • Identify areas requiring safety upgrades to suit upgraded road arrangement

3A. Traffic and Transport Assessment Study (Level of Service)

Deliverables/ Outcomes:	<ul style="list-style-type: none"> • <i>Traffic and Transport Assessment Study</i>, identifying upgrades resulting of traffic volumes and Levels of Service of roads and intersections • Identification of capital upgrades required to facilitate the development of a project. Consistent with current planning practice, these works would be funded by the Proponent if required in isolation
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3B. Traffic and Transport Assessment Study (Dilapidation)

Objective:	<p>To estimate expected pavement dilapidation within the project area resulting from construction activities. The basis of work is to:</p> <ul style="list-style-type: none"> • Establish expected asset condition at the commencement of construction • Using the project traffic data, estimate the extent of deterioration resulting from construction traffic • Broadly estimate the extent and nature of expected pavement damage. This is required to guide management strategies between the Project Partners • Define the methods to monitor and measure dilapidation, and whether repair actions
Required inputs:	<ul style="list-style-type: none"> • Defined scope for assessment determined in Phase 1 of consultation with council • Existing and proposed traffic volume estimates from Traffic and Transport Study (Stage 3A) • Council asset data including but not limited to: <ul style="list-style-type: none"> – Pavement condition classifications using rating scale of 1 (Good) to 5 (Poor) – Existing pavement design life (years) and Equivalent Standard Axles (ESA) (alternatively termed Heavy Vehicle Axle Group (HVAG)) – Asset maintenance schedule and future plans for works i.e. sections subject to funding applications – Typical pavement treatments for maintenance and rehabilitation – Rates for typical pavement treatments and life cycle costs
Task:	<ul style="list-style-type: none"> • Undertake a site visit of the project area to validate existing pavement condition and identify locations for safety improvements • Review existing road infrastructure, arrangement and condition, to establish: <ul style="list-style-type: none"> – Road classifications - state, regional or local – Approval for heavy vehicle movements - B Double and or HML compliance – Historical traffic and base year traffic volumes, particular attention to percentage heavy vehicles – this would be available from Stage 3A – In the event that council does not have pavement condition data a survey will be required through laser roughness measurement or visual inspection to establish a baseline data set to enable pavement consumption calculations. From this information, derive condition ratings from 1 to 5 The preferred survey method to be agreed between council and proponent – Review council asset maintenance schedule and plans for future works within the project area – Review road formation for cross fall and pavement drainage to correlate to locations of pavement failure, noting types of failure • Estimate pavement life consumed for project construction

3B. Traffic and Transport Assessment Study (Dilapidation)

1. Calculate the Equivalent Standard Axles (ESA) during the specified period in accordance with Equation 14 of *Austroads Guide to Pavement Technology Part 2: Pavement Structural Design* (below)

$$N_{DT} = 365 \times AADT \times DF \times \%HV/100 \times LDF \times CGF \times N_{HVAG} \quad 14$$

where

AADT = Annual Average Daily Traffic² in vehicles per day in the first year (Section 7.4.4)

DF = Direction Factor is the proportion of the two-way AADT travelling in the direction of the design lane

%HV = average percentage of heavy vehicles (Section 7.4.4)

LDF = Lane Distribution Factor, proportion of heavy vehicles in design lane (Section 7.4.3)

CGF = Cumulative Growth Factor (Section 7.4.5)

N_{HVAG} = average number of axle groups per heavy vehicle (Section 7.4.6).

2. Obtain existing road pavement design ESA from council or in the absence of information calculate using *Equation 14 of AGPT02* using existing traffic volumes and historical growth rates
3. Factor the existing road ESA by condition so that remaining life of the pavement can be estimated. (Comparing remaining life to project construction traffic provides an indication of expected dilapidation). Suggested factors for remaining life are:
 - 1 (very good): 90% life remaining
 - 2 (good): 70% life remaining
 - 3 (satisfactory): 50% life remaining
 - 4 (poor): 30% life remaining
 - 5 (very poor): 10% life remaining
4. Determine the proportional pavement life consumed in terms of ESA between existing and proposed traffic volumes (Step 1 and 3)
5. Establish a risk profile of pavement dilapidation for each road and/or segment, based on percentage of life consumed (step 4). The risk profile will vary from project to project based on the pavement life consumed and is used to assist in the development of cost estimates
6. Based on the risk profile, proponent and council to agree:
 - Method of dilapidation estimate. Typically, either visual inspection (preferred) or laser roughness measurement. Undertaken prior to, and immediately following construction
 - Method of "repair" being either physical repair to re-construction condition by the proponent or contribution of equivalent cost, paid by the proponent to council
Visual inspection is better suited to direct repair. Laser roughness is more suited to contributions

Deliverables/ Outcomes:	<ul style="list-style-type: none"> • Construction dilapidation report defining expected extent and nature of pavement damage due to construction activities. Potentially including cost guidance • Agreed assessment and reinstatement methods for incurred pavement dilapidation • Pre and Post construction pavement survey inspections/reports. Ultimately leading to pavement reinstatement (if needed)
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3C. Traffic and Transport Assessment Study (Consumption)	
Objective:	To estimate expected pavement consumption within the project area by utilising traffic data from 3A and 3B to estimate proportional use (consumption) of a mine through the operation stage of the project Establish costs associated with consumption as a guide to VPA negotiations
Required inputs:	<ul style="list-style-type: none"> • The basis of calculation resembles 3B, however pavement condition at commencement is ignored, and the basis that the life cycle of the pavement is considered in the context of the mine operational life • Defined scope for assessment determined in Phase 1 of consultation with council • Existing and proposed traffic volume estimates from 3A • Council asset data including: <ul style="list-style-type: none"> – Existing pavement design life (years) and Equivalent Standard Axles (ESA) – Asset maintenance schedule and future plans for works i.e. sections subject to funding applications – Typical pavement treatments for maintenance and rehabilitation – Rates for typical pavement treatments and life cycle costs
Task: (method)	<ul style="list-style-type: none"> • Undertake a site visit of the project area to familiarise with site • Review existing road infrastructure, arrangement and condition, as per 3B, except for pavement condition • Estimate pavement life consumed for project duration: <ol style="list-style-type: none"> 1. Calculate the ESA during the specified period using traffic volume estimates in accordance with Equation 14 of <i>Austroads Guide to Pavement Technology Part 2: Pavement Structural Design</i> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> $N_{DT} = 365 \times AADT \times DF \times \%HV/100 \times LDF \times CGF \times N_{VAG} \quad 14$ <p>where</p> <p>AADT = Annual Average Daily Traffic² in vehicles per day in the first year (Section 7.4.4)</p> <p>DF = Direction Factor is the proportion of the two-way AADT travelling in the direction of the design lane</p> <p>%HV = average percentage of heavy vehicles (Section 7.4.4)</p> <p>LDF = Lane Distribution Factor, proportion of heavy vehicles in design lane (Section 7.4.3)</p> <p>CGF = Cumulative Growth Factor (Section 7.4.5)</p> <p>N_{VAG} = average number of axle groups per heavy vehicle (Section 7.4.6).</p> </div> 2. Obtain existing road pavement ESA from council or in the absence of information calculate using equation 14 of AGPT02 using existing traffic volumes 3. Determine the proportional pavement life consumed in terms of ESA between existing and proposed traffic volumes (Step 1 and 2). Note that there is potential variance in pavement design life and project operation timeframe and this needs to be acknowledged if the mine life is less than the pavement life cycle (typically 20 or 30 years) <p>The derived pavement life consumed will include a proportion of traffic for estimated growth of the region. There is an argument that the project could account for some of that growth and therefore the impact considered less. This is to be discussed with the project partners</p>

3C. Traffic and Transport Assessment Study (Consumption)	
	<p>4. Establish materiality of the consumption. a risk profile of pavement consumption for each road and or segment, based on percentage of life consumed (step 3). The risk profile will vary from project to project based on the pavement life consumed. If mine consumption was within the allowance for growth in the road's pavement design, it is expected there would be no contribution</p> <p>5. Develop cost estimates for pavement consumption and any safety improvements, based on council supplied cost data or as undertaken by an experienced independent professional organisation:</p> <ul style="list-style-type: none"> – Rates are to be developed with council input to reflect actual pavement treatments based on a lifecycle approach through determining the maintenance schedule of a pavement over its design life
Deliverables/ Outcomes:	<ul style="list-style-type: none"> • Pavement consumption and funding report • Cost estimates for pavement consumption, maintenance and road safety improvements for nominated project

4. EIS/EA Exhibition Phase	
Objective:	To seek community and stakeholder feedback on the proposed development including their concerns and objections
Required inputs:	<ul style="list-style-type: none"> • Environmental Assessment and associated studies
Task: (method)	<ul style="list-style-type: none"> • Incorporate community and stakeholder feedback into final environmental assessment documentation through updating project plans or assessment reports and undertaking further studies
Deliverables/ Outcomes:	<ul style="list-style-type: none"> • Final Environmental Assessment for Department of Planning approval

5. Phase 2 – Post Exhibition Phase	
Objective:	Finalise the road contributions commitments by proponent and determine monetary value of contributions to road maintenance and upgrades, including timing of contributions
Required inputs:	<ul style="list-style-type: none"> • Reports from Stages 3A, 3B and 3C
Task: (method)	<ul style="list-style-type: none"> • Proponent to prepare responses to community and stakeholder submissions following EIS/EA exhibition • Proponent to provide to council a formal offer for road contributions to initiate 80-day negotiation period • By day 10 of Phase 2, parties are to agree on which council meeting that the final offer is to be considered at • By day 50, proponent to provide final offer to council • By day 65, Council to offer consider at meeting • Council to provide a response to offer within 14 days of agreed council meeting

5. Phase 2 – Post Exhibition Phase

**Deliverables/
Outcomes:**

- Confirmation and agreement of contributions
- If no agreement reached the Alternative Dispute Resolution agreed by the parties is triggered

2.2 Multi-mine arrangements

Where multiple mines, or other distinct users, jointly use a road, the same principles as defined above. Each user's ESA is estimated based on traffic volumes and composition and responsibility allocated proportionally.

2.2.1 Part-segment considerations

The above model can be used to estimate proportional allocations where a particular user, or users, utilise part of a road length, or where traffic use may vary along the length of a road. In these instances, the calculated ESAs from each user can be multiplied by the kilometres travelled, generating the *ESA.km* travelled. The *ESA.km* are then used to determine the proportion for each user based on the total *ESA.km* for the road in question.

This was the basis of the *Thomas Mitchell Drive Contributions Study* completed for the Department of Environment and Planning in 2014, by GHD. The unit of *ESA.km* does not have pavement design status, and is put forward only for the purposes of proportional estimation of use.

A simplified example of this scenario is developed in Section 4.

3. Thresholds and materiality

In consideration of the above calculations, there are points of materiality that will trigger contributions, and under which, contributions may not be warranted. These trigger points, or thresholds, will remain difficult to define, and will largely be determined by the philosophical positions of the stakeholders. With respect to the trigger points, the following could be relevant to negotiations:

3.1 Upgrades

Austrroads has been nominated as the benchmark standard for consideration of road cross section in the context of traffic volume and composition. The Austrroads standards are widely, almost exclusively, adopted by local and state roads authorities.

The Austrroads guides do acknowledge economics and physical constraints at times require practical application and compromise. This is often seen in the rehabilitation or upgrade of rural roads where cross sections are often improved, however not necessarily to the standard nominated by Austrroads. There are numerous examples of this throughout the Hunter Valley and NSW.

In the context of this framework, it is therefore appropriate that Austrroads guides the negotiations and mine developments, and not necessarily be a fixed basis for determination. Ultimately, a wider cross section is safer and this also needs to be considered in the context of additional cost to both proponent and Council for ongoing maintenance. Further, a road section upgraded by a mine could also set a precedent for subsequent upgrades required by a council at later date.

Similarly, where there are identified areas for safety improvements/upgrades, these will be driven by observations from the site inspection and or road geometry compliance in accordance with Austrroads Guide to Road Design Part 3: Geometric Design for estimated project traffic volumes.

A balanced approach is warranted.

3.2 Dilapidation and consumption

3.2.1 Growth rate

The design of pavements and the estimation of ESA includes a cumulative growth factor to accommodate ongoing traffic growth, including from specific developments. Specific growth rates are based on historical information or nominated allowances by a road authority, and on rural roads the growth rate applied is typically 1% to 2%. At these levels, this can equate to approximately 15% to 25% of the total pavement design ESA.

Any allowance for specific projects within a growth rate is rarely defined. However, it seems reasonable to consider a project within this growth rate being broadly consistent with the design and having a negligible impact on a pavement's function. A possible consideration could be 5% to 15% of total design ESA as being accommodated within the design intent. Obviously this needs to be considered in a broader context and cumulative effects from multiple developments would lower this consideration.

Beyond an agreed "grace" ESA, contributions could then be determined on a part, or full rate of contribution of the proportion attributed to a project.

3.2.2 Combining Stages 3B and 3C.

Depending on pavement condition and project ESAs, it could be agreed that construction (dilapidation) and operation use (consumption) be combined to an overall ESA and contributions be made on the total, rather than dilapidation repaired then ongoing funding be based on operational use. This could be a suitable funding mechanism in a range of situations, with an obvious example being where an existing pavement is in poor condition and repairing to pre-construction condition is not feasible.

3.3 Costs

3.3.1 Pavement specific

For the purposes of mine contributions, ongoing costs are for pavement management activities only. Costs related to ongoing activities for the general maintenance of the road environment should not be included as councils would undertake these regardless of road use and geometry. Such activities include, but are not limited to, vegetation management, mowing and street sweeping.

3.3.2 Source

Councils should be able to transparently confirm costs for the maintenance of their road network to frame the dollar values of contributions, consistent with the frequency and nature of work as defined in their Asset Management Plan (AMP). If these costs were not available, or for good reason weren't relevant, suitably qualified professional consultants, or contractors would be appropriate sources of valid information.

4. Case studies

The following case studies are presented to provide explanation and clarity of the application of the framework developed in Section 2. The examples have been chosen because of the data being available, and are not intended to provide any opinion or comment on the development or assessment of the projects. The examples are not to be used as a basis or re-assessment or reconsideration of any works or funding arrangements. Assumptions made are only for the purposes of demonstration, including frequency and cost of pavement management activities.

4.1 Wybong Road, Muswellbrook

Wybong Road is currently used by Glencore's Mangoola Mine, and is within the Muswellbrook Shire Council LGA. This case study re-visits the initial planning and development of the mine, that utilises Wybong Road as the primary access from the township of Muswellbrook. Wybong Road was originally a narrow, low volume trafficked road, that was upgraded by the mine over approximately 6.5 km. The nature of VPA with Council, and the specific provisions for road funding is not known.

The basis of this example, and data used, was from the following project documents:

- Existing traffic data: *Geotechnical Investigation for Proposed Road Widening, Wybong Road, 98-PBH-540-1000-REP-9139, May 2008. Parsons Brinkerhoff*
- Existing and proposed road cross section: *Wybong Road design drawings, 98-PBH-540-1000-C-0060. Parsons Brinkerhoff*
- Design traffic and pavement design parameters: *Wybong Road East Pavement Investigations, July 2013. GHD*

Worked example – Wybong Road

3A Assess existing cross section against Austroads Guide to Road Design Part 3: Geometric Design based on projected AADT.

Table 4.5 of AGRD03 nominates the road cross section for AADT of 500 vpd consists of 2 x 3.1 m traffic lanes, 1.5 m total shoulder width, 0.5 m minimum shoulder seal for a total carriageway width of 9.2 m.

The existing road cross section consisted of 6.1 to 6.5 m wide pavement seal with minimum total width of 5.8 m.

The road cross section is therefore not sufficient for the existing road traffic.

Table 4.5 of AGRD03 nominates the road cross section for AADT of 1052 vpd consists of 2 x 3.5 m traffic lanes, 2.0 m total shoulder width, 1.0 m minimum shoulder seal for a total carriageway width of 11.0 m.

The road cross section is therefore not sufficient to cater for the proposed road traffic and required upgrading. For this example, Council and the proponent agreed to an upgraded cross section consisting of 2 x 3.25 m wide travel lanes, 1 m wide sealed shoulder for a total pavement width of 8.5 m.

3A Obtain existing and proposed AADT and proportion heavy vehicles from Traffic and Transport Study.

	AADT (vpd)	% heavy vehicle
Existing	500	4%
Design (Proposed)	1052	8.6%

Worked example – Wybong Road																							
3C 1 & 2	<p>Calculate the equivalent standard axles (ESA) during the specified period using traffic volume estimates in accordance with Equation 14 of <i>Austrroads Guide to Pavement Technology Part 2: Pavement Structural Design</i>.</p> <p>Obtain existing road pavement ESA from council or in the absence of information calculate using equation 14 of AGPT02 using existing traffic volume counts.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>AADT (vpd)</th> <th>% heavy vehicle</th> <th>Growth rate (%)</th> <th>Design life (years)</th> <th>ESA</th> </tr> </thead> <tbody> <tr> <td>Design (Proposed)</td> <td>1052</td> <td>8.6</td> <td>2</td> <td>30</td> <td>1,690,000</td> </tr> <tr> <td>Existing</td> <td>500</td> <td>4</td> <td>2</td> <td>20</td> <td>225,000 (335,000)¹</td> </tr> </tbody> </table> <p>Note: 1. Figure in brackets is the ESA factored by the ratio of project design life to existing pavement design life (30/20 = 1.5) to account for the variance in pavement design life and project operation timeframe.</p>						AADT (vpd)	% heavy vehicle	Growth rate (%)	Design life (years)	ESA	Design (Proposed)	1052	8.6	2	30	1,690,000	Existing	500	4	2	20	225,000 (335,000) ¹
	AADT (vpd)	% heavy vehicle	Growth rate (%)	Design life (years)	ESA																		
Design (Proposed)	1052	8.6	2	30	1,690,000																		
Existing	500	4	2	20	225,000 (335,000) ¹																		
3C 3	<p>Determine the proportional pavement life consumed in terms of ESA between existing and proposed traffic volumes (Step 1 and 2).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>Existing</th> <th>Design (Proposed)</th> <th>Difference</th> <th>Difference (%)</th> </tr> </thead> <tbody> <tr> <td>ESA</td> <td>335,000</td> <td>1,690,000</td> <td>1,355,000</td> <td>404</td> </tr> <tr> <td>%</td> <td>19.9</td> <td>100</td> <td>80.1</td> <td></td> </tr> </tbody> </table>						Existing	Design (Proposed)	Difference	Difference (%)	ESA	335,000	1,690,000	1,355,000	404	%	19.9	100	80.1				
	Existing	Design (Proposed)	Difference	Difference (%)																			
ESA	335,000	1,690,000	1,355,000	404																			
%	19.9	100	80.1																				
3C 4	<p>Establish materiality of the consumption. A risk profile of pavement consumption for each road and or segment, based on percentage of life consumed (step 3). The risk profile will vary from project to project based on the pavement life consumed. If mine consumption was within the allowance for growth in the road's pavement design, it is expected there would be no contribution.</p> <p>The difference in existing and proposed ESA volumes for Wybong Road is significant and indicates that the nature/function of the road has changed requiring upgrade to cater for proposed traffic volumes.</p> <p>Prior to project commencement Wybong Road was required to be upgraded, funded by the proponent.</p>																						
3C 5	<p>Develop cost estimates for pavement consumption and any safety improvements, based on council supplied cost data or as undertaken by an experienced independent professional organisation</p> <p>If the ongoing maintenance of the road is to be proportioned based on usage. As the pavement was upgraded prior to project commencement the design ESA was 1,690,000. The existing traffic on the road prior to project commencement was 335,000 ESA meaning the council are responsible for funding 19.9% (335,000/1,690,000) of total costs for ongoing maintenance for the road. The proponent is therefore liable for the remaining 80.1%, which is the traffic directly related to the mine.</p>																						

Worked example – Wybong Road

For the purposes of this example and accounting for life cycle costs the following has been allowed for over the course of the project life (in the absence of specific Council information).

- Years 7, 14 & 27 – reseal (\$75,000 per km)
- Year 20 – reconstruction (\$500,000 per km)
- Total life cycle cost per km is therefore \$725,000 per km

Given the segment of road that is subject to VPA contributions is 6.5 km the total life cycle costs of this pavement is equal to \$4,712,500. (Say \$5 M for simplicity in this example)

Based on the contribution percentages derived above the contributions for each stakeholder are as follows.

	Council	Council Costs	Proponent	Proponent Costs
Costs (total \$5M)	19.9%	\$1M	80.1%	\$4M ⁽¹⁾

Note (1): On the basis that the mine operates for the 30 year period of the pavement life cycle. The proponent is to contribute 80.1% of the total life cycle costs of the pavement which for the length of project works out to be \$615,000 per kilometre or approximately \$135k per year for the life of the mine. \$135k being the pro-rata yearly rate over 30 year pavement life

Appendices

Appendix A – Interim VPA negotiation process v1.1

Content

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
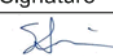
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Draft Practice Note

*Planning Agreements
November 2016*

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Introduction

Planning agreements

This practice note provides advice on matters surrounding planning agreements. It provides an overview of current trends and practices, sets out the statutory framework for planning agreements and deals with issues such as the fundamental principles governing the use of planning agreements. It also outlines public interest and probity considerations and the NSW Government's policy position on the use of planning agreements.

Legislative basis

Subdivision 2 of Division 4 of Part 6 of the *Environmental Planning and Assessment Act 1979* (EP&A Act) provides the statutory framework for planning agreements.

The *Environmental Planning and Assessment Regulation 2000* (the EP&A Regulation) provides a framework for planning agreements under Division 1A, Planning Agreements. The EP&A Regulation outlines the procedural requirements for the use of planning agreements as well as the making, amending and revocation of planning agreements and the public notice of planning agreements.

About this practice note

This draft practice note is made for the purposes of clause 25B(2) of the EP&A Regulation to assist parties in the preparation of planning agreements.

This draft practice note is prepared to revoke and replace the previous 'Practice Note – Planning Agreements' practice note which was issued by the former Department of Infrastructure, Planning, and Natural Resources in July 2005.

How to use this practice note

The practice note is structured as follows:

Part 1 provides the rationale for planning agreements.

Part 2 provides best practice guidelines for planning agreements by identifying and explaining fundamental principles and key public interest and probity considerations. It also sets out policy considerations in how planning agreements can be used to support broader strategic land use and infrastructure planning objectives.

Part 3 provides a basic outline of the statutory procedure for negotiating, entering into and administering planning agreements.

Part 4 provides examples of the use of planning agreements.

Terminology

The following terminology is used to convey key concepts in relation to planning agreements:

- **development application** has the same meaning as in the EP&A Act
- **development consent** has the same meaning as in the EP&A Act
- **development contribution** means the provision made by a developer under a planning agreement, being a monetary contribution, the dedication of land free of cost or the provision of a material public benefit to be used for or applied towards a public purpose
- **planning benefit** means a development contribution that confers a public benefit, that is, a benefit that exceeds the benefit derived from measures that would fairly and reasonably address the impacts of particular development on surrounding land or the wider community
- **planning obligation** means an obligation imposed by a planning agreement on a developer requiring the developer to make a development contribution
- **planning proposal** has the same meaning as in the EP&A Act
- **public benefit** is the benefit enjoyed by the public as a consequence of a development contribution
- **public facilities** means public infrastructure, amenities and services

Updates to this practice note

This practice note will be periodically updated. More detailed information or guidance on specific matters in this practice note may also be the subject of future separate practice notes.

Part 1 – Introduction to planning agreements

Negotiation and agreement between planning authorities and developers to exact public benefits from the planning process have long been a part of the NSW planning system. However, prior to the commencement of *Environmental Planning and Assessment Amendment (Development Contributions) Act 2005*, the practices were largely unregulated. The negotiation process often occurred without the involvement of all interested stakeholders, and agreements were entered into without any opportunity for public participation.

Since 2005, the use of planning agreements has steadily grown across NSW. There are a range of reasons why the use of planning agreements has become widespread, including:

- development consent conditions, including infrastructure contributions under section 94 and section 94A, are primarily designed to ensure development makes a fair and reasonable contribution to respond to the additional demands on infrastructure that it creates;
- the nature of development in NSW is changing, as new housing and employment opportunities are delivered in infill or urban renewal locations, which makes the use existing infrastructure to accommodate development in these areas complex;
- developers are appreciating how their own developments benefit from the provision of public facilities and are seeking greater involvement in determining the type, standard and location of these facilities;
- negotiation tends to promote co-operation and compromise over conflict and can provide a more effective means for public participation in planning decisions;
- agreements provide a flexible means of achieving tailored development outcomes and focused public benefits, including agreement by communities to the redistribution of the costs and benefits of development;
- agreements can provide enhanced and more flexible infrastructure funding opportunities and better planning implementation; and
- agreements allow for the flexible delivery of infrastructure for a development proposal which may have good planning merit but be out of sequence with broader strategic planning processes.

Planning agreements also provide a flexible framework under which the State and local councils can share responsibility for the provision of infrastructure in new release areas or in major urban redevelopment projects. They permit tailored governance arrangements to suit particular cases and the provision of infrastructure by the different levels of government in an efficient, co-operative and co-ordinated way.

Part 2 – Principles and policy for planning agreements

2.1. Fundamental principles

Planning agreements provide a facility for planning authorities and developers to negotiate flexible outcomes in respect of development contributions. They enable the NSW planning system to deliver sustainable development while achieving key economic, social and environmental objectives.

Planning agreements authorise development contributions for a variety of public purposes, some of which extend beyond the scope of section 94 or section 94A of the EP&A Act. These additional purposes include the recurrent funding of public facilities provided by councils, the capital and recurrent funding of transport and other State infrastructure and affordable housing, the protection and enhancement of the natural environment, and the monitoring of the planning impacts of development.

Planning agreements facilitate the provision of planning benefits by developers by contributing part of the development profit for a public purpose.

Planning agreements are negotiated between planning authorities and developers in the context of applications by developers for changes to environmental planning instruments or for consent to carry out development. In many cases, the planning authority will be a person charged with the exercise of statutory functions in respect of the subject-matter of the agreement, such as the Minister or a council having functions relating to the making, amendment or repeal of an instrument or the determination of a development application.

Accordingly, planning agreements must be governed by the fundamental principle that planning decisions may not be bought or sold. A planning agreement should not fetter a planning authority's exercise of other statutory functions, in particular the function of a relevant planning authority in relation to a planning proposal or as the consent authority for a development application. Unacceptable development should not be permitted because of planning benefits offered by developers that do not make the development acceptable in planning terms.

That is not to say that development contributions provided for in a planning agreement must bear the same nexus with development as required by s94. The nexus principle applies to s94 because development contributions can be compulsorily charged under that section. Because planning agreements, by contrast, are voluntary and facilitate planning benefits, they can allow for a redistribution of the costs and benefits of development subject to the above fundamental principles.

Planning authorities that are participating in planning agreements should follow the following fundamental principles:

- Planning agreements must be governed by the fundamental principle that planning decisions may not be bought or sold
- Planning authorities should not allow planning agreements to improperly fetter the exercise of statutory functions with which they are charged
- Planning authorities should not use planning agreements as a means of revenue raising, to overcome spending limitations, or for other improper purposes

- Planning authorities should not be party to planning agreements in order to seek public benefits that are unrelated to particular development
- Planning authorities should not, when considering applications to change environmental planning instruments or development applications, take into consideration planning agreements that are wholly unrelated to the subject-matter of the application, or attribute disproportionate weight to a planning agreement
- Planning authorities should not allow the interests of individuals or interest groups to outweigh the public interest when considering planning agreements
- Planning authorities should not improperly rely on their statutory position in order to extract unreasonable public benefits from developers under planning agreements
- Planning authorities should ensure that their bargaining power is not compromised or their decision-making freedom is not fettered through a planning agreement
- Planning authorities should avoid, wherever possible, being party to planning agreements where they also have a stake in the development covered by the agreements.

2.2. Public interest and probity considerations

This section discusses the public interest and probity issues that arise in connection with the use of planning agreements. It aims to lift the general level of awareness of these issues, and outlines best practice principles, policies and procedures.

A critical consideration in whether to enter into a planning agreement is whether the agreement is in the public interest. Generally speaking, the public interest is directed towards securing the fair imposition of planning controls for the benefit of the community. Planning agreements are matters of public interest and this is a relevant consideration in negotiating outcomes.

In some cases, the public interest public may be measured in terms of the need to mitigate any adverse impacts of development on the public domain or the desirability of providing a planning benefit to the wider community.

The statutory bargaining framework for planning agreements raises the fundamental issue of what is an appropriate planning agreement. The bargaining process involves the exercise of discretion on both sides, giving planning authorities and developers room to accommodate subjective values and varying concepts of the public interest, private interests and other standards.

The ability for a planning agreement to wholly or partly exclude the application of local infrastructure contributions (in the case of councils) or special infrastructure contributions (SICs) (in the case of the State Government) to development gives a planning authority scope for trade-offs under an agreement. This means that the financial, social and environmental costs and benefits of development can be redistributed through an agreement.

However, there is no guarantee that these costs and benefits will be equitably distributed within the community and what may be a specific benefit to one group in the community may be a loss to another or the remainder of the community.

Safeguards in the form of best practice principles, policies and procedures protect the public interest and the integrity of the process. They also guard against misuse of planning discretions and processes, which would seriously undermine good planning outcomes and public confidence in the planning system.

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This also ensures that planning decisions are exercised openly, honestly, freely and fairly in any given case and fairly and consistently across the board. This also protects planning agreements from the natural suspicion that changes to environmental planning instruments and development consents can be bought by the highest bidder.

Misuse of planning agreements can occur for a variety of reasons and produce a variety of unwelcome results including:

- where a planning authority seeks inappropriate public benefits because of opportunism or to overcome revenue-raising or spending limitations that exist elsewhere;
- where there is insufficient analysis of the likely planning impacts of proposed development because a planning authority is determined to enter into, or to give effect, to a planning agreement;
- where a planning authority allows the interests of individuals or small groups to demand particular public benefits, which otherwise outweigh the public interest; and
- where a planning authority takes advantage of an imbalance of bargaining power between the planning authority and developer. For example, abuse would occur if a planning authority sought to improperly rely on its peculiar statutory position in order to extract unreasonable public benefits under a planning agreement.

On the other hand, misuse can also occur if the planning authority's bargaining power is compromised or its decision-making freedom fettered by a planning agreement.

The potential for misuse also exists where a planning authority, acting as consent authority or in another regulatory capacity for development, is both party to a planning agreement and also a development joint venture partner under the agreement, for example as a landowner. Special safeguards, such as the intervention of a disinterested third party in the development assessment process, would be needed in such circumstances.

For these reasons, the safeguards applying to the use of planning agreements should:

- provide a generally applicable test for determining the acceptability of a planning agreement, which embraces among other things the concept of of reasonableness;
- contain specific measures to protect the public interest and prevent misuse of planning agreements;
- have published rules and accessible procedures;
- provide for effective formalised public participation;
- extend fairness to all parties affected by a planning agreement; and
- guarantee regulatory independence of the planning authority.

The generally applicable acceptability test should require that planning agreements:

- are directed towards proper legitimate planning purposes, that can be identified in the statutory planning controls and other adopted planning policies applying to development;
- provide for public benefits that bear a relationship to development that is not *de minimis* (that is benefits that are not wholly unrelated to development);
- produce outcomes that meet the general values and expectations of the public and protect the overall public interest;

- provide for a reasonable means of achieving the desired outcomes and securing the benefits; and
- protect the community against planning harm.

Planning agreements and public participation

Public participation in the planning agreement process is critical to ensure the wider community has an opportunity to provide input into decisions being made relating to public benefit and development. Planning agreements distribute the costs and benefits of a development, and it is critical the public can comment on whether they think the balance between development and public benefit is achieved successfully.

Planning agreements are legal documents and are therefore not easily understood by the public. An explanatory note is required to be prepared to accompany public notice of a planning agreement and they should be written in easy to understand.

Parties to a planning agreement should make sure explanatory notes are written in plain English. The explanatory note should help the community to simply and clearly understand what a planning agreement is proposing, how it delivers public benefit, and why it is acceptable and in the planning interest.

Parties should consider if other types of consultation material can help with this process.

Amendment to proposed planning agreement after public notification

Any material changes that are proposed to be made to a planning agreement after a public notice has been given should be the subject of re-notification. This would be the case where proposed changes would materially affect:

- how any of the matters specified in section 93F(3) of the EP&A Act are dealt with by the planning agreement;
- other key terms and conditions of the planning agreement;
- the planning authority's interests or the public interest under the planning agreement; or
- whether a non-involved member of the community would have made a submission objecting to the change if it had been exhibited.

Planning agreements and development applications

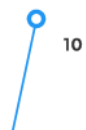
Section 79C(1)(a)(iia) of the EP&A Act requires a consent authority, when determining a development application, to take into consideration any relevant planning agreement or draft agreement that has been entered into under section 94F.

Section 79C(1)(d) requires the consent authority to take into consideration any public submissions made in respect of the development application which may include submissions relating to a planning agreement.

Section 93(2) precludes a consent authority refusing to grant development consent on the ground that a planning agreement has not been entered into in relation to the proposed development or that the developer has not offered to enter into such an agreement.

Section 93(3) authorises a consent authority to require a planning agreement (or any agreement containing provisions similar to those that are contained in an agreement referred to in section 93F) to be entered into as a condition of development consent, but only if it requires an agreement that is in the terms of an offer made by the developer in connection with the development application or a change to an environmental planning instrument.

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**Relationship between planning agreements and varying development standards
(Clause 4.6 or SEPP 1)**

In recent years, the Land and Environment Court has handed down decisions limiting the ability of consent authorities and developers to rely on planning agreements to justify dispensations from development standards contained in local environmental plans proposed by development applications: see *Jubilee Properties v Warringah Council*[2015] NSWLEC 1042; *Mecone Pty Limited v Waverley Council*[2015] NSWLEC 1312.

The Land and Environment Court decisions reinforce the principle that the benefits provided under a planning agreement should not be used to justify a variation from a development standard unless the benefit is directed towards achieving the planning objective of the relevant development standard.

Under no circumstances should the benefits provided under a planning agreement be exchanged for a variation from a development standard under clause 4.6 where the variation is not justified on planning grounds and the benefit is not directed towards achieving the planning objective of the development standard.

Planning agreement or conditions of development consent?

Planning authorities and developers must make a judgement in each particular case about whether the use of a planning agreement is beneficial and otherwise appropriate. However, planning agreements should never be used to require compliance with or re-state obligations imposed by conditions of development consent as it may create unnecessary duplication.

2.3. Using planning agreements

This section sets out a best practice policy and practice framework on the use of planning agreements. Planning agreements should comply with the specific requirements in this section to the fullest extent possible.

Fundamental principles and acceptability

It is critical that all planning agreements meet the fundamental principles in Part 2.1 and considerations of acceptability set out in Part 2.2. Whether a particular planning agreement is acceptable and reasonable can only be judged on the circumstances of the case and considering State, regional or local planning policies.

Objectives of planning agreements

The objectives of planning agreements will be dictated by the circumstances of individual cases and the policies of planning authorities in relation to their use. However, as a general indication, planning agreements may be directed towards achieving the following broad objectives:

- meeting the demands created by development for new public infrastructure, amenities and services;
- prescribing the nature of development to achieve specific planning objectives;
- securing off-site planning benefits for the wider community so that development delivers a net community benefit;
- compensating for the loss of or damage to a public amenity, service, resource or asset by development through replacement, substitution, repair or regeneration.

Competing proposals to provide planning benefits

Situations may arise where planning authorities are faced with competing applications each accompanied by offers to enter into planning agreements providing planning benefits. In such cases, provided the planning benefits offered are not wholly unrelated to development, they may be considered in connection with the applications and it may be perfectly rational for the planning authority to approve the proposal which offers the greatest planning benefit in related external public benefits where the planning benefits of the development itself are equal.

Planning agreements or other contributions mechanisms

Planning agreements should complement other contribution mechanisms, including section 94 contributions and section 94A levies for local infrastructure, or SICs. They can be used to deliver infrastructure outcomes specified in these mechanisms, or additional public benefit.

However, planning agreements should not be used as *de facto* substitutes for contributions plans. There is a clear legislative, regulatory and policy framework supporting contributions plans which does not apply to planning agreements. Where there is need for public infrastructure across a development area with a range of land owners, a contributions plan maybe more appropriate because it simplifies transactions and has clearer underpinning strategic planning.

The table on page 13 identifies some factors in development outcomes and infrastructure needs that may be considered when identifying an appropriate contribution mechanism.

Method	Application/issues
Section 94 development contributions	<ul style="list-style-type: none"> • In urban release areas and major urban renewal precincts • In areas where growth is faster and higher levels of contributions are able to offset the considerable administration costs, financial risks and inefficiencies of managing money amongst and within the funds • In areas with multiple owners who are unable to coordinate offering dedications or provision of a material public benefit • Where the council can access supplementary funds to meet the non-development demand for the infrastructure included in the contributions plan • Areas where the overall rate of growth is uncertain but different landholders are likely to proceed with development at rates different to other landholders
Section 94A levy	<ul style="list-style-type: none"> • In established urban areas where supplementary funding of infrastructure to meet non-development demands is uncertain • In high growth urban centres where infrastructure needs are mixed and where a high number of development can contribute to shared costs • In areas where both the rate, and the infrastructure impacts, of future development is relatively low, difficult to predict, or spread over time • Where the provision of the infrastructure benefits a dispersed set of contributors and nexus is difficult to identify • Where resources to manage the development contributions are limited • In areas with multiple ownership with little scope for land dedications or provision of a material public benefit as alternatives to paying a monetary contribution • Where the costs of needed infrastructure are relatively low and spread over time
Planning agreements	<ul style="list-style-type: none"> • In relation to a major development site or precinct that is owned by a single land owner or a consortium of land owners • Where the owner or owners have an incentive to be directly involved in the delivery of community infrastructure, such as quicker timeframes for delivery of infrastructure are important for the developer to bring the product to market • Where a proposed development is unanticipated by Council and thus works and facilities to cater for this development have not been identified. A planning agreement can be prepared to specifically target the needs of the development and community • Where the owners agree to be involved in the provision of public infrastructure, rather than just community infrastructure • Where the owners want to provide community infrastructure additional to, or at a higher standard than, what has been specified under the contributions plan • Where a council and the developer(s) can, by negotiation, achieve different and better or more innovative outcomes than can be achieved through imposing direct or indirect contributions

Planning benefits

The provision of planning benefits for the wider community through planning agreements involves capturing part of development's profit. The value of planning benefits should always be restricted to a reasonable share of development profit.

Planning benefits should never be obtained through planning agreements that are or could be considered to be a form of taxation on development for revenue raising.

Accordingly, planning benefits, though primarily directed to the wider community, must never be wholly unrelated to development contributing the benefit. How and when public benefit will be spent should be made transparent by the planning authority to the developer.

Planning agreements and strategic infrastructure planning

Planning agreements should not be used to explicitly capture windfall gain in connection with the making of planning decisions under the EP&A Act, in particular in relation to changes to planning instruments.

Planning authorities should always have regard to a developer's entitlement to a share of development profit, while continuing to ensure new development is appropriately serviced by infrastructure. Should a planning agreement result in a developer's share of the profit dropping below a point where the development is no longer feasible, the development may not proceed and benefits would not be realised.

Planning authorities should ensure that:

- planning agreements are not used as a mechanism to capture windfall gain;
- planning agreements are evidence based and preferably independently peer reviewed and should be used as a mechanism to introduce agreed public benefit developed through appropriate processes of strategic planning and community consultation;
- a proposed development gives opportunity for public benefit and infrastructure, including affordable housing, to be delivered by development with regard to the fair apportionment of costs;
- the method of apportioning infrastructure costs is clearly set out, justified and ensures the developer an entitlement to profit that enables the development to proceed; and
- proper investigation and consideration of development feasibility and capacity to pay is carried out, preferably on an 'open-book' basis, if raised as an issue by the developer.

When seeking to implement strategic infrastructure planning through a planning agreement and when determining charges, planning authorities should allow for flexibility.

When considering opportunities to deliver agreed infrastructure objectives through planning agreements, consideration should be given to apportionment for different development types or in development circumstances, and include thresholds and exemptions.

If planning authorities seek to link planning agreements to planning incentives, density bonuses, planning trade-offs or the like, details of the relevant scheme and its implementation should preferably be contained in an environmental planning instrument or development control plan. This is to avoid parallel, non-statutory and largely unregulated planning processes, which can undermine the proper functioning of the planning system established by the EP&A Act.

When considering a 'bonus scheme' planning authorities should carry out public consultation, consider the apportionment of funding, look at the feasibility impact and determine the need for the infrastructure. Such a

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scheme should also satisfy the fundamental principles and considerations for acceptability set out in Part 2 of this practice note.

Planning authorities should not use any bargaining power accruing to them by reason of their regulatory functions under the EP&A Act to force or attempt to force developers to enter into planning agreements providing for any windfall gain on the terms sought by the planning authority.

Planning authorities should consider all applications for planning proposals, development consents or modifications on their merits. The unwillingness of a developer to offer to enter into a planning agreement related to land value increase should not be a reason why a proposal is refused. Equally, a planning proposal that may have negative planning outcomes cannot be justified solely on the basis of an opportunity to enter into a planning agreement related to windfall gain.

It is not appropriate for a planning authority to prioritise site specific planning proposals on the basis they provide for opportunity to capture windfall gain, over undertaking precinct-, centre-, or LGA-wide strategic planning initiatives. Infrastructure and public benefit, including affordable housing, is likely to be planned and delivered in a more comprehensive way if linked to broad strategic planning exercises, rather than determining planning impacts and potential public benefits on a site-by-site basis. Other contributions mechanisms can also provide for a more efficient and reasonable distribution of the costs of infrastructure associated with growth, rather than focusing on individual large developments. These considerations are not inconsistent with the role of a council to assess site specific planning proposals on their planning merits.

2.4. Planning agreements policies and procedures

Planning authorities, particularly councils, should publish policies and procedures concerning their use of planning agreements that reflect the following fundamental principles. These should set out:

- the use of planning agreements by the planning authority within the context of its broader corporate strategic planning and land use planning policies, goals, and strategies;
- the circumstances in which the planning authority would ordinarily consider entering into a planning agreement;
- the land use planning and development objectives that are sought to be promoted or addressed by the use of planning agreements;
- the role served by planning agreements in the development contributions and infrastructure funding systems of the planning authority;
- the types of development to which planning agreements will ordinarily apply, how their use may be differentiated between different types of development;
- whether any thresholds or exemptions apply to the use of planning agreements in relation to particular types of development or in particular circumstances;
- the matters ordinarily covered by a planning agreement;
- the form of development contributions ordinarily sought under a planning agreement;
- the kinds of public benefits sought and, in relation to each kind of benefit, whether it involves a planning benefit;

- the method for determining the value of public benefits and whether that method involves standard charging;
- whether money paid under different planning agreements is to be pooled and progressively applied towards the provision of public benefits to which the different agreements relate;
- when, how and where public benefits will be provided. A register of planning agreements could be made available online or incorporated into the online planning register of the planning authorities website;
- the procedures for negotiating and entering into planning agreements; and
- the planning authority's policies on other matters relating to planning agreements, such as review and modification, discharging of the developer's obligations under agreements, the circumstances, if any, in which refunds may be given, dispute resolution and enforcement mechanisms, and payment of costs relating to the preparation, negotiation, execution, monitoring and other administration of agreements.

Planning agreement policies should be sufficiently detailed to address the particular circumstances and intentions of the planning authority relating to its use of planning agreements. They should not be formulaic nor merely represent an attempt at formal compliance with the requirement of this practice note for a policy to exist.

Part 3 – Planning agreement procedures and decision making

3.1. Offer and negotiation

Offer to enter into a planning agreement

The EP&A Act does not define what constitutes an 'offer' for the purpose of section 93I(3) of the EP&A Act. An offer should:

- be in writing;
- be addressed to the planning authority to whom it is made;
- be signed by or on behalf of all parties to the planning agreement other than the planning authority to whom the offer is made;
- outline in sufficient detail to allow proper consideration by the planning authority the matters required to be included in a planning agreement as specified in section 93F(3) of the EP&A Act;
- address in sufficient detail to allow proper consideration by the planning authority any relevant matters required to be included in an offer as specified in any applicable planning agreements policy published by the planning authority to whom the offer is made; and
- outline in sufficient detail to allow proper consideration by the planning authority all other key terms and conditions proposed to be contained in the planning agreement.

Efficient negotiation systems

Planning authorities, particularly councils, should implement measures to create fast, predictable, transparent and accountable negotiation systems for planning agreements. The systems should ensure that the negotiation of planning agreements do not unnecessarily delay ordinary planning processes. The systems should contain measures to ensure that the negotiation of planning agreements run in parallel with applications to change environmental planning instruments or development applications, including through pre-application negotiation in appropriate cases. Negotiation systems should be based on principles of co-operation, full disclosure, early warning, and agreed working practices and timetables.

Involvement of independent third parties

Independent third parties could be used in a variety of situations involving planning agreements. Planning authorities and developers are encouraged to make appropriate use of them during negotiation. The situations include:

- where an independent assessment of a proposed change to an environmental planning instrument or development application is necessary or desirable;
- where factual information requires validation;
- where sensitive financial or other confidential information must be verified or established in the course of negotiations;

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- where facilitation of complex negotiations are required for large projects or where numerous parties or stakeholders are involved; and
- where dispute resolution is required under a planning agreement.

Dispute Resolution

Different kinds of dispute resolution mechanisms may suit different kinds of disputes and this should be reflected in a planning agreement. For example, mediation may be suitable to deal with disputes arising from grievances while expert determination may be most suitable to resolve disputes of a technical nature. Similarly, arbitration may be suitable for resolving commercial disputes.

Standard-form planning agreements

Planning authorities are also encouraged to publish and use standard forms of planning agreements or standard clauses for inclusion in planning agreements to improve process efficiency.

Past deficiencies in infrastructure provision

Planning agreements may be used to overcome past deficiencies in infrastructure provision that would otherwise prevent development from occurring. This may frequently involve the conferring of a planning benefit under the agreement.

3.2. Costs and charges

Costs

There is no comprehensive policy on the extent to which a planning authority may recover costs for negotiating, preparing, executing, registering, monitoring, enforcing and otherwise administering planning agreements. Wherever possible, planning authorities and developers should negotiate and agree costs at the earliest opportunity.

GST considerations

The parties to planning agreements should obtain advice in every case on whether a potential GST liability attaches to the agreement. An agreement potentially involves two taxable supplies: the supply of development rights from the planning authority to the developer and the supply of public benefits by the developer to the planning authority. In other words, both parties have a potential GST liability.

Standard charges

Planning authorities are encouraged to standardise development contributions sought under planning agreements in order to streamline negotiations and provide predictability and certainty for developers. However, this does not prevent public benefits being negotiated on a case by case basis, particularly where planning benefits are also involved.

Standard form planning agreements

Planning authorities are also encouraged to publish and use standard forms of planning agreements or standard clauses for inclusion in planning agreements in the interests of process efficiency. Where possible, councils are encouraged to use the template planning agreement at Attachment A.

Recurrent costs and maintenance payments

Planning agreements may require developers to make contributions towards the recurrent costs of facilities that primarily serve the development to which the planning agreement applies or neighbouring development in perpetuity. However, where the facilities are intended to serve the wider community, planning agreements should only require the developer to make contributions towards the recurrent costs of the facility until a public revenue stream is established to support the on-going costs of the facility.

Pooling of monetary contributions

Planning authorities should disclose to developers, and planning agreements should specifically provide, that monetary contributions paid under different planning agreements are to be pooled and progressively applied towards the provision of public benefits that relate to the various agreements. Pooling may be appropriate to allow public benefits, particularly essential infrastructure, to be provided in a fair and equitable way.

Refunds

Planning agreements may provide that refunds of monetary development contributions made under the agreement are available if public benefits are not provided in accordance with the agreement.

Documentation of planning agreements

The parties to a planning agreement should agree on which party is to draft the agreement to avoid duplication of resources and costs.

3.3. Registration and administration of planning agreements

Registration of planning agreement

Registration is important to inform people dealing with land of the existence of a planning agreement affecting the land and for the enforcement of a planning agreement.

There is no requirement that a planning agreement must be registered over the whole of the land covered by the agreement.

In order to ensure that the intention of the parties to a planning agreement to register the agreement is not defeated, the written agreement to the registration of the agreement of each person with an estate or interest in the land to which the planning agreement applies should be furnished by the developer to the planning authority as a precondition to the execution of the planning agreement by the planning authority.

Provision should ordinarily be made in a registered planning agreement about when the notation of the planning agreement on the title to land can be removed. This may, for example, occur when:

- the developer has complied with all obligations under the planning agreement relating to the land and is discharged from the planning agreement;
- the developer has complied with all relevant obligations under the planning agreement relating to a stage of development and the notation about that stage in the planning agreement on the title to the land is removed;
- land the subject of the planning agreement is subdivided and titles for new lots are created and the developer has complied with all relevant planning agreement obligations relating to the subdivision; or

- additional valuable security for performance of the planning agreement acceptable to the planning authority is provided by the developer in exchange for removal of the notation of the planning agreement from the title to land.

Security for enforcement of developer's obligations

The EP&A Act does not prescribe any particular means by which the developer's performance of a planning agreement may be enforced. What is a suitable means of enforcement of the planning agreement depends on the circumstances and in particular the nature and extent of the developer's obligations under the planning agreement and the planning authority's reasonable assessment of the risk and consequences of non-performance.

Tying the performance of the developer's obligations to the issuing of certificates under Part 4A of the EP&A Act may provide a suitable means of enforcement of planning agreement obligations in some cases. The EP&A Act and the regulations made under that Act restrict the issuing of a construction certificate, occupation certificate or subdivision certificate by a certifier until any preconditions to the issuing of the certificate specified in a planning agreement have been complied with.

Where a developer requests that a Part 4A certificate be issued even though all preconditions to the issuing of the certificate specified in a planning agreement have not been fulfilled, the planning agreement would ordinarily require the developer to provide financial security, such as a bond or bank guarantee, to secure the performance of the unfulfilled obligations as a condition of agreeing to the developer's request. An amendment to the planning agreement would ordinarily be required in such circumstances unless the planning agreement already makes provision for such an arrangement.

Where a planning agreement requires land to be dedicated to the planning authority, a suitable means of enforcement of such obligation may well be for the planning agreement to contain a pre-acquisition agreement for the purposes of the *Land Acquisition (Just Terms Compensation) Act 1991* enabling the planning authority to compulsorily acquire the land to be dedicated for nominal or an agreed value in the event of default by the developer.

Where a planning agreement requires the carrying out of works by the developer, the suitable means of enforcement of such obligation will ordinarily be a financial security, such as a bond or bank guarantee, which can be called on by the planning authority in the event of default, coupled with step-in rights by the planning authority. The value of the financial security to the planning authority should relate to the potential costs that may be incurred by the planning authority in carrying out the relevant works obligations of the developer in the event of default by the developer.

Provision by the developer of a financial security or additional financial security, such as a bond or bank guarantee, would ordinarily be appropriate where the developer seeks to postpone obligations under a planning agreement to a time later than the time originally specified for performance. An amendment to the planning agreement would ordinarily be required in such circumstances unless the planning agreement already makes provision for such an arrangement.

Monitoring and review of planning agreements

Planning authorities should use standardised systems to monitor the implementation of planning agreements in a systematic and transparent way. This may involve co-operation by different parts of planning authorities. Monitoring systems should enable information about the implementation of planning agreements to be made readily available to public agencies, developers and the community. Planning agreements should contain a mechanism for their periodic review that should involve the participation of all parties.

Modification and discharge of developer's obligations

Planning agreements should not impose obligations on developers indefinitely. Planning agreements should set out the circumstances in which the parties agree to modify or discharge the developer's obligations under the agreement. The modification or discharge should be effected by an amendment to the agreement. The circumstances that may require planning agreements to be modified or discharged may include the following:

- material changes to the planning controls applying to the land;
- a material modification to the development consent;
- the lapsing of the development consent;
- the revocation or modification by the Minister of a development consent; and
- other material changes in the overall planning circumstances of an area affecting the operation of the planning agreement.

3.4. Basic statutory procedure for entering into a planning agreement

The nature of planning agreements and requirements for their public notification and consideration in determining applications dictate the basic procedures for entering into planning agreements.

Planning agreements may be entered into between planning authorities and developers (and associated persons) in relation to changes sought by developers to environmental planning instruments (including the making, amendment or repeal of instruments), or development applications or proposed development applications.

Planning agreements must be publicly notified and made available for public inspection before they can be entered into.

Planning agreements and public submissions relating to them should where possible be considered, when deciding to make changes to environmental planning instruments to which they relate or when determining planning applications to which planning agreements relate.

Where possible, planning agreements should be negotiated between planning authorities and developers before applications are made so that applications may be accompanied by copies of draft agreements. The basic procedures relating to planning agreements are therefore as follows:

Step 1. Before the making of an application, the planning authority and developer decide whether to negotiate a planning agreement. The parties consider whether other planning authorities and other persons associated with the developer should be additional parties to the agreement. If the developer is not the owner of the relevant land, the landowner should be an additional party to the agreement.

Step 2. If an agreement is negotiated, it is documented as a draft planning agreement and the parties agree on the terms of the accompanying explanatory note required by the EP&A Regulation. The parties also agree on the content of the application to which the draft agreement relates.

Step 3. The developer makes the application to the relevant authority, accompanied by the draft planning agreement and the explanatory note. The application must clearly record the developer's offer to enter into the planning agreement if the application is approved. Preferably, the draft agreement should be executed by the developer to indicate the developer's commitment to enter into the agreement if the application is approved. In the case of an application to change an environmental planning instrument, the application may record the

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developer's offer as being to enter into the planning agreement if consent is subsequently granted to a development application relating to the change to the instrument.

Step 4. Relevant public authorities are consulted in relation to the application and draft planning agreement and any consequential amendments required to the application and draft agreement are made.

Step 5. The application, draft planning agreement and explanatory note are publicly notified and exhibited in accordance with the EP&A Act and EP&A Regulation. Any consequential amendments required to the application and draft agreement are made and, if necessary, the amended application, draft planning agreement and explanatory note are re-exhibited.

Step 6. The draft planning agreement and public submissions are considered in the determination of the application so far as relevant to the application. The weight given to the draft agreement and public submissions is a matter for the relevant authority acting reasonably.

Step 7. If the application, being a change to an environmental planning instrument, is approved, the agreement may be entered into immediately. Alternatively, it can be entered into if consent is subsequently granted to a development application relating to the change to the instrument. If the application, being a development application, is granted consent, a condition may be imposed requiring the planning agreement to be entered into but only in terms of the developer's offer made in connection with the application. The planning authority would resolve to execute the agreement when approving the application. If the application is approved on terms different to the developer's offer, the agreement could not be required to be entered.

Part 4 - Examples of the use of planning agreements

Planning agreements have the potential to be used in a wide variety of planning circumstances and to achieve many different planning outcomes. Their use will be dictated by the circumstances of individual cases and the policies of planning authorities in relation to their use. Accordingly, it is not possible to prescribe their use, nor would this be appropriate.

The examples given in this section serve only to provide an indication of the potential breadth of their scope and application.

Compensation for loss or damage caused by development

Planning agreements can provide for development contributions that compensate for increased demand on the use of a public amenity, service, resource or asset that will or is likely to result from the carrying out of the development.

For example, development may result in the loss of or increased impact on the provision of public open space, public car parking, public access, water and air quality, bushland, wildlife habitat or other natural areas.

The planning agreement could impose planning obligations directed towards replacing, substituting, or restoring the public amenity, service, resource or asset to an equivalent standard to that existing before the development is carried out.

In this way, planning agreements can offset development impacts that may otherwise be unacceptable.

Meeting demand created by development

Planning agreements can also provide for development contributions that meet the demand for new public infrastructure, amenities and services created by development. For example, development may create a demand for public transport, drainage services, public roads, public open space, streetscape and other public domain improvements, community and recreational facilities.

The public benefit provided under the agreement could be the provision, extension or improvement of public infrastructure, amenities and services to meet the additional demand created by the development.

Prescribing inclusions in development

Planning agreements can be used to secure the implementation of particular planning policies by requiring development to incorporate particular elements that confer a public benefit.

Examples include agreements that require the provision of open space, community or recreational facilities or the retention of urban bushland, or agreements that require development, in the public interest, to meet aesthetic standards, such as design excellence.

Providing planning benefits to the wider community

Planning agreements can also be used to secure the provision of broader planning benefits for the wider community.

The provision of planning benefits through planning agreements necessarily involves an agreement between a developer and a planning authority to allow the wider community to share in part of the development profit to achieve specified public benefits.

The planning benefit may be provided in conjunction with planning obligations or other measures that address the impacts of particular development on surrounding land or the wider community.

Alternatively, the planning benefit could wholly or partly replace such measures if the developer and the planning authority agree to a redistribution of the costs and benefits of development in order to allow the wider community, the planning authority and the developer to realise their specific preferences for the provision of public benefits.

Planning benefits may take the form of additional or better quality public facilities than is required for a particular development. Alternatively, planning benefits may involve the provision of public facilities that, although not strictly required to make the development acceptable in planning terms, are not wholly unrelated to the development. An example of this might be development contributions towards the provision or retention of off-site affordable housing.

Recurrent funding

Planning agreements may provide for public benefits that take the form of development contributions towards the recurrent costs of infrastructure, facilities and services.

Such benefits may relate to the recurrent costs of items that primarily serve the development to which the planning agreement applies or neighbouring development. In such cases, the planning agreement may establish an endowment fund managed by a trust, to pay for the recurrent costs of the relevant item. In addition, it may bind future owners in a development to make periodic payment to the fund for the recurrent costs of the item.

For example, a planning agreement may fund the recurrent costs of habitat protection where development will have a demonstrated impact on nearby sensitive habitat. Further, a planning agreement may fund the recurrent costs of water quality management in respect of development that will have a demonstrated impact on a natural watercourse that flows through or nearby to the development.

Planning benefits may also take the form of interim funding of the recurrent costs of infrastructure, facilities and services that will ultimately serve the wider community. The planning agreement would only require the developer to make such contributions until a public revenue stream is established to support the on-going costs of the facility.

Attachment A – Template planning agreement

PLANNING AGREEMENT

Parties

of ##, New South Wales (**Council**)

and

of ##, New South Wales (**Developer**).

Background

(For Development Applications)

- A. On, ##, the Developer made a Development Application to the Council for Development Consent to carry out the Development on the Land.
- B. That Development Application was accompanied by an offer by the Developer to enter into this Agreement to make Development Contributions towards the Public Facilities if that Development consent was granted.

(For Changes to Environmental Planning Instruments)

- A. On, ##, the Developer made an application to the Council for the Instrument Change for the purpose of making a Development Application to the Council for Development Consent to carry out the Development on the Land.
- B. The Instrument Change application was accompanied by an offer by the Developer to enter into this Agreement to make Development Contributions towards the Public Facilities that Development Consent was granted.
- C. The Instrument Change was published in NSW Government Gazette No. ## on ## and took effect on ##.
- D. On, ##, the Developer made a Development Application to the Council for Development Consent to carry out the Development on the Land.

Operative Provisions

1 Planning agreement under the Act

The Parties agree that this Agreement is a planning agreement governed by Subdivision 2 of Division 6 of Part 4 of the Act.

2 Application of this Agreement

[Drafting Note 2: Specify the land to which the Agreement applies and the development to which it applies]

3 Operation of this Agreement

[Drafting Note 3: Specify when the Agreement takes effect and when the Parties must execute the Agreement]

4 Definitions and interpretation

4.1 In this Agreement the following definitions apply:

Act means the Environmental Planning and Assessment Act 1979 (NSW).

Dealing, in relation to the Land, means, without limitation, selling, transferring, assigning, mortgaging, charging, encumbering or otherwise dealing with the Land.

Development means ##

Development Application has the same meaning as in the Act.

Development Consent has the same meaning as in the Act.

Development Contribution means a monetary contribution, the dedication of land free of cost or the provision of a material public benefit.

GST has the same meaning as in the GST Law.

GST Law has the meaning given to that term in A New Tax System (Goods and Services Tax) Act 1999 (Cth) and any other Act or regulation relating to the imposition or administration of the GST.

Instrument Change means ## Local Environmental Plan ##.

Land means Lot ## DP ##, known as ##.

Party means a party to this agreement, including their successors and assigns.

Public Facilities means ##.

Regulation means the Environmental Planning and Assessment Regulation 2000.

4.2 In the interpretation of this Agreement, the following provisions apply unless the context otherwise requires:

(a) Headings are inserted for convenience only and do not affect the interpretation of this Agreement.

(b) A reference in this Agreement to a business day means a day other than a Saturday or Sunday on which banks are open for business generally in Sydney.

(c) If the day on which any act, matter or thing is to be done under this Agreement is not a business day, the act, matter or thing must be done on the next business day.

(d) A reference in this Agreement to dollars or \$ means Australian dollars and all amounts payable under this Agreement are payable in Australian dollars.

- (e) A reference in this Agreement to any law, legislation or legislative provision includes any statutory modification, amendment or re-enactment, and any subordinate legislation or regulations issued under that legislation or legislative provision.
- (f) A reference in this Agreement to any agreement, deed or document is to that agreement, deed or document as amended, novated, supplemented or replaced.
- (g) A reference to a clause, part, schedule or attachment is a reference to a clause, part, schedule or attachment of or to this Agreement.
- (h) An expression importing a natural person includes any company, trust, partnership, joint venture, association, body corporate or governmental agency.
- (i) Where a word or phrase is given a defined meaning, another part of speech or other grammatical form in respect of that word or phrase has a corresponding meaning.
- (j) A word which denotes the singular denotes the plural, a word which denotes the plural denotes the singular, and a reference to any gender denotes the other genders.
- (k) References to the word 'include' or 'including' are to be construed without limitation.
- (l) A reference to this Agreement includes the agreement recorded in this Agreement.
- (m) A reference to a party to this Agreement includes a reference to the servants, agents and contractors of the party, and the party's successors and assigns.
- (n) Any schedules and attachments form part of this Agreement.

5 Development Contributions to be made under this Agreement

[Drafting Note 5: Specify the development contributions to be made under the agreement; when they are to be made; and the manner in which they are to be made]

6 Application of the Development Contributions

6.1 [Specify the times at which, the manner in which and the public purposes for which development contributions are to be applied]

7 Application of s94 and s94A of the Act to the Development

7.1 [Drafting Note 7: Specify whether and to what extent s94 and s94A apply to development the subject of this Agreement]

8 Registration of this Agreement

[Drafting Note 8: Specify whether the Agreement is to be registered as provided for in s93H of the Act]

9 Review of this Agreement

(a) [Drafting Note 9: Specify whether, and in what circumstances, the Agreement can or will be reviewed and how the process and implementation of the review is to occur].

10 Dispute Resolution

[Drafting Note 10: Specify an appropriate dispute resolution process]

11 Enforcement

[Drafting Note 11: Specify the means of enforcing the Agreement]

12 Notices

12.1 Any notice, consent, information, application or request that must or may be given or made to a Party under this Agreement is only given or made if it is in writing and sent in one of the following ways:

- (a) Delivered or posted to that Party at its address set out below.
- (b) Faxed to that Party at its fax number set out below.
- (c) Emailed to that Party at its email address set out below.

Council

Attention: ##

Address: ##

Fax Number: ##

Email: ##

Developer

Attention: ##

Address: ##

Fax Number: ##

12.1.2 Email: ##

12.2 If a Party gives the other Party 3 business days notice of a change of its address or fax number, any notice, consent, information, application or request is only given or made by that other Party if it is delivered, posted or faxed to the latest address or fax number.

12.3 Any notice, consent, information, application or request is to be treated as given or made at the following time:

- (a) If it is delivered, when it is left at the relevant address.
- (b) If it is sent by post, 2 business days after it is posted.
- (c) If it is sent by fax, as soon as the sender receives from the sender's fax machine a report of an error free transmission to the correct fax number.

12.4 If any notice, consent, information, application or request is delivered, or an error free transmission report in relation to it is received, on a day that is not a business day, or if on a business day, after 5pm on that day in the place of the Party to whom it is sent, it is to be treated as having been given or made at the beginning of the next business day.

13 Approvals and consent

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Except as otherwise set out in this Agreement, and subject to any statutory obligations, a Party may give or withhold an approval or consent to be given under this Agreement in that Party's absolute discretion and subject to any conditions determined by the Party. A Party is not obliged to give its reasons for giving or withholding consent or for giving consent subject to conditions.

14 Assignment and Dealings

[Drafting Note 14: Specify any restrictions on the Developer's dealings in the land to which the Agreement applies and the period during which those restrictions apply]

15 Costs

[Drafting Note 15: Specify how the costs of negotiating, preparing, executing, stamping and registering the Agreement are to be borne by the Parties]

16 Entire agreement

This Agreement contains everything to which the Parties have agreed in relation to the matters it deals with. No Party can rely on an earlier document, or anything said or done by another Party, or by a director, officer, agent or employee of that Party, before this Agreement was executed, except as permitted by law.

17 Further acts

Each Party must promptly execute all documents and do all things that another Party from time to time reasonably requests to affect, perfect or complete this Agreement and all transactions incidental to it.

18 Governing law and jurisdiction

This Agreement is governed by the law of New South Wales. The Parties submit to the non-exclusive jurisdiction of its courts and courts of appeal from them. The Parties will not object to the exercise of jurisdiction by those courts on any basis.

19 Joint and individual liability and benefits

Except as otherwise set out in this Agreement, any agreement, covenant, representation or warranty under this Agreement by 2 or more persons binds them jointly and each of them individually, and any benefit in favour of 2 or more persons is for the benefit of them jointly and each of them individually.

20 No fetter

Nothing in this Agreement shall be construed as requiring Council to do anything that would cause it to be in breach of any of its obligations at law, and without limitation, nothing shall be construed as limiting or fettering in any way the exercise of any statutory discretion or duty.

21 Representations and warranties

The Parties represent and warrant that they have power to enter into this Agreement and comply with their obligations under the Agreement and that entry into this Agreement will not result in the breach of any law.

22 Severability

If a clause or part of a clause of this Agreement can be read in a way that makes it illegal, unenforceable or invalid, but can also be read in a way that makes it legal, enforceable and valid, it must be read in the latter way. If any clause or part of a clause is illegal, unenforceable or invalid, that clause or part is to be treated as removed from this Agreement, but the rest of this Agreement is not affected.

23 Modification

No modification of this Agreement will be of any force or effect unless it is in writing and signed by the Parties to this Agreement.

24 Waiver

The fact that a Party fails to do, or delays in doing, something the Party is entitled to do under this Agreement, does not amount to a waiver of any obligation of, or breach of obligation by, another Party. A waiver by a Party is only effective if it is in writing. A written waiver by a Party is only effective in relation to the particular obligation or breach in respect of which it is given. It is not to be taken as an implied waiver of any other obligation or breach or as an implied waiver of that obligation or breach in relation to any other occasion.

25 GST

If any Party reasonably decides that it is liable to pay GST on a supply made to the other Party under this Agreement and the supply was not priced to include GST, then recipient of the supply must pay an additional amount equal to the GST on that supply.

Execution

Dated: ##

Executed as an Agreement: ##

Community Consultative Committee Guidelines

*State
Significant
Projects*

*November
2016*



Planning &
Environment

November 2016

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Guidelines

The Department of Planning and Environment (the Department) is committed to community engagement in the NSW planning system. It recognises that people should have a say in matters that affect their lives, and that community engagement results in better planning outcomes.

State significant projects are large, complex, and can have major economic, social and environmental impacts over a long time.

The Department encourages proponents to consult widely with the community and stakeholder groups at all stages of these projects.

This is to ensure that the community and stakeholder groups are:

- o kept informed of the status of projects, any new initiatives, and the performance of proponents;
- o consulted on the development of projects, management plans and proposed changes to approved projects; and
- o able to provide feedback to proponents on key issues that may arise during the development or implementation of projects.

Effective community engagement can occur in many ways, and proponents should be innovative when they engage with the community, and use a range of tools and techniques. They should also tailor their engagement to reflect the scale and nature of the project and its potential impacts.

For many years, Community Consultative Committees have played an important role in ensuring proponents engage with the community and stakeholder groups on State significant projects.

The Department has developed these guidelines to clarify the roles and responsibilities of Community Consultative Committees, and to help these committees operate effectively.

The guidelines will apply to the establishment and operation of all new Community Consultative Committees, and to the ongoing operation of existing Committees (to the extent they are relevant).

If there is any doubt about the application of these guidelines, the matter should be referred to the Department for resolution.

These guidelines will be reviewed every 5 years to keep them up to date.

1 Purpose of the committee

The purpose of a Community Consultative Committee is to provide a forum for discussion between a proponent and representatives of the community, stakeholder groups and the local council on issues directly relating to a specific State significant project.

A Community Consultative Committee is not a decision-making or regulatory body: it performs an advisory and consultative role.

Government agencies will remain responsible for ensuring proponents comply with any statutory obligations.

More specifically, the purpose of the committee is to:

1. establish good working relationships and promote information sharing between the proponent, local community, stakeholder groups and councils on individual State significant projects;

2. allow the proponent to keep the community informed about projects, seek community views on projects, and respond to matters raised by the community; and
3. allow community members and local councils to seek information from the proponent and give the proponent feedback on the development and implementation of projects to assist with the delivery of balanced social, environmental and economic outcomes for the community, including:
 - the development of new projects or proposed changes to approved projects;
 - the implementation of any conditions of approval and management plans;
 - the results of any monitoring, annual reviews or independent audits;
 - community concerns about the project;
 - the resolution of community complaints; and
 - any community initiatives

2 Establishment of the committee

The Department will decide whether a Community Consultative Committee should be established for a State significant project, considering factors such as:

- the scale and nature of the project and its potential impacts;
- the level of public interest in the project;
- the proponent's community engagement strategy; and
- whether a Community Consultative Committee would complement any other consultation initiatives being undertaken.

If a proponent's community engagement strategy accords with best practice and is appropriately tailored to the particular characteristics of a project, there should be no need for a Community Consultative Committee in the early stages of a project.

For some long linear infrastructure projects, such as major road or rail projects, the Department may require several committees to be established, covering different areas of the project.

If the Department decides a Community Consultative Committee is warranted, it will require Proponents to establish these committees either:

- early in the assessment process through the Secretary's environmental assessment requirements (SEARs) for the project; or
- following approval through the conditions of approval for the project.

It may also specify other matters in these requirements or conditions, such as the composition of the committee and frequency of committee meetings.

In cases where Proponents are required to establish Community Consultative Committees in the SEARs, the Department will not exhibit the project application before the proponent has complied with the relevant SEARs.

3 Members of the committee

3.1 Membership of the committee

The committee will comprise:

1. an independent chairperson;
2. up to seven community representatives;
3. a council representative from each of the local government areas concerned; and
4. up to three representatives from the proponent including the person with direct responsibility for environmental management of the project.

The Department will not be a member of any committee, but will attend certain committee meetings.

3.2 Independent chairperson

The independent chairperson must be:

- a convener, facilitator, mediator and advisor for the committee;
- independent and impartial; and
- the key contact between the committee and the Department.

The Department will recruit, appoint and review the performance of all independent chairpersons.

The Department will establish a pool of suitable independent chairpersons for Community Consultative Committees, and update this pool regularly.

Members of this pool will have:

- experience in community relations, facilitation, mediation or public advocacy;
- an understanding of the regulatory requirements for State significant projects, and the issues associated with these projects; and
- a proven track record in convening and managing stakeholder committees with independence.

A list of the members of this pool and a summary of their credentials will be published on the Department's website.

The Secretary of the Department (or a nominated representative) will appoint the independent chairperson for individual projects from the pool, after confirming the person has no conflicts of interest.

Proponents must pay the chairperson's standard fees, as well as the fees of any note-taker the chairperson may use to take the minutes of any meeting.

The independent chairperson must oversee the preparation and publication of the minutes of committee meetings, and report annually to the Department on the operation of the committee.

A copy of the committee's annual report will be published on the Department's website.

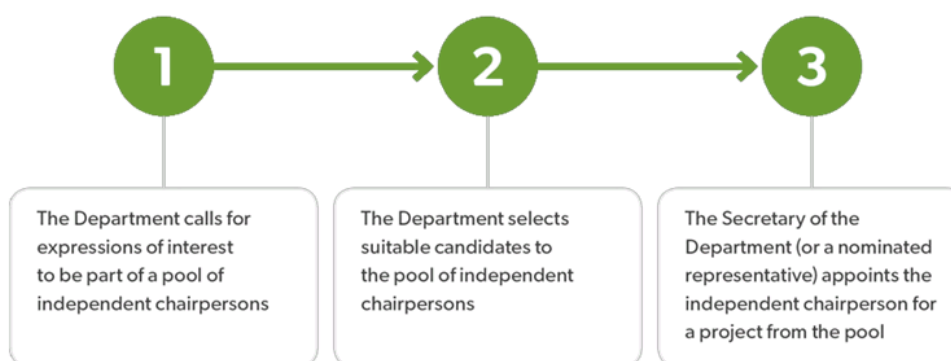
The Department may review the performance of the independent chairperson at any time.

If the proponent or more than half the community representatives have concerns about the conduct or performance of the independent chairperson (e.g. there is an ongoing perception of bias, inappropriate control, or a refusal to share information or to adhere to the wishes of the committee), they may refer the matter to the Department. The Department will examine the concerns and determine what, if any, action should be taken.

If the Secretary of the Department (or a nominated representative) decides to replace the independent chairperson or the independent chairperson resigns from the committee, the Secretary of the Department (or a nominated representative) will appoint a new chairperson from the pool.

This appointment will be made within two weeks of the Secretary's decision or the Department being notified of the resignation.

3.3 Selection process for the independent chairperson



3.4 Community representatives

Community representatives will be selected from the local community or stakeholder groups.

Employees or contractors of the proponent are not eligible to be appointed as community representatives.

Local community representatives must:

- be current residents or landowners within the affected local government area/s;
- demonstrate involvement in local community groups and/or activities;
- have knowledge and awareness of the project and related issues of concern to the local community;
- be able to represent and communicate the interests of the affected local community; and
- be willing to adhere to the committee's code of conduct.

Representatives of stakeholder groups must:

- be a member of a stakeholder group with an interest in the project, including an industry, community, environmental or Aboriginal group;
- have knowledge and awareness of the project and related issues of concern;
- be able to represent and communicate the interests of the group or community; and

- be willing to adhere to the committee's code of conduct.

3.5 Appointing community representatives

The independent chairperson is to oversee the selection process for the community representatives of the Community Consultative Committee.

After consulting with the independent chairperson, the proponent is to seek expressions of interest for the committee by placing at least two advertisements in local or regional media publications (i.e. newspapers) (refer to the Toolkit of Resources) and advertising through one or more of the following avenues:

- local businesses;
- community or sporting centres; and
- local council websites.

The advertising period must give community members sufficient time to apply, and should be no less than 28 days.

Applications must be mailed directly to the independent chairperson.

Within two weeks of the end of the advertising period, the independent chairperson must:

- review the applications against the relevant selection criteria;
- send a copy of all the applications to the Department; and
- make a recommendation to the Department on who should be appointed to the committee, including any alternate representatives for local community members, and provide reasons why they should be appointed.

Within two weeks of receiving these recommendations, the Secretary of the Department (or a nominated representative) will appoint the community representatives to the committee and any alternate representatives, and formally notify the successful and unsuccessful applicants, the independent chairperson and the proponent of the decision.

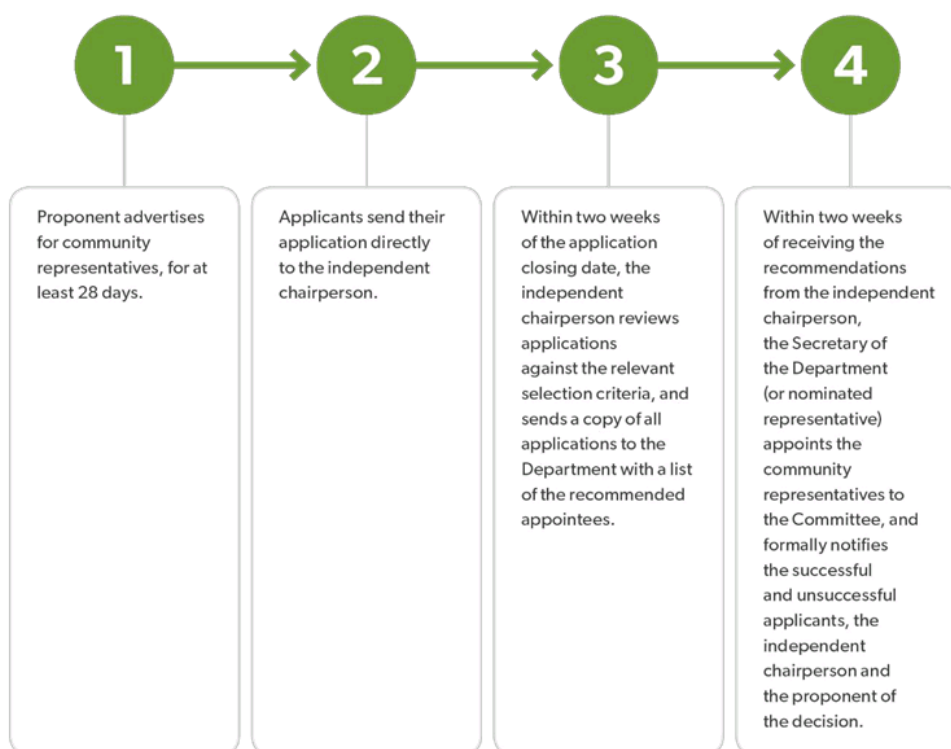
The Department may review the performance of community representatives at any time.

If the independent chairperson has concerns about the conduct of a member of the committee, they may refer the matter to the Department. The Department will examine these concerns and determine what, if any, action should be taken.

If the Department decides to replace a community representative on the committee or a community representative resigns from the committee, the Secretary of the Department (or a nominated representative) will appoint a new representative to the committee in consultation with the independent chairperson.

This appointment will be made within two weeks if a suitable replacement is available, or following the standard selection process.

3.6 Selection process for community representatives



3.7 Proponent and council representatives

The proponent and local council will appoint their representatives directly to the committee.

3.8 Alternate representatives

If the independent chair is unable to attend a committee meeting, the Department will appoint another person from the pool to chair the meeting.

If a representative from a stakeholder group, local council, or the proponent is unable to attend a meeting they must notify the independent chairperson as soon as possible, and nominate an alternative representative from their organisation or group to attend the meeting.

If a local community representative is unable to attend a meeting they must notify the independent chairperson as soon as possible so the chairperson can select an alternate representative to attend the meeting.

The use of alternate representatives should be kept to a minimum.

The independent chairperson may request the replacement of any member who fails to attend three consecutive committee meetings.

4 Committee meetings

4.1 Frequency, timing and location of meetings

The committee should determine the frequency of committee meetings, after considering factors such as the:

- size and complexity of the project;
- stage of the project;
- level of public interest; and
- sensitivity of the site and surrounds.

In some cases, however, the Department will determine the frequency of the meetings in consultation with the independent chairperson.

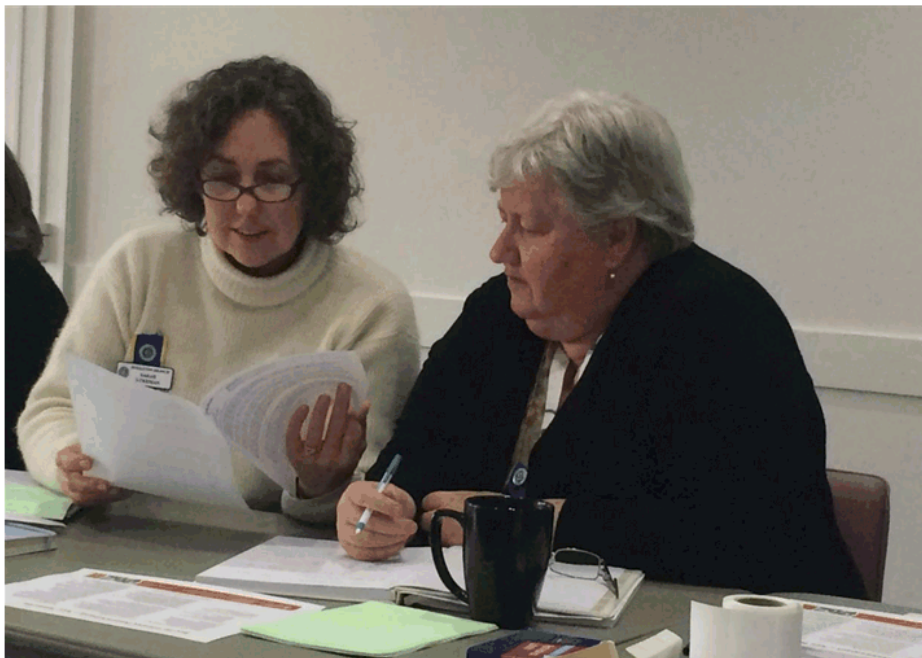
The frequency of meetings may vary over time as a project moves through different stages. For instance, a committee may meet at least four times a year during construction, but only once or twice a year during operations.

If there are important and urgent matters requiring consideration, any member of the committee may ask the independent chairperson to convene an extraordinary meeting of the committee.

The independent chairperson must decide whether the extraordinary meeting is warranted, or whether the matters can be addressed in other ways.

Members should be given at least four weeks' notice before a regular committee meeting, and two weeks' notice before an extraordinary meeting.

The proponent must provide suitable facilities for committee meetings, and the meetings should be held at a time and place generally convenient to all committee members.



In areas with a high concentration of State significant projects, consideration should be given to holding joint Community Consultative Committee meetings from time to time.

These meetings should focus on matters that are of common interest to these committees, such as the cumulative impacts of the projects.

4.2 Meeting proceedings

Committees should follow good meeting practice, and adopt standard procedures for their meetings.

The independent chairperson must:

- formulate the agenda for all meetings in consultation with the members of the committee;
- convene and run meetings in a fair and independent manner;
- facilitate discussion to ensure all members have an opportunity to speak and share their views;
- identify any items of a confidential nature and assist committee members to understand how this information may, or may not, be used;
- support constructive dialogue; and
- resolve disagreements or differences of opinion in a fair, transparent and supportive manner.

Any member may propose a matter for inclusion on the agenda, either before or during a meeting, providing the matter is within the purpose of the committee. This may include inviting a technical expert to present to the committee.

The independent chairperson must ensure that issues raised by community representatives on behalf of the community are properly considered.

If agenda items are supported by detailed reports, then these reports must be distributed to members at least one week before the meeting.

Late items may be deferred to a following meeting.

The committee may decide to undertake regular site visits of the project in conjunction with its meetings, or at other convenient times.

Committee meeting agenda items would normally be expected to include:

1. Apologies.
2. Declaration of pecuniary or other interests.
3. Business arising from previous minutes - response to issues raised or provision of additional information requested.
4. Correspondence.
5. Proponent reports and overview of activities:
 - progress of the project;
 - issues arising from site visits;
 - monitoring and environmental performance;

- community complaints and response to these complaints; and
 - information provided to the community and any feedback.
6. Other agenda items.
 7. General business.
 8. Next meeting.

4.3 Minutes of meetings

The independent chairperson must prepare minutes for each committee meeting.

These minutes must:

- provide an accurate summary of the matters that were discussed at the meeting, including any community concerns expressed and inquiries made;
- record the dissenting views of members on a matter; and
- clearly identify the actions to be undertaken before the next meeting, and who is responsible for taking these actions and by when.

The independent chairperson may employ a note taker to assist with this task, and recover any associated costs from the proponent.

Within one week of a meeting, the independent chairperson must distribute the draft minutes to all committee members.

Committee members have one week to provide their feedback to the independent chairperson.

Within two weeks of receiving this feedback, the independent chairperson must finalise the minutes in consultation with the members, and ensure the proponent publishes them on its website (in a web accessible format).

If there are any disagreements between members on the minutes, the independent chairperson will have the final say on the matter.

Recording of meetings - by recording device, telephone or any other electronic device - is not permitted without the prior agreement of the independent chairperson and the committee.

4.4 Conduct of committee members

All members, including the independent chairperson and alternative representatives, must sign a code of conduct agreement before they join a Community Consultative Committee (refer to the Toolkit of Resources), and comply with this code while they are members of the committee.

The independent chairperson must bring any breach of the code to the attention of the persons concerned.

This may take the form of a verbal warning during a meeting, which is formally recorded in the meeting's minutes, or a written warning following the meeting.

Following three warnings, the independent chairperson may ask the Department to replace the member, if it is a community representative, or the proponent or local council to replace their member.

Similarly, the independent chairperson may request the replacement of any member who fails to attend three consecutive committee meetings.

4.5 Attendance by non-committee members

Members may ask the independent chairperson to invite non-committee members to attend meetings, either as observers or to provide advice to the committee.

This may include:

- representatives of the Department or other State government agencies;
- technical experts or consultants; and/or
- members of the general public.

The independent chairperson is to consult with the other members of the committee before issuing the invitation; and if there is any disagreement between the members about the invitation, then the independent chairperson will have the final say on the matter.

Non-committee members cannot participate in the business of a meeting unless they are invited to do so by the independent chairperson.

4.6 Pecuniary and other interests

All members must sign a declaration of pecuniary and non-pecuniary interest before they join the Community Consultative Committee (refer to the Toolkit of Resources), and keep this declaration up to date while they are members of the committee.

These declarations should include any pecuniary or other interest (including any payment, gift or benefit) intended or likely to influence - or that could be reasonably perceived by an impartial observer as intended or likely to influence - the member to:

- act in a particular way (including making a particular decision);
- fail to act in a particular circumstance; and/or
- otherwise deviate from the proper exercise of their duty as a member.

Examples of pecuniary or other interests include holding shares in an entity carrying out the project, holding a private contract with the proponent, holding voluntary acquisition or mitigation rights under the proponent's consent, or receiving sitting fees or payments of personal expenses from the proponent; and if the member represents a stakeholder group, if the stakeholder group has received funding or a grant from the proponent.

These guidelines establish no requirement in respect of personal interests other than declaration. However, the committee may determine that a personal interest is sufficient that a member should withdraw from discussion on a particular issue.

4.7 Committee training

The independent chairperson should ensure new members are given suitable induction training to equip them for their role on the committee.

The committee may seek funding or other assistance from the proponent for training members or developing the skills of the committee.

This may include training in:

- communications and conflict resolution; and
- best practice environmental management and community relations.

The proponent should support any reasonable requests from the committee for such training.

4.8 Committee funding and remuneration

The committee may seek annual or one-off funding from the proponent to help it perform its functions effectively. It is up to the proponent whether or not it agrees to such requests.

Community representatives are not eligible to receive sitting fees from the proponent, but may seek reimbursement of personal out of pocket expenses associated with attending meetings. It is up to the proponent whether or not it agrees to these expenses being paid.

If fees or expenses are paid to members for meetings, then the fact that a payment is being made (and not the actual amount) should be declared as a pecuniary interest and recorded in the minutes of the meeting.

4.9 Review of a committee's effectiveness

If the independent chairperson has concerns about the effectiveness of the committee they may refer the matter to the Department.

The Department will examine these concerns and determine what, if any, action should be taken.

If the committee is found to be ineffective, the Department may decide to dissolve or reconstitute the committee.

4.10 Dispute resolution

Although the committee is not a decision-making or regulatory body, and consensus is not required on all matters, it should discuss and try to resolve any disagreements between members.

The independent chairperson is responsible for trying to resolve any disputes that arise, either between members of the committee or between the members of the committee and the proponent.

If the independent chairperson is unable to resolve the dispute then they may refer the matter the Department for resolution or advice.

The Department's decision on the matter will be final.

5 Responsibilities of the proponent

The proponent must provide the committee with timely, accurate and comprehensive reports on the project, including the status of the project, existing operations, environmental performance and community relations. This does not include matters of a financial or commercial nature.

The proponent must also provide the committee with copies of:

- the project's consent and other relevant documents, including management plans;
- results of environmental monitoring;

- annual review reports;
- audit reports;
- reports on community concerns or complaints and the proponent's response to these matters; and
- any other information specified by the Department.

These documents may be provided electronically, but hard copies of the documents should be provided to individual committee members upon request.

The proponent should consult with the committee before it lodges any applications with the Department, and notify committee members when these applications are lodged.

The proponent must respond to any questions asked or advice given by the committee about the proponent's environmental performance or community relations. These responses must be given to members within 28 days of a committee meeting, unless the meeting's minutes specify otherwise.

Finally, the proponent must organise site visits for the committee if requested by the independent chairperson.

6 Communication with the broader community

Committee members are encouraged to discuss concerns and disseminate information about the project with the wider community, including stakeholder groups.

Where appropriate, the independent chairperson may also give briefings to stakeholder groups. In these cases, the independent chairperson must report back to the committee on the outcomes of these briefings.

With the agreement of the whole committee, the committee may agree to release statements or other information to the media or to adopt other approaches to public dissemination of information. However, only the independent chairperson may speak publicly on behalf of the committee.

Individual committee members may make comments to the media or in public forums on behalf of themselves or their stakeholder groups, but not on behalf of the committee.

There is a presumption that documents and other information provided to the committee can be made generally available to the community.

However, committee members may ask for certain information (e.g. a declaration of interest, site visit photos, or information which the proponent considers to be commercial-in-confidence) to be kept confidential by the committee.

If there is any disagreement between members of the committee on whether such information should be kept confidential, the independent chairperson will have the final say on the matter.

If the committee or independent chairperson decides that a matter discussed at a meeting is to be kept confidential, members must respect this confidentiality and refrain from discussing the matter with other parties outside the meeting.

The name, credentials and (if the member agrees) contact details of all members of the Community Consultative Committee must be published in a prominent position on the proponent's website.

Requests from the public for items to be included on the committee's agenda may be directed to individual members or the independent chairperson.

Glossary of Terms

Community –A group of people living in a specific geographical area or with mutual interests that could be affected by a State significant project

Environment –includes all aspects of the surroundings of humans, whether affecting any human as an individual or in his or her social groupings

Proponent –The person or entity seeking approval for a State significant project, or acting on an approval for a State significant project.

Stakeholder group – a group or organisation — including an industry, community, environmental or Aboriginal group — that represents several people with a particular interest in a State significant project

State significant project –a project that is defined as State significant development or State significant infrastructure under the Environmental Planning & Assessment Act 1979



***Toolkit of
Resources for
Community
Consultative
Committees***

Sample Advertisement for Community Members

Proponents must advertise for the community representatives of Community Consultative Committees. This advertising should be placed in local or regional media publications, on websites, and at local councils, businesses, or prominent community or sporting centres. Members of the local community or stakeholder groups with a particular interest in the project should also be notified.

Community members should be given at least 28 days to apply. All applications must be sent to the independent chairperson of the committee.

The independent chairperson is to review the applications against the relevant selection criteria (see page 5 of the guideline), and recommend the community representatives for the committee to the Department. The Secretary of the Department (or nominated representative) will consider the recommendation, and appoint the community representatives to the committee. A sample advertisement for community representatives is provided below.

This advertisement should be tailored to the specific circumstances of the project, and include information on the:

- State significant project; and
- current stage of the project (approval is being sought or the project is approved and construction is scheduled to start shortly).

It should also clearly identify the selection criteria for local community representatives and representatives of stakeholder groups.

NOMINATIONS ARE OPEN FOR APPOINTMENT OF COMMUNITY MEMBERS TO THE [INSERT DEVELOPMENT NAME] COMMUNITY CONSULTATIVE COMMITTEE

Want to contribute to your community?

Many State significant projects in NSW have Community Consultative Committees.

These committees provide a forum for open dialogue between the proponent and representatives of the local community, stakeholder groups and local councils on issues directly relating to the project.

We are looking for a mix of people who live locally or are members of a stakeholder group (community, environment, Aboriginal or industry) to join our new [INSERT DEVELOPMENT NAME] Community Consultative Committee.

Your role as a committee member is voluntary.

Selection criteria: You will be expected to contribute constructively to committee discussions, attend around (four) meetings a year, and communicate information about [INSERT DEVELOPMENT NAME] between the committee and the broader community.

If you would like to apply, download a copy of the relevant nomination form at [INSERT DPE DETAILS]. Contact [INSERT DETAILS] at [INSERT CONTACT DETAILS] for more information.

Applications must be lodged by [INSERT DATE] and sent to the independent chairperson of the Community Consultative Committee [INSERT NAME AND CONTACT DETAILS OF INDEPENDENT CHAIRPERSON]

Nomination Form – Local Community Representatives

Nomination details

I would like to be a local community representative on the [INSERT DEVELOPMENT NAME] Community Consultative Committee.

I accept that selection and appointment to the committee will be subject to my:

- being a current resident or landowner in the affected local government area/s;
- being able to demonstrate my involvement in local community groups or activities;
- having knowledge and awareness of the project and related issues of concern to the local community;
- being able to represent and communicate the interests of the affected local community;
- being willing to adhere to the committee’s code of conduct.

I have attached a supporting letter demonstrating how I meet the criteria for membership.

Signed declaration

If appointed to the committee, I:

- confirm that I am aware of my responsibilities as a local community representative on the [INSERT DEVELOPMENT NAME] Community Consultative Committee;
- accept that the position is voluntary with no entitlement to remuneration;
- agree to sign and comply with the committee’s code of conduct agreement; and
- agree to sign a declaration of pecuniary and non-pecuniary interests, and keep this declaration up to date.

Name

Contact details

Address

Stakeholder group (if relevant)

Signature and date

This signed nomination form and supporting letter must be sent directly to the independent chairperson of the Community Consultative Committee and not to the Department of Planning and Environment. The independent chairperson’s details can be found on the advertisement calling for nominations.

Nomination Form – Representatives of Stakeholder Groups

Nomination details

I would like to be a community representative on the [INSERT DEVELOPMENT NAME] Community Consultative Committee.

I accept that selection and appointment to the committee will be subject to my:

- being a member of a stakeholder group with an interest in the project, including an industry, community, environmental or Aboriginal group;
- having knowledge and awareness of the project and related issues of concern;
- being able to represent and communicate the interests of the group or community;
- being willing to adhere to the committee's code of conduct.

I have attached a supporting letter demonstrating how I meet the criteria for membership.

Signed declaration

If appointed to the Committee, I:

- confirm that I am aware of my responsibilities as a community representative on the [INSERT DEVELOPMENT NAME] Community Consultative Committee;
- accept that the position is voluntary with no entitlement to remuneration;
- agree to sign and comply with the committee's code of conduct agreement; and
- agree to sign a declaration of pecuniary and non-pecuniary interests, and keep this declaration up to date.

Name

Contact details

Address

Stakeholder group

Signature and date

This signed nomination form and supporting letter must be sent directly to the Community Consultative Committee Independent Chairperson and not to the Department of Planning and Environment. The Independent Chairperson's details can be found on the advertisement calling for nominations.

Code of Conduct Agreement – Independent Chairperson

As a condition of engagement, the independent chairperson of a Community Consultative Committee must agree to adhere to the following code of conduct.

Accepted behaviour

As the independent chairperson of the [INSERT DEVELOPMENT NAME] Community Consultative Committee, I understand I am expected to:

- personally chair all committee meetings, or if I can't be present get the Secretary of the Department to appoint an alternate chairperson for the meeting from its pool of independent chairpersons;
- oversee the appointment of community representatives to the committee;
- ensure that all matters dealt with by the committee fit within the purpose of the committee;
- act as a convener, facilitator, mediator and advisor for the committee to ensure that members can put forward views and that they are not interrupted;
- be independent and impartial with respect to all members of the committee;
- create an atmosphere of open and constructive participation by the members of the committee where they can communicate relevant concerns, interests and ideas and express their reasons for any disagreement;
- actively work with the members of the committee to try and resolve any disputes that may arise during the committee's activities;
- ensure confidential matters handled by the committee are kept confidential;
- be the key contact between the committee and the Department and other external parties;
- advise the Department as soon as possible of any potential or actual conflict of interest that may affect my ability to fulfil my role on the committee;
- ensure members of the committee comply with the code of conduct, and issue warnings to members who do not comply with this code; and
- review the performance of the committee from time to time, and refer any matters of concern to the Department.

Signed declaration

As the independent chairperson of the committee, I agree to abide by this code of conduct.

I further declare that I have no conflicts of interest in relation to appointment to this committee.

Name

Contact details

Address

Signature and date

Code of Conduct Agreement – Members

As a condition of engagement, all members of Community Consultative Committee must agree to adhere to the following code of conduct.

Accepted behaviour

As a member of the [INSERT DEVELOPMENT NAME] Community Consultative Committee, I understand I am expected to:

- attend committee meetings, at dates and times set by the committee’s independent chairperson
- advise the independent chairperson in advance if I am unable to attend meetings;
- respectfully engage with other members of the Committee;
- contribute to an atmosphere of open and constructive participation;
- openly communicate relevant concerns, interests and ideas and make reasons for any disagreement clear in a constructive and thoughtful manner;
- put forward views but also remain committed to open and shared dialogue;
- actively work with the members of the committee to try and resolve any disputes that may arise during the committee’s activities;
- ensure confidential matters handled by the committee are kept confidential, and refrain from discussing these matters with other parties outside meetings;
- not interrupt when another member is speaking;
- not speak publicly on behalf of the committee;
- not misrepresent the views of other members of the committee outside meetings;
- immediately advise the independent chairperson during meetings of any potential or actual conflict of interest relating to matters under discussion; and
- abide by the directions of the independent chairperson.

I understand that if I miss three consecutive meetings I may be replaced on the Committee.

Signed declaration

As a member of the committee, I agree to abide by this code of conduct.

Name

Contact details

Address

Stakeholder group (if you relevant)

Signature and date

Declaration of Pecuniary and Non-Pecuniary Interests

All members of Community Consultative Committees must sign a declaration of pecuniary and non-pecuniary interests before they join the committee, and keep this declaration up to date while they are members on the committee.

This declaration is designed to protect the integrity of the committee and the reputation of its members.

Examples of pecuniary interest may include but are not limited to:

- holding shares in an entity proposing or carrying out all or part of a State significant project;
- holding a private contract with the proponent;
- holding voluntary acquisition or mitigation rights under the proponent's consent;
- receiving sitting fees or payments of personal expenses from the proponent; and
- if the member represents a stakeholder group, if the stakeholder group has received funding or grants from the proponent.

A pecuniary interest is an interest a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person. Money does not have to change hands for there to be a pecuniary interest.

A non-pecuniary interest is a private or personal interest a person has that does not amount to a pecuniary interest but that may arise from family or personal relationships, or involvement in community, social or other cultural groups that may include an interest of a financial nature.

A No pecuniary or non-pecuniary interest to declare

As a member of the [INSERT DEVELOPMENT NAME] Community Consultative Committee I declare that I have no pecuniary or non-pecuniary interest to prevent me from carrying out my role on the [INSERT DEVELOPMENT NAME] Community Consultative Committee impartially and in the best interests of the local and broader community.

Should this change, I agree to update this declaration and advise the committee accordingly.

Name

Signature

Date

B Pecuniary or non-pecuniary interest to declare

As a member of the [INSERT DEVELOPMENT NAME] Community Consultative Committee, I declare that I have the following interests (tick as appropriate) that are relevant to the operation of the committee:

- Pecuniary interest. Please provide details:

.....

.....
.....

Non-pecuniary interest. Please provide details:

.....
.....
.....

Should this change, I agree to update this declaration and advise the committee accordingly.

I understand this declaration, and any subsequent actions that flow from this declaration, will be noted the committee's meeting notes, and that the independent chairperson of the committee may ask me to withdraw from discussion on particular issues.

Name

Signature

Date

Blayney Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“an innovative, inspirational
and enjoyable environment...”*



Blayney Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

91 Adelaide Street
Blayney NSW 2799

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

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

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

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

Blayney Shire Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

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

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Blayney Shire Council

General Purpose Financial Statements
for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 20 August 2018



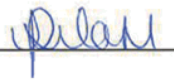
S. J. Ferguson
Mayor
20/18/2018



D. Kingham
Councillor
20/18/2018



R. Ryan
General Manager
20/18/18



T. Irlam
Responsible Accounting Officer
20/18/2018

Blayney Shire Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
10,555		3a	10,530	10,479
1,846		3b	2,435	2,399
375		3c	413	514
227		3d	356	221
3,450		3e,f	3,642	6,419
8,924		3e,f	6,085	2,314
<i>Other income:</i>				
713		5	180	159
–		16	188	144
26,090			23,829	22,649
Expenses from continuing operations				
6,516		4a	6,501	6,545
202		4b	176	157
2,224		4c	2,535	3,476
5,400		4d	5,457	5,051
2,598		4e	2,579	2,674
16,940			17,248	17,903
9,150			6,581	4,746
9,150			6,581	4,746
9,150			6,581	4,746
226			496	2,432

This statement should be read in conjunction with the accompanying notes.

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Blayney Shire Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	Restated 2017
Net operating result for the year (as per Income Statement)		6,581	4,746
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	3,108	693
Other comprehensive income – joint ventures and associates	16	3,281	286
Total items which will not be reclassified subsequently to the operating result		6,389	979
Total other comprehensive income for the year		6,389	979
Total comprehensive income for the year		12,970	5,725
Total comprehensive income attributable to Council		12,970	5,725

This statement should be read in conjunction with the accompanying notes.

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Blayney Shire Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	Restated 2017	Restated 1 July 2016
ASSETS				
Current assets				
Cash and cash equivalents	6a	2,715	9,743	1,075
Investments	6b	14,500	7,500	16,000
Receivables	7	2,113	1,288	640
Inventories	8	1,417	1,063	839
Other	8	67	63	52
Non-current assets classified as 'held for sale'	9	-	650	-
Total current assets		20,812	20,307	18,606
Non-current assets				
Receivables	7	76	126	208
Infrastructure, property, plant and equipment	10	210,712	199,623	194,456
Investments accounted for using the equity method	16	24,444	20,975	20,545
Intangible assets	11	126	173	241
Total non-current assets		235,358	220,897	215,450
TOTAL ASSETS		256,170	241,204	234,056
LIABILITIES				
Current liabilities				
Payables	12	1,148	2,143	748
Income received in advance	12	260	221	196
Borrowings	12	317	202	190
Provisions	13	1,850	1,753	1,623
Total current liabilities		3,575	4,319	2,757
Non-current liabilities				
Payables	12	2	2	1
Borrowings	12	4,439	1,780	1,982
Provisions	13	860	779	717
Total non-current liabilities		5,301	2,561	2,700
TOTAL LIABILITIES		8,876	6,880	5,457
Net assets		247,294	234,324	228,599
EQUITY				
Accumulated surplus	14	103,603	93,741	88,709
Revaluation reserves	14	143,691	140,583	139,890
Council equity interest		247,294	234,324	228,599
Total equity		247,294	234,324	228,599

This Statement should be read in conjunction with the accompanying Notes.

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Blayney Shire Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018		2017		Restated Total equity
		Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve	
Opening balance		93,741	140,563	88,787	135,145	223,932
Correction of prior period errors	14 (b)	-	-	(78)	4,745	4,667
Restated opening balance		93,741	140,563	88,709	139,890	228,599
Net operating result for the year prior to correction of errors and changes in accounting policies		6,581	-	4,824	-	4,824
Correction of prior period errors	14 (b)	-	-	(78)	-	(78)
Restated net operating result for the year		6,581	-	4,746	-	4,746
Other comprehensive income						
- Gain (loss) on revaluation of IPP&E	10a	-	3,108	-	693	693
- Joint ventures and associates	16	3,281	-	286	-	286
Other comprehensive income		3,281	3,108	286	693	979
Total comprehensive income (c&d)		9,862	3,108	5,032	693	5,725
Equity – balance at end of the reporting period		103,603	143,691	93,741	140,583	234,324

This statement should be read in conjunction with the accompanying notes.

Blayney Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
10,544			10,534	10,494
1,874			1,861	2,239
402			429	475
12,372			9,751	8,740
			12	9
216			1,783	1,370
Payments:				
(6,516)			(6,392)	(6,393)
(2,144)			(4,985)	(3,614)
(185)			(157)	(141)
(2,612)			(2,724)	(2,867)
13,951		15b	10,112	10,312
Cash flows from investing activities				
Receipts:				
2,500			-	-
-			-	45
1,627			1,431	341
60			38	8
Payments:				
-			(7,000)	8,500
(19,254)			(13,992)	(10,268)
-			(391)	-
-			-	(80)
(15,067)			(19,914)	(1,454)
Cash flows from financing activities				
Receipts:				
1,800			3,000	-
Payments:				
(287)			(226)	(190)
1,513			2,774	(190)
397			(7,028)	8,668
947		15a	9,743	1,075
1,344		15a	2,715	9,743
Additional Information:				
		6b	14,500	7,500
			17,215	17,243

This statement should be read in conjunction with the accompanying notes.

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 20/08/2018.

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies. Trust monies and other assets subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *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 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.

Effective for annual reporting periods beginning on or after 1 July 2019

- *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 contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Blayney Shire Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
1. Grow the wealth of the Shire	248	336	650	763	(402)	(427)	23	10	2,899	2,671
2. A centre for sports and culture	402	400	1,260	1,190	(858)	(790)	40	40	1,161	270
3. Preserve and enhance our heritage and rural landscapes	142	137	331	317	(189)	(180)	7	4	–	–
4. Develop and maintain shire infrastructure	10,275	8,450	8,718	8,925	1,557	(475)	6,598	5,191	210,764	200,605
5. Develop strong and connected communities	943	493	2,028	2,177	(1,085)	(1,684)	442	239	8,144	8,565
6. Leadership	11,819	12,833	4,261	4,531	7,558	8,302	1,799	2,505	33,202	29,093
Total functions and activities	23,829	22,649	17,248	17,903	6,581	4,746	8,909	7,989	256,170	241,204

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

1. Grow the wealth of the Shire

To provide opportunities for growth particularly in the areas of agriculture, mining and tourism. Council Functions included are Tourism & Area Development, Industrial Development, Real Estate and Building Control.

2. A centre for sports and culture

To promote participation in sports and cultural activities across the shire. Council functions included are Public Libraries, CentrePoint Sport & Leisure, Youth Services and Other Cultural Services.

3. Preserve and enhance our heritage and rural landscapes

To preserve and encourage sustainable land use practices particularly in areas of increasing population whilst addressing vegetation and salinity issues. Council functions included are Noxious Plants and Town Planning.

4. Develop and maintain shire infrastructure

Transport, rail and roads connect the Shire to the region and help people and goods move throughout it. Water and Sewerage infrastructure are essential for public health and economic growth. Council functions included are Engineering and Works Operations, Plant Operations, Public Conveniences, Sewerage Services, Other Waste Management, Street Cleaning, Stormwater Drainage and Roads, Bridges, Footpaths, Kerb & Gutter and Street Lighting.

5. Develop strong and connected communities

The geographical spread and distances between our town and villages can at times cause a lack of cohesion. There is a need to integrate, improve communication and linkages between our communities so they can share, support and learn from one another helping to build their capacity to be self reliant. Council functions included are Family & Community Services, Aged & Disabled, Community Services Administration and Fire & Emergency Services.

6. Leadership

To help build the capacity of existing and emerging community leaders throughout the Shire to strengthen networks, build trust and result in more successful outcomes. Council needs to be well run and resourced to do the work it has to help achieve the desired outcomes for the community. Council functions included are Governance, Corporate Support, Environmental Services, Animal and Food Control, Domestic Waste Management and the collection of Rates and other General Purpose revenues.

Blayney Shire Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	1,763	1,844
Farmland	2,108	1,968
Mining	2,643	2,539
Business	346	405
Less: pensioner rebates (mandatory)	(83)	(89)
Total ordinary rates	6,777	6,667
Special rates		
Mining special rate	1,537	1,688
Total special rates	1,537	1,688
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,069	1,022
Sewerage services	1,085	1,046
Waste management services (non-domestic)	138	134
Less: pensioner rebates (mandatory)	(76)	(78)
Total annual charges	2,216	2,124
TOTAL RATES AND ANNUAL CHARGES	10,530	10,479

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

Accounting policy for rates and annual charges

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

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

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Sewerage services	238	200
Total specific user charges	238	200
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	205	220
Private works – section 67	67	202
Section 149 certificates (EPA Act)	20	20
Section 603 certificates	19	17
Other	8	8
Total fees and charges – statutory/regulatory	319	467
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	105	44
Fire and emergency services levy (FESL) implementation	–	266
Lease rentals	163	204
Leaseback fees – Council vehicles	61	56
Multipurpose centre	352	356
Quarry revenues	637	236
RMS (formerly RTA) charges (state roads not controlled by Council)	456	402
Waste disposal tipping fees	84	161
Other	20	7
Total fees and charges – other	1,878	1,732
TOTAL USER CHARGES AND FEES	2,435	2,399

Accounting policy for user charges and fees

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	12	14
– Cash and investments	401	495
– Deferred debtors	–	5
TOTAL INTEREST AND INVESTMENT REVENUE	413	514
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	12	14
General Council cash and investments	246	327
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	22	20
– Section 64	22	23
Sewerage fund operations	111	130
Total interest and investment revenue recognised	413	514
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Rental income – other council properties	17	8
Legal fees recovery – other	23	30
Diesel rebate	143	73
Insurance claim recoveries	8	14
Insurance rebates	42	56
Other	123	40
TOTAL OTHER REVENUE	356	221

Accounting policy for other revenue

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

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

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

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

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

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	846	1,598	–	–
Financial assistance – local roads component	411	786	–	–
Payment in advance – future year allocation				
Financial assistance – general component	868	826	–	–
Financial assistance – local roads component	423	403	–	–
Other				
Pensioners' rates subsidies – general component	46	49	–	–
Total general purpose	2,594	3,662	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Sewerage	14	15	–	–
– Domestic waste management	27	28	–	–
Bushfire and emergency services	–	–	220	109
Domestic waste	–	84	–	–
Employment and training programs	12	2	–	–
Environmental protection	43	52	–	–
Heritage and cultural	7	4	–	–
Library	39	39	–	–
LIRS subsidy	28	32	–	–
Recreation and culture	–	–	32	129
Street lighting	21	21	–	–
Tourism	5	10	15	–
Transport (roads to recovery)	395	1,401	–	–
Transport (other roads and bridges funding)	75	690	4,830	1,707
Youth services	1	1	–	–
Innovations Funding	–	–	183	–
Stronger Country Communities	–	–	365	–
Other	3	3	–	–
Total specific purpose	670	2,382	5,645	1,945
Total grants	3,264	6,044	5,645	1,945
Grant revenue is attributable to:				
– Commonwealth funding	2,946	5,020	3,020	535
– State funding	318	1,024	2,625	1,410
	3,264	6,044	5,645	1,945

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	87	77
S 64 – sewerage service contributions		–	–	6	38
Total developer contributions – cash		–	–	93	115
Total developer contributions	23	–	–	93	115
Other contributions:					
Cash contributions					
Bushfire services		46	45	–	–
Other councils – joint works/services		–	3	–	–
Recreation and culture		–	–	89	90
Roads and bridges		3	5	258	164
RMS contributions (regional roads, block grant)		327	322	–	–
Tourism		2	–	–	–
Total other contributions – cash		378	375	347	254
Total other contributions		378	375	347	254
Total contributions		378	375	440	369
TOTAL GRANTS AND CONTRIBUTIONS		3,642	6,419	6,085	2,314

Accounting policy for contributions

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

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

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

Blayney Shire Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	179	1,282
Add: operating grants recognised in the current period but not yet spent	460	179
Less: operating grants recognised in a previous reporting period now spent	(179)	(1,282)
Unexpended and held as restricted assets (operating grants)	<u><u>460</u></u>	<u><u>179</u></u>
Contributions		
Unexpended at the close of the previous reporting period	1,672	1,515
Add: contributions recognised in the current period but not yet spent	137	157
Less: contributions recognised in a previous reporting period now spent	(109)	-
Unexpended and held as restricted assets (contributions)	<u><u>1,700</u></u>	<u><u>1,672</u></u>

Blayney Shire Council

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

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	5,635	5,411
Travel expenses	10	12
Employee leave entitlements (ELE)	926	755
ELE on-costs	7	4
Superannuation	642	603
Workers' compensation insurance	110	103
Fringe benefit tax (FBT)	72	77
Training costs (other than salaries and wages)	147	179
Protective clothing	25	28
Other	23	28
Total employee costs	7,597	7,200
Less: capitalised costs	(1,096)	(655)
TOTAL EMPLOYEE COSTS EXPENSED	6,501	6,545
Number of 'full-time equivalent' employees (FTE) at year end	92	84

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

(b) Borrowing costs	2018	2017
(i) Interest bearing liability costs		
Interest on loans	171	139
Total interest bearing liability costs expensed	171	139
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	5	18
Total other borrowing costs	5	18
TOTAL BORROWING COSTS EXPENSED	176	157

Accounting policy for borrowing costs

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

Blayney Shire Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	2,306	2,956
Contractor and consultancy costs	135	346
Auditors remuneration ⁽²⁾	33	36
Legal expenses:		
– Legal expenses: planning and development	4	3
– Legal expenses: debt recovery	23	35
– Legal expenses: other	10	21
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	24	18
Return of contaminated land management grant	–	61
TOTAL MATERIALS AND CONTRACTS	2,535	3,476

Operating leases

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

1. Operating lease payments are attributable to:

Other	24	18
	24	18

2. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	32	28
Remuneration for audit and other assurance services	32	28

Total Auditor-General remuneration

32	28
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Non NSW Auditor-General audit firms:

(i) Audit and other assurance services

Audit and review of financial statements	1	8
Remuneration for audit and other assurance services	1	8

Total remuneration of non NSW Auditor-General audit firms

1	8
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Total Auditor remuneration

33	36
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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		810	663
Office equipment		58	69
Furniture and fittings		17	19
Land improvements (depreciable)		353	351
Infrastructure:			
– Buildings – non-specialised		90	121
– Buildings – specialised		713	680
– Roads		2,331	2,004
– Bridges		246	265
– Footpaths		81	75
– Stormwater drainage		86	81
– Sewerage network		509	519
– Swimming pools		1	–
– Other open space/recreational assets		85	85
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 13	11	25
– Quarry assets	10 & 13	15	–
Intangible assets	11	51	94
Total depreciation and amortisation costs		5,457	5,051
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED			
		5,457	5,051

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	79	71
Bad and doubtful debts	–	83
Bank charges	22	24
Cleaning	7	5
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	32	32
– NSW fire brigade levy	214	257
Councillor expenses – mayoral fee	25	24
Councillor expenses – councillors' fees	79	77
Councillors' expenses (incl. mayor) – other (excluding fees above)	19	8
Donations, contributions and assistance to other organisations (Section 356)	303	298
– Contributions to Central West Libraries	154	158
– Contribution to Upper Macquarie County Council	70	69
Electricity and heating	254	258
Fire and emergency services levy (FESL) implementation costs	–	177
Insurance	417	445
Postage	16	18
Printing and stationery	48	39
Street lighting	135	113
Subscriptions and publications	284	247
Telephone and communications	48	46
Valuation fees	32	31
Water charges	161	124
Other	180	70
<u>TOTAL OTHER EXPENSES</u>	<u>2,579</u>	<u>2,674</u>

Accounting policy for other expenses

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

Blayney Shire Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		–	2
Less: carrying amount of property assets sold/written off		(35)	–
Net gain/(loss) on disposal		(35)	2
Plant and equipment	10		
Proceeds from disposal – plant and equipment		473	339
Less: carrying amount of plant and equipment assets sold/written off		(286)	(126)
Net gain/(loss) on disposal		187	213
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(298)	(35)
Net gain/(loss) on disposal		(298)	(35)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	45
Less: carrying amount of real estate assets sold/written off		–	(66)
Net gain/(loss) on disposal		–	(21)
Non-current assets classified as 'held for sale'	9		
Proceeds from disposal – non-current assets 'held for sale'		958	–
Less: carrying amount of 'held for sale' assets sold/written off		(632)	–
Net gain/(loss) on disposal		326	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		180	159

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	2,715	2,243
Cash-equivalent assets		
– Short-term deposits	–	7,500
Total cash and cash equivalents	2,715	9,743

Accounting policy for cash and cash equivalents

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	14,500	–	7,500	–
Total investments	14,500	–	7,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	17,215	–	17,243	–
Held to maturity investments				
Long term deposits	14,500	–	7,500	–
Total	14,500	–	7,500	–

Accounting policy for investments

Classification

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

Held to maturity investments

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

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

Recognition and de-recognition

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

Blayney Shire Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	17,215	–	17,243	–
attributable to:				
External restrictions (refer below)	9,090	–	9,111	–
Internal restrictions (refer below)	8,093	–	7,616	–
Unrestricted	32	–	516	–
	<u>17,215</u>	<u>–</u>	<u>17,243</u>	<u>–</u>

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	812	812
Developer contributions – sewer fund	888	860
Specific purpose unexpended grants	460	179
Sewerage services	4,808	4,482
Domestic waste management	987	848
Voluntary planning agreement – mining	217	1,217
Rates – special variation mining	918	713
	<u>9,090</u>	<u>9,111</u>

External restrictions – other

Total external restrictions	<u>9,090</u>	<u>9,111</u>
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Internal restrictions

Plant and vehicle replacement	766	219
Employees leave entitlement	764	661
Asset reserve – buildings	149	157
Asset reserve – parks and recreation	322	347
Asset reserve – stormwater	105	51
Asset reserve – transport	1,907	2,454
Blayney sports facility master plans	126	153
Blayney town works	5	5
Cemeteries	49	41
Centrepoint reserve	866	997
Election reserve	40	78
Environmental projects – Belubula river	53	54
Financial assistance grant	1,290	1,229
Inala units	–	96
I.T reserve	96	96
King George Oval	161	170
Property account	1,145	545
Quarry	174	174
Village enhancement program	75	89
	<u>8,093</u>	<u>7,616</u>

Total internal restrictions

TOTAL RESTRICTIONS	<u>17,183</u>	<u>16,727</u>
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Blayney Shire Council

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

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	110	76	136	54
Interest and extra charges	37	–	46	–
User charges and fees	1,333	–	880	–
Private works	286	–	–	–
Accrued revenues				
– Interest on investments	166	–	173	–
Deferred debtors	92	–	58	72
Government grants and subsidies	2	–	3	–
Net GST receivable	213	–	127	–
Total	2,239	76	1,423	126
Less: provision for impairment				
Other debtors	(126)	–	(135)	–
Total provision for impairment – receivables	(126)	–	(135)	–
TOTAL NET RECEIVABLES	2,113	76	1,288	126
Externally restricted receivables				
Water supply				
– Rates and availability charges	–	–	39	–
Sewerage services				
– Rates and availability charges	43	–	–	–
Domestic waste management	24	–	31	–
Total external restrictions	67	–	70	–
Unrestricted receivables	2,046	76	1,218	126
TOTAL NET RECEIVABLES	2,113	76	1,288	126
Movement in provision for impairment of receivables				
Balance at the beginning of the year			2018	2017
+ new provisions recognised during the year			135	133
– amounts already provided for and written off this year			–	135
– amounts provided for but recovered during the year			–	(133)
			(9)	–
Balance at the end of the year			126	135

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Blayney Shire Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	770	–	379	–
Stores and materials	99	–	83	–
Trading stock	548	–	601	–
Total inventories at cost	1,417	–	1,063	–
TOTAL INVENTORIES	1,417	–	1,063	–
(b) Other assets				
Prepayments	67	–	63	–
TOTAL OTHER ASSETS	67	–	63	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		391	–	–	–
Industrial/commercial		379	–	379	–
Total real estate for resale		770	–	379	–
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		764	–	379	–
Development costs		6	–	–	–
Total costs		770	–	379	–
Total real estate for resale		770	–	379	–
Movements:					
Real estate assets at beginning of the year		379	–	445	–
– Purchases and other costs		391	–	–	–
– WDV of sales (expense)	5	–	–	(66)	–
Total real estate for resale		770	–	379	–

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	379	379
	379	379

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

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

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

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Blayney Shire Council

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

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Buildings	-	-	650	-
Total non-current assets 'held for sale'	-	-	650	-
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'				
	-	-	650	-

(ii) Details of assets and disposal groups

An expression of interest for the sale of Inala Units was undertaken throughout the financial year. At the May meeting Council endorsed the recommendation to proceed with the selective tender which closed on the 29 June 2017. Council determined the outcome of that tender at its July meeting and entered negotiations with the preferred tender which was resolved at an Extraordinary Council meeting on 8 August 2017.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale' and disposal groups		
Opening balance	650	-
Less: carrying value of assets/operations sold	(632)	-
Balance still unsold after 12 months:	18	-
Plus new transfers in:		
- Assets 'held for sale'	(18)	650
Closing balance of 'held for sale' non-current assets and operations	-	650

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Blayney Shire Council

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

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Trns from/to 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	152	-	152	340	247	-	-	(72)	-	-	-	-	667	-	667
Plant and equipment	12,950	8,356	4,594	-	1,982	(285)	(810)	-	(42)	-	-	-	12,463	7,024	5,439
Office equipment	798	654	144	-	154	-	(58)	-	42	-	-	-	741	459	282
Furniture and fittings	531	389	142	-	3	(1)	(17)	-	(45)	-	-	-	398	316	82
Land:															
- Operational land	1,317	-	1,317	-	-	-	-	-	(187)	-	-	35	1,165	-	1,165
- Community land	4,043	-	4,043	-	-	-	-	-	-	-	-	-	4,043	-	4,043
Land improvements - depreciable	6,552	2,482	4,070	-	-	(32)	(353)	68	(107)	-	-	-	6,313	2,667	3,646
Infrastructure:															
- Buildings - non-specialised	2,671	1,254	1,417	-	-	(1)	(90)	-	22	18	-	13	1,981	612	1,378
- Buildings - specialised	26,753	12,130	14,623	189	209	(34)	(713)	-	(843)	-	2,874	2,874	26,247	9,942	16,305
- Roads	128,915	29,432	99,483	7,357	-	-	(2,331)	-	33	-	-	-	136,307	31,765	104,542
- Bridges	26,841	3,805	23,036	1,993	-	(266)	(246)	-	(15)	-	-	-	27,816	3,314	24,502
- Footpaths	6,301	2,029	4,272	-	128	-	(81)	-	6	-	-	-	6,435	2,110	4,325
- Bulk earthworks (non-depreciable)	11,625	-	11,625	-	-	-	-	-	-	-	-	-	11,625	-	11,625
- Stormwater drainage	8,964	1,340	7,624	-	1,159	-	(86)	-	-	-	-	-	10,123	1,426	8,697
- Sewerage network	30,275	10,405	19,870	-	-	-	(509)	-	-	-	407	-	30,911	11,143	19,768
- Swimming pools	-	-	-	-	-	-	(1)	-	1,050	-	(221)	-	1,500	672	828
- Other open space/recreational assets	4,102	1,147	2,955	67	107	-	(85)	4	86	-	-	-	4,524	1,390	3,134
Reinstatement, rehabilitation and restoration assets (refer Note 13):															
- Tip assets	225	146	79	-	53	-	(11)	-	-	-	-	-	278	157	121
- Quarry assets	214	37	177	-	-	-	(15)	-	-	-	-	-	214	52	162
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	273,229	73,606	199,623	9,946	4,042	(619)	(5,406)	-	-	18	(221)	3,329	283,761	73,049	210,712

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	40
Office furniture	10 to 20	Benches, seats etc.	25 to 50
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	15 to 150
Other plant and equipment	5 to 15	Buildings: other	15 to 150
Sewer assets		Stormwater assets	
Dams and reservoirs	20 to 80	Pits	80
Bores	20 to 40	Pipes	100
Reticulation pipes: PVC	50 to 95	Culverts	100
Reticulation pipes: other	50 to 95	Flood control structures	80 to 100
Pumps and telemetry	10 to 80		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	13 to 25	Bulk earthworks	150
Sealed roads: structure	40 to 150	Swimming pools	80
Unsealed roads	10 to 150	Other open space/recreational assets	25 to 100
Bridge: concrete	100	Other infrastructure	14 to 100
Bridge: other	50		
Road pavements	40 to 150		
Kerb, gutter and footpaths	20 to 200		

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant and vehicles consistent with Council's guidelines on recognition of Rural Fire Service Assets

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Sewerage services						
WIP	–	–	–	5	–	5
Plant and equipment	368	176	192	364	148	216
Land						
– Community land	229	–	229	229	–	229
Buildings	–	–	–	338	110	228
Infrastructure	30,911	11,143	19,768	30,275	10,405	19,870
Total sewerage services	31,508	11,319	20,189	31,211	10,663	20,548
Domestic waste management						
Land						
– Community land	160	–	160	160	–	160
Total DWM	160	–	160	160	–	160
TOTAL RESTRICTED IPP&E	31,668	11,319	20,349	31,371	10,663	20,708

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Blayney Shire Council

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

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	499	472
Accumulated amortisation (1/7)	<u>(326)</u>	<u>(231)</u>
Net book value – opening balance	<u>173</u>	<u>241</u>
Movements for the year		
– Purchases	11	27
– Amortisation charges	(51)	(94)
– Gross book value written off	(9)	–
– Accumulated amortisation charges written off	2	–
Closing values:		
Gross book value (30/6)	501	499
Accumulated amortisation (30/6)	<u>(375)</u>	<u>(326)</u>
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	<u>126</u>	<u>173</u>

¹ The net book value of intangible assets represent:

– Software	<u>126</u>	<u>173</u>
	<u>126</u>	<u>173</u>

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

Blayney Shire Council

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

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	833	–	1,856	–
Accrued expenses:				
– Borrowings	29	–	15	–
– Other expenditure accruals	34	2	32	2
Security bonds, deposits and retentions	252	–	240	–
Total payables	1,148	2	2,143	2
Income received in advance				
Payments received in advance	260	–	221	–
Total income received in advance	260	–	221	–
Borrowings				
Loans – secured ¹	317	4,439	202	1,780
Total borrowings	317	4,439	202	1,780
TOTAL PAYABLES AND BORROWINGS	1,725	4,441	2,566	1,782

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Sewer	88	567	62	610
Payables and borrowings relating to externally restricted assets	88	567	62	610
Total payables and borrowings relating to restricted assets	88	567	62	610
Total payables and borrowings relating to unrestricted assets	1,637	3,874	2,504	1,172
TOTAL PAYABLES AND BORROWINGS	1,725	4,441	2,566	1,782

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

Blayney Shire Council

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

Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	177	216
	<u>177</u>	<u>216</u>

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	1,982	2,774	–	–	–	4,756
TOTAL	1,982	2,774	–	–	–	4,756

\$ '000	2018	2017
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(d) Financing arrangements

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

Bank overdraft facilities ⁽¹⁾	50	50
Credit cards/purchase cards	40	40
Total financing arrangements	90	90
Drawn facilities as at balance date:		
– Credit cards/purchase cards	6	8
Total drawn financing arrangements	6	8
Undrawn facilities as at balance date:		
– Bank overdraft facilities	50	50
– Credit cards/purchase cards	34	32
Total undrawn financing arrangements	84	82

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

Finance leases

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

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Blayney Shire Council

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

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	492	–	488	–
Long service leave	1,270	111	1,182	89
ELE on-costs	88	4	83	3
Sub-total – aggregate employee benefits	1,850	115	1,753	92
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	745	–	687
Sub-total – asset remediation/restoration	–	745	–	687
TOTAL PROVISIONS	1,850	860	1,753	779

(a) Provisions relating to restricted assets

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

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

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

Provisions – employees benefits	1,377	1,305
	1,377	1,305

Blayney Shire Council

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

Note 13. Provisions (continued)

\$ '000		
(c) Description of and movements in provisions		
	Other provisions	
2018	Asset remediation	Total
At beginning of year	687	687
Changes to provision:		
Additional provisions	53	53
Unwinding of discount	5	5
Total other provisions at end of year	745	745
2017		
At beginning of year	657	657
Changes to provision:		
Additional provisions	12	12
Unwinding of discount	18	18
Total other provisions at end of year	687	687

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Blayney Shire Council

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

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Buildings Specialised - during the revaluation process for Buildings, Council staff investigated the large increase in the valuation of Council's Multipurpose Centre. It was identified that during the previous valuation the size of the building had been valued using roughly 1/3 of the actual footprint resulting in a significant error in the previous value of this building. A similar error was identified with the Showground Pavilion.

Operational Land - A parcel of land categorised as Operational Land was also classified as Industrial Land Held for Sale. The error was identified during the revaluation of Operational Land.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2016) and taking the adjustment through to accumulated surplus at that date.

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

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Infrastructure property plant and equipment	195,034	4,589	199,623
Total assets	236,615	4,589	241,204
Total liabilities	6,880	-	6,880
Revaluation reserve - buildings	9,214	4,817	14,031
Revaluation reserve - land	4,330	(150)	4,180
Retained earnings	88,787	(78)	88,709
Total equity	229,735	4,589	234,324
Income Statement			
Total income from continuing operations	22,649	-	22,649
Depreciation	4,973	78	5,051
Total expenses from continuing operations	17,825	78	17,903
Net operating result for the year	4,824	(78)	4,746

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Blayney Shire Council

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

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	2,715	9,743
Balance as per the Statement of Cash Flows		2,715	9,743
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,581	4,746
Adjust for non-cash items:			
Depreciation and amortisation		5,457	5,051
Net losses/(gains) on disposal of assets		(180)	(159)
Unwinding of discount rates on reinstatement provisions		5	18
Share of net (profits) or losses of associates/joint ventures		(188)	(144)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(804)	(496)
Increase/(decrease) in provision for doubtful debts		(9)	2
Decrease/(increase) in inventories		37	(290)
Decrease/(increase) in other assets		(4)	(11)
Increase/(decrease) in payables		(1,023)	1,435
Increase/(decrease) in accrued interest payable		14	(2)
Increase/(decrease) in other accrued expenses payable		2	2
Increase/(decrease) in other liabilities		51	(14)
Increase/(decrease) in employee leave entitlements		120	162
Increase/(decrease) in other provisions		53	12
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		10,112	10,312

Blayney Shire Council

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

Note 16. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
	Associates	188	144	24,444
Total	188	144	24,444	20,975

(a) Associates

Council has incorporated the following associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Central Tablelands Water	Associate	Equity	24,213	20,786
Upper Macquarie County Council	Associate	Equity	231	189
Total carrying amounts – material associates			24,444	20,975

(b) Details

Name of entity	Principal activity	Place of business
Central Tablelands Water	Water supply	Blayney
Upper Macquarie County Council	Weeds Council	Bathurst

(c) Relevant interests and fair values

Name of entity	2018	2017
Central Tablelands Water	33%	33%
Upper Macquarie County Council	25%	25%

(d) Summarised financial information for associates

Statement of financial position	Central Tablelands Water		Upper Macquarie County Council	
	2018	2017	2018	2017
Current assets				
Cash and cash equivalents	1,165	873	818	874
Other current assets	6,835	9,124	76	133
Non-current assets	67,961	56,284	175	160
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	274	409	–	–
Other current liabilities	1,130	1,156	129	327
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	1,912	2,352	16	85
Net assets	72,645	62,364	924	755

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Blayney Shire Council

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

Note 16. Interests in other entities (continued)

\$ '000

(a) Associates (continued)	Central Tablelands Water		Upper Macquarie County Council	
	2018	2017	2018	2017
Reconciliation of the carrying amount				
Opening net assets (1 July)	62,364	60,978	755	885
Profit/(loss) for the period	539	532	33	(130)
Dividends received	11,128	854	–	–
Other adjustments to equity	(1,386)	–	136	–
Closing net assets	72,645	62,364	924	755
Council's share of net assets (%)	33.3%	33.3%	25.0%	25.0%
Council's share of net assets (\$)	24,213	20,786	231	189
Statement of comprehensive income				
Income	5,774	5,697	1,193	1,740
Interest income	210	206	14	14
Depreciation and amortisation	(1,807)	(1,822)	(50)	(45)
Interest expense	(172)	(198)	–	–
Other expenses	(3,466)	(3,351)	(1,124)	(1,839)
Profit/(loss) from continuing operations	539	532	33	(130)
Profit/(loss) for period	539	532	33	(130)
Other comprehensive income	9,742	854	–	–
Total comprehensive income	10,281	1,386	33	(130)
Share of income – Council (%)	33.3%	33.3%	25.0%	25.0%
Profit/(loss) – Council (\$)	180	177	8	(33)
Total comprehensive income – Council (\$)	3,427	462	8	(33)
Summarised Statement of cash flows				
Cash flows from operating activities	2,145	2,446	158	(105)
Cash flows from investing activities	(1,444)	(1,594)	(105)	(4)
Cash flows from financing activities	(409)	(383)	–	–
Net increase (decrease) in cash and cash equivalents	292	469	53	(109)

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

(a) Associates (continued)

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128

Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

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

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

Note 17. Commitments for expenditure

\$ '000	2018	2017
Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	37	23
Later than one year and not later than 5 years	89	60
Later than 5 years	–	–
Total non-cancellable operating lease commitments	126	83

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

- Gym equipment lease for 40 months including 3 treadmills, 2 cross trainers, 2 rowers, 3 lifecycle bikes and one powermill.
- Photocopier equipment lease for 60 months for 5 photocopiers and 1 large format printer.

Conditions relating to operating leases:

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

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

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

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

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$ 55,000.00.

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

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 7% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

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

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

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Blayney Shire Council

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

Note 19. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	2,715	9,743	2,715	9,743
Investments				
– 'Held to maturity'	14,500	7,500	14,500	7,500
Receivables	2,189	1,414	2,189	1,414
Total financial assets	19,404	18,657	19,404	18,657
Financial liabilities				
Payables	1,150	2,145	1,150	2,145
Loans/advances	4,756	1,982	4,873	2,025
Total financial liabilities	5,906	4,127	6,023	4,170

Fair value is determined as follows:

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

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	27	27	(27)	(27)
2017				
Possible impact of a 1% movement in interest rates	22	22	(22)	(22)

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	80%	0%	45%
Overdue	100%	20%	100%	55%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

	2018	2017
Rates and annual charges		
< 1 year overdue	110	136
1 – 2 years overdue	34	27
2 – 5 years overdue	38	27
> 5 years overdue	4	–
	<u>186</u>	<u>190</u>
Other receivables		
Current	1,712	748
0 – 30 days overdue	68	237
31 – 60 days overdue	46	8
61 – 90 days overdue	44	61
> 91 days overdue	259	305
	<u>2,129</u>	<u>1,359</u>

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	252	896	2	–	1,150	1,150
Loans and advances	6.10%	–	548	2,190	3,852	6,590	4,756
Total financial liabilities		252	1,444	2,192	3,852	7,740	5,906
2017							
Trade/other payables	0.00%	240	1,903	2	–	2,145	2,145
Loans and advances	6.63%	–	330	1,320	964	2,614	1,982
Total financial liabilities		240	2,233	1,322	964	4,759	4,127

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 19 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	10,555	10,530	(25)	(0%)	U
User charges and fees	1,846	2,435	589	32%	F
Quarry revenues were higher than forecast due to the large volume of material used in completion of works on the Southern Cadia Access and Browns Creek Road upgrades.					
Interest and investment revenue	375	413	38	10%	F
Interest forecasts were conservative given the low interest rate climate that has been experienced over the last couple of years. A 2.5% rate was forecast with the average annual interest rate achieved being 2.63%					
Other revenues	227	356	129	57%	F
Diesel fuel rebates received were 60k more than forecast due to the massive capital works programs undertaken this financial year and the purchase of additional temporary fleet to resources works. Council also received 16k in energy savings credits for two of its high use sites.					
Operating grants and contributions	3,450	3,642	192	6%	F
Capital grants and contributions	8,924	6,085	(2,839)	(32%)	U
Council forecast major works to CentrePoint but was unsuccessful with the first round of funding needed to complete the works, 437k of grant funding was forecast to help fund this project. Council was also unsuccessful in securing funding for works on Mandurama Rd of 391k. Major works were programmed on both Browns Creek Rd & the Southern Cadia Access which forecast grant funding of 7.1m. Both projects are well under construction but did not reach the anticipated completion milestone by 30 June 2018. Progress claims for works are submitted in arrears and as such were not received in 2017/18 as originally forecast					
Net gains from disposal of assets	713	180	(533)	(75%)	U
Council replaced six timber bridges in 2017/18 and did not foresee a significant loss on the disposal of assets of 266k. Some of the bridges were still in a reasonable state however efficiencies were made by replacing all six bridges at once.					
Joint ventures and associates - net profits	-	188	188	0%	F
Council did not budget any share of interests in Joint Ventures and associates.					

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Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	6,516	6,501	15	0%	F
Borrowing costs	202	176	26	13%	F
New borrowings to fund the Bridge Replacement Program were drawn later than forecast					
Materials and contracts	2,224	2,535	(311)	(14%)	U
Council budgeted for the recruitment of a temporary workforce to manage general operations during construction of its major capital works program. Temporary staff proved difficult to recruit and operations were resourced through contracts with labour hire companies including a temporary Operations Manager.					
Depreciation and amortisation	5,400	5,457	(57)	(1%)	U
Other expenses	2,598	2,579	19	1%	F

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

Cash flows from operating activities	13,951	10,112	(3,839)	(27.5%)	U
A number of budgeted capital grants were either unsuccessful or tracking behind anticipated milestones resulting in \$2.8m variance in Capital Grants received in the 2017/18 year. This funding will be recognised on receipt in the 2018/19 Financial Year.					
Cash flows from investing activities	(15,067)	(19,914)	(4,847)	32.2%	U
Cash flows from financing activities	1,513	2,774	1,261	83.3%	F
Borrowings to fund the Bridge Replacement Program in 2016/17 were deferred and combined with proposed borrowings in 2017/18. Total new borrowings in 2017/18 was \$3m instead of \$1.8m originally forecast.					

Blayney Shire Council

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

Note 21. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	5,439	5,439
Office equipment	30/06/18	–	–	282	282
Furniture and fittings	30/06/18	–	–	82	82
Operational land	30/06/18	–	–	1,165	1,165
Community land	30/06/18	–	–	4,043	4,043
Depreciable land improvements	30/06/18	–	–	3,646	3,646
Buildings – specialised	30/06/18	–	–	1,379	1,379
Buildings – non-specialised	30/06/18	–	–	16,305	16,305
Open space/recreation assets	30/06/18	–	–	3,134	3,134
Roads	30/06/18	–	–	104,542	104,542
Bridges	30/06/18	–	–	24,502	24,502
Footpaths	30/06/18	–	–	4,325	4,325
Bulk earthworks	30/06/18	–	–	11,625	11,625
Stormwater	30/06/18	–	–	8,697	8,697
Sewerage network	30/06/18	–	–	19,768	19,768
Tip assets	30/06/18	–	–	121	121
Quarry assets	30/06/18	–	–	162	162
Capital Work In Progress	30/06/18	–	–	667	667
Swimming Pools	30/06/18	–	–	828	828
Total infrastructure, property, plant and equipment		–	–	210,712	210,712

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/17	–	–	4,594	4,594
Office equipment	30/06/17	–	–	144	144
Furniture and fittings	30/06/17	–	–	142	142
Operational land	30/06/17	–	–	1,317	1,317
Community land	30/06/17	–	–	4,043	4,043
Depreciable land improvements	30/06/17	–	–	4,070	4,070
Buildings – specialised	30/06/17	–	–	1,417	1,417
Buildings – non-specialised	30/06/17	–	–	14,623	14,623
Open space/recreation assets	30/06/17	–	–	2,955	2,955
Roads	30/06/17	–	–	99,483	99,483
Bridges	30/06/17	–	–	23,036	23,036
Footpaths	30/06/17	–	–	4,272	4,272
Bulk earthworks	30/06/17	–	–	11,625	11,625
Stormwater	30/06/17	–	–	7,624	7,624
Sewerage network	30/06/17	–	–	19,870	19,870
Tip assets	30/06/17	–	–	79	79
Quarry assets	30/06/17	–	–	177	177
Capital Work In Progress	30/06/17	–	–	152	152
Total infrastructure, property, plant and equipment		–	–	199,623	199,623

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

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

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (i.e. Level 1 inputs), Council instead utilises a spread of both observable inputs (Level 2 inputs) and unobservable inputs (Level 3 inputs).

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant and Equipment – Major plant (graders, loaders trucks etc.), fleet vehicles (cars, utes etc.) and minor plant (chainsaws, mowers etc.)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Plant and Equipment are valued at cost but are disclosed at fair value.

Office Equipment – Computers, servers

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Office Equipment is valued at cost but is disclosed at fair value.

Furniture and Fittings – Desks, chairs, air conditioners, cupboards

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Purchase price, useful lives (current replacement cost)

Furniture and Fittings are valued at cost but are disclosed at fair value.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Operational Land – Industrial land, quarries, residential aged care units

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

Council's Operational Land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land's description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Australis Asset Advisory Group analysed sales of similar properties as a basis of comparison in order to arrive at a value

Community Land – Parkland, sporting grounds, reserves, land under public buildings (halls & community centres)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): The NSW Valuer General's valuations (as at 30 June 2016)

Council's community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General's valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

Depreciable Land Improvements – Gardens/soffall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates

Depreciable Land Improvements were valued as at 30 June 2018. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'. Council officers undertook a rigorous onsite inspection program to establish condition ratings used in calculating the remaining life and replacement cost of each asset. By using a spatial information program and satellite imagery Officers were able to accurately calculate asset lengths and dimensions and apply these to the established condition data.

Buildings (Specialised/Non Specialised) – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 2 and Level 3): Market approach, Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30th June 2018 in accordance with Australian Property Institute's (API) Code of Professional Practice, TPP 14-01 Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standard (including AASB13) and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation.

Council's Specialised Buildings were valued by Australis Asset Advisory Group as at 30 June 2018. The methodology adopted by Australis Asset Advisory Group is on an individually assessed (asset-by-asset) basis to determine which method is most appropriate.

Open Space/Recreational Assets – Fencing, shadesails, other recreational furniture

Valuation Techniques: 'Cost approach'

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council used in-house resources to provide a valuation for each asset applying a rate based on historical cost. Condition data was than considered to provide a valuation taking into account consumption patterns, dimensions and other specifications.

Roads – Road surface, pavement, formation, major earthworks

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's road infrastructure assets were last valued in-house on 30 June 2015. As per Paragraph 43 of AASB116, Council's roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter
- Culverts

Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road terminuses (extent of Council maintenance activities) were taken as the measure of BSC asset length. Seal widths (sealed roads) were taken from full condition assessment (undertaken by Coates Civil Consulting and BSC staff in 2008).

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

Unit rates for formation, pavement and sealing were based on the Rawlinson's, Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from BSC road works. Unit rates are assumed to be for an undulating topography, as this represents the majority of road corridors in the Shire. The slightly steeper grades are assumed to be countered by the substantially longer corridors of flat to slightly undulating topography.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Formation widths for sealed roads were established by random sampling in the field and from aerial imagery analysis of a range of road types and were demonstrated to be double the width of the pavement.

Condition Assessment data was substituted for date of construction data to establish remaining lives. This was in part due to BSC not having complete road construction / rehabilitation / initial sealing data.

Culverts

The categories used to group culverts (by size) were determined as part of the development of the 'Wellington, Blayney, Cabonne and Central Tablelands Water Strategic Alliance (WBC Alliance) Joint Transport Asset Management Plan': Culverts of 450mm or less have not been valued separately due to their cost (purchase price and installation cost) and have been allowed for in the cubic metre rate for road formation.

Major Culverts do not include Bridge size (6m+) culverts, as these were valued in the Bridge Register. Of the remaining major culverts, these were divided into 2 categories; known and estimated. Known culverts were valued at replacement cost (from Rawlinsons) and of the remaining culverts, an estimate based on percentage of Major Culverts as a percentage of all known culverts was applied to the count of culverts (identified in the BSC Rural Addressing exercise from 1995).

An average size (650mm), length (9.6m) and an average condition rating (2) were then applied to these culverts to provide for a valuation, based on Rawlinsons rates. These average sizes were confirmed by inspections of known culverts.

Kerb and Gutter

Asset register was developed using a combination of 10cm Aerial imagery for Blayney and Millthorpe and 50cm Aerial imagery for the other Villages. This data was verified with an inspection program to determine the accuracy and materials used. The bulk of BSC's Kerb and Gutter network is concrete ('high back' or 'roll back'), however some Kerb and Gutter is constructed from Bluestone or River Stone. Condition assessment for Kerb and Gutter was assumed to be an average of 2; as the vast majority of Council's Kerb and Gutter is in satisfactory condition, in that it is still able to function.

Unit Rates were established on 'First Principles' and verified against a tender that BSC had recently submitted for Kerb and Gutter works. While the majority of recently constructed Kerb and Gutter (in Millthorpe) has included an 'oxide' (to better match the existing Bluestone), the rate adopted for all concrete Kerb and Gutter was based on the rate for 'plain' concrete. Unit rates for the Bluestone and River Stone Kerbs and Gutters was also established on 'First Principles', but is substantially higher than for concrete, due to the increasing difficulty in sourcing Bluestone Blocks.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Unit rates for Kerb and Gutter are all based on 'Greenfields' costs and do not include any allowance of the removal of existing failed sections.

Bridges – (excluding culverts under 6 metres in length)

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Council's bridge infrastructure assets were last valued on 30 June 2015.

Condition assessment for bridges was provided by in-house resources and was at the 'level 1' inspection regime, which is based on observed defects, but does not include core sampling or tensile testing of any components.

Bridge values were determined on the basis of a square metre (of deck) rate, as per the Rawlinson's, *Construction Cost Guide 2010, Edition 18*. This was in part because council does not possess sufficient detail on the individual components of individual bridges, or their respective conditions.

The Rawlinson's rates were used to validate the rates calculated from the last three bridges that council has replaced in recent years. The unit rate calculated for these bridges was CPI adjusted (using the Reserve Bank of Australia Inflation Calculator) to represent 2015 dollars.

Footpaths – Footways including cycleways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Footpaths assets were valued in-house as at 30 June 2015. Aerial imagery was used to calculate the length of Council's footpath/cycleway network combined with an extensive inspection program. In-house unit rates were developed using recent construction data providing a square metre rate which was then applied across the network. Condition data (captured through the inspection program) was then applied to each individual asset segment to provide a written down value.

Stormwater Drainage – includes pits, pipes

Valuation Techniques: 'Cost approach'

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Stormwater Drainage

Register was developed using a combination of field observation and aerial imagery (for Blayney and Millthorpe). The level of capture is estimated to be around 85% to 95%, as by its nature Urban Stormwater drainage is difficult to locate and BSC does not have complete records of drainage installed.

Unit Rates for stormwater pits, pipes etc. were taken from Ministry of Energy and Utilities; *NSW reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets*. As with Kerb and Gutter, these rates do not take into account any allowance for the removal of existing (failed) stormwater assets.

Sewerage Network – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's complex Sewer Assets were valued by AUSTRALIS Asset Advisory Group as at 30 June 2017. The valuation was based on the NSW Office of Water's NSW Reference Rates Tables issued in 2016, a supplement to the former Ministry of Energy and Utilities' 2003 document NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

Australis conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

The reticulation system (pipes and manholes) were valued internally using the same inputs, with condition assessment undertaken using the WSAA Conduit Inspection and Reporting Code. Surveys were conducted across almost 15% of each age category of pipes in the Blayney and Millthorpe Sewer systems.

Unit rates were then applied across the network. Condition data was then applied to each individual asset to provide a written down value.

Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Council's swimming pools were valued at fair value on 30th June 2018 in accordance with Australian Property Institute's (API) Code of Professional Practice, TPP 14-01 Valuation of Physical Non-Current Assets at Fair Value and Australian Accounting Standard (including AASB13) and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation.

Council's swimming pools were valued by Australis Asset Advisory Group as at 30 June 2018. The methodology adopted by Australis Asset Advisory Group is on an individually assessed (asset-by-asset) basis to determine which method is most appropriate.

Tip and Quarry Assets – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

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

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Operational land	Community land	Depreciable land improvements	Buildings – specialised	Total
Opening balance – 1/7/16	1,467	4,043	4,385	10,114	20,009
Purchases (GBV)	–	–	36	372	408
Depreciation and impairment	–	–	(351)	(602)	(953)
Prior Period Adjustment	(150)	–	–	4,739	4,589
Closing balance – 30/6/17	1,317	4,043	4,070	14,623	24,053
Transfers from/(to) another asset class	(187)	–	(107)	(843)	(1,137)
Purchases (GBV)	–	–	68	398	466
Disposals (WDV)	–	–	(32)	(34)	(66)
Depreciation and impairment	–	–	(353)	(713)	(1,066)
FV gains – other comprehensive income	35	–	–	2,874	2,909
Closing balance – 30/6/18	1,165	4,043	3,646	16,305	25,159

	Buildings – non-specialised	Open space/recreation assets	Roads	Bridges	Total
Opening balance – 1/7/16	1,960	2,576	96,905	22,591	124,032
Transfers from/(to) another asset class	–	–	23	(23)	–
Purchases (GBV)	228	465	4,559	768	6,020
Disposals (WDV)	–	–	–	(35)	(35)
Depreciation and impairment	(121)	(85)	(2,004)	(265)	(2,475)
Transfer to asset held for sale	(650)	–	–	–	(650)
Closing balance – 30/6/17	1,417	2,955	99,483	23,036	126,891
Transfers from/(to) another asset class	40	86	33	(15)	144
Purchases (GBV)	–	178	7,357	1,994	9,529
Disposals (WDV)	(1)	–	–	(267)	(268)
Depreciation and impairment	(90)	(85)	(2,331)	(246)	(2,752)
FV gains – other comprehensive income	13	–	–	–	13
Closing balance – 30/6/18	1,379	3,134	104,542	24,502	133,557

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Footpaths	Bulk earthworks	Stormwater	Sewerage network	Total
Opening balance – 1/7/16	3,721	11,625	7,339	19,577	42,262
Purchases (GBV)	626	–	366	119	1,111
Depreciation and impairment	(75)	–	(81)	(519)	(675)
FV gains – Income Statement ¹	–	–	–	693	693
Closing balance – 30/6/17	4,272	11,625	7,624	19,870	43,391
Transfers from/(to) another asset class	6	–	–	–	6
Purchases (GBV)	128	–	1,159	–	1,287
Depreciation and impairment	(81)	–	(86)	(509)	(676)
FV gains – other comprehensive income	–	–	–	407	407
Closing balance – 30/6/18	4,325	11,625	8,697	19,768	44,415

	Plant and equipment	Office equipment	Furniture and fittings	Tip, Quarry & Swimming Pool	Total
Opening balance – 1/7/16	2,829	161	143	269	3,402
Purchases (GBV)	2,554	52	18	–	2,624
Disposals (WDV)	(126)	–	–	–	(126)
Depreciation and impairment	(663)	(69)	(19)	(25)	(776)
FV gains – other comprehensive income	–	–	–	12	12
Closing balance – 30/6/17	4,594	144	142	256	5,136
Transfers from/(to) another asset class	(42)	42	(45)	1,050	1,005
Purchases (GBV)	1,983	154	3	53	2,193
Disposals (WDV)	(286)	–	(1)	–	(287)
Depreciation and impairment	(810)	(58)	(17)	(27)	(912)
FV gains – other comprehensive income	–	–	–	(221)	(221)
Closing balance – 30/6/18	5,439	282	82	1,111	6,914

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

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

I,PP&E

Class	Fair Value (30/6/18) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Plant & Equipment	5,439	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 5 to 15 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Office Equipment	282	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 4 to 10 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Furniture & Fittings	82	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life 	<ul style="list-style-type: none"> Various 10 to 20 years 	Any changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Operational Land	1,165	Market Approach	<ul style="list-style-type: none"> Price per square metre 	<ul style="list-style-type: none"> \$1 - \$90 per sq. metre 	Changes in land zoning restrictions can have significant impacts on land values per sq. metre. Changes in comparable land sales and availability of land can also have a significant impact.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Class	Fair Value (30/6/18) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Community Land	4,043	Cost Approach	<ul style="list-style-type: none"> NSW Valuer Generals Valuation (Unimproved Capital Value) 	<ul style="list-style-type: none"> Per Valuer General 	Any change in the average unimproved capital value will increase/decrease fair value.
Depreciable Land Improvements	3,646	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful life 	<ul style="list-style-type: none"> \$2 - \$840 per sq. metre Excellent (1) to Poor (5) 10 to 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Buildings – Specialised	16,305	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$170 - \$148,000 New (0) to Failed (10) 20 to 60 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Buildings – Non Specialised	1,379	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$220 - \$2,100 New (0) to Failed (10) 20 to 60 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Open Space/Recreation Assets	3,134	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$224 - \$25,751 Excellent (1) to Poor (5) 10 to 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Class	Fair Value (30/6/18) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Roads	104,542	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$8 - \$32 per sq. metre (roads) \$88 - \$1,960 (kerb and gutter) \$4,926 - \$12,779 per lineal metre (culverts) Excellent (1) to Poor (5) 20 to 200 years (roads) 80 to 150 years (kerb & gutter) 80 years (culverts) 	Any change in the component pricing and asset condition will have an impact on fair value.
Bridges	24,502	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$3,250 per sq. metre Excellent (1) to Poor (5) 80 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Footpaths	4,325	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$101 - \$235 per lineal metre Excellent (1) to Poor (5) 80 years 	Any change in the component pricing and asset condition will have an impact on fair value.

Blayney Shire Council

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

Note 21. Fair value measurement (continued)

Class	Fair Value (30/6/18) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Bulk Earthworks	11,625	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions 	<ul style="list-style-type: none"> \$15 - \$72 per cubic metre Excellent (1) to Poor (5) 	Any change in the component pricing and asset condition will have an impact on fair value.
Stormwater Drainage	8,697	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life 	<ul style="list-style-type: none"> \$134 - \$1,960 per lineal metre Excellent (1) to Poor (5) 80 to 100 years 	Any change in the component pricing and asset condition will have an impact on fair value.
Sewerage Network	19,768	Cost Approach	<ul style="list-style-type: none"> Unit Rates Useful Life Residual Life Asset Conditions 	<ul style="list-style-type: none"> Various 16 to 100 years (mean) 11 to 77 years Very Poor (5) to Very Good (1) 	Any change in the component pricing and asset condition will have an impact on fair value.
Swimming Pools	828	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions 	<ul style="list-style-type: none"> \$5,000 - \$192,000 New (0) to Failed (10) 	Any change in the component pricing and asset condition will have an impact on fair value.
Tips & Quarries	283	Cost Approach	<ul style="list-style-type: none"> Useful Life Discounted Future Cash Flow 	<ul style="list-style-type: none"> 15 to 80 years 6% 	Any changes in the future cost estimates and discount rate will have an impact on fair value.

(5). Highest and best use

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

Blayney Shire Council

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

Note 22. Related party transactions

\$ '000

a. Key management personnel

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

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

	2018	2017
Compensation:		
Short-term benefits	882	800
Post-employment benefits	69	60
Other long-term benefits	33	45
Total	984	905

Blayney Shire Council

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

Note 22. Related party transactions (continued)

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year (incl. loans and commitments)	Outstanding balance (Actual \$)	Terms and conditions	Provisions for doubtful debts outstanding (Actual \$)	Doubtful debts expense recognised (Actual \$)
2018					
Catering	Ref 1 7,006	—	Paid on invoice	—	—
Donations & Financial Assistance Grants	2 2,696	—	Paid on completion of works	—	—
Supply of Water	3 187,543	—	Payable by instalment date	—	—
2017					
Catering	1 12,000	—	Paid on invoice	—	—
Donations & Financial Assistance Grants	2 28,000	—	Paid on completion of works	—	—
Supply of Water	3 127,000	—	Payable by instalment date	—	—

- 1 Catering for training and meetings of Council were supplied by related parties of a number of KMP's
- 2 Council have donated funds to local not for profit organisations for community projects where a number of KMP's are members
- 3 A KMP is the Chair of a joint organisation (County Council) who supplies water to Council Facilities

Blayney Shire Council

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

Note 23. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Local infrastructure fund	813	87	-	22	(109)	-	813	-
S7.11 contributions – under a plan	813	87	-	22	(109)	-	813	-
Total S7.11 and S7.12 revenue under plans	813	87	-	22	(109)	-	813	-
S64 contributions	860	6	-	22	-	-	888	-
Total contributions	1,672	93	-	44	(109)	-	1,700	-

Blayney Shire Council

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

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER – Local infrastructure fund

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Local infrastructure fund	813	87	-	22	(109)	-	813	-
Total	813	87	-	22	(109)	-	813	-

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	860	6	-	22	-	-	888	-
Total	860	6	-	22	-	-	888	-

Blayney Shire Council

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

Note 24. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018
Continuing operations	Sewer	General¹
Income from continuing operations		
Rates and annual charges	1,100	9,430
User charges and fees	241	2,194
Interest and investment revenue	133	280
Other revenues	7	349
Grants and contributions provided for operating purposes	17	3,625
Grants and contributions provided for capital purposes	6	6,079
Other income		
Net gains from disposal of assets	–	181
Share of interests in joint ventures and associates using the equity method	–	188
Total income from continuing operations	1,504	22,326
Expenses from continuing operations		
Employee benefits and on-costs	259	6,242
Borrowing costs	51	125
Materials and contracts	571	1,964
Depreciation and amortisation	557	4,900
Other expenses	98	2,481
Net losses from the disposal of assets	1	–
Total expenses from continuing operations	1,537	15,712
Operating result from continuing operations	(33)	6,614
Net operating result attributable to each council fund	(33)	6,614
Net operating result for the year before grants and contributions provided for capital purposes	(39)	535

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

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

Blayney Shire Council

Notes to the Financial Statements

as at 30 June 2018

Note 24. Financial result and financial position by fund (continued)

Statement of Financial Position by fund		
\$ '000	2018	2018
ASSETS	Sewer	General¹
Current assets		
Cash and cash equivalents	911	1,804
Investments	4,785	9,715
Receivables	43	2,070
Inventories	–	1,417
Other	–	67
Total current assets	5,739	15,073
Non-current assets		
Receivables	–	76
Infrastructure, property, plant and equipment	20,669	190,043
Investments accounted for using the equity method	–	24,444
Intangible assets	–	126
Total non-current assets	20,669	214,689
TOTAL ASSETS	26,408	229,762
LIABILITIES		
Current liabilities		
Payables	45	1,103
Income received in advance	–	260
Borrowings	43	274
Provisions	–	1,850
Total current liabilities	88	3,487
Non-current liabilities		
Payables	–	2
Borrowings	567	3,872
Provisions	–	860
Total non-current liabilities	567	4,734
TOTAL LIABILITIES	655	8,221
Net assets	25,753	221,541
EQUITY		
Accumulated surplus	9,274	94,329
Revaluation reserves	16,479	127,212
Total equity	25,753	221,541

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

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

Blayney Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	128	0.74%	10.63%	7.12%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	17,376				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	13,734	58.54%	60.92%	64.24%	> 60.00%
Total continuing operating revenue ⁽¹⁾	23,461				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	11,276	5.83x	3.93x	7.23x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	1,933				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	5,761	14.33x	21.14x	19.39x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	402				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	223	2.07%	2.20%	2.23%	< 10% regional & rural
Rates, annual and extra charges collectible	10,778				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	17,215	14.26 mths	15.7 mths	17.3 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	1,207				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Blayney Shire Council

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

Note 25(b). Statement of performance measures – by fund

	General indicators ⁵		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Local government industry indicators – by fund					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	1.05%	12.39%	-2.60%	-11.93%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions					
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	55.80%	58.41%	98.47%	96.03%	> 60.00%
Total continuing operating revenue ⁽¹⁾					
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	5.83x	3.93x	55.13x	72.92x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)					

Notes

(1) - (4) Refer to Notes at Note 25a above.

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

Blayney Shire Council

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

Note 25(b). Statement of performance measures – by fund (continued)

	General indicators ⁵		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)					
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation					
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	17.08x	27.23x	5.81x	4.76x	> 2x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1.86%	2.04%	3.91%	3.68%	< 10% regional & rural
Rates, annual and extra charges collectible					
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	10.27	11.48	66.62	61.94	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	

Notes

- (1) Refer to Notes at Note 25a above.
- (5) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Blayney Shire Council

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

<p>1. Operating performance ratio</p> <p>Benchmark: Minimum >=0.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 0.74%</p> <p>The advance payment of the Financial Assistance Grant in 2016/17 was the contributing factor in the variance between this year and last year. Whilst only 1% it is above the industry bench mark.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: Minimum >=60.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 58.54%</p> <p>Council received a significant number of Capital Grants this year to fund a major works program in 2017/18. The ratio is not a reflection in a decrease in Own Source Revenue</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: Minimum >=1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 5.83x</p> <p>Council remains in a strong position to satisfy obligations in the short term.</p>

Blayney Shire Council

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

Note 25(c). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>10.7</td> </tr> <tr> <td>2016</td> <td>19.4</td> </tr> <tr> <td>2017</td> <td>21.1</td> </tr> <tr> <td>2018</td> <td>14.3</td> </tr> </tbody> </table> <p>Benchmark: Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (x)	2015	10.7	2016	19.4	2017	21.1	2018	14.3	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 14.33x</p> <p>New borrowings were financed this year for completion of the bridge replacement program showing a reduction in the ratio but still well above the industry benchmark.</p> <p>Ratio achieves benchmark</p>
Year	Ratio (x)											
2015	10.7											
2016	19.4											
2017	21.1											
2018	14.3											
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>2.28%</td> </tr> <tr> <td>2016</td> <td>2.23%</td> </tr> <tr> <td>2017</td> <td>2.20%</td> </tr> <tr> <td>2018</td> <td>2.07%</td> </tr> </tbody> </table> <p>Benchmark: Maximum $< 10.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio %	2015	2.28%	2016	2.23%	2017	2.20%	2018	2.07%	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 2.07%</p> <p>The effective processes implemented by Council's Revenue staff for the collection of outstanding rates and charges is demonstrated by the continued improvement in this ratio</p> <p>Ratio is within Benchmark</p>
Year	Ratio %											
2015	2.28%											
2016	2.23%											
2017	2.20%											
2018	2.07%											
<p>6. Cash expense cover ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (mths)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>13.7</td> </tr> <tr> <td>2016</td> <td>17.3</td> </tr> <tr> <td>2017</td> <td>15.7</td> </tr> <tr> <td>2018</td> <td>14.3</td> </tr> </tbody> </table> <p>Benchmark: Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	Year	Ratio (mths)	2015	13.7	2016	17.3	2017	15.7	2018	14.3	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 14.26 mths</p> <p>Council continues to maintain sufficient cash restrictions to fund ongoing expenses.</p> <p>Ratio achieves benchmark</p>
Year	Ratio (mths)											
2015	13.7											
2016	17.3											
2017	15.7											
2018	14.3											

Blayney Shire Council

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

Note 26. Council information and contact details

Principal place of business:

91 Adelaide Street
Blayney NSW 2799

Contact details

Mailing address:

PO Box 62
Blayney NSW 2799

Opening hours:

9am to 4:30pm
Monday to Friday

Internet: www.blayney.nsw.gov.au

Email: council@blayney.nsw.gov.au

Officers

GENERAL MANAGER

R. Ryan

RESPONSIBLE ACCOUNTING OFFICER

T. Irlam

Elected members

MAYOR

S.J. Ferguson



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Blayney Shire Council

To the Councillors of the Blayney Shire Council

Opinion

I have audited the accompanying financial report of Blayney Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are 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 requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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 or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

24 October 2018
SYDNEY



The Mayor
Councillor Scott Ferguson
c/- Blayney Shire Council
PO Box 62
BLAYNEY NSW 2799

Contact: Karen Taylor
Phone no: 02 92757311
Our ref: D1825853/1695

24 October 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Blayney Shire Council**

I have audited the general purpose financial statements of the Blayney Shire Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	10.5	10.5	--
Grants and contributions revenue	9.7	8.7	11.5
Operating result for the year	6.6	4.7	40.4
Net operating result before capital amounts	0.5	2.4	79.2

Rates and annual charges revenue was consistent with the previous year. Whilst the rate pegging for 2017–18 was set at 1.5 per cent, Council had a carry forward excess from the cessation of a special variation from prior years which has resulted in the actual amount levied being lower than the approved rate pegging.

Council's operating result (\$6.6 million including the effect of depreciation and amortisation expense of \$5.5 million) was \$1.9 million higher than the 2016–17 result.

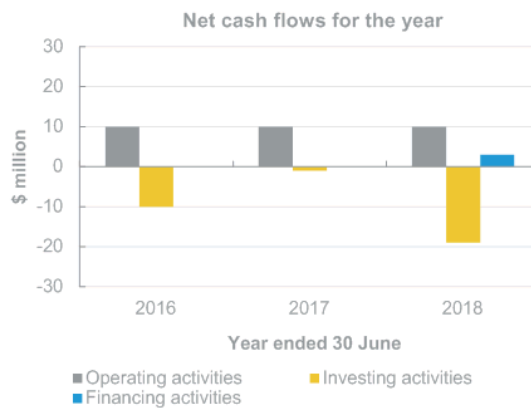
Conversely, the net operating result before capital grants and contributions (\$0.5 million) was \$1.9 million lower than the 2016–17 result.

Total grants and contributions revenue (\$9.7 million) increased by \$1.0 million in 2017–18. This was the net result of a \$2.8 million decrease in operating grants and contributions of and a \$3.8millionincrease in capital grants and contributions mainly due to:

- financial assistance grants received in 2017–18 were \$2.5 million compared to \$3.6 million in 2016–17 due to the timing of payments by the Commonwealth
- receipt of \$3.0 million in capital grants, from Infrastructure NSW, for transport projects under the Resources for Regions program.

STATEMENT OF CASH FLOWS

The net cash inflow for 2017–18 was \$2.7 million (2017 net cash inflow of \$9.7 million). The reduction was primarily due to a net purchase of investment securities in 2017–18 of \$7.0 million compared to a net disposal of \$8.5 million in 2016–17.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	9.1	9.1	Externally restricted balances include unexpended developer contributions water, sewer and domestic waste management charges.
Internal restrictions	8.1	7.6	
Unrestricted	0.1	0.5	Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Cash and investments	17.3	17.2	Unrestricted balances provide liquidity for day-to-day operations.

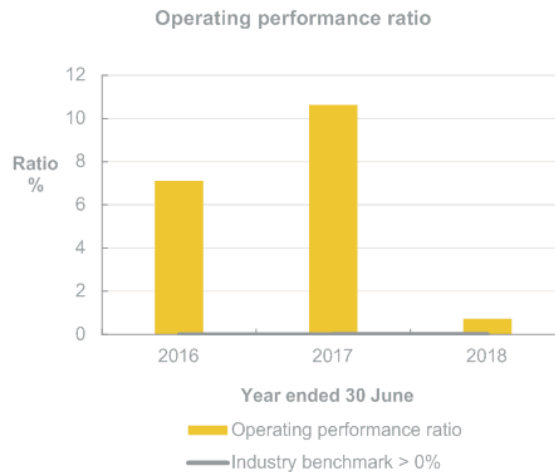
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

Operating performance ratio

The ratio decreased primarily due to a change in the relative mix of operating and capital grants and contributions, while other revenue sources were relatively stable.

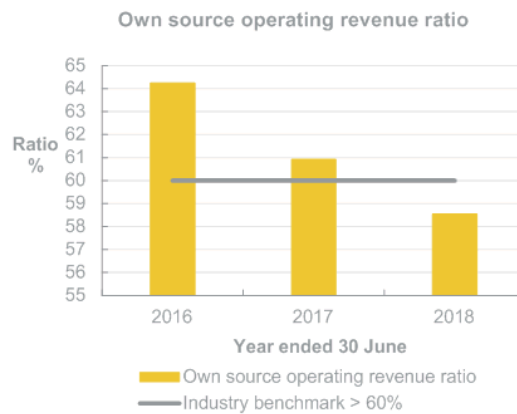
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

The increase in total grants and contributions for the year was the key driver of the fall in this ratio, rather than a reduction in the level of Council's own source operating revenue.

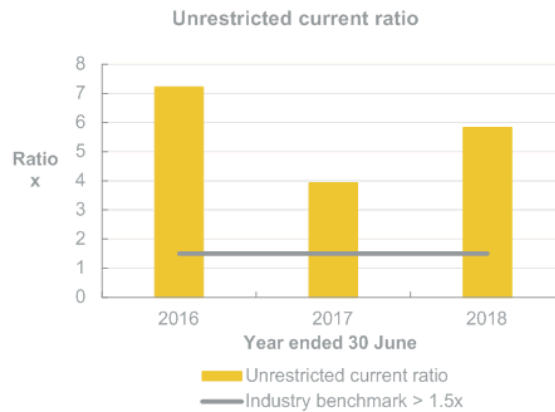
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark, having \$5.83 of current assets per \$1 of current obligations.

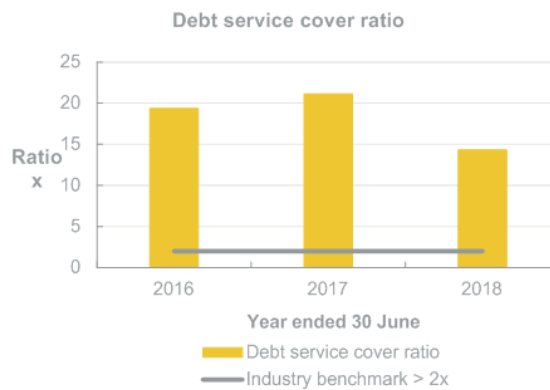
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This drop in this ratio is due to \$3.0 million in new borrowings drawn down by Council during 2017-18.

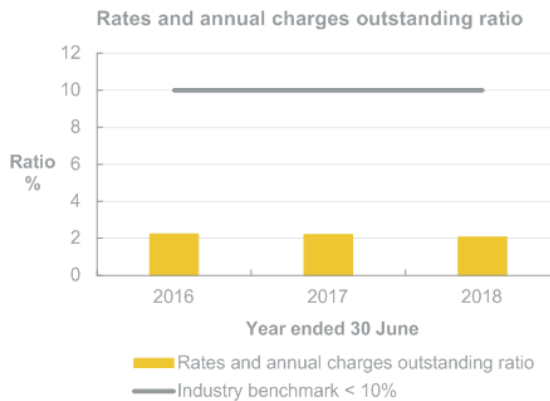
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

A sustained effort to effectively manage recovery has seen Council consistently outperform the benchmark for rural councils.

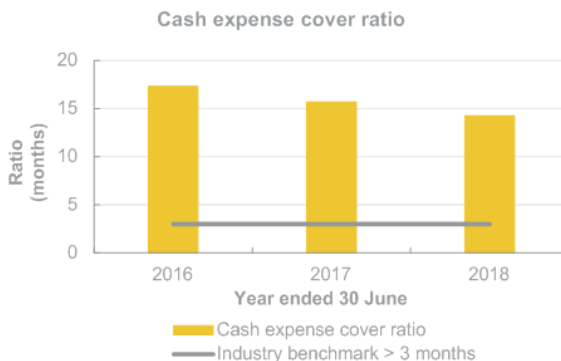
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council comfortably exceeded the benchmark, as it has done for a number of years.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

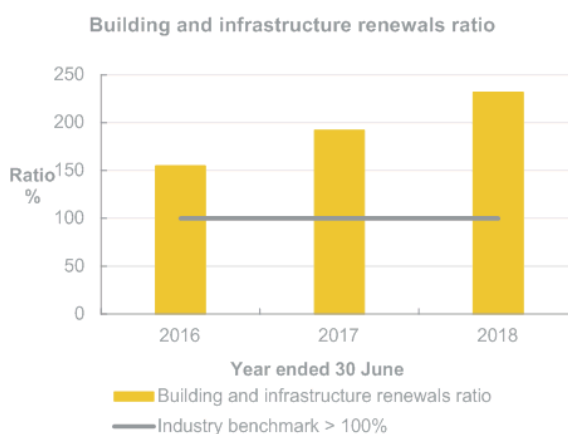


Building and infrastructure renewals ratio (unaudited)

Council has exceeded the building and infrastructure renewals ratio benchmark over the past two years. Council has continued to focus on renewing its assets to meet a standard acceptable to the community. Capital funding for transport projects contributed to this result.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

Blayney Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*“an innovative, inspirational
and enjoyable environment...”*



Blayney Shire Council

Special Purpose Financial Statements for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Sewerage Business Activity	3
Statement of Financial Position – Sewerage Business Activity	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	13

Background

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

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

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

Blayney Shire Council

Special Purpose Financial Statements
for the year ended 30 June 2018

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

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

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

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

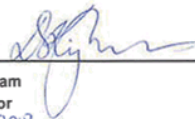
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 20 August 2018



S. J. Ferguson
Mayor
20/8/2018



D. Kingham
Councillor
20/8/2018



R. Ryan
General Manager
20/8/18



T. Irlam
Responsible Accounting Officer
20/8/2018

Blayney Shire Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	1,100	1,061
User charges	173	133
Liquid trade waste charges	68	74
Interest	133	153
Grants and contributions provided for non-capital purposes	17	20
Other income	7	9
Total income from continuing operations	1,498	1,450
Expenses from continuing operations		
Employee benefits and on-costs	259	299
Borrowing costs	51	54
Materials and contracts	571	601
Depreciation, amortisation and impairment	557	566
Loss on sale of assets	1	-
Other expenses	98	103
Total expenses from continuing operations	1,537	1,623
Surplus (deficit) from continuing operations before capital amounts	(39)	(173)
Grants and contributions provided for capital purposes	6	38
Surplus (deficit) from continuing operations after capital amounts	(33)	(135)
Surplus (deficit) from all operations before tax	(33)	(135)
SURPLUS (DEFICIT) AFTER TAX	(33)	(135)
Plus opening retained profits	9,308	9,443
Closing retained profits	9,275	9,308
Return on capital %	0.1%	-0.6%
Subsidy from Council	532	608
Calculation of dividend payable: Surplus (deficit) after tax	(33)	(135)

Blayney Shire Council

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

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	911	695
Investments	4,785	4,647
Receivables	43	39
Total current Assets	5,739	5,381
Non-current assets		
Infrastructure, property, plant and equipment	20,669	20,548
Total non-current assets	20,669	20,548
TOTAL ASSETS	26,408	25,929
LIABILITIES		
Current liabilities		
Payables	45	22
Borrowings	43	40
Total current liabilities	88	62
Non-current liabilities		
Borrowings	567	610
Total non-current liabilities	567	610
TOTAL LIABILITIES	655	672
NET ASSETS	25,753	25,257
EQUITY		
Accumulated surplus	9,274	9,307
Revaluation reserves	16,479	15,950
Council equity interest	25,753	25,257
TOTAL EQUITY	25,753	25,257

Blayney Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	10

Blayney Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Nil

Blayney Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Category 2

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

a. Blayney Sewerage Service

Sewerage reticulation and treatment system servicing the town of Blayney, which has been established as a Special Rate Fund

b. Millthorpe Sewerage Service

Sewerage reticulation and treatment system servicing the town of Millthorpe, which has been established as a Special Rate Fund

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

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

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

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

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

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

Blayney Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Blayney Shire Council

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

Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i) Calculated tax equivalents	<input type="text" value="–"/>
(ii) Number of assessments multiplied by \$3/assessment	<input type="text" value="5,703"/>
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	<input type="text" value="–"/>
(iv) Amounts actually paid for tax equivalents	<input type="text" value="–"/>

2. Dividend from surplus

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	<input type="text" value="–"/>
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	<input type="text" value="57,030"/>
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	<input type="text" value="(204,843)"/>

2018 Surplus	(33,000)	2017 Surplus	(135,000)	2016 Surplus	(36,843)
		2017 Dividend	–	2016 Dividend	–

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	<input type="text" value="n/a"/>
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	<input type="text" value="–"/>
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	<input type="text"/>

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	<input type="text"/>
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	<input type="text"/>
Complying charges	
(a) Residential [item 2 (c) in table 1]	<input type="text"/>
(b) Non-residential [item 2 (c) in table 1]	<input type="text"/>
(c) Trade waste [item 2 (d) in table 1]	<input type="text"/>
DSP with commercial developer charges [item 2 (e) in table 1]	<input type="text"/>
Liquid trade waste approvals and policy [item 2 (f) in table 1]	<input type="text"/>
(iii) Complete performance reporting form (by 15 September each year)	<input type="text"/>
(iv) a. Integrated water cycle management evaluation	<input type="text"/>
b. Complete and implement integrated water cycle management strategy	<input type="text"/>

Blayney Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		2018
National Water Initiative (NWI) financial performance indicators		
NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000 1,371
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000 20,478
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000 928
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000 41
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	% -0.55%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000 –
National Water Initiative (NWI) financial performance indicators Water and sewer (combined)		
NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000 1,370
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	% 0.80%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000 41
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	% -0.55%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000 –
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	% 0.00%

Blayney Shire Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

<p>NWI F22 Net debt to equity (water and sewerage)</p> <p>Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]</p>	<p>%</p> <p style="border: 1px solid black; padding: 2px;">-19.75%</p>
<p>NWI F23 Interest cover (water and sewerage)</p> <p>Earnings before interest and tax (EBIT) divided by net interest</p> <p>Earnings before interest and tax (EBIT): (114)</p> <p>Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)</p> <p>Net interest: (82)</p> <p>Interest expense (w4a + s4a) – interest income (w9 + s10)</p>	<p style="border: 1px solid black; padding: 2px;">-</p>
<p>NWI F24 Net profit after tax (water and sewerage)</p> <p>Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))</p>	<p>\$'000</p> <p style="border: 1px solid black; padding: 2px;">(33)</p>
<p>NWI F25 Community service obligations (water and sewerage)</p> <p>Grants for pensioner rebates (w11b + s12b)</p>	<p>\$'000</p> <p style="border: 1px solid black; padding: 2px;">11</p>

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
Blayney Shire Council

To the Councillors of the Blayney Shire Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Blayney Shire Council's (the Council) Sewerage Business Activity, which comprise the Income Statement of the Sewerage Business Activity for the year ended 30 June 2018, the Statement of Financial Position of the Sewerage Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's Sewerage Business Activity as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are 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 requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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 or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director, Financial Audit Services

24 October 2018
SYDNEY

Blayney Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2018

*“an innovative, inspirational
and enjoyable environment...”*



Blayney Shire Council

Special Schedules for the year ended 30 June 2018

Contents		Page
Special Schedules ¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	8
Special Schedule 6	Sewerage Service – Statement of Financial Position	11
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Special Schedule 7	Report on Infrastructure Assets	13

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Blayney Shire Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2018

\$'000				
Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	536	6	–	(530)
Administration	3,070	515	183	(2,372)
Public order and safety				
Fire service levy, fire protection, emergency services	391	46	220	(125)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	114	10	–	(104)
Other	1	–	–	(1)
Total public order and safety	506	56	220	(230)
Health	59	12	–	(47)
Environment				
Noxious plants and insect/vermin control	70	–	–	(70)
Other environmental protection	–	–	–	–
Solid waste management	1,204	1,292	–	88
Street cleaning	115	–	–	(115)
Drainage	114	6	–	(108)
Stormwater management	–	–	–	–
Total environment	1,503	1,298	–	(205)
Community services and education				
Administration and education	6	–	–	(6)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	13	1	–	(12)
Total community services and education	19	1	–	(18)
Housing and community amenities				
Public cemeteries	50	105	–	55
Public conveniences	127	(3)	46	(84)
Street lighting	135	21	–	(114)
Town planning	297	142	–	(155)
Other community amenities	–	–	–	–
Total housing and community amenities	609	265	46	(298)
Water supplies	–	–	–	–
Sewerage services	1,537	1,498	6	(33)

Blayney Shire Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000				
Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	188	39	–	(149)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	165	14	–	(151)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	5	–	–	(5)
Sporting grounds and venues	350	14	180	(156)
Swimming pools	1,088	361	–	(727)
Parks and gardens (lakes)	1,036	42	90	(904)
Other sport and recreation	93	–	5	(88)
Total recreation and culture	2,925	470	275	(2,180)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	139	102	–	(37)
Other mining, manufacturing and construction	733	637	–	(96)
Total mining, manufacturing and const.	872	739	–	(133)
Transport and communication				
Urban roads (UR) – local	2,362	–	–	(2,362)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	1,544	2,008	4,643	5,107
Sealed rural roads (SRR) – regional	220	327	202	309
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	377	(238)	–	(615)
Bridges on URR – local	–	–	165	165
Bridges on regional roads	11	–	–	(11)
Parking areas	–	–	–	–
Footpaths	115	–	330	215
Aerodromes	–	–	–	–
Other transport and communication	515	478	–	(37)
Total transport and communication	5,144	2,575	5,340	2,771
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	468	492	15	39
Total economic affairs	468	492	15	39
Totals – functions	17,248	7,927	6,085	(3,236)
General purpose revenues ⁽¹⁾		9,629		9,629
Share of interests – joint ventures and associates using the equity method	–	188	–	188
NET OPERATING RESULT ⁽²⁾	17,248	17,744	6,085	6,581

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Blayney Shire Council

Special Schedule 2 – Permissible income for general rates for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	8,421	8,532
Plus or minus adjustments ⁽²⁾	b	(12)	(33)
Notional general income	c = (a + b)	8,409	8,499
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	-	-
Plus special variation amount	$h = d \times (c - g)$	-	-
Or plus rate peg amount	$i = c \times e$	193	127
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	-	-
Sub-total	$k = (c + g + h + i + j)$	8,602	8,626
Plus (or minus) last year's carry forward total	l	2	(208)
Less valuation objections claimed in the previous year	m	(6)	(1)
Sub-total	$n = (l + m)$	(4)	(209)
Total permissible income	$o = k + n$	8,598	8,417
Less notional general income yield	p	8,597	8,421
Catch-up or (excess) result	$q = o - p$	1	(4)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	-	6
Less unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	$t = q + r - s$	1	2

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule 2 - Permissible Income for general rates
Blayney Shire Council

To the Councillors of Blayney Shire Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Blayney Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, the Schedule of the Council for the year ending 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

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

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

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

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Karen Taylor
Director, Financial Audit Services

24 October 2018
SYDNEY

Blayney Shire Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	371	361
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	171	280
b. Maintenance expenses	1	3
– Pumping stations		
c. Operation expenses (excluding energy costs)	60	39
d. Energy costs	17	20
e. Maintenance expenses	–	–
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	240	256
g. Chemical costs	24	8
h. Energy costs	44	36
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	519	529
b. Plant and equipment	38	37
4. Miscellaneous expenses		
a. Interest expenses	51	54
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,536	1,623

Blayney Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	1,100	1,061
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	173	133
8. Trade waste charges		
a. Annual fees	1	2
b. Usage charges	67	72
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	133	153
11. Other income	7	9
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	11	13
c. Other grants	6	8
13. Contributions		
a. Developer charges	6	38
b. Developer provided assets	–	–
c. Other contributions	–	–
14. Total income	<u>1,504</u>	<u>1,489</u>
15. Gain (or loss) on disposal of assets	(1)	–
16. Operating result	<u>(33)</u>	<u>(135)</u>
16a. Operating result (less grants for acquisition of assets)	(33)	(135)

Blayney Shire Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	108
d. Plant and equipment	41	81
18. Repayment of debt	47	40
19. Totals	88	229
Non-operating funds employed		
20. Proceeds from disposal of assets	37	–
21. Borrowing utilised	–	–
22. Totals	37	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,497	1,551
b. Residential (unoccupied, ie. vacant lot)	109	126
c. Non-residential (occupied)	244	241
d. Non-residential (unoccupied, ie. vacant lot)	51	46
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 14,131	\$ 15,062

Blayney Shire Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	888	–	888
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,808	–	4,808
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	43	–	43
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	20,478	20,478
b. Plant and equipment	–	191	191
30. Other assets	–	–	–
31. Total assets	5,739	20,669	26,408
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	45	–	45
34. Borrowings	43	567	610
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	88	567	655
37. NET ASSETS COMMITTED	5,651	20,102	25,753
EQUITY			
38. Accumulated surplus			9,274
39. Asset revaluation reserve			16,479
40. Other reserves			–
41. TOTAL EQUITY			25,753
Note to system assets:			
42. Current replacement cost of system assets			31,713
43. Accumulated current cost depreciation of system assets			(11,235)
44. Written down current cost of system assets			20,478

Blayney Shire Council

Notes to Special Schedule 5

for the year ended 30 June 2018

Administration ⁽¹⁾

(item 1a of Special Schedule 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedule 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedule 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedule 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedule 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedule 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedule 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedule 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 12a of Special Schedule 5 is for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's sewerage revenue.

Residential charges ⁽²⁾ (item 6 of Special Schedule 5) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedule 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (item 11 of Special Schedule 5) includes all income not recorded elsewhere.

Other contributions (item 13c of Special Schedule 5) including capital contributions for sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 17 for sewerage, and not in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Special Schedules 2018

Blayney Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost						
								1	2	3	4	5		
\$'000														
Buildings	Council Offices/Administration	–	–	36	101	999	2,145	33%	67%	0%	0%	0%	0%	
	Council Works Depot	354	227	150	100	1,134	1,746	70%	0%	1%	22%	7%	0%	
	Council Public Halls	293	77	47	54	2,326	3,684	78%	11%	7%	4%	0%	0%	
	Libraries	–	–	22	8	163	390	0%	100%	0%	0%	0%	0%	
	CentrePoint	–	–	100	96	7,608	11,105	100%	0%	0%	0%	0%	0%	
	Buildings including Amenities	329	190	37	115	1,478	2,553	56%	26%	2%	8%	8%	0%	
	Other Buildings	1,548	394	100	–	3,976	6,615	48%	17%	21%	5%	9%	0%	
	Sub-total	2,524	888	492	474	17,684	28,238	72.6%	14.2%	6.1%	3.8%	3.3%	0%	
	Roads	Sealed roads	3,047	1,415	950	990	53,786	80,870	49%	42%	4%	2%	3%	0%
		Unsealed roads	1,552	892	850	797	24,502	27,816	11%	29%	36%	21%	0%	0%
Bridges		1,370	608	17	47	4,325	6,435	92%	1%	2%	3%	2%		
Footpaths		1,804	282	20	34	11,625	11,625	37%	26%	29%	6%	2%		
Bulk earthworks		2,053	350	15	–	6,129	9,078	100%	0%	0%	0%	0%	0%	
Kerb & Gutter Formations		733	475	88	88	42,207	42,207	19%	51%	22%	8%	0%	0%	
Roadside Furniture		1,226	–	287	106	1,621	2,462	100%	0%	0%	0%	0%	0%	
Culverts		11,785	4,022	2,227	2,062	799	1,690	37%	22%	23%	13%	5%	0%	
Sub-total		11,785	4,022	2,227	2,062	144,994	182,183	68.1%	22.6%	5.4%	2.1%	1.8%	0%	

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Special Schedules 2018

Blayney Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Sewerage network	Gravity Reticulations	–	–	35	36	9,307	15,929	100%	0%	0%	0%	0%	0%
	Rising mains	–	–	10	9	3,560	4,893	100%	0%	0%	0%	0%	0%
	Sewerage Treatment Plant	389	–	150	260	5,187	6,949	59%	34%	7%	0%	0%	0%
	Pump Stations	961	394	60	66	1,714	3,140	26%	35%	15%	0%	24%	0%
	Sub-total	1,350	394	255	371	19,768	30,911	83.3%	11.2%	3.1%	0.0%	2.4%	0.0%
Stormwater drainage	Stormwater Pipes/Lines	14	–	27	27	8,555	9,923	24%	76%	0%	0%	0%	0%
	Stormwater Pits	–	–	11	–	142	200	42%	58%	0%	0%	0%	0%
	Sub-total	14	–	38	27	8,697	10,123	24.4%	75.6%	0.0%	0.0%	0.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	–	28	828	1,500	31%	69%	0%	0%	0%	0%
	Fencing	266	29	–	–	479	726	19%	26%	46%	9%	0%	0%
	Park Furniture	217	–	–	–	2,506	3,580	19%	62%	19%	0%	0%	0%
	Roofing/Shadesails	–	–	–	200	149	218	0%	0%	100%	0%	0%	0%
	Sub-total	483	29	–	228	3,962	6,024	21.3%	57.2%	20.5%	1.1%	0.0%	0.0%
	TOTAL – ALL ASSETS	16,156	5,333	3,012	3,162	195,105	257,479	67.6%	23.2%	5.4%	1.9%	1.9%	0.0%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Blayney Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>9,606</u>	231.92%	192.27%	155.04%	>= 100%
Depreciation, amortisation and impairment	<u>4,142</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>16,156</u>	8.13%	10.44%	21.37%	< 2.00%
Net carrying amount of infrastructure assets	<u>198,751</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>3,162</u>	104.98%	145.91%	120.18%	> 100%
Required asset maintenance	<u>3,012</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>5,333</u>	2.07%	2.47%	6.01%	
Gross replacement cost	<u>257,479</u>				

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Excludes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Blayney Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: Minimum >=100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 231.92%</p> <p>Council has undertaken significant renewal works on two major road corridors and a number of bridge replacement projects, contributing to this renewal ratio.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: Maximum <2.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 8.13%</p> <p>this ratio uses the Office of Local Government measure, based on all assets being brought back to condition 2. Council has a target of Condition 3, giving a much lower backlog percentage.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: Minimum >100.00% Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 104.98%</p> <p>Council is funding the required levels of maintenance through its budgeted maintenance. Some further refinement of General Ledger will result in better capture of required and actual maintenance.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 2.07%</p> <p>This ratio refers to Council bringing assets back to Condition 3, or better, which reflects the agreed level of service. This continues to improve with Councils focus on asset renewal.</p>

Blayney Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Sewer indicators		Benchmark
	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund					
1. Buildings and infrastructure renewals ratio ⁽²⁾					
Asset renewals ⁽³⁾	264.41%	218.82%	0.00%	22.93%	>= 100%
Depreciation, amortisation and impairment					
2. Infrastructure backlog ratio ⁽²⁾					
Estimated cost to bring assets to a satisfactory standard	8.27%	10.88%	6.83%	6.98%	< 2.00%
Net carrying amount of infrastructure assets					
3. Asset maintenance ratio					
Actual asset maintenance	101.23%	161.14%	145.49%	67.45%	> 100%
Required asset maintenance					
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2.18%	2.63%	1.27%	1.38%	
Gross replacement cost					

Notes

(1) General fund refers to all of Council's activities except for its sewer activity which is listed separately.

(2) Excludes Work In Progress (WIP)

(3) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.