



Lockyer Valley Regional Council

Annual Report 2016–2017



REGIONAL COUNCIL

OVERVIEW OF THE LOCKYER VALLEY

Lockyer Valley is rated among the top ten most fertile farming areas in the world. Affectionately known as the South East Queensland food bowl, this prime agricultural area is laden with features. There are 227,235 hectares of rich land that includes the Great Dividing Range, national parks, reserves, creeks, lakes, parks, nature parks, waterways and green open spaces.

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

The resident population of the Lockyer Valley Regional Council in 2016 was 39,486 (ABS ERP, 2016), living in 14,931 dwellings with an average household size of 2.65. In the Lockyer Valley Regional Council, 37% of people aged over 15 years had completed Year 12 schooling (or equivalent) as of 2016 and 5,018 people who were living in the Lockyer Valley Regional Council in 2016 were born overseas. With 21% of people 15 years and over also volunteering, we are above the State average for giving back to community.

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

Our region is also serviced by 26 public and private schools, 23 early childhood education services, 14 long day care providers, two hospitals and over 45 community run organisations. We also have over 2,900 businesses operating out of the Lockyer Valley.

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INTRODUCTION

This Annual Report, for the financial year 1 July 2016 to 30 June 2017, describes Lockyer Valley Regional Council’s achievements in providing services to the communities we serve. It displays our progress in delivering the actions in our Corporate and Operational Plans, along with statutory reporting requirements, providing a culmination of our regular reports to community and stakeholders. Council’s 2012-2017 Corporate Plan provided the focus and direction for Council over the twelve month period to 30 June 2017.

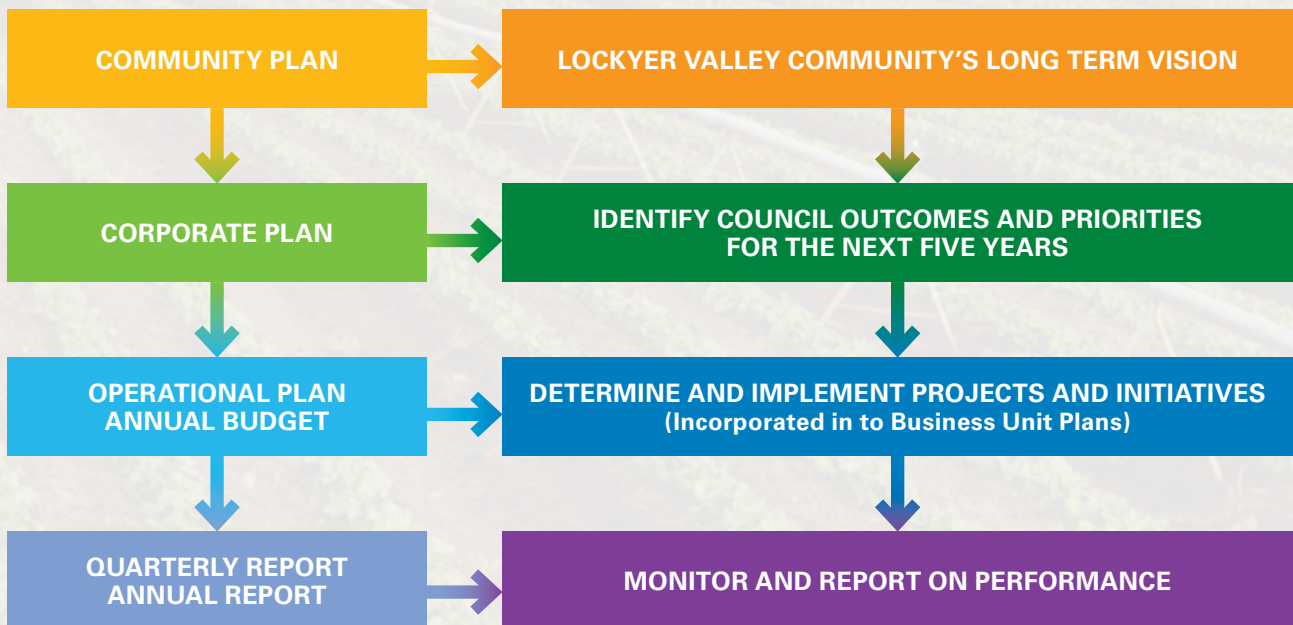


The Annual Report provides the community with operational and financial information about Council’s performance against the outcomes and service delivery commitments set out in the Corporate and Operational Plans.



COUNCIL’S STRATEGIC PLANNING FRAMEWORK

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





VISION, MISSION AND VALUES

VISION

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

MISSION

Lead, engage and empower.

OUR VALUES

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

LEADERSHIP

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

ACCOUNTABILITY

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

INTEGRITY

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

COMMUNICATION

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

CUSTOMER FOCUS

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

TEAMWORK AND COLLABORATION

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



MESSAGE FROM THE MAYOR

OPERATIONAL SURPLUS

I am very pleased to be able to announce that for the first time as a merged Council, we were able to achieve a genuine operational surplus.

We cut back on unnecessary spending and actively sought ways of doing more internally utilising the vast skill set and expertise of our staff.

Originally forecasting a surplus of \$130,000, we were able to achieve \$5.3 million which speaks volumes for the tough decisions made and enormous efforts of both elected members and staff working together to achieve positive outcomes.

PARTNERSHIPS

In part, our ability to meet our financial commitment and achieve a surplus relied heavily on forging stronger partnerships not only with our internal staff, but also our external stakeholders.

We actively sought out investment for the construction of a four star motel which is now operational.

We partnered with farming groups secure the long term future of our local water supply. We have been working with the Queensland Farmers Federation on water sustainability including the establishment of a dedicated pipeline to the region and secured \$120,000 to carry out a pre-feasibility study.

We have been working with the Inland Rail Corporation to try and secure the Lockyer Valley's liveability through protecting our economic and social fabric by minimising the adverse impacts of the project.

We have also partnered with third party utility providers such as Queensland Urban Utilities to streamline our development processes and continue to work with vital stakeholder groups such as the South East Queensland Council of Mayors for the ongoing betterment of the region.

INVESTMENT

With undoubtedly one of the highest transient workforces anywhere in Australia, we actively sought out the development of a safe and dedicated backpacker hostel. A new \$20 million country lifestyle backpacker resort is currently being constructed with further expansion already under consideration.

We secured a new multi-million dollar over 50's lifestyle village in Gatton which has already generated intense interest.

A number of new supermarkets are being developed including an additional Aldi and IGA along with the construction of another highway service centre and McDonald's restaurant.

Together we will continue to drive our local economy and continue to maintain our relaxed country lifestyle by ensuring the right types of development occur in the right areas of the region.

ACKNOWLEDGEMENTS

As an organisation we have achieved a great deal over the past twelve months but we could not have done it alone.

I would like to take this opportunity to welcome incoming Chief Executive Officer Mr Ian Church. Ian brings 22 years local government experience with him which will go a long way in steering Council towards achieving our long term financial sustainability goals and helping drive the right culture as an organisation moving forward for the community.

I would also like to thank my fellow Councillors for what has certainly been an outstanding year.

Together we have stood side by side and made the tough decisions needed to deliver a genuine operational surplus which is a real achievement given for many it is their first time being elected to a local government role. We have forged stronger relationships throughout the community and engaged in genuine conversations with both stakeholders and residents.

As an organisation, we are only as strong as the people who work for us and I would like to give a heartfelt thankyou to our leadership team and staff for the incredible work they do throughout the community day in day out helping us achieve our operational goals.



A handwritten signature in blue ink that reads "T Milligan".

Cr Tanya Milligan
Mayor

Portfolio – Community
and Council Development

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

During the 2016–2017 year, Council has achieved many great things and staff have much to be proud of. There is a genuine desire on behalf of all staff to deliver outstanding service to our community and I thank them for this commitment.

DELIVERING COUNCILS VISION

During the 2016–2017 year, Council reviewed and updated the Community Plan using a reference group of community members. The updated Plan, 'Lockyer: Our Valley Our Vision 2017–2027' was adopted by Council in May 2017. In addition, a new Corporate Plan 2017–2022 was drafted based on feedback from numerous workshops with staff and Councillors and informed by the Community Plan. The new Corporate Plan was also adopted in May 2017.

These plans have provided vision and direction. Staff have been empowered to work on projects and initiatives that specifically enhance the liveability of our community, while at the same time recognising and working with the diversity that exists in the Lockyer Valley.

Council began the process of drafting a new Planning Scheme to replace the previous Gatton and Laidley Shire Schemes, which have been in operation since 2007. The new Scheme will reflect community aspirations based on significant consultation to be undertaken and will facilitate appropriate, sustainable development for our region.

OUR STAFF

During the year a comprehensive Employee Engagement and Opinion Survey was undertaken to gain feedback from staff as to how we can improve our organisation and make it a better place to work. Staff rated our performance across seven best practice categories as well as their overall engagement with our organisation. We are now addressing a number of areas of improvement as a result of the feedback.

We also developed a set of core organisational values in conjunction with staff to promote shared understanding and provide consistency, order and structure to our emerging culture.

OUR CUSTOMERS AND COMMUNITY

During the year we recognised that we could improve our customers experience at Lockyer Valley Regional Council and as a result implemented a number

of initiatives to improve our focus on customers. These included external 'Voice of the Customer' and 'Phonefox' surveys, and setting service standards. We also implemented organisational changes to improve focus on delivery of core services in the areas of Governance, Pest Management and Construction and Maintenance activities within the Infrastructure Group.

To improve customer service in Laidley, a new library and customer service centre was completed and officially opened by the Mayor and Assistant Minister for Transport and Infrastructure, Mr Glen Butcher on 17 June 2017. This is a wonderful facility which will serve our community for many years to come.

The Lockyer Catchment Action Plan was officially launched on 23 November 2016 by Mayor Tanya Milligan and the Lord Mayor of Brisbane, Cr Graham Quirk. With the launch of the Catchment Plan rehabilitation works on degraded creek banks will begin during the 2017–2018 year.

OUR FINANCIAL FUTURE

After a series of difficult years as a result of the 2011 and 2013 floods and incurring a number of operational deficits, 2016–2017 saw a renewed focus on laying the foundations for long term financial sustainability. As noted in the Mayors message, Council achieved a significant operational surplus for the 2016/17 year. Council also focused on asset management by linking our asset management plan results directly with our long term financial plan, as well as focusing on asset renewals. As an example of the focus on asset renewals Council resealed nearly 21kms of bitumen roads and refurbished over 13kms of gravel roads during the year.

I thank the Mayor, Tanya Milligan and Councillors for their leadership and vision for the Lockyer Valley. I also thank the committed employees of Council who dedicate themselves to improving the liveability of our community for all residents now and into the future.



A handwritten signature in blue ink, appearing to read 'Ian Church', written over a light blue horizontal line.

Ian Church
Chief Executive Officer

LOCKYER VALLEY REGIONAL COUNCIL HIGHLIGHTS 2016–17

\$5.3m

OPERATING SURPLUS
ACHIEVED, WHICH IS THE
FIRST OPERATING SURPLUS
IN FIVE YEARS



**LAIDLEY
LIBRARY**
AND CUSTOMER
SERVICE CENTRE RE-
DEVELOPED

382

PLUMBING
APPLICATIONS COMPLETED



**LOCKYER
CATCHMENT
ACTION PLAN**
(RESILIENT RIVERS
INITIATIVE) LAUNCHED

133ha

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



**LAKE VIEW
ACCOMMODATION**
PRECINCT COMPLETED



82

LOTS APPROVED FOR
SUBDIVISION



**DISASTER
DASHBOARD**
DEVELOPED AND
IMPLEMENTED

890 BUILDING
APPLICATIONS COMPLETED



\$17.69m



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

8,166
PEOPLE PARTICIPATED
IN 653 PROGRAMS HELD
AT THE LIBRARIES



6,495
DOGS REGISTERED,
AN INCREASE OF
1,312 DOGS FROM THE
PREVIOUS YEAR



\$1.2m
LANDFILL CELL AND
SEDIMENTATION
DAM AT GATTON
CONSTRUCTED

293
NEW DWELLINGS
BUILT IN 2016-17



26,720
CALLS RECEIVED
IN CALL CENTRE



2,370
NEW MEMBERS JOINED
THE LIBRARY



OUR COUNCILLORS AND THEIR PORTFOLIOS

Lockyer Valley Regional Council, comprising the Mayor and six Councillors, is the elected body responsible for the good governance of Lockyer Valley Regional Council.

The elected body has legal obligations requiring members to represent the current and future interests of Lockyer Valley residents. They are democratically elected and accountable to their communities for the decisions they make and the services they provide.

Their role also includes other responsibilities such as providing high quality leadership to the

community, participating in Council meetings; developing policy and making decisions that are in the interests of the whole community.

The Mayor and Councillors are bound by a Code of Conduct, which is their public commitment to open, accountable and ethical standards of behaviour.

The community also plays an important role in contributing to good democratic governance by participating in Council elections, being actively involved in community engagement programs and providing feedback on current issues and the services provided.

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



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



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



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



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



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



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

ORGANISATIONAL STRUCTURE



EXECUTIVE LEADERSHIP TEAM



Myles Fairbairn
Executive Manager Infrastructure Works and Services



David Lewis
Executive Manager Organisational Development and Planning Services



Dan McPherson
Executive Manager Corporate and Community Services



OUR EMPLOYEES

EMPLOYEE SATISFACTION

During 2017 all employees were provided with the opportunity to participate in an employee opinion survey. This survey was to obtain information from the employees around leadership interactions with staff, communication and decision making within council, work conditions, sense of belonging, job satisfaction and cross council interactions.

The survey was well supported by staff and provided valuable feedback to improve processes across Council.

The first phase of the strategy for improvement has been defined into the following themes and will be actioned in 2017-18:

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

SAFETY AND WELLBEING

Council's Safety Management Plan guides our development as we strive to embed health and safety as everyone's responsibility and as a priority in all that we do.

Council continues to use hazard inspections to monitor safety performance and Council's safety systems are externally audited, with audit results reflecting continuous improvement. Senior council staff continue to demonstrate safety leadership through the completion of Monthly Action Plans, which drive Council's goal to achieve a workplace free from injury.

As a significant amount of the operational work Council does is on or near roads, the focus has been on the review of high risk activity, Safe Work Method Statements, the implementation of a Plant Operator Competency Program and development of Council specific Traffic Guidance Schemes.

Further improvements have been made to Council's safety data management system enabling improved reporting and the capacity to better identify emerging safety issues.

Council's Wellbeing Committee continues to promote a healthy workplace supporting employee's engagement in initiatives such as yoga, fun runs, and healthy snack options and by raising awareness of the importance of maintaining sound mental health and general wellbeing.

EMPLOYEES AT A GLANCE

The following table identifies the number of staff employed by Council at 30 June 2017 excluding vacant positions. The total approved employee organisational structure is 314 full time equivalent (FTE) positions.

EMPLOYMENT TYPE	FTE NUMBER AS AT 30 JUNE 2017
Permanent	246.73
Fixed Term	19.05
Contract	24.00
Casual (Based on Hours Worked Over Last 2 Pay Periods)	15.64
TOTAL	305.43

EMPLOYMENT TYPE	FTE NUMBER AS AT 30 JUNE 2017
Full Time	270.00
Part Time	19.79
Casual (Based on Hours Worked Over Last 2 Pay Periods)	15.64
TOTAL	305.43

GENDER BALANCE	FTE NUMBER AS AT 30 JUNE 2017
Male	183.63
Female	121.80
TOTAL	305.43

EXECUTIVE LEADERSHIP TEAM

The total remuneration packages for senior executives including base salary, vehicle allowance and superannuation for 2016-17 were \$982,633.

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

COMMUNITY FINANCIAL REPORT

WHAT IS A COMMUNITY FINANCIAL REPORT?

The Community Financial Report is a simplified version of Council's official Financial Statements (page 42).

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

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

This Community Financial Report consists of the following five key statements:

- Statement of Comprehensive Income
- Statement of Financial position
- Statement of Changes in Equity
- Statement of Cash Flows
- Financial Sustainability Ratios



EXECUTIVE SUMMARY OF KEY HIGHLIGHTS

During the 2016-17 financial year, Lockyer Valley Regional Council completed the transition from flood recovery works to 'business as usual' that had been started in the 2015-16 financial year. Council has continued to deliver its program of services to the community while building a base for improved financial sustainability. The results for the year also deliver on key initiatives set by the Council such as the achievement of an operating surplus, completion of a significant capital works program, and an additional repayment on Council's debt.

These results can be highlighted through the following:

- Achievement of an operating surplus of \$5.30 million which is the first operating surplus in five years.
- Further reductions in operating costs in a number of areas but most notably in consultancy services.
- Increased fees and charges revenue drive through higher levels of both domestic and commercial development.
- Significant operational expenditures:
 - \$20.41 million on roads, drains, bridges and parks
 - \$11.56 million on community facilities and libraries
 - \$6.17 million on health, waste and regulatory services.
- Completion of \$17.69 million in capital works including \$9.65 million on roads, drains and bridge infrastructure; \$2.34 million on Council buildings and facilities, \$1.78 million on plant and other equipment with the remainder spent on, waste management, parks and IT systems.
- A reduction in Council's debt levels with principal and interest repayments totaling \$3.85 million. This includes an additional loan repayment of \$0.70 million.
- Maintenance of adequate cash balances to provide flexibility in the future.

STATEMENT OF COMPREHENSIVE INCOME

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

COMPARATIVE TREND ANALYSIS

Revenue and Expenditure – \$'000s

FINANCIAL YEAR	2011-12 ¹	2012-13 ²	2013-14	2014-15 ³	2015-16	2016-17
REVENUE	121,027	101,146	97,616	92,674	59,096	68,152
EXPENDITURE	137,518	106,398	97,247	74,461	61,815	58,561
NET RESULT	(16,491)	(5,292)	369	18,213	(2,719)	9,591

¹ The net loss in 2011/12 is due to funding issues associated with flood recovery works.

² The net loss in 2012/13 is also due to funding issues associated with flood recovery works.

³ The net surplus in 2014/15 is due to the classification of flood recovery expenditure as capital due to the changing nature of the works as the program came to an end.

For the 2016-17 financial year, revenue has exceeded expenditure resulting in a surplus for the year. Council's budget measures and careful monitoring of expenditures during the year has enabled this excellent result, and the early payment of the 2017-18 Commonwealth Financial Assistance Grants contributed an additional \$2.10 million to the surplus.

The achievement of an operating surplus is a key factor in improving the long-term sustainability of the organisation. It shows that Council is operating within its means and provides flexibility for its future operations and an improved ability to withstand unexpected financial shocks.

REVENUE SOURCES – WHERE DOES THE MONEY COME FROM?

REVENUE

GRANTS AND CONTRIBUTIONS – CAPITAL
11.57%

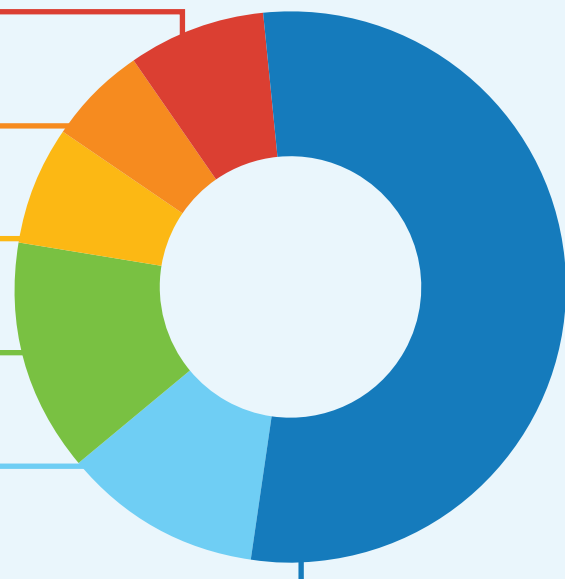
GRANTS AND CONTRIBUTIONS – OPERATING
13.68%

OTHER INCOME
6.92%

INTEREST AND INVESTMENT REVENUE
5.93%

FEES AND CHARGES
7.82%

RATES, LEVIES AND CHARGES
54.07%





Throughout the 2016-17 Financial year, Council received \$60.26 million in operating revenue and \$7.88 million in capital revenue.

The more significant contributors to the revenue stream include:

- Net rates, levies and waste charges \$36.85 million
- Operational grants, subsidy contributions and donations \$9.33 million
- Fees and charges \$5.33 million
- Capital grants, subsidy contributions and donations \$7.88 million
- Share of profit from Council's investment in Queensland Urban Utilities (QUU) \$2.33 million

While revenue from rates and charges is the main source of income, during the year Council experienced an increase in fees and charges revenues of \$1.37 million which has mainly been driven by the development within the region, and improvements in the level of user fees and charges, including animal registrations. The investment in QUU continues to provide strong returns with Council's share of profit supplemented by interest on the shareholder loan and payments for income tax equivalents required under National Competition Policy.

EXPENDITURE – WHERE DOES THE MONEY GO?

Council incurs both operating and capital expenditure in the provision of services to our local community.

The significant expenditure line items during the 2016-17 Financial Year were:

- Employee benefits of \$23.42 million
- Materials and services costs of \$16.04 million
- Depreciation of \$12.67 million.

During the 2016-17 financial year, total operational expenditure decreased by \$2.90 million or 5.01% on the prior year. This is as a result of the planned reductions in operating costs which were necessary to improve Council's ongoing sustainability, as well as an increased focus on the completion of the capital works program.

Improvements in Council's asset condition information and the adoption of Asset Service Management Plans for key asset categories has seen a reduction in depreciation expense from the previous year. Depreciation continues to be a significant cost and is constantly under review through the asset revaluation process.

During the financial year Council's overall expenditure on materials and services was \$16.04 million: of this \$6.09 million or 38% was spent with local suppliers.

The largest category of Council's operational expenditure is on roads, drains, and bridges which accounts for 35% of the total expenditure. A further 20% is spent on maintaining community facilities, buildings, parks and libraries.

EXPENSES

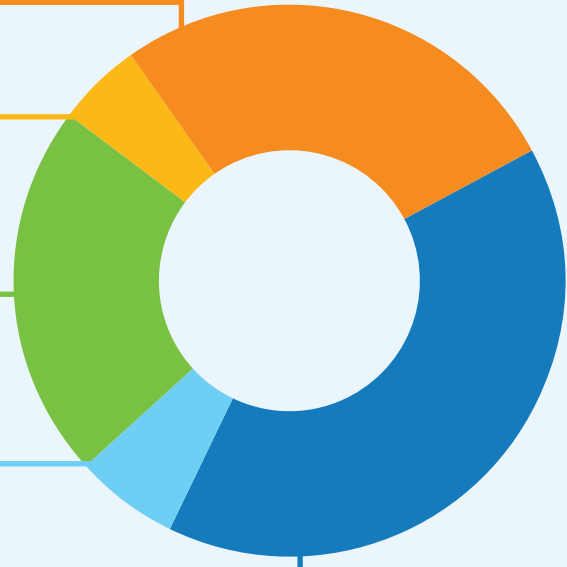
MATERIALS AND SERVICES
27%

FINANCE COSTS
5%

DEPRECIATION AND AMORTISATION
22%

OTHER CAPITAL ADJUSTMENTS
6%

EMPLOYEE BENEFITS
40%



EXPENSES BY SERVICE

ROADS, DRAINS AND BRIDGES
35%

DISASTER MANAGEMENT
1%

COMMUNITY FACILITIES, LIBRARIES AND PARKS
20%

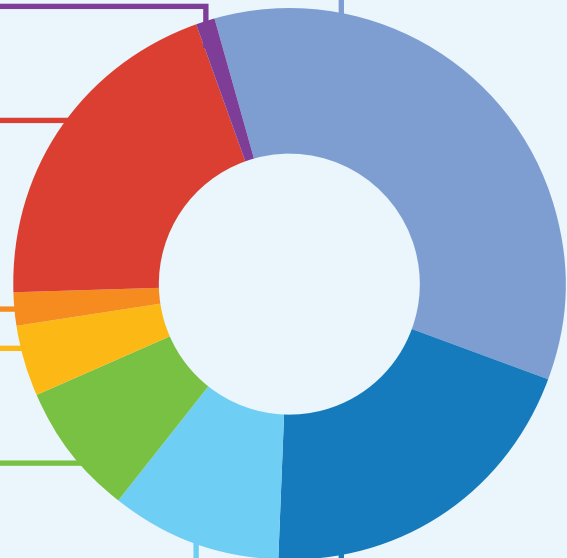
BUILDING AND PLUMBING REGULATION
2%

PLANNING AND ENVIRONMENT
4%

COMMUNITY AND REGIONAL DEVELOPMENT
8%

HEALTH, WASTE AND REGULATORY
10%

REGIONAL ADMINISTRATION
20%



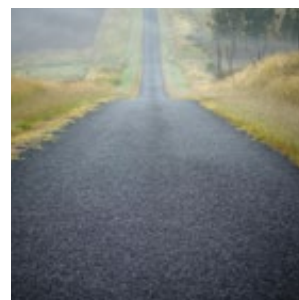
STATEMENT OF FINANCIAL POSITION

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

At 30 June 2017, the major components of our assets included:

- Property, plant and equipment \$576.18 million
- Investment in QUU \$29.74 million
- Cash and investments \$27.24 million
- Loan to QUU \$14.73 million
- Trade and other receivables \$4.98 million.

During the year, our assets increased in value by \$40.79 million mainly through the completion of the capital works program, contributions of infrastructure in new developments, an increase in value through the annual revaluation process, and the recognition of additional land which Council has control over. There was also an increase in value of the QUU investment and additional cash and investments on hand at the end of the year.



ASSETS

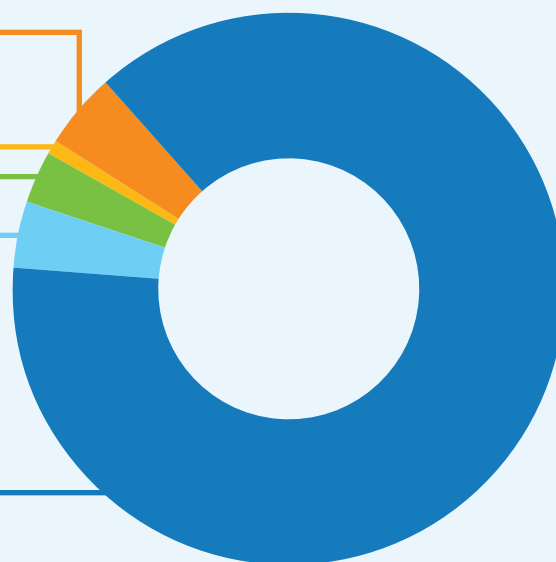
EQUITY INVESTMENTS
4.49%

OTHER ASSETS
0.79%

TRADE AND OTHER RECEIVABLES
2.97%

CASH AND CASH INVESTMENTS
4.11%

PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES
87.64%



LIABILITIES – WHAT WE OWE

The major components of our liabilities include:

- Loans \$32.45 million
- Provisions for items such as employee long service and future land fill restoration costs \$33.31 million
- Amounts payable to our suppliers \$6.11 million

During the 2016-17 Financial year, our liabilities increased by \$5.34 million or 8.03% mainly due to increases in the provision for rehabilitation of land fill and quarry sites. These provisions are generated to recognise the estimated future costs of restoring and maintaining Council's quarries and landfills throughout the region and are reviewed annually.

At 30 June 2017 our net worth was \$591.17 million.

Balance Sheet – \$'000s

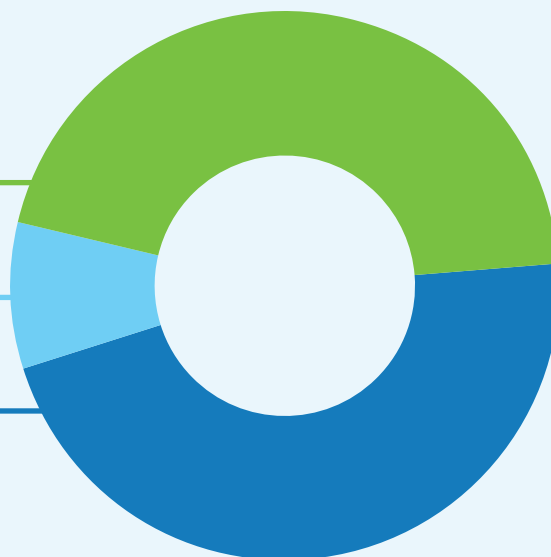
FINANCIAL YEAR	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Assets	449,817	496,086	546,330	620,661	622,248	663,042
Liabilities	55,895	55,347	61,994	63,616	66,526	71,868
Community Equity (balance)	393,922	440,739	484,336	557,045	555,722	591,174

LIABILITIES

BORROWINGS
45.15%

TRADE AND OTHER PAYABLES
8.50%

PROVISIONS
46.35%



OUR DEBT

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

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

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

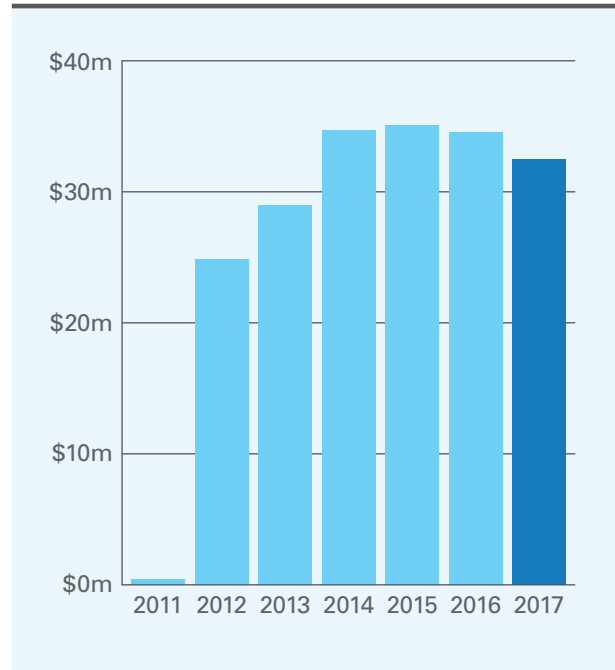
During 2016-17 Council did not borrow any new funds and reduced the loan balances by \$2.06 million which included a one-off additional payment of \$0.70 million. At 30 June 2017 the amount of debt was 4.89% of Council's total assets.

STATEMENT OF CHANGES IN EQUITY

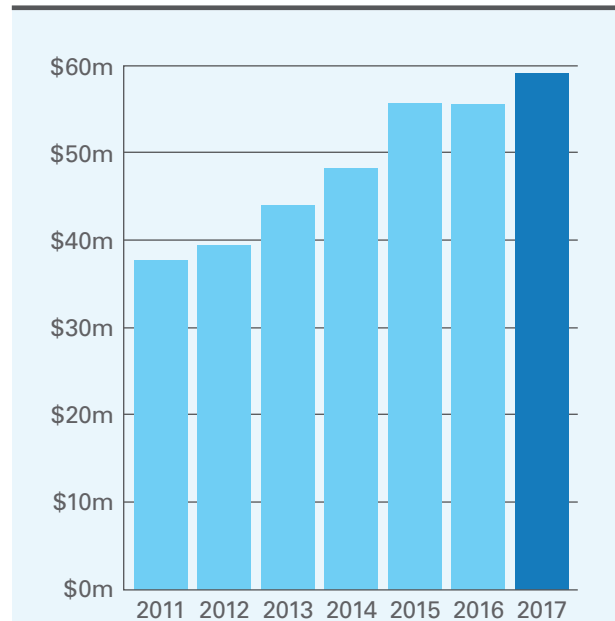
The Statement of Changes in Equity measures the changes in our net wealth and shows the movements in our retained earnings, reserves and asset revaluation surplus.

In the 2016-17 financial year, our net worth increased by \$35.45 million or 6.38% with the main contributors being increases of \$17.12 million in our asset revaluation surplus, and the net result for the year of \$9.59 million. During the 2016-17 year, Council recognised \$8.74 million in assets for the first time. This comprised of investments in associated entities of \$0.13 million and \$8.61 million in Council controlled land. At the end of the year Council's equity balance is \$591.17 million.

COMPARATIVE DEBT LEVELS



COMPARATIVE EQUITY TRENDS



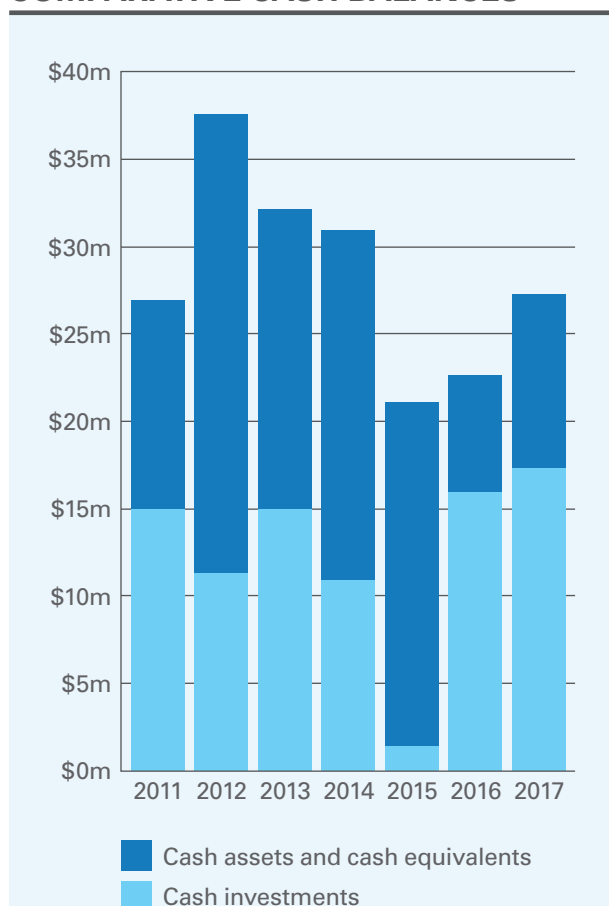
STATEMENT OF CASH FLOWS

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

The key points to note from the statement are as follows:

- At 30 June 2017, Council’s total cash balance was \$27.24 million with 17.92% of these funds reserved for specific purposes such as future capital works.
- Taking in to account Council’s cash investments, there was a net increase in cash of \$4.54 million during the 2016-17 Financial year. This was primarily due to increases in revenues and decreases in expenditures. Council also received an advance payment of \$2.01 million for its Federal Assistance Grant at the end of June.

COMPARATIVE CASH BALANCES



FINANCIAL SUSTAINABILITY RATIOS

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

Council's performance as at 30 June 2017 against these measures is shown in the following table.

RATIO	EXPLANATION	CALCULATION	TARGET	2017	TARGET MET	COMMENT
Operating surplus ratio	Measures the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.	Operating Surplus (Net result excluding all capital items) divided by total operating revenue (excluding capital items).	Between 0% and 10%	8.79%	✓	<p>This ratio is within the required target range and is a significant improvement on the prior years.</p> <p>The ratio is a little higher than expected due to the early payment of the Federal Assistance Grant which has to be accounted for in the year of receipt, even though the expenditure will be in the following year.</p>
Asset sustainability ratio	This ratio reflects the extent to which infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	>90%	89.49%	✗	<p>This ratio is only slightly under the target amount and is reflective of the desire to complete more renewals in accordance with Council's adopted Service Management Plans.</p>
Net financial liabilities ratio	Measures the extent to which net financial liabilities of Council can be repaid from operating revenue.	Total liabilities less current assets divided by total operating revenue.	< 60%	60.15%	✗	<p>This ratio is slightly over the target and Council's adopted long term financial plan includes measures to return this to a level which is below the benchmark.</p> <p>The increase in the restoration provisions has seen this ratio continue to exceed the target set by the Department.</p>

Council's 2016-17 budget was a turning point in Council's journey towards financial sustainability. The adoption of that budget saw Council forecasting surpluses for the life of the long term financial forecast, and the financial results for the year have delivered on that budget.

Building on the success of the 2016-17 year, Council continues to develop financial plans to reduce debt, improve transparency in budgeting and further reduce costs. There is also an improved focus on asset management and a better understanding of the cost of the level of service being provided to the community.

DELIVERING THE OPERATIONAL PLAN 2016-17

The following is an assessment of Council's progress in 2016-17 towards implementing the Corporate Plan 2012–2017:

LOCKYER COMMUNITY

CORPORATE PLAN 2012 – 2017 GOALS

Provide services, facilities and opportunities that enable people together and connect with each other

Facilitate a regional approach to improve coordination of services for our residents

Develop regional response to council, community and affordable housing

Conduct disaster management safety audits for regional townships to identify and address residual safety concerns

Maintain public health and food safety standards

Maintain animal management practices and standards

2016-17 PERFORMANCE

- 12 child care community programs were successfully delivered e.g. NAIDOC Week; Diabetes Awareness; Clean Up Australia Day
- 11 art exhibitions were held in the Lockyer Valley Art Gallery and RADF grants funds were successfully dispersed
- A wide range of services and programs were delivered at the Lockyer Valley libraries e.g. Toddler Time; Tech Savvy Seniors Classes; Tony Park guest author; Words for Wellbeing
- Leadership Development Program delivered in partnership with the regions three secondary schools and a multi-agency working group with the Gatton State School
- Delivery of the Youth Holiday Program activities
- Delivery of the Migrant Settlement Program
- Provision of community connect newsletter
- Engagement of consultants to draft Lockyer Valley Region Planning Scheme
- Development and implementation of a Disaster Dashboard
- Upgrade of Water Ride flood intelligence system
- Mosquito Monitoring Program undertaken
- Food Establishment inspection Program completed
- All Food Business and Personal Appearance licences paid
- Annual Dog Registration Program completed with a significant increase in registrations
- Participation in school-based AVA PETPep Program



CORPORATE PLAN 2012 – 2017 GOALS

2016-17 PERFORMANCE

Develop policy, strategy, local laws and guidelines in relation to building and plumbing

- Regulatory timeframes were met for assessment of plans and work

Promote and support local organisations and local towns to create regional opportunities for community to come together and foster positive community relations

- Council conducted and assisted with 31 events in the Region including Light Up the Lockyer; Australia Day; Clean Up Australia; Laidley Country Music Festival, Laidley Spring Festival and Seniors Week Festivities

Develop regional partnerships with local sporting groups to contribute to the development and maintenance of sport and recreation facilities and opportunities

- Healthy Lifestyle Guide under development
- Major sporting precinct master plans under development

Promote a community development approach to building community resilience and capacity

- Grant Writing Workshop for Beginners conducted
- First Aid Training for community groups conducted
- Working with the Media Workshop
- Internal Community Management Committee re-established

Provide community and local organisations with access to grants and funding for community events and celebrations including provision of guidance to these organisations on other grant/funding possibilities

- Two rounds of funding provided \$60,113 in grants for community groups

Advocate to government and agencies for enhanced human and social services and infrastructure that reflect the growth of the region and community needs

- Council partnered with agencies to map social infrastructure requirements for the region



LOCKYER LEADERSHIP

CORPORATE PLAN 2012 – 2017 GOALS

Develop a Community Engagement Strategy that identifies multiple strategies to inform, consult and involve the community in key Council decisions, initiatives and development

Improve communication with community through the use of technology and traditional means

Promote the Lockyer Region, Council and Local Government

Collaborate with regional industry, institutions and government to promote, improve and develop services

2016-17 PERFORMANCE

- Re-establishment of the internal community engagement committee has enabled coordination of media, communication and engagement activities
- Ongoing updates of information contained on Council's website have been completed
- Research was conducted on the most effective way to capture data on tourism numbers
- Council has actively responded to matters of local, state and federal significance for Council and the region e.g. Council of Mayors SEQ papers, Local Government Association of Queensland Conference Motions

LOCKYER BUSINESS

CORPORATE PLAN 2012 – 2017 GOALS

Develop a regional strategy that promotes the business, economic and locational advantages of the region

Develop a coordinated and planned approach to the development of land for business and tourism opportunities (e.g. GWIZ, motels, backpackers)

Provide local businesses with practical support and incentives to incubate and develop business

Streamline Councils policies and regulations to enable and attract businesses opportunities and investment

Develop strategic partnerships with key industries and governments to explore regional business development opportunities

Advocate to government and industry to leverage regional economic development opportunities

2016-17 PERFORMANCE

- Construction of Recreational Vehicle (RV) Park at the old Gatton Pool site
- A number of international delegations were hosted in the region
- Council conducted and participated in a number of regional industry forums e.g. Plainland Business Networking Group
- A range of projects supported by Council e.g. Truck Stop Development; Bioenergy; Industry Forum
- Rooms Motel completed
- Farmworker short-term accommodation contract entered in to
- Laidley Futures Committee engaged in development of McNulty Park near the library
- Council met with a number of businesses interested in establishing a presence in the region
- The scope of the new planning scheme addresses Council's intent to balance a minimisation of the level of regulation and the need to achieve good development outcomes
- Engagement with local and regional industry bodies at events such as Lockyer Chamber of Commerce & Industry meetings; Business Awards; TSBE networking functions; Commonwealth Games Regional working group
- Council has met with a number of agencies and submitted responses to regional issues such as Inland Rail and Warrego Highway Upgrade
- Council has actively sought funding to support projects in the region





LOCKYER FARMING

Engage with agricultural community to identify opportunities and challenges

- Collaboration with Growers Group and Water Users Forum on regional matters

Identify strategic regional locations and land suitable for development of related farming and agricultural businesses and industries

- Engaged with industry groups to develop accurate and reliable agricultural data for the region

Develop policy, strategy and guidelines to protect and enhance our farming and agricultural industry

- The scope of the new planning scheme addresses the region's agricultural productivity

Advocate to protect good agricultural land and aquifers from incompatible uses such as coal seam gas extraction

- National Infrastructure Grant Fund received to develop a feasibility study to identify options for securing water for the region

LOCKYER LIVELIHOOD

CORPORATE PLAN 2012 – 2017 GOALS

2016-17 PERFORMANCE

Provide traineeships, apprenticeships and graduate positions

- Four trainees and one apprentice were appointed by Council

Facilitate with strategic partners for the establishment of a range of regional education and training opportunities including a TAFE

- Support has been provided to a number of organisations encouraging education opportunities in the region. For example, Bringing Employers & Schools Together (BEST) Group; TAFE Southwest

LOCKYER NATURE

CORPORATE PLAN 2012 – 2017 GOALS

2016-17 PERFORMANCE

Identify the regions ecological resources

- The scope of the new planning scheme addresses the relevant components to be included in the Natural Resource Management Plan

Increase biodiversity and biosecurity by taking informed actions to protect, enhance and manage our local ecosystems

- The Biosecurity Plan development commenced

Protect our natural environment by restoring degraded landscapes, contaminated land and managing fire, pest and other hazards

- The Lockyer Catchment Action Plan completed

Develop and implement weed management policies, strategies and guidelines

- Community and landholder awareness of fireweed and on ground action undertaken
- 23 property pest management plans developed
- Weed surveys of Department Transport and Main Roads roadways under Road Maintenance Performance Contract works completed

Develop and implement pest management policies, strategies and guidelines

- Community wild dog and pig baiting programme completed in August 2016
- Community baiting programme for wild dogs, pigs and foxes undertaken in June 2017

Partner with community organisations to develop a range of education and action programs

- Land Holder Assistance Program continued with good feedback form participants
- Community Environmental Grant Program was conducted

Work with state and federal governments to maintain weed and animal management across various regional lands

- Engagement with a range of organisations to undertake and support activities regarding pests that pose a threat to the region such as Darling Downs Moreton Rabbit Board; Queensland Fire and Emergency Management Services; SEQ Pest Advisory Forum

Partner with other regional Councils and the state to develop an Escarpment to Bay (SEQ) Management Plan

- Lockyer Catchment Action Plan published

Establish strong management relationships with state and federal agencies to advocate for significant conservation of Council land

- Engagement with agencies through the Council of Mayors (SEQ) Waterways and Environment Committee

LOCKYER PLANNED

CORPORATE PLAN 2012 – 2017 GOALS

Develop and operationalise the ten year asset management plan for all Council infrastructure (including roads)

Adopt a planned approach to the ongoing development of regional townships and villages, capitalising on the diversity, identity, opportunities and cultural heritage of each area

Engage with the community to develop disaster management plans for each township and the greater region to ensure the community is able to prepare, respond and recover from any disaster

Deliver waste and recycling services across the region

Develop regulation and policies consistent with state legislation and planning scheme

Develop the Temporary Local Planning Instrument (TLPI) to prevent and control development in flood zones

Advocate to service providers and state and federal government for improved digital and mobile communication services including NBN and broadband services

Advocate to State and Federal Governments to source funding for priority infrastructure needs.

2016-17 PERFORMANCE

- Parks and Gardens Service Management Plan adopted
- Transport Infrastructure Service Management Plan adopted
- Buildings and Facilities Service Management Plan adopted
- Plant and Fleet Services Management Plan adopted
- ICT Service Management Plan adopted'
- Disaster Management Service Management Plan adopted

- The scope of the new planning scheme addresses the regulation of the ongoing development of the region's townships and villages

- Successful conduct of Emergency Services Day in Laidley
- Regular engagement of community groups at community events such as Gatton and Laidley Show, Helidon Heritage Fair, Get Ready Emergency Day, Backpackers BBQ
- New SES Local Controller appointed with small growth in membership achieved

- Waste and recycling services contract proved successful with continued services provided to residents

- Consultants have been engaged to undertake 1) structure and content and 2) support mapping to finalise the Lockyer Valley Planning Scheme under the *Planning Act 2016*

- A project commenced to refine flood mapping in respect of overland flow and local storm water which will provide input into improved flood mapping as a part of the new planning scheme

- Regular contact was maintained with NBN Co and service providers to highlight local communication blackspots

- Funding applications for cycle ways in the region were submitted but unsuccessful



CORPORATE PLAN 2012 – 2017 GOALS

Develop a Community Engagement Strategy that identifies multiple strategies to inform, consult and involve the community in key Council decisions, initiatives and development

Improve communication with community through the use of technology and traditional means

Promote the Lockyer Region, Council and Local Government

Collaborate with regional industry, institutions and government to promote, improve and develop services

2016-17 PERFORMANCE

- Re-establishment of the internal community engagement committee has enabled coordination of media, communication and engagement activities
- Ongoing updates of information contained on Council's website have been completed
- Research was conducted on the most effective way to capture data on tourism numbers
- Council has actively responded to matters of local, state and federal significance for Council and the region e.g. Council of Mayors SEQ papers, Local Government Association of Queensland Conference Motions

LOCKYER COUNCIL

CORPORATE PLAN 2012 – 2017 GOALS

2016-17 PERFORMANCE

Develop practices and policies to support responsible management in relation to clearly defined service standards

- 90% of policies and procedures reviewed for adoption

Develop corporate, business and information systems and processes that support the organisation

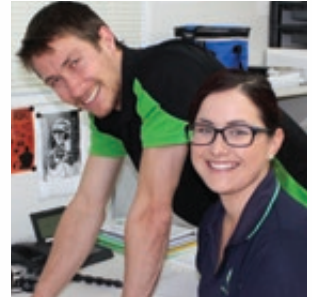
- 2017 – 2027 Community Plan adopted
- 2017 – 2022 Corporate Plan adopted
- First tranche of property sales completed
- Intramaps introduced at Council
- GPS operational monitoring system trailed
- Annual financial statements and external audit completed in required timeframes
- Decision making framework timeframes adhered to
- Legal advice and services managed in the required timeframes

Improve Council's Customer Service across the region

- Average phone wait times of calls answered within 45 seconds 80.33% (target >80%)
- Abandoned calls 3.43% (target <15%)
- 70% increase in use of eServices (target 10%)
- 78% of interactions handled at first point of contact (target >80%)

Strive to ensure Council is financially sustainable through provision of core business while seeking alternative funding sources and commercial opportunities

- Maintenance program was delivered within budget
- Laidley Library and Customer Service Centre delivered
- Gatton Landfill Cell 4 works completed
- 100% of identified fleet items were replaced
- Majority of capital works program was delivered within budget



CORPORATE PLAN 2012 – 2017 GOALS

Provide opportunities for staff to engage in training, education and career/professional development opportunities

Develop a Council Workforce Plan to focus on recruitment, succession planning and employment conditions

Develop a range of internal engagement and communication processes to help build relationships and keep staff informed

Maintain the high standard Governance Framework that supports Council in compliance with Legislation

2016-17 PERFORMANCE

- Training programs conducted during the 2016-17 year included mandatory training such as Safety training, First Aid, drug and alcohol training and authorised persons training.
- Professional development programs including Diploma Local Government Administration and the LGMA Propeller Programs
- Workforce Plan approved
- 'In the Loop' and 'Watercooler' communication platforms published for staff
- 23 Administrative Action Complaints received with 6 still under investigation
- Fraud Allegation Register established and actioned
- Four Audit and Risk Management Committee meetings held
- Corporate Risk Register under development
- 75% compliance in self-assurance Work Health and Safety (WHS) audit program
- 100% completion of compliance reporting and implementation of actions in WHS monthly action plans

RIGHT TO INFORMATION AND INFORMATION PRIVACY

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

Applications received under the <i>Right to Information Act 2009</i> (RTI)	9
Applications received under the <i>Information Privacy Act 2009</i> (IP)	1
TOTAL APPLICATIONS RECEIVED	10

One application was withdrawn and 11 decisions were issued to applicants, all within legislative timeframes. Zero applications remained on hand as at 30 June 2017.

One application was subject to an External review by Office of Information Commissioner.

STATUTORY INFORMATION

BENEFICIAL ENTERPRISES

Council did not have any partnership arrangements, or conduct any business with beneficial enterprises under section 41 of the *Local Government Act 2009* during the reporting period.

CONDUCT OF BUSINESS ACTIVITIES

Council did not conduct any business activities under section 43 of the *Local Government Act 2009* during the reporting period.

COMPETITIVE NEUTRALITY COMPLAINTS

Council received no competitive neutrality complaints during the reporting period.

PARTICULAR RESOLUTIONS

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

In accordance with section 185(b) of the *Local Government Regulation 2012*, there were no resolutions made by Council during the 2016-17 year under section 206(2) setting the amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense.

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

In accordance with section 250 of the *Local Government Regulation 2012*, Council must have an Expenses Reimbursement and Provision of Facilities Policy for Councillors. In addition, Lockyer Valley Regional Council has a Expenses Reimbursement and Provision of Facilities Guideline which provides the policy details. The Guideline was reviewed and amended on 27 July 2016. The amendment included the removal of access to council owned vehicles for council related business under section 4.4. The objective of the policy and guideline is to ensure the payment of legitimate and reasonable expenses incurred by Councillors for discharging their duties and responsibilities as Councillors; and to provide facilities to Councillors for those purposes. This is to ensure that Councillors are not financially disadvantaged as a result of carrying out their official duties.

The policy and is also aimed at reflecting the community's expectations about the extent of a Councillor's duties and responsibilities and its expectations about the resources and reimbursement provided to Councillors from public funds. This policy does not deal with the provision of remuneration, nor does it cover non-business related expenses or facilities incurred by other people, including a Councillor's partner. The full policy is available on our website.

Resolution: That Council resolves to approve the amendment of the Expenses Reimbursement & Provision of Facilities for Councillors Guideline to remove the provision of access by Councillors to Council car pool vehicles unless authorised by the Chief Executive Officer.

COUNCILLORS

ATTENDANCE AT COUNCIL MEETINGS

As required under Section 186(d) of the *Local Government Regulation 2012*, the table below details the number of local government meetings each Councillor attended during the financial year ending 30 June 2017.

NAME	ORDINARY MEETINGS (20 HELD)	SPECIAL MEETINGS (2 HELD)	TOTAL
Cr Tanya Milligan (Mayor)	19	2	21
Cr Jason Cook (Deputy Mayor)	20	2	22
Cr Chris Wilson	20	2	22
Cr Janice Holstein	20	2	22
Cr Jim McDonald	19	2	21
Cr Kathy McLean	19	2	21
Cr Michael Hagan	20	2	22

COUNCILLOR REMUNERATION

Increases in remuneration for Councillors are automatically linked to respective increases to the remuneration levels of Queensland Members of the Legislative Assembly.

Mayor: \$122,631

Deputy Mayor: \$76,644

Councillor: \$65,147

NAME	SALARY	ALLOWANCES	SUPERANNUATION	TOTAL
Cr Tanya Milligan (Mayor)	124,621	4,662	14,715	143,998
Cr Jason Cook (Deputy Mayor)	76,895	14,567	9,197	100,660
Cr Chris Wilson	65,364	14,567	7,817	87,749
Cr Janice Holstein	66,552	14,567	7,817	88,937
Cr Jim McDonald	66,552	14,567	7,817	88,937
Cr Kathy McLean	66,552	14,567	7,817	88,937
Cr Michael Hagan	65,364	14,567	7,817	87,749
Cr Stephen Jones	1,746	0	0	1,746
Cr Peter Friend	1,187	0	0	1,187
Cr Derek Pingel	1,187	0	0	1,187
TOTAL	534,932	93,156	63,001	\$691,090

Note – During the 2016-17 year additional payments for the prior year were made to Councilors as the statutory amount of remuneration had not been paid and Council had not resolved to pay a lesser amount. These payments were also made to members of the previous Council as they were entitled to the amounts during their term of office.

COUNCILLOR EXPENSES

NAME	PHONE & ICT COSTS	MOTOR VEHICLE	TRAVEL & ACCOMMODATION	REIMBURSEMENTS	TOTAL
Cr Tanya Milligan (Mayor)	2,827	10,693	12,471	440	26,433
Cr Jason Cook (Deputy Mayor)	940	0	2,510	0	3,451
Cr Chris Wilson	855	0	1,944	0	2,800
Cr Janice Holstein	1,090	0	7,184	0	8,275
Cr Jim McDonald	842	0	343	0	1,186
Cr Kathy McLean	788	0	140	27	955
Cr Michael Hagan	840	0	2,770	0	3,610
TOTAL	\$8,185	\$10,693	\$27,366	\$467	\$46,713

ADMINISTRATIVE ACTION COMPLAINTS

Council is committed to dealing fairly with administrative action complaints by receiving, enabling, responding and reviewing customer complaints in a professional and cost effective manner. By reviewing, reflecting and learning from the complaints, Council is able to improve services to the community. A number of the administrative action complaints received were in relation to complex planning matters and were not able to be processed within the identified timeframe. A common cause for complaints received is a lack of communication between Council and the complainant on matters. This cause is being addressed via Council's Customer Service Strategy.

ADMINISTRATIVE ACTION COMPLAINTS 2016-17	NUMBER
Number of administrative action complaints received	23
Number of administrative action complaints resolved	14
Number of administrative action complaints sustained	0
Number of administrative action complaints not sustained	14
Number of complaints still in progress/unresolved	9
Number of administrative action complaints that were made in the previous financial year (2015-2016)	17

RECORD OF COUNCILLOR CONDUCT AND PERFORMANCE COMPLAINTS

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

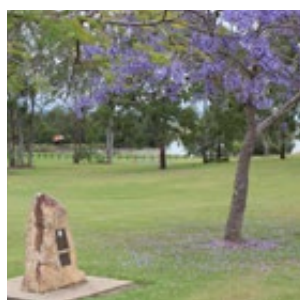
OVERSEAS TRAVEL

No councillors or council employees travelled overseas in an official capacity during the 2016-17 financial year.

GRANTS TO COMMUNITY ORGANISATIONS

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

NAME OF COMMUNITY ORGANISATION	PURPOSE	AMOUNT \$
Lockyer Multicultural Association	Living Books Restaurant	4,000
Lockyer Regional Performing Arts	Production of Wizard of OZ	4,000
Lockyer Valley Landcare	Installation of plumbing at Merryfields Environmental Education Centre	4,000
Stockyard Creek Community Hall	Renovation of toilets for wheelchair access	4,000
Returned Service League Laidley	Branch Toilets for RSL Clubhouse	4,000
Ma Ma Creek State School Parent and Citizens Association	Community Outreach Project	4,000
Glenore Grove Public Hall Association	Replacement of old water tank	3,880
Laidley Bowls Club	Concrete footpaths around facility	3,290
Forest Hill Cricket Club	Replacement of canteen fridge	3,000
Ma Ma Creek Hall Committee	Community Movie Night	3,000
Gatton Jubilee Golf Club	Install Solar lighting for entrance sign	2,650
Gatton Rugby League Club	Purchase of a Deep Fryer	2,500
ALARA Qld	Establishment of a vegetable garden	2,404
Lockyer Indoor Equestrian Centre	Installation of new round pen	2,000
Lockyer Valley Riding for Disabled	Purchase storage container and relocation of existing container	2,000
Murphys Creek Progress Association	Assistance with Chilli Festival	2,000



NAME OF COMMUNITY ORGANISATION	PURPOSE	AMOUNT \$
Friends of Lake Apex	Integrated Art Installations	1,320
Laidley Meals on Wheels	Luncheon to celebrate 40 Years in Laidley	1,000
Forest Hill Community Development	Replace damaged signs on fitness equipment, and purchase a printer/scanner	900
Lockyer Valley Lutheran Parish	Portable PA system for Lutheran Men's Shed	850
Redeemer Lutheran Church Laidley	Purchase a new photocopier	636
The salvation Army Lockyer Valley Corps	Gas oven, refrigerator, range hood	563
Gatton and District Historical Society	Replace stairs and rain water tank	500
Laidley District Historical Society	Purchase shelving	500
Laidley State High School P&C	Installation of commercial grade dishwasher	500
Postmans Ridge Hall	Connect mains water to hall	500
Withcott Football Club	Development of strategic plan	500
Withcott Progress Association	Purchase community sign	500
Laidley Netball Association	Purchase of PA system	350
Laidley Agricultural and Industrial Society	Office equipment	300
Laidley Arts Society	Purchase of art supplies to create kits	269
Gatton State Emergency Services Social Club	Purchase specialised CPR training equipment	102
Gatton Kindergarten	Purchase of iPads	99
TOTAL		\$60,113

Assistance was also provided for:

- Regional Ambassador Support and School Dux Bursary Program – \$7,250
- School Chaplaincy Program – \$10,000
- Public Halls Assistance Program – \$15,300
- ANZAC Day Remembrance Program – \$6,200
- Sporting Grounds Assistance Program – \$120,320
- 89 fee waivers for the use of Council's facilities were granted at a total cost of \$136,430

COUNCILLOR DISCRETIONARY FUNDS

The following donations were made from the Mayoral Donation Program:

ORGANISATION NAME	PURPOSE	AMOUNT
Scripture Union Queensland	Gatton State School Chaplaincy Mayoral Gala Dinner	2,482
Laidley RSL	Vietnam Veterans 50th Anniversary Dinner	1,000
Lockyer Valley Ministers Association	Mayoral Christmas Carols	750
International Womens Day	Hire of Gatton Shire Hall	618
Lockyer Womens Masters Softball Team	World Masters Games April 2017	500
Downs Arabian Club Incorporated	2016 Youth and Non-Pro Show	500
Junction View Hall Association	New Year's Eve Bush Dance	500
Fossil Downs Bush Rodeo	Donation	500
Queensland Omnibus and Coach Society	Donation	500
Laidley Golf Club	Corporate Golf Day Sponsorship	500
Lockyer Valley Riding for the Disabled	2017 Yabby Races Event	500
Gatton Swimming Club	Sponsor Australia Day 800 Classic	500
Gatton Show Society	2017 Gatton Show Campdraft	500
Mount Sylvia State School P&C Association	School Festival	300
Gatton Jubilee Golf Club	Sponsor Farmers Cup	273
Tabeel Lutheran Home	Donation	250
Karinya Village	Donation	250
Amaroo Gatton & District Retirement Village	Donation	250

ORGANISATION NAME	PURPOSE	AMOUNT
Fossil Downs Bush Rodeo	Donation	250
Laidley Bowls Club	Sponsor 2017 Arm Bowlers Competition	250
Laidley Bowls Club	2017 Mens Bowls Competition	250
Laidley Bowls Club	2017 Ladies Bowls Competition	250
Tabeel Lutheran Home	Donation	250
Friends of Regis	Donation	250
Karinya Village	Donation	250
Forest Hill Festivities Association	Face Painting for Festivities 11 December 2016	200
Lockyer Darts Association	Sponsor Tory Ellis to compete at Australian Darts Titles	200
Laidley District State School	Lionel Legends Medallions Term 2 2016	195
Laidley & District State School	Medallions for Legends of the Term	195
Laidley and District State School	Laidley Legend Medallions	178
Gatton and District COTA Inc.	Mayoral Speech Contest	150
Lockyer Valley Early Education Centre	Farm Presentation	136
TOTAL		\$13,678



COMMERCIAL BUSINESS UNITS

Council did not maintain any Commercial Business Units during the reporting period.

ACTION TAKEN INVOLVING SPECIAL ARRANGEMENTS

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

CHANGES TO TENDERS

Council did not issue invitations to change any tenders under section 228(7) of the *Local Government Regulation 2012* during 2016-17.

CONCESSIONS FOR RATES AND CHARGES GRANTED

Part 10 of the *Local Government Regulation 2012* provides Council with the ability to grant concessions to property owners in certain circumstances. For the 2016-17 financial year, the following concessions were granted:

- PID 228770 – rebate of outstanding rates and charges of \$2,768 for a not for profit group due to financial hardship.
- Faith Lutheran College – rebate of general rates of \$4,588 under Council's Community Grant Policy for not for profit organisations.
- Council Pension Subsidy – rebate of up to \$60 for eligible pensioners totalling \$173,864 for 3,113 properties.

REGISTERS MAINTAINED

Registers maintained by Council include:

- Register of Councillor Interests
- Register of Delegations by Council
- Register of Delegations by the Chief Executive Officer
- Register of Roads
- Register of General Charges and Regulatory Fees
- Register of Local Laws and Subordinate Local Laws
- Asset Register
- Fraud Allegation and Loss Register
- Cemetery Register
- Land Record
- Policy Register



INTERNAL AUDIT

Internal Audit activities are performed by a qualified internal audit consultant on a wholly outsourced basis. For the 2016-17 financial year, BDO Pty Ltd provided this service.

The Audit and Risk Management Committee endorsed an Internal Audit Plan at the 24 August 2016 meeting and with a further reviewed version endorsed on the 8 December 2016. Internal Audit Progress Reports were presented to the Audit and Risk Management Committee meetings in December 2016, February 2017 and June 2017.

Internal audit projects for the financial year included:

- Cyber Security
- Operational risk registers for Animal Management, Infrastructure Works and Services, Planning Services and Information Services.

The Internal Audit Progress Report provided to the Audit and Risk Management Committee in June 2017 presented an overview of the work performed by the Internal Auditor from July 2016–June 2017 in accordance with s.207(3), *Local Government Regulation 2012*.

Lockyer Valley Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Our Mission:
Lead, engage, empower.



REGIONAL COUNCIL

Lockyer Valley Regional Council

General Purpose Financial Statements for the year ended 30 June 2017

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Certificate of Accuracy - Current Year Financial Sustainability Statement
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Certificate of Accuracy - Long Term Financial Sustainability Statement

Lockyer Valley Regional Council

Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Income			
Revenue			
Recurrent Revenue			
Rates, Levies and Charges	3a	36,850	33,725
Fees and Charges	3b	5,332	3,960
Rental Income		311	356
Interest and Investment Revenue		1,715	1,737
Sales Revenue		1,286	892
Net Share of Interests in Associated Entities	25	2,328	2,099
Other Income	3c	3,116	2,585
Grants, Subsidies, Contributions and Donations	4a	9,326	9,769
Total Recurrent Revenue		60,264	55,123
Capital Revenue			
Grants, Subsidies, Contributions and Donations	4b	7,696	3,749
Total Revenue		67,960	58,872
Capital Income		192	224
Total Income		68,152	59,096
Expenses			
Recurrent Expenses			
Employee Benefits	5	23,422	24,038
Materials and Services	6	16,045	18,024
Finance Costs	7	2,833	1,943
Depreciation and Amortisation		12,667	13,860
Total Recurrent Expenses		54,967	57,865
Capital Expenses	8	3,594	3,950
Total Expenses		58,561	61,815
Net Recurrent Result		5,297	(2,742)
Net Result		9,591	(2,719)
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to the Net Result</i>			
Gain on Revaluation of Property, Plant and Equipment	19	17,120	1,396
Total Other Comprehensive Income		17,120	1,396
Total Comprehensive Income		26,711	(1,323)

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

Lockyer Valley Regional Council

Statement of Financial Position as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	9	9,741	6,702
Investments	9	17,500	16,000
Trade and Other Receivables	10	4,979	5,024
Inventories		346	367
Non-Current Assets classified as "Held for Sale"	11	3,052	3,118
Total Current Assets		35,618	31,211
Non-Current Assets			
Trade and Other Receivables	10	14,735	14,735
Associated Entities	25	29,740	28,380
Investment Property	12	1,847	1,000
Property, Plant and Equipment	13	576,176	542,362
Intangible Assets	15	4,926	4,560
Total Non-Current Assets		627,424	591,037
TOTAL ASSETS		663,042	622,248
LIABILITIES			
Current Liabilities			
Trade and Other Payables	16	6,107	5,799
Borrowings	17	1,612	1,505
Provisions	18	4,678	4,362
Total Current Liabilities		12,397	11,666
Non-Current Liabilities			
Borrowings	17	30,838	33,003
Provisions	18	28,633	21,857
Total Non-Current Liabilities		59,471	54,860
TOTAL LIABILITIES		71,868	66,526
Net Community Assets		591,174	555,722
COMMUNITY EQUITY			
Asset Revaluation Reserve	19	218,832	201,712
Retained Surplus	20	367,461	346,417
Reserves	21	4,881	7,593
Total Community Equity		591,174	555,722

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

Lockyer Valley Regional Council

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	Asset Revaluation Reserve \$'000	Retained Surplus \$'000	Other Reserves \$'000	Total Equity \$'000
2017					
Opening Balance (as per Last Year's Audited Accounts)		201,712	346,417	7,593	555,722
a. Investment in Associated Entities Recognised for the First Time		-	127	-	127
b. Property Plant & Equipment Recognised for the First Time	13	-	8,614	-	8,614
Revised Opening Balance (as at 1 July 2016)		201,712	355,158	7,593	564,463
c. Net Result for the Year		-	9,591	-	9,591
d. Other Comprehensive Income					
- Revaluations : Asset Revaluation Surplus	19	17,120	-	-	17,120
Other Comprehensive Income		17,120	-	-	17,120
Total Comprehensive Income		17,120	9,591	-	26,711
e. Transfers to Reserves		-	(81)	81	-
f. Transfers from Reserves		-	2,793	(2,793)	-
Equity Balance as at 30 June 2017		218,832	367,461	4,881	591,174
2016					
Opening Balance (as per Last Year's Audited Accounts)		200,316	349,672	7,057	557,045
a. Net Result for the Year		-	(2,719)	-	(2,719)
b. Other Comprehensive Income					
- Revaluations : Asset Revaluation Surplus	19	1,396	-	-	1,396
Other Comprehensive Income		1,396	-	-	1,396
Total Comprehensive Income		1,396	(2,719)	-	(1,323)
c. Transfers to Reserves		-	(9,365)	9,365	-
d. Transfers from Reserves		-	8,829	(8,829)	-
Equity Balance as at 30 June 2016		201,712	346,417	7,593	555,722

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

Lockyer Valley Regional Council

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		43,733	38,771
Payments to Suppliers and Employees		(41,838)	(46,715)
		1,895	(7,944)
Receipts:			
Investment and Interest Revenue Received		1,845	1,470
Rental Income		342	356
Non Capital Grants and Contributions		9,632	9,769
Other		5,353	6,680
Payments:			
Borrowing Costs		(1,856)	(1,653)
Net Cash - Operating Activities	27	17,211	8,678
Cash Flows from Investing Activities			
Receipts:			
Proceeds on Disposal of Land Held for Resale		1,361	-
Proceeds on Disposal of Property, Plant and Equipment		716	363
Distributions Received from Joint Ventures and Associates		1,095	822
Grants, Subsidies, Contributions and Donations		3,905	3,171
Payments:			
Purchase of Investment Securities		(1,500)	(14,500)
Purchase of Property, Plant and Equipment		(16,436)	(10,476)
Payments for Intangible Assets		(1,255)	(389)
Net Cash - Investing Activities		(12,114)	(21,009)
Cash Flows from Financing Activities			
Receipts:			
Proceeds from Borrowings and Advances		-	895
Payments:			
Repayment of Borrowings and Advances		(2,058)	(1,489)
Net Cash - Financing Activities		(2,058)	(594)
Net Increase/(Decrease) for the year		3,039	(12,925)
plus: Cash and Cash Equivalents - beginning		6,702	19,627
Cash and Cash Equivalents - closing	9	9,741	6,702
Additional Information:			
plus: Investments on hand - end of year	9	17,500	16,000
Total Cash, Cash Equivalents and Investments		27,241	22,702

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

(1.b) Date of Authorisation

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

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

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

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

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

(1.d) Rounding and Comparatives

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

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

(1.e) Taxation

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

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

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

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

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

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



Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 30.

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

- Grants received to construct non-financial assets controlled by Council will be recognised as a liability, and subsequently recognised progressively as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue upfront.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. Council is yet to evaluate its existing grant arrangements as to whether revenue from those grants could be deferred under the new requirements.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants for which there are no sufficiently specific performance obligations - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received cash but has not met its associated performance obligations (such amounts would be

reported as a liability in the meantime). Council is yet to complete its analysis of existing arrangements for sale of its services and the impact, if any, on revenue recognition has not yet been determined.

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

During the 2016/17 financial year Council received \$1.69 million in prepaid rates. If the standard had been applied in this reporting period there would have been a reduction in revenue of \$1.69 million and an increase in current liabilities of \$1.69 million.

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 2(a). Council Functions - Component Descriptions

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

General Public Services

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

Public Order and Safety

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

Economic Affairs

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

Environmental Protection

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

Housing and Community Amenities

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

Health

The objective of this function is to service the administration, operation and management of the Region's environmental health program. For the 2017 financial year this program is now included under Public Order and Safety.

Recreation, Culture and Religion

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

Social Protection

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 2(b). Analysis of Results by Function

Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring			Capital				Recurring	Capital				
	Grants	Other	\$'000	Grants	Other	\$'000							
2017													
General Public Services	4,494	34,416	54	-	-	38,964	(12,689)	-	(12,689)	26,221	26,275	216,005	
Public Order & Safety	44	1,677	65	-	-	1,786	(1,775)	-	(1,775)	(54)	11	-	
Economic Affairs	3,638	1,687	3,494	-	-	8,819	(17,337)	(3,070)	(20,407)	(12,012)	(11,588)	427,352	
Environmental Protection	45	7,223	-	-	-	7,268	(6,545)	-	(6,545)	723	723	12,865	
Housing & Community Amenities	119	4,727	3,941	-	-	8,787	(9,666)	(524)	(10,190)	(4,820)	(1,403)	-	
Recreation, Culture & Religion	386	877	142	192	-	1,597	(5,790)	-	(5,790)	(4,527)	(4,193)	6,820	
Social Protection	600	331	-	-	-	931	(1,165)	-	(1,165)	(234)	(234)	-	
Total	9,326	50,938	7,696	192	192	68,152	(54,967)	(3,594)	(58,561)	5,297	9,591	663,042	
Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring			Capital				Recurring	Capital				
	Grants	Other	\$'000	Grants	Other	\$'000							
2016													
General Public Services	2,972	31,079	-	224	-	34,275	(13,702)	(100)	(13,802)	20,349	20,473	201,976	
Public Order & Safety	52	1,342	33	-	-	1,427	(1,445)	-	(1,445)	(51)	(18)	-	
Economic Affairs	2,988	1,255	1,059	1,113	-	6,415	(18,208)	(3,054)	(21,262)	(13,965)	(14,847)	408,044	
Environmental Protection	114	7,041	-	-	-	7,155	(6,911)	-	(6,911)	244	244	5,833	
Housing & Community Amenities	2,656	3,226	1,191	-	-	7,073	(9,953)	(272)	(10,225)	(4,071)	(3,152)	-	
Health	10	71	-	-	-	81	(243)	-	(243)	(162)	(162)	-	
Recreation, Culture & Religion	395	1,009	353	-	-	1,757	(6,249)	(525)	(6,774)	(4,845)	(5,017)	6,395	
Social Protection	582	331	-	-	-	913	(1,153)	-	(1,153)	(240)	(240)	-	
Total	9,769	45,354	2,636	1,337	1,337	59,096	(57,865)	(3,950)	(61,815)	(2,742)	(2,719)	622,248	

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 3. Revenue Analysis

	2017 \$'000	2016 \$'000
Notes		
(a). Rates, Levies and Charges		
General Rates	29,750	26,966
Separate Rates	4,367	4,122
Special Charges	297	293
Waste Collection Charges	4,007	3,791
Total rates and utility charge revenue	38,421	35,172
Less: Discounts	(1,397)	(1,275)
Less: Pensioner remissions	(174)	(172)
<u>TOTAL RATES, LEVIES AND CHARGES</u>	<u>36,850</u>	<u>33,725</u>
(b). Fees and Charges		
Animal Control	489	280
Building and Development Fees	3,191	2,261
Refuse Tip and Recycling	557	525
Childcare	331	315
Finance and Corporate Governance	83	79
User Fees and Charges	681	500
<u>TOTAL FEES AND CHARGES</u>	<u>5,332</u>	<u>3,960</u>
(c). Other Income		
Other Income	1,670	1,265
Income Tax Equivalent Received	1,008	759
Sale of Sundry Small Value Items	107	105
Fuel and Diesel Rebate	151	180
Rates Legal Costs Recovered	180	276
<u>TOTAL OTHER INCOME</u>	<u>3,116</u>	<u>2,585</u>

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



Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Grants, Subsidies, Contributions and Donations

Notes	2017 \$'000	2016 \$'000
(a) Recurrent		
General Purpose Grants	6,187	4,096
State Government Subsidies and Grants	485	456
Commonwealth Government Subsidies and Grants	2,546	5,091
Contributions	108	126
<u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>9,326</u>	<u>9,769</u>
(b) Capital		
<i>Monetary Capital Revenue</i>		
State Government Subsidies and Grants	3,524	2,127
Commonwealth Government Subsidies and Grants	237	509
Contributions	144	535
<i>Non-Monetary Capital Revenue</i>		
Developer Assets Contributed by Developers at Fair Value	13 3,791	578
<u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>7,696</u>	<u>3,749</u>

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 5. Employee Benefits

	Notes	2017 \$'000	2016 \$'000
Wages and Salaries		17,866	17,052
Annual, Sick and Long Service Leave Entitlements		4,321	4,633
Superannuation	24	2,459	2,504
Councillor Remuneration		628	551
Other		1,044	1,057
		<u>26,318</u>	<u>25,797</u>
Less: Capitalised Employee Expenses		(2,896)	(1,759)
<u>TOTAL EMPLOYEE BENEFITS</u>		<u><u>23,422</u></u>	<u><u>24,038</u></u>

Additional information:

Total Employees at year end:

Administration Staff	158	154
Depot and Outdoors Staff	156	153
Total full time equivalent employees	<u>314</u>	<u>307</u>
Total Elected members	<u>7</u>	<u>7</u>

Note 6. Materials and Services

Advertising	316	461
Administration Supplies and Consumables	941	914
Audit of Annual Financial Statements by the Auditor-General of Queensland	85	90
Communications and IT	1,163	1,286
Consultancy Services	1,845	2,742
Contractors	6,004	5,664
Donations Paid	512	505
Insurance	804	872
Investment Property Expenses	229	157
Power	1,083	1,193
Repairs and Maintenance	1,368	1,763
Subscriptions and Registrations	529	507
Travel	56	98
Other	1,110	1,772
<u>TOTAL MATERIALS AND SERVICES</u>	<u><u>16,045</u></u>	<u><u>18,024</u></u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 7. Finance Costs

	Notes	2017 \$'000	2016 \$'000
Finance costs - Queensland Treasury Corporation		1,792	1,562
Bank Charges		102	91
Impairment of Receivables and Bad Debts Written Off		(38)	-
Quarry Rehabilitation	18	550	23
Refuse Restoration	18	427	267
<u>TOTAL FINANCE COSTS</u>		<u>2,833</u>	<u>1,943</u>

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

No borrowing costs are capitalised on qualifying assets.

Note 8. Capital Expenses

(a) Loss on disposal of non-current assets

Proceeds from the Disposal of Plant and Other Equipment		546	357
Less: Book Value of Plant and Other Equipment Disposed	13	(611)	(486)
		(65)	(129)
Proceeds from Disposal of Land and Buildings		170	-
Less: Book Value of Land and Buildings Disposed	13	(422)	(274)
		(252)	(274)
Proceeds from the Disposal of Road & Drainage Network		-	-
Less: Book Value of Road & Drainage Network Disposed	13	(3,005)	(2,806)
		(3,005)	(2,806)
Proceeds from the Disposal of Other Assets		-	6
Less: Book Value of Other Assets Disposed	13	(437)	(4)
		(437)	2
Proceeds from Land Held for Resale		1,361	-
Less: Book Value of Land Held for Resale Disposed	11	(1,196)	-
		165	-
Loss on disposal of non-current assets		<u>(3,594)</u>	<u>(3,207)</u>

(b) Revaluation decrement

Downwards Revaluation of Property, Plant and Equipment	13	-	(643)
Downwards Revaluation of Investment Property	12	-	(100)
		-	(743)
<u>TOTAL CAPITAL EXPENSES</u>		<u>3,594</u>	<u>3,950</u>

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9. Cash, Cash Equivalents and Investments

Notes	2017 \$'000	2016 \$'000
Cash and Cash Equivalents		
Cash at Bank and on Hand	841	1,872
Cash Equivalent Assets ¹		
- Deposits at Call	8,900	3,830
- Short Term Deposits	-	1,000
Total Cash and Cash Equivalents	9,741	6,702
Investment Securities - Current		
Long Term Deposits	17,500	16,000
Total Current Investment Securities	17,500	16,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	27,241	22,702

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

Restricted Cash, Cash Equivalents and Investments

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

These include:

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

Unspent Government Grants and Subsidies	43	119
Total External Restrictions	43	119

Internally imposed Expenditure Restrictions at the reporting date:

Future Capital Works	4,838	6,726
Future Recurrent Expenditure	-	748
Total Internal Restrictions	4,838	7,474
Total Unspent Restricted Cash, Cash Equivalents and Investments	4,881	7,593

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

Cash at bank is held with the National Australia Bank and Heritage Building Society in normal business cheque accounts. Cash at call is held with Queensland Treasury Corporation. Interest rates are determined on a daily basis. Short and long term deposits are held with various banking institutions with maturities ranging up to twelve months and interest rates from 2.6% to 2.85%.

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 10. Trade and Other Receivables

Notes	2017 \$'000	2016 \$'000
Current		
Rateable Revenue and Utility Charges	2,050	2,090
Other Debtors	1,077	990
GST Recoverable	314	299
Accrued Revenues		
- Interest on Investments (incl. Q.U.U.)	1,037	1,215
Prepayments	504	470
Total	<u>4,982</u>	<u>5,064</u>
less: Provision for Impairment		
Other Debtors	(3)	(40)
Total Provision for Impairment - Receivables	<u>(3)</u>	<u>(40)</u>
 <u>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</u>	 <u>4,979</u>	 <u>5,024</u>
Non-Current		
Loans and Advances to Associates	14,735	14,735
Total	<u>14,735</u>	<u>14,735</u>
 <u>TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES</u>	 <u>14,735</u>	 <u>14,735</u>

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

Interest is charged on outstanding rates at a rate of 11% per annum. Debtors invoiced during the 2017 financial year and which remain outstanding for greater than 30 days, bear interest at the rate of 11%.

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

The collectability of other receivables is assessed periodically. If there is evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

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

Notes	2017 \$'000	2016 \$'000
Non-Current Assets "Held for Sale"		
Land	3,052	3,118
TOTAL NON-CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"	3,052	3,118

Council is undertaking a land optimisation project. Part of this project has identified parcels of land that are excess to Council requirements. These parcels of land will be offered for sale by auction, and through negotiations where that land is not sold at the initial auction.

Council holds land at Woodlands Road, Gatton. A contract for the sale of this land has been executed, with a settlement date of July 2017. The sale value matches the fair value at the end of financial year.

Note 13 describes the valuation techniques that were used to determine the fair value of the land, which is categorised as a level 2 valuation.

Reconciliation of Non-Current Assets "Held for Sale"

Assets "Held for Sale"

Opening Balance		3,118	-
less: Carrying Value of Assets Sold	8	(1,196)	-
Balance still unsold after 12 months:		1,922	-
plus Net Transfer in/(out):			
Assets "Held for Sale" from Property, Plant and Equipment	13	130	810
Assets "Held for Sale" from Investment Properties	12	1,000	2,080
plus Revaluation adjustments			
Revaluation of Assets "Held for Sale"		-	228
Closing Balance of "Held for Sale" Non-Current Assets		3,052	3,118

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 12. Investment Property

	Notes	2017 \$'000	2016 \$'000
Fair value at Beginning of Financial Year Revaluation		1,000	3,180
Adj to the Statement of Comprehensive Income	8	-	(100)
Transfers from/(to) Property, Plant and Equipment	13	1,847	-
Transfers from/(to) Assets Held for Sale	11	(1,000)	(2,080)
<u>TOTAL INVESTMENT PROPERTY</u>		<u>1,847</u>	<u>1,000</u>

Investment Property at Woodlands Road, Gatton, has been transferred to Land Held for Resale.

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

Investment Property does not include Community Housing.

The 30 June 2017 investment property and land was valued at fair value by: Kim Adams, Certified Practicing Valuer, Registration Number 2124 of Pickles Valuation Services. Pickles Valuation Services have extensive experience in valuing properties of this nature in surrounding areas. Fair Value was determined by reference to market based evidence including observable historical sales data in the relevant market for properties of a similar nature.

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

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13. Property, Plant and Equipment

30 June 2017	Measurement Basis	Note	Land		Buildings		Plant and Other Equipment		Road and Drainage Network		Other Assets		Works in Progress		Networks		Park and Cemetery Equipment		Total
			\$'000	Fair Value	\$'000	Fair Value	\$'000	Cost	\$'000	Fair Value	\$'000	Cost	\$'000	Fair Value	\$'000	Cost	\$'000	Fair Value	
	Opening Gross Balance - at Cost		-	-	-	24,195	-	-	-	15,894	-	-	7,722	-	-	-	-	-	47,811
	Opening Gross Balance - at Fair Value		35,171	90,521	90,521	-	500,191	500,191	500,191	15,894	-	-	7,722	162	162	8,755	8,755	8,755	634,800
	Opening Gross Balance		35,171	90,521	90,521	24,195	500,191	500,191	500,191	15,894	-	-	7,722	162	162	8,755	8,755	8,755	682,611
	Correction to Opening Balances		8,614	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,614
	Additions*		-	-	-	-	-	-	-	-	-	-	17,691	-	-	-	-	-	17,691
	Contributed Assets at Valuation	4	-	-	-	-	-	-	3,649	-	-	-	-	-	-	142	-	-	3,791
	Disposals	8	(71)	(493)	(493)	(1,771)	(5,272)	(5,272)	(5,272)	(584)	-	-	-	-	-	-	-	-	(8,191)
	Reversal of prior period Reval. Decrements to P/L		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	396
	Revaluation Increments to Equity (ARR)	19	-	1,024	1,024	-	4,349	4,349	4,349	-	-	-	-	8	8	396	396	396	5,381
	Work in Progress Transfers		275	2,339	2,339	1,779	9,648	9,648	9,648	1,578	-	-	(16,062)	1	1	442	442	442	(130)
	Transfers from/(to) Held for Sale category	11	152	-	-	-	-	-	-	-	-	-	(282)	-	-	-	-	-	(130)
	Transfers from/(to) Investment Properties	12	(1,847)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,847)
	Transfers from/(to) Intangible Assets	15	-	-	-	-	-	-	-	-	-	-	(1,255)	-	-	-	-	-	(1,255)
	Adjustment Due to Changes in Provision for Rehabilitation	16	-	-	-	-	-	-	-	5,891	-	-	-	-	-	-	-	-	5,891
	Transfers from/(to) Other Assets		-	-	-	-	-	-	-	(76)	-	-	-	76	-	-	-	-	-
	Total Gross Value of Property, Plant and Equipment - at Cost		-	-	-	24,203	-	-	-	22,703	-	-	7,814	-	-	-	-	-	54,720
	Total Gross Value of Property, Plant and Equipment - at Fair Value		42,294	93,391	93,391	-	512,565	512,565	512,565	22,703	-	-	7,814	247	247	9,735	9,735	9,735	658,232
	Total Gross Value of Property, Plant and Equipment		42,294	93,391	93,391	24,203	512,565	512,565	512,565	22,703	-	-	7,814	247	247	9,735	9,735	9,735	712,952
	Opening Accumulated Depreciation		-	32,119	11,313	11,313	92,147	92,147	92,147	2,310	-	-	-	-	-	2,360	2,360	2,360	140,249
	Depreciation Expense		-	1,752	1,729	1,729	7,289	7,289	7,289	657	-	-	-	-	-	351	351	351	11,778
	Disposals	8	-	(142)	(142)	(1,160)	(2,267)	(2,267)	(2,267)	(147)	-	-	-	-	-	-	-	-	(3,716)
	Revaluation Decrements to Equity (ARR)	19	-	-	-	-	(11,963)	(11,963)	(11,963)	-	-	-	-	-	-	-	-	-	(11,963)
	Reversal of prior period Reval. Decrements to P/L		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204
	Revaluation Increments to Equity (ARR)		-	224	224	-	-	-	-	-	-	-	-	-	-	204	204	204	224
	Total Accumulated Depreciation of Property, Plant and Equipment	19	-	33,953	11,882	11,882	85,206	85,206	85,206	2,820	-	-	-	-	-	2,915	2,915	2,915	136,776
	Total Net Book Value of Property, Plant and Equipment		42,294	59,438	81,509	12,321	427,359	427,359	427,359	19,883	-	-	7,814	247	247	6,820	6,820	6,820	576,176

Other Information	
Residual Value	Indefinite
Range of Estimated Useful Life (years)	Indefinite
	0%
	15%-30%
	3-20
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	Indefinite
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Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13. Property, Plant and Equipment (continued)

30 June 2016	Measurement Basis	Notes	Land	Buildings	Plant and Other Equipment	Road and Drainage Network	Other Assets	Works in Progress	Artworks	Park and Cemetery Equipment	Total
			\$'000 Fair Value	\$'000 Fair Value	\$'000 Cost	\$'000 Fair Value	\$'000 Cost	\$'000 Cost	\$'000 Fair Value	\$'000 Fair Value	\$'000
	Opening Gross Balance - at Cost		32,521	100,738	23,888	-	19,197	6,061	-	-	49,146
	Opening Gross Balance - at Fair Value		32,521	100,738	23,888	515,858	19,197	6,061	-	-	649,117
	Opening Gross Balance		-	-	-	515,858	19,197	10,866	-	-	698,263
	Additions*	4	-	-	-	578	-	-	-	-	10,866
	Contributed Assets at Valuation	8	-	(634)	(1,113)	(3,545)	(18)	-	-	-	578
	Disposals	5	-	-	-	-	-	-	-	(259)	(5,310)
	Revaluation Decrements to P&L	10	-	(10,318)	-	(16,563)	-	-	-	(151)	(29,032)
	Revaluation Decrements to Equity (ARR)	10	3,245	-	-	-	-	-	118	-	3,363
	Revaluation Increments to Equity (ARR)	11	215	735	1,420	5,863	111	(8,812)	44	424	-
	Work in Progress Transfers	15	(810)	-	-	-	-	(393)	-	-	(810)
	Transfers from/(to) Held for Sale category		-	-	-	-	-	-	-	-	-
	Transfers from/(to) Intangible Assets		-	-	-	-	5,345	-	-	-	(393)
	Adjustment Due to Changes in Provision for Rehabilitation		-	-	-	-	(8,741)	-	-	-	5,345
	Transfers from/(to) Other Assets		-	-	-	-	15,894	7,722	-	8,741	-
	Total Gross Value of Property, Plant and Equipment - at Cost		-	-	24,195	-	-	7,722	-	-	47,811
	Total Gross Value of Property, Plant and Equipment - at Fair Value		35,171	90,521	-	500,191	15,894	-	162	8,755	634,800
	Total Gross Value of Property, Plant and Equipment		35,171	90,521	24,195	500,191	15,894	7,722	162	8,755	682,611
	Opening Accumulated Depreciation		-	35,495	10,127	106,813	3,425	-	-	-	155,660
	Depreciation Expense		-	1,957	1,813	8,364	528	-	-	347	13,009
	Disposals	8	-	(360)	(627)	(738)	(14)	-	-	-	(1,739)
	Revaluation Decrements to Equity (ARR)	10	-	(4,973)	-	(22,092)	-	-	-	-	(27,065)
	Reversal of prior period Reval. Decrements to P/L	8	-	-	-	-	-	-	-	384	384
	Transfers from/(to) Other Assets		-	-	-	-	(1,629)	-	-	1,629	-
	Total Accumulated Depreciation of Property, Plant and Equipment		-	32,119	11,313	92,147	2,310	-	-	2,360	140,249
	Total Net Book Value of Property, Plant and Equipment		35,171	58,402	12,882	408,044	13,584	7,722	162	6,395	542,362
Other Information											
	Residual Value		Indefinite	0%	15%-30%	0%	0%	-	Indefinite	-	-
	Range of Estimated Useful Life (years)		Indefinite	20-80	3-20	7-100	3-100	-	Indefinite	5-25	-
*Asset Additions Comprise											
	Asset Renewals		-	-	-	-	-	6,581	-	-	6,581
	Other Additions		-	-	-	-	-	4,285	-	-	4,285
	Total Asset Additions		-	-	-	-	-	10,866	-	-	10,866

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13. Property, Plant and Equipment (continued)

Valuations - defined by reference to:

Land

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

Buildings

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

Plant and Other Equipment

- Basis of valuation: Cost less accumulated depreciation

Road and Drainage Network

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

Other Assets

- Basis of valuation: Cost less accumulated depreciation
- Date of valuation: 30 June 2017

Works In Progress

- Basis of valuation: Cost

Artworks

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13. Property, Plant and Equipment (continued)

Valuations - defined by reference to: (continued)

Park and Cemetery Equipment

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

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

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

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Fair Value Measurements

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

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

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

	Date of latest valuation	Fair Value Measurement using:			Total \$'000
		Level 1	Level 2	Level 3	
		Quoted prices in active mkt \$'000	Significant observable inputs \$'000	Significant unobservable inputs \$'000	
2017					
Assets Held for Sale					
- Land	30/06/17	-	3,052	-	3,052
Total Assets Held for Sale		-	3,052	-	3,052
Investment Properties					
- Land	30/06/17	-	1,847	-	1,847
Total Investment Properties		-	1,847	-	1,847
Property, Plant and Equipment					
- Land	30/06/17	-	37,253	5,041	42,294
- Buildings	30/06/17	-	-	56,845	56,845
- Road and Drainage Network	30/06/17	-	-	419,894	419,894
- Artworks	30/06/17	-	247	-	247
- Park Equipment	30/06/17	-	-	6,820	6,820
Total Property, Plant and Equipment		-	37,500	488,600	526,100
2016					
Assets Held for Sale					
- Land	30/06/16	-	3,118	-	3,118
Total Financial Liabilities		-	3,118	-	3,118
Investment Properties					
- Land	30/06/16	-	1,000	-	1,000
Total Investment Properties		-	1,000	-	1,000
Property, Plant and Equipment					
- Land	30/06/16	-	35,171	-	35,171
- Buildings	30/06/16	-	-	58,212	58,212
- Road and Drainage Network	30/06/16	-	-	405,382	405,382
- Artworks	30/06/16	-	118	-	118
- Park Equipment	30/06/16	-	-	6,084	6,084
Total Property, Plant and Equipment		-	35,289	469,678	504,967

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Fair Value Measurements (continued)

(2) Transfers between Level 1 and Level 2 Fair Value Hierarchies

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

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

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Investment Properties

Council obtains independent valuations at least every three years for all investment properties. The last valuation was undertaken by Pickles Valuation Services, Registered Valuers, as at 30 June 2017.

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

Land

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

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Fair Value Measurements (continued)

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

Land (continued)

There are 87 parcels of land valued for the first time, which resulted in adjustment to the opening balances of \$8.61 million. These parcels are controlled by Council as trustee on behalf of the State Government. This is considered immaterial against Council capital, and property, plant and equipment balances, hence no adjustment has been made against comparative figures, or disclosed as a prior period error, as required under AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Buildings

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

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

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

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

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Fair Value Measurements (continued)

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

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

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

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

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Fair Value Measurements (continued)

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

The Valuation Process for Level 3 Fair Value Measurements

Roads & Road Structures

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

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

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

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

Urban Infrastructure

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

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

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

Percentage of Assets Inspected

- Infrastructure Assets including Road Network 5% to 20% (Bridges 80%)
- Cemeteries 100%
- Land 60%
- Buildings 95%

Review of Valuations

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 15. Intangible Assets

Notes	2017 \$'000	2016 \$'000
Intangible Assets represent identifiable non-monetary assets without physical substance.		
Intangible Assets are as follows;		
Software		
Opening Gross Carrying Value	6,363	5,974
Additions	1,255	389
Closing Gross Carrying Value	<u>7,618</u>	<u>6,363</u>
Opening Accumulated Amortisation	(1,803)	(952)
Amortisation	(889)	(851)
Closing Accumulated Amortisation	<u>(2,692)</u>	<u>(1,803)</u>
Net Carrying Value	<u>4,926</u>	<u>4,560</u>
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>4,926</u>	<u>4,560</u>
¹ The Net Book Value of Intangible Assets represent:		
- Software	4,926	4,560
	<u>4,926</u>	<u>4,560</u>

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

Straight line amortisation has been used with no residual value.

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

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

Note 16. Trade and Other Payables

Current

Creditors and Accruals	3,605	3,172
GST Payable	34	78
Payments Received in Advance	36	20
State Fire Levy	147	130
Annual Leave	2,127	2,237
Other Employee Entitlements	158	162
<u>TOTAL CURRENT TRADE AND OTHER PAYABLES</u>	<u>6,107</u>	<u>5,799</u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 16. Trade and Other Payables (continued)

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

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

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

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

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

Note 17. Borrowings

Notes	2017 \$'000	2016 \$'000
Current		
Loans - Queensland Treasury Corporation	1,612	1,505
<u>TOTAL CURRENT BORROWINGS</u>	<u>1,612</u>	<u>1,505</u>
Non-current		
Loans - Queensland Treasury Corporation	30,838	33,003
<u>TOTAL NON-CURRENT BORROWINGS</u>	<u>30,838</u>	<u>33,003</u>
Reconciliation of Loan Movements for the year		
Loans - Queensland Treasury Corporation		
Opening Balance at Beginning of Financial Year	34,508	35,102
Loans Raised	-	895
Principal Repayments	(2,058)	(1,489)
Book value at end of financial year	<u>32,450</u>	<u>34,508</u>

The QTC loan market value at the reporting date was \$35,876,563. This represents the value of the debt if Council repaid it at that date. Council made an additional payment of \$700,000 in the 2017 year, however no changes were made to the loan term. As such no provision for early repayment has been made in these accounts.

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 17. Borrowings (continued)

Loan Disclosures

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

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

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

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

Principal and interest repayments are made quarterly in arrears.

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

Note 18. Provisions

	Notes	2017 \$'000	2016 \$'000
Current			
Long Service Leave		4,535	4,228
Quarry Rehabilitation		45	39
Refuse Restoration		98	95
<u>TOTAL CURRENT PROVISIONS</u>		<u>4,678</u>	<u>4,362</u>
Non-Current			
Long Service Leave		469	552
Quarry Rehabilitation		1,740	1,196
Refuse Restoration		26,424	20,109
<u>TOTAL NON-CURRENT PROVISIONS</u>		<u>28,633</u>	<u>21,857</u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 18. Provisions (continued)

Details of movements in Provisions:

Class of Provision	Notes	Opening	Additional	Decrease	Remeasure	Closing
		Balance as at 01/07/2016		Provision	due to Payments	-ment due to Discounting
		\$'000	\$'000	\$'000	\$'000	\$'000
Long Service Leave		4,780	512	(288)	-	5,004
Quarry Rehabilitation		1,235	-	-	550	1,785
Refuse Restoration		20,204	5,891	-	427	26,522
TOTAL		26,219	6,403	(288)	977	33,311

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

Quarry rehabilitation

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

The projected cost is \$3,304,259 and this cost is expected to be incurred between 2017 and 2072.

Refuse restoration

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

The projected cost is \$43,476,610 and this will be incurred periodically from 2014 to 2074.

Long Service Leave

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 18. Provisions (continued)

Long Service Leave (continued)

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

Note 19. Asset Revaluation Reserve

	2017 \$'000	2016 \$'000
Notes		
Movements in the asset revaluation reserve:		
Balance at beginning of financial year	201,712	200,316
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	-	3,245
Buildings	800	(5,345)
Road and Drainage Network	16,312	3,529
Artworks	8	118
Park and Cemetery Equipment	-	(151)
	13	
Balance at end of financial year	<u>218,832</u>	<u>201,712</u>

Asset revaluation reserve analysis

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

Land	15,990	15,990
Buildings	9,873	9,073
Road and Drainage Network	192,843	176,531
Artworks	126	118
Balance at end of financial year	<u>218,832</u>	<u>201,712</u>

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 20. Retained Surplus

	Notes	2017 \$'000	2016 \$'000
Movements in the retained surplus:			
Retained Surplus at Beginning of Financial Year		346,417	349,672
Net Result Attributable to Council		9,591	(2,719)
Transfers (to)/from Capital Reserves for Future Capital Project Funding, or from Reserves Funds that have been Expended or Closed:	21		
Restricted Capital Works Reserve - Grants & Subsidies		(81)	237
Park Improvements Reserve		440	10
Roads Infrastructure Reserve		1,120	(1,740)
Roadworks Extractive Industry Reserve		47	-
Roads - Property Access Reserve		362	45
Transfers (to)/from Recurrent Reserves for Future Project Funding, or from Reserves funds that have been Expended or Closed:	21		
Rates Levies Reserve		748	179
Prepaid Grants Reserve		76	(7)
Election Expenses Reserve		-	90
Self Insurance Reserve		-	650
Other Movements:			
Property Plant & Equipment Recognised for the First Time		8,614	-
Investment in Associated Entities Recognised for the First Time		127	-
Retained surplus at end of financial year		<u>367,461</u>	<u>346,417</u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 21. Reserves

	2017 \$'000	2016 \$'000
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Council's Cash, Cash Equivalents and Investments are subject to a number of External and Internal Restrictions that limit the amount that is available for discretionary or future use. In prior years, Council accounted for these Restrictions using a system of Reserves.

Restricted Capital Works Reserve - Grants & Subsidies

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

Parks Improvement Reserve

This represents the future development of parks across the region from specific contributions, and is now closed.

Roads Infrastructure Reserve

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

Roadworks Extractive Industry Reserve

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

Roads - Property Access Reserve

This represents the future construction of property accesses during capital roadworks, and is now closed.

Rates Levies Reserve

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

Prepaid Grants Reserve

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

Reserves held for funding future capital exp:

Restricted Capital Works Reserve - Grants & Subsidies	128	47
Park Improvements Reserve	-	440
Roads Infrastructure Reserve	4,638	5,758
Roadworks Extractive Industry Reserve	72	119
Roads - Property Access Reserve	-	362
	4,838	6,726

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 21. Reserves (continued)

	2017	2016
Notes	\$'000	\$'000
Reserves held for funding future recurrent exp:		
Rates Levies Reserve	-	748
Prepaid Grants Reserve	43	119
	<u>43</u>	<u>867</u>
<u>TOTAL RESERVES</u>	<u>4,881</u>	<u>7,593</u>

Movements in reserves:

	Opening Balance as at 01/07/2016 \$'000	Tfr to Retained Surplus \$'000	Tfr from Retained Surplus \$'000	Closing Balance as at 30/06/2017 \$'000
Capital Reserves				
Restricted Capital Works Reserve - Grants & Subsidies	47	-	81	128
Park Improvements Reserve	440	(440)	-	-
Roads Infrastructure Reserve	5,758	(1,120)	-	4,638
Roadworks Extractive Industry Reserve	119	(47)	-	72
Roads - Property Access Reserve	362	(362)	-	-
Total Capital Reserves	6,726	(1,969)	81	4,838
Recurrent Reserves				
Rates Levies Reserve	748	(748)	-	-
Prepaid Grants Reserve	119	(76)	-	43
Total Recurrent Reserves	867	(824)	-	43
TOTAL RESERVES	7,593	(2,793)	81	4,881



Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 22. Commitments for Expenditure

Notes	2017 \$'000	2016 \$'000
(a) Capital Commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, Plant and Equipment		
Facility, Buildings, Plant and Equipment Expenditure	731	1,106
Road Operations & Bridge Construction	745	878
Total Commitments	1,476	1,984
These expenditures are payable as follows:		
Within the next year	1,476	1,984
Total Payable	1,476	1,984
Sources for Funding of Capital Commitments:		
Restricted Reserves	1,476	1,984
Total Sources of Funding	1,476	1,984
(b) Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Garbage Collection Contract	9,272	12,243
Waste Site Supervision Contract	7,351	-
	16,623	12,243

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Contingent Liabilities

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

Local Government Mutual

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

As at 30 June 2016, the financial statements reported an accumulated surplus of \$60,234,042. It is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$556,571.

The latest audited financial statements for Local Government Workcare are as at 30 June 2016 and show accumulated member funds (equity) of \$42,676,161.

Legal Claims

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

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



Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 23. Contingent Liabilities (continued)

Council is currently defending or has received sixteen other insurance claims which are currently being progressed by or in consultation with Council's insurer. These claims relate to personal injury or damage to property alleged to be caused by Council works on Council roads or footpaths. An insurance excess of \$15,000 per claim currently applies to the majority of these claims.

Council is also aware of the following potential liability risks:

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

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

Note 24. Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The Scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution Scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 24. Superannuation (continued)

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the *Local Government Act 2009*, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

The next actuarial investigation will be made as at 1 July 2018.

	2017	2016
Notes	\$'000	\$'000
The amount of Superannuation Contributions paid by Council to the Scheme in this Period for the benefit of employees was:	5 <u>2,459</u>	<u>2,504</u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 25. Associated Entities

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

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

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

Associated Entities

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

Accounting Recognition:

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

	Council's Share of Net Income		Council's Share of Net Assets	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Associated Entities	2,328	2,099	29,740	28,380
Total	2,328	2,099	29,740	28,380

Associated Entities

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

(a) Net Carrying Amounts - Council's Share

Name of Entity	Nature of Relationship	Measurement Method	2017 \$'000	2016 \$'000
SEQ Regional Recreational Facilities Pty Ltd	Shareholder	Equity Accounting	62	57
Queensland Urban Utilities	Shareholder	Equity Accounting	29,476	28,323
Council of Mayors South East Queensland	Shareholder	Equity Accounting	202	-
Total Carrying Amounts - Associated Entities			29,740	28,380

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 25. Associated Entities (continued)

(b) Details

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

(c) Relevant Interests and Fair Values

Name of Entity	Quoted Fair Value		Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2017	2016	2017	2016	2017	2016	2017	2016
SEQ Regional Recreational Facilities Pty Ltd	N/A	N/A	4%	4%	4%	4%	13%	13%
Queensland Urban Utilities	N/A	N/A	1%	1%	1%	1%	20%	20%
Council of Mayors South East Queensland	N/A	N/A	9%	9%	9%	9%	9%	9%

(d) Summarised Financial Information for Associated Entities

Summarised Statement of Financial Position

	Queensland Urban Utilities	
	2017	2016
	\$'000	\$'000
Current Assets		
Cash and Cash Equivalents	177,887	135,876
Other Current Assets	212,077	207,472
Total Current Assets	<u>389,964</u>	<u>343,348</u>
Non-Current Assets	<u>5,410,712</u>	<u>5,290,142</u>
Current Liabilities		
Other Current Liabilities	<u>307,127</u>	<u>289,758</u>
Total Current Liabilities	<u>307,127</u>	<u>289,758</u>
Non-Current Liabilities	<u>2,229,329</u>	<u>2,206,488</u>
Net Assets	<u>3,264,220</u>	<u>3,137,244</u>
Reconciliation of the Carrying Amount		
Opening Net Assets (1 July)	28,323	27,367
Profit/(Loss) for the period	2,635	2,098
Distributions Received	(1,482)	(1,142)
Closing Net Assets	<u>29,476</u>	<u>28,323</u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 25. Associated Entities (continued)

Summarised Statement of Comprehensive Income

	Queensland Urban Utilities	
	2017 \$'000	2016 \$'000
Income	1,382,101	1,269,590
Depreciation and Amortisation	(178,043)	(175,522)
Interest Expense	(97,561)	(94,292)
Income Tax Expense	(125,381)	(102,748)
Other Expenses	(689,667)	(664,798)
Profit/(Loss) for Period	291,449	232,230
Other Comprehensive Income	399	-
Total Comprehensive Income	291,848	232,230
Dividends received by Council	1,097	1,142

(e) Summarised Financial Information for Individually Immaterial Associated Entities

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

Individually Immaterial Associates	2017 \$'000	2016 \$'000
Aggregate carrying amount of individually immaterial Associates	264	57
Aggregate amounts of Council's share of individually immaterial Associates:		
Profit/(Loss) from Continuing Operations	78	1
Total Comprehensive Income - individually immaterial Associates	78	1

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 26. Trust Funds

	2017	2016
	\$'000	\$'000
Notes		
Trust funds held for outside parties		
Security Deposits	1,410	1,905
	<u>1,410</u>	<u>1,905</u>

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

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

Net result	9,591	(2,719)
Adjust for Non-cash items		
Depreciation and Amortisation	12,667	13,860
	<u>12,667</u>	<u>13,860</u>
Losses/(Gains) recognised on fair value re-measurements through the P&L		
Investment Properties	-	100
Unwinding of Discount Rates on Reinstatement Provisions	977	290
Write Offs relating to the Fair Valuation of Property, Plant and Equipment	(192)	419
	<u>785</u>	<u>809</u>
Investing and development activities		
Net Losses/(Gains) on Disposal of Assets	3,594	3,207
Capital Grants	(3,905)	(3,171)
Share of Net (Profits)/Losses of Associates	(2,328)	(2,099)
Capital Contributions	(3,791)	(578)
	<u>(6,430)</u>	<u>(2,641)</u>
Changes in operating assets and liabilities:		
(Increase)/Decrease in Receivables	82	1,492
Increase/(Decrease) in Provision for Doubtful Debts	(37)	(2)
(Increase)/Decrease in Inventories	21	10
Increase/(Decrease) in Payables and Accruals	433	(446)
Increase/(Decrease) in Other Liabilities	(125)	(1,520)
Increase/(Decrease) in Employee Leave Entitlements	224	565
Increase/(Decrease) in Other Provisions	-	(730)
	<u>598</u>	<u>(631)</u>
Net cash from Operating Activities	<u><u>17,211</u></u>	<u><u>8,678</u></u>

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 28. Events Occurring After Balance Sheet Date

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

Note 29. Financial Instruments

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

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

Financial Risk Management

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

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

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

Council does not enter into derivatives.

Credit Risk Exposure

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Financial Instruments (continued)

		2017 \$'000	2016 \$'000
The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:			
Financial Assets			
Cash and Cash Equivalents	9	9,741	6,702
Investment Securities	9	17,500	16,000
Receivables - Rates	10	2,050	2,090
Receivables - Other	10	17,160	17,199
		<u>46,451</u>	<u>41,991</u>
Other Credit Exposures			
Guarantee	23	557	602
		<u>557</u>	<u>602</u>
Total		<u><u>47,008</u></u>	<u><u>42,593</u></u>

Cash and Cash Equivalents

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

Other Financial Assets

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

Trade and Other Receivables

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 29. Financial Instruments (continued)

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

	Notes	2017 \$'000	2016 \$'000
Receivables			
Fully Performing		18,946	19,217
Past due:			
- 30 to 60 days overdue		45	17
- 61 to 90 days overdue		1	2
- Over 90 days		221	93
- Impaired		(3)	(40)
Total	10	19,210	19,289

Liquidity Risk

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

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

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

	0 to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total Contractual Cash Flows \$'000	Carrying Amount \$'000
2017					
Trade and Other Payables	3,822	-	-	3,822	3,822
Loans - QTC	3,089	12,353	30,046	45,488	32,450
	<u>6,911</u>	<u>12,353</u>	<u>30,046</u>	<u>49,310</u>	<u>36,272</u>
2016					
Trade and Other Payables	3,400	-	-	3,400	3,400
Loans - QTC	3,151	12,604	33,746	49,501	34,508
	<u>6,551</u>	<u>12,604</u>	<u>33,746</u>	<u>52,901</u>	<u>37,908</u>

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Financial Instruments (continued)

Market Risk

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

Interest Rate Risk

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

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

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

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

	Net Carrying	Net Result		Equity	
	Amount \$'000	1% increase \$'000	1% decrease \$'000	1% increase \$'000	1% decrease \$'000
2017					
QTC Cash Fund	8,900	89	(89)	89	(89)
Other Investments	18,341	183	(183)	183	(183)
Loans - QTC	(32,450)	(325)	325	(325)	325
Net	(5,209)	(52)	52	(52)	52
2016					
QTC Cash Fund	3,830	38	(38)	38	(38)
Other Investments	18,872	189	(189)	189	(189)
Loans - QTC	(34,508)	(345)	345	(345)	345
Net	(11,806)	(118)	118	(118)	118

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Financial Instruments (continued)

Fair Value

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

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

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

	Notes	Carrying Value		Fair Value	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial Assets					
Cash and Cash Equivalents	9	9,741	6,702	9,741	6,702
Investments					
- "Held to Maturity"	9	17,500	16,000	17,500	16,000
Receivables	10	19,714	19,759	19,714	19,759
Total Financial Assets		46,955	42,461	46,955	42,461
Financial Liabilities					
Payables	16	6,107	5,799	6,107	5,799
Loans / Advances	17	32,450	34,508	35,877	40,052
Total Financial Liabilities		38,557	40,307	41,984	45,851

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 30. Transactions with Related Parties

(a) Associates

Transactions with Associates

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

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

(b) Other Related Parties

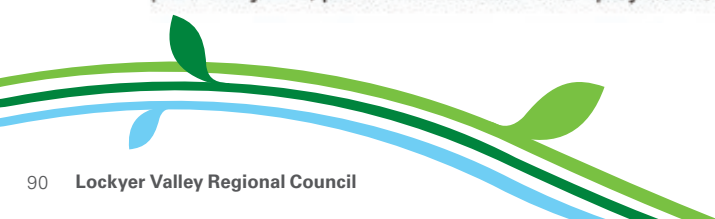
Transactions with Other Related Parties

	Amount of transactions during year \$'000
2017	
Purchase of Goods & Services from entities controlled by Key Management Personnel	
- Printing	33
- Transport Services	7
Purchase of Goods & Services from entities controlled by related parties of Key Management Personnel	
- Motor Vehicles	73
- Earthmoving Services	1,423
	<u>1,536</u>

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

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

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



Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 30. Transactions with Related Parties (continued)

(c) Key Management Personnel

Transactions with Key Management Personnel

Key Management Personnel include the Councillors, Chief Executive Officer, Executive Managers, the Manager of Finance & Customer Services and the Manager of Planning.

The compensation paid to Key Management Personnel comprises:

	2017 \$000
Short-Term Employee Benefits	1,838
Post-Employment Benefits	193
Long-Term Benefits	15
Termination Benefits	-
Total	2,046

(d) Outstanding Balances

Council holds a contract retention of \$6,427 on behalf of a related party. This is for completion of tendered works.

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

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

(e) Loans and Guarantees to/from Related Parties

Council holds a bank guarantee of \$26,750 on behalf of a related party. This is for completion of tendered works.

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

(f) Commitments to/from Other Related Parties

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

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

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

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

Lockyer Valley Regional Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 31. Council Information and Contact Details

Principal Place of Business:

26 Railway Street
Gatton QLD 4343

Contact Details

Mailing Address:

PO Box 82
Gatton QLD 4343

Opening Hours:

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

Telephone: 1300 005 872

Internet: www.lockyervalley.qld.gov.au

Email: mailbox@lvrc.qld.gov.au

Officers

CHIEF EXECUTIVE OFFICER

Ian Church

Elected Members

MAYOR

Tanya Milligan

AUDITORS

Queensland Audit Office
PO Box 15396
City East QLD 4002

COUNCILLORS

Jason Cook
Chris Wilson
Janice Holstein
Jim McDonald
Kathy McLean
Michael Hagan

Other Information

ABN: 52 673 165 312

Lockyer Valley Regional Council

General Purpose Financial Statements for the year ended 30 June 2017

Management Certificate for the year ended 30 June 2017

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

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

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



Tanya Milligan

MAYOR

27 September 2017



Ian Church

CHIEF EXECUTIVE OFFICER

27 September 2017

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockyer Valley Regional Council

Report on the Audit of the Financial Report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and *Australian Accounting Standards*.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Lockyer Valley Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's response thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the current year financial sustainability Statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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




D A STOLZ
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Lockyer Valley Regional Council

Current Year Financial Sustainability Statement for the year ended 30 June 2017

	Actual 2017	Target 2017
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Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets.

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items) ⁽¹⁾	8.79%	0 - 10%
Total Operating Revenue (excluding capital items) ⁽²⁾		

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

2. Asset Sustainability Ratio

Capital Expenditure on the Replacement of Assets (renewals) ⁽³⁾	89.49%	more than 90%
Depreciation Expense		

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

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets	60.15%	less than 60%
Total Operating Revenue (excluding capital items) ⁽²⁾		

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

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2017.

Lockyer Valley Regional Council

Current Year Financial Sustainability Statement (continued) for the year ended 30 June 2017

Measures of Financial Sustainability (continued)

NOTES

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

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

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

Lockyer Valley Regional Council

Current Year Financial Sustainability Statement for the year ended 30 June 2017

Certificate of Accuracy for the year ended 30 June 2017

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

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



Tanya Milligan

MAYOR

27 September 2017



Ian Church

CHIEF EXECUTIVE OFFICER

27 September 2017

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockyer Valley Regional Council

Opinion

I have audited the accompanying current year financial sustainability statement of Lockyer Valley Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Lockyer Valley Regional Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other information

Other information comprises the information included in Lockyer Valley Regional Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's response thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the general purpose financial statements and long-term financial sustainability Statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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


D A STOLZ
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

Lockyer Valley Regional Council

Long-Term Financial Sustainability Statement

prepared as at 30 June 2017

	Target 2017	Actual 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
			Forecast									
Measures of Financial Sustainability												
Council's performance at 30 June 2017 against key financial ratios and targets.												
Performance Indicators												
1. Operating Surplus Ratio												
Net Result (excluding capital items) ⁽¹⁾												
Total Operating Revenue (excluding capital items) ⁽²⁾												
An indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.												
	0 - 10%	8.79%	2.47%	3.40%	4.58%	5.40%	5.78%	7.55%	8.46%	8.78%	10.02%	10.44%
2. Asset Sustainability Ratio												
Capital Expenditure on the Replacement of Assets (renewals) ⁽³⁾												
Depreciation Expense												
An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.												
	> 90%	89.49%	92.23%	91.23%	91.61%	87.00%	94.63%	89.00%	90.88%	84.74%	80.07%	80.91%
3. Net Financial Liabilities Ratio												
Total Liabilities less Current Assets												
Total Operating Revenue (excluding capital items) ⁽²⁾												
An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.												
	< 60%	60.15%	63.86%	59.01%	53.84%	47.32%	41.28%	32.35%	27.81%	19.23%	7.90%	-3.71%

Lockyer Valley Regional Council

Long-Term Financial Sustainability Statement (continued) prepared as at 30 June 2017

Measures of Financial Sustainability (continued)

Lockyer Valley Regional Council Financial Management Strategy

The 2016 Queensland Treasury Corporation Credit (QTC) Review saw the Council rated as Weak with a Neutral Outlook. This rating is still related to the significant increase in operating costs and capital expenditure as a result of the flooding events experienced between 2011 and 2013. As Council has completed the restoration works and is returning to a pre-disaster level of operations, the budget forecasts are mirroring this. Council would like to see its QTC rating return to "moderate" over the short term, with a longer term rating goal of "sound".

Council's adopted Long Term Financial Plan 2018 - 2027 provides a framework for securing its financial sustainability over the life of the forecast period. To achieve this, Council aims for:

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

The current forecast sees a reduction to levels of income and expenditure that are significantly less than those of the preceding years and are what should be considered as 'normal'. It also sees operating surpluses for the life of the long term plan and a more sustainable level of capital works which is focussed on renewals.

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

Notes

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

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

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

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

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

Lockyer Valley Regional Council

Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2017

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

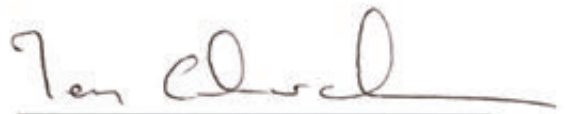
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Tanya Milligan

MAYOR

27 September 2017



Ian Church

CHIEF EXECUTIVE OFFICER

27 September 2017





For more information phone **1300 005 872**,
email mailbox@lvrc.qld.gov.au or visit www.lockyervalley.qld.gov.au