



Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
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Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2017.

Katie Milne
Mayor

Reece Byrnes
Councillor

Troy Green
General manager

Michael Chorlton
Responsible accounting officer

Tweed Shire Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	5,547	5,193
User charges	23,173	20,448
Fees	–	–
Interest	2,007	1,406
Grants and contributions provided for non-capital purposes	379	930
Share of profit from equity accounted investment	–	–
Other income	349	382
Total income from continuing operations	31,455	28,359
Expenses from continuing operations		
Employee benefits and on-costs	4,764	4,437
Borrowing costs	4,446	4,536
Materials and contracts	9,409	8,974
Depreciation, amortisation and impairment	7,338	6,522
Loss on sale of assets	1,221	1,955
Calculated taxation equivalents	804	710
Debt guarantee fee (if applicable)	311	318
Other expenses	1,017	954
Total expenses from continuing operations	29,310	28,406
Surplus (deficit) from continuing operations before capital amounts	2,145	(47)
Grants and contributions provided for capital purposes	5,892	3,858
Surplus (deficit) from continuing operations after capital amounts	8,037	3,811
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	8,037	3,811
Less: corporate taxation equivalent (30%) [based on result before capital]	(644)	–
SURPLUS (DEFICIT) AFTER TAX	7,394	3,811
Plus opening retained profits	196,355	191,621
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	804	710
– Debt guarantee fees	311	318
– Corporate taxation equivalent	644	–
Less:		
– Tax equivalent dividend paid	(107)	(105)
– Surplus dividend paid	–	–
Closing retained profits	205,400	196,355
Return on capital %	1.2%	0.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	7,394	3,811
Less: capital grants and contributions (excluding developer contributions)	(445)	(449)
Surplus for dividend calculation purposes	6,949	3,362
Potential dividend calculated from surplus	3,474	1,681

Tweed Shire Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	27,759	26,644
User charges	–	–
Liquid trade waste charges	3,296	2,789
Fees	521	491
Interest	2,203	2,161
Grants and contributions provided for non-capital purposes	586	552
Other income	22	20
Total income from continuing operations	34,387	32,657
Expenses from continuing operations		
Employee benefits and on-costs	7,326	6,697
Borrowing costs	2,640	2,809
Materials and contracts	8,335	8,333
Depreciation, amortisation and impairment	11,299	10,707
Loss on sale of assets	812	3,313
Calculated taxation equivalents	999	934
Debt guarantee fee (if applicable)	151	165
Other expenses	1,929	1,736
Total expenses from continuing operations	33,491	34,694
Surplus (deficit) from continuing operations before capital amounts	896	(2,037)
Grants and contributions provided for capital purposes	4,327	5,291
Surplus (deficit) from continuing operations after capital amounts	5,223	3,254
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	5,223	3,254
Less: corporate taxation equivalent (30%) [based on result before capital]	(269)	–
SURPLUS (DEFICIT) AFTER TAX	4,954	3,254
Plus opening retained profits	236,290	232,038
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	999	934
– Debt guarantee fees	151	165
– Corporate taxation equivalent	269	–
Less:		
– Tax equivalent dividend paid	(103)	(101)
– Surplus dividend paid	–	–
Closing retained profits	242,560	236,290
Return on capital %	0.6%	0.1%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	4,954	3,254
Less: capital grants and contributions (excluding developer contributions)	(1,446)	(3,159)
Surplus for dividend calculation purposes	3,508	95
Potential dividend calculated from surplus	1,754	48

Tweed Shire Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	2,785	2,612
User charges	–	–	3,748	2,641
Fees	8,508	9,565	–	–
Interest	456	510	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Share of profit from equity accounted investment	–	–	–	–
Other income	285	369	9	127
Total income from continuing operations	9,249	10,444	6,542	5,380
Expenses from continuing operations				
Employee benefits and on-costs	550	885	237	511
Borrowing costs	7	49	6	(9)
Materials and contracts	2,863	2,177	3,471	3,540
Depreciation, amortisation and impairment	671	618	165	26
Loss on sale of assets	28	131	54	45
Calculated taxation equivalents	1,876	1,700	52	61
Debt guarantee fee (if applicable)	–	2	–	–
Other expenses	3,289	3,248	558	461
Total expenses from continuing operations	9,284	8,810	4,543	4,635
Surplus (deficit) from continuing operations before capital amounts	(35)	1,634	1,999	745
Grants and contributions provided for capital purposes	–	–	20	–
Surplus (deficit) from continuing operations after capital amounts	(35)	1,634	2,019	745
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(35)	1,634	2,019	745
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(490)	(600)	(224)
SURPLUS (DEFICIT) AFTER TAX	(35)	1,144	1,419	522
Plus opening retained profits	31,231	29,060	14,150	13,344
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	1,876	1,700	52	61
– Debt guarantee fees	–	2	–	–
– Corporate taxation equivalent	–	490	600	224
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(1,194)	(1,165)	–	–
Closing retained profits	31,878	31,231	16,221	14,150
Return on capital %	0.0%	1.7%	39.2%	18.0%
Subsidy from Council	2,713	529	–	–

Tweed Shire Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	870	616
Investments	27,000	26,000
Receivables	3,712	3,318
Inventories	–	–
Other	32	19
Non-current assets classified as held for sale	–	–
Total current assets	31,614	29,953
Non-current assets		
Investments	25,000	17,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	546,647	498,267
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	571,647	515,267
TOTAL ASSETS	603,261	545,220
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	479	404
Income received in advance	–	–
Borrowings	1,447	1,349
Provisions	–	–
Total current liabilities	1,926	1,753
Non-current liabilities		
Payables	–	–
Borrowings	60,749	62,196
Provisions	–	–
Total non-current liabilities	60,749	62,196
TOTAL LIABILITIES	62,675	63,949
NET ASSETS	540,586	481,271
EQUITY		
Retained earnings	205,400	196,355
Revaluation reserves	335,186	284,916
Other reserves	–	–
Council equity interest	540,586	481,271
Non-controlling equity interest	–	–
TOTAL EQUITY	540,586	481,271

Tweed Shire Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	785	3,816
Investments	48,000	35,000
Receivables	2,387	2,232
Inventories	–	–
Other	30	17
Non-current assets classified as held for sale	–	–
Total current Assets	51,202	41,065
Non-current assets		
Investments	32,000	31,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	593,181	610,378
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	625,181	641,378
TOTAL ASSETS	676,383	682,443
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	372	951
Income received in advance	–	–
Borrowings	2,439	2,255
Provisions	–	–
Total current liabilities	2,811	3,206
Non-current liabilities		
Payables	–	–
Borrowings	27,105	29,545
Provisions	–	–
Total non-current liabilities	27,105	29,545
TOTAL LIABILITIES	29,916	32,751
NET ASSETS	646,467	649,692
EQUITY		
Retained earnings	242,560	236,290
Revaluation reserves	403,907	413,402
Other reserves	–	–
Council equity interest	646,467	649,692
Non-controlling equity interest	–	–
TOTAL EQUITY	646,467	649,692

Tweed Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	3,911	4,002	2,730	2,658
Investments	13,420	15,035	11,635	9,345
Receivables	116	213	–	–
Inventories	–	–	–	–
Other	146	142	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	17,593	19,392	14,365	12,003
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	112,796	101,955	5,111	4,089
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Total non-current assets	112,796	101,955	5,111	4,089
TOTAL ASSETS	130,389	121,347	19,476	16,092
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	2,163	2,643	419	295
Income received in advance	–	–	–	–
Borrowings	–	60	–	–
Provisions	382	442	–	–
Total current liabilities	2,545	3,145	419	295
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	417	–	–
Provisions	7	–	1,087	310
Other Liabilities	–	–	–	–
Total non-current liabilities	7	417	1,087	310
TOTAL LIABILITIES	2,552	3,562	1,506	605
NET ASSETS	127,837	117,785	17,970	15,487
EQUITY				
Retained earnings	31,878	31,231	16,221	14,150
Revaluation reserves	95,959	86,554	1,749	1,337
Council equity interest	127,837	117,785	17,970	15,487
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	127,837	117,785	17,970	15,487

Tweed Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Tweed Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2017

Note 1. Significant accounting policies

These financial statements are Special Purpose Financial Statements (SPFS) prepared for use by Council and the New South Wales Office of Local Government.

For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these SPFS have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Australian Accounting Interpretations.

The disclosures in these SPFS have been prepared in accordance with

- the Local Government Act 1993 (NSW)
- the Local Government (General) Regulation
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy that is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW Government policy statement titled 'Application of National Competition Policy to Local Government'.

Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Tweed Water
Supply of water

b. Tweed Sewerage
Sewerage Services

c. Tweed Coast Holiday Parks
Holiday/Caravan parks

d. Commercial Waste
Non-domestic waste collection and disposal

Category 2

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

Nil

Monetary amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

Tweed Shire Council

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

Note 1. Significant accounting policies (continued)

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the WaterNSW Best Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewerage Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the Best Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain or (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council.

The 30% rate applied is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

Tweed Shire Council

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

Note 1. Significant accounting policies (continued)

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% as at 30 June 2017.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend must be calculated and approved in accordance with the Best Practice Management of Water Supply and Sewerage Guidelines and cannot exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewerage Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the WaterNSW prior to making the dividend and only after it has approved the payment.

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	1,115,000
(ii)	Number of assessments multiplied by \$3/assessment	108,069
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	108,069
(iv)	Amounts actually paid for tax equivalents	107,418

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	3,474,250
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	972,621
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	11,151,500

2017 Surplus	6,948,500	2016 Surplus	3,362,000	2015 Surplus	841,000
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	972,621
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	35,493
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	76.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	546,545
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	14,371
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,801
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.52%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	1,150,000
(ii)	Number of assessments multiplied by \$3/assessment	103,206
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	103,206
(iv)	Amounts actually paid for tax equivalents	102,570

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,754,100
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	928,854
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	3,035,200

2017 Surplus	3,508,200	2016 Surplus	95,000	2015 Surplus	(568,000)
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	928,854
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	NO
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	36,591
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	592,812
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	16,778
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	3,052
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.44%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

**National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)**

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	70,054
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.06%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	6,853
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.96%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Tweed Shire Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-3.53%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="22,297"/> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: <input type="text" value="3,070"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="7"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="15,106"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="745"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007