

Byron Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"Byron Shire...a thriving and vibrant
community
where residents and visitors can live, work
and play in a sustainable environment"



Byron 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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Byron 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.

Simon Richardson
Mayor

Basil Cameron
Councillor

Ken Gainger
General manager

James Brickley
Responsible accounting officer

Byron 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	2,257	2,175
User charges	6,714	6,021
Fees	317	291
Interest	411	329
Grants and contributions provided for non-capital purposes	73	94
Total income from continuing operations	9,772	8,910
Expenses from continuing operations		
Employee benefits and on-costs	971	924
Borrowing costs	–	–
Materials and contracts	2,331	2,496
Depreciation, amortisation and impairment	1,209	1,238
Water purchase charges	3,903	3,780
Loss on sale of assets	48	–
Calculated taxation equivalents	97	104
Debt guarantee fee (if applicable)	–	–
Other expenses	5	5
Total expenses from continuing operations	8,564	8,547
Surplus (deficit) from continuing operations before capital amounts	1,208	363
Grants and contributions provided for capital purposes	1,076	1,236
Surplus (deficit) from continuing operations after capital amounts	2,284	1,599
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	2,284	1,599
Less: corporate taxation equivalent (30%) [based on result before capital]	(362)	(109)
SURPLUS (DEFICIT) AFTER TAX	1,922	1,490
Plus opening retained profits	38,869	37,193
Plus/less: prior period adjustments	335	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	97	104
– Debt guarantee fees	–	–
– Corporate taxation equivalent	362	109
Less:		
– Tax equivalent dividend paid	(28)	(27)
– Surplus dividend paid	–	–
Closing retained profits	41,557	38,869
Return on capital %	1.7%	0.6%
Subsidy from Council	521	807
Calculation of dividend payable:		
Surplus (deficit) after tax	1,922	1,490
Less: capital grants and contributions (excluding developer contributions)	(199)	(1,119)
Surplus for dividend calculation purposes	1,723	371
Potential dividend calculated from surplus	861	186

Byron 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	10,159	9,845
User charges	4,961	4,383
Liquid trade waste charges	61	31
Fees	135	139
Interest	332	295
Grants and contributions provided for non-capital purposes	76	80
Total income from continuing operations	15,724	14,773
Expenses from continuing operations		
Employee benefits and on-costs	2,390	2,603
Borrowing costs	3,476	3,792
Materials and contracts	5,506	5,011
Depreciation, amortisation and impairment	3,218	3,220
Loss on sale of assets	11	–
Calculated taxation equivalents	236	302
Debt guarantee fee (if applicable)	1,085	1,131
Other expenses	42	40
Total expenses from continuing operations	15,964	16,099
Surplus (deficit) from continuing operations before capital amounts	(240)	(1,326)
Grants and contributions provided for capital purposes	3,753	4,701
Surplus (deficit) from continuing operations after capital amounts	3,513	3,375
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	3,513	3,375
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	3,513	3,375
Plus opening retained profits	83,575	81,896
Plus/less: prior period adjustments	69	–
Plus/less: other adjustments	–	(3,102)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	236	302
– Debt guarantee fees	1,085	1,131
– Corporate taxation equivalent	–	–
Less:		
– Tax equivalent dividend paid	(28)	(27)
– Surplus dividend paid	–	–
Closing retained profits	88,450	83,575
Return on capital %	2.4%	1.7%
Subsidy from Council	2	431
Calculation of dividend payable:		
Surplus (deficit) after tax	3,513	3,375
Less: capital grants and contributions (excluding developer contributions)	(502)	(631)
Surplus for dividend calculation purposes	3,011	2,744
Potential dividend calculated from surplus	1,505	1,372

Byron Shire Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2017

Holiday Parks

Category 1

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	–	–
User charges	–	–
Fees	4,521	4,150
Interest	–	–
Other income	–	–
Total income from continuing operations	4,521	4,150
Expenses from continuing operations		
Employee benefits and on-costs	–	–
Borrowing costs	–	2
Materials and contracts	1,666	1,599
Depreciation, amortisation and impairment	79	134
Loss on sale of assets	–	–
Calculated taxation equivalents	372	376
Debt guarantee fee (if applicable)	–	–
Share of loss from equity accounted investment	–	–
Other expenses	785	729
Total expenses from continuing operations	2,902	2,840
Surplus (deficit) from continuing operations before capital amounts	1,619	1,310
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	1,619	1,310
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,619	1,310
Less: corporate taxation equivalent (30%) [based on result before capital]	(486)	(393)
SURPLUS (DEFICIT) AFTER TAX	1,133	917
Plus opening retained profits	7,502	6,672
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	372	376
– Debt guarantee fees	–	–
– Corporate taxation equivalent	486	393
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	(856)	(856)
– Dividend paid	–	–
Closing retained profits	8,637	7,502
Return on capital %	6.2%	5.1%
Subsidy from Council	–	–

Byron 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	–	13,272
Investments	11,646	–
Receivables	2,032	2,052
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	13,678	15,324
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	71,244	58,790
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	71,244	58,790
TOTAL ASSETS	84,922	74,114
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	–	–
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	84,922	74,114
EQUITY		
Retained earnings	41,556	38,869
Revaluation reserves	43,366	35,245
Other reserves	–	–
Council equity interest	84,922	74,114
Non-controlling equity interest	–	–
TOTAL EQUITY	84,922	74,114

Byron 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	–	14,742
Investments	17,784	–
Receivables	1,992	1,977
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current Assets	19,776	16,719
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	127,045	145,584
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	127,045	145,584
TOTAL ASSETS	146,821	162,303
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	207	208
Income received in advance	–	–
Borrowings	1,700	1,587
Provisions	–	–
Total current liabilities	1,907	1,795
Non-current liabilities		
Payables	–	–
Borrowings	44,471	46,172
Provisions	–	–
Total non-current liabilities	44,471	46,172
TOTAL LIABILITIES	46,378	47,967
NET ASSETS	100,443	114,336
EQUITY		
Retained earnings	88,450	83,576
Revaluation reserves	11,993	30,760
Other reserves	–	–
Council equity interest	100,443	114,336
Non-controlling equity interest	–	–
TOTAL EQUITY	100,443	114,336

Byron Shire Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Holiday Parks	
	Category 1	
\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Total Current Assets	–	–
Non-current assets		
Investments	2,612	2,305
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	25,940	25,726
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	28,552	28,031
TOTAL ASSETS	28,552	28,031
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	254	248
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
Total current liabilities	254	248
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	254	248
NET ASSETS	28,298	27,783
EQUITY		
Retained earnings	8,637	7,502
Revaluation reserves	19,661	20,280
Other reserves	–	–
Council equity interest	28,298	27,782
Non-controlling equity interest	–	–
TOTAL EQUITY	28,298	27,782

Byron Shire Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Byron Shire Council

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

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Byron Shire Council Water Supplies

Water supply operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

b. Byron Shire Council Sewerage Service

Sewerage reticulation and treatment operations servicing the towns of Byron Bay, Mullumbimby, Bangalow, Suffolk Park, Brunswick Heads and Ocean Shores.

c. Byron Shire Council Holiday Parks

Council owned Holiday Parks operated in the Shire. The holiday parks include First Sun and Suffolk Beachfront.

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 some figures for 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.

Byron 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 Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$549,000** of combined land values attracts **0%**. For the combined values in excess of \$549,001 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 Department of Primary Industries Water (DPW) 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Byron 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.

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of 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 DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

(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% at 30/6/17.

(iv) Dividends

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

Byron 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	97,000
(ii)	Number of assessments multiplied by \$3/assessment	36,096
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,096
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	861,262
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	324,864
(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	2,786,303

2017 Surplus	1,722,524	2016 Surplus	371,100	2015 Surplus	692,679
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	324,864
(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	<input type="checkbox"/>

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]	YES
(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

Byron 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	10,458
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)]	%	72.36%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	–
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	6,988
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	578
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)]	%	3.11%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Byron 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	1,321,000
(ii)	Number of assessments multiplied by \$3/assessment	34,092
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	34,092
(iv)	Amounts actually paid for tax equivalents	28,300

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,505,364
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	306,828
(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	5,692,246

2017 Surplus	3,010,727	2016 Surplus	2,744,000	2015 Surplus	(62,481)
		2016 Dividend	-	2015 Dividend	

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	306,828
(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	

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)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Byron 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	19,192
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	–
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	7,509
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,054
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)]	%	6.22%
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	29,591
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.50%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,632
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)]	%	5.14%
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%

Byron 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)]	%	8.55%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 10,726 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: 2,803 Interest expense (w4a + s4a) – interest income (w9 + s10)		4
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	7,103
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	148

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