

Special purpose financial statements

Requirements

Councils must complete special purpose financial statements (SPSF) for all declared business activities.

Councils' declared business activities must be nominated as either Category 1 (gross operating turnover over \$2 million) or Category 2 (gross operating turnover less than \$2 million).

Where a council has 'no business activities', **the special purpose financial statements are not required.**

All councils shall complete a 'Statement by Councillors and Management' on their special purpose financial statements. The council statement must be made by resolution of council, and signed by:

- (a) the mayor
- (b) at least one other elected member of the council
- (c) the responsible accounting officer, and
- (d) the general manager (if not the responsible accounting officer).

The Statement by Councillors and Management must indicate whether or not the council's special purpose financial statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting and relevant Australian Accounting Standards. **For further guidance, refer to the General Purpose Finance Statements commentary.**

Councils shall ensure that the following are included in their special purpose financial statements:

- (a) council statement
- (b) auditor's report
- (c) special purpose financial statements and notes.

The form and content of the special purpose financial statements represent minimum disclosure requirements.

The special purpose financial statements shall be presented in the following order:

- (a) Statement by Councillors and Management
- (b) Income Statement of water supply business activity
- (c) Income Statement of sewerage business activity
- (d) Income Statement of other business activities
- (e) Statement of Financial Position of water supply business activity
- (f) Statement of Financial Position of sewerage business activity
- (g) Statement of Financial Position of other business activities
- (h) Notes to the special purpose financial statements.

A council's special purpose financial statements for a year must be prepared and audited within the period of four months after the end of that financial year.

As soon as practicable after receiving the auditor's report on the special purpose financial statements, the council must send a copy of the auditor's report on the council's special purpose financial statements, together with a copy of the council's audited special financial report, to the Chief Executive, Local Government.

The special purpose financial statements must be included as part of the financial information in council's annual report.

The income statements of business activities shall disclose all income and expenses for the financial period and shall be presented, together with relevant amounts (real and notional), as shown.

Amounts shown in the Income Statement shall include internal transactions. Accordingly, there should be no 'netting off' of amounts for internal charges.

Refer to the commentary – Income Statements and Statements of Comprehensive Income in the general purpose financial statements for guidance, e.g. materiality, classification of other expenses. The Income Statement shall disclose the level of subsidy, if any, afforded to each business activity (includes Category 1 and 2 businesses).

Taxation Equivalent Regime (TER payments) as outlined in Chapter 5 of the *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, applies to all Category 1 businesses and to Category 2 business activities if practicable.

TER payments must include land tax and stamp duty if applicable.

The corporate taxation equivalent must be applied to the 'Surplus (deficit) from continuing activities before capital items' line item as shown. The rate to be applied is 30%.

All Category 1 business activities are expected to generate a return on capital invested. In monopoly businesses, such as water and sewer services, the rate of return should be sufficient to cover costs and replace assets needed to maintain service standards. In a competitive market, the return on invested capital should be equal to, or better than, a return on a Commonwealth 10-year bond. The rate of return for each Category 1 business must be disclosed in the Income Statement of business activities.

The calculation of the return on capital is as follows:

$$\frac{\text{Surplus (deficit) from continuing operations before capital amounts + interest expense}}{\text{Written-down value of infrastructure, property, plant and equipment at 30 June}}$$

The Statement of Financial Position of business activities shall be presented, together with relevant amounts, as shown.

A summary of significant accounting policies shall be disclosed and as a minimum, include Note 1 as shown. (Refer to the commentary on Note 1 of the general purpose financial statements for guidance on accounting policies).

NSW Council

Special purpose financial statements for the year ended 30 June 2018

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NSW Council

Special Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- NSW Government Policy Statement ,*Application of National Competition Policy to Local Government*
- Division of Local Government Guidelines, *Pricing & 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 Supply and Sewerage Guidelines*.

To the best of our knowledge and belief, these reports:

- 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 the reports false or misleading in any way.

Signed in accordance with a resolution of Council made on

.....
Councillor’s Name

Mayor

____/____/____

.....
Councillor’s Name

Councillor

____/____/____

.....
General Manager’s Name

General Manager

____/____/____

.....
Responsible Accounting Officer’s Name

Responsible Accounting Officer

____/____/____

NSW Council

Income Statement of water supply business activity for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Income from continuing operations		
Access charges		
User charges		
Fees		
Interest		
Grants and contributions provided for non-capital purposes		
Profit from the sale of assets		
Other income		
Share of profit from equity accounted investment		
Total income from continuing operations		
Expenses from continuing operations		
Employee benefits and on-costs		
Borrowing costs		
Materials and contracts		
Depreciation, amortisation and impairment		
Water purchase charges		
Loss on sale of assets		
Calculated taxation equivalents		
Debt guarantee fee (if applicable)		
Other expenses		
Total expenses from continuing operations		
Surplus (deficit) from continuing operations before capital amounts		
Grants and contributions provided for capital purposes		
Surplus (deficit) from continuing operations after capital amounts		
Surplus (deficit) from discontinued operations		
Surplus (deficit) from all operations before tax		
Less corporate taxation equivalent (30%) (based on result before capital)		
Surplus (deficit) after tax		
Opening retained profits		
Adjustments for amounts unpaid		
Taxation equivalent payments		
Debt guarantee fees		
Corporate taxation equivalent		
Less:		
– TER dividend paid		
– Surplus dividend paid		
Closing retained profits		
Return on capital %		
Subsidy from Council		
Calculation of dividend payable:		
Surplus (deficit) after tax		
Less: capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes		
Dividend calculated from surplus		

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Income Statement of sewerage business activity for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
Income from continuing operations		
Access charges		
User charges		
Liquid trade-waste charges		
Fees		
Interest		
Grants and contributions provided for non-capital purposes		
Profit from the sale of assets		
Other income		
Share of profit from equity accounted investment		
Total income from continuing operations		
Expenses from continuing operations		
Employee benefits and on-costs		
Borrowing costs		
Materials and contracts		
Depreciation, amortisation and impairment		
Loss on sale of assets		
Calculated taxation equivalents		
Debt guarantee fee (if applicable)		
Other expenses		
Total expenses from continuing operations		
Surplus (deficit) from continuing operations before capital amounts		
Grants and contributions provided for capital purposes		
Surplus (deficit) from continuing operations after capital amounts		
Surplus (deficit) from discontinued operations		
Surplus (deficit) from all operations before tax		
Less corporate taxation equivalent (30%) (based on result before capital)		
Surplus (deficit) after tax		
Opening retained profits		
Adjustments for amounts unpaid		
Taxation equivalent payments		
Debt guarantee fees		
Corporate taxation equivalent		
Less:		
– TER dividend paid		
– Surplus dividend paid		
Closing retained profits		
Return on capital %		
Subsidy from Council		
Calculation of dividend payable:		
Surplus (deficit) after tax		
Less: capital grants and contributions (excluding developer contributions)		
Surplus for dividend calculation purposes		
Dividend calculated from surplus		

NSW Council

Income Statement of other business activities for the year ended 30 June 2018

		2018 Business A (Cat) \$'000	2018 Business B (Cat) \$'000	2017 Business A (Cat) \$'000	2017 Business B (Cat) \$'000
Income from continuing operations	Notes				
Access charges					
User charges					
Fees					
Interest					
Grants and contributions provided for non-capital purposes					
Profit from the sale of assets					
Other income					
Share of profit from equity accounted investment					
Total income from continuing operations					
Expenses from continuing operations					
Employee benefits and on-costs					
Borrowing costs					
Materials and contracts					
Depreciation, amortisation and impairment					
Loss on sale of assets					
Calculated taxation equivalents					
Debt guarantee fee (if applicable)					
Other expenses					
Total expenses from continuing operations					
Surplus (deficit) from continuing operations before capital amounts					
Grants and contributions provided for capital purposes					
Surplus (deficit) from continuing operations after capital amounts					
Surplus (deficit) from discontinued operations					
Surplus (deficit) from all operations before tax					
Less corporate taxation equivalent (30%) (based on result before capital)					
Surplus (deficit) after tax					
Opening retained profits					
Adjustments for amounts unpaid					
Taxation equivalent payments					
Debt guarantee fees					
Corporate taxation equivalent					
Less:					
– TER dividend paid					
– Surplus dividend paid					
Closing retained profits					
Return on capital %					
Subsidy from Council					
Calculation of dividend payable:					
Surplus (deficit) after tax					
Less: capital grants and contributions (excluding developer contributions)					
Surplus for dividend calculation purposes					
Dividend calculated from surplus					

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Statement of Financial Position of water supply business activity for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents		
Investments		
Receivables		
Inventories		
Other		
Non-current assets classified as held for sale		
Total current assets		
Non-current assets		
Investments		
Receivables		
Inventories		
Infrastructure, property, plant and equipment		
Investments accounted for using equity method		
Investment property		
Intangible assets		
Other		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
Payables		
Income received in advance		
Borrowings		
Provisions		
Total current liabilities		
Non-current liabilities		
Payables		
Borrowings		
Provisions		
Total non-current liabilities		
Total liabilities		
Net assets		
EQUITY		
Accumulated surplus		
Revaluation reserves		
Council equity interest		
Non-controlling interest		
Total equity		

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Statement of Financial Position of sewerage business activity for the year ended 30 June 2018

	2018 \$'000	2017 \$'000
ASSETS		
Current assets		
Cash and cash equivalents		
Investments		
Receivables		
Inventories		
Other		
Non-current assets classified as held for sale		
Total current assets		
Non-current assets		
Investments		
Receivables		
Inventories		
Infrastructure, property, plant and equipment		
Investments accounted for using equity method		
Investment property		
Intangible assets		
Other		
Total non-current assets		
Total assets		
LIABILITIES		
Current liabilities		
Payables		
Income received in advance		
Borrowings		
Provisions		
Total current liabilities		
Non-current liabilities		
Payables		
Borrowings		
Provisions		
Total non-current liabilities		
Total liabilities		
Net assets		
EQUITY		
Accumulated surplus		
Revaluation reserves		
Council equity interest		
Non-controlling interest		
Total equity		

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Statement of Financial Position of other business activities for the year ended 30 June 2018

	2018 Business A (Cat) \$'000	2018 Business B (Cat) \$'000	2017 Business A (Cat) \$'000	2017 Business B (Cat) \$'000
ASSETS				
Current assets				
Cash and cash equivalents				
Investments				
Receivables				
Inventories				
Other				
Non-current assets classified as held for sale				
Total current assets				
Non-current assets				
Investments				
Receivables				
Inventories				
Infrastructure, property, plant and equipment				
Investments accounted for using equity method				
Investment property				
Intangible assets				
Other				
Total non-current assets				
Total assets				
LIABILITIES				
Current liabilities				
Payables				
Income received in advance				
Borrowings				
Provisions				
Total current liabilities				
Non-current liabilities				
Payables				
Borrowings				
Provisions				
Total non-current liabilities				
Total liabilities				
Net assets				
EQUITY				
Accumulated surplus				
Revaluation reserves				
Council equity interest				
Non-controlling interest				
Total equity				

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 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. The *Pricing & 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, and returns on investments (rate of return and dividends paid).

Declared business activities

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

Category 1

Name	Brief description of activity

Category 2

Name	Brief description of activity

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars, except for Note 2 (Water supply best-practice management disclosures), and Note 3 (Sewerage best-practice management disclosures). As required by *Crown Lands and Water (CLAW)*, the amounts shown in Note 2 and Note 3 are in whole dollars.

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 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 tax rate	
Land tax	
Stamp duty	
Payroll tax (where not paid)	
Other taxes or charges	

In accordance with **Crown Lands and Water (CLAW)** 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 CLAW guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act. Achievement of substantial compliance to the CLAW 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. While 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 from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the '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 ___% [is/is not] 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 for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where 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. The overall effect of subsidies is contained within the Income Statement of business activities.

(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'. Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

Note 1 Significant accounting policies (continued)

(iv) Dividends

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

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIW guidelines, and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIW.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Note 2 - Water supply business best-practice management disclosure requirements

2018

1. Calculation and payment of tax equivalents

(i)	Calculated tax equivalents	\$	
(ii)	Number of assessments multiplied by \$3/assessment	\$	
(iii)	Amounts payable for tax equivalents (lesser of (i) and (ii))	\$	
(iv)	Tax equivalents paid	\$	

2. Dividend from surplus

(i)	50% of surplus before dividends (Calculated in accordance with Best-Practice Management for Water Supply and Sewerage guidelines.)	\$	
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	\$	
(iii)	Cumulative surplus before dividends for 3 years to 30 June 2018, less cumulative dividends paid for 2 years to 30 June 2017	\$	
(iv)	Maximum dividend from surplus (least of (i), (ii) and (iii))	\$	
(v)	Dividend paid from surplus	\$	
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	Yes/No	

3. Required outcomes for six criteria

(i)	Complete current strategic business plan (including financial plan)	Yes/No	
(ii)	Full cost recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 22 of Best-Practice Management Guidelines)	Yes/No	
	Complying charges (Item 2(b) in Table 1)	Yes/No	
	DSP with commercial developer charges (Item 2(e) in Table 1)	Yes/No	
	If dual water supplies, complying charges (Item 2(g) in Table 1)	Yes/No	
(iii)	Sound water conservation and demand management implemented	Yes/No	
(iv)	Sound drought management implemented	Yes/No	
(v)	Complete performance reporting (by 15 September each year)	Yes/No	
(vi)	a. Complete integrated water-cycle management evaluation	Yes/No	
	b. Complete and implement integrated water-cycle management strategy	Yes/No	

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total revenue (water) Total income (w13) – Grants for acquisition of assets (w11a) – Interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$ ('000)	
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by sum of (residential access charges (w6a) + residential usage charges (w6b))	%	
NWI F9	Written-down replacement cost of fixed assets (water) = Written-down current cost of system assets (w41)	\$ ('000)	
NWI F11	Operating cost (OMA) (water) = Management expenses (w1) + Operation and maintenance expenses (w2)	\$ ('000)	
NWI F14	Capital expenditure (water) = Acquisition of fixed assets (w16)	\$ ('000)	
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 (w41) + plant and equipment (w28b)	%	
NWI F26	Capital works grants (water) = Grants for acquisition of assets (w11a)	\$ ('000)	

- Notes:
- References to w (e.g. w12) refer to item numbers in special schedules 3 and 4 of each council's annual financial statements.
 - The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions.
The NWI indicators are to be calculated using the formulas shown above.

^a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Note 3 – Sewerage business best-practice management disclosure requirements

	2018
1. Calculation and payment of tax equivalents	
(i) Calculated tax equivalents	\$
(ii) Number of assessments multiplied by \$3/assessment	\$
(iii) Amounts payable for tax equivalents (lesser of (i) and (ii))	\$
(iv) Tax equivalents paid	\$
2. Dividend from surplus	
(i) 50% of surplus before dividends (Calculated in accordance with Best-Practice Management for Water Supply and Sewerage guidelines.)	\$
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/ Assessment	\$
(iii) Cumulative surplus before dividends for 3 years to 30 June 2018, less cumulative dividends paid for 2 years to 30 June 2017	\$
(iv) Maximum dividend from surplus (least of (i), (ii) and (iii))	\$
(v) Dividend paid from surplus	\$
(vi) Are the overhead reallocation charges to the water business fair and reasonable? ^a	Yes/No
3. Required outcomes for four criteria	
(i) Complete current strategic business plan (including financial plan)	Yes/No
(ii) Pricing with full cost recovery, without significant cross subsidies (Item 2(a) in Table 1 on page 22 of Best-Practice guidelines)	Yes/No
Complying charges (a) Residential (Item 2(c) in Table 1)	Yes/No
(b) Non-residential (Item 2(c) in Table 1)	Yes/No
(c) Trade waste (Item 2(d) in Table 1)	Yes/No
DSP with commercial developer charges (Item 2(e) in Table 1)	Yes/No
Liquid trade-waste approvals and policy (Item 2(f) in Table 1)	Yes/No
(iii) Complete performance reporting form (by 15 September each year)	Yes/No
(iv) a. Complete integrated water-cycle management evaluation	Yes/No
b. Complete and implement integrated water-cycle management strategy	Yes/No

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total revenue (sewerage) <i>Total Income (s14) - Grants for acquisition of assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (s11a)</i>	\$ ('000)
NWI F10	Written-down replacement cost of fixed assets (sewerage) <i>= Written-down current cost of system assets (s42)</i>	\$ ('000)
NWI F12	Operating cost (sewerage) <i>= Management expenses (s1) + Operation and maintenance expenses (s2)</i>	\$ ('000)
NWI F15	Capital expenditure (sewerage) <i>= Acquisition of fixed assets (s17)</i>	\$ ('000)
NWI F18	Economic real rate of return (sewerage) <i>[Total Revenue (s14) - Interest Income (s10) - Grants for acquisition of assets (s12a) - Operating costs (NWI F12) - current cost depreciation (s3)] x 100 divided by written-down current cost (WDCC) of system assets (s42) + plant and equipment (s29b)</i>	%
NWI F27	Capital works grants (sewerage) <i>= Grants for acquisition of assets (s12a)</i>	\$ ('000)
NWI F3	Total income (water and sewerage) <i>= Total income (w13+s14) + Gain/loss on disposal of assets (w14+s15) - Grants for acquisition of assets (w11a+s12a) - Interest income (w9+s10)</i>	\$ ('000)
NWI F8	Revenue from community service obligations (water and sewerage) <i>= Community service obligations (NWI F25) x 100 / Total income (NWI F3)</i>	%
NWI F16	Capital expenditure (water and sewerage) <i>= Acquisition of fixed assets (w16 + s17)</i>	\$ ('000)
NWI F19	Economic real rate of return (water and sewerage) <i>= (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 (w28b + s29b))</i>	%
NWI F20	Dividend (water and sewerage) <i>= Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)</i>	\$ ('000)
NWIF21	Dividend payout ratio (water and sewerage) <i>= Dividend (NWI F20) x 100 / Net profit after tax (NWI F24)</i>	%
NWI F22	Net debt to equity (water and sewerage) <i>= Borrowings (w32 + s 33) - cash and investments (w25 +s26) x 100 divided by total assets (w30 +s31) - total liabilities (w34 + s35)</i>	%
NWI F23	Interest cover (water and sewerage) <i>=EBIT/NI. Earnings before interest and tax (EBIT) = 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 (NI) = Interest expense (w4a +s4a) - interest income (w9 +s10) Note: If EBIT >0 AND Net interest <=0 THEN interest cover is to be reported as '>100' If EBIT <0 THEN interest cover = 0</i>	
NWI F24	Net profit after tax (water and sewerage) <i>=(Surplus before dividends (w15a + s16a) - Tax paid (1(iv) of Note 2 + 1(iv) of Note 3))</i>	\$ ('000)
NWI F25	Community service obligations (water and sewerage) <i>= Grants for pensioner rebates (w11b + s12b)</i>	\$ ('000)

Notes:

- References to s (e.g. s12) refer to item numbers in special schedules 5 and 6 of each council's annual financial statements.
- The NWI performance indicators are based on the National Performance Framework handbook for Urban Performance Reporting Indicators and Definitions.

The NWI indicators are to be calculated using the formulas shown above.

^a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007