

Extract of the minutes from the
Townsville City Council Ordinary Meeting
15th December 2011
including
Revised Budget Financial Statements
2011/12 to 2013/14

9 Finance - Revised Budgeted Financial Statement 2011/2012

Authorised by >> Director Corporate Services
Date >> 8 December 2011

Executive Summary >>

In accordance with the Local Government Act 2009 and the Local Government (*Finance, Plans and Reporting*) Regulation 2010, council may amend the budget for a financial year at any time before the end of the financial year.

Management have completed a 4 month review of the 2011/2012 Budget considering the results to the end of October 2011. Known or anticipated changes to the operating environment or assumptions made at the time of budget formulation and the forecast operating surplus for 2011/12 remains unchanged at \$25K.

Management have made every effort to update the budget assumptions to reflect the results to-date and anticipated changes in the operating environment however, there remains a risk that the forecast surplus may be impacted by the wet season, changing water consumption, growth forecasts and net interest costs.

There are no material changes to planned activities or service levels resulting from the budget amendments.

The amended budget for 2011/2012 and the following two years financial statements and nine years financial sustainability ratios as defined by the Department of Infrastructure and Planning will be circulated separately to the Agenda.

Officer's Recommendation >>

OPERATING FUND BUDGET

1. That, in accordance with sections 98 and 99 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, and having considered presentations and advice provided by the Executive Manager Finance, council note the 2011/2012 Budget has been:
 - prepared on an accruals basis; and
 - developed consistently with council's corporate and operational plans.and shows that council's:
 - liabilities are able to be satisfied;
 - capital base is not being consumed at a rate that will adversely affect it's service potential;
 - planned asset replacement is sufficiently funded; and
 - planned borrowings are only for capital expenditure.
2. That in accordance with Sections 98 to 100 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, council adopt as its Budget the Revised Budget Financial Statements for 2011/2012, including council's Significant Business Activities, Forecast Financial Statements for 2012/13 to 2013/14, and relevant measure of financial sustainability ratio's for 2011/12 to 2020/21.
3. That in accordance with section 133 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, council adopt the Statement of Planned Borrowings – October 2011.

It was moved by Councillor N Marr, seconded by Councillor D Last:

“that the Officer's Recommendation be adopted.”

CARRIED

Statement of Income and Expenditure
For the year ended 30 June

	Adopted Budget	4 Month Revised Budget	Budget Forecast	
	*2012 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
Revenue				
General Rates	145,834	146,424	155,298	164,710
Utility Charges	161,076	160,847	169,545	177,964
Less Discounts and Remissions	(29,015)	(28,241)	(29,873)	(31,544)
Fees and Charges	22,688	25,392	26,497	27,652
Income from Investments and Financing	7,865	5,639	2,659	3,013
Contributions and Donations	1,937	1,937	1,743	1,569
Grants and Subsidies	33,196	52,896	13,086	13,609
Other	12,421	13,624	14,305	15,020
Total Revenue	356,002	378,518	353,260	371,993
Less Expenses				
Employee and Contract Labour Costs	126,879	122,944	128,114	132,747
Materials and Services	109,232	130,965	98,407	104,482
Depreciation & Amortisation	92,581	98,268	99,638	105,543
Finance Costs	24,376	23,367	23,093	23,449
Other	2,909	2,949	3,069	3,098
Total Expenses	355,977	378,493	352,321	369,319
Surplus/(Deficit) before capital income	25	25	939	2,674
Capital Income				
Contributions, Grants, Subsidies and Donations	119,863	119,340	94,288	124,094
Gain / (Loss) on sale of Capital Assets	(2,688)	(10,252)	-	-
Capital Expense				
Loss on Investment	-	(613)	(500)	(500)
Total Capital Income	117,175	108,475	93,788	123,594
Increase/(Decrease) in Operating Capability	117,200	108,500	94,727	126,268

*Pursuant to the Local Government (Finance, Plans and Reporting) Regulation 2010, and based on a comparison of revenue between the 2010/11 budget and the 2011/12 budget, the increase in rates and utility charges revenue, before discount, is 5.96%; and the increase in rates and utility charges revenue, after discount, is 6.33%. These increases include forecast growth of 2.7%.

Balance Sheet

As at 30 June

	Adopted	4 Month	Budget Forecast	
	Budget	Revised	2013	2014
	2012	2012	2013	2014
	\$'000	\$'000	\$'000	\$'000
Current Assets				
Cash Assets	89,900	72,480	76,263	80,997
Receivables	25,753	20,432	19,211	20,218
Inventories	11,485	7,091	7,091	7,091
Prepayments	1,963	1,833	1,908	1,987
Other Current Assets	138	8,830	10,374	12,011
Total Current Assets	129,239	110,666	114,847	122,304
Non Current Assets				
Investments	27,559	29,342	29,342	29,342
Other	1,959	5,786	5,786	5,786
Property, Plant and Equipment	3,957,416	3,793,329	3,984,711	4,207,021
Total Non-Current Assets	3,986,934	3,828,457	4,019,839	4,242,149
Total Assets	4,116,173	3,939,123	4,134,686	4,364,453
Current Liabilities				
Payables	11,530	16,407	12,513	13,265
Interest Bearing Liabilities	19,735	19,420	21,336	20,167
Provisions	8,477	766	794	822
Other	24,550	34,559	35,982	37,463
Total Current Liabilities	64,292	71,152	70,625	71,717
Non-Current Liabilities				
Payables	23,362	21,260	19,957	20,678
Interest Bearing Liabilities	361,630	351,857	355,521	355,353
Provisions	16,499	24,746	24,592	24,434
Total Non-Current Liabilities	401,491	397,863	400,070	400,465
Total Liabilities	465,783	469,015	470,695	472,182
Net Community Assets	3,650,390	3,470,108	3,663,991	3,892,271
Community Equity				
Asset revaluation reserve	244,498	177,737	276,893	378,905
Retained surplus	3,363,716	3,264,017	3,358,744	3,485,012
Other Reserves	42,176	28,354	28,354	28,354
Total Community Equity	3,650,390	3,470,108	3,663,991	3,892,271

Statement of Cash Flows
For the year ended 30 June

	Adopted Budget 2012 \$'000	4 Month Revised Budget 2012 \$'000	Budget Forecast	
			2013 \$'000	2014 \$'000
Cash Flow from Operating Activities				
Receipts				
Net Rates, Utility, Fees & Charges	347,775	383,124	351,822	367,974
Interest Received	7,865	5,639	2,659	3,013
Payments				
Materials and Services and Employee Costs	(246,086)	(275,678)	(232,778)	(238,842)
Finance Costs	(24,823)	(28,156)	(22,978)	(23,331)
Other	(2,402)	(4,937)	(2,230)	(236)
Net Cash Provided by Operating Activities	82,329	79,992	96,495	108,578
Cash Flow from Investing Activities				
Payments for Property, Plant & Equipment	(199,339)	(184,850)	(147,372)	(180,374)
Subsidies, Donations and Contributions for capital expenditure	95,873	111,588	49,298	78,122
Proceeds from sale of Property, Plant & Equipment	6,149	6,219	500	500
Other	-	(612)	(718)	(756)
Net Cash Used in Investing Activities	(97,317)	(67,655)	(98,292)	(102,508)
Cash Flows from Financial Activities				
Proceeds from Borrowings	-	-	25,000	20,000
Repayment of Borrowings	(18,521)	(19,141)	(19,420)	(21,336)
Net Cash Provided by Financing Activities	(18,521)	(19,141)	5,580	(1,336)
Net Increase/ (Decrease) in Cash Held	(33,509)	(6,804)	3,783	4,734
Cash at Beginning of Reporting Period	123,409	79,284	72,480	76,263
Cash at End of Reporting Period	89,900	72,480	76,263	80,997

Changes in Equity

	Total \$'000	Retained Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
Balance at 30 June 2011	3,361,608	3,153,508	177,737	30,363
Net Result for the Period	108,500	108,500	-	-
Transfer to Capital and Reserves	-	(460)	-	460
Transfer from Capital to Reserves	-	2,469	-	(2,469)
Asset revaluation adjustment	-			
Balance at 30 June 2012	<u>3,470,108</u>	<u>3,264,017</u>	<u>177,737</u>	<u>28,354</u>
Budget - Forecast				
Net Result for the Period	94,727	94,727	-	-
Transfer to Capital and Reserves	-	-	-	-
Transfer from Capital to Reserves	-	-	-	-
Asset revaluation adjustment	99,156	-	99,156	-
Balance at 30 June 2013	<u>3,663,991</u>	<u>3,358,744</u>	<u>276,893</u>	<u>28,354</u>
Net Result for the Period	126,268	126,268	-	-
Transfer to Capital and Reserves	-	-	-	-
Transfer from Capital and Reserves	-	-	-	-
Asset revaluation adjustment	102,012	-	102,012	-
Balance at 30 June 2014	<u>3,892,271</u>	<u>3,485,012</u>	<u>378,905</u>	<u>28,354</u>

Key Financial Ratios

Sustainability Ratios	Target Ratio*	4 Month Revised Budget 2011/12	Budget Forecast								
			2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Working Capital Ratio (Current Assets / Current Liabilities)	1:1 - 4:1	1.55:1	1.63:1	1.71:1	1.89:1	1.92:1	1.94:1	2.01:1	2.04:1	2.09:1	2.23:1
Operating Surplus Ratio (Net Operating Surplus / Total Operating Revenue) (%)	0.0% - 10%	0.0%	0.3%	0.7%	1.0%	1.3%	1.9%	2.6%	3.1%	3.4%	3.8%
Net Financial Liabilities Ratio (Total Liabilities – Current Assets) / Total Operating Revenue) (%)	<60%	94.7%	100.7%	94.1%	83.3%	73.7%	65.1%	56.8%	48.8%	40.5%	32.0%
Interest Coverage Ratio (Net Interest Expense / Total Operating Revenue) (%)	0.0% - 5%	4.7%	5.8%	5.5%	5.0%	4.4%	3.9%	3.4%	3.0%	2.5%	2.0%
Asset Sustainability Ratio (Capital Expenditure on the Replacement of Assets (renewal) / Depreciation Expense) (%)	>90%	70.1%	87.3%	87.8%	83.1%	86.4%	89.3%	90.3%	90.5%	90.6%	90.0%
Asset Consumption Ratio (Written Down Value of Infrastructure Assets / Gross Current Replacement Cost of Infrastructure Assets) (%)	40% - 80%	70.4%	68.6%	67.6%	66.9%	66.3%	64.5%	62.0%	60.0%	57.9%	56.3%

*Target Ratio's prescribed by Department of Local Government and Planning, refer Financial Management (Sustainability) guideline 2011.

Council Business Activities - 2011/12

	Townsville Water	Townsville Waste	Construction & Maintenance	Nursery	Fleet & Property Management	Performing Arts	Off Street Parking
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
OPERATING REVENUE							
Rate Charges	-	-	200	-	-	-	-
Utility Charges	154,139	15,515	-	-	-	-	-
Less Discounts & Remissions	(3,327)	-	(27)	-	-	-	-
Fees & Charges	362	9,627	17,536	-	-	878	510
Income From Investments & Financing	1,098	168	-	-	-	-	-
Contributions Recurrent	924	-	1,010	-	-	-	-
Subsidies & Grants Recurrent	112	-	38,842	-	-	-	-
Ncp Revenue/Recovery	3,748	1,366	-	-	-	-	-
Other Revenue	1,501	3,171	16,200	1,092	20,028	865	-
Total Operating Revenue	158,557	29,848	73,761	1,092	20,028	1,743	510
OPERATING EXPENSES							
Employee Costs	15,004	5,910	13,557	349	1,732	1,698	42
Materials & Services	33,748	13,112	80,523	155	12,181	3,739	277
Finance Costs	10,795	1,197	-	-	-	-	-
Depreciation & Amortisation	36,386	1,048	34,285	42	6,449	59	-
Ncp Expense/Charges	-	-	-	-	-	-	-
Taxes Other Than Income Tax	388	222	-	-	-	-	-
Other Expenses	4	4	1	386	-	219	-
Total Operating Expenses	96,324	21,493	128,366	933	20,362	5,715	320
Operating Surplus/(Deficit) before Capital Items	62,233	8,355	(54,605)	159	(334)	(3,972)	191
OTHER CAPITAL AMOUNTS							
Contributions Capital	9,503	-	23,451	-	-	-	-
Contributions Non-Cash Capital	4,964	-	19,026	-	-	-	-
Grants & Subsidies Capital	17,120	33	43,171	-	190	47	-
Profit/Loss On Sale Of Assets	(9,753)	-	(179)	-	(432)	-	-
Revaluation Reserve Retired	-	-	-	-	-	-	-
Land Held For Resale	-	-	-	-	-	-	-
Total Other Capital Amounts	21,834	33	85,469	-	(242)	47	-
Increase/(Decrease) in Operating Capability before Tax	84,067	8,388	30,864	159	(575)	(3,925)	191
Income Tax	21,362	2,202	-	-	-	-	-
Increase/(Decrease) in Operating Capability after Tax	62,705	6,186	30,864	159	(575)	(3,925)	191

Business Activity Statement 2011/12

	Townsville Water	Townsville Waste	Construction & Maintenance	Nursery	Fleet & Property Management	Performing Arts	Off Street Parking
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Revenue							
Services provided to Local Government	13,204	4,098	29,354	277	20,003	-	1
Services provided to clients other than Local Government	145,353	25,750	44,406	815	25	1,743	509
Community Service Obligation	3,389	1,211	-	-	-	-	-
Total Operating Revenue	158,557	29,848	73,761	1,092	20,028	1,743	510
Operating Expense	96,324	21,493	128,366	933	20,362	5,715	320
Other Capital Amounts	21,834	33	85,469	-	(242)	47	-
Increase/(Decrease) in Operating Capability before Tax	84,067	8,388	30,864	159	(575)	(3,925)	191
Income Tax	21,362	2,202	-	-	-	-	-
Increase/(Decrease) in Operating Capability after Tax	62,705	6,186	30,864	159	(575)	(3,925)	191

Community Service Obligations 2011/12

	Townsville Water	Townsville Waste
	\$000	\$000
Water - Remissions applied to charity and not for profit organisations as approved by council.	2,510	-
Wastewater - Remissions applied to charity and not for profit organisations as approved by council.	817	-
Wastewater - Magnetic Island - Arcadia Surf Life Saving Club (Sewerage Pump out)	12	-
Wastewater - Magnetic Island - Sewer connection rebates (\$2k per application)	50	-
Public Place Waste & Recycling Collection	-	224
Public Place Bin Delivery	-	11
Litter Collection - Roads	-	976
Total Community Service Obligations	3,389	1,211

Statement of Planned Borrowings:

Year and Purpose of Borrowing	Amount 000's	Term
Year ended 30/6/2012 <ul style="list-style-type: none"> Currently no planned borrowings 	nil	n/a
Year ended 30/6/2013 <ul style="list-style-type: none"> New Infrastructure Assets 	\$25,000	20 Years
Year ended 30/6/2014 <ul style="list-style-type: none"> New Infrastructure Assets 	\$20,000	20 Years
Year ended 30/6/2015 <ul style="list-style-type: none"> New Infrastructure Assets 	\$12,000	20 Years
Year ended 30/6/2016 <ul style="list-style-type: none"> Currently no planned borrowings 	\$4,000	20 Years
Year ended 30/6/2017 <ul style="list-style-type: none"> New Infrastructure Assets 	\$6,000	20 Years
Year ended 30/6/2018 <ul style="list-style-type: none"> New Infrastructure Assets 	\$10,000	20 Years
Year ended 30/6/2019 <ul style="list-style-type: none"> New Infrastructure Assets 	\$9,000	20 Years
Year ended 30/6/2020 <ul style="list-style-type: none"> New Infrastructure Assets 	\$7,000	20 Years
Year ended 30/6/2021 <ul style="list-style-type: none"> New Infrastructure Assets 	\$5,000	20 Years

The amount projected to be outstanding at 30 June 2012 is \$371.2M repayment term of new loans is 20 years with existing loans having repayment terms between 2 and 19 years.

Anticipated loan principal repayments for the year ended 30 June 2012 is \$19.1M.