



ANNUAL REPORT 2016 / 17

Simple, Faster, Better

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www.townsville.qld.gov.au

General Enquiries:

By telephone: 1300 878 001
By email: enquiries@townsville.qld.gov.au
By fax: 4727 9050
Street address: 103 Walker Street, Townsville
Postal address: PO Box 1268, Townsville Q 4810

Disclaimer

While Townsville City Council has made every reasonable effort to ensure the information contained in this report is both accurate and current, council does not accept any liability for any errors or omissions contained in this report. No reliance should be placed on information contained or to be implied or inferred from this report without checking the details with an authorised officer of Townsville City Council.

Acknowledgement

We acknowledge the Gurambilbarra Wulgurukaba and Bindal people as the traditional custodians of this land that we work, live and play on, and pay our respect to their cultures, their ancestors and to the elders, past, present and all future generations.

Endorsed by Townsville City Council 24 October 2017

MESSAGE FROM THE MAYOR

WELCOME

On behalf of my fellow councillors and the executive management team, I am pleased to present the Townsville City Council 2016/17 Annual Report. This report details how we have continued to meet our election commitments to ratepayers and residents. Together with my councillors and our staff we have delivered \$453.9m in operational and capital projects. Job creation, water security, economic activation and community engagement remain at the forefront of everything we do.

FINANCIAL PERFORMANCE

The freeze on rates in the 2016/17 budget provided all ratepayers, including the city's businesses, with financial relief at a time when it was needed most. This was achieved without interruption to our current service delivery and while funding a range of important services and new initiatives for our city.

Council also sought to make efficiencies and savings from within, and this was achieved by adopting 24 priority improvement projects recommended by the Nous Review. A reduction in red tape enabled council to become more responsive to the needs of the community. By making tough economic decisions and undertaking a rigorous structural reform process, council is now delivering services in a manner that is simpler, faster and better suited to its purpose.

HIGHLIGHTS FOR THE YEAR

Townsville became the first city in Australia to sign up to a City Deal on 9 December 2016. The City Deal marks a new era for Townsville, and was enabled by all three levels of government coming together to secure the economic success of Townsville and its people. The deal will deliver an integrated package of initiatives to make Townsville more attractive to investors, increase jobs and growth and revitalise our city.

A number of City Deal projects are already well advanced – the Townsville Water Security Taskforce released its interim report on 30 June 2017, the managing contractor for the construction of the North Queensland Stadium was announced in May 2017 and the board of the Townsville-based Cooperative Research Centre for Developing Northern Australia has been announced.

Together with the Queensland Government, Townsville City Council is delivering a \$21.8m Works for Queensland (W4Q) program which has seen job-creating maintenance and minor infrastructure projects rolled out across the city. Townsville City Council also cemented a major milestone in the city's expansion with the \$1b Elliot Springs residential community; a development that represents a significant part of Townsville's growth strategy.

CONFIDENCE IS BUILDING

Following the announcement of the managing contractor for the North Queensland Stadium, the commencement of direct flights to Melbourne with Tigerair, a memorandum of understanding (MOU) with Boston Energy for a battery manufacturing plant and the establishment of Adani's regional headquarters in Townsville, there are signs that the challenging economic environment is changing. This improvement has been aided by the resources sector which has seen an upturn in commodity prices.

CHALLENGES FACED

With high unemployment and one of the highest youth unemployment rates in the country, council has remained committed to minimising additional cost-of-living expenses for residents and ratepayers. Council has boosted its capital works program to stimulate and sustain job creating projects, while actively pursuing additional projects for our city.

INTO THE FUTURE

Water security and our city's water supply continue to take priority. The \$225m funding commitment from the Queensland Government will secure Townsville's water supply and ensure Townsville ratepayers are not adversely impacted.

I am proud we were able to deliver on our commitment of a rates freeze and undertake a rigorous restructure of council business. Together with my council team, we were able to make the tough decisions that saw council reset its financial position and become an organisation that harnesses new opportunities whilst also actively seeking them out.

My councillors and I are proud of this Annual Report and will continue to work for our community and deliver a bright future for Townsville.

Regards

A handwritten signature in black ink, appearing to read "Jenny Hill".

Cr Jenny Hill
Mayor of Townsville
30 June 2017



COMMUNITY SNAPSHOT

Townsville was founded in 1864 as a port for the fledgling pastoral industry in North Queensland. The city is located 1,300km north of Brisbane and 350km south of Cairns. We are the largest garrison city and the largest tropical city in Australia. The Townsville local government area covers 3,736km².

According to the 2016 Census data, Townsville has:		In 2016/17 council managed and maintained:	
A population of	186,757	9	Beaches with lifeguard patrols
With a median age of	34	6	Stinger nets
An Aboriginal and/or Torres Strait Islander population of	7.0%	4	Libraries (including a mobile library)
And 21.4% of the population were born overseas		341	Public parks
		134	Parks with playgrounds/shaded areas
		4	Botanic gardens
		15	Off-leash dog parks
		5	Public swimming pools
		6	Sewerage treatment plants
		180+	Sewerage pump stations
		1,300+	Kilometres of sewer mains
		3	Waste management landfill sites
		5	Waste transfer stations
		3	Water treatment plants
		41	Water reservoirs
		27	Water pumping stations
		84,000+	Water service connections
		2,500+	Kilometres of water mains
		1754.4	Kilometres of roads
		516.58	Kilometres of pathways

In 2016/17 Townsville had:	
82,313	Rateable properties
677	Properties on Schedule 7 of the City Plan – Cultural Heritage



Townsville region visitor snapshot *					
	Visitors	Holiday	Visiting friends and relatives	Business	Expenditure (\$m)
Domestic overnight	1,115,000	346,000	305,000	338,000	\$757.7m
International overnight	130,000	105,000	16,000	n/p	\$88.4m
TOTAL	1,244,000	451,000	321,000	n/p	\$846.1m

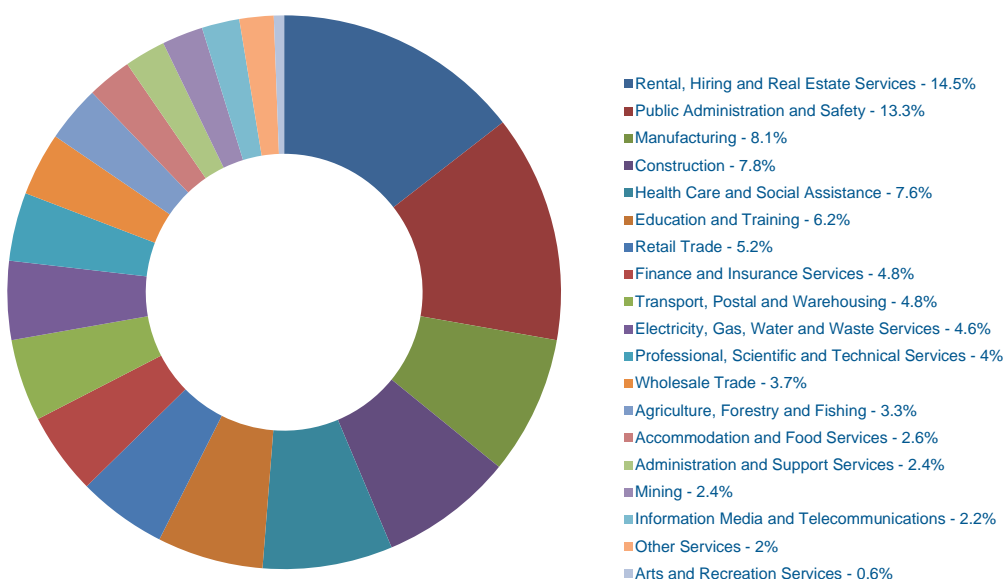
* Source: Tourism and Events Queensland. Year ending March 2017.

Employment figures *		
	June 2016	June 2017
Full time employed in Townsville (all ages)	63,700	72,400
Part time employed (all ages)	31,400	34,700
Unemployment rate (% of all ages)	14.8%	9.9%
Participation rate (% of all)	59.8%	62.8%
Youth unemployment rate (% of 15-24 yrs)	23.1%	25.4%

* Source: Townsville Enterprise Limited

GROSS REGIONAL PRODUCT (GRP) \$14.17B *

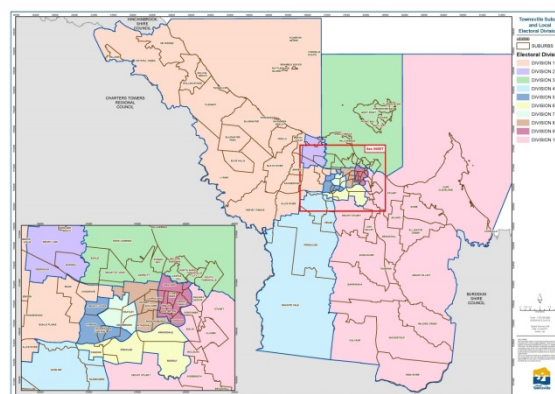
Value Added Gross Regional Product for Townsville North Queensland



*Source: Townsville Enterprise Limited

ELECTORAL DIVISIONS

Townsville City Council comprises **11 councillors**, including the Mayor. For electoral purposes the local government area (LGA) is divided into **10 divisions**. Each division is represented by one elected councillor. The mayor is elected by popular vote across the whole LGA. Local government elections are held every four years on a fixed date prescribed by the Queensland Government. The next local government election is due to be held in March 2020. Councillor profiles and divisional maps are available on the [council's website](#).



Div	Councillor	Email
1	Margie Ryder	Margie.Ryder@townsville.qld.gov.au
2	Paul Jacob	Paul.Jacob@townsville.qld.gov.au
3	Ann-Maree Greaney	Ann-Maree.Greaney@townsville.qld.gov.au
4	Mark Molachino	Mark.Molachino@townsville.qld.gov.au
5	Russ Cook	Russ.Cook@townsville.qld.gov.au
6	Verena Coombe	Verena.Coombe@townsville.qld.gov.au
7	Kurt Rehbein	Kurt.Rehbein@townsville.qld.gov.au
8	Maurie Soars	Maurie.Soars@townsville.qld.gov.au
9	Colleen Doyle	Colleen.Doyle@townsville.qld.gov.au
10	Les Walker (Deputy Mayor)	Cr.Les.Walker@townsville.qld.gov.au

ABOUT TOWNSVILLE CITY COUNCIL

Council's **main responsibilities** are to set the overall directions and goals for the city and monitor their implementation and success. The tools for setting the direction and goals are the major strategic plans, including the [Townsville City Plan](#), the [Community Plan](#) and the [Corporate Plan](#). These plans integrate our social, economic, environmental and good governance commitments to the community.

Council's annual [Operational Plan](#) details the day to day operations of council to deliver its services to the community, building and delivering on the Corporate Plan. Council's budget outlines the financial plan to deliver the services and activities in the Corporate and Operational Plans and is also informed by council's long-term [Asset Management Plan](#) and long-term Financial Plan.

- ▶ prompt and efficient services
- ▶ easy access to our services
- ▶ friendly and professional service
- ▶ accurate and consistent information.

Council provides and maintains over \$4.5b worth of **community infrastructure** including bridges, drainage, roads, community facilities, sporting venues and more. We look after the health and wellbeing of the community through **public health** initiatives such as mosquito and pest control as well as animal management. Council provides **recreational facilities, events** and a wide range of Smart City and **environmentally sustainable** activities.

26 October 2016 marked the **beginning of a new era** for Townsville City Council – a better, simpler, faster organisation, where delivering for our residents and engaging with our community became business as usual. Transition to the new structure meant the divisions were reduced from five to three, and 14 departments with 19 sections were reduced to just 12 sections.

In accordance with the *Local Government Act 2009*, council has established **commercial business units** for its significant water and waste business activities.

OUR ORGANISATIONAL STRUCTURE:





OUR FIVE-MINUTE ANNUAL REPORT

The five-minute Annual Report is designed to give a quick overview of our 2016/17 achievements, reflecting on the difference we make coming together as a community.

1. A Prosperous City	2. A City for People
<ul style="list-style-type: none"> ▶ \$1b Elliot Springs residential community gets underway ▶ A delegation to India delivered a powerful message of support for Adani ▶ The Queensland Government commits \$225m to secure Townsville's water supply ▶ Pure Projects developed a master plan to refocus and revitalise the city ▶ \$28m allocated for Stage 1 of the Waterfront Priority Development Area (PDA) ▶ Council approved creation of a development corporation to unlock council owned land for development and economic activation ▶ Council lobbied the Queensland Government on a range of issues important to our community including: <ul style="list-style-type: none"> ▷ support for the Galilee Basin project ▷ the need to address rising energy costs ▷ the lack of trunk main infrastructure in the State Development Area (SDA) ▶ Council works to secure a state-of-the-art battery manufacturing plant and thousands of new jobs for the city ▶ 51 projects worth \$21.8m planned under the Queensland Government's Works for Queensland program ▶ Council participating in the Townsville and North Queensland Pathfinder Project ▶ Council accepted a report outlining a potential spend of \$8.8m over 10 years to ensure sewer systems keep pace with growth ▶ Building applications: <ul style="list-style-type: none"> ▷ 702 new dwellings/units (total cost \$196.7m) ▷ 615 residential alterations/additions (total cost \$33.5m) ▷ 3,024 total lodgements (total cost \$425.6m) ▶ Major projects: <ul style="list-style-type: none"> ▷ Stage 2 of the Townsville Recreational Boating Park completed ▷ A major upgrade of the intersection of William Angliss Drive and Mervyn Crossman Drive in Annandale completed ▷ Work got underway to upgrade three Ingham Road intersections to improve traffic flow and heavy vehicle safety in the Bohle industrial area ▷ Work started on the four-year \$51m CBD Utilities Upgrade ▶ Stage 1 of a \$2.8m upgrade of The Strand waterpark completed ▶ Stage 2 of The Strand waterpark redevelopment commenced in June 	<ul style="list-style-type: none"> ▶ The region's largest playground opened at Jezzine Barracks ▶ Townsville's Disaster Management Coordination Centre was activated ▶ Get Active Clubs launched ▶ Council's Tech Savvy Seniors Queensland program extended due to popular demand ▶ The Kalynda Chase Tennis Court welcomed 34,000 visitors ▶ Over 200,000 people visited Tony Ireland Stadium and Riverway Parklands ▶ Over 150,000 visitors to Townsville RSL Stadium ▶ 4,500 people attended the Australian Festival of Chamber Music's celebratory concert in Queen's Gardens ▶ Council spent \$1m for the provision of lifeguards at Riverway, The Strand and Magnetic Island beaches ▶ Six stinger nets were installed at The Strand, Pallarenda, Horseshoe Bay, Picnic Bay and Balgal Beach at a cost of \$395,000 ▶ 400 eligible pensioners benefit from council's lawn mowing program ▶ The 100th anniversary of the start of the Battle of Pozieres commemorated ▶ The city is preparing to host events as part of the Gold Coast Commonwealth Games (GC2018) ▶ Council hosted a number of community events including: <ul style="list-style-type: none"> ▷ 21 significant events (including T150 events and Sky Show) ▷ 2 Welcoming Babies ceremonies ▷ 12 Citizenship ceremonies ▷ 10 free movie nights at Riverway ▷ 14 civic receptions ▷ Riverway's 10th birthday celebrations ▷ Commemoration of the 25th anniversary of the Mabo decision ▶ Our libraries: <ul style="list-style-type: none"> ▷ had 644,858 visits ▷ processed 869,664 loans ▷ and usage of council's online library collections grew to 79,162 ▶ Our galleries had: <ul style="list-style-type: none"> ▷ 25 exhibitions (main space) ▷ 55 exhibitions (small space) ▷ 3 touring exhibitions ▷ 87,568 visits ▷ 2,096 volunteer hours across 548 sessions ▷ and delivered 167 Creative Classroom sessions to 3,277 students

OUR FIVE-MINUTE ANNUAL REPORT

3. A Clean and Green City	4. A Simpler, Faster, Better Council
<ul style="list-style-type: none"> ▶ Townsville's Water Taskforce released its interim report and recommendations ▶ Level 3 water restrictions were introduced after Ross River Dam hit the trigger point of below 20% ▶ Water flowed through the Burdekin pipeline for the first time in 10 years when the dam hit the 15% trigger point ▶ Council is working to find the best location for a new waste management facility ▶ Council voted to call for tenders to carry out a bulk rubbish collection in 2017/18 ▶ New Illich Park Precinct upgrades were officially opened ▶ Solar farms given the green light for Pinnacles and Rollingstone ▶ Six heritage trails to be upgraded as a legacy of the Gold Coast Commonwealth Games (GC2018) ▶ Remedial work carried out on the Horseshoe Bay foreshore ▶ Upgrade approved for the Cleveland Bay Purification Plant ▶ Over 5,000 native plants provided by council to revegetate across the city ▶ An aquatic weed harvester cleared a build-up of weeds on sections of Ross River ▶ Work got underway on the popular Queen's Gardens aviary to make it bigger and better ▶ Controlled burning was undertaken on Castle Hill to protect residents and property around the hill ▶ 27 environmental education activities delivered including: <ul style="list-style-type: none"> ▷ World Wetlands Day ▷ Earth Hour ▷ Great Northern Clean Up ▷ Sustainability Open Day ▶ Managing our waste and water in 2016/17, council: <ul style="list-style-type: none"> ▷ conducted over 77,000 domestic waste and recyclable collections every week ▷ processed 365,000 tonnes of waste ▷ had almost 300,000 visits to waste management facilities ▷ supplied 33,000 megalitres of high quality potable water ▷ collected and treated 17,000 megalitres of sewage ▷ serviced over 700 bulk bins ▶ Mosquito control: <ul style="list-style-type: none"> ▷ 788 sites were treated ▷ 2,730 hectares of land treated with ground application ▷ 1,487 hectares of land treated with aerial application (only 6 aerial treatments required due to dry weather) 	<ul style="list-style-type: none"> ▶ Council delivered its promise of a zero rate increase for 2016/17 ▶ Management numbers reduced and red tape slashed ▶ Council maintained \$4.5b worth of community infrastructure ▶ New Advisory Committees created to work with the community including: <ul style="list-style-type: none"> ▷ Inclusive Community Advisory Community – provides advice on current and emerging social and community planning needs ▷ Community Safety Advisory Committee – promotes community safety and creates a voice for the community ▷ City Image Advisory Committee – provides input into projects to create the best first impression for visitors and local alike ▶ Engagement activities for 76 projects conducted including: <ul style="list-style-type: none"> ▷ Ingham Road intersections upgrade ▷ Works for Queensland ▷ Council works in progress ▷ CBD utilities upgrade ▶ Over 4.7km of new footpaths built or repaired ▶ Over 2,300 potholes were fixed ▶ 35 new bus stops installed ▶ 554 dog attacks were investigated (down from 587 in 2015/16) ▶ 1,728 complaints about dog noise were received (up from 1,560 in 2015/16). ▶ Customer service: <ul style="list-style-type: none"> ▷ 135,473 calls to the call centre ▷ 31,395 transactions at the front counter ▷ 8,345 <i>Click2chat</i> interactions ▷ 56,211 work requests raised ▷ 1,645,820 users of council's website ▷ 3,486,723 page views ▶ Keeping pace with technology changes: <ul style="list-style-type: none"> ▷ Council partnered with James Cook University to build the NQ Regional Data Centre ▷ Townsville's network of security cameras homed in on anti-social behaviour ▷ Council's CCTV surveillance capabilities received a boost with the move to a new, larger control room ▶ Stay up to date with council's e-news. Visit the council's website to subscribe to: <ul style="list-style-type: none"> ▷ City Update ▷ What's on Townsville ▷ TicketShop ▷ CityLibraries ▷ Get Active + Healthy Update ▷ Industry Update ▷ Sustainability Innovation ▷ Townsville City Trader ▷ Together Townsville

REPORTABLE DISCLOSURES

An index to the relevant sections of this report that relate to statutory requirements* for a local government annual report is detailed below:

* LGA – [Local Government Act 2009](#)
LGR – [Local Government Regulation 2012](#)
PSEA – [Public Sector Ethics Act 1994](#)

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CEO ASSESSMENT OF PROGRESS TOWARDS IMPLEMENTING COUNCIL'S FIVE-YEAR CORPORATE PLAN

I am proud of the achievements of council in 2016/17 as summarised in this Annual Report. This year has seen a clear refocussing of council's planning and real reform to the way council works. "**Simpler, faster and better**" is becoming the catchcry across council with a renewed focus on delivering services for the community in the way they expect.

The **Corporate Plan** was reviewed and updated in March 2017 and remains the focus around which the council business is being driven. The plan sets out goals around Townsville as a Prosperous City, a City for the People, that is Clean and Green and with a Simpler, Faster, Better Council. These goals set a clear direction that I and my management team have been working towards. A high level summary of council's performance in each of these areas is set out on the following pages.

Delivering on these goals has been my focus and the focus across the entire management team throughout the year. This has seen **major reform** in both the structure and operation of council to better align with the expectations and requirements of the community. Throughout this process there have been three guiding principles in all areas: financial and economic sustainability, community engagement and economic activation. All aspects of council's business are reframed through these lenses to ensure that the goals of the Corporate Plan are achieved.

Financial and economic sustainability is about ensuring that council has a realistic understanding of the whole of life costs, risks and impacts of services to make sure that we can continue to deliver. This means that where it is unsustainable to continue a particular approach, alternatives are used. It also means that areas where process has become over complicated, or are not delivering

value, are stripped back to a more sustainable and effective approach. This allows council to have a clearer view of what can be achieved within sensible financial constraints and provides confidence to the community that money is being carefully managed.

Community engagement is one of the key components being integrated into everything council does. Rather than just assuming what people are interested in and would like to see, council is committed to embedding community engagement into everything we do. The goal is to make sure that we are doing the right things properly. This means focussing on the community as the centre of everything we do and empowering the community to participate in setting direction.

Council has a key role in supporting **activation of the economy**. At the end of the day the majority of the economic activity in the city is done by the private sector. As such council is focussing on streamlining and simplifying processes to encourage that investment. Council also has a key role in how we use our spend in the local economy and how we encourage the Queensland and Australian Governments to provide catalytic and infrastructure investment in the region.

These priorities are the **clear direction** for the management team of council. Set out below is a more detailed summary of some of the key achievements for 2016/17.



Adele Young
Chief Executive Officer

ASSESSMENT OF OPERATIONS AND PERFORMANCE

This section looks at council's progress in achieving the goals set out in our 2014 – 2019 [Corporate Plan](#). The Corporate Plan (updated in March 2017) identified four council goals. Those four goals, and the progress towards achieving them, are set out below.

1. A PROSPEROUS CITY



Deliver a strong and innovative economy for Townsville with sustainable growth and support for local jobs and businesses.

Our key achievements include:

Council representatives met with the Premier and cabinet in September to again highlight the city's need for immediate **investment in key growth and infrastructure** projects. The region's list of top priorities included five deputations aimed at reducing the city's unemployment rate and boosting economic growth as well as addressing key social issues affecting residents:

- ▶ support for the Galilee Basin project through infrastructure including rail links to the eastern port
- ▶ the need to address rising energy costs throughout North Queensland as a barrier to business growth and investor attraction
- ▶ lack of trunk main infrastructure as a barrier to growth of the declared [State Development Area \(SDA\)](#) to the south of the city.

Townsville increased the stakes to secure a state-of-the-art **battery manufacturing plant** and thousands of new jobs with a land offer that will deliver a major return for ratepayers. In June the council approved a planning report recommending the council offer a portion of land at Woodstock for the proposal. Under the proposal the council would exchange the land for equity in the project that would be controlled under a specially set-up council business entity and provide the city with an ongoing financial return. There is still a way to go, but the council is acting quickly to seize the opportunity.

A delegation to India including Mayor, Jenny Hill, Queensland Premier, Annastacia Palaszczuk, and regional mayors, delivered a powerful message of support for the **Adani** mine and jobs. For Townsville it was an opportunity to push our credentials with our ready, skilled workforce, as a logical fly-in, fly-out (FIFO) base for Adani's operations. Queensland Premier, Annastacia Palaszczuk, officially opened Adani's regional headquarters in Townsville In June 2017.

A new group comprising community and business leaders will help support and secure economic and employment opportunities for Townsville as well as foster innovation through local businesses. 12 members of the Innovation and **Business Advisory Group** will act in partnership with council to help identify areas of opportunity to grow local industry and business. The group will meet at least six times a year.

Local community projects across the city were shortlisted for the Queensland Government's [Works For Queensland](#) funding. Council lodged a list of 51 projects covering 88 locations for the city's \$21.8m share of the government's job creation program. The list includes upgrades of parks, streetscapes, pathways and walking tracks, road improvements, shade and security lighting. While water continues to be our biggest priority, funding for smaller shovel ready projects is a big windfall for our community. All the projects put forward met the government's criteria that they are new, unfunded works and can be completed by November 2017.

A number of projects already completed under the **Works for Queensland Program** include a new dog off-leash area adjacent to Mindham Park with the \$18,000 package to install signage, bollards for delineation, dog drinking bowl and bag dispenser completed in June. In a separate project, three new refuse bins have been installed at The Lakes in

Currajong and a \$120,000 project to create a shared pathway along the ring road to St Anthony's College at Deeragun also provided an immediate benefit to the local community.

Townsville is working with other North Queensland regional councils to look at new ways to grow regional economies. Our participation in the [Townsville and North Queensland Pathfinder Project](#) was endorsed by full council in January. The plan, with input from the Queensland Government, Townsville Enterprise Limited (TEL) and the Regional Australia Institute, seeks to guide jobs growth and development by proposing a number of key enabling projects, including advocacy to secure water availability. The action plan focusses economic resources on six priority areas:

- ▶ tourism growth
- ▶ Asia gateway expansion
- ▶ human resources growth
- ▶ more entrepreneurs
- ▶ lifting workforce skills
- ▶ value add for agriculture.

A specialist team from Pure Projects, headed by co-founder David Williams and including Australian tourism identity Don Morris AO, has been engaged to work with the local community on a master plan to [refocus and revitalise the city](#). The plan aims to cement the city's position as a high quality investment and lifestyle destination in northern Australia. Securing Townsville's water supply remains the council's number one priority, however, it is important that we set a clear direction for Townsville's economic development.

Townsville City Council approved the creation of a **development corporation** to unlock council owned land for development and economic activation. The decision meets a commitment in the [Townsville City Deal](#) agreement with the Australian and Queensland Governments to establish the special entity by 30 June. The enterprise body would be similar to successful development corporations created by other councils in Queensland to generate new projects and investment. As the owner of the land, the council

will maintain control over any decisions on behalf of the community.

Townsville City Council cemented a major milestone in the city's expansion with the \$1b [Elliot Springs](#) residential community getting underway. Around 10 years in the making, Elliot Springs – formerly Rocky Springs – represents a significant part of Townsville's growth strategy, unlocking 1,609 hectares that will one day be home to 26,000 residents. Council worked hard to ensure the cost of vital infrastructure would not be borne by the community with the Queensland Government committing \$15m towards the provision of road, sewer and water infrastructure for the new residential community. The development will provide an estimated \$41.7m economic boost to the Townsville economy as well as 239 jobs in the first three years and up to 7,000 jobs over the life of the project.

The Queensland Government's [\\$225m budget commitment for Townsville's water security](#) was a huge win for the city and the powerful voice of the local community. It is a rock solid guarantee from the government to fund the solution without lumping the cost back on our community. It is important now that work gets underway on a solution as soon as possible.

The first stage of community infrastructure within the [Waterfront Priority Development Area \(PDA\)](#) was announced in October. The \$28m project is Stage 1 of the Waterfront Promenade and is expected to create up to 60 jobs during construction. The project will be funded by council and the Queensland Government's Catalyst Infrastructure Program through the [Advancing Our Cities and Regions strategy](#).

Castle Hill, The Strand, Paluma or Hervey Range could be the setting for the next movie blockbuster thanks to a new initiative launched in November. The [Townsville North Queensland Screen Locations Guide](#) offers a one-stop-shop to the region's diverse locations as well as talent, equipment, education and support services available. Developed by Townsville City Council in combination with neighbouring regional councils, and with a grant from the Regional Arts

Development Fund, the book features stunning photographs of the region's iconic locations. The guide is targeted at national and international location scouts to promote the diverse locations and experiences available right here in our own backyard.

Council promoted **stronger education ties with China** when a delegation from Sister City Changshu City visited Townsville in May. The five member group of high ranking officials met with leading education and training groups and toured facilities. The city already hosts up to 2,000 overseas students, and there are great opportunities to expand those numbers.

A **Local but Global Makers Forum** was held in May in support of the Townsville Fashion Festival. Growing on the partnership formed last year, council and the Townsville Business Development Centre provided Townsville's makers, thinkers, creators, tinkerers and entrepreneurs with a forum to hear and discuss how they can tap into this global movement. The half-day forum featured presenters from diverse industries addressing their story of success and opportunities.

A state-of-the-art **Material Recovery Facility (MRF)** will be built in Townsville as part of a new long-term agreement for the city's recycling services. In July council awarded recycling specialists, RDT Operations Pty Ltd, an eight-year contract, with two one-year extension options, for the sorting of around 15,000 tonnes of material collected annually from the region's kerbside recycling service. The new facility is expected to create work for 12 local sub-contractors and inject \$1.2m into the local economy during construction. The plant will employ between 7 and 10 locals when it's fully operational.

In October council accepted a report outlining a potential spend of almost \$8.8m over the next 10 years to ensure **sewer systems** in a number of identified inner suburbs keep pace with growth. The report included a performance assessment of the current system and projected growth in the suburbs of Pallarenda, Mount Louisa, Cranbrook and Heatley as well as the commercial and

industrial network of Bohle, Garbutt and Mount St John.

Stage 1 of a \$2.8m upgrade of **The Strand waterpark** playground equipment saw the installation of new softfall, slides, a dedicated toddler play area, shade structures, lighting as well as an upgrade to surrounding landscaping and formalised seating. The project was completed more than two months ahead of schedule with up to seven crews on the job at any one time. The new waterpark replaced facilities which have been in operation for almost 17 years and attracted more than a million visitors over that time.

Stage 2 of The Strand waterpark redevelopment commenced in June. Valued at \$500,000, the project is funded under the Queensland Government's Works for Queensland program and will see the installation of four new picnic shelters, landscaping, bollard lighting and improvements to pathways and connectivity. The park will remain open during the works which are expected to be completed in time for the September school holidays.



Rollingstone residents again have access to their much loved **local bridge** with the official re-opening in September. The \$850,000 upgrade was a joint funding arrangement with the Australian Government.

Options for Townsville boaties increased with the completion of Stage 2 of the **Townsville Recreational Boating Park**. With more parking, wash down areas, two more ramps and an all-ability accessible pontoon, Stage 2 complements the two four-lane boat ramps, 220 car-with-trailer parks, playground and picnic facilities delivered under Stage 1 in 2015.

Three **Ingham Road intersections** are being upgraded to improve traffic flow and heavy vehicle safety in the Bohle Industrial Area. The intersections are with Enterprise Street, Weston/Everett Streets and Webb Drive. The work, to be completed in three stages, began with Stage 1 of construction of a new dual lane roundabout at the Ingham Road, Weston and Everett Street intersections at a cost of \$3.25m. The project is jointly funded with the Queensland and Australian Governments and will be completed over three financial years.

A major upgrade of the intersection of **William Angliss Drive and Mervyn Crossman Drive** in Annandale was completed. The \$4.38m project, jointly funded with the Australian Government, will increase the capacity of the intersection by introducing additional lanes and traffic lights to help control traffic flow through peak times. Improving connectivity to schools and sporting fields and providing drivers and pedestrians with safer conditions were key priorities.

Council employed innovative technology to undertake a major upgrade on underground sewer pipes in North Ward and Belgian Gardens. The \$1.5m project used **trenchless construction technologies** to lay two kilometres of pipe to minimise the impact on residents and motorists in these busy suburbs. The pipe was fed through entry and exit pits spaced 100-300 metres apart, leaving the surface intact.

[Conceptual designs](#) for the **CBD bus hub** were made available online in June to provide the community with a snapshot of what the new facility will look like. The release coincided with the call for tenders for the detailed design of the project and follows initial consultation with local businesses and residents in areas adjoining the

proposed facility in Ogden and Hanran Streets. Demolition of a council owned building in Ogden Street, which is central to the plan, is expected to start in July. The bus hub received \$4m in funding from the Queensland Government and is being project managed by council.

Works to protect the **Horseshoe Bay boat ramp** were completed in June, ahead of a predicted bumper winter school holiday period. Earthmoving equipment was called in after wave and tide action undermined the ramp's foundations. Council crews excavated a large section underneath the ramp before backfilling with rock and concrete. 250 tonnes of rock and 25 cubic metres of concrete were used as part of the repair.

A new transfer station at the **Stuart Waste Facility** will help divert waste from the tip face, increasing the reuse of recyclable goods and materials and maximising tip space. Council awarded a construction contract of \$2.39m for the project to Mendi Construction Pty Ltd in April. Awarding the construction tender to a local company supports the local economy and employment opportunities.

Townsville's credentials as a city ripe for investment were highlighted during a visit by a delegation representing the interests of **Chinese investors** in June. The 22 delegates scouted opportunities for their clients who are interested in migrating to Queensland under the government's [Business and Skilled Migration Program](#), a visa program offering a pathway to permanent residency status in exchange for investment in the state. Organised by Trade and Investment Queensland and hosted by council, the group's visit took in a tour of Townsville's sights and attractions as well as business meetings with key regional enterprise.

Works on the four-year [\\$51m CBD Utilities Upgrade](#) started in July 2016 to upgrade aging water and sewerage pipelines, some up to 60 years old. The project will increase the capacity of basic services to support the redevelopment of the inner-city and the expected 30,000 people who will be working and living in the CBD by 2030. The following work has already been completed:

- ▶ 1,650m of new footpaths installed
- ▶ 6,479m of water main and sewer pipe installed
- ▶ 97% of this work delivered by local crews totalling more than 60,000 work hours
- ▶ 100 tonnes of rock removed from various work areas
- ▶ 4,500 tonnes of dirt salvaged for re-use as land fill.

Items found during the work include a tunnel, old concrete road, horseshoe, old bottles, red brick storm drains, and a sink hole in Stanley Street measuring 6 x 6 x 4 metres.

Drilling and blasting works were completed on the former **Echlin Street quarry** site to prepare the site for two future water reservoirs as part of the CBD Utilities Upgrade. 250,000 tonnes of rock spoil has been removed as part of the project to lower the quarry floor. Works have also stabilised the existing quarry faces.

High-tech drilling rigs were used on either side of Ross Creek to bore an underground crossing for a new sewerage main beneath the creek. Drilling was a challenge because of the unpredictability of what might be buried under the river bed, but the project was completed successfully. The new pipe connects a waste water pump station near Leichhardt Street on The Strand and through South Townsville to the Cleveland Bay Treatment Plant.





Council's **Together Townsville** program promoted mutually beneficial collaborations between businesses and the community. It built strategic partnerships with corporate and community organisations for the sponsorship of community projects.

Together Townsville initiatives in 2016/17

For our youth <ul style="list-style-type: none"> ▶ National Youth Week ▶ School breakfast program ▶ Schools' tree day ▶ Let's read ▶ Summer reading program ▶ Shop n play ▶ Hot pocket publication 	For our families, community and businesses <ul style="list-style-type: none"> ▶ Carols by candlelight ▶ New year's eve celebrations ▶ Welcoming babies ceremonies ▶ Riverway movies ▶ Cyclone Sunday ▶ Hydration station ▶ Book club ▶ Heritage day (rescheduled due to wet weather)
For our environment <ul style="list-style-type: none"> ▶ Eco Fiesta ▶ National tree day ▶ Town common revitalisation project ▶ Botanic garden plant trails ▶ Community greening program ▶ Creek watch 	For our facilities <ul style="list-style-type: none"> ▶ Naming rights to the 10,000 capacity AFL and Cricket Stadium – Riverway Stadium ▶ Naming rights to the multi-purpose built stadium – Townsville Stadium ▶ Naming rights to the award winning square – Townsville Bulletin Square
For our lifestyle and sports <ul style="list-style-type: none"> ▶ Sunsafety program ▶ Australia Day fun run and breakfast ▶ Get Active Clubs ▶ Get Active 	For our seniors <ul style="list-style-type: none"> ▶ Seniors' lifestyle expo ▶ Seniors' week luncheon ▶ Seniors' guide to council ▶ Morning melodies
For our arts and culture <ul style="list-style-type: none"> ▶ Civic Theatre performances ▶ Riverway sessions ▶ The Percival Awards ▶ Literary Festival 	In-kind <ul style="list-style-type: none"> ▶ Accommodation ▶ Prizes, products and services ▶ Marketing, media and promotion ▶ Volunteering

Our partners and sponsors

Townsville Bulletin	Southern Cross Austereo	Tony Ireland
Townsville RSL	Rotary Club of Townsville Sunrise	Lancini Property and Development
McDonald's	Origin Energy	Philip Leong Youth Programme
Willows Shopping Centre	Wilson Ryan and Grose	Suncorp Insurance
DUO Magazine	Yellow Pages	White Pages
Port of Townsville	James Cook University	Rotary Club of Thuringowa Central
Trility	Telstra Stores Townsville	Absolute Dentures
Australian Hearing	Achieve Exercise Physiologists	Castletown Shopping World
Gough Plastics	Grant Broadcasters	Kingpin Bowling Townsville
Lions Club of Castle Hill	Lions Club of Northern Suburbs	Maidment Development
Mike Carney Toyota	National Australia Bank	Quota International Thuringowa
Reading Cinemas	Rotary Club of Port of Townsville	Rydges Southbank
Sealink Queensland	Stockland Shopping Centre	South32
Suncorp Bank	SuperGreen Solutions	Townsville Airport

2. A CITY FOR PEOPLE



Enhance people's experience of Townsville as a liveable and vibrant city by providing services that support the growth of an inclusive, knowledgeable, active, safe and healthy community.

Our key achievements include:

T150 celebrations –

- ▶ The T150 Defence Force Air Show and Townsville Bulletin Sky Show attracted around 80,000 people to The Strand on 15 October. The spectacle included musicians, singers, roving performers, clowns and dancers.
- ▶ Topics for the T150 Yarns Series included natural disasters and years of stage and screen.
- ▶ An exhibition to preserve the history of the Stuart Migrant Camp opened at CityLibraries Flinders Street in October. *Townsville's New Australians: Memories of Stuart Migrant Camp* featured images and stories of the more than 600 people housed there during its peak of operation from 1950-52 and 1954-58. The exhibition received T150 Anniversary Grant funding under the auspices of the Full Throttle Theatre Company.
- ▶ A snapshot of the past 150 years and highlights of the city's 150th anniversary celebrations were among items sealed in a new time capsule. The ceremonial sealing happened as part of council's New Year's Eve event at Strand Park and brought the T150 calendar of events to an end. The time capsule was placed in its new home next to Victoria Bridge and will be opened in 150 years – 2166.

Townsville families and visitors have even more reason to visit the popular **Jezzine Barracks recreation park** with the opening of the region's largest playground, made possible through \$2m from the Queensland Government.

In June the council hosted a civic reception to commemorate the **25th anniversary of the Mabo Decision**, a landmark case of the High Court which paved the way for recognition of native title in Australia. This significant celebration coincided with Reconciliation Week and included performances by the Wulgurukaba Walkabout Dancers and the Komet Torres Strait Islander Dance Group.

In August the community celebrated the 10th birthday of one of the city's most loved facilities – **Riverway**. Activities included crafts, circus performances and aerial trapeze displays from La Luna Youth Arts, markets, water ski shows, live music, food, rides and face painting. There were also A Series cricket matches held at Tony Ireland Stadium.

Residents had an opportunity to have their say on an application to remove the **Criterion Hotel** from a local heritage register. 388 submissions were received with 57% of respondents in favour of retaining the hotel. Following receipt of submissions, council voted against the proposal and the Criterion Hotel remains on the city's heritage schedule.

Castle Hill's summit walking tracks will soon feature new barrier fencing with council awarding a \$360,000 design and construction contract in November. The work will upgrade existing barrier fencing to walking tracks leading from the summit car park as well as improve furniture and signage. It will minimise environmental impacts and deliver a quality product and improve safety for the high number of visitors to Castle Hill, as well as reducing ongoing maintenance costs. The project will be delivered in two stages over two financial years and is jointly funded with the Queensland Government.

A partnership between the Rotary Club of Townsville Sunrise and the council will benefit walkers and runners on Castle Hill. **Emergency markers** have been installed along popular walking tracks that will aid those calling for assistance to identify their location and improve the ability for emergency services to quickly locate an injured person. The project is part of a wider funding

arrangement worth more than \$70,000 which will also see an upgrade to Kirwan's Thuringowa Friendship Park.

Council sought community views on a new location for the **Thuringowa Cenotaph**. Public space currently surrounding the memorial will be limited following the sale of the Thuringowa Civic Centre.

Pensioners will continue to benefit from council's **lawn mowing program** with council extending the service for a further two years. We currently have 400 users of the mowing service with about 20-30 eligible people on the waiting list. Townsville's mowing program is one of the most generous in the state.

The city recognised our **senior residents** in August with a week of celebrations including the Seniors' Lifestyle Expo and Seniors' Luncheon.

Adventure tourism operators were invited to register their interest in boosting health and fitness opportunities on Castle Hill. The move had been prompted by increased interest and community discussion surrounding adventure based tourism and the use of the city's iconic locations such as Castle Hill.

Stinger nets were again rolled out off Townsville beaches to allow locals and visitors to take full advantage of our great beaches. Council installed six stingers nets at The Strand, Pallarenda, Horseshoe Bay, Picnic Bay and Balgal Beach at a cost of \$395,000.

Council spent \$1m for the provision of **lifeguards** at Riverway, The Strand and Magnetic Island beaches.

The annual **Get Active Expo** was held at Townsville Stadium in January. A huge range of activities were on display from gymnastics and Taekwon-do to team sports like basketball and football. There were also come and try activities in the Active Zones and sports in action in the Active Demonstrations.

Families had the chance to cool down for free in March as the city's public pools swung open their doors for council's **Free Swim Day**.

Council is offering sporting clubs assistance with their development thanks to a new program called **Get Active Clubs** which was launched in May. Registration enables clubs to access a range of resources, information and additional council support to help them grow, improve their facilities, deliver carnivals, competitions and much more.

The CBD turned into a **sparkling winter wonderland** with Christmas lights, real Christmas trees, Santa, snow and fairies bringing Christmas cheer to Flinders Street. The event also featured the Central Christmas Markets, HotFM Food Truck Fiesta, live entertainment and free Timmy the Train rides. A special winter wonderland was set up with Elsa from *Frozen*, snow to build snowmen, face painting, craft activities and a real Christmas tree forest.

Murray Skate Park came alive in March with Youthfest, a celebration of the annual National Youth Week. Entertainment included live music by a number of local artists and the event also offered a chance for Townsville's youth to meet and interact, voice concerns and network.

Pets of all shapes and sizes flocked to Jezzine Barracks in June as the park played host to council's annual **Pet Expo**. This year saw the inaugural judging of Mr and Miss Pet Expo (open to all animals), the second annual Small Paws Sprint (for dogs under 30cm), very popular Dachshund Dash and the prison dog display. More than 90 pet-related exhibitors were on site including animal behaviourists, groomers, vets and photographers.

Townsville is gearing up for the biggest festival of footy in the city's history after being confirmed as a host venue for three matches during the [Rugby League World Cup 2017](#). More fans than ever before will see 14 teams playing 28 games over five weeks between 27 October and 2 December in Australia, New Zealand and Papua New Guinea.

The eyes of the Commonwealth will be on Townsville from 18 and 19 March 2018 as the [Queen's Baton](#) journeys towards its final destination, the Gold Coast 2018 Commonwealth Games (GC2018) Opening Ceremony on 4 April 2018. The Queen's Baton Relay is not only a symbol of the Commonwealth Games, but an event that will connect Townsville with communities across Australia and the entire Commonwealth. It is a rare opportunity to shine a light on the people and places that help make our community truly great. Townsville will host preliminary rounds of the [basketball](#) competition at the Townsville Entertainment and Convention Centre in April 2018.

As part of the four-year long **Centenary of Anzac 1914-1918** commemorations, council held a memorial service and wreath laying on 23 July - the 100th anniversary of the start of the Battle of Pozieres, Somme Valley, France which began on 23 July and ended on 7 August 1916.

Townsville again took centre stage in Queensland **Australia Day** activities with a major celebration of Aussie spirit at Jezzine Barracks. In a coup for the city, His Excellency the Honourable Paul de Jersey AC, Governor of Queensland, and the Honourable Annastacia Palaszczuk MP, Premier of Queensland and Minister for the Arts, were in Townsville to officiate at the citizenship, flag raising and Australia Day Award ceremonies. The flag raising ceremony included an Australian Defence Force guard of honour, 21-gun salute and a Royal Australian Air Force fly past along Kissing Point. A bumper schedule of events included a fun run and breakfast.

Following an extensive review of markets in the city, council committed to building the **Cotters Markets** into a major regional attraction for locals and visitors. In March tenders were called for individuals or groups interested in growing the market into an iconic event for the city. The winning tender to be announced in July.

The popular **Welcoming Babies Ceremonies** continued in 2016/17. Welcoming Babies brings the community together with a special bond for the families and their precious newborns. Each

baby welcomed received a welcoming certificate, a plant and a gift bag.

Townsville City Council's commitment to furthering the performing arts in Townsville will be bolstered with the commissioning of a study into the feasibility of a **concert and recital hall**.

Exhibitions at **Perc Tucker Regional Gallery and Pinnacles Gallery** in 2016/17 included:

- ▶ *Images of an Era: The Martin Gallery*
- ▶ *Awesome Achievers: Portrait Stories from Australians of the Year*
- ▶ A retrospective exhibition surveying one of Townsville's most celebrated political cartoonists, Robert Hebdon, affectionately known by his pen name 'HEB'
- ▶ *Remember Me: The Lost Diggers of Vignacourt*
- ▶ *Australian Exotica*

The **2017 theatre season** was unveiled in December with a packed program of shows for Townsville Civic Theatre and the Riverway Arts Centre. Highlights included:

- ▶ the *Marriage of Figaro* by Opera Australia
- ▶ Circus Oz – *Model Citizen*
- ▶ the Melbourne International Comedy Festival Roadshow
- ▶ Queensland Symphony Orchestra
- ▶ the Festival of One Act Plays (which celebrated 25 years of nurturing and developing local talent).

Council appointed a **Street Art Activation Working Group** made up of diverse representatives that each bring specialised expertise, experience and fresh ideas to council around the activation of street art within Townsville.

Townsville City Council and Queensland Theatre also offered young aspiring actors an opportunity to participate in a series of **masterclasses** at Riverway in April.

Residents had an opportunity to rub shoulders with some of the country's award-winning authors in April as part of council's **biennial literary festival Savannah: Townsville's Festival of Stories**.

Mothers in the Townsville Women's Correctional Centre now have the opportunity to access CityLibraries Townsville's **First 5 Forever** program. In partnership with Save the Children, CityLibraries Townsville takes First 5 Forever to mothers within the centre to support them to be more confident as their child's first and most important teacher. The program ensures children whose parents are in correctional programs have access to the same opportunities as any other child.

Council's **Tech Savvy Seniors** Queensland program became so popular that another weekly session was added to keep up with demand. The program held at CityLibraries Townsville helped seniors improve their digital literacy and encouraged them to use technology to connect with family and the broader community.

Townsville's disaster management skills were put to the test in a mock exercise at the city's Disaster Coordination Centre in October. Exercise **Dam You Huey** was designed to test the preparedness of the Townsville Local Disaster Management Group in the event of an incident at Ross Dam.

Townsville's Disaster Management Coordination Centre was activated following the formation of **Tropical Cyclone Debbie** in March. The council and all key support agencies including Queensland Police, Queensland Ambulance Service, the SES and Queensland Fire and Emergency Services were ready to act if required. Fortunately Townsville

escaped any destructive winds and flooding, however, we also missed the rain associated with the system.

Thanks to funding from Crime Stoppers and support from council, **15 ground decals** have been made to promote the 1800 333 000 Crime Stoppers number. The decals were installed on footpaths along The Strand, Riverway, Riverway Drive bike paths and Castle Hill. Council is pleased to be working with Crime Stoppers to encourage the community to be the eyes and ears of the city in an effort to reduce crime.

Community Groups Built to Last is a council initiative which provides a platform to provide information and engage with community groups and organisations to ensure they have the information, skills and tools to be effective, efficient and have a sustainable future. Workshops in 2016/17 included "Changing Lives Changing Community –NDIS in Townsville". For more information or to [subscribe to the newsletter](#), visit the council's website

Council's [Reconciliation Action Plan](#) (RAP) provides council with a documented framework to ensure that issues and priorities which have been identified by the Townsville Aboriginal and Torres Strait Islander community are addressed in a coordinated manner. The RAP is due to be reviewed in 2017.



80,000 people attended the T150 Defence Force Air Show and Townsville Bulletin Sky Show on The Strand.

3. A CLEAN AND GREEN CITY



Create a sustainable future for Townsville through the protection, maintenance and enhancement of our unique, natural and built environment.

Our key achievements include:

Members of Townsville's intergovernmental [Water Security Taskforce](#) met for the first time in April, officially kick starting investigations into solutions for the city's water security.

Following a period of consultation and investigations into water security for Townsville, the Taskforce released its [interim report](#) on 30 June 2017. The report recommended water security infrastructure as follows: build an additional pipeline and install additional pumps (of 234 ML/day capacity) from Haughton Pump Station to Ross River Dam. As a result of these findings, the Queensland Government committed \$225m in funding toward acquiring water security infrastructure through the construction of the pipeline. Works to commence in 2017/18.

Townsville residents will save a trip to the tip with council voting to call for tenders to carry out a **bulk rubbish collection** across the city in the 2017/18 financial year. It will cover all properties that currently receive waste and recycling collection on a suburb by suburb basis. The kerbside collection will provide a convenient service to residents and also provide an opportunity to properly prepare for cyclones by removing potential hazards from neighbourhoods.

New **Illich Park Precinct** upgrades were officially opened in June 2017, paving the way for thousands of local sport lovers to get active at the improved facilities. The upgrades include two full-sized rugby league fields with new lighting that's suitable for club competition, as well as two mid-sized fields and a new internal path. The facilities will directly benefit more than 30 local rugby league teams across two clubs, and over 1,500 Oztag players who train, meet and compete at the park each week. Aitkenvale State School, the

Army, local cultural and recreation groups will also benefit from the park becoming a more user-friendly and inclusive facility. The upgrades were funded through Round 1 of the Get Playing Plus program, including \$1m from the Queensland Government and \$1.5m from Townsville City Council.

The popular annual event, **Sustainable House Day**, was held at the Rowes Bay Sustainability Centre in September. Council staff were on hand to provide handy tips and great ideas on everything from reducing water consumption to strengthening your lawn, solar lighting, LED lights, portable power solutions, electric vehicles and much more.

Sustainability and the environment were in the spotlight at the annual **Eco Fiesta** in Queen's Gardens in May. The annual eco-friendly event attracts about 7,000 people each year and is a great place to learn about new innovations and tips for around the home.

Council hosted the **Great Northern Clean Up** on the beach opposite the Sustainability House at Rowes Bay in September. It was an opportunity for residents to come down and help clean up the beach before the wet season and after the tourist season to prevent rubbish being swept into our oceans, creeks, river, lakes and ravines.

Council brought in the big and the little guns in the fight against weeds in the city's recreational water reserves. An **aquatic weed harvester** cleared a build-up of floating and underwater aquatic weeds on sections of Ross River between Blacks Weir and Aplins Weir. Beneficial microbes were sprayed onto the harvested weed to reduce the transport costs by allowing the weed to build naturally into good soil on the river banks. Water weeds were also cleared at Fairfield Waters and similar furrows of weeds were used for mulch.

Six Townsville school students learnt the skills they need for future jobs by creating and deploying **environmental sensors** at Ross Creek (Hanran Park) as part of a wider collaborative project between Townsville City Council, James Cook University and Origin Energy. The Rowes Bay Sensor Network Project gave the students the

opportunity to build sensors that measure temperature, humidity, light, sound and soil moisture, with the data being shared to provide insight for planning developments and deploying council resources.

Magnetic Island's Waste Transfer Station won a national award in the Transfer Stations Excellence category at the 2017 Australian Landfill and Transfer Stations Conference Awards. Council worked with Magnetic Island residents to deliver this fantastic facility that transfers waste off the island, therefore conserving the island and its natural environment while also taking care of residents' waste needs.

The popular **Queen's Gardens aviary** has temporarily closed to allow work to be undertaken to make the facilities bigger and better for the thousands of families who enjoy the area. The new structure will be stronger and provide better protection for the birds from intruders such as snakes. The birds have been relocated to keep them safe while the work is completed and the facility will be back bigger, better and more beautiful than ever.

The community was invited to celebrate **World Wetlands Day** with a sunset glimpse of Rowes Bay Wetland in February. The event included native plant giveaways, a sausage sizzle and more.

Six of Townsville's [heritage trails](#) will be upgraded as a legacy of the Gold Coast 2018 Commonwealth Games (GC2018). The council and Queensland Government will jointly fund the \$145,000 project. A supporting phone application will include photographs, anecdotes, stories and historical information about the area. The six trails will become permanent features, providing cultural and educational benefits for tourists and locals alike.

The **Sustainability Open Day** held at the Rowes Bay Sustainability Centre in May encouraged residents to "learn how your home is powered by water and how your lawn uses electricity". At the event council staff showcased the relationships our own homes have with our city's urban wetlands, local coral reefs, coastal woodlands and

changing foreshores all located at Rowes Bay. The event included learning about energy and water efficiency, showcasing innovative technologies, sensor and robot building workshops, exhibits from local environmental products and services, sustainability tours, Hands on Wildlife, free wood-fired pizzas and native plant giveaways.

A **renewable energy facility** capable of generating enough electricity to power 55,000 homes received the green light from council in December. The solar farm will be located on 185 hectares of disused sugar plantation at Hencamp Creek Road in Rollingstone. Council's approval was subject to extensive conditions in consultation with Powerlink Queensland and following a public notification and consultation period in which no submissions were received. The project represents a positive move into renewable energy for the region and follows a similar application for a solar farm at the Pinnacles which was approved in June.

Council moved to tackle reports of anti-social behaviour in **Heatley Park**, installing three temporary solar power light towers and a mobile CCTV trailer near the playground in December. In a first for council, the equipment remained in place for two months in an effort to deter crime as well as gather information to inform a plan to boost safety in the community park.

Council will save up to 270,000 litres of potable water every day thanks to an innovative solution to new playing fields at **Peggy Banfield Park**. The \$3m Stage 1 upgrade of the northern beaches sports facility commenced in June and includes two new football playing fields. Council used a combination of bore water and recycled water trucked to the site to irrigate the fields in stages as the grass was established and made ready to play on. A tank capable of holding almost 543kL of water was also constructed on site to provide further recycled water for the establishment of a second new field and to future proof Peggy Banfield Park. With water restrictions in force and pumping commenced from the Burdekin Dam, we were able to find a way to conserve our precious resource while at the same time achieving a good outcome for users of the park. Once completed,

the park will also include new dog off-leash areas, play spaces for children and teenagers, two double table shelters, one electric BBQ, an internal path and gravelled road network and new vehicles access via Lionel Turner Drive.

Townsville moved to tougher **Level 3 water restrictions** in August after hitting the trigger point of below 20% in the Ross River Dam. Council had already cut back its own irrigation of parks and gardens by 44% of normal levels.

Council listened to the community and split the **watering hours** under Level 3 to provide more convenient watering times for everyone from shift workers, early starters, businesses and the elderly.

School students were invited to participate in council's **National Water Week** billboard design competition. Five winning designs were displayed on five separate billboards across the city for three months.

To coincide with National Water Week council also invited school students to become **water detectives** to investigate ways to save water during Level 3 water restrictions. A handbook, created by council's Water Cycle Team, targeted children in years 4-6 and aimed to reduce water consumption through fun and engaging activities children can do at home.

Water flowed through the **Burdekin pipeline** for the first time in 10 years in November when the Ross Dam hit the 15% trigger point.

Remedial work was completed on the **Horseshoe Bay foreshore** to repair erosion caused by big tides. The beach is highly susceptible to erosion, especially during the cyclone season and council has plans in place to respond to situations like this. Sand was moved up the beach to reinforce areas where the tides caused washed out areas on the foreshore.

Council has begun work to determine the best location for a **new waste management facility** for Townsville. The city's current landfills will reach capacity by about 2036 so it is essential council

begins the process of identifying a new waste management facility now. \$3m of capital works expenditure is estimated to be spent over the next five years for community engagement, fieldwork, land purchase and approvals.

Council activated new opportunities to avoid previously hidden energy and maintenance costs in our civic infrastructure. This included how to efficiently and effectively manage, make safe and tropicalise our assets, infrastructure and community facilities. In 2016/17 council avoided around \$500k in costs undertaking these processes. Additionally we **upskilled staff to integrate smart technology into energy efficiency practice** to enable them to better identify, understand and take action on council's complex electricity network via data collection (sensors), integration and visualisations.

Council added to our city-wide network of Electric Vehicle (EV) supporting infrastructure by installing two additional public **Electric Vehicle (EV) Charging Stations** at Riverway and at Townsville Stadium. These build on the Townsville EV network which includes The Strand EV Charger and numerous other public charging stations across the city.

Controlled burning on Castle Hill was undertaken in December with strips of around 30 metres burnt at any one time. The annual burns were important to protect residents and property around the hill and were conducted in accordance with the Castle Hill Precinct Management Plan.



4. A SIMPLER, FASTER, BETTER COUNCIL



Transform the Townsville City Council into a simpler, faster and better council that is easy to work with and for and gains community trust by being transparent and managing its resources well.

Our key achievements include:

The adoption of recommendations of an independent **organisational review** to reduce management numbers, slash red tape and improve productivity. The changes will provide estimated savings to council of \$5m annually, keep downward pressure on rates and improve council's customer focus. The council had been significantly over-managed and this led to poor decision making and a risk averse and overly bureaucratic culture. Council now has three operational divisions and a flatter management structure that combined two layers of management into one.

The 2016/17 budget included a **rates freeze** while delivering essential projects for the city's progress. This was the most effective way for us to support our community and provide an economic stimulus for the city.

We targeted cutbacks focusing on non-essential areas and **prioritised the delivery of front line services** and important capital works. With record unemployment and a once in a generation drought, we had to make especially tough decisions on priorities. Full details of the council's 2016/17 Financial Report are available on pages 81 to 122.

Council is committed to providing meaningful opportunities for the public to participate in the decision making processes on projects which affect the local community and the future development of the region. **Community engagement** plays an important role in the planning and delivery of council services and facilities and in shaping the future of our city.

Through effective community engagement council has made informed decisions in relation to strategic policy, planning and prioritisation of resources. Council and the community collectively discuss local issues, aspirations, build connectivity and work together to build social cohesion.

Council's Community Engagement Framework delivers a strategic approach to fulfil council's commitment to providing meaningful opportunities for members of the public to participate in the decision making processes that affect their lives and shape the future development of the region.

During 2016/17 council conducted engagement activities for 76 projects using a combination of face to face meetings, phone calls, emails, mail and letterbox drops. Some of the more significant projects included:

Project	No. of individual stakeholder interactions
Ingham Road intersections upgrade	91
Works for Queensland	98
Council Works in Progress	126
CBD Utilities	3,003

The newly recruited **Inclusive Community Advisory Committee (ICAC)** met for the first time in October. The committee comprises 23 members representing a number of community sectors including:

- ▶ employment
- ▶ education and training
- ▶ mental health
- ▶ drugs, alcohol and gambling
- ▶ health and wellbeing
- ▶ discrimination and equality
- ▶ disabilities
- ▶ transport
- ▶ Aboriginal and Torres Strait Islander community
- ▶ culturally and linguistically diverse communities
- ▶ the ageing population.

The committee's role is to provide advice to council on current and emerging social and community planning needs, opportunities and policy matters.

Townsville City Council brought together like minded organisations to develop a collaborative approach to local community safety. The **Community Safety Advisory Committee** comprises representatives from 17 local organisations as well as council. The group will work collaboratively, to promote community safety and create a voice for the Townsville community.

A new advisory committee will provide guidance to beautify the city and present Townsville in the best possible light to visitors and residents. The **City Image Advisory Committee** is made up of council representatives, traders, professionals and key stakeholders. The committee will provide a forum for members of the community to provide input into projects such as landscaping, providing shade, rejuvenating areas such as the CBD and generally creating the best first impression for visitors and locals alike.

As part of council's drive to a digital future, we have partnered with James Cook University to build the **NQ Regional Data Centre**. The search is on for an investment and operating partner. The data will be a key piece of economic and digital infrastructure that will support both council's future data centre needs and provide high quality services in the local community for other users.

The pace of **technology change** continues to increase with more and more people using mobile devices and services moving online and into the cloud. Council understands that these trends need to be harnessed to provide improved services and improved efficiency for council and the community.

Statistics for www.townsville.qld.gov.au

Electronic devices			
Device	2015/16	2016/17	
Desktop	680,743	646,873	↓
Mobile	508,436	809,039	↑
Tablet	158,722	189,908	↑
TOTAL	1,347,901	1,645,820	↑

Visitors			
Type	2015/16	2016/17	
New	572,335	755,720	↑
Returning	775,566	890,100	↑

Page views			
	2015/16	2016/17	
TOTAL	1,347,901	3,486,723	↑

Facebook			
	2015/16	2016/17	
Followers	10,932	14,075	↑
Likes	11,171	14,313	↑
Average Reach	2,578	7,879	↑
TOTAL	24,681	36,267	↑

Twitter			
	2015/16	2016/17	
Impressions	393,300	614,600	↑
Click throughs	1,666	3,266	↑
Retweets	470	730	↑
Likes	573	893	↑
TOTAL	396,009	619,489	↑

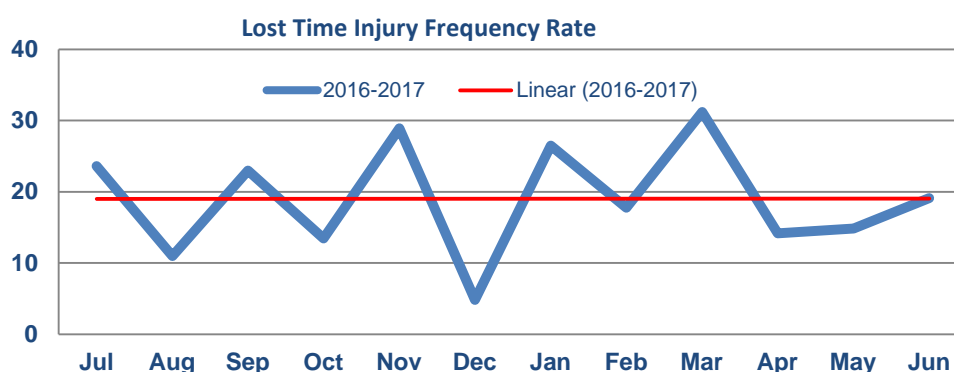
We also understand that with more mobile, more internet and more cloud we also need to make sure that ratepayer information remains secure and that we take a balanced approach to be as efficient as possible.

Townsville's network of **security cameras** has homed in on anti-social behaviour in high profile public areas. 3,549 incidents were logged from 1 July 2016 to 30 June 2017 ranging from local law breaches to assault, vandalism and liquor and drug offences. The data includes 2,146 incidents identified by the CCTV Monitoring Room in the CBD, followed by 563 at The Strand, 548 at Dean Park, 177 at Riverway and 63 at Jezzine Barracks. Council's network of 290 CCTV cameras also assisted the Queensland Police Service with their investigations with 392 requests for camera footage being processed by the CCTV Monitoring Room. The council's 2016/2017 budget included \$2m for a range of security measures.

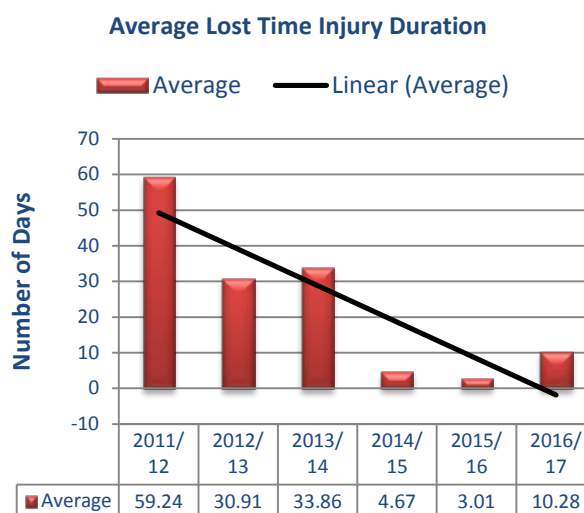
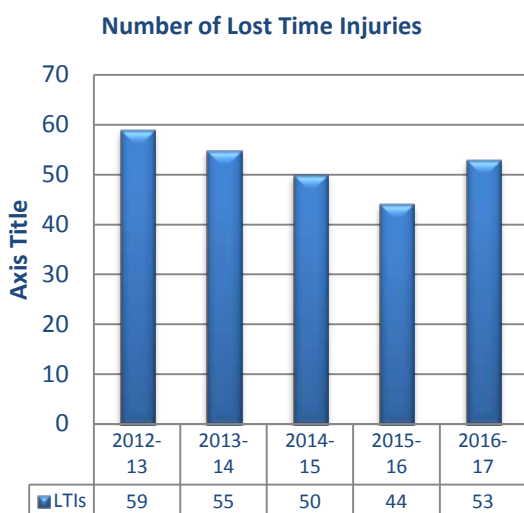
Our **CCTV surveillance capabilities** also received a boost with the move to a new, larger control room at council's Garbutt Depot. The new room has space for two operators who will monitor live footage from the city's camera network 24/7.

A walking tour of historic Palmer Street produced by CityLibraries Local History section and the Heritage and Urban Planning Unit will give participants an insight into the city's past and present. The ***Pubs on Palmer*** tour is the third of council's free Tours and Trails App, offering a chance to learn about the history of the city through the use of smart devices. *Lost Townsville* and *The Merchants of Townsville* tours were launched last year. The tours take you on self-guided walks of Townsville and through your smart phone allow you to see which buildings once stood in certain locations and the stories behind them.

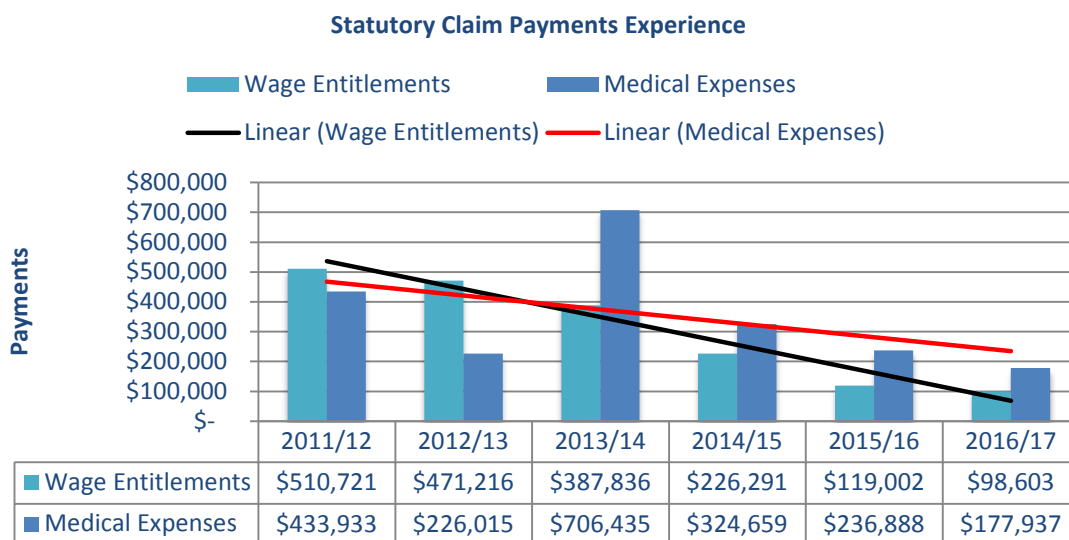
Council considers its employees a key component in delivering quality services and infrastructure to the Townsville community. The **health and safety of staff**, their capability to undertake their work, along with job satisfaction and engagement are important to ensure productivity is optimised with flow on effects to the community. The diagram below shows the number of **lost time injuries** occurring in a workplace per 1 million man-hours worked. The linear average in this chart depicts the averaged trend over the reporting period.



The diagrams below show the number of lost time injuries. In comparison to 2015/16, our lost time injuries increased by 20% to 53 with the majority of these incidents relating to musculoskeletal disorders. Three lost time injuries required surgical intervention and extensive rehabilitation, resulting in an increase to the lost time severity rate. Strategies to minimise harm to our workforce include a review of risk management protocols, early intervention in seeking appropriate attention through our preferred network of medical practitioners, focused musculoskeletal education program and personal injury management plans.



In 2016/17 there was a slight increase in **workers' compensation** claim lodgements to 78 claims compared with 75 claim lodgements in 2015/16. Despite this increase, this claim base remains low overall for the organisation and expenditure associated with statutory claim payments including wage entitlements and medical expenses reducing consistently year on year since 2014.



As a self-insurer, council also achieved excellent performance in all quarters with low risk performance ratings.

When benchmarked against the Queensland Workers' Compensation Scheme (including WorkCover Qld and other self-insurers) for claims finalised or ceased between 1 July 2016 and 30 June 2017, Townsville City Council is performing particularly well in average claim costs overall, for time lost claims and also average work days lost (see table below).

Finalised claims, average cost and average work days lost for 2016/17:

	All finalisations		Time lost claim finalisations		WDL claims	Medical expense claim finalisations	
	Claims	Average cost	Claims	Average cost		Claims	Average cost
TCC	74	\$4,200	54	\$5,350	9.9	17	\$1,283
Scheme	78,158	\$12,511	44,113	\$18,744	50.8	32,090	\$1,825

When benchmarked against the relevant industry of Public Administration and Safety, council is performing even higher in average claim costs overall, for time lost claims and average work days lost (see table below).

Finalised claims, average cost and average work days lost for 2016/17:

	All finalisations				Time lost claim finalisations					
	TCC		Industry		TCC			Industry		
	Claims	Av cost	Claims	Av cost	Claims	Av cost	Av WDL	Claims	Av cost	Av WDL
Public Administration and Safety	74	\$4,200	6,015	\$12,661	54	\$5,350	9.9	3,445	\$19,081	49.8



Council implemented a **calendar of events** for staff to support and encourage their health and wellbeing. The initiatives targeted improvement in priority health issues including obesity, nutrition, physical activity and mental health along with improving general wellbeing and health awareness.

Date	Event
July 2016	National Diabetes Awareness Week – Know Your Score Seminars
August 2016	Townsville Running Festival – Employee Sponsorship Scheme eligibility
August 2016	Townsville Corporate Triathlon – Employee Sponsorship Scheme eligibility
September 2016	Corporate Health Plan Onsite Interviews – Queensland Country Health Fund
September 2016	R U OK? Day
October 2016	Walk to Work Week
October 2016	Odd Socks Day
October 2016	National Nutrition Week including Fruit Delivery Day
November 2016	Movember
November 2016	World Toilet Day
November 2016	Skin Cancer Awareness Week
December 2016	End of Year Festivities (Carols by Candlelight, New Year's Eve event)
January 2017	Get Active Expo
January 2017	Australia Day Fun Run
January 2017	Quit Assist – Smoking Cessation Program
February 2017	Fitness Passport Staff Survey
February 2017	Lunch and Learn Seminar – Personal Safety
March 2017	Corporate Health Plan Onsite Interviews – Queensland Country Health Fund
April 2017	30 Ways in 30 Days including Ride to Riverway
May 2017	Flu Vaccinations
May 2017	Bowel Cancer Screen Program
May 2017	National Heart Week – Speaking from the Heart Seminars
June 2017	Move More Sit Less Challenge

Council provides access to a small number of free counselling sessions on a confidential and voluntary basis for employees and their immediate family members. The aim of the **Employee Assistance Program** is to assist with managing life's challenges (including mental health, workload pressures, relationship issues, addictions, fatigue, anger management and financial stress) which have potential to impact on an employee's psychological health and wellbeing, both at home and in the workplace.

During 2016/17, 210 individuals utilised the program with a total of 498 service hours delivered through the provider Converge International. This represents an increase of 20 individuals from 2015/16 but a slight reduction of 4 service hours. Issues addressed by EAP for new referrals were:

- ▶ personal issues 54.7%
- ▶ work issues 28.2%
- ▶ career assist 14.7%
- ▶ money assist 1.8%
- ▶ manager assist 0.6%

Our **Community Financial Report** (on pages 76 to 80) details council's financial position and our financial management approach to ensure the best value and longest life is achieved for our assets.

Council manages its **cash investments** on a corporate basis and aims to earn a rate that will keep up with inflation. In doing so, council manages risk when determining where investments should be made to minimise the risk of loss. Most of council's cash is invested in the Queensland Treasury Corporation (QTC) Cash Fund which has matched, and at times had better, interest earning rates throughout the year compared to other financial institutions.

Council has a **legislative obligation** to publish all arrangements entered into in excess of \$200,000 and these are posted on our [public website](#).

We are committed to delivering agreed and desired levels of service in the most cost-effective manner through best practice leadership and **management of all assets and service portfolios** for the present and future Townsville community.

Council owns, operates and maintains **property, plant and equipment** valued at \$4.5b, including water, wastewater, stormwater, waste, transport, parks and building assets. We provide essential asset related services to ensure a safe and healthy environment for all residents and visitors including:

- ▶ potable water supply at specific flow rates and pressures
- ▶ collection, treatment, re-use and disposal of wastewater
- ▶ collection and disposal of stormwater
- ▶ collection, recycle and disposal of domestic and commercial waste
- ▶ road networks safely servicing all occupied properties to a minimum standard based on recommended traffic volumes
- ▶ parks and open spaces
- ▶ public buildings to cater for a variety of citizen needs.

Providing effective and efficient management of these assets is a key obligation of the council. This is achieved by applying international standards for asset management.

Council's **asset management objectives** have been established to reflect the Corporate Plan.

In the interest of openness and transparency, all councillors are required to lodge a **statement of interest** which can be viewed on council's [public website](#). Conflicts of interest and material personal interests relating to a council decision are recorded in the minutes of meetings. All meetings of council and its Standing Committees are open to the public unless closed in accordance with s275 of the Local Government Regulation 2012. Once the deliberations are concluded in closed session, the meeting is re-opened to the public for decision and then placed on the public record.

We undertake a variety of **continuous improvement** initiatives to ensure our services are as efficient and as effective as possible, delivering value for money and high levels of customer satisfaction. We will:

- ▶ consult with you when decisions need to be made
- ▶ make fair decisions
- ▶ fix our mistakes willingly
- ▶ report on adherence to our service standards.

Townsville City Council's **risk management** approach is based on the International Risk Management Standard ISO31000:2009. During 2016/17 as part of the organisational review, 24 priority projects including risk management were identified to be rolled out across council. The review triggered by the Nous report identified council as a risk averse organisation.

During 2016/17, council committed to implement a risk project aimed at managing a more iterative, systematic application of council's Enterprise Wide Risk Management Framework that effectively informs the risk management process.

Divisional risk discussions were conducted during the year with senior management to assess council's emerging issues, threats and opportunities. Risks that can potentially affect achievement of council's new strategic goals were identified.

Council reviewed and updated its risk registers where risk was classified as high or significant in line with the council's more proactive and risk tolerant approach. It was necessary to review the strategic and operational risk registers as these documents together with the results obtained from the divisional risk discussions will inform the strategic, operational, project and fraud risk assessments to be undertaken during 2017/18.

During 2016/17 council also committed to commence a quarterly reporting cycle on risk mitigation strategies to monitor council's progress in reducing risk in pursuit of Corporate Plan objectives.

A review of strategic and operational risks in 2016/17 was postponed to 2017/18 to allow council to improve the effectiveness of risk management, control and governance processes.

During 2016/17, an online **Fraud Training Module** based on the Crime and Corruption Commission guidelines was delivered to 779 staff. A toolbox training session was also made available to staff that do not have access to a computer.

Business Continuity continues to be a priority for council with Accounts Payable, Information Services, Planning, Assets and Fleet Business Continuity Plans developed during 2016/17.

To assist council in monitoring its compliance, council uses the Local Government Association of Queensland (LGAQ) **Legislative Compliance Service**. This is a catalogue of obligations that council must comply with if applicable. During 2016/17 council staff assessed 181 obligations to determine whether council is compliant, non-compliant or working towards compliance for the respective legislation.

The compliance framework is designed to:

- ▶ identify and reduce the risk of non-compliance to key compliance areas of legislative obligations of council
- ▶ remedy any breach that may occur
- ▶ raise awareness of the extensive range of legislative obligations of council
- ▶ assist council to meet community and council expectations that appropriate measures are in place to ensure legislative compliance
- ▶ create a culture of compliance within council.

Council maintains a number of **policies, administrative directives and procedures** which provide guidance to the organisation's decisions and actions.

New Policy in 2016/17 - Related Party Disclosures Policy

New Administrative Directive in 2016/17 - Related Party Disclosures Administrative Directive.

All policies and administrative directives are reviewed every 2-4 years or as legislation or circumstances change.

COUNCILLORS



Left to right – Cr Paul Jacob, Cr Russ Cook, Cr Maurie Soars, Cr Verena Coombe, Cr Les Walker (Deputy Mayor), Cr Jenny Hill (Mayor), Cr Kurt Rehbein, Cr Mark Molachino, Cr Colleen Doyle, Cr Ann-Maree Greaney, Cr Margie Ryder.

Councillors receive a **remuneration package** determined by the Local Government Remuneration and Disciplinary Tribunal. The remuneration package is reviewed by the Tribunal on an annual basis. At the Full Council meeting on 27 January 2016 council resolved:

- ▶ that the current level at which Townsville City councillors are remunerated remain;
- ▶ that an increase of CPI be paid and take effect from 1 July 2016; and
- ▶ that the Local Government Remuneration and Discipline Tribunal be advised of the council's decision.

At the Full Council meeting on 27 June 2017, council resolved:

- ▶ that council rejects the 17% maximum total increase in remuneration recommended in the 2016 Remuneration Tribunal report;
- ▶ that council resolves to accept the recommended annual increase in remuneration levels for mayors, deputy mayors and councillors of 2% from 1 July 2017 contained in the 2016 Remuneration Tribunal's report; and
- ▶ any further increase in remuneration for the mayor, deputy mayor and councillors is to reflect the percentage increase contained in the next Enterprise Bargaining Agreement (EBA) to be negotiated with staff.

Councillor	Remuneration	Superannuation	Total
Cr Jenny Hill	\$169,412	\$20,329	\$189,741.00
Cr Les Walker	\$115,508	\$10,973	\$126,481.00
Cr Margie Ryder	\$100,107	\$12,013	\$112,120.00
Cr Paul Jacob	\$100,107	\$12,013	\$112,120.00
Cr Ann-Maree Greaney	\$100,107	\$12,013	\$112,120.00
Cr Mark Molachino	\$100,107	\$ 9,510	\$109,617.00
Cr Russ Cook	\$100,107	\$11,098	\$111,205.00
Cr Verena Coombe	\$100,107	\$ 9,510	\$109,617.00
Cr Kurt Rehbein	\$100,107	\$ 9,557	\$109,664.00
Cr Maurie Soars	\$100,107	\$12,013	\$112,120.00
Cr Colleen Doyle	\$100,107	\$12,013	\$112,120.00

Pursuant to s250 of the Regulation, the [Councillor Expenses Reimbursement Policy](#) and [Councillor Facilities Policy](#) outline the resources and facilities extended to councillors to enable them to perform their roles.

Council business is described as the official business of a councillor as generally described in s12 of the Act. Council business should result in a benefit being achieved either for the local government and/or the local government area.

The table below shows the **expenses** incurred by councillors in the 2016/17 financial year:

Councillor	Conferences and Seminars	Travel and Accom.	Advertising	Hospitality (meals)	TOTAL
Cr Jenny Hill	209	15,384	1,491	1,522	\$18,606
Cr Les Walker	214	6,664	615	33	\$7,526
Cr Margie Ryder	0	2,664	382	98	\$3,144
Cr Paul Jacob	486	2,847	520	34	\$3,887
Cr Ann-Maree Greaney	109	1,880	958	0	\$2,947
Cr Mark Molachino	1,436	1,498	1,169	118	\$4,221
Cr Russ Cook	1,436	1,784	759	132	\$4,111
Cr Verena Coombe	3,159	1,927	717	150	\$5,953
Cr Kurt Rehbein	2,223	2,302	881	66	\$5,472
Cr Maurie Soars	150	1,911	1,042	66	\$3,169
Cr Colleen Doyle	0	25	520	179	\$724
TOTAL	\$9,422	\$38,886	\$9,054	\$2,398	\$59,760

Councillors were provided with the following **facilities** to enable them to perform their duties and undertake council business:

- ▶ Personal protective equipment (PPE)
- ▶ Stationery supplies
- ▶ Full administrative support and office facilities (Mayor)
- ▶ Limited administrative support (Deputy Mayor and councillors)
- ▶ Telecommunication facilities *
- ▶ Shared office facilities (councillors)
- ▶ Home office facilities (councillors)
- ▶ Private vehicle use (optional) - Councillors who choose this option claim reimbursement for business use of private vehicle. (Refer to [Councillor Expenses Reimbursement Policy](#).)
- ▶ Council leased vehicle (optional) - Councillors who choose this option are supplied with a fully maintained 4 or 6 cylinder motor vehicle for the four year term of council which shall be used for official council business. (Refer to Council's [Motor Vehicle Administrative Directive](#) and [Motor Vehicle Procedure](#).)

* Personal calls made by councillors via the mobile telephone provided by council, or via existing council supplied land line, are to be reimbursed to council in accordance with the procedure in the Telecommunications Reimbursement – Councillors Procedure.

There were no amendments to the Councillor Expense Reimbursement Policy or Councillor Facilities Policy during 2016/17.

Council's decision making process is based on a monthly cycle of six Standing Committees and an Ordinary Council meeting. Each of the six Standing Committees has a specific area of focus and is responsible for exploring complex issues and making recommendations to council for determination at the Ordinary Council meeting. Each committee comprises of the mayor, the chair of the committee and four additional councillors as members. The **attendance** of councillors at Ordinary Council meetings, Special Council meetings and Standing Committees for the period is outlined below:

									
		Ordinary Council	Special Council	Community and Cultural Development	Community Health and Environment	Governance and Finance	Infrastructure Services	Planning and Development	Townsville Water and Waste
Councillor	Standing Committee Membership	Total number of meetings							
	Total number of meetings	12	2	11	7	11	10	11	10
Cr Jenny Hill	The Mayor serves as a member on all of the council's Standing Committees	12	2	4	2	4	5	3	3
Cr Les Walker	Chair of Planning and Development, Member of Infrastructure Services and Townsville Water and Waste	11	1	1	0	0	7	10	10
Cr Margie Ryder	Member of Planning and Development, Community and Cultural Development and Community Health and Environment	11	2	11	7	0	0	10	0
Cr Paul Jacob	Chair of Townsville Water and Waste, Member of Governance and Finance and Community Health and Environment	12	2	0	7	10	0	0	10
Cr Ann-Maree Greaney	Chair of Community Health and Environment, Member of Planning and Development and Community and Cultural Development	12	2	9	7	0	0	11	0
Cr Mark Molachino	Chair of Infrastructure Services, Member of Planning and Development and Townsville Water and Waste	12	2	0	0	0	10	10	6
Cr Russ Cook	Member Community and Cultural Development, Community Health and Environment and Townsville Water and Waste	12	2	11	7	0	0	0	9
Cr Verena Coombe	Chair of Governance and Finance Committee, Member of Infrastructure Services and Community and Cultural Development	12	2	7	0	8	8	0	0
Cr Kurt Rehbein	Member of Community Health & Environment, Infrastructure Services & Governance and Finance	11	2	0	6	9	9	0	0
Cr Maurie Soars	Member of Governance and Finance, Infrastructure Services and Planning and Development	12	2	0	0	10	8	10	0
Cr Colleen Doyle	Chair of Community and Cultural Development, Member of Governance Finance and Townsville Water and Waste	11	2	11	0	11	0	0	10

Under s186(d) (e) and (f) of the Regulation, council's annual report must contain details of any **orders and complaints** about councillors during the financial year. Details for 2016/17 are outlined below:

Type of complaint	No. received
Total number of orders and recommendations made under s180(2) or (4) or 181 of the Act	Nil
The name of each councillor for whom an order or recommendation was made under ss 180 or 181 of the Act, a description of the misconduct or inappropriate conduct engaged in by each councillor and a summary of the order or recommendation made for each of the councillors	Nil
The number of complaints about the conduct or performance of councillors for which no further action was taken under s176C(2) of the Act	Nil
The number of complaints referred to the department's chief executive under s176C(3)(a)(i) of the Act	Nil
The number of complaints referred to the mayor under s176C(3)(a)(ii) or (b)(i) of the Act	Nil
The number of complaints referred to the department's chief executive under s176C(4)(a) of the Act	Nil
The number of complaints assessed by the chief executive officer as being about corrupt conduct under the <i>Crime and Corruption Act 2001</i>	Nil
The number of complaints heard by a regional conduct review panel	Nil
The number of complaints heard by the tribunal	Nil
The number of complaints to which s176C(6) of the Act applied	Nil

OVERSEAS TRAVEL

Details of international travel expenses incurred by the mayor, councillors, employees and one other during the financial year are listed below:

Name	Position	Dates of travel	Destination	Purpose	Cost	Notes
Cr Jenny Hill	Mayor	15 – 22 March 2017	Singapore / India	Singapore – JCU and Ministry of Defence India – Adani site visit	\$5,044	
Cr Jenny Hill	Mayor	15 – 17 May 2017	Papua New Guinea	TEL business delegation	\$3,412	
Cr Les Walker	Deputy Mayor	5 – 13 November 2016	China	GCL Investment Trade Tour	\$3,279	
Cr Ann-Maree Greaney	Councillor	30 September – 10 October 2016	Japan / Korea	Iwaki City 50 year celebration and Suwon City Festival	\$3,549	
Jay Ellul	Executive Coordinator to the Mayor	30 September – 10 October 2016	Japan / Korea	Iwaki City 50 year celebration and Suwon City Festival	\$3,549	
Meg Frisby	Head of Office to the Mayor	15 – 22 March 2017	Singapore / India	Singapore – JCU and Ministry of Defence India – Adani site visit	\$7,576	
Richard Holliday	Acting Principal, Economic Activation	15 – 22 March 2017	Singapore / India	Singapore – JCU and Ministry of Defence India – Adani site visit	\$7,570	
		15 – 22 March 2017	Singapore / India	Singapore – JCU and Ministry of Defence India – Adani site visit	\$5,650	Council paid the costs of a reporter from the <i>Townsville Bulletin</i> to accompany this delegation.
TOTAL					\$39,629	

REMUNERATION PACKAGES PAYABLE TO SENIOR MANAGEMENT

Under the Act, the annual report of a local government must state the total remuneration packages that were payable during the reporting period to its senior management, and the number of employees in senior management who are being paid each band of remuneration.

The senior management of a local government consists of the chief executive officer and all senior executive employees of the local government. A senior executive employee is an employee who reports directly to the chief executive officer and whose position would ordinarily be considered to be a senior position in the corporate structure.

As at 1 July 2016 council's organisation structure consisted of five divisions, comprising 14 departments and 19 sections.

The total of remuneration packages payable to senior management from 1 July 2016 to 25 October 2016 was \$607,422. The annual package bands for council's senior management team are outlined below:

* Council had six senior contract employees reporting to the Chief Executive Officer from 1 July 2016 to 25 October 2016

Package band	Number of senior management employees
\$200,000 to \$300,000	3
\$300,000 to \$400,000	2
\$400,000 to \$500,000	1

Council formally transitioned to a new structure on 26 October 2016, reducing the number of divisions to three, departments to zero and sections to 12.

The total of remuneration packages payable to senior management from 26 October 2016 to 30 June 2017 was \$926,235. The annual package bands for council's senior management team are outlined below:

* Council had four senior contract employees reporting to the Chief Executive Officer from 26 October 2016 to 30 June 2017

Package band	Number of senior management employees
\$200,000 to \$300,000	1
\$300,000 to \$400,000	2
\$400,000 to \$500,000	1

PARTICULAR RESOLUTIONS

Reportable resolutions under the Local Government Regulation 2012 for the period:

Section 185(a) and (b) Local Government Regulation 2012	Resolution adopted
Under s250(1) – Expenses reimbursement policy	Nil
Under s206(2) – Valuation of non-current physical assets	Nil

ADMINISTRATIVE ACTION COMPLAINTS

Council is committed to a **complaints management process** which ensures the effective, transparent and timely resolution of complaints. An effective and transparent method of responding to complaints regarding our services, administrative actions, competitive neutrality, the conduct and performance of councillors and council workers better enables council to provide open and accountable local government.

Council treats all complaints confidentially and with respect. All complaints are thoroughly investigated in a timely manner with the aim of reaching a resolution, acceptable both to council and the complainant. Council has four classifications of administrative action complaint as follows:

Administrative action of council (minor)

- ▶ Competitive neutrality *
- ▶ Conduct and performance of councillors
- ▶ Workers' behaviour and misconduct

*All competitive neutrality complaints must be referred to the Queensland Civil and Administrative Tribunal.

The total **number of complaints** received in the 2016/17 financial year across all four categories was 463. The number of complaints outstanding at 30 June 2017 was 33. There was a 19.2% decrease in the number of complaints compared to 2015/16.

Classification	Number received			Number outstanding	
	2015/16	2016/17		2015/16	2016/17
Administrative action (minor)	384	296	↓	58	28
Competitive neutrality	2	0	↓	0	0
Conduct and performance of councillors	0	0	↓	1	0
Workers' behaviour and misconduct	186	167	↓	26	5
Total	572	463	↓	85	33

If a complainant is not satisfied with the outcome of a complaint they may request an **internal review**, including via a request to the Queensland Ombudsman. The internal review is independently investigated by Legal Services Section and may include recommendations for action. The Legal Services Section in 2016/17 completed 29 internal reviews, a decrease in the number requested from 2015/16 where 35 internal reviews were completed.

Internal review, conciliation and investigation of complaints do not always result in resolution of a complaint to the satisfaction of the complainant. In these cases referral to an **external agency** may be the most appropriate action. There was one external review completed by the Queensland Ombudsman for Townsville City Council during the 2016/17 financial year.

Find out more about council's complaints management process through council's website or by contacting the Customer Service Centre. An online [complaint form](#) is available on council's website.

PUBLIC SECTOR ETHICS - REPORTING

Townsville City Council is committed to providing a working environment where people are treated with fairness, equity and respect. Our commitment to facilitating a diverse and equal workforce is demonstrated by the delivery of our Diversity in Employment Strategy and alignment to Queensland's *Anti-Discrimination Act 1991* and relevant federal anti-discrimination laws.

Council has a formal Code of Conduct for staff which incorporates the ethics, principles and obligations under the *Public Sector Ethics Act 1994*. A copy of the [Code of Conduct](#) is available on the council's website.

Mandatory induction training for all new employees includes a detailed session on the requirements and obligations of all staff under the Code of Conduct. 180 new employees completed corporate induction training during 2016/17. Council will continue to deliver education and awareness sessions to all employees on council's Code of Conduct as part of the council's commitment to the highest standards as a public sector leader.

Council's policies, procedures and delegations of authority are monitored and regularly reviewed. The Code of Conduct will be reviewed in December 2017.

LIST OF REGISTERS

Townsville City Council has a number of registers open to inspection including:

- ▶ Assets and gifts
- ▶ Beneficial enterprises
- ▶ Cats and dogs
- ▶ Complaints (councillor conduct)
- ▶ Cost-recovery fees
- ▶ Delegations
- ▶ Impounded animals
- ▶ Infrastructure agreements
- ▶ Interests
- ▶ Local and subordinate local laws
- ▶ Major contracts
- ▶ Regulatory fees
- ▶ Roads map

EXPENDITURE ON GRANTS TO COMMUNITY ORGANISATIONS

The **total value of community assistance** provided by Townsville City Council to the local community in 2016/2017 was **\$17,557,477.32**.

Activity	Description	Value of support
Operational discounts and in-kind support	Approved under manager delegation in Community Services Section, Performing Arts, Events and Protocol, Galleries and Sports Facilities	\$281,020.29
Cowboys Jersey Program	Value of Cowboys merchandise (1 Captain signed football, 15 signed jerseys, 100 caps and 100 drinks bottles)	\$22,300.00
Community Photocopying Program	Free service provided to community organisations through Thuringowa Library	\$3,309.30
Water and wastewater concessions	Available for general utility charges where land use is considered to contribute to the social, cultural, economic or sporting welfare of the community	\$1,766,046.00
Pensioner concessions on rates and charges	Concession offered to approved pensioners equivalent to 85% of the general rate, up to a maximum of \$800 per annum	\$5,386,643.19
Not-for-profit concessions on general rates	Calculations based on utility charges, concession policy and concessions schedule, concession levels stated in Operational Plan	\$1,275,954.61
Charitable groups disposals at TCC landfill	Value of \$88 per tonne	\$54,500.00
Total \$ grants approved	Funding approved through Community Grants Program (see page 42 for details)	\$1,768,039.93
Community grants and sponsorships waivers (and in-kind support)	Approved through Community Grants Program (see page 42 for details)	\$270,368.00
Pensioner Transport Subsidy Scheme	Encourages people who receive a pension to participate in the community through the provision of a subsidy towards the costs of public transport	\$291,340.00
Total annual estimated value provided to community lessees	From a variety of leases including sporting clubs, theatre groups, scout groups and swimming pools	\$6,437,956.00
TOTAL		\$17,557,477.32

Townsville City Council's **Community Grants and Sponsorships Scheme** supports local initiatives and pursuits of excellence that enhance community wellbeing and opportunity, through the provision of financial assistance to individuals, community organisations and businesses who deliver activities and services that provide community benefits in Townsville.

An overview of funds distributed through this program during the 2016/2017 financial year is provided below. In the period 1 July 2016 to 30 June 2017, council provided a total of 305 grants totalling \$1,768,039.93 (ex GST). The total amount budgeted for grant allocations in 2016/2017 was \$2,094,719.50 (ex GST).

Program	\$
Community Capacity Building – Partnerships and Sponsorships	\$933,535.00
Community Capacity Building – Community Organisation Support	\$13,239.00
Community Capacity Building – Community Cultural Awareness	\$8,422.37
Community Halls Maintenance Grants Program	\$25,333.00
Festival and Events Grants Program	\$575,885.44
Community Micro Grants Program	\$14,384.75
Regional Arts Development Fund (RADF)	\$90,000.00
Get Active Elite Sportsperson Grant Program – Team	\$1,800.00
Get Active Elite Sportsperson Grant Program – Individual	\$26,900.00
Get Active – Club Capacity Building Grants Program	\$11,845.00
Theodore Kuchar Scholarship	\$4,000.00
Community Heritage	\$17,299.67
Pulse Townsville	\$30,362.70
Mayor's Community Assistance Fund (see pages 43 and 44 for details)	\$15,033.00
SUB TOTAL	\$1,768,039.93
Total waivers approved (non-financial contribution) (see details below)	\$270,368.00
TOTAL	\$2,038,407.93

Details of total waivers approved (non-financial contribution) are outlined below:

Category	\$ approved	# approved
Individuals	\$58,091.70	84
Organisations	\$1,709,948.23	221
TOTAL \$ approved	\$1,768,039.93	305
Organisations approved for waiver/in-kind ONLY	\$10,416.00	19
Organisations approved for waiver/in-kind (in addition to cash) as part of \$ funding application	\$259,952.00	41
TOTAL waived hire fees approved	\$270,368.00	60

The **Mayor's Community Assistance Fund (MCAF)** is an annual amount allocated in council's budget to enable the Mayor to respond to requests for financial assistance from local community organisations. A small level of funding is available for local not-for-profit community organisations who are undertaking an activity that serves a community purpose. Details of funding allocations made during the financial year are outlined below:

Organisation name	Details of project / activity	Amount approved
Kirwan Uniting Church Child Care	30th birthday party – 13 August 2016	\$150.00
C&K Weir Kindergarten	Purchase additional books to establish a library	\$150.00
Annandale State School	Outdoor Movie Night – 6 August 2016	\$250.00
Townsville Sailing Club	Pirate Carnival on The Strand – 18 September 2016	\$300.00
U3A Townsville Inc	Assist with the members' end of year function – 30 November 16	\$200.00
Righteous Brewers Townsville	Assist with venue hire fees for the annual club competition – 3 September 2016	\$145.00
Rollingstone State School	Celebrating 100 year anniversary – 20 August 2016	\$400.00
Gardens Swimming Club	Assist with the purchase of fans for swimmers and volunteers for the summer season	\$318.00
Uncle Alfred's Men's Group	Financial assistance towards the group's weekly meetings	\$350.00
AFL Townsville Umpires Association	Assist with purchase of trophies for presentation night	\$450.00
Townsville Castle Hill Touch Association	Player of the Year Award	\$400.00
St Margaret Mary's College	Dux of the Year Award for Annual Awards Night – 9 November 2016	\$100.00
Yoga Tools for Schools	Assist with administration costs	\$100.00
Montrose Therapy and Respite	Assist with purchase of educational books and toys	\$100.00
Multicultural Playgroup	Assist with administration costs	\$100.00
Wulguru Little Athletics	Participation in Regional Carnival and purchase of electronic timing	\$350.00
Soroptimist International	Workshops working towards stopping violence against women	\$300.00
Sea Turtle Foundation	Community/volunteer engagement event	\$250.00
Ryan Catholic College	TCC Award for School Awards Night - 31 October 2016	\$100.00
Bret Nixon Homes	Choose Life Event - Fundraising for Mates in Construction – 26 August 2016	\$250.00
Castle Hill PCYC Toastmasters	Support to attract more members to the club	\$250.00
NQ Wildlife Care Inc	Sponsorship for wildlife calendar	\$390.00
MS Queensland Inc	MS Swimathon Townsville 2017	\$250.00
Lions Club City of Townsville	Annual Children's Festival - World of Magic	\$300.00
Alliance Francaise de Townsville	French Film Festival 2017	\$250.00
Multiple Births Association	Christmas Event	\$250.00
St Patrick's College	TCC Awards for Awards night – 14 November 2016	\$200.00

Mayor's Community Assistance Fund (MCAF) continued:

Organisation name	Details of project / activity	Amount approved
Gem and Mineral Club	Presentation to volunteers – 26 November 2016	\$350.00
Townsville BMX	Trophies for presentation evening – 11 December 2016	\$300.00
Live FM	Community Open Day – 19 November 2016	\$450.00
NQ Association for Blind Citizens Inc	Annual Christmas Event – 3 December 2016	\$300.00
Townsville Waitangi Day	Townsville Waitangi Day Festival – 4 February 2017	\$400.00
Townsville Chinese Club	Chinese New Year Carnival	\$490.00
Curra Swans Football Club	Purchase of perpetual trophy for pre-season carnival – 11 March 2017	\$250.00
TORGAS Inc	Purchase of trophies for 2017 TORGAS Awards Night	\$500.00
North Queensland Hindu Community Inc	Holi - Festival of Colours – Sunday 19 March 2017 - JCU Oval	\$430.00
Townsville Marksmen Rifle Club	Annual Townsville Marksmen Rifle Club championship – 16 May 2017	\$350.00
Townsville Vintage Veteran and Historic Motor Club Inc	2017 Easter Hub Rally – 14 to 17 April 2017	\$450.00
Immune Deficiencies Foundation	Circus Quirkus – 5 July 2017	\$300.00
RSPCA Townsville Centre	Assistance for Million Paws Walk – 21 May 2017	\$310.00
Rowes Bay Pre-School	Annual Mother's Day Fund Raising Luncheon	\$350.00
NQ First Aid Volunteers Inc	Assistance towards purchase of new uniforms	\$400.00
Townsville Eisteddfod Incorporated	Eisteddfod 2017 - Donation for Trophies	\$100.00
LawRight	Fundraising for costs associated with pro bono work for disadvantaged community members	\$200.00
Family History Association of North Queensland Inc	National Family History Event – 2 September 2017	\$400.00
Women's Veterans Network Townsville	Social event to encourage new members	\$300.00
Emergency Services and Veterans Assist. Centre	Purchase of signs for new centre	\$450.00
Scouts Australia Kennedy Region - Woodlands Scouts	Community Event at Deeragun – 6 August 2017	\$400.00
Magnetic Maidens Sailing Club	Assist with accommodation costs during Australian Women's Keelboat Regatta - Melbourne	\$400.00
Townsville PNG Wantoks Association	Assistance towards medical fundraiser for TPNGWA	\$500.00
TOTAL		\$15,033.00

IDENTIFYING BENEFICIAL ENTERPRISES

Section 39(3) of the *Local Government Act 2009* (the Act) defines a beneficial enterprise as an enterprise that a local government considers is directed to benefiting, and can reasonably be expected to benefit, the whole or part of its local government area.

Section 39(4) of the Act provides that a local government is conducting a beneficial enterprise if the local government is engaging in, or helping, the beneficial enterprise.

The city actively engages with entities through partnering or collaborative arrangements to achieve mutually beneficial outcomes for the city. Activities defined as beneficial enterprises are prescribed by s41 of the Act.

The only **beneficial enterprise** conducted during the financial year was the Townsville Breakwater Entertainment Centre Joint Venture.

In accordance with threshold of expenditure and the methodology prescribed by ss 19 and 20 of the Local Government Regulation (2012) (the Regulation), council's water, sewerage and waste management activities were considered **significant business activities** for the period.

In accordance with the Act, council has established commercial business units for its significant water and waste business activities - Townsville Water and Townsville Waste Services.

Townsville Water is responsible for supplying potable water, collecting and processing wastewater and supplying recycled water within the Townsville local government area.

Townsville Waste Services is responsible for the collection and processing of solid waste and recyclables.

As significant business activities of the Townsville City Council, both businesses were commercialised in 2008 to apply the **competitive neutrality principle** under the Act.

By resolution at the ordinary meeting held on 6 July 2016 budget meeting, council adopted the following pricing structures for Townsville Water and Townsville Waste Services:

- ▶ Council conducts water and wastewater services as a business activity on a commercial business (Townsville Water). The utility charges and other fees and charges for this business activity are set in accordance with full cost recovery principles outlined in the Regulation.
- ▶ Council conducts the refuse and recycling (waste management) services as a business activity (Townsville Waste Services) on a commercial basis. The utility charges and other fees and charges for this business activity are set in accordance with full cost recovery principles outlined in the Regulation.

IDENTIFYING SIGNIFICANT BUSINESS ACTIVITIES

A **business activity** is defined in Schedule 4 of the Act as "the trading in goods and services by the local government".

Townsville City Council conducted the following business activities during 2016/17:

- ▶ Townsville Water
- ▶ Townsville Waste Services
- ▶ Performing arts

Both models calculate the return that council can expect to receive and distributes this revenue across the forecasted user base.

When applying the full cost pricing regime, council covers its capital and operating costs as well as obtaining a return on its investments. The Pricing Model, together with each business unit's Long Term Financial Plan, facilitates the development of a five year price path for the provision of water, sewerage and waste services.

Further details on the Fees and Charges Schedule are available on the [council's website](#).

All existing significant business activities were conducted in 2016/17 and **no new significant business activities** were conducted.

SERVICE, FACILITY OR ACTIVITY SUPPLIED BY ANOTHER LOCAL GOVERNMENT

There are no details to report under this section for the 2016/17 financial year.

SUMMARY OF INVESTIGATION NOTICES FOR COMPETITIVE NEUTRALITY COMPLAINTS

During the 2016/17 financial year, there were no **investigation notices** provided to council relating to competitive neutrality complaints.

The Queensland Competition Authority did not make any **reportable recommendations** to council in relation to a competitive neutrality complaint.

TOWNSVILLE WATER

ANNUAL OPERATIONS REPORT 2016/17



Water Week billboard design winners 2016 – Vincent State School

PURPOSE OF THIS REPORT

The Local Government Regulation 2012 requires that Townsville City Council must include an Annual Operations Report for each commercial business unit in the council's Annual Report.

This Annual Operations Report is designed to provide an overview of the operations and performance of Townsville Water for the 2016/17 financial year, as measured against its Annual Performance Plan.

TOWNSVILLE WATER

Townsville Water is a significant business activity of the Townsville City Council, providing water and wastewater services to the Townsville community. It supplies potable water, collects and treats wastewater, and supplies recycled water.

To apply the competitive neutrality principle under the *Local Government Act 2009*, the significant business activity was commercialised in 2008, with the creation of a commercial business unit. The business unit sits within the Townsville Water and Waste section of council; it employs over 300 staff from the Townsville community and has a combined annual operating and capital budget of over \$193m.

Townsville Water aims to be the best regional water service provider in Australia and is committed to providing safe, reliable, value for money water services for the Townsville community. In 2016/17, it produced more than 33,000 mega litres of safe, high-quality potable water, and supplied water to over 84,000 service connections in the Townsville region over the financial year. Townsville Water also collected and treated over 17,000 mega litres of sewage, serving approximately 73,000 residential, commercial and industrial properties, including approximately 1,000 trade waste customers.

The operation of the water business includes the management of assets valued at

approximately \$1.6 billion in total, including the operation of 2 major water storages, 3 water treatment plants, 6 sewage treatment plants, 41 water reservoirs or tanks, 27 water pumping stations, around 20 chlorinators, over 180 sewage pump stations, over 2,500 kilometres of water mains, and over 1,300 kilometres of sewer mains, in accordance with health, environmental and other legislative and regulatory obligations.

OUR PERFORMANCE

Townsville Water's performance in the 2016/17 financial year focused on a number of key areas.

Our Customers

Customer Service Standards

Townsville Water maintains Customer Service Standards in accordance with the requirements of the *Water Supply (Safety and Reliability) Act 2008*. These set out the service standards that Townsville Water aims to achieve and which it will report on annually to the Water Supply Regulator. The business reports to the community on a quarterly basis against their progress towards achieving the annual key performance targets that they set for themselves as part of their Customer Service Standards.

Customer Surveys

Townsville Water surveyed its customers each month to obtain feedback about the customer's experiences with, and expectations of, its services. A selection of customers, who contacted Townsville Water requesting a service within a given month, were randomly selected to be contacted to participate in a short, over-the-phone survey. Townsville Water aims to achieve 90% of customers rating its services as 'good' or 'excellent' each month. During the financial year, Townsville Water achieved an average of 90% of 'good' and 'excellent' ratings from customers for its water and wastewater services.

Education Programs

Townsville Water, in conjunction with council's Environmental Services continued to provide community and school education programs in 2016/17, including offering school groups an opportunity to participate in Ecocatchment Education Tours to enable students to follow the water cycle from catchment to reef, and integrate essential infrastructure with the local natural environment. School groups participated in guided tours of "Learnsapes" such as the Mount Saint John Wastewater Treatment Plant, the Douglas Water Treatment Plant and the Ross River Dam Spillway, where connections are made between the built environment and surrounding natural habitats. Community members were also taught how to keep their lawns and gardens healthy while using less water through our new [Lawn Tamer](#) campaign which can be found on council's website. This initiative is built on local research and industry experts.

Water Restrictions

Since July 2015, the Townsville service area has been on water restrictions in order to reduce water consumption and preserve the water supply to last until significant rainfalls occur.

Level 3 restrictions were introduced on 8 August 2016, following the Ross Dam level falling below 20%. This was a significant change as it banned the use of all residential and commercial sprinkler and irrigation systems and restricted handheld watering to 4 hours per week. These changes allowed Townsville Water to reduce the city's water consumption to less than 100 megalitres per day on average.

Due to the Ross Dam level falling below 15%, Townsville Water utilised the Haughton Pipeline to pump water from the Burdekin Dam from mid-November 2016 to mid-January 2017. This allowed Townsville to avoid the introduction of level 4 water restrictions during the financial year.

Throughout the period that restrictions have been in place, council has focused its efforts on raising awareness of the levels of restrictions and their impact, educating residents on how to conserve water usage around their homes and businesses, and working with key sectors of the community to minimise the impact of restrictions as much as possible for the community as a whole. Whilst the key focus of Townsville Water has been encouraging and promoting voluntary compliance with restrictions, council implemented a compliance program during the year to ensure that necessary enforcement actions were taken where required. Most Townsville residents have voluntarily complied with restrictions, with approximately 97 fines for non-compliance being issued during the financial year.

Water Opt-In Period for Residential Properties

Townsville City Council offers a choice between the Standard Plan and the Water Watchers Plan for residential properties. During the annual opt-in period, customers can decide which plan works best for their household. The opt-in period for the 2016/17 financial year took place from the 1st to the 31st of August 2016. During the 2016/17 financial year, 247 customers changed their water billing plan within the opt-in period.

Our Infrastructure

Asset Management

Townsville Water continued to apply effective control and governance of assets to realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance. This will assist the business to appropriately prioritise how to allocate time, money and materials focusing on the most critical problems, providing the framework for continuous improvement and to meet organisational objectives, including regulatory compliance. The focus on continuous improvement will increase overall asset effectiveness while lowering life cycle costs.

Townsville Water has developed several models in determining the condition of assets and has conducted sophisticated condition assessments to identify the long standing asset performance issues of some of the assets. Townsville Water produced a comprehensive evidence based renewal program by balancing asset cost, risk, performance and utilisation.

Townsville Water Security Taskforce

On 10 March 2017 an intergovernmental taskforce was appointed to investigate the short, medium and long-term solutions for water security for Townsville. The taskforce has undertaken extensive community consultations and commissioned a range of engineering and technical analyses. Using this information the taskforce released an interim report on 30 June 2017. This report identified and detailed a number of dimensions defining Townsville's water security problems and made a number of proposals on how these issues should be addressed.

In the short term (0 – 3 years) the Taskforce made the following recommendations:

- ▶ build an additional 1,800mm diameter steel pipeline and install additional pumps from the Haughton Pump Station to the Ross River Dam
- ▶ increase the capacity of the existing Sunwater pump station and gravity channel from Clare to the Haughton Pump Station by 234ML/day
- ▶ all levels of government work towards appropriate energy solutions
- ▶ invest in bulk water meters to allow detection and reduction of water losses
- ▶ commence a non-potable waste water re-use program to supply industrial users and irrigate parks and gardens and

that the Townsville City Council:

- ▶ implement a wise water program
- ▶ review and adjust the existing water tariff scheme

- ▶ renegotiate its water allocation portfolio from the Burdekin River
- ▶ review the water restriction regime and
- ▶ review its operations and maintenance contract with Trility with the aim of reducing current infrastructure management costs.

Demand Management Planning

The Townsville City Council Water Demand Management Strategy 2015 – 2025 was adopted by council in July 2015. The strategy provides the vision and framework for water demand management into the future. Drivers for effective water demand management in Townsville include opportunities for deferral of significant water infrastructure capital investments, which could lead to savings for the Townsville community, improved water security and the ability to cope with drought. In the 2016/17 financial year, Townsville Water focused on implementing the Water Demand Management Action Plan, and undertaking projects which will meet the objectives of the strategy.

Water Pipes and Services Replacement Program

Townsville Water carried out its annual Water Pipes and Services Replacement programs in 2016/17, spending \$5.7m to replace pipes and services of priority to ensure that Townsville Water can provide a sufficient, safe and reliable water supply to its customers into the future.

Jensen Development Water Main Extension

To address increased demand, an additional water main has been constructed to service the Jensen development. The additional water main commences from the existing Mt Spec Pipeline off-take (adjacent to Veales Road, Jensen) and continues to the intersection of Jensen and Texas Roads, Jensen. The works have been constructed by a local contractor. The new water main has been commissioned and is in service.

Morey Street Water Main Replacement

Works were conducted in 2016/17 in order to undertake the scheduled replacement of aged, unlined cast iron pipes present along Morey Street in South Townsville. At the same time, Townsville Water has also escalated the replacement of failing asbestos cement pipes in the area, to ensure the continued reliable supply of water to residents and the Port of Townsville in accordance with service standards. The replacement work for Morey Street Water Main was carried out by local contractor during the financial year.

CBD Utilities Upgrade Project

This project will upgrade the water and sewer networks in the CBD. The overall project includes the construction of a new water storage reservoir at Echlin Street, replacement of aged cast iron water mains in the CBD area, and the upgrade of the Strand sewer pressure main and various other sewer upgrades. The works address

water quality and pressure issues due to age and reduced capacity of water mains servicing the CBD and contribute to ensuring council is able to meet likely future demands on the water network in the city. In 2016/17, council progressed many aspects of this significant project delivering upgraded trunk and reticulation water mains as well as associated sewer infrastructure. The project will continue as planned through 2017/18.

Southern Suburbs Rising Main

The project will construct an 11km rising main pipeline through the suburbs of Annandale and Idalia before crossing the Townsville State Development Area to the Cleveland Bay Purification Plant, alleviating increasing pressure on the capacity of Townsville's southern sewerage network. This project has been delayed due to the reuse pipeline option assessment until 2019/20.

Cleveland Bay Purification Plant Capacity Upgrade

Townsville Water continued to progress the capacity upgrade of the Cleveland Bay Purification Plant in the 2016/17 financial year to ensure continued compliance with its environmental authority. In August 2015, the Queensland Department of State Development advised council of a funding approval of \$20m under the Royalties for Regions Strategic Projects Fund, to assist with the capacity upgrade, and council approved the detailed design and construction of a full external membrane bioreactor upgrade, and outfall upgrade. Early works on this project began in August 2017 with an anticipated completion date of September 2019.

Alfred Street Pump Station, Rising Main and Gravity Works

To address capacity issues, a new pump station, rising main and associated gravity sewers have been constructed near Alfred Street, Aitkenvale, to better service the existing commercial and medium density residential areas around the intersection of Ross River Road and Nathan Street. This will also cater for future development of the area.

Howitt Street Pump Station

A new sewerage pumping station will be constructed to replace the existing Pump Station PS7A, located off Howitt Street, and upgrade the upstream sewers. Planning reports had identified that the existing pump station and several of the upstream gravity sewers in its catchment were insufficient to cater for current and future sewerage demands of the area. The new pump station and associated gravity sewer works will help Townsville Water to achieve a reliable sewerage system, alleviating existing capacity issues with acceptable environmental risk. Land acquisition negotiations are underway for this project and it is expected that construction will commence throughout the 2017/18 financial year.

Sewer Pipe Relining and Manhole Rehabilitation

Townsville Water carried out its annual Sewer Pipe Relining and Manhole Rehabilitation programs in 2016/17. Over \$5m was allocated to line pipes and rehabilitate manholes of priority to lengthen the life of assets in order to ensure that Townsville Water can continue to collect and transport wastewater safely and efficiently into the future.

Our Environmental Management

Environmental Licences and Compliance

Addressing environmental impacts is a key driver for Townsville Water. There are environmental implications of sourcing, storing and supplying water, as well as from the collection, treatment and disposal of wastewater, and the supply of recycled water. To ensure sound environmental management, Townsville Water maintains an Environmental Management System in accordance with the International Standard ISO14001 – Environmental Management Systems, and is accredited in this respect.

Licensing of Water and Sewage Treatment Activities

The water and wastewater treatment and sewage reticulation operations carried out by Townsville Water have the potential to impact on the environment and accordingly, Townsville Water must be licensed under the Environmental Protection Act 1994 to conduct its water treatment and wastewater operations.

Licence negotiations continued throughout the 2016/17 financial year for the environmental licence for Magnetic Island Water Recycling Facility, to address the ongoing insufficient demand for recycled water. Townsville Water continued investigating options for additional recycled water use on the Island including investigating the irrigation capacities of the Magnetic Island Golf Course, undertaking a detailed study on risk and potential impacts of

subsurface irrigation on groundwater quality and the potential impacts of above ground irrigation.

Townsville Water monitored and measured its compliance against its licence conditions during the financial year and was successful in ensuring all routine and event-specific reporting requirements were met, including the preparation of annual returns for its environmental licences where required by licence conditions.

Townsville Water maintained a Transitional Environmental Program for its Cleveland Bay Purification Plant during the financial year, as a temporary measure while the Cleveland Bay plant undergoes an upgrade to bring its performance in to line with its licence requirements. This ensured that Townsville Water minimised any environmental harm and complied with the Environmental Protection Act 1994. Townsville Water was also successful in gaining approval for a second Transitional Environmental Program to allow discharge into Sandfly Creek and replace the outfall pipeline.

Change to the Environmental Regulation of Sewage Pumping Stations

Townsville Water continued to work with government and industry to change the regulation of sewage pumping stations. Following advocacy in recent years by the wastewater services industry, the Department of Environment and Heritage Protection proposed that sewage pumping stations be removed from the regulation of Environmentally Relevant Activity 63 under the Environmental Protection Act 1994, and be regulated instead by an Industry Code. This proposal was rejected at the State level and Townsville Water will continue to be regulated under the Environmentally Relevant Activity 63.

Our Governance

Mandatory Performance Reporting

Townsville Water is required to report annually on key performance indicators intended to allow the Department of Energy and Water Supply to monitor performance of water and sewerage service providers, and to promote transparency and accountability for customers of water and sewerage services through the publication of performance results. Townsville Water delivered its performance report on 1 October 2016, publishing its results to the community in June 2017.

Drinking Water Quality Management Plan

Townsville Water maintained a drinking water quality monitoring program in accordance with its Drinking Water Quality Management Plan (DWQMP) during the 2016/17 financial year to ensure the effective management of its drinking water supply.

Townsville's percentage compliance with the Australian Drinking Water Quality Guidelines (ADWG) and the DWQMP for the financial year was 83%. This is due to a detection of *Cryptosporidium* and *Giardia* in the raw water supply at Paluma township (fed from a small rainforest creek). As chlorination is the only treatment at Paluma township it has been under a boil water notice since November 2016. A treatment plant will be constructed in the 2017/18 financial year which will remove the requirement for the boil water alert.

There were also exceedances for Disinfection By-Products and 5 *E.coli* detections throughout the system, contributed to largely by water restrictions. Due to these *E.coli* detections Townsville's rolling annual value for *E.coli* detections was 99.9% under the Public Health Regulation 2005. This is well within the 98% requirement.

In July 2016 the first regulatory audit of Townsville's DWQMP plan was undertaken by Water Futures. A compliant audit finding was

made by the auditor under the Act on behalf of the Department of Energy and Water Supply.

In accordance with its requirements under the Water Supply (Safety and Reliability) Act 2008, Townsville Water delivered their DWQMP Annual Report during the 2016/17 financial year about compliance and progress against its Drinking Water Quality Management Plan.

Quality Management Systems

Townsville Water has maintained its accreditation against the principles of International Standard ISO9001 - Quality Management Systems during the financial year. It will continue to develop and maintain systems and processes that support quality assurance of its services.

Workplace Health and Safety

Safety of its workforce is a primary concern of Townsville Water and as part of the raft of measures used to help achieve Zero Harm, Townsville Water has focused on the implementation of Work Health and Safety Annual Plans during the financial year.

During the financial year, departments developed and actioned their own Annual Plan which defined specific workplace health and safety activities, required to be undertaken and completed at the workplace, with the aim of reducing the rate of incident and injury in the organisation, developing a safety leadership culture, and improving the overall safety culture within the council.

MAJOR INVESTMENTS

A number of investments were proposed for the 2016/17 financial year. During the year, Townsville Water invested in the below major projects.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Water				
CBD Reticulation Mains - Stage 1	6,573	15,174	14,486	Approximately 3 km of reticulated mains have been completed to date with the balance to be completed over the next two years as part of the CBD Utilities Upgrade Project.
Water Pipes Replacement - DN200 and Smaller	4,000	4,000	4,342	Work has been completed in line with scheduled water pipe replacement plan.
Haughton Pipeline Duplication to Ross River Dam - Approvals and Purchases Year 1	3,686	3,686	434	Project was placed on hold pending outcomes of the Townsville Water Security Taskforce analysis of alternative solutions.
Water Services Replacement	3,500	3,500	3,512	Work has been completed and is in defects liability period.
Jensen Development Water Main Extension DN375 & DN250 - Construction	2,200	2,200	1,289	Work has been completed with quality documentation currently being under review.
Water Pipes Replacement - Major Pipeline Works	1,850	1,200	1,399	Work has been completed in line with scheduled major pipeline works plan.
Morey Street, South Townsville DN300 Replacement Water Main - Construction	1,550	2,090	2,072	Work has been completed and is in defects liability period.
Other reservoir renewals (including cathodic protection)	1,500	1,500	206	To be delivered in 2017/18 due to resource constraints.
Other Dams and Weirs Renewals	1,200	1,200	18	Ross River Dam projects were delivered, but Paluma Dam projects will be delivered in 2017/18 due to resource constraints.
Trility renewals (all sites except Toonpan)	930	930	1,361	Completed by contractor operating water treatment plants.
Armstrong Street and Queens Road, Hermit Park DN250 Replacement Water Main - Construction	850	960	20	Works have been deferred to 2020/21.
New Meters and Services	616	616	1183	Package of work has been completed.
Dommett Street, Wulguru DN250 Replacement Water Main - Construction	550	550	488	Work has been completed and is in defects liability period.
Water Meter Replacement	530	530	745	Package of work has been completed.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Wastewater				
Cleveland Bay Purification Plant Performance Rectification - Design/Development	7,176	7,176	4,671	Designs have been completed and construction and supply contracts were awarded.
Southern Suburbs - Completion of Rising Main to Cleveland Bay Purification Plant - Construction Year 1	4,135	4,135	453	Deferred until upgrade of Cleveland Bay Purification Plan is complete in 2019/20
Sewer Pipe Rehabilitation	3,000	3,000	3,665	Work has been completed with quality documentation currently being under review.
Other Treatment Plant Renewals/Upgrades	2,135	2,135	831	Procurement of membranes delayed until 2017/18 to take advantage of new commercial arrangement. Cleveland Bay works delayed due to plant upgrade project.
Howitt Street Pump Station 7A Replacement and Gravity Sewer Upgrades - Construction Year 1	2,100	2,100	13	Construction of Rising Main is anticipated to be completed by November 2017.
Alfred Street Pump Station 9P and Rising Main - Construction Year 2	1,900	1,900	1,601	Work has been completed and is in defects liability period.
CBD Gravity Sewers - Stage 1	1,446	4,155	6,614	Gravity sewer mains commenced in the planned financial year and are due to be complete 2017/18 as part of the CBD Utilities Upgrade Project.
The Strand Rising Main – Stage 1	2,709	2,709		Strand rising main commenced with Ross Creek underbore being complete; the balance of the work is planned for completion as part of the CBD Utilities Upgrade Project over the new two fiscal years.
Other Sewerage Pump Station Renewals/Upgrades	1,372	1,671	1,944	Pump Station Renewals were fully completed in line with the capital approved program.
Sewer - Manholes	1,000	1,085	1,072	Work has been completed and is in defects liability period.
Pump Station and Rising Main to Southern Suburbs Trunk Sewer - Construction	650	0	1	Works have been deferred to 2019/20.
Other Pressure Mains	500	500	476	Pressure mains were fully completed on budget and in line with the capital approved program.

PERFORMANCE TARGETS

In the 2016/2017 financial year, Townsville Water measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

GOAL 1 - Economic Sustainability					
Performance Measure	Description	Target	Result	Status	Comment
Operating Revenue – Budget to Actual	Comparison of the actual operating revenue received with the budgeted revenue	Within 5% of revised budget	7%		Actual revenue of \$185.7m was lower than the budgeted revenue of \$200.7m mainly due to a reduction in water sales to commercial, internal and standard plan water customers where reduced water usage was influenced by water restrictions.
Operating Expenditure – Budget to Actual	Comparison of the actual operating expenditure with the budgeted operating expenditure	Within 5% of revised budget	3%		Actual expenses in the amount of \$161.7m were slightly below budgeted expenses of \$166.4m.
Capital Expenditure – Budget to Actual	Comparison of the actual capital expenditure with the budgeted capital expenditure	Within 5% of revised budget	30%		Actual capital expenditure of \$48.2m was below budgeted capital expenditure of \$68.5m due to underspend on a number of capital projects including the Southern Suburb Bypass, Haughton Pipeline Duplication, Dams and Weirs Renewals, Cleveland Bay, Howitt Street Pump Station Replacement and Sewer Upgrades, Other Sewerage Pump Station Renewals/Upgrades, and Jensen Development Water Main Extension.
Net Operating Result – Budget to Actual	Comparison of the actual net operating result with the budgeted net operating result	Within 5% of revised budget	20%		Townsville Water's net operating result (after tax) was 20% below the budgeted net operating result. Townsville Water's budgeted surplus of \$52.4m was under by \$10.3m. The net operating result is mainly affected by reduced revenue and less expenditure than expected for materials and services.
5 Year Price Path	Approved price path derived from QTC model	Information only	Approved		Approved in 2016/17.
Return on Assets	Net income / NBV of non-current assets	Within 5% of revised budget	3%		Return on assets is on target.
Asset Renewal	Rehabilitation capital works / Depreciation charges	Minimum 90%	61%		Townsville Water is continuously improving to spend the allocated renewal component. Further, some asset classes need increase in budget allocation for renewals. These will improve the sustainability ratio for Townsville Water.
Interest Coverage Ratio	Earnings before interest and tax/Interest expense	Information only	3.34		Townsville Water is able to service its debt.
Asset Consumption Ratio	Weighted average measure of consumption of non-current assets	Information only	58%		On average, assets are 58% through their useful life.
Debt to Equity Ratio	This ratio identifies the portion of debt compared to the business' equity	<0.5	0.16		Townsville Water is on target.
Annual Dividend	The portion of earnings distributed to council (our shareholder) from the operation of the Townsville Water commercial business unit	>90% of budgeted amount	73%		100% of Townsville Water's net result after tax, \$24.6m was distributed to council. The net result is made up of an operating surplus of \$42.8m, capital revenue of \$22.8m, capital expenses of \$5.4m and income tax expense of \$18m. Note that capital expenses (profit/loss sale of assets) is an account that is not budgeted and contributes 42% to the unfavourable variance.

GOAL 2 - Social Responsibility

Performance Measure	Description	Target	Result	Status	Comment
Customer satisfaction with fault management	Percentage of results of “good” and “excellent” recorded by the Customer Service Department monthly survey	90%	90%		On average, 90% of customers rate Water and Wastewater Operations as good or excellent.
Drinking water quality compliance	Percentage of compliance with all drinking water quality requirements in accordance with Townsville Water’s Drinking Water Quality Management Plan	100%	83%		Paluma remains on a boil water alert due to the detection of cryptosporidium and giardia in the raw water supply. The tender for a treatment plant has gone out to the successful Expression Of Interest applicants. There have been ongoing detections of disinfection by products in the treated water in Townsville due to water restrictions and the hotter weather.

GOAL 3 - Environmental Sustainability

Performance Measure	Description	Target	Result	Status	Comment
Penalty Infringement Notices or Legal Action for Non-Compliance	Number of penalty infringement notices issued or instances of legal action initiated by the Regulator for non-compliance with respect to sewerage treatment or reticulation activities	Zero	0		There were no penalty infringement notices issued.

GOAL 4 - Responsible Governance

Performance Measure	Description	Target	Result	Status	Comment
Number of Lost Time Injuries	Total number of lost time injuries	0	2		There were a total of 2 lost time injuries during the financial year.
No. of Process Improvements outstanding – Water Operations	Total number of outstanding Process Improvements at the end of the month for Water Operations	50	35		There were a total of 35 process improvements outstanding for Water Operations at the end of June 2017.
No. of Process Improvements outstanding – Wastewater Operations	Total number of outstanding Process Improvements at the end of the month for Wastewater Operations	80	51		There were a total of 51 process improvements outstanding for Wastewater Operations at the end of June 2017.
Compliance with Work Health and Safety Plan	Percentage of compliance with Water Operations’ and Wastewater Operations’ Work Health and Safety Plans	100%	64.5%		Townsville Water achieved 64.5% of compliance with Water and Wastewater Operations’ Work Health and Safety Plans

COMMUNITY SERVICE OBLIGATIONS

Townsville Water was required to carry out a number of community service obligations for the financial year. A community service obligation is defined in the Local Government Regulation 2012 as an obligation the local government imposes on a business entity to do something that is not in the commercial interests of the business entity to do. For example, give a price concession to a particular group of customers, such as pensioners.

In the 2016/17 financial year, the following community service obligations were carried out by Townsville Water, at a total cost of \$1,776,457.

Category	Budgeted Value \$	Actual Value \$
Pumping of sewerage – Magnetic Island Surf Lifesaving Club	\$11,600	\$10,410
Price concessions on water and wastewater charges in recognition of an activity's contribution to the social and cultural welfare of the community	\$2,016,000	See detail below
Commercial Irrigation	See above total	\$71,187
Caravan Parks	See above total	\$204,928
Retirement/lifestyle villages	See above total	\$144,352
Boarding and lodging houses	See above total	\$94,375
Charitable and non-profit aged care facilities	See above total	\$48,636
Churches, church halls, clubhouses and halls - charitable and non-profit organisations	See above total	\$684,468
Sporting field irrigation - restricted public access (not including schools, tertiary institutions and other educational facilities)	See above total	\$74,931
Sporting field - no public access restrictions (not including schools, tertiary institutions and other educational facilities)	See above total	\$263,259
War Graves	See above total	\$1,038
Approved transitional sewerage price plans	See above total	\$62,656
Jobs and Investment Package	NA	\$20,008
Riverside Ridge	NA	\$2,373
YWAM	NA	\$93,835
TOTAL	\$2,027,600	\$1,766,456

CHANGES TO THE ANNUAL PERFORMANCE PLAN

The Local Government Regulation 2012 allows local government to amend its annual performance plan for a commercial business unit, at any time before the end of the financial year for which it is prepared. Any changes must be documented in this Annual Operations Report. No changes were made during the financial year.

TOWNSVILLE WASTE SERVICES

ANNUAL OPERATIONS REPORT 2016/2017



PURPOSE OF THIS REPORT

The Local Government Regulation 2012 requires that Townsville City Council must include an Annual Operations Report for each commercial business unit in the council's Annual Report.

This Annual Operations Report is designed to provide an overview of the operations and performance of Townsville Waste Services for the 2016/17 financial year, as measured against its Annual Performance Plan.

TOWNSVILLE WASTE SERVICES

Townsville Waste Services is a significant business activity of the Townsville City Council, providing solid waste management services to the Townsville community through waste collection, transportation, recycling and disposal.

To apply the competitive neutrality principle under the *Local Government Act 2009*, the significant business activity was commercialised in 2008, with the creation of a commercial business unit. The business unit sits within the Townsville Water and Waste section of council. It employs approximately 80 staff from the Townsville community and has a combined annual operating and capital budget of over \$47m.

Townsville Waste Services strives to be the region's best waste managers. Its mission is to deliver excellence in customer service, environmental management and efficient operations while maximising financial returns to council. It currently provides over 77,000 combination domestic waste and recycling services per week, with over 700 bulk bins in service. It currently operates and manages three landfill sites and five waste transfer stations, which cumulatively receive around 291,000 visits each year from customers, and receives around 365,000 tonnes annually for processing.

OUR PERFORMANCE

Townsville Waste Services' performance in the 2016/17 financial year focused on a number of key areas.

Our Customers

Customer Service Standards

Townsville Waste Services maintains Customer Service Standards to set out the rights and obligations of Townsville Waste Services and its customers, and provide quality and reliability targets for its services. The business reports to the community on a quarterly basis against their progress towards achieving the annual key performance targets that they set for themselves as part of their Customer Service Standards.

Customer Surveys

Townsville Waste Services surveyed its customers each month to obtain feedback about the customer's experiences with, and expectations of, its services. A selection of customers, who contacted Townsville Waste Services requesting a service within a given month, were randomly selected to be contacted to participate in a short, over-the-phone survey. Townsville Waste Services aims to achieve 90% of customers rating its services as 'good' or 'excellent' each month. The business achieved its target for customer satisfaction with an average of 94% of 'good' and 'excellent' ratings from customers for its waste collection services.

Free Dumping Weekend

A free dumping weekend was held at all council waste facilities from 1 October to 3 October 2016. Council provided free access for the residential community to waste disposal sites over a three-day period coinciding with a weekend, to encourage property owners to clean up their property prior to the cyclone season. The three-day weekend was a success,

with 7,764 transactions completed over the course of the weekend, and 1,588 tonnes of waste received across all landfills during the event.

Changes to Day of Services

During 2016/17, Townsville Waste Services considered implementing changes to the bin collection day for numerous properties within the local government area, to maximise efficiencies in collection. A business case is being put together to outline the potential benefits of these changes with the expectation they may be implemented in the future.

Our Region

Townsville Waste Services continued to focus on regional collaboration with its North Queensland counterparts in 2016/17. It continued to work with the Burdekin Shire Council, the Hinchinbrook Shire Council and the Charters Towers Regional Council to implement the North Queensland Regional Waste Reduction and Recycling Plan 2014 - 2024, with each council focusing on delivering their Local Action Plans.

The North Queensland Regional Waste Reduction and Recycling Plan 2014 - 2024 sets a vision for waste management in North Queensland over the next ten years. It addresses the requirements of the Queensland Waste Reduction and Recycling Act 2011, as well as providing a framework to realise opportunities for efficiencies and cost savings across the region.

Townsville Waste Services continued to implement its Action Plan during 2016/17 with focuses on developing greater choice of wheelie bin options for residential properties with the ultimate objective of reducing waste generation per capita, and investigating additional opportunities for regional contracts for waste processing or recycling.

Our Infrastructure

Asset Management

Townsville Waste Services commenced applying effective control and governance of assets to realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance. This will assist the business to appropriately prioritise how to allocate time, money and materials focusing on the most critical problems, providing the framework for continuous improvement and to meet organisational objectives, including regulatory compliance. The focus on continuous improvement will increase overall asset effectiveness while lowering life cycle costs. An action plan to address gaps in asset management services is being developed.

Magnetic Island Waste Facility

The newly constructed Magnetic Island Waste Facility was awarded the Transfer Stations Excellence Award for 2017 by the Waste Management Association of Australia. This award was established in 2007 to showcase the best that landfills and transfer stations have to offer, with the aim of commending sites that are exceptional and encourage best practice in operations.

In order to improve resource recovery on Magnetic Island, Townsville Waste Services attempted to establish salvage and resale operations at the Magnetic Island Waste Facility during the financial year. Waste Services went to sale twice throughout the 2016/2017 financial year with 0 responses being received. This process will be repeated in the upcoming financial year.

Stuart Transfer Station and Resource Recovery Facilities

Works commenced to construct a Transfer Station throughout the 2016/17 financial year with an expected completion date of December

2017. This new Transfer Station will allow the safe and easy disposal of non-recoverable waste. There were also proposals for the construction of a Resource Recovery Shed. The detailed design for this project has been completed, however, the project has not been planned for construction at this stage, but is expected to be revisited in future years. These upgrades will provide greater opportunity for diversion of recyclable and resale items from the domestic landfill stream and will allow for more sustainable use of the available landfill airspace at the site.

Upgrading of Waste Disposal Sites

Works have been undertaken to further develop the Stuart, Hervey Range and Jensen landfills to ensure that Townsville Waste Services can continue to treat the community's waste in an environmentally responsible manner. The leachate management systems at Hervey Range have been installed and will be fully commissioned by September 2017. The design of the leachate management systems for both the Stuart and Jensen landfill sites is nearing completion and will enter the construction stage within the 2017/18 financial year.

Relocation of Operations Depot

In December 2015, council approved the relocation of Townsville Waste Services to a new purpose-built leased depot in conjunction with council's fleet and workshop operations. The move took place in March 2017 and has been successful in delivering operational and economic efficiencies for the council in the long term by locating the services in close proximity, in lieu of upgrading and maintaining the existing, aged workshops.

Our Environmental Management

Addressing environmental impacts was a key factor for Townsville Waste Services during the financial year. In recent years, community pressure has been on the increase regarding

waste management. As a result, regulations covering environmental aspects of business operations have increased significantly, which in turn will impact on the cost of delivering these services.

Environmental Management Systems

In order to demonstrate sound environmental performance, Townsville Waste Services will continue to operate under an environmental management system and embrace the principles of International Standard ISO14001 – Environmental management systems.

Licensing of Waste Storage and Disposal Activities

The waste storage and disposal operations carried out have the potential to impact on the environment and accordingly, the business must be licensed under the Environmental Protection Act 1994 to conduct its operations.

Townsville Waste Services renewed its licences for 2016/17 and successfully monitored and measured its compliance against its licence conditions, ensuring that all routine and event-specific reporting requirements were met for the financial year.

Initiatives to Reduce Greenhouse Gas Emissions from Landfills

Townsville Waste Services completed the installation of gas flaring equipment at its Hervey Range Landfill and will continue to work towards the installation at its Jensen Landfill. These upgrades allow for the capture and burning of landfill gas generated by organic matter breaking down in the landfill. A similar gas flaring system has already been successfully installed at Stuart Landfill to reduce the potent greenhouse gas methane to a less potent form of gas and reduce overall the emissions from landfill.

For the 2016/17 financial year the Stuart landfill flared a cumulative volume of 2,573,533 m³ of landfill gas and the Hervey Range landfill flared a cumulative volume of 1,784,317 m³ of landfill gas.

Food and Garden Organics Bin Options

A study has been undertaken to assess the feasibility of a number of options to introduce a third bin in order to increase diversion of waste from landfill through beneficial reuse of food and/or garden organics. The analysis of the study has indicated that the implementation of this third bin is possible but would require residents to pay a compulsory additional charge. Waste Services is now investigating ways in which to encourage residents to undertake home composting.

Greater Choice of Bin Size Options

Townsville Waste Services aims to reduce waste and increase the recycling rate of domestic waste in its local government area to 40% by 2024. During 2016/17, Townsville Waste Services introduced a greater choice of wheelie bins options for residential properties, including a 140L waste bin, to encourage the reduction of domestic waste generation and maximise the diversion of recyclable and compostable materials. Residents are now able to more effectively tailor their waste disposal needs with the option of either a 140L or 240L waste bin or a 240L or 360L recycle bin.

E-Waste Recycling

Townsville Waste Services continued its E-Waste Recycling Program in the 2016/17 financial year, working with industry partners under the National Television and Computer Recycling Scheme. This included the continuing maintenance of drop-off points at its waste disposal sites for collection of waste televisions, computers, printers and computer products.

Our Governance

Queensland Waste Avoidance and Resource Productivity Strategy 2014 -2024

In December 2014, the Queensland Government released its new industry-led waste strategy: the Queensland Waste Avoidance and Resource Productivity Strategy 2014-2024. Townsville Waste Services participated in the development of the strategy along with business and industry, the waste and resource recovery sector, other local governments, and community and environment groups.

The Waste Avoidance and Resource Productivity Strategy significantly impacts on the operations of Townsville Waste Services. The draft strategy provides strategic direction for waste and resource management in Queensland over the next 10 years and is underpinned by the waste and resource management hierarchy, an internationally recognised framework for managing waste generation and disposal describing the preferred order for managing waste and resources. The hierarchy places waste avoidance as the preferred option, followed by reducing, reusing, recovering and disposing of waste. Other important focuses of the draft strategy include better management of high priority waste, resource recovery, new technologies and alternative waste treatments, and tailoring policy and actions to each region.

The strategy sets a target of reducing the generation of waste by 5% per capita by 2024. Targets for improving recycling rates by 2024 include:

- ▶ a target for improving recycling rates by 45% for domestic solid waste in regional centres;
- ▶ a target of between 42 to 55% for improving recycling rates for commercial and industrial waste, dependent upon regional differences; and

- ▶ a target of between 61 to 80% for improving recycling rates for construction and demolition waste, dependent upon regional differences.

The strategy will be implemented through a set of sectoral or organisational action plans including specific or sectoral targets, which align with and contribute to achieving the state-wide targets. The action plans are proposed to be guided by priority areas and high priority waste identified in the strategy.

Quality Assurance

To ensure quality services are provided, Townsville Waste Services will continue to embrace the principles of quality assurance and will develop their methods and practices further, in accordance with the best practice principles embodied in International Standard ISO9001 – Quality management systems.

Participation in Waste Committees and Forums

Townsville Waste Services continued to actively participate in the Local Authority Waste Management Advisory Committee in 2016/17, as well as in relevant Waste Management Association of Australia forums.



Townsville Waste Services currently provides over 77,000 combination domestic waste and recycling services per week, with over 700 bulk bins in service.

MAJOR INVESTMENTS

A number of investments were proposed for the 2016/17 financial year. During the year, Townsville Waste Services invested in the below major projects.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Hervey Range and Stuart Landfills				
Hervey Range and Stuart Landfill Upgrade Works - Finalisation/Defects Correction	60	0	7	Finalisation and defect correction state completed successfully with no significant issues to rectify.
Hervey Range Landfill				
Hervey Range Landfill Rehabilitation - Establishment of Vegetative Buffers - Finalisation/Defect Correction	340	272	136	Vegetative buffers planted and irrigated, project is now completed with finalisation and defect correction finished.
Hervey Range Landfill Rehabilitation - Capping Stage B - Finalisation/Defect Correction	212	50	1,259	Project was completed behind schedule due to a long lead time in delivery due to manufacturing difficulties. Although actual investment in the 2016/17 year is high, the project is on budget over the project life cycle.
Hervey Range Landfill Rehabilitation - Capping Cell A and Stage C - Planning/Initiation	50	50	44	Planning and initiation completed and the project will continue into the 2017/18 financial year.
Jensen Landfill				
Jensen Landfill Leachate Interception Trench - Finalisation/Defects Correction	25	24	1	Project has been completed with the finalisation and defect correction process not showing any significant issues.
Jensen Landfill Stormwater - Construction of stormwater conveyance structures - Finalisation/Defect Correction	24	24	23	Project has been completed and finalisation and defect correction has taken place.
Magnetic Island				
Picnic Bay Landfill Capping - Design/Development	575	100	566	Design has been provided and is currently under review. It is expected that Waste Services will seek requests for tender in the near future.
Magnetic Island Waste Transfer Station - Finalisation/Defects Correction	100	100	47	Project completed with all defects identified in the finalisation and defects correction stage being rectified.
Stuart Landfill				
Stuart Landfill Transfer Station - Construction/Implementation	3,000	100	270	Budget on this project was underspent due to tender being awarded late. The project will carry over into the 2017/18 financial year.
Stuart Landfill Rehabilitation - Establishment of Vegetative Buffers - Finalisation/Defect Correction	0	163	96	Project was not included in original budgeting and took place due to underspending in another area. The project is now fully completed following the finalisation and defect correction stage.
Stuart Landfill Cell Construction and Resource Recovery Area Relocation - Construction/Implementation	163	163	972	Construction of the next stage of interface liner between cells 1 and 2 was completed. Site development plan is under review in order to align the required capital expenditure with future landfill development of cells.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
				Other
Strategic Waste Management Planning to ensure capacity for landfilling operations to post 2030 – Year 2 community engagement	170	100	139	Work has begun on geotechnical investigations in order to gauge the suitability of potential future waste sites. Waste Services will continue this project into the upcoming financial year.
Hervey Range Landfill Leachate Collection and Extraction – Construction/Implementation	100	30		The leachate management system has been installed and will be fully commissioned as of September 2017.
Hervey Range Landfill Leachate Treatment and Disposal – Design/Development	30	30		This project was delayed awaiting the installation of a leachate management system but will take place in 2017/18.
Jensen Landfill Leachate Treatment and Disposal – Design/Development	30	100	226	This project was delayed awaiting the installation of a leachate management system but will take place in 2017/18.
Stuart Landfill Leachate Collection and Extraction – Construction/Implementation	100	30		The project is underway with the design stage nearly being completed, it is expected that construction will occur during the 2017/18 financial year.
Stuart Landfill Leachate Treatment and Disposal – Design/Development	30	158		The project was delayed awaiting the installation of a leachate management system but will take place in 2017/18.
Bulk Service Bins	142		152	Bins purchased.

PERFORMANCE TARGETS

In the 2016/17 financial year, Townsville Waste Services measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

GOAL 1 - Economic Sustainability					
Performance Measure	Description	Target	Result	Status	Comment
Operating Revenue – Budget to Actual	Comparison of the actual operating revenue received with the budgeted revenue	Within 5% of revised budget	-5%		Actual revenue of \$34.9m was higher than the budgeted revenue amount of \$33.5m. Landfill revenue was above expectations due to conservative incoming tonnage estimates used to forecast disposal fees and charges.
Operating Expenditure – Budget to Actual	Comparison of the actual operating expenditure with the budgeted operating expenditure	Within 5% of revised budget	3%		Actual expenses in the amount of \$29m were slightly below budgeted expenses of \$30m.
Capital Expenditure – Budget to Actual	Comparison of the actual capital expenditure with the budgeted capital expenditure	Within 5% of revised budget	54%		Actual capital expenditure of \$2.4m was lower than the budgeted capital expenditure of \$5.2m mainly due to lower than expected expenditure in relation to Stuart Landfill works and prior year WIP adjustments posted to the ledger this financial year.
Net Operating Result – Budget to Actual	Comparison of the actual net operating result with the budgeted net operating result	Within 5% of revised budget	-50.4%		Townsville Waste's net operating result was \$2.5m above the budgeted net operating result, mainly as a result of higher than budgeted landfill revenue and less expenditure than expected for materials and services.
Debt to Equity Ratio	This ratio identifies the portion of debt compared to the business' equity	<0.5	N/A		Townsville Waste Services has no debt.
Annual Dividend	The portion of earnings distributed to council (our shareholder) from the operation of the Townsville Waste Services commercial business unit	>90% of budgeted amount	172%		100% of Townsville Waste's net result after tax, \$5.9m, was distributed to council. The net result is made up of an operating surplus of \$7.4m and income tax expense of \$1.5m.

GOAL 2 - Social Responsibility

Performance Measure	Description	Target	Result	Status	Comment
Customer Satisfaction Waste	Percentage of results of “good” and “excellent” recorded by the Customer Service Department monthly survey	90%	94%		On average, 94% of customers rated Townsville Waste Services as good or excellent.
Number of Missed Waste and Recycling Services	Less than 1 per 1000 missed kerbside waste and recycling services	<1	4.235		On average 4.235 waste and recycling services were missed. The deviation from target was due to services being delayed during March for cyclone Debbie.

GOAL 3 - Environmental Sustainability

Performance Measure	Description	Target	Result	Status	Comment
Penalty Infringement Notices or Legal Action for Non-Compliance	Number of penalty infringement notices issued or instances of legal action initiated by the Regulator for non-compliance	Zero	0		No Penalty Infringement Notices were issued and no legal action was initiated over the duration of the year.
Rate of Diversion of Waste at Disposal Sites	Maintain waste diversion rate at all disposal sites of greater than 40%	>40%	50.38%		An overall diversion rate of 50.38% was maintained by Waste Services.

GOAL 4 - Responsible Governance

Performance Measure	Description	Target	Result	Status	Comment
Number of Lost Time Injuries	Total number of lost time injuries	0	6		There were 6 lost time injuries for Waste.
No. of Process Improvements outstanding – Waste Services	Total number of outstanding process improvements at the end of the month	40	4		There were 4 outstanding process improvements at the end of the month.
Compliance with Work Health and Safety Plan	Percentage of compliance with Waste Services’ Work Health and Safety Plan	100%	89%		89% of compliance with Waste Services Work Health and Safety Plan.

COMMUNITY SERVICE OBLIGATIONS

Townsville Waste Services was required to carry out a number of community service obligations for the financial year. A community service obligation is defined in the Local Government Regulation 2012 as an obligation the local government imposes on a business entity to do something that is not in the commercial interests of the business entity to do. For example, give a price concession to a particular group of customers, such as pensioners.

In the 2016/17 financial year, Townsville Waste Services carried out the following community service obligations, at a total cost of \$467,111.

Category	Budgeted Value \$	Actual Value \$
National Recycling Week	\$4,500	\$0
Charity Dumping Fees	\$54,500	\$54,500
Dead Animals	\$31,300	\$31,300
Infirm Services	\$31,200	\$31,200
Clean up Australia Day	\$6,500	\$295
Great Northern Clean Up	\$3,000	\$0
Free Dump Weekend October	\$145,000	\$147,905
Free Dump Weekend Cyclone Debbie	\$0	\$201,911
TOTAL	\$276,000	\$467,111

CHANGES TO THE ANNUAL PLAN

The Local Government Regulation 2012 allows local government to amend its annual performance plan for a commercial business unit, at any time before the end of the financial year for which it is prepared. Any changes must be documented in this annual operations report. No changes were made during the financial year.

SUMMARY OF CONCESSIONS FOR RATES AND CHARGES

Below is a list of council **special rates and special charges** for the period:

Nelly Bay Harbour Development special rate levy is applied to maintaining water quality in the canals, dredging the canals, maintaining the rock walls around the canal area and maintaining the sediment basin in Gustav Creek. A special rate of zero cents in the dollar applied to identified properties for the 2016/17 year.

Owners of properties in the **Julago and Alligator Creek Water Supply Scheme** benefited area are required to pay back a capital contribution of \$10,500 per lot over a ten year, interest-free period for a connection to the Bruce Highway main, with payments levied in half-yearly instalments. The first instalment period started on 1 July 2008, and half-yearly instalments number 17 and 18 of \$525 each were levied for the financial year 2016/17.

Council has resolved that because of the nature of the schemes, annual water charges will only apply to clients of the Jensen, Hencamp Creek and Black River **Rural Water Supply Scheme** areas once water has been connected to individual properties. This is a departure from the policy of council that all properties capable of being connected to a water supply shall pay the uniform water rate as from the water main becoming serviceable. A network contribution may be payable prior to a water connection being made.

The **Rural Fire Brigades Annual Charge** is levied on rateable lands serviced by the rural fire brigades listed below. The funds raised from this charge are provided to the voluntary rural fire services so they can acquire and maintain fire-fighting equipment, provide training to volunteers and to enable them to operate throughout the rural areas of the region.

Rural fire levy 2016/17	
Bluewater	\$55
Clevedon	\$40
Crystal Creek	\$30
Cungulla	\$40
Horseshoe Bay	\$25
Lime Hills Elliott	\$30
Paluma	\$35
Purono	\$20
Rangewood	\$60
Rollingstone	\$50
Rupertswood	\$40
Saunders Beach	\$30
Toolakea	\$12
West Point	\$30

Further details on the [special rates and special charges](#) are available on the council's website.

Concessions may apply for general rates, water and sewerage charges for certain organisations as set out in the council's Charitable and Community Organisation Rates and Charges Concessions policy. A concession is also available for eligible pensioners.

A concession is offered to approved **pensioners** who own and occupy their property as their principal place of residence. This will apply only if all rates and charges levied for the financial year are paid in full by the due date. Concessions to approved pensioners are as follows:

The maximum pensioner rates concession available is 85% of the General Rates levied on an approved pensioner's property, or \$800 per year, whichever is the lesser.

The amount of pensioner rates concession available to each approved pensioner will be calculated by reference to the proportion of a full pension that the ratepayer receives.

Further details on the [Pensioner Rates Concession Policy](#) are available on the council's website.

Council will allow a concession of general rates and utility charges to **not-for-profit charitable groups** in recognition of the contribution their activities make to the community, and will allow certain other targeted concessions where the granting of the concession encourages:

- ▶ economic development of all or part of the Townsville local government area; or
- ▶ the preservation, restoration and maintenance of land that is of cultural, environmental, historical, heritage or scientific significance to Townsville.

Further details on the Charitable and Community Organisations Rates and Charges Concession Policy can be obtained by phoning the Customer Service Centre on 1300 878 001.

Compound interest at a rate of 11% per year applies to all **overdue rates and charges** and is charged from 30 days after the due date until the date of payment.

Payment plans may be accepted under some circumstances. Payment plans are to be formalised by contacting council prior to the due date displayed on the notice. These payments are based on the maximum payment terms available. All approved payment plans will be confirmed by council in writing. A new payment plan is required for each new notice issued by council.

NUMBER OF INVITATIONS TO CHANGE TENDER

There were no reportable invitations made by council to change tenders during the period.

REPORT ON INTERNAL AUDIT

Council has maintained an internal audit function for over 20 years and is supportive of changes to the *Local Government Act* and Regulation in 2009 and 2010 which placed greater focus on internal auditing in local government. These changes make provision for council to report on the internal audit function each financial year.

The internal audit function is a team of two full-time staff consisting of two Internal Auditors. Internal audit staffing has remained stable for a number of years with no staff turnover in the last three years.

Council's internal audit function complies with Queensland Government legislative requirements as well as meeting the professional standards of the Institute of Internal Auditors. The Institute's standard requires an External Quality Assessment of the internal audit activities at least every five years. Council has complied with the requirement to undertake an External Quality Assessment from its mandatory inception in 2006/07 with the latest assessment being completed in April 2013.

Council's internal audit staff are required to undertake training activities in alignment with professional membership requirements and as part of the annual Internal Audit Plan, which is approved and monitored by the council's Audit Committee. The internal audit function is staffed by specialists with the following professional affiliations and qualifications:

Member of Institute of Internal Auditors (Aust)	2
Member of the Institute of Chartered Accountants	1
Member of CPA Australia	1
Chartered Accountants	1
Certified Internal Auditors	1
Certification in Risk Management Assurance	1

The internal audit unit applies a risk based approach to its planning and audit activities. An annual and projected three year Internal Audit Plan is prepared based on council's Consolidated Enterprise Wide Risk Management plan. The council's Audit Committee reviews, approves and then monitors performance against this plan at meetings. For the year ended 30 June 2017, internal audit activity consisted of more than 300 days of work, resulting in the completion of 10 reviews across various sections of council in accordance with the Internal Audit Plan. These reviews include activities in the following areas:

- ▶ tendering relationships
- ▶ jury service
- ▶ cloud strategy
- ▶ contract oversight and delivery
- ▶ low value asset existence
- ▶ scrap materials practices
- ▶ Cabcharge
- ▶ donated assets
- ▶ bushfire management.

The internal audit unit works collaboratively with management to recommend improvements to systems, processes, work practices, compliance and business effectiveness, remaining independent and objective in the fulfilment of its duties.

EXTERNAL AUDIT

Council is audited externally each year by the Queensland Audit Office (or their appointed contractors). During the 2016/17 financial year the annual external audit of council's financial statements was conducted by PricewaterhouseCoopers.

AUDIT COMMITTEE

The Audit Committee is an advisory committee of council, which provides an independent forum where representatives of council, independent specialists and management work together to fulfil specific governance responsibilities as set out in its Terms of Reference.

The committee's role is to monitor and review:

- ▶ the draft financial statements
- ▶ the Internal Audit Plan, its implementation and associated reports
- ▶ the External Auditor's reports
- ▶ the effectiveness, independence and objectivity of internal auditors
- ▶ the effectiveness, independence and objectivity of external auditors
- ▶ any other matters relevant to fulfil the [Audit Committee Terms of Reference](#).

The Audit Committee has four members, two independent of council and two councillors. Council has also nominated alternate members of the committee.

Membership of the Audit Committee for the reporting period was:

Name and position	Qualifications and Memberships
Ms Carolyn Eagle Independent Member and Chair	<p>Certified Internal Auditor (CIA) Certified Government Auditor (CGAP) Certified Risk Management Auditor (CRMA) Member of the Association of Certified Fraud Examiners and Member of ISACA Former State Councillor of the Institute of Internal Auditors Professional Member of the Institute of Internal Auditors (PMIIA) and Fellow of the Institute of Chartered Accountants (FCA).</p> <p>Ms Eagle also holds a Bachelor of Commerce with majors in Financial Accounting and Organisational Management. She has 20 years' experience in professional firms providing audit and assurance services, specifically in the internal audit, risk management and governance fields with a focus on public sector entities and large multidisciplinary corporates.</p>
Mrs Ruth Faulkner Independent Member	<p>Graduate Member of the Australian Institute of Company Directors (AICD) Member of the Institute of Management Consultants (IMC) and Past member of the Institute of Chartered Accountants of England and Wales (ICAEW).</p> <p>Mrs Faulkner holds a First Class Bachelor of Science with Honours in Accountancy and Financial Analysis.</p> <p>She is a business consultant and management accountant with extensive experience in the not-for-profit and commercial sectors, both in Australia and internationally. Mrs Faulkner has expertise in the fields of Governance, Finance, Risk Management and Strategy. Her focus is on public sector and not-for-profit entities as well as local corporates.</p>

Name and position	Qualifications and Memberships
Cr Jenny Hill Mayor and Member of the Audit Committee	<p>Bachelor of Science Master in Public Health and Tropical Medicine Member of Australian Institute of Company Directors</p> <p>Cr Hill has over 20 years' experience as a scientist with mining companies, the Department of Primary Industries, James Cook University and Townsville Hospital. Her Masters of Public Health and Tropical Medicine included studies in management, economics and accounting.</p> <p>Cr Hill has over 18 years' service in local government and in 2012 was elected as Townsville's first female mayor.</p>
Cr Verena Coombe Councillor and Member of the Audit Committee	<p>Diploma of Financial Markets</p> <p>Cr Coombe's career has spanned both the corporate and not-for-profit sector. She has 20 years' experience in the finance sector as a Stockbroker and Financial Planner and is currently Director of DanceNorth, Townsville's own internationally renowned contemporary dance company. Cr Coombe also volunteers with many organisations including the RSL, Arcadian Surf Lifesaving Club and as immediate past President of the Hermit Park Tigers AFL Club.</p>
Cr Colleen Doyle Councillor and Alternative Member of the Audit Committee	<p>Bachelor of Community Welfare</p> <p>Cr Doyle has over 30 years' experience in community services, planning and development. She has extensive knowledge and understanding of the issues facing seniors, people with a disability and issues affecting marginalised groups within the community. Cr Doyle also has an understanding of the issues facing small business, with her family operating businesses in the motor industry, retail and hospitality sectors.</p>
Cr Maurie Soars Councillor and Alternative Member	<p>Diploma of Business Management</p> <p>Cr Soars has successfully operated his own businesses with an employee profile of over 150 staff. He has managed branches for a number of national and international companies over 30 years, holding positions up to National Manager. Cr Soars currently holds Directorships with a number of organisations and leads several other community groups and provides governance direction.</p>

The terms of Audit Committee members Ms Carolyn Eagle and Mrs Ruth Faulkner expired on 30 June 2017. Council would like to thank both members for their contributions to the committee during 2016/17.

The Audit Committee met twice during the 2016/17 financial year in accordance with legislative requirements - 30 August 2016 and 23 March 2017. Minutes of the Audit Committee meetings were presented to Governance and Finance Committee on 14 November 2016 and 15 June 2017 respectively.

During 2016/17 the Audit Committee considered reports relating to:

- ▶ Financial management, financial compliance and internal controls
- ▶ Financial statements
- ▶ Emergency response and business continuity activities
- ▶ Enterprise risk management framework
- ▶ Governance, legal and legislative matters
- ▶ Policy development and management
- ▶ Fraud management
- ▶ Insurance
- ▶ Internal Audit planning, monitoring of progress and reports
- ▶ Annual External Audit strategy
- ▶ External Audit reports
- ▶ Queensland Audit Office performance audit reports.

The Audit Committee monitored management progress around a number of areas in 2016/17, including:

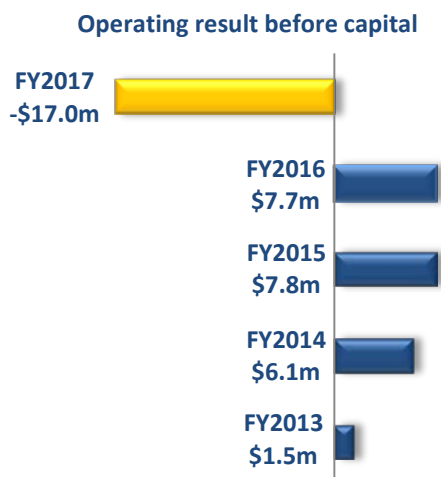
- ▶ Workplace, health and safety
- ▶ Revenue systems
- ▶ Risk management
- ▶ Cemetery management
- ▶ Project management
- ▶ Environmental management systems
- ▶ Business Continuity and Disaster Management
- ▶ IT Governance and Cloud strategy
- ▶ Fraud management
- ▶ Request and complaints management
- ▶ Procurement
- ▶ Plant utilisation
- ▶ Electrical compliance
- ▶ Overtime management
- ▶ Joint venture activities
- ▶ Property management and leasing
- ▶ Planning and development charges
- ▶ External Audit issues raised by the Queensland Audit Office and PricewaterhouseCoopers.

COMMUNITY FINANCIAL REPORT

This Community Financial Report is produced as part of council's Annual Report to enable members of our community, our business partners, our employees and stakeholders to gain a better understanding of our financial performance and position over the last financial year. The following information presents a summary of financial results for 2016/17 in an easy to understand format.

For more detailed information, please refer to the Annual Financial Statements on pages 81 to 122.

FINANCIAL PERFORMANCE



Operating result

Following a significant year in which council reshaped the organisation, our operating result showed a net deficit of \$17.0m in the 2016/17 financial year. This reflects one-off costs associated with delivering the 24 priority improvement projects recommended in the independent Nous Review conducted in August 2016. These efficiency projects are reflected in a return to surplus forecast in 2017/18, and a strengthening position across council's forward budget estimates.

Net result

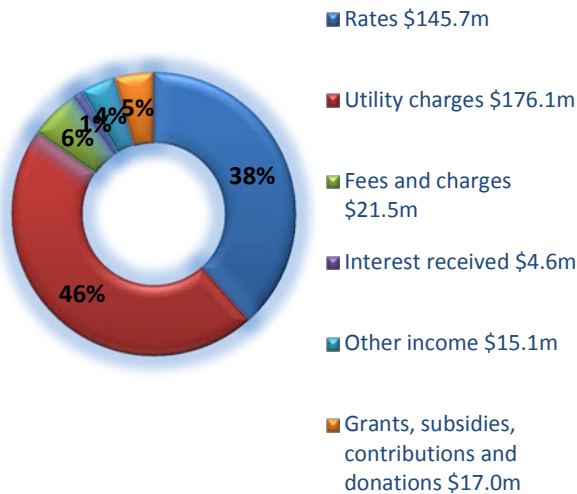
The net result is made up of the operating deficit of \$17.0m and any one-off items such as income and expenses related to capital expenditure. We achieved a net result of \$44.9m in 2016/17. This result includes \$92.1m in government grants and developer contributions to fund capital projects offset by \$30.1m in capital expenses.



For every \$100 of operating income we have delivered these services:

Revenue

\$379.9m total operating income



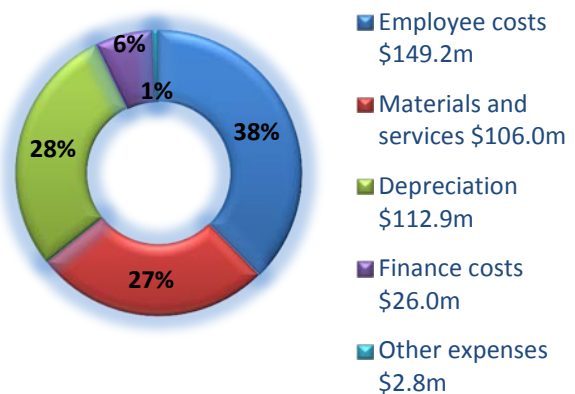
Revenue comes in from rates and utility charges on residential properties, business and industrial properties, fees and charges from council running its operations, Queensland and Australian Government grants, developer and other contributions, and interest.

Rates and utilities continue to be the major source of income for the delivery of council services and infrastructure to our community. Council continues to focus on long term planning and ongoing renewal and maintenance of infrastructure to keep average rates increases to a minimum.

Total operating revenue decreased by 1.8% from last year largely due to lower water consumption charges as a result of water restrictions.

Expenses

\$396.9m total operating expenses



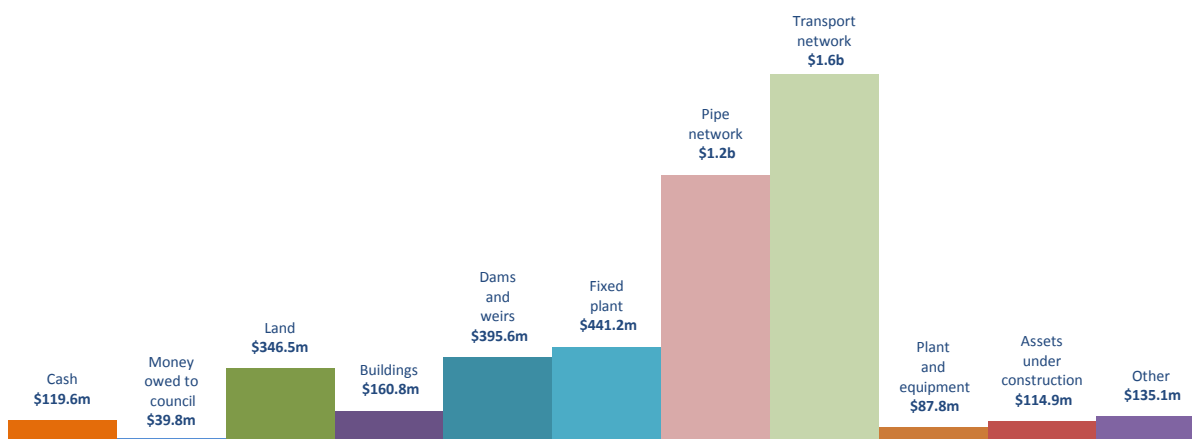
Expenses go out for employee costs, materials, utilities, services, depreciation and financing costs to deliver community services. The following information covers operational spending only because capital spending is added to the value of assets when incurred.

Depreciation and amortisation represents an allocation of the use or wear and tear over the expected life of the asset. Council has detailed Asset Management Plans to ensure the best value and longest life is achieved for each asset.

Total operating expenses have increased by 4.9% from last year largely due to the one-off costs associated with council's organisation restructure.

Assets - what the community owns

\$4.7b total assets



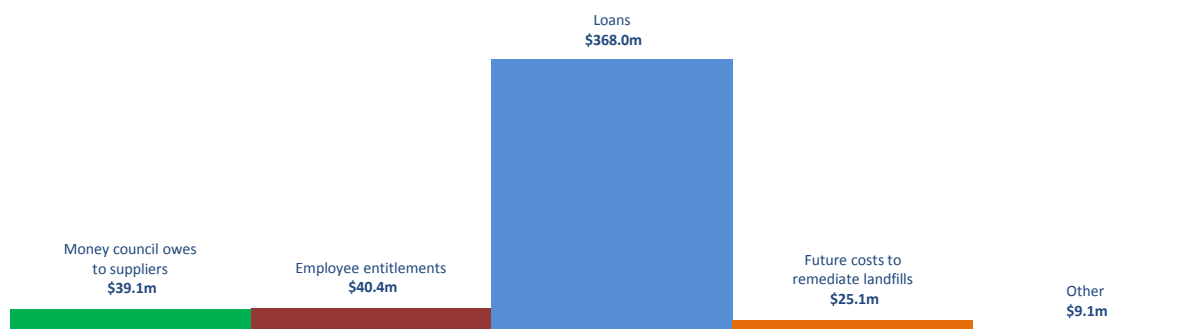
Infrastructure is the council's largest investment and includes roads, pipes and buildings that benefit the community.

The value of council's assets has decreased from the prior year by \$27.1m due to:

- ▶ \$124m – value of pipe network has decreased in line with the cost to replace these assets
- ▶ \$34m – value of transport assets has increased in line with the cost to replace these assets
- ▶ \$50.4m – more cash in the bank.

Liabilities - what the community owes

\$481.7m total liabilities



Council's liabilities include borrowings (loans), amounts owed to suppliers, amounts owed for employee entitlements and provisions for future landfill capping. The largest debt owed at 30 June 2017 was to Queensland Treasury Corporation (QTC). QTC is the Queensland Government owned lending agency from which most local governments and state authorities borrow to finance their large scale infrastructure projects.

The value of council's liabilities has increased from the prior year by \$22.1m due to:

- ▶ \$60m – additional borrowings by council to fund infrastructure projects
- ▶ \$21.3m – repayment of debt
- ▶ \$8.6m – council's estimate of future landfill costs decreased.

Council actively monitors its cash and borrowing requirements to ensure we are financially sustainable.

Financial sustainability

While this report focuses on the 2016/17 financial results, it is important to view these results in the context of the long term financial objectives of council. Council is committed to addressing key issues around service, managing debt levels and asset management.

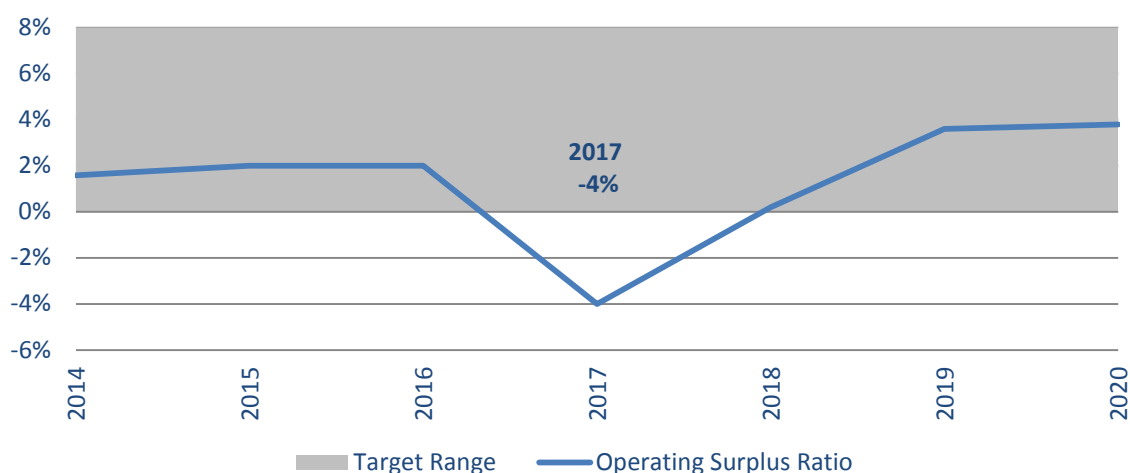
The Community Financial Report contains three measures of financial sustainability used to demonstrate council is operating in a prudent financial manner while maintaining its financial management objectives.

The graphs show the historical actual ratio values for the last three financial years as well as forecast ratios for the next three years.

The target range for the financial ratio graphs is in accordance with the Department of Local Government, Community Recovery and Resilience Financial Management (Sustainability) Guidelines 2013. There are circumstances specific to council where actual results may vary from the target range.

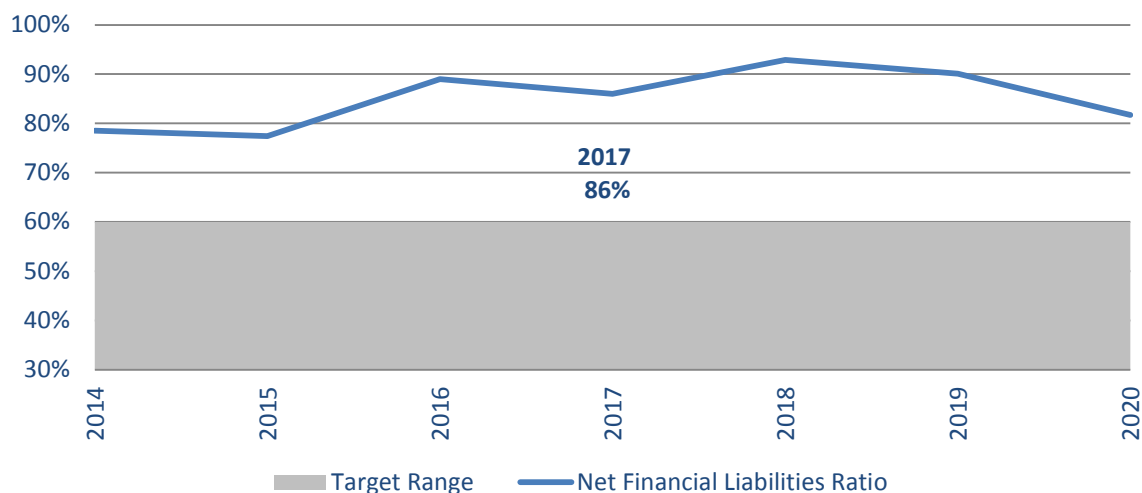
Operating surplus ratio

The operating surplus ratio indicates council's ability to fund ongoing operations over the long term. The negative ratio of 4% in 2016/17 indicates costs incurred by council are more than total revenue received. This is particularly due to one-off costs associated with the organisation restructure. Council has forecasted to return to a surplus position next financial year.



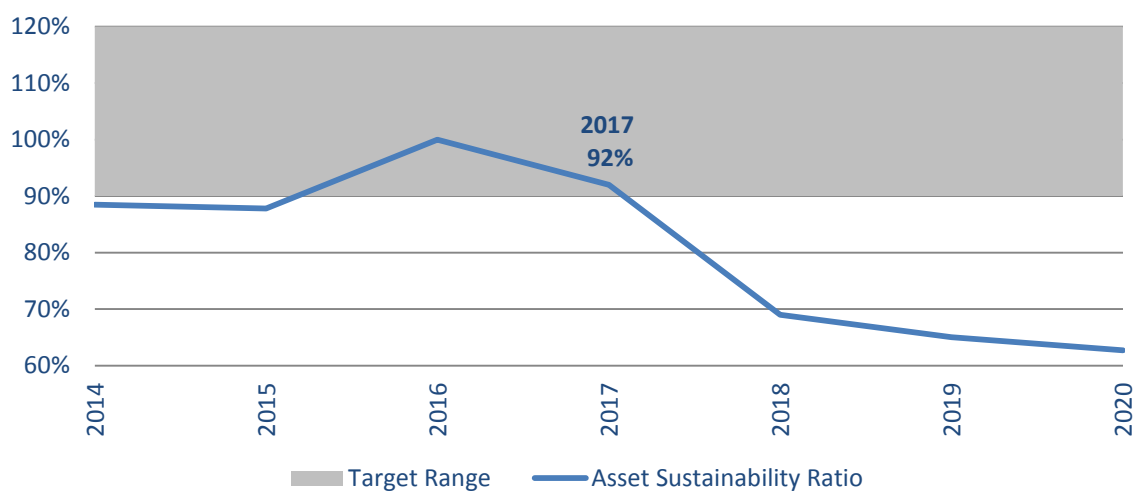
Net financial liabilities ratio

In the context of a household budget, this ratio would indicate whether a homeowner's annual salary plus savings could repay the mortgage and all other debt, assuming no money was spent on anything else during the year. While this result is still above the recommended target, the use of debt to fund long life community infrastructure is appropriate so the current community does not pay for more than its fair share of infrastructure.



Asset sustainability ratio

This ratio is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives. It can assist in identifying the potential decline or improvement in asset condition and standards. The result of 92% shows council is replacing its assets at the appropriate time.



FINANCIAL REPORT

GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017



UNDERSTANDING OUR FINANCIAL STATEMENTS

Each year council is required to prepare a set of audited Financial Statements for the period 1 July – 30 June. This guide has been prepared to assist readers to understand and analyse the statements. A summary of the 2016/17 results is also included in the **Community Financial Report**.

The **Statement of Comprehensive Income** is a summary of council's financial performance for the year listing all income earned and expenses incurred in delivering council's services.

Recurrent revenue and expenses are also known as operating revenue and expenses. Operating expenses do not include capital purchases for the renewal or upgrade of council assets. Operating expenses do include depreciation and amortisation which is an allocation of the asset across its expected life.

This statement is **prepared on an accruals basis** and includes both cash and non-cash items. For example some revenue may not yet be received (unpaid rates notices) and some expenses may not have been paid yet (electricity used).

The key figure to assess council's performance is the **operating surplus or deficit** which is recurrent revenue minus recurrent expenses.

The **Statement of Financial Position** is a snapshot of council's financial position including assets and liabilities at 30 June 2017.

Assets are things that council owns that can be used to provide services or sold to earn an income. Assets include physical property and cash.

Liabilities are amounts of money that council owes to others. Liabilities include money borrowed from Queensland Treasury Corporation and unpaid bills. Assets and liabilities are separated into current and non-current which determines when those assets will be received or liabilities paid.

The **Statement of Changes in Equity** measures the changes in council's net wealth, which is the net of our assets less liabilities.

The **Statement of Cash Flows** shows where council's cash has come from and where it was spent as well as the change in council's bank balance during the year and the final balance at 30 June.

The **Notes to the Financial Statements** give greater details and additional information to support the figures used in the above four statements.

Council is required to report on its performance against **3 key ratios** in accordance with the Local Government Regulation 2012. Further information on these sustainability measures has been included in the Community Financial Report.

Council's financial statements are required to be audited under local government legislation. The Queensland Audit Office, on behalf of the Auditor-General, reviews council's financial records and provides an **independent audit report** which gives an opinion on whether the financial statements present fairly the council's financial performance and position. A separate audit opinion is issued for the Current Year Sustainability Statement.

TOWNSVILLE CITY COUNCIL
ABN: 44 741 992 072

General Purpose Financial Statements
for the year ended 30 June 2017

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Financial Sustainability Statements
for the year ended 30 June 2017

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TOWNSVILLE CITY COUNCIL
MANAGEMENT CERTIFICATION

These general purpose financial statements have been prepared pursuant to ss 176 and 177 of the Local Government Regulation 2012 (the Regulation) and other prescribed requirements.

In accordance with s212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 83 to 115, present a true and fair view, in accordance with *Australian Accounting Standards*, of council's transactions for the financial year and financial position at the end of the year.

Mayor

Dated this 10TH day of OCTOBER 2017

Chief Executive Officer

Dated this 9th day of October 2017

TOWNSVILLE CITY COUNCIL
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Income			
Revenue			
Recurrent revenue			
Rates and utilities	3(a)	321,781	331,327
Fees and charges	3(b)	21,451	21,115
Interest received		4,575	4,788
Other income		15,088	17,639
Grants, subsidies, contributions and donations	3(c)	16,996	11,139
		<u>379,891</u>	<u>386,008</u>
Capital revenue			
Grants, subsidies, contributions and donations	3(c)	52,292	34,269
Fair value gain on contributions of assets		34,489	40,641
Capital income		5,353	747
		<u>92,134</u>	<u>75,657</u>
Total income		<u>472,025</u>	<u>461,665</u>
Expenses			
Recurrent expenses			
Employee benefits	4(a)	(149,222)	(137,351)
Materials and services	4(b)	(106,044)	(106,927)
Depreciation and amortisation		(112,889)	(108,430)
Finance costs	4(c)	(26,023)	(23,691)
Other expenses		(770)	(191)
Share of net loss of joint venture	7	(1,980)	(1,657)
		<u>(396,928)</u>	<u>(378,247)</u>
Capital expenses	4(d)	(30,171)	(22,961)
Total expenses		<u>(427,099)</u>	<u>(401,208)</u>
Net result		<u>44,926</u>	<u>60,457</u>
Other comprehensive income:			
Items that will not be reclassified to net result			
Net loss on revaluation of property, plant and equipment	8	(93,350)	(36,793)
Share of other comprehensive income of joint venture	7	(863)	2,296
Total comprehensive income for the year		<u>(49,287)</u>	<u>25,960</u>

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

TOWNSVILLE CITY COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Current assets			
Cash and cash equivalents	5	119,646	69,213
Receivables	6	30,093	34,615
Inventories		1,387	1,375
Other assets		3,106	3,726
Non-current assets held for sale	8	97	7,200
Total current assets		<u>154,329</u>	<u>116,129</u>
Non-current assets			
Receivables	6	9,679	7,080
Investments accounted for using the equity method	7	23,818	22,388
Property, plant and equipment	8	4,467,762	4,534,275
Intangible assets		8,600	12,028
Other assets		6,835	6,217
Total non-current assets		<u>4,516,694</u>	<u>4,581,988</u>
Total assets		<u>4,671,023</u>	<u>4,698,117</u>
Current liabilities			
Payables	9	61,659	67,162
Borrowings	10	24,738	21,245
Provisions	11	23,530	24,786
Other liabilities		533	1,460
Total current liabilities		<u>110,460</u>	<u>114,653</u>
Non-current liabilities			
Borrowings	10	343,354	308,202
Provisions	11	26,194	34,910
Other liabilities		1,773	1,823
Total non-current liabilities		<u>371,321</u>	<u>344,935</u>
Total liabilities		<u>481,781</u>	<u>459,588</u>
Net community assets		<u>4,189,242</u>	<u>4,238,529</u>
Community equity			
Asset revaluation surplus	12	621,865	716,078
Retained surplus		3,567,377	3,522,451
Total community equity		<u>4,189,242</u>	<u>4,238,529</u>

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

TOWNSVILLE CITY COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Retained surplus	Asset revaluation surplus	Total
	\$000	\$000	\$000
Balance as at 1 July 2016	3,522,451	716,078	4,238,529
Net result	44,926	-	44,926
Other comprehensive income for the year			
Decrease in asset revaluation surplus	-	(93,350)	(93,350)
Share of other comprehensive income of joint venture	-	(863)	(863)
Total comprehensive income for the year	44,926	(94,213)	(49,287)
Balance as at 30 June 2017	3,567,377	621,865	4,189,242
 Balance as at 1 July 2015	 3,461,994	 750,575	 4,212,569
Net result	60,457	-	60,457
Other comprehensive income for the year			
Decrease in asset revaluation surplus	-	(36,793)	(36,793)
Share of other comprehensive income of joint venture	-	2,296	2,296
Total comprehensive income for the year	60,457	(34,497)	25,960
Balance as at 30 June 2016	3,522,451	716,078	4,238,529

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

TOWNSVILLE CITY COUNCIL
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
Cash flows from operating activities			
Receipts from customers		394,944	412,224
Payments to suppliers and employees		(295,282)	(282,811)
Interest received		4,311	4,793
Finance costs	4(c)	(22,084)	(21,541)
Net cash inflow from operating activities	16	<u>81,889</u>	<u>112,665</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(131,601)	(193,796)
Payments for intangible assets		(487)	(1,722)
Proceeds from sale of property, plant and equipment		8,014	782
Proceeds from cash contributions for constructing assets		52,670	41,127
Receipts from repayment of community loans and advances		1,304	1,805
Net cash outflow from investing activities		<u>(70,100)</u>	<u>(151,804)</u>
Cash flows from financing activities			
Proceeds from borrowings		60,000	19,544
Repayment of borrowings		(21,356)	(19,341)
Net cash inflow from financing activities		<u>38,644</u>	<u>203</u>
Net increase/(decrease) in cash and cash equivalent held		50,433	(38,936)
Cash and cash equivalents at the beginning of financial year		<u>69,213</u>	<u>108,149</u>
Cash and cash equivalents at end of financial year	5	<u>119,646</u>	<u>69,213</u>

The above statement should be read in conjunction with the accompanying notes and Significant Accounting Policies.

Note 1 Significant accounting policies

(a) Basis of preparation

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

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except where stated.

(b) Account classifications

Some account classifications may have changed in the current year in order to improve the accuracy of presentation of the financial statements; comparative figures have also been reclassified for consistency of presentation. There were no significant reclassifications during the period.

(c) Currency

Townsville City Council uses the Australian dollar as its functional currency and its presentation currency.

(d) Constitution

Townsville City Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

(e) Rounding of amounts

The amounts included in the financial statements have been rounded to the nearest thousand (\$000) except for Note 20: Related party transactions. Amounts shown in the financial statements may not add to the correct subtotals or totals due to rounding.

(f) New and revised accounting standards

This year council has applied AASB 124 *Related Party Disclosures* for the first time. As a result council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 20.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

If this requirement had been adopted at 30 June 2017 prepaid rates would have been reclassified. Management estimate general rates revenue would decrease by \$14,076,487 and current liabilities increase by the same amount.

Effective Date
1 July 2019

AASB 16 Leases	
AASB 16 will require the recognition of all leases on the statements of financial position. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. Council is yet to undertake a detailed assessment of the impact of AASB 16.	Effective Date 1 July 2019

(g) Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:

- Valuation of property, plant and equipment including useful life assessments, fair value and impairment. Refer to Note 8.
- Impairment of receivables. Refer to Note 6.
- Measurement and recognition of provisions. Refer to Note 11.
- Measurement and recognition of revenue arising from non-reciprocal transfers of assets. Refer Note 3.

(h) Taxation

Income of local authorities and public authorities is exempt from Income tax. However council is subject to Fringe Benefits Tax, Goods and Services Tax (GST) and payroll tax on certain activities.

The commercial businesses of council pay an income tax equivalent and state tax equivalent to council in accordance with the requirements of the *Local Government Act 2009*. These transactions are eliminated upon consolidation.

Note 2 Analysis of results by function

(a) Operating functions by core service

The activities relating to council's core services reported in note 2(b) are as follows:

(i) Community and cultural services

Includes community and cultural services, cemeteries, community support programs, enforcement compliance, events, facilities, galleries, libraries and sport and recreation.

(ii) Enabling services

Includes people services, communication and customer relations, finance, governance, information technology, laboratory services, trade services, assets and fleet, buildings and facilities management.

(iii) Environmental and sustainability services

Includes delivery of environmental and natural resource management and sustainability services.

(iv) Planning and development services

Includes urban planning, development assessment, economic development and special projects.

(v) Public infrastructure

Includes management of roads and transport, drains and stormwater, open spaces, public infrastructure and coastal facilities.

(vi) Solid waste management

Includes refuse collection and disposal, and landfill operations and management.

(vii) Wastewater services

Includes operation and maintenance of council's wastewater disposal network and treatment plants.

(viii) Water services

Includes operation and maintenance of council's water storage, treatment, distribution and reticulation networks.

Core services grouped by entity

The council has identified its operating core services and grouped them by entity based on the internal reports that are reviewed and used by management in assessing performance and in determining the allocation of resources and assets. The core services above are grouped into the following entities and reported in note 2(c):

Rest of council	(i) to (v)
Townsville Waste Services	(vi) and (vii)
Townsville Water	(viii)

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Analysis of results by function

(b) Income and expenses defined between recurring and capital are attributed to the following core services:

Core service		Income				Total income		Expenses			Total expenses	Net result from recurrent operations	Net result
	Recurrent			Capital			Recurrent		Capital				
	Grants	Other	Internal eliminations	Grants	Other		Other	Internal eliminations	Other				
	\$000	\$000	\$000	\$000	\$000		\$000	\$000	\$000				
Year ended 30 June 2017													
Community and cultural services	1,815	9,667	-	4,242	-	15,724	(62,280)	25,274	-	(37,006)	(25,524)	(21,282)	
Enabling services	6,300	281,521	(127,576)	-	3,697	163,942	(149,396)	18,288	(16,864)	(147,972)	29,137	15,970	
Environment and sustainability services	642	87	-	-	-	729	(6,210)	1,784	-	(4,426)	(3,697)	(3,697)	
Planning and development	350	7,283	(56)	-	-	7,577	(21,146)	5,405	-	(15,741)	(8,164)	(8,164)	
Public infrastructure	7,302	12,950	(7,302)	27,084	36,813	76,847	(135,045)	30,605	(7,844)	(112,284)	(91,490)	(35,437)	
Solid waste management	1	34,993	(7,417)	-	413	27,990	(29,023)	12,453	(24)	(16,594)	11,007	11,396	
Wastewater services	-	86,354	(4,941)	2,576	13,430	97,419	(60,244)	26,457	(961)	(34,748)	47,626	62,671	
Water services	-	89,385	(11,467)	-	3,879	81,797	(87,148)	33,298	(4,478)	(58,328)	24,068	23,469	
Total	16,410	522,240	(158,759)	33,902	58,232	472,025	(550,492)	153,564	(30,171)	(427,099)	(17,037)	44,926	
Year ended 30 June 2016													
Community and cultural services	1,388	9,179	(6)	354	244	11,159	(63,457)	26,051	(5)	(37,411)	(26,845)	(26,252)	
Enabling services	4,362	181,660	(26,906)	626	190	159,932	(40,101)	(86,482)	(4,737)	(131,320)	32,532	28,612	
Environment and sustainability services	6	42	-	-	-	48	(5,662)	1,608	-	(4,054)	(4,006)	(4,006)	
Planning and development	93	10,519	(43)	-	-	10,569	(19,375)	5,536	(20)	(13,859)	(3,270)	(3,290)	
Public infrastructure	4,414	5,544	(14)	16,900	41,151	67,995	(127,718)	28,247	(12,294)	(111,765)	(89,527)	(43,770)	
Solid waste management	3	33,103	(6,903)	-	-	26,203	(28,468)	12,695	(1,187)	(16,960)	10,430	9,243	
Wastewater services	-	83,251	(1,393)	-	7,994	89,852	(55,139)	23,216	(422)	(32,345)	49,935	57,507	
Water services	-	100,584	(12,875)	-	8,198	95,907	(79,263)	30,064	(4,295)	(53,494)	38,510	42,413	
Total	10,266	423,882	(48,140)	17,880	57,777	461,665	(419,184)	40,935	(22,960)	(401,208)	7,759	60,457	

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(c) Function Assets

Assets are used across multiple functions. Assets are allocated to an entity that receives the majority of the economic value from that asset. In the majority of instances, function assets are clearly identifiable on the basis of their nature and physical location.

Entity	Assets 2017 \$000	Assets 2016 \$000
Rest of council	3,043,562	2,973,007
Townsville Water	1,596,040	1,684,675
Townsville Waste Services	31,421	40,435
Total council	4,671,023	4,698,117

Note 3 Revenue

(a) Rates and utilities

Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which it is received.

	2017 \$000	2016 \$000
General rates	175,426	175,034
Refuse and recycling utility charges	18,780	18,599
Water and wastewater utility charges	159,100	169,494
Less: Discounts	(23,061)	(22,875)
Less: Pensioner and other remissions	(8,464)	(8,925)
	<u>321,781</u>	<u>331,327</u>

(b) Fees and charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

Regulatory fees and charges	8,865	9,683
Commercial fees and charges	12,586	11,432
	<u>21,451</u>	<u>21,115</u>

(c) Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue when council obtains control over them, which is usually upon receipt of funds. Where grants, subsidies and contributions are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled.

Non-cash contributions are recognised as revenue and either non-current assets or expense according to council's threshold for recognition of non-current assets.

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

	2017	2016
	\$000	\$000
Recurrent		
Contributions received for operating purposes	586	872
Subsidies and grants received for operating purposes	16,410	10,267
	<u>16,996</u>	<u>11,139</u>
Capital		
Contributions received for capital purposes	18,390	16,389
Subsidies and grants received for capital purposes	33,902	17,880
	<u>52,292</u>	<u>34,269</u>

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Rates received in advance	14,076	12,449
Non-reciprocal grants	14,288	661
	<u>28,364</u>	<u>13,110</u>

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

Rates received in advance	12,449	10,359
Non-reciprocal grants	1,182	6,616
	<u>13,631</u>	<u>16,975</u>

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 4 Expenses

(a) Employee benefits

	2017	2016
	\$000	\$000
Total staff wages and salaries	124,935	127,899
Councillors' remuneration	1,220	1,191
Superannuation	14,596	14,533
Termination benefits	17,765	-
	<u>158,516</u>	<u>143,623</u>
Other employee related expenses	7,335	15,702
	<u>165,851</u>	<u>159,325</u>
Less: Capitalised employee expenses	<u>(16,629)</u>	<u>(21,974)</u>
	<u>149,222</u>	<u>137,351</u>

Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.

On 27 September 2016 council adopted the recommendations of an independent organisational review. The review recommended a range of projects to improve council's operating performance, including an organisational restructure. Termination benefits have been recognised in relation to the implementation of the organisational review.

(b) Materials and services

Accommodation services	6,318	6,587
Administration supplies and consumables	11,959	12,952
Audit of annual financial statements by the Auditor-General of Queensland	261	306
Bulk water supply	12,419	10,894
Contractors and service providers	15,166	13,477
Electricity	12,437	12,192
Employee related costs	2,432	3,493
Equipment and tools	2,766	3,016
Information, communications and technology	8,020	8,045
Insurance	2,498	4,458
Marketing and promotion	2,424	2,543
Other materials and services	4,868	5,362
Other utilities	519	563
Repairs, maintenance and construction	18,505	17,938
Vehicle and plant operating costs	10,647	12,306
	<u>111,239</u>	<u>114,132</u>
Less: Capitalised materials and services	<u>(5,195)</u>	<u>(7,205)</u>
	<u>106,044</u>	<u>106,927</u>

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$000	2016 \$000
(c) Finance costs			
Interest and finance charges on loans from financial institutions		22,084	21,541
Unwinding of discounted provisions		1,194	765
Impairment of receivables		2,745	1,385
		26,023	23,691
(d) Capital expenses			
Loss on sale/disposal of property, plant and equipment		18,824	18,650
Revaluation decrement on property, plant and equipment	8	-	3,075
Impairment losses on property, plant and equipment	8	11,347	49
Other capital expenses		-	1,187
		30,171	22,961

Note 5 Cash and cash equivalents

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

Cash at bank and on hand	1,557	1,321
Deposits at call	118,089	67,892
Balance per Statement of Cash Flows	119,646	69,213

Cash not available for general use

Council's cash and cash equivalents at the reporting date are subject to external restrictions that limit amounts available for discretionary or future use. These include:

Unspent contributions, government grants and subsidies	15,274	2,906
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Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	2,270	2,189
Townsville City Council Mayor's Christmas Tree Appeal	7	5
	2,277	2,194

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

Note 6 Receivables

Receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price/contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed on an ongoing basis and if there is objective evidence that council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.

All known bad debts were written off at 30 June 2017. Subsequent recoveries of amounts previously written off are recognised as revenue.

Because council has the power to sell an owner's property to recover certain outstanding rate receivables, in accordance with the *Local Government Act 2009*, rate receivables are not impaired unless expected recovery value is less than outstanding arrears.

Current	2017 \$000	2016 \$000
Rates and utilities	11,340	13,884
Fees and charges	5,425	3,035
Less impairment	(710)	(617)
Loans and advances to community organisations	1	1,304
Water charges not yet levied	8,525	10,492
Other receivables	5,512	6,517
	<u>30,093</u>	<u>34,615</u>
Non-current		
Rates and utilities	8,696	4,740
Less impairment	(1,356)	-
Loans and advances to community organisations	2,339	2,340
	<u>9,679</u>	<u>7,080</u>

Interest is charged on outstanding rates and utilities at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Loans and advances made to various not-for profit community organisations arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.

Note 7 Investments accounted for using the equity method

Interests in joint venture	<u>23,818</u>	<u>22,388</u>
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Joint venture

A joint venture exists between Breakwater Island Limited as trustee of the Breakwater Island Trust and the Townsville City Council. The joint venture parties are associated in an unincorporated joint venture known as the Townsville Breakwater Entertainment Centre Joint Venture, an entity which council has 79.8% ownership.

Council's interest in the joint venture is measured using the equity method. The purpose of the joint venture is to design, develop, construct, commission, operate and own the Townsville Breakwater Entertainment Centre. Principal activities of the joint venture are the provision of a venue and ancillary services for the conduct of conventions, exhibitions, sports and entertainment events. Unless otherwise agreed in writing between the joint venturers, the joint venture is limited to the purposes and activities specified in the *Townsville Breakwater Entertainment Centre Act 1991 (as amended)*.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Joint venture (continued)

The joint venture has entered into an agreement with the Trustee of Breakwater Island Trust and Breakwater Island Limited for the management of the Townsville Breakwater Entertainment Centre. Pursuant to the terms of the Management Agreement, Breakwater Island Trust will indemnify the joint venture from any amount by which defined costs exceed total revenue. Defined costs exclude general rates and land tax, replacement of fixed assets and major repairs. Breakwater Island Trust is entitled to reimbursement of any indemnity paid in any previous year out of net operating surpluses of the operations of the centre. The current Management Agreement expires in February 2018; council is yet to determine what action it will take regarding the management agreement after that date.

The Entertainment Centre Joint Venture is not considered a controlled entity because, in accordance with the *Townsville Breakwater Entertainment Centre Act 1991 (as amended)*, all decisions of the Management Committee governing the operations of the joint venture require a unanimous decision, except for decisions relating to the giving of notices to the operator about audit qualifications relating to the joint venture financial statements, or in the case of a default event, decisions to give to the defaulting party notice of intention to terminate the agreement.

The financial results of the audited special purpose financial statements for the year ended 30 June 2017 of the joint venture are included in this report.

Townsville Breakwater Entertainment Centre

	2017	2016
	\$000	\$000
Revenue	6,292	2,398
Expenses	(4,501)	(4,713)
Profit or loss from continuing operations	<u>1,791</u>	<u>(2,315)</u>
Profit (loss) for the year	1,791	(2,315)
Other comprehensive income for the year	-	-
Total comprehensive income (loss) for the year	<u>1,791</u>	<u>(2,315)</u>
The above profit (loss) for the year includes:		
Depreciation and amortisation	(2,332)	(2,228)
Interest income	6	9
Revenue from capital contribution	4,273	-
Current assets	749	801
Non-current assets	30,151	28,213
Total assets	<u>30,900</u>	<u>29,014</u>
Current liabilities	(1,034)	(949)
Non-current liabilities	(19)	(10)
Total liabilities	<u>(1,053)</u>	<u>(959)</u>
Net assets	<u>29,847</u>	<u>28,055</u>
The above amounts include:		
Cash and cash equivalents	<u>642</u>	<u>716</u>

Included in cash is \$547,441 (2016: \$621,972) in accounts established in the name of the operator pursuant to the Management Agreement.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017 \$000	2016 \$000
The joint venture's net assets reconcile to the carrying amount of the investment as follows:		
Net assets	29,847	28,055
Ownership interest in the joint venture	79.8%	79.8%
Carrying amount of council's interest in the joint venture	23,818	22,388

The movement in the carrying amount of council's investment in the joint venture is as follows:

Carrying amount at the beginning of the financial year	22,388	21,749
Share of profit/(loss)	(1,980)	(1,657)
Other equity adjustments	(863)	2,296
Contribution of assets	4,273	-
Carrying amount at the end of the financial year	23,818	22,388

During the period council contributed assets in relation to the refurbishment of the Townsville Entertainment and Convention Centre. This contribution has been excluded from council's profit (loss) as it has been recognised as a direct adjustment to equity.

Note 8 Property, plant and equipment

(a) Recognition

Property, plant and equipment with a total value of less than \$5,000 and items of land with a total value less than \$1 are treated as an expense in the period of acquisition. All other items of property, plant and equipment are recognised as assets. Assets such as computers and water meters which individually are below the asset recognition threshold of \$5,000, but form part of and or are connected to a larger network are capitalised and recognised as an asset. Parks, including all the various components are recognised as a network asset.

(b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value (as shown in the table below) less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Direct labour and materials and an appropriate portion of overheads incurred in the acquisition or construction of assets are also included in their costs.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenue at fair value. Items received as offsets to infrastructure charges are initially recognised at cost for fixed plant asset class or fair value for pipe network asset class.

(c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Land, certain cultural and heritage assets with heritage listing, road formations and formation works associated with the construction of dams and levee banks, are not depreciated. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all council assets.

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

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

(d) Valuation processes

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets. Revaluations are undertaken in accordance with AASB 116 *Property, Plant and Equipment*, Local Government Regulation 2012 and council policy.

In the intervening years, council internally assesses through physical inspection the condition of infrastructure assets on a sample basis and as part of the maintenance process. The inspection results are considered in combination with indices provided by independent valuers and the Road and Transport Alliance – Roads Alliance Valuation Project (RAVP). Together these elements are used to form the basis of a management valuation for infrastructure asset classes at balance date.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class of property, plant and equipment, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- Level 1 - fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - fair value based on inputs that are directly or indirectly observable for the asset or liability
- Level 3 - fair value based on unobservable inputs for the asset or liability.

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels at the end of the reporting period.

(e) Valuation techniques used to derive fair values

(i) Land – (level 2)

Land fair values were determined by independent valuer, Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) no.1632), with an effective date of 28 February 2014. A review of land values at 30 June 2017, based on movement indices provided by Knight Frank, resulted in changes in values as disclosed in the table below. Level 2 valuation inputs were used to value land in freehold title, reserve land held by the council as trustee for the Queensland Government is not valued. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Land was valued for its highest and best use, notwithstanding that this may differ from its current use.

Council owns multiple land sites which are not currently used for administrative, community or particular purposes. This land may be sold or exchanged from time to time as council determines. However, these parcels are not exclusively held for sale and are recorded within the land asset class.

Land was acquired for the new Townsville Stadium which, under the "City Deal" signed by the council, will be transferred to the Queensland Government for \$1. The land has been impaired by \$9,765,426 down to \$1 and transferred to Assets Held for Sale.

Land was acquired for the Ogden Street Bus Hub. Under a grant funding agreement with the Queensland Government, the land will, upon project completion, be transferred to the Queensland Government as "Land under Roads" for nil consideration. Currently the land is held within Capital Work In Progress and has been impaired by \$1,582,063 down to \$0.

(ii) Buildings – (level 2 and 3)

The fair value of buildings was determined by independent valuers.

Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) no.1632) valued level 2 buildings using an equivalent market value as the valuation technique. For these buildings the most significant inputs were estimated net rental per square metre and the associated capitalisation rate, valued at the highest and best use. Other inputs into this valuation approach were the sales prices of comparable properties after adjusting for differences in key attributes such as property size. Where a market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Valuations of these buildings have been updated for the current period in accordance with movement indices provided by Knight Frank.

All other buildings were deemed of specialist nature with no active market or are situated on reserve land, valued at current replacement value less obsolescence by Michael Puntill from AECOM (RPEQ No.11865), effective as at 28 February 2014.

Both valuers provided updated localised indexes of movements in asset values between 2014 and 30 June 2017, tailored for council's portfolio of assets. Movement in the market value of buildings was fully ascribed to the land component; there was zero movement for the specialised buildings. Council accepted the valuers' recommendations on asset values for buildings.

In determining the level of accumulated depreciation the assets are disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence. For this financial year, no residual amounts were applied to buildings. Based on advice from AECOM, no change has been applied to the 2014 valuation in the current year.

	2017	2016
	\$000	\$000
Buildings		
Market value buildings (level 2)	34,899	37,941
Special purpose buildings (level 3)	125,947	121,823
	<u>160,846</u>	<u>159,764</u>

(iii) Infrastructure assets – (level 3)

Infrastructure assets comprise fixed plant, pipe networks, dams and weirs, land improvements and the transport network asset classes.

All council infrastructure assets were measured at fair value using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were oversized, had excess capacity, or were redundant, an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

Roads

The last full valuation of road infrastructure was undertaken effective 30 June 2015, determined by independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). This was a review of rates and condition and included laser camera cracking survey. The condition assessment of the road surface is a combination of cracking analysis and the time expired since the commissioning. For roads where the exact date of commissioning is unknown, an adjustment to remaining life may be made based on actual experience of road surface replacement capital expenditure. In 2017 our rates were adjusted by applying the movement in RAVP rates for 2017 to our localised rates.

Council categorises its road infrastructure into urban and rural roads and further sub-categorises these into sealed and unsealed roads. All roads are managed in sections, generally assigned as intersection to intersection, but varying to meet engineering requirements. All road sections are then componentised into formation, pavement sub-base, pavement, surface, kerbs, barriers, road furniture and footpaths (where applicable). Pathways, lights and car parks are not segmented. Council assumes that environmental factors such as soil type, climate and topography are consistent across each section. Council also assumes a section is designed and constructed to the same standard and uses a consistent amount of labour and materials.

Bridges

A comprehensive valuation of bridges assets was undertaken in 2017. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Bridge inspections were carried out by qualified council staff and rates for each component were provided by AECOM.

Pipe networks – water, wastewater and stormwater

The valuation process, for pipes revalued as at 1 May 2017, was performed as follows:

Stormwater pipe network assets were revalued at their current replacement cost based on independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). The process incorporates a review of unit rates for stormwater drainage with the valuer referring to the rates applied by other councils utilising a 'first principles' model approach, consultant model rates and consultant contract rates.

Water and Wastewater pipe network assets were revalued at their current replacement cost based on assessments performed by Northern Water Management Pty Ltd (J Ballard RPEQ No.6854). The process incorporates the determination of unit rates by reference to data contained in Rawlinson's plus an assessment of council's internal and external costings.

Pipe network assets are split into over 400,000 individual components of varying length and function. Generally for pipes below 100mm in size, fittings are included in the pipe revaluation rates but fittings, valves and flow meters are listed separately for larger pipe sizes. Culverts in the stormwater system are generally characterised as bridges if that is their function. Key valuation data are usage, material, depth, length and size. Secondary factors include ground conditions, construction cost indexes such as Rawlinson's, and local contractor cost data. Generally a standardised rate reflecting current best practice and materials is used. Limitations on access caused by location or methodology are not incorporated into standardised rates. Many elements of wastewater and limited elements of stormwater pipes may be relined at the end of their useful life, extending the economic life to a high percentage of the original life. Pipes that may be relined are componentised into the appropriate life. Water pipes are not relined nor subject to CCTV inspections. CCTV inspection data currently does not cover a statistically significant portion of the pipe network each year, accordingly condition data derived from the CCTV images is not applied to remaining life for the network.

(iv) Landfills – (level 3)

Waste landfill cell restoration provision fair values were determined by council engineers effective 30 June 2017. New landfill cells are recorded at cost for recently completed cells, with an index applied for subsequent periods. The principal element of landfill costs is the restoration cost provision at the end of the cell's economic life. Long lived cells which did not have a construction cost at amalgamation in 2008 do not have a cell construction cost applied to them. Periodically new site plans are prepared which may be able to utilise an existing cell for an extended period of time. In such cases only the incremental landfill cell cost is recorded at fair value.

(v) Fixed plant, dams and weirs – comprising treatment plants and pump stations plus some coastal assets – (level 3)

All assets, including treatment plants, dams, weirs and pump stations, excluding pipelines, were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntill from AECOM (RPEQ No.11865). Where a market value existed, this was used to determine fair value.

AECOM performed a review of movement in costs at 30 June 2017 and based on their recommendations it was determined there had been no material change in values in the intervening period.

(vi) Land improvements – (level 3)

Land improvements were valued at current replacement value less obsolescence by Michael Puntill from AECOM (RPEQ No.11865), effective as at 28 February 2014. The comparative basis is a new asset having similar service potential including allowances for preliminaries and professional fees.

AECOM performed a review of movement in costs at 30 June 2017 and based on their recommendations it was determined there had been no material change in values in the intervening period.

(vii) Cultural and heritage – (level 3)

This asset group comprises artworks held in galleries and public art. Artworks in galleries are often donated and, as a public gallery, may never be disposed of unless damaged or destroyed by natural disasters. It also includes heritage listed structures which by statute must be maintained in original condition. Those structures are not depreciated.

A full valuation of all artworks was performed as at 30 June 2015. No changes have been made to valuations in the intervening period.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Note 8 Property, plant and equipment

Townsville City Council - 30 June 2017

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to Statement of Comprehensive Income

Assets classified as held for sale

Transfers between classes and intangible assets - reallocation

Transfers between classes - capitalised assets

Closing gross value as at 30 June 2017

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to Statement of Comprehensive Income

Assets classified as held for sale

Impairment adjustment to income

Transfers between classes/ intangible assets

Accumulated depreciation as at 30 June 2017

Total written down value as at 30 June 2017

Residual value

Range of estimated useful life in years

Additions including reallocations from WIP to asset class:

Renewals

Other additions

Total additions

Asset revaluation surplus

Opening balance at 1 July 2016

Asset revaluation movement

Change in value of future rehabilitation cost

Closing balance at 30 June 2017

Buildings	Dams & weirs	Fixed plant	Cultural & heritage	Land	Land improvements	Landfills	Pipe network	Plant & equipment	Transport network	Assets under construction	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
252,589	531,957	774,586	15,358	341,398	118,897	41,318	2,281,945	157,940	2,108,920	132,521	6,757,429
1,318	-	5,718	-	-	1,604	-	16,142	5,599	19,337	118,400	168,118
(6,792)	-	(4,052)	(243)	-	(1,519)	-	(11,200)	(8,005)	(16,577)	-	(48,388)
-	(2,028)	(1,106)	-	-	-	-	(152,219)	-	94,170	-	(61,183)
-	-	-	-	5,084	-	-	-	-	-	-	5,084
-	-	-	-	(9,765)	-	-	-	(247)	-	-	(10,012)
-	-	-	-	-	-	-	-	-	-	(26)	(26)
10,466	2,169	22,087	(413)	9,765	7,467	913	39,497	17,069	33,621	(134,391)	8,250
257,581	532,098	797,233	14,702	346,482	126,449	42,231	2,174,165	172,356	2,239,471	116,504	6,819,272
(92,825)	(131,738)	(340,211)	-	-	(57,317)	(27,979)	(980,465)	(76,271)	(516,348)	-	(2,223,154)
(6,732)	(4,807)	(17,334)	205	-	(5,183)	(2,522)	(28,833)	(14,097)	(31,824)	-	(111,127)
2,604	-	1,552	10	-	843	-	1,892	5,696	3,774	-	16,371
-	-	-	-	-	-	-	27,395	-	(59,563)	-	(32,168)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	9,765	-	-	-	150	-	-	9,915
-	-	-	-	(9,765)	-	-	-	-	-	(1,582)	(11,347)
219	-	-	(219)	-	-	-	-	-	-	-	-
(96,734)	(136,545)	(355,993)	(4)	-	(61,657)	(30,501)	(980,011)	(84,522)	(603,961)	(1,582)	(2,351,510)
160,847	395,553	441,240	14,698	346,482	64,792	11,730	1,194,154	87,834	1,635,510	114,922	4,467,762
								7,018			7,018
5 - 180	10 - 150	3 - 150	150+	-	3 - 100	3 - 48	7 - 150	3 - 33	4 - 150	-	-
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
8,674	283	9,866	-	-	3,688	484	38,096	9,153	28,350	-	98,594
1,876	-	6,964	-	2,830	5,016	-	18,301	6,714	27,822	-	69,523
10,550	283	16,830	-	2,830	8,704	484	56,397	15,867	56,172	-	168,117
-	23,959	11,934	4,405	-	-	1	135,243	-	535,846	-	711,388
-	(2,028)	(1,106)	-	-	-	-	(124,824)	-	34,608	-	(93,350)
-	-	-	-	-	-	-	-	-	-	-	-
-	21,931	10,828	4,405	-	-	1	10,419	-	570,454	-	618,038

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Townsville City Council - 30 June 2016

Basis of measurement

Asset values

Opening gross value as at 1 July 2015

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to Statement of Comprehensive Income

Assets classified as held for sale

Transfers between classes and intangible assets - reallocation

Transfer between classes - capitalised assets

Closing gross value as at 30 June 2016

Accumulated depreciation and impairment

Opening balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to Statement of Comprehensive Income

Assets classified as held for sale

Impairment adjustment to income

Transfers between classes/ intangible assets

Accumulated depreciation as at 30 June 2016

Total written down value as at 30 June 2016

Residual value

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

Asset revaluation surplus

Opening balance at 1 July 2015

Asset revaluation movement

Change in value of future rehabilitation cost

Closing balance at 30 June 2016

Buildings	Dams & weirs	Fixed plant	Cultural & heritage	Land	Land improvements	Landfills	Pipe network	Plant & equipment	Transport network	Assets under construction	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
254,426	531,957	755,809	16,267	341,873	123,351	39,615	2,251,934	145,100	2,015,984	117,290	6,593,606
25	-	-	209	-	158	-	25,186	105	17,414	196,836	239,933
(3,833)	-	(640)	(1,138)	(622)	(5,883)	-	(5,262)	(8,394)	(16,194)	-	(41,966)
-	-	-	-	-	-	1,557	(30,094)	-	10,989	-	(17,548)
(2,947)	-	-	-	132	615	-	-	-	-	(128)	(2,328)
(8,717)	-	-	-	(4,022)	-	-	-	-	-	-	(12,739)
8,437	-	(731)	-	-	(7,783)	(5)	-	76	5	(1,528)	(1,529)
5,198	-	20,148	20	4,037	8,439	151	40,181	21,053	80,722	(179,949)	-
252,589	531,957	774,586	15,358	341,398	118,897	41,318	2,281,945	157,940	2,108,920	132,521	6,757,429
(92,189)	(126,951)	(324,701)	(29)	-	(57,998)	(25,067)	(947,394)	(69,953)	(479,801)	-	(2,124,083)
(6,380)	(4,787)	(16,097)	-	(6)	(5,189)	(2,277)	(27,069)	(13,797)	(31,290)	-	(106,892)
2,532	-	218	29	6	3,866	-	967	7,575	4,822	-	20,015
-	-	-	-	-	-	(635)	(6,969)	-	(10,079)	-	(17,683)
-	-	-	-	-	-	-	-	-	-	-	-
5,538	-	-	-	-	-	-	-	-	-	-	5,538
-	-	-	-	-	-	-	-	(49)	-	-	(49)
(2,326)	-	369	-	-	2,004	-	-	(47)	-	-	-
(92,825)	(131,738)	(340,211)	-	-	(57,317)	(27,979)	(980,465)	(76,271)	(516,348)	-	(2,223,154)
159,764	400,219	434,375	15,358	341,398	61,580	13,339	1,301,480	81,669	1,592,572	132,521	4,534,275
								6,973			6,973
5 - 180	10 - 150	3 - 150	150+	-	3 - 100	3 - 48	7 - 150	3 - 33	4 - 150	-	
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
9,823	1,636	5,040	-	-	8,779	790	29,739	13,253	38,087	-	107,147
377	-	6,834	231	13,680	5,365	12,427	35,924	6,590	51,230	-	132,658
10,200	1,636	11,874	231	13,680	14,144	13,217	65,663	19,843	89,317	-	239,805
-	23,959	11,934	4,405	-	-	641	172,306	-	534,936	-	748,181
-	-	-	-	-	-	922	(37,063)	-	910	-	(35,231)
-	-	-	-	-	-	(1,562)	-	-	-	-	(1,562)
-	23,959	11,934	4,405	-	-	1	135,243	-	535,846	-	711,388

Note 9 Payables

Trade payables are recognised when goods or services are received, at the amount owed. The amounts owing are unsecured and are normally settled within 30 days.

Liabilities are recognised for employee benefits such as wages and salaries and annual leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As council does not have an unconditional right to defer settlement of the annual leave beyond 12 months, annual leave is classified as a current liability.

A liability for termination payments has been recognised at reporting date where council could no longer withdraw an offer for redundancy or where a valid expectation had been created and the amount of the liability could be estimated reliably.

	Note	2017 \$000	2016 \$000
Current			
Trade payables		19,989	32,406
Annual leave accrued		12,867	17,047
Termination payments accrued		9,706	-
Sundry payables and accrued expenses		19,097	17,709
	18	61,659	67,162

Note 10 Borrowings

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

Principal and interest repayments are made quarterly in arrears, interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period.

Expected final repayment dates vary from 15 December 2023 to 15 December 2036. There have been no defaults or breaches of the loan agreement during the period.

Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset.

Current

Unsecured liabilities

Loans - Queensland Treasury Corporation	24,738	21,245
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Non-current

Unsecured liabilities

Loans - Queensland Treasury Corporation	343,354	308,202
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Total borrowings

18	368,092	329,447
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The loan market value at the reporting date was \$426,822,103. This represents the value of the loans if council repaid the loans as at reporting date. As it is the intention of council to hold the debt for its term, no provision is required to be made in these accounts.

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

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The interest rates on borrowings range from 3.59% to 8.35% for book value rates.

Undrawn facilities

Unrestricted access was available at balance date to undrawn facilities listed below:

	2017 \$000	2016 \$000
Bank overdraft facility	500	500
Purchase card facility	1,622	1,338
Working capital facility - Queensland Treasury Corporation	-	20,000
	2,122	21,838

Note 11 Provisions

Current

Self-insurance	846	1,151
Landfill restoration	4,337	6,642
Long service leave	15,879	16,944
Other	2,468	49
	23,530	24,786

Non-current

Self-insurance	2,944	2,856
Landfill restoration	20,715	27,053
Long service leave	2,030	3,549
Other	505	1,452
	26,194	34,910

(a) Landfill restoration provision

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable council will be liable, or required, to incur costs on the cessation of use of these facilities.

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

The total projected cost of \$26,164,525 is expected to be incurred between 2018 and 2025. The figure excludes rehabilitating landfill cells on existing sites that are yet to be constructed or used, but which are in the current site plan.

(b) Long service leave provision

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in council's employment or other associated employment which would result in council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Australian Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Based on past experience, council does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2017 \$000	2016 \$000
Long service leave obligations expected to be settled after 12 months	15,846	18,477

(c) Movements in provisions

Movements in the provisions during the financial year are set out below:

	Self- insurance \$000	Landfill restoration \$000	Long service leave \$000	Other \$000	Total \$000
Balance at beginning of financial year	4,007	33,695	20,493	1,501	59,696
Additional provisions raised during year	400	-	1,465	1,507	3,372
Amounts used	(234)	(8,044)	(4,377)	(41)	(12,696)
Unused amounts reversed	(383)	(916)	-	-	(1,299)
Increase in provision due to unwinding of discount	-	569	328	23	920
Decrease in provision due to change in discount rate	-	(252)	-	(17)	(269)
Balance at end of financial year	3,790	25,052	17,909	2,973	49,724

Note 12 Community equity

(a) Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus. Increases and decreases on revaluation are offset within a class of assets.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

	Note	2017 \$000	2016 \$000
Asset revaluation surplus	8	618,038	711,388
Asset revaluation surplus – share of JV		3,827	4,690
		<u>621,865</u>	<u>716,078</u>

(b) Retained surplus

This balance represents the amount of council's net funds not set aside in reserves to meet specific future needs.

Note 13 Commitments for expenditure

(a) Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis of allocation is more representative of the pattern of benefits to be derived from the leased property.

	2017	2016
	\$000	\$000
Minimum lease payments in relation to non-cancellable operating leases are as follows:		
Within one year	2,136	643
One to five years	6,771	844
Later than five years	2,541	27
	<u>11,448</u>	<u>1,514</u>

(b) Capital expenditure commitments

Capital expenditure commitments contracted for:

CBD utilities upgrade	32,912	51,013
Cleveland Bay purification plant upgrade	8,015	-
Open Space upgrades	397	6,574
Road upgrades	2,376	4,046
Waste facility improvements	2,458	3,820
Water treatment plant refurbishment	25,313	27,297
Work for Queensland projects	1,205	-
Other	2,346	4,868
	<u>75,022</u>	<u>97,618</u>

Note 14 Contingent liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

Guarantees

Workers' compensation self-insurance guarantees	<u>4,826</u>	<u>5,235</u>
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State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the estimated liability. Guarantees held at each balance date do not always equal the liability at these dates due to delays in issuing the guarantees. An actuarial assessment of the council workers' compensation claims liability performed on 3 August 2017 has estimated the required self-insurance guarantee be \$4,758,000.

The actuarial assessment also recommends a self-insurance provision that has been recognised for risks relating to potential workers' compensation claims at balance date. Refer to Note 11.

Claims

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

At the time of preparation of this report, the financial statements for 30 June 2017 of LGM Queensland were not available. As at 30 June 2016 the financial statements reported an accumulated surplus of \$60,234,042 and it was not anticipated any liability would arise.

Note 15 Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

The scheme has three elements referred to as:

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

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

The Regional DBF is a defined benefit plan as defined in AASB 119 *Employee Benefits*. Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 *Employee Benefits* because the scheme is unable to account to council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

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

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

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

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

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Townsville City Council made 4.64% of the total contributions to the plan for the 2017 financial year.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

	2017	2016
	\$000	\$000
The amount of superannuation contributions paid by council to the scheme in this period for the benefit of employees was:	14,559	14,677

Note 16 Reconciliation of net result for the year to net inflow (outflow) from operating activities

	2017	2016
	\$000	\$000
Net result for the year	44,926	60,457
Non-cash items:		
Depreciation	111,127	106,892
Amortisation	1,762	1,538
Gain on impairment loss reversed for property, plant and equipment	(5,083)	(747)
Revaluation decrement on property, plant and equipment	-	3,075
Impairment losses on property, plant and equipment	11,347	49
Reclassification of assets under construction to Statement of Comprehensive Income	5,444	
Change in future rehabilitation and restoration costs	1,765	(1,552)
	126,362	109,255
Investing and developing activities:		
Net loss on sale/disposal of non-current assets	18,824	18,670
Grants, subsidies and contributions received for constructing assets	(52,670)	(41,127)
Fair value gain on contributions of assets	(34,489)	(40,641)
Share of joint venture entity net loss	1,980	1,657
	(66,355)	(61,441)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	617	10,087
Increase in inventories	(12)	(350)
Decrease/(increase) in other assets	620	(1,780)
Decrease in payables	(13,486)	(2,484)
Decrease in provisions	(9,973)	(1)
Decrease in other liabilities	(810)	(1,078)
	(23,044)	4,394
Net cash flows from operating activities	81,889	112,665

Note 17 Events after the reporting date

On 5 October 2017 council announced an intention to jointly invest, via a special purpose vehicle, with Rockhampton Regional Council to enable infrastructure at Carmichael to service fly-in fly-out workers to the Galilee Basin. At the date of this report formal documentation was yet to be finalised and no commitments or contingent liabilities exist.

Note 18 Financial instruments and financial risk management

(a) Financial assets and liabilities

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets	Financial liabilities
Cash and cash equivalents	Payables - measured at amortised cost
Receivables - measured at amortised cost	Borrowings - measured at amortised cost

Financial assets and financial liabilities are presented separately, offsetting has not been applied.

(b) Financial risk management

Council's activities expose it to a variety of risks including credit risk, liquidity risk and market risk. Exposure to financial risks is managed in accordance with council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of council. These methods include sensitivity analysis in the case of market risk, ageing analysis for credit risk and short term investment strategies to ensure sufficient funds are available to meet short term liquidity requirements.

(c) Credit risk

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

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

In the case of rates and utilities receivables, council has the power to sell the property to recover any defaulted amounts. In effect this power protects council against credit risk in the case of these debts.

In previous years council did not pursue pensioners for payment of arrears of rates and would not take recovery action against them. Rates owing on an approved pensioner's property on which council had allowed the concession were permitted to accumulate until either death of the pensioner, sale or disposal of the property or application to subdivide land is made.

During the current period council amended its Pensioner Rates Concession Policy and properties that are owned and occupied by pensioners who fall into arrears with rates may now be pursued.

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

Council has no significant concentration of credit risk with respect to any single counterparty or entity of counterparties other than those receivables where an allowance for impairment has been specifically provided for.

The following table details council's receivables exposed to credit risk with ageing analysis and impairment provided for thereon.

Financial assets	Gross amount	Impaired	Within initial trade terms	Past due (days overdue)			
				<30	31-60	61-90	>90
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
30 June 2017							
Rates and utilities, fees and charges	25,461	(2,066)	5,504	310	385	99	19,163
Loans and advances to community organisations	2,340	-	2,340	-	-	-	-
Water charges not yet levied	8,525	-	8,525	-	-	-	-
Other receivables	5,512	-	5,512	-	-	-	-
Total	41,838	(2,066)	21,881	310	385	99	19,163

(d) Liquidity risk

Liquidity risk is the risk that the council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 10.

The following table sets out the liquidity risk of financial liabilities held by council. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

Financial liabilities	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$000	\$000	\$000	\$000	\$000
30 June 2017					
Payables	61,659	-	-	61,659	61,659
Loans - Queensland Treasury Corporation	45,770	183,082	289,981	518,833	368,092
	107,429	183,082	289,981	580,492	429,751
30 June 2016					
Payables	67,162	-	-	67,162	67,162
Loans - Queensland Treasury Corporation	41,527	166,108	269,976	477,611	329,447
	108,689	166,108	269,976	544,773	396,609

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

(e) Market risk

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

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows. In relation to QTC loans, council holds fixed rate loan products. Consequently, council's borrowings are not subject to interest rate risk and therefore no sensitivity analysis is required.

Council does not undertake any hedging of interest rate risk.

Sensitivity analysis

Sensitivity analysis depicts what effect a reasonable possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period. If the rates increased by 1% the impact would be an increase in profit of \$1,193,388 (2016: \$693,334), an equal amount in the reverse direction is possible for a decrease in rates.

Note 19 National competition policy

Council applies the competitive code of conduct to the following activities:

- water and sewerage
- waste management
- performing arts.

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

The CSO value is determined by council and represents an activity cost(s) which would not be incurred if the primary objective of the activity was to make a profit. The council provides the funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSOs by the council.

The following activity statements are for activities subject to the competitive code of conduct:

	Water and sewerage	Waste management	Performing arts
	2017 \$000	2017 \$000	2017 \$000
Revenue for services provided to the council	22,953	6,949	-
Revenue for services provided to external clients	160,936	27,577	2,244
Community service obligations	1,776	467	-
	185,665	34,993	2,244
Less: Expenditure	(143,532)	(27,581)	(10,311)
Surplus/(deficit)	42,133	7,412	(8,067)

Description of CSOs provided to business activities:

Activities	CSO Description	Net cost \$000
Townsville Water	Concessions on water and waste water utility charges	1,776
Townsville Waste	Concessions on landfill charges, community clean-up events and other waste services	467

Note 20 Related Party Transactions

(a) Transactions with Townsville Breakwater Entertainment Centre Joint Venture

	2017
	\$
Purchase of services from joint venture for refurbishment project	19,918
Contribution of refurbishment assets to joint venture	4,273,300

(b) Key management personnel compensation (KMP)

KMP include the Mayor, councillors, council's Chief Executive Officer and directors. The compensation to the KMP for the financial year is as follows:

Short-term employee benefits	2,614,733
Post-employment benefits	320,899
Long-term employee benefits	194,185
Termination benefits	349,630
	<u>3,479,447</u>

(c) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members.

Close family members include a spouse, child or dependent of a KMP, child or dependent of a KMP's spouse and any other family member expected to be influenced by a KMP in their dealings with council.

There were no material transactions between other related parties in the period.

(d) Transactions with related parties that have not been disclosed

There are entities and individuals identified as related parties of council that also live and operate with the Townsville region. On a regular basis ordinary citizen transactions occur between council and its related parties. Some examples include:

- payment of rates
- use of council facilities such as swimming pools and libraries
- dog registration

Council has not included these types of transactions in its disclosure where they are made on the same terms and conditions available to the general public.

To the councillors of Townsville City Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Townsville City Council.

In my opinion, the financial report:

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

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

Basis for opinion

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

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

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

Other information

The other information comprises the information included in the council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the Current Year Financial Sustainability Statement and the Long-Term Financial Sustainability Statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate audit opinion on the Current Year Financial Sustainability Statement.

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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

The image shows a handwritten signature in blue ink, which appears to read 'C. G. Strickland'. To the right of the signature is an oval-shaped stamp. The stamp contains the text 'QUEENSLAND' at the top, '13 OCT 2017' in the center, and 'AUDIT OFFICE' at the bottom.

Charles Strickland
as Delegate of the Auditor-General

Queensland Audit Office
Brisbane

**TOWNSVILLE CITY COUNCIL
CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT
FOR THE YEAR ENDED 30 JUNE 2017**

Measures of financial sustainability

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

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
How the measure is calculated	Net result (excluding capital items) divided by total operating revenue (excluding capital items)*	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (excluding non-infrastructure assets)	Total liabilities less current assets divided by total operating revenue (excluding capital items)
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	-4%	92%	86%

Note 1 Basis of preparation

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

* Operating surplus ratio has been calculated from the Statement of Comprehensive Income, with details on capital revenue and capital expenditure to be excluded derived from note 3 and 4 respectively.

**CERTIFICATE OF ACCURACY
FOR THE YEAR ENDED 30 JUNE 2017**

This current-year financial sustainability statement has been prepared pursuant to s178 of the Local Government Regulation 2012 (the Regulation).

In accordance with s212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Mayor

Dated this 9th day of OCTOBER 2017,

Chief Executive Officer

Dated this 9th day of October 2017

TOWNSVILLE CITY COUNCIL
INDEPENDENT AUDITOR'S REPORT

To the Councillors of Townsville City Council

Opinion

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

In accordance with s212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Townsville City Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other information

The other information comprises the information included in the council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the general purpose financial statements and the Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate audit opinion on the general purpose financial report.

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Charles Strickland
as Delegate of the Auditor-General

Queensland Audit Office
Brisbane

Measures of financial sustainability

		Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
How the measure is calculated		Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (excluding non-infrastructure assets)	Total liabilities less current assets divided by total operating revenue (excluding capital items)
Actual Projected for the years ended	Target	between 0% and 10%	greater than 90%	not greater than 60%
	30-Jun-17	-4%	92%	86%
	30-Jun-18	0%	69%	93%
	30-Jun-19	4%	65%	90%
	30-Jun-20	4%	63%	82%
	30-Jun-21	6%	57%	66%
	30-Jun-22	6%	90%	74%
	30-Jun-23	5%	81%	88%
	30-Jun-24	5%	81%	84%
	30-Jun-25	6%	86%	75%
	30-Jun-26	6%	90%	69%

Financial management strategy

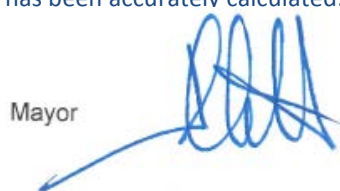
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

CERTIFICATE OF ACCURACY FOR THE LONG TERM FINANCIAL SUSTAINABILITY STATEMENT PREPARED AS AT 30 JUNE 2017

This long-term financial sustainability statement has been prepared pursuant to s178 of the Local Government Regulation 2012 (the Regulation).

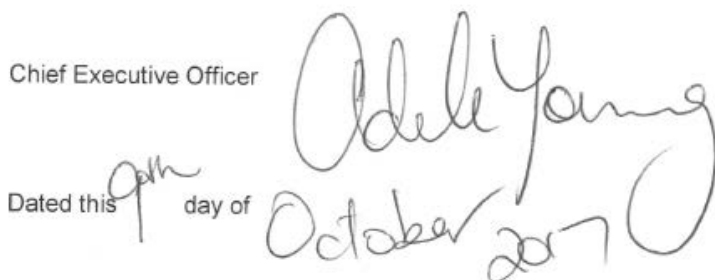
In accordance with s212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

Mayor



Dated this 9th day of OCTOBER 2017,

Chief Executive Officer



Dated this 9th day of October 2017

GLOSSARY

Administrative directives	Describe what the Chief Executive Officer (acting under s257 of the <i>Local Government Act 2009</i>) considers to be appropriate in relation to specific issues arising out of either legislation or council decisions. They generally relate to the implementation of the day-to-day operations of the council. Administrative directives are considered by Directors and Senior Managers and approved by the Chief Executive Officer.
Australian Accounting Standards	Accounting Standards issued by the Australian Accounting Standards Board that are equivalent to standards issued by the International Accounting Standards Board. These standards are binding on Queensland councils and all other bodies established pursuant to the <i>Local Government Act 2009</i> .
Community Plan	Council's 10-year strategic document identifying community needs articulating council's and the community's long-term vision, aspirations and priorities for the city.
Corporate Plan	Council's principal long-term planning document which identifies the issues and priorities for council over the next five years and beyond and from which other council plans, strategies, policies and processes are created.
Enterprise Bargaining Agreement (EBA)	An agreement between an employer and their employees which is negotiated through collective bargaining. The agreement covers the terms and conditions of employment for all employees involved.
Financial Statements	The Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows prepared in accordance with Australian Accounting Standards together with the notes and certification statements.
Governance	The process by which decisions are taken and implemented, organisations are controlled and managed to achieve their objectives, and the process by which organisations are directed, reviewed and held to account.
Kilolitre (kL)	One kilolitre of water = 1,000 litres
Local Government Act 2009	The principal legislation which provides the legal framework for Queensland's local government sector.
Local Government Association of Queensland (LGAQ)	The peak body for local government in Queensland. A not-for-profit association set up solely to serve the state's 77 councils and their individual needs.
Local laws	Those laws under the jurisdiction of the council and enforced by city staff and/or Police.
Megalitre (ML)	One megalitre of water = 1,000,000 litres
Operational Plan	A document with a one-year outlook, which outlines the key activities to be undertaken to achieve the desired outcomes set out in the Corporate Plan. This is a legislative requirement.
Personal protective equipment (PPE)	Refers to anything used or worn to minimise risk to workers' health and safety. This may include, but is not limited to: boots, ear plugs, face masks, gloves, goggles, hard hats, high visibility clothing, safety shoes, and sunscreen.
Policy	A statement, formally adopted by council that describes the council's position on a particular issue. All policies are consistent with council's long, medium and short term planning outcomes and some will directly support the delivery of the council's Community and Corporate Plans.
State Development Area (SDA)	Defined area of 4,915 hectares dedicated for industrial development. It is located six kilometres south-east of the Townsville CBD and 2km south of the Port of Townsville.
Waterfront Priority Development Area (PDA)	Covers land located on both sides of Ross Creek, which is directly adjacent to Townsville's Central Business District (CBD). The PDA has an area of approximately 63.7 hectares over land and 33.5 hectares over water.

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