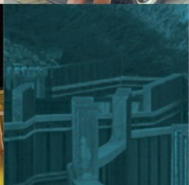


4 Month Budget Review 2014/15



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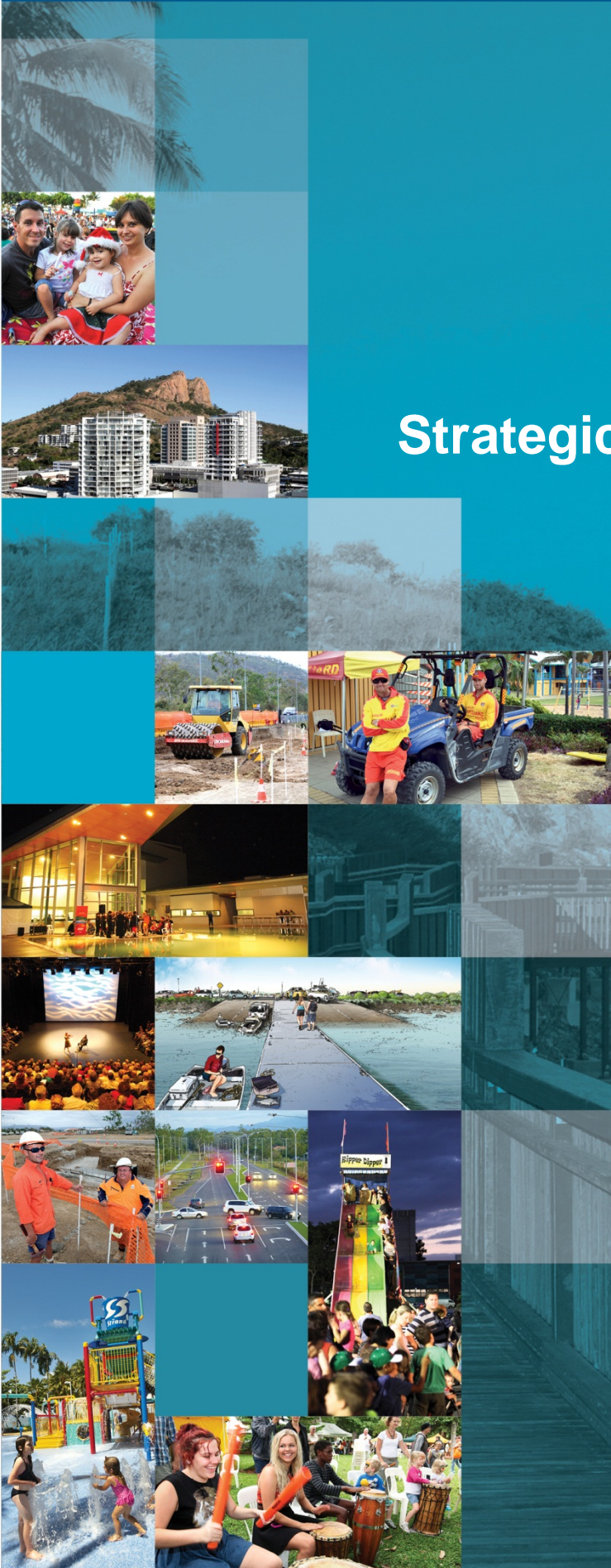
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***Figures in tables and generally in the text throughout this document have been rounded.
Any discrepancies in tables between totals and sums of components are due to rounding.***

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Strategic Financial Framework



Strategic Financial Plan and Financial Sustainability

This long-term planning for infrastructure assets allows council to understand the future financial commitments, and to develop strategies that address key strategic issues. These long term plans inform council's approach to service provision and service levels, how council manages its debt and where council sources its revenue from—including how it will apply rates. All of these factors assist council to understand what its future commitments are in order to prepare the budget.

The following sets out a brief description of the financial reports required under section (1) (b) of the *Local Government Regulation 2012*.

Income Statement

The income statement is a financial statement that measures the local government's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how the business incurs its revenues and expenses through both operating and non-operating activities. It also shows the net profit or loss incurred over a specific accounting period, typically over a fiscal year.

Balance Sheet

The Balance Sheet is a financial statement that summarises the local government's assets, liabilities and equity at a specific point in time. It presents what the council owns and owes, as well as the value of community equity utilised by the council.

Cash Flow Statement

The Statement of Cash Flows is a financial statement that provides an overview of the cash inflows and outflows of the local government, typically over a fiscal year.

Statement of Changes in Equity

The Statement of Changes in Equity is a summary of the changes in equity of a local government that have occurred during a specific accounting period, typically over a fiscal year.

Income Statement

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
General Rates	167,415	176,481	186,491	195,471	204,883	214,910	225,505	236,812	248,686	261,154
Utility Charges	188,846	196,244	203,061	210,160	217,587	225,590	234,879	244,737	256,005	267,800
<i>Water</i>	90,956	94,491	97,817	101,300	104,979	109,013	113,241	117,715	122,378	127,226
<i>Wastewater</i>	79,593	82,596	85,165	87,814	90,548	93,438	97,358	101,525	106,851	112,456
<i>Refuse & Recycling</i>	18,297	19,157	20,079	21,046	22,060	23,139	24,280	25,497	26,776	28,118
Less Discounts and Concessions	(31,471)	(34,361)	(36,292)	(38,112)	(39,962)	(41,918)	(43,986)	(46,193)	(48,512)	(50,951)
Fees and Charges	24,581	25,564	26,527	27,527	28,566	29,646	30,767	31,932	33,143	34,401
Income from Investments and Financing	5,751	4,720	3,629	4,005	4,278	4,310	4,482	4,817	5,321	5,826
Contributions Recurrent	1,542	1,481	1,430	1,388	1,354	1,328	1,309	1,296	1,289	1,288
Grants & Subsidies Recurrent	22,532	23,433	24,371	25,346	26,359	27,414	28,510	29,651	30,837	32,070
Other Revenue	14,413	14,811	15,219	15,639	16,071	16,515	16,970	17,439	17,920	18,415
Total Revenue	393,609	408,373	424,436	441,424	459,136	477,795	498,436	520,491	544,689	570,003
Less Expenses										
Employee Costs	136,267	140,880	146,536	152,419	157,776	164,250	171,050	178,274	185,803	193,651
Materials and Services	124,516	134,505	138,993	143,308	150,667	157,104	165,436	172,049	180,296	189,066
Depreciation & Amortisation	104,863	109,819	115,814	120,856	127,642	133,232	137,385	142,327	149,611	157,030
Finance Costs	22,517	20,736	20,374	19,681	18,206	16,803	16,328	16,678	17,161	18,869
Other Expenses	1,482	1,569	1,663	1,764	1,871	1,984	2,104	2,231	2,367	2,510
Total Expenses	389,645	407,509	423,380	438,028	456,162	473,373	492,303	511,559	535,238	561,126
Surplus/(Deficit) Before Capital Income	3,964	864	1,056	3,396	2,974	4,422	6,133	8,932	9,451	8,877
Operating Surplus Ratio	1.01%	0.21%	0.25%	0.77%	0.65%	0.93%	1.23%	1.72%	1.74%	1.56%
Capital Income										
Grants, Subsidies, Contributions and Donations	115,446	137,255	149,793	228,325	209,865	172,610	139,786	174,259	136,465	113,956
Gain/(loss) on Sale of Property Plant & Equipment	117	490	490	490	490	490	520	490	490	500
Total Capital Income	115,563	137,745	150,283	228,815	210,355	173,100	140,306	174,749	136,955	114,456
Increase/(Decrease) in Operating Capability	119,527	138,609	151,339	232,211	213,329	177,522	146,439	183,681	146,406	123,333

Balance Sheet

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current Assets										
Cash Assets	100,304	58,565	60,586	72,251	70,251	73,223	74,778	84,022	91,135	100,154
Receivables	31,120	32,261	33,577	35,666	37,257	39,345	41,654	44,788	45,164	46,265
Inventories	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606
Prepayments	3,539	3,637	3,737	3,840	3,946	4,055	4,167	4,282	4,400	4,522
Other	0	0	0	0	0	0	0	0	0	0
Total Current Assets	136,569	96,069	99,506	113,363	113,060	118,229	122,205	134,698	142,305	152,547
Non-Current Assets										
Investments	25,625	25,625	25,625	25,625	25,625	25,625	25,625	25,625	25,625	25,625
Other	83,267	83,267	83,267	83,267	83,267	83,267	83,267	83,267	83,267	83,267
Property Plant and Equipment	5,027,833	5,339,664	5,642,925	5,998,215	6,357,224	6,685,612	7,025,154	7,400,902	7,763,324	8,129,078
Total Non-Current Assets	5,136,725	5,448,556	5,751,817	6,107,107	6,466,116	6,794,504	7,134,046	7,509,794	7,872,216	8,237,970
Total Assets	5,273,294	5,544,625	5,851,323	6,220,470	6,579,176	6,912,733	7,256,251	7,644,492	8,014,521	8,390,517
Current Liabilities										
Payables	23,130	23,750	24,564	25,361	26,178	27,091	28,173	29,266	30,413	31,546
Interest Bearing Liabilities	19,544	21,281	22,587	24,061	25,822	29,552	33,344	38,002	40,477	32,780
Provisions	38,587	40,174	41,888	43,675	45,538	47,499	49,553	51,716	53,973	56,330
Total Current Liabilities	81,261	85,205	89,039	93,097	97,538	104,142	111,070	118,984	124,863	120,656
Non-Current Liabilities										
Interest Bearing Liabilities	309,257	297,976	302,389	278,328	252,506	227,954	238,610	244,608	262,131	309,351
Provisions	30,783	32,042	33,401	34,818	36,295	37,848	39,476	41,189	42,977	44,843
Total Non-Current Liabilities	340,040	330,018	335,790	313,146	288,801	265,802	278,086	285,797	305,108	354,194
Total Liabilities	421,301	415,223	424,829	406,243	386,339	369,944	389,156	404,781	429,971	474,850
Net Community Assets	4,851,993	5,129,402	5,426,494	5,814,227	6,192,837	6,542,789	6,867,095	7,239,711	7,584,550	7,915,667
Community Equity										
Asset revaluation reserve	1,235,546	1,374,346	1,520,099	1,675,621	1,840,902	2,013,332	2,191,199	2,380,134	2,578,567	2,786,351
Retained surplus	3,616,447	3,755,056	3,906,395	4,138,606	4,351,935	4,529,457	4,675,896	4,859,577	5,005,983	5,129,316
Total Community Equity	4,851,993	5,129,402	5,426,494	5,814,227	6,192,837	6,542,789	6,867,095	7,239,711	7,584,550	7,915,667

Cash Flow Statement

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities										
Receipts										
Net Rates, Utility, Fees & Charges & Other Receipts	389,389	397,231	415,386	432,712	449,343	468,232	487,735	510,129	536,815	561,037
Interest Received	4,279	4,720	3,629	4,005	4,278	4,310	4,482	4,817	5,321	5,826
Payments										
Materials and Services and Employee Costs	(256,869)	(268,206)	(279,201)	(290,873)	(302,233)	(315,746)	(329,915)	(345,173)	(361,097)	(377,833)
Finance Costs	(22,517)	(20,736)	(20,374)	(19,681)	(18,206)	(16,803)	(16,328)	(16,678)	(17,161)	(18,869)
Other	(95)	(98)	(100)	(103)	(106)	(109)	(112)	(115)	(118)	(121)
Net Cash Provided by Operating Activities	114,187	112,911	119,340	126,060	133,076	139,884	145,862	152,980	163,760	170,040
Cash Flow from Investing Activities										
Payment for Property, Plant & Equipment (Capex)	(170,567)	(237,611)	(230,920)	(276,098)	(274,128)	(239,565)	(246,866)	(276,567)	(259,838)	(258,053)
Subsidies, Donations and Contributions for New Capex	66,688	91,275	106,652	182,880	161,993	122,175	86,651	120,825	81,303	57,009
Proceeds from Sale of Property, Plant & Equipment	920	1,230	1,230	1,410	1,120	1,300	1,460	1,350	1,890	500
Net Cash Used in Investing Activities	(102,959)	(145,106)	(123,038)	(91,808)	(111,015)	(116,090)	(158,755)	(154,392)	(176,645)	(200,544)
Cash Flows from Financing Activities										
Proceeds from Borrowings	15,000	10,000	27,000	0	0	5,000	44,000	44,000	58,000	80,000
Repayment of Borrowings	(19,938)	(19,544)	(21,281)	(22,587)	(24,061)	(25,822)	(29,552)	(33,344)	(38,002)	(40,477)
Net Cash Provided by Financing Activities	(4,938)	(9,544)	5,719	(22,587)	(24,061)	(20,822)	14,448	10,656	19,998	39,523
Net Increase/(Decrease) in Cash Held	6,290	(41,739)	2,021	11,665	(2,000)	2,972	1,555	9,244	7,113	9,019
Cash at Beginning of Reporting Period	94,014	100,304	58,565	60,586	72,251	70,251	73,223	74,778	84,022	91,135
Cash at End of Reporting Period	100,304	58,565	60,586	72,251	70,251	73,223	74,778	84,022	91,135	100,154

Statement of Changes in Equity

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Retained Surplus										
Opening Balance	3,496,920	3,616,447	3,755,056	3,906,395	4,138,606	4,351,935	4,529,457	4,675,896	4,859,577	5,005,983
Net result for the period	119,527	138,609	151,339	232,211	213,329	177,522	146,439	183,681	146,406	123,333
Closing Balance	3,616,447	3,755,056	3,906,395	4,138,606	4,351,935	4,529,457	4,675,896	4,859,577	5,005,983	5,129,316
Asset Revaluation Reserve										
Opening Balance	1,106,507	1,235,546	1,374,346	1,520,099	1,675,621	1,840,902	2,013,332	2,191,199	2,380,134	2,578,567
Asset Revaluation	129,039	138,800	145,753	155,522	165,281	172,430	177,867	188,935	198,433	207,784
Closing Balance	1,235,546	1,374,346	1,520,099	1,675,621	1,840,902	2,013,332	2,191,199	2,380,134	2,578,567	2,786,351
Total Community Equity	4,851,993	5,129,402	5,426,494	5,814,227	6,192,837	6,542,789	6,867,095	7,239,711	7,584,550	7,915,667

Financial sustainability performance

The following section is a summary of Townsville City Council's financial sustainability. It sets out each of the required long-term financial sustainability measures, along with council's performance against each.

The *Local Government Regulation 2012* includes the relevant measures of financial sustainability at section 169(5). The measures are to be used to evaluate the financial sustainability of local governments in Queensland. These measures are separately categorised as being related to the sustainability of infrastructure capital and financial capital in accordance with the Act.

Relevant Measures of Sustainability

Table 1 indicates the relevant measures of financial sustainability as well as identified target ranges as described in the Financial Management (Sustainability) Guideline 2011. In addition, it outlines council's performance against each of the measures over the forecast period.

Operating Surplus Ratio

This is an indicator of the extent to which revenues raised cover operational expenses or are available for capital funding purposes or other purposes.

A positive ratio indicates that surplus revenue is available. This may be used to support the funding of capital expenditure or used to offset past or future operating deficits. If the surplus is not required for this purpose in a particular year, it can be held to support future capital expenditure funding as a financial asset, used to offset past deficit funding or, used to reduce current debt levels.

Net Financial Asset / Liability Ratio

This is an indicator of the extent to which the net financial liabilities of council can be serviced by its operating revenues.

A ratio greater than zero (positive) indicates that total financial liabilities exceed current assets. These net financial liabilities must be serviced using available operating revenues.

A positive value less than 60 per cent indicates the council has the capacity to fund the financial liabilities and appears to have the capacity to increase its loan borrowings if required.

A positive value greater than 60 per cent indicates the council has limited capacity to increase its loan borrowings.

Asset Sustainability Ratio

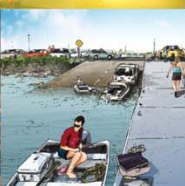
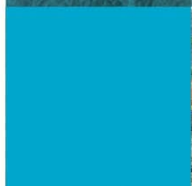
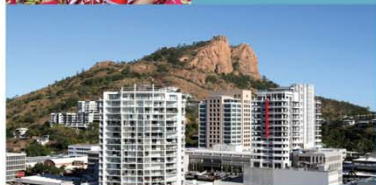
This is an approximation of the extent to which the infrastructure assets managed by council are being replaced as these reach the end of their useful lives.

This ratio indicates whether council is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out.

Table 1

	Target Ratio	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Operating Surplus Ratio (Net Operating Surplus / Total Operating Revenue) (%)	0.0% - 10%	1.01%	0.21%	0.25%	0.77%	0.65%	0.93%	1.23%	1.72%	1.74%	1.56%
Net Financial Asset / Liability Ratio (Total Liabilities - Current Assets) / Total Operating Revenue)	<60%	72.7%	78.5%	76.9%	66.6%	59.8%	52.9%	53.8%	52.1%	53.0%	56.8%
Asset Sustainability Ratio (Capital Expenditure on the Replacement of Assets (Renewals) / Depreciation Expense)	>90%	88.7%	90.9%	83.1%	78.1%	74.0%	75.9%	102.2%	79.0%	115.6%	112.8%

4 Month Budget Review 2014/15



4 Month Revised Budget 2014/15

The draft 4 month revised budget 2014/15 has been prepared in consultation with the Chief Executive Officer, all Directors, the Executive Manager Finance and the Budget Review Committee, including the Mayor and the Chair of the Finance and Governance Committee.

The draft revised budget forecasts a marginal decrease in the operating surplus from \$4,187,000 to \$3,962,000 when compared to the 2014/15 adopted budget. Capital Income is forecast to reduce by \$6,017,000 and Capital Works is forecast to reduce by \$14,136,000, compared to the 2014/15 adopted budget.

An income statement comparing the adopted budget 2014/15 and the draft 4 Month Revised Budget 2014/15 is presented at table 2. A budget movement summary can be viewed at table 3.

The draft 4 Month Revised Budget is consistent with the Corporate Plan 2009-2014. Council's financial policies remain unchanged as a result of budget review and have not been restated within this report. The policies can be viewed in the 2014/15 Joint Operational Plan and Budget document adopted by council in July 2014 and include:

- Revenue Statement
- Revenue Policy
- Debt Policy
- Investment Policy
- Pensioner Rates Concession Policy

Table 2

Income Statement – Budget Comparison

	Adopted Budget	Draft 4 Month Revised	Budget Movement
	FY 2014/15 \$'000	FY 2014/15 \$'000	\$'000
Operating Revenue			
General Rates	165,166	167,415	2,250
Utility Charges	189,045	188,845	(200)
<i>Water</i>	90,956	90,956	0
<i>Wastewater</i>	79,593	79,593	0
<i>Refuse & Recycling</i>	18,496	18,297	(200)
Less Discount & Concessions	(31,768)	(31,471)	296
Fees & Charges	27,576	24,581	(2,995)
Income From Investments & Financing	5,478	5,751	272
Contributions Recurrent	2,043	1,542	(501)
Grants & Subsidies Recurrent	16,459	22,532	6,073
Other Revenue	14,077	14,413	335
Total Revenue	388,076	393,607	5,530
Operating Expenses			
Employee Costs	131,251	136,267	(5,016)
Materials & Services	122,667	128,712	(6,045)
Taxes Other Than Income Tax	1,086	0	1,086
Other Expenses	1,506	1,482	25
Total Expenses	256,511	266,461	(9,950)
Surplus/(Deficit) Before Depn, Finance Costs & Internals	131,565	127,146	(4,419)
Depreciation & Amortisation	108,251	104,863	3,388
Finance Costs	22,952	22,517	435
Internal Allocations	(3,825)	(4,196)	371
Total Depn, Finance Costs & Internals	127,378	123,184	4,194
Surplus/(Deficit) Before Capital	4,187	3,962	(225)
Operating Surplus Ratio		1.01%	
Capital Income			
Grants, Subsidies, Contributions And Donations	121,178	115,446	(5,733)
Gain/(Loss) On Sale Of Property Plant & Equipment	401	117	(284)
Capital Expense			
Loss On Investment	0	0	0
Other Capital Expenses	0	0	0
Total Capital Income	121,579	115,563	(6,017)
Increase / (Decrease) In Operating Capability	125,766	119,525	(6,242)

Table 3

Operating Revenue

Details	Amount \$'000
Adopted Budget Operating Revenue	388,076
Community And Cultural Services	
Increase in revenue related to changes in grant funding and works recovered from V8 event	230
Enabling Services	
Adjustment to forecast rates revenue and associated discounts to reflect actual trends.	2,647
Reduction in revenue due to a revision of the Financial Assistance Grant (FAG) received from the Department of Local Government (DLG)	(81)
Increased interest revenue forecast	272
Environment And Sustainability Services	
Minor revenue adjustments	18
Planning & Development	
Increase in fees and charges revenue	217
Minor revenue adjustments	84
Public Infrastructure	
Increase in revenue associated with the Townsville Recreational Boat Park in water.	4,805
Increase in revenue for NDRRA 2011 and 2012 events	1,074
Increase in revenue due to a revision of the Financial Assistance Grant (FAG) received from the Department of Local Government (DLG)	58
Decrease in expected developer contributions for drainage works	(726)
Solid Waste Management	
Increase in utility revenue due to rates properties being higher than budgeted expectations	1,433
Reduction in revenue to remove the effect of carbon tax on utility charges	(1,633)
Reduction in revenue to remove the effect of carbon tax on landfill disposal charges	(1,785)
Reduction in revenue due to lower than expected tonnages received at the landfills	(1,433)
Minor revenue adjustments	109
Wastewater Services	
Increase in revenue due to developer contributions (strategic planning component)	120
Water Services	
Increase in revenue due to developer contributions (strategic planning component)	105
Other minor budget adjustments	17
4 Month Budget Operating Revenue	393,607

Operating Expenditure (Before depreciation, financing costs and internals)

Details	Amount \$'000
Adopted Budget Operating Expenditure (before depreciation, financing costs and internals)	256,511
Community And Cultural Services	
Increase in grants expenditure (Best Start Program & Get Ready QLD)	206
Other minor budget adjustments	276
Enabling Services	
Increase in expenditure due to service delivery demands for the Resource Plant Allocation (RPA) office	286
Increase in wages expenditure for the Laboratory due to additional resourcing required	216
Decrease in expenditure resulting from recent changes to Ergon tariffs and the removal of the carbon tax	(365)
Removal of wages recovery budget	234
Other minor budget adjustments	236
Environment And Sustainability Services	
Minor budget adjustments	49
Planning And Development	
Increase in expenditure to fund a commercial wastewater venture investigation.	46
Public Infrastructure	
Increase in revenue resulting from two major variations within the Townsville Recreational Boat Park works including the construction of Ramps C&D combined with the latent condition of unsuitable ground.	4,739
Increase in expenditure resulting from identified NDRRA 2014 event	1,695
Decrease in expenditure due to the removal of electricity costs relating to carbon tax.	(447)
Removal of wages recovery budget combined with a reallocation of wages	2,543
Minor budget adjustments	(380)
Solid Waste Management	
Increase in External labour hire and wages	640
Removal of Carbon Tax Liability	(1,105)
Other minor budget adjustments	80
Wastewater Services	
Removal of wages recovery budget	286
Other minor budget adjustments	311
Reduction in employee costs which reflect year to date underspend	(114)
Water Services	
Removal of wages recovery budget	383
Other minor budget adjustments	271
Reduction in employee costs which reflect year to date underspend	(136)
4 Month Budget Operating Expenditure (before depreciation, financing costs and internals)	266,461

Capital Income and Capital Works

Details	Amount \$'000
Adopted Budget Capital Income	121,579
Community And Cultural Services	
Adjustments for Jezzine Trust and grants revenue	361
Reduce revenue to reflect draft Townsville Entertainment and Convention Centre funding agreement	(2,927)
Enabling Services	
Adjustment in revenue due to additional donated assets and increased net book value of assets retired	(69)
Environment And Sustainability Services	
Increase in capital revenue relating to the Community Energy Efficiency Program (CEEP) for stage one for the Strand lighting and Enterprise Energy Management System	364
Planning & Development	
No Change	
Public Infrastructure	
Change in expected capital developer contributions for drainage, open spaces and roads infrastructure.	(584)
Increased revenue resulting from funding for Howitt St Drainage	1,100
Increase in revenue resulting from identified donated assets	336
Increase in revenue resulting from funding for Angus Smith Drive and Riverway Drive lighting projects, additional TIDS funding offset by the removal of the DDA	1,602
Bus Stop funding	
Recognition of anticipated NDRRA capital works funding	1,502
Recognition of TECC funding	4,983
Decrease in revenue and expenditure resulting from a reduction in Blakey's Crossing project	(4,554)
Other minor capital revenue changes	(240)
Wastewater Services	
Adjustments to donated assets and developer contributions	(392)
Water Services	
Adjustments to donated assets and developer contributions	(7,498)
4 Month Budget Capital Income	115,563
Adopted Budget Capital Works	246,734
Community And Cultural Services	
NPCIA Pilot study for Recycling and Litter	115
Increased expenditure resulting from ongoing Jezzine Barracks works as discussed at EMT	632
Movement of Townsville Entertainment and Convention Centre works from Capital Works to Investment	(4,882)
Enabling Services	
Increase to the level of donated assets included.	215
Increase in expenditure due to additional Hook Truck being purchased as per EMT approval	305
Other minor capital works changes	164
Environment And Sustainability Services	
Increase to expenditure relating to stages 1 and 2 of the Community Energy Efficiency Program (CEEP).	887
Planning & Development	
No Change	
Public Infrastructure	
Increase in revenue and expenditure resulting from two major variations within the Townsville Recreational Boat Park works including the construction of Ramps C&D combined with the latent condition of unsuitable ground. This has brought forward the capital works component to gain access to the ramps.	3,000
Increase in Donated Assets	336
Decrease in revenue and expenditure resulting from a reduction in Blakey's Crossing project	(4,554)
Other minor capital works changes	303
Waste Services	
Additional funding required for the Hervey Range Sedimentation Project	4,987
Additional funding required for Land purchase at HR for environmental buffer	740
Other minor capital works changes	100
Wastewater Services	
Increase in Donated Assets	3,102
Reduction to capital for CBPP Upgrade Contingency project not proceeding this financial year	(20,000)
Reduction to capital for CBPP STP Process Upgrade not proceeding this financial year	(2,510)
Increase to capital across Wastewater Services capital projects	1,265
Water Services	
Increase in Donated Assets	1,580
Reallocation of WIP/Capital Works across TWW Services, additional funding required for Stuart Drive Mains Augmentation - Construction Phase	79
4 Month Budget Capital Works	232,598

Revenue

The income statement at table 4 includes the expected revenue for 2014/15, 2015/16 and 2016/17 per Council's long term financial plan. It provides an overview of the total expected revenue for rates and utility charges, less discounts and concessions and council's fees and charges. The investment income relates to interest on bank balances and investments.

Contributions relate to developer contributions.

Government grants and contributions include all monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. This includes a grant received for the Natural Disaster Recovery Relief Assistance program, the Financial Assistance grant and other miscellaneous grants.

Other Revenue consists of revenue not separately categorised above. It includes, but is not limited to revenues such as legal recoveries, bad debt recoveries, private works, and sponsorships.

Expenditure

Expenditure includes employee costs, materials and services, depreciation and finance costs.

Employee costs include all labour related expenditure such as wages and salaries and on-costs such as allowances, leave entitlements and employer superannuation. It also includes payments for external labour hire where the position or skill cannot be filled by internal staff.

Materials and Services includes but is not limited to, costs relating to council buildings maintenance, employee related costs such as training and uniforms, plant hire, purchasing of equipment, software licences and other IT costs, marketing, repairs and maintenance to Council's infrastructure, utilities and insurance and donations given to the Community.

Depreciation is an accounting measure which reflects the consumption of the Council's infrastructure, property plant and equipment.

Finance costs relate to interest and fees on borrowings as well in the valuations of landfill restoration provisions due to discounted cash flow movements (referred to as unwinding of discounts).

Taxes other than income tax relates to the budget for anticipated Carbon Tax abatements.

Other expenses relates mostly to the write off of bad and doubtful debts.

Income Statement

Table 4

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Revenue			
General Rates	167,415	176,481	186,491
Utility Charges	188,846	196,244	203,061
<i>Water</i>	90,956	94,491	97,817
<i>Wastewater</i>	79,593	82,596	85,165
<i>Refuse & Recycling</i>	18,297	19,157	20,079
Less Discounts and Concessions	(31,471)	(34,361)	(36,292)
Fees and Charges	24,581	25,564	26,527
Income from Investments and Financing	5,751	4,720	3,629
Contributions Recurrent	1,542	1,481	1,430
Grants & Subsidies Recurrent	22,532	23,433	24,371
Other Revenue	14,413	14,811	15,219
Total Revenue	393,609	408,373	424,436
Less Expenses			
Employee Costs	136,267	140,880	146,536
Materials and Services	124,516	134,505	138,993
Depreciation & Amortisation	104,863	109,819	115,814
Finance Costs	22,517	20,736	20,374
Taxes Other Than Income Tax	0	0	0
Other Expenses	1,482	1,569	1,663
Total Expenses	389,645	407,509	423,380
Surplus/(Deficit) Before Capital Income 1	3,964	864	1,056
Operating Surplus Ratio	1.01%	0.21%	0.25%
Capital Income			
Grants, Subsidies, Contributions and Donations 2	115,446	137,255	149,793
Gain/(loss) on Sale of Property Plant & Equipment	117	490	490
Total Capital Income	115,563	137,745	150,283
Increase/(Decrease) in Operating Capability	119,527	138,609	151,339
Pursuant to Section 169 (6) and (7) of the Local Government Regulation 2012			
	13/14 - 14-15	14/15 - 15/16	15/16 - 16/17
Increase in rates and utility changes revenue before discounts and concessions (increases include forecast growth of 1.7%)	3.12%	4.62%	4.51%
Increase in rates and utility changes revenue after discounts and concessions (increases include forecast growth of 1.7%)	2.99%	4.18%	4.40%
1 Included in the 2014/15 surplus (before capital income) is \$1.88 million for NDRRA activities. No operational revenue or expenditure is included for NDRRA in 2015/16 or subsequent financial years.			
2 NDRRA capital revenue in 2014/15 is \$1.94 million. No capital revenue or expenditure is included for NDRRA in 2015/16 or subsequent financial years.			

Balance Sheet

The balance sheet details council's current assets, non-current assets and liabilities. It also details the total community equity with further detail provided in the statement of changes in equity table 7 shown on over page.

Table 5

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Current Assets			
Cash Assets	100,304	58,565	60,586
Receivables	31,120	32,261	33,577
Inventories	1,606	1,606	1,606
Prepayments	3,539	3,637	3,737
Total Current Assets	136,569	96,069	99,506
Non-Current Assets			
Investments	25,625	25,625	25,625
Other	83,267	83,267	83,267
Property Plant and Equipment	5,027,833	5,339,664	5,642,925
Total Non-Current Assets	5,136,725	5,448,556	5,751,817
Total Assets	5,273,294	5,544,625	5,851,323
Current Liabilities			
Payables	23,130	23,750	24,564
Interest Bearing Liabilities	19,544	21,281	22,587
Provisions	38,587	40,174	41,888
Total Current Liabilities	81,261	85,205	89,039
Non-Current Liabilities			
Interest Bearing Liabilities	309,257	297,976	302,389
Provisions	30,783	32,042	33,401
Total Non-Current Liabilities	340,040	330,018	335,790
Total Liabilities	421,301	415,223	424,829
Net Community Assets	4,851,993	5,129,402	5,426,494
Community Equity			
Asset revaluation reserve	1,235,546	1,374,346	1,520,099
Retained surplus	3,616,447	3,755,056	3,906,395
Total Community Equity	4,851,993	5,129,402	5,426,494

Cash Flow Statement

The cash flow statement provides details of cash flows arising from council's operating activities, investment activities, financing activities and cash held at the end of the reporting period.

Table 6

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
<i>Cash Flows from Operating Activities</i>			
Receipts			
Net Rates, Utility, Fees & Charges & Other Receipts	389,389	397,231	415,386
Interest Received	4,279	4,720	3,629
Other	0	0	0
Payments			
Materials and Services and Employee Costs	(256,869)	(268,206)	(279,201)
Finance Costs	(22,517)	(20,736)	(20,374)
Other	(95)	(98)	(100)
Net Cash Provided by Operating Activities	114,187	112,911	119,340
<i>Cash Flow from Investing Activities</i>			
Payment for Property, Plant & Equipment (Capex)	(170,567)	(237,611)	(230,920)
Subsidies, Donations and Contributions for New Capex	66,688	91,275	106,652
Proceeds from Sale of Property, Plant & Equipment	920	1,230	1,230
Net Cash Used in Investing Activities	(102,959)	(145,106)	(123,038)
<i>Cash Flows from Financing Activities</i>			
Proceeds from Borrowings	15,000	10,000	27,000
Repayment of Borrowings	(19,938)	(19,544)	(21,281)
Net Cash Provided by Financing Activities	(4,938)	(9,544)	5,719
Net Increase/(Decrease) in Cash Held	6,290	(41,739)	2,021
Cash at Beginning of Reporting Period	94,014	100,304	58,565
Cash at End of Reporting Period	100,304	58,565	60,586

Statement of Changes in Equity

Table 7

	2014/15	2015/16	2016/17
	\$'000	\$'000	\$'000
Retained Surplus			
Opening Balance	3,496,920	3,616,447	3,755,056
Net result for the period	119,527	138,609	151,339
Closing Balance	3,616,447	3,755,056	3,906,395
Asset Revaluation Reserve			
Opening Balance	1,106,507	1,235,546	1,374,346
Asset Revaluation	129,039	138,800	145,753
Closing Balance	1,235,546	1,374,346	1,520,099
Total Community Equity	4,851,993	5,129,402	5,426,494

Council Business Activities

Table 8

Account Classification	Townsville Water FY \$000	Townsville Waste FY \$000	Performing Arts FY \$000
Operating Revenue			
Rate Charges	0	0	0
Utility Charges	184,811	18,458	0
Less Discount & Concessions	(2,661)	(101)	0
Fees & Charges	3,225	14,150	649
Income From Investments & Financing	683	94	0
Contributions Recurrent	667	0	0
N.C.P. Revenue / Recovery	4,368	418	0
Grants & Subsidies Recurrent	0	0	55
Other Revenue	2,953	989	782
Total Operating Revenue	194,045	34,008	1,486
Operating Expenses			
Employee Costs	23,408	7,253	2,652
Materials & Services	44,716	17,183	6,840
Finance Costs	17,144	791	0
Depreciation & Amortisation	39,111	3,022	75
N.C.P. Expense / Charges	658	445	0
Taxes Other Than Income Tax	0	0	0
Other Expenses	10	12	8
Total Operating Expenses	125,046	28,707	9,576
Operating Surplus / (Deficit) Before Income Tax & Capital items	68,998	5,301	(8,089)
Income Tax	20,673	1,612	0
Operating Surplus / (Deficit) Before Capital items	48,325	3,689	(8,089)
Capital Income			
Contributions Capital	19,735	0	0
Contributions Non-Cash Capital	13,285	0	0
Grants & Subsidies Capital	0	0	0
Profit/Loss On Sale Of Assets	0	0	0
Revaluation Reserve Retired	0	0	0
Total Capital Income	33,021	0	0
Capital Expense			
Impairment Losses	0	0	0
Revaluation Decrement	0	0	0
Other Capital Expenses	0	0	0
Total Capital Expense	0	0	0
Increase / (Decrease) In Operating Capability	81,346	3,689	(8,089)
Capital Works			
Capital Works	60,853	13,262	25
Restoration & Rehabilitation Works	0	11,204	0
Donated Assets	13,285	0	0
Total Capital Works	74,138	24,466	25

Business Activity Statement

Table 9

Account Classification	Townsville Water FY \$000	Townsville Waste FY \$000	Performing Arts FY \$000
Operating Revenue			
Services provided to Local Government	17,338	6,647	0
Services provided to clients other than Local Government	172,984	27,092	1,486
Community Service Obligation	3,723	269	0
Total Operating Revenue	194,045	34,008	1,486
Operating Expenses	125,046	28,707	9,576
Other Capital Amounts	33,021	0	0
Increase / (Decrease) In Operating Capability Before Tax	102,019	5,301	(8,089)
Income Tax	20,673	1,612	0
Increase / (Decrease) in Operating Capability after Tax	81,346	3,689	(8,089)

Community Service Obligations	Townsville Water FY \$000	Townsville Waste FY \$000
Concessions on Wastewater Utility Charges	520	
Concessions on Water Utility Charges	3,203	
Concessions on landfill fees for charity organisations		65
Costs of provision of dead animal collection services		24
Costs of provision of infirmed services		26
Clean-up Australia Day		7
Great Northern Clean-up		3
Landfill Free Access Weekend		144
Total Community Service Obligations	3,723	269