

9 Month Budget Review 2014/15

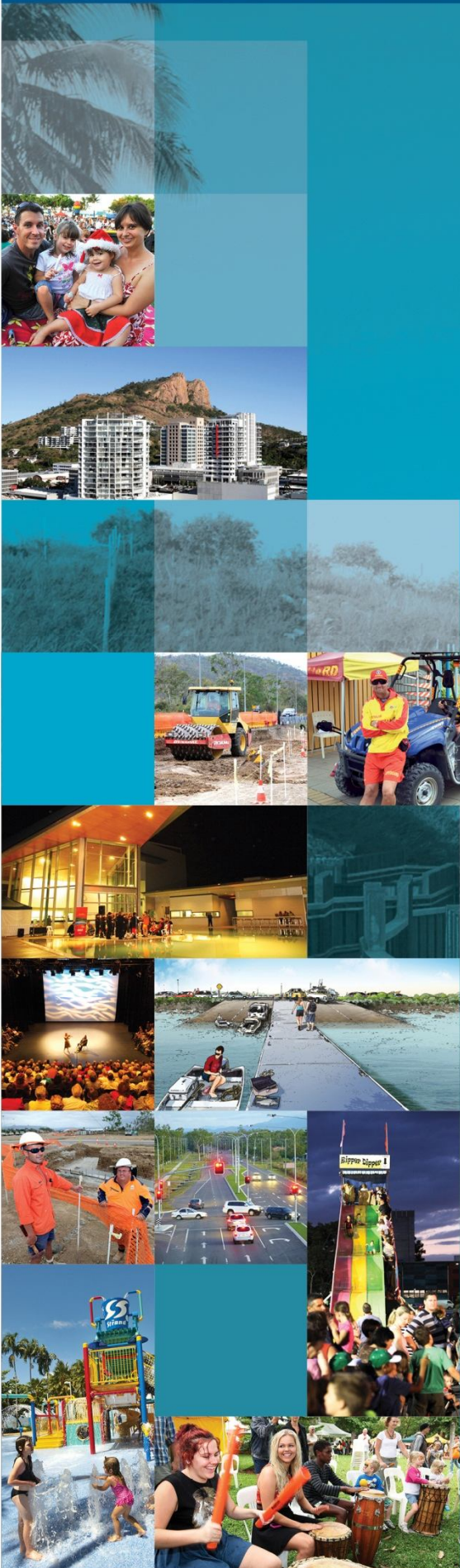
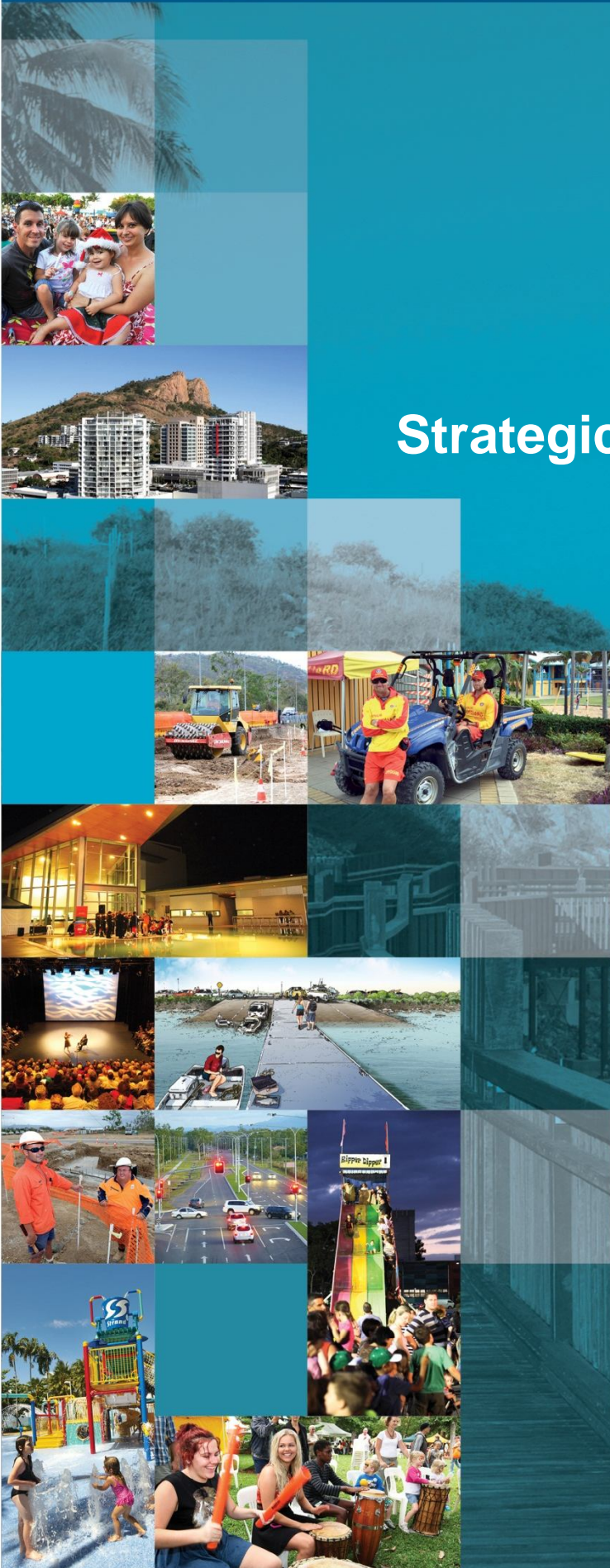


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***Figures in tables and generally in the text throughout this document have been rounded.
Any discrepancies in tables between totals and sums of components are due to rounding.***

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	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006	\$'007
Revenue										
General rates	167,415	176,478	187,347	196,369	205,824	215,897	226,542	237,900	249,828	262,354
Utility charges	187,973	191,101	197,740	204,653	211,886	219,679	228,727	238,329	249,306	260,799
<i>Water</i>	90,415	91,652	94,878	98,256	101,825	105,737	109,839	114,178	118,701	123,404
<i>Wastewater</i>	80,035	80,782	83,296	85,889	88,565	91,394	95,229	99,305	104,514	109,996
<i>Refuse & Recycling</i>	17,523	18,667	19,566	20,508	21,496	22,548	23,659	24,846	26,091	27,399
Discounts and concessions	(31,762)	(32,620)	(34,453)	(36,182)	(37,939)	(39,796)	(41,760)	(43,855)	(46,058)	(48,373)
Fees and charges	23,630	23,979	24,881	25,819	26,793	27,806	28,858	29,949	31,083	32,263
Interest received	5,751	5,470	4,897	5,362	5,473	5,382	5,435	5,648	5,936	6,176
Contributions	1,630	1,340	1,272	1,214	1,164	1,122	1,087	1,059	1,037	1,020
Grants and subsidies	23,085	8,728	13,514	14,054	14,617	15,201	15,809	16,442	17,099	17,783
Other revenue	13,024	13,760	14,140	14,530	14,931	15,343	15,767	16,202	16,649	17,108
Total revenue	390,746	388,236	409,338	425,819	442,749	460,634	480,465	501,674	524,880	549,130
Expenses										
Employee costs	136,489	138,548	144,118	149,902	155,174	161,540	168,229	175,333	182,738	190,450
Materials and services	121,578	118,345	127,626	131,482	138,308	144,125	151,730	157,691	165,224	173,220
Depreciation and amortisation	104,863	107,524	114,283	117,206	122,772	128,624	132,843	137,440	144,604	151,896
Finance costs	22,525	21,577	21,699	21,508	20,623	19,161	18,617	18,933	19,378	20,584
Other expenses	1,653	1,378	1,611	1,685	1,760	1,840	1,923	2,013	2,106	2,205
Total expenses	387,108	387,372	409,337	421,783	438,637	455,290	473,342	491,410	514,050	538,355
Surplus/(Deficit) before capital income	3,638	864	1	4,036	4,112	5,344	7,123	10,264	10,830	10,775
Operating surplus ratio	0.93%	0.22%	0.00%	0.95%	0.93%	1.16%	1.48%	2.05%	2.06%	1.96%
Capital income										
Grants, subsidies, contributions and donations	90,706	104,805	73,743	80,672	209,865	172,610	139,786	174,259	136,465	114,209
Gain/(loss) on sale of property plant and equipment	1,291	490	490	490	490	490	520	490	490	500
Total capital income	91,997	105,295	74,233	81,162	210,355	173,100	140,306	174,749	136,955	114,709
Increase/(Decrease) in operating capability	95,635	106,159	74,234	85,198	214,467	178,444	147,429	185,013	147,785	125,484

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	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006	\$'007
Current Assets										
Cash and cash equivalents	87,843	49,531	58,751	68,776	63,149	62,627	62,394	69,609	72,397	77,692
Investments	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Trade and other receivables	32,143	33,128	34,720	36,097	37,544	38,983	40,795	42,605	44,584	46,530
Inventories	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606	1,606
Other assets	3,539	3,637	3,737	3,840	3,946	4,055	4,167	4,282	4,400	4,522
Total Current Assets	135,131	97,902	108,814	120,319	116,245	117,271	118,962	128,102	132,987	140,350
Non-Current Assets										
Investments	23,905	23,905	23,905	23,905	23,905	23,905	23,905	23,905	23,905	23,905
Trade and other receivables	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005	10,005
Property, plant and equipment	4,453,798	4,608,694	4,695,330	4,795,552	5,021,612	5,216,793	5,424,151	5,665,009	5,890,788	6,118,206
Intangible assets	10,647	9,988	9,462	9,033	8,674	8,342	8,016	7,716	7,636	7,614
Capital works in progress	0	0	0	0	0	0	0	0	0	0
Other assets	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988	4,988
Total Non-Current Assets	4,503,343	4,657,580	4,743,690	4,843,483	5,069,184	5,264,033	5,471,065	5,711,623	5,937,322	6,164,718
Total Assets	4,638,474	4,755,482	4,852,504	4,963,802	5,185,429	5,381,304	5,590,027	5,839,725	6,070,309	6,305,068
Current Liabilities										
Trade and other payables	64,772	63,869	68,356	70,617	73,957	76,847	80,889	84,146	88,048	91,919
Borrowings	19,206	20,613	22,949	25,592	27,183	29,210	33,138	37,296	39,964	37,021
Provisions	9,535	9,952	10,386	10,840	11,314	11,808	12,324	12,863	13,425	14,012
Other current liabilities	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953	2,953
Total Current Liabilities	96,466	97,387	104,644	110,002	115,407	120,818	129,304	137,258	144,390	145,905
Non-Current Liabilities										
Trade and other payables	1,973	1,973	1,973	1,973	1,973	1,973	1,973	1,973	1,973	1,973
Borrowings	309,936	308,424	306,271	304,964	277,781	253,458	263,317	269,017	285,731	326,898
Provisions	54,943	55,254	56,634	57,840	59,674	61,734	63,869	66,043	68,291	70,590
Total Non-Current Liabilities	366,852	365,651	364,878	364,777	339,428	317,165	329,159	337,033	355,995	399,461
Total Liabilities	463,318	463,038	469,522	474,779	454,835	437,983	458,463	474,291	500,385	545,366
Net Community Assets	4,175,156	4,292,444	4,382,982	4,489,023	4,730,594	4,943,321	5,131,564	5,365,434	5,569,924	5,759,702
Community Equity										
Asset revaluation reserve	692,517	703,646	719,949	740,792	767,896	802,179	842,994	891,850	948,554	1,012,847
Retained surplus	3,482,639	3,588,798	3,663,033	3,748,231	3,962,698	4,141,142	4,288,570	4,473,584	4,621,370	4,746,855
Total Community Equity	4,175,156	4,292,444	4,382,982	4,489,023	4,730,594	4,943,321	5,131,564	5,365,434	5,569,924	5,759,702

Cash Flow Statement

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000
Cash Flows from Operating Activities										
Receipts										
Receipts from customers	387,069	380,710	401,552	417,719	434,404	452,318	471,651	492,568	515,238	539,191
Payments to suppliers and employees	(237,459)	(258,034)	(266,816)	(278,849)	(289,229)	(301,626)	(314,682)	(328,481)	(342,687)	(358,361)
Interest received	5,751	5,470	4,897	5,362	5,473	5,382	5,435	5,648	5,936	6,176
Borrowing costs	(21,246)	(20,918)	(20,639)	(20,447)	(19,562)	(18,101)	(17,557)	(17,872)	(18,317)	(19,524)
Other cashflows from operating activities	(1,729)	(98)	(100)	(103)	(106)	(109)	(112)	(115)	(118)	(121)
Net Cash Provided by Operating Activities	132,386	107,130	118,894	123,682	130,980	137,864	144,735	151,748	160,052	167,361
Cash Flow from Investing Activities										
Payments for property, plant and equipment	(180,680)	(205,392)	(141,689)	(151,630)	(274,128)	(239,565)	(246,866)	(276,567)	(259,838)	(258,053)
Payments for intangible assets	0	0	0	0	0	0	0	0	0	0
Net movement in loans and advances	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of property, plant and equipment	2,094	1,230	1,230	1,410	1,120	1,300	1,460	1,350	1,890	500
Grants, subsidies, contributions and donations	41,948	58,825	30,602	35,227	161,993	122,175	86,651	120,825	81,303	57,263
Other cashflows from investing activities	0	0	0	0	0	0	0	0	0	0
Net Cash Used in Investing Activities	(136,638)	(145,337)	(109,857)	(114,993)	(111,015)	(116,090)	(158,755)	(154,392)	(176,645)	(200,290)
Cash Flows from Financing Activities										
Proceeds from Borrowings	15,000	19,544	21,281	24,851	0	5,000	44,000	44,000	58,000	80,000
Repayment of Borrowings	(19,690)	(19,649)	(21,098)	(23,515)	(25,592)	(27,296)	(30,213)	(34,141)	(38,619)	(41,776)
Net Cash Provided by Financing Activities	(4,690)	(105)	183	1,336	(25,592)	(22,296)	13,787	9,859	19,381	38,224
Net Increase/(Decrease) in Cash Held	(8,942)	(38,312)	9,220	10,025	(5,627)	(522)	(233)	7,215	2,788	5,295
Cash at Beginning of Reporting Period	96,785	87,843	49,531	58,751	68,776	63,149	62,627	62,394	69,609	72,397
Cash at End of Reporting Period	87,843	49,531	58,751	68,776	63,149	62,627	62,394	69,609	72,397	77,692

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
Asset Revaluation Reserve										
Opening balance	688,442	692,518	703,646	719,950	740,793	767,897	802,180	842,995	891,852	948,556
Increase in asset revaluation reserve	4,076	11,128	16,304	20,843	27,104	34,283	40,815	48,857	56,704	64,293
Closing Balance	692,518	703,646	719,950	740,793	767,897	802,180	842,995	891,852	948,556	1,012,849
Retained Surplus										
Opening Balance	3,387,004	3,482,638	3,588,798	3,663,032	3,748,230	3,962,697	4,141,141	4,288,569	4,473,582	4,621,368
Net result for the period	95,634	106,160	74,234	85,198	214,467	178,444	147,428	185,013	147,786	125,485
Closing Balance	3,482,638	3,588,798	3,663,032	3,748,230	3,962,697	4,141,141	4,288,569	4,473,582	4,621,368	4,746,853
Total Community Equity	4,175,156	4,292,444	4,382,982	4,489,023	4,730,594	4,943,321	5,131,564	5,365,434	5,569,924	5,759,702

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.

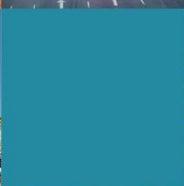
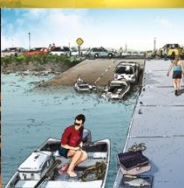
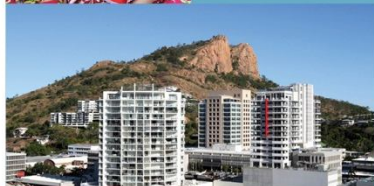
This ratio indicates whether council is renewing or replacing existing non-financial assets at the same rate that is overall stock of assets is wearing out.

Measures of Financial Sustainability

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% - 10%	0.93%	0.22%	0.00%	0.95%	0.93%	1.16%	1.48%	2.05%	2.06%	1.96%
Net financial asset / Liability ratio											
(Total liabilities - Current assets) / Total operating revenue	<60%	83.99%	94.05%	88.12%	83.24%	76.47%	69.62%	70.66%	69.01%	70.00%	73.76%
Asset sustainability ratio											
(Capital expenditure on the replacement of assets (renewals) / Depreciation)	>90%	82.63%	95.62%	69.60%	70.52%	77.18%	78.83%	106.00%	81.99%	119.65%	116.82%

9 Month Budget Review 2014/15



9 Month Revised Budget 2014/15

The draft 9 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 \$3,962,000 to \$3,638,000 when compared to the adopted 2014/15 4 month revised budget. Capital Income is forecast to reduce by \$23,566,000 and Capital Works is forecast to reduce by \$2,370,000, compared to the adopted 2014/15 4 month revised budget.

An income statement comparing the adopted 2014/15 4 month revised budget 2014/15 and the draft 9 Month Revised Budget 2014/15 is presented at table 2. A budget movement summary can be viewed at table 3.

The draft 9 Month Revised Budget is consistent with the Corporate Plan 2014-2019. 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

Income Statement – Budget Comparison

Table 2

	Adopted 4 Month Revised	Draft 9 Month Revised	Budget Movement
	FY	FY	
	2014/15	2014/15	
	\$'000	\$'000	\$'000
Operating Revenue			
General Rates	167,415	167,415	0
Utility Charges	188,845	187,973	(872)
<i>Water</i>	90,956	90,415	(540)
<i>Wastewater</i>	79,593	80,034	442
<i>Refuse & Recycling</i>	18,297	17,523	(774)
Less Discount & Concessions	(31,471)	(31,762)	(291)
Fees & Charges	24,581	23,630	(951)
Income From Investments & Financing	5,751	5,751	0
Contributions Recurrent	1,542	1,630	89
Grants & Subsidies Recurrent	22,532	23,085	552
Other Revenue	14,413	13,024	(1,388)
Total Revenue	393,607	390,745	(2,862)
Operating Expenses			
Employee Costs	136,267	136,489	(222)
Materials & Services	128,712	124,522	4,190
Taxes Other Than Income Tax	0	2,983	(2,983)
Other Expenses	1,482	1,653	(171)
Total Expenses	266,461	265,646	815
Surplus/(Deficit) Before Depn, Finance Costs & Internals	127,146	125,099	(2,047)
Depreciation & Amortisation	104,863	104,863	0
Finance Costs	22,517	22,525	(8)
Internal Allocations	(4,196)	(5,927)	1,730
Total Depn, Finance Costs & Internals	123,184	121,461	1,723
Surplus/(Deficit) Before Capital	3,962	3,638	(324)
Operating Surplus Ratio		0.93%	
Capital Income			
Grants, Subsidies, Contributions And Donations	115,446	90,706	(24,740)
Gain/(Loss) On Sale Of Property Plant & Equipment	117	1,291	1,174
Capital Expense			
Loss On Investment	0	0	0
Other Capital Expenses	0	0	0
Total Capital Income	115,563	91,996	(23,566)
Increase / (Decrease) In Operating Capability	119,525	95,634	(23,890)

Operating Revenue

Table 3

Details	Amount \$'000
4 Month Budget Operating Revenue	393,607
Community And Cultural Services	
Reduced recovery of expenditure revenue relating to council discontinuing the delivery of the HACC Major Modifications program.	(56)
Increased grant revenue relating to HACC Minor Modifications program in line with actuals.	20
Increased grant revenue relating to HACC Major Modifications program in line with actuals.	11
Increased revenue for various Library programs	43
Reduction in Legal Recoveries due to less than expected prosecutions	(100)
Reduced revenue to reflect timing of Contemporary Touring Grant funding now expected in 2015/16 financial year.	(200)
Reduced revenue for various Enforcement and Compliance activities	(84)
Adjustment to V8 Supercar In Kind recovery based on actual	(3)
Enabling Services	
Graffiti STOP revenue increased to align with funding received.	54
Reallocation of Sale of Water houses revenue (capital nature)	(55)
YWAM building lease premium	27
Reduced recovery of expenditure revenue for Trades Services to reflect YTD trends	(80)
Minor revenue adjustments across Enabling Services	(41)
Safer Street grant revenue to align with funding received.	100
Environment And Sustainability Services	
Increase in grants and subsidy funding	25
Planning & Development	
Increased revenue associated with leases at 143 Walker Street.	244
Revenue adjustments for fees and charges across Planning and Development.	(49)
Public Infrastructure	
Increased Revenue for Townsville Recreational Boat Park variations associated with unsuitable ground and bedding for ramp construction	678
Adjusted developer contributions in alignment with actuals	68
Reduced funding for the Townsville Floodplain Management strategy from savings identified in finalisation of tender process	(150)
Introduction of new Department Transport Main Roads street lighting cost share agreement reducing revenue and expense	(943)
Other revenue adjustments across Public Infrastructure	(31)
Solid Waste Management	
Reduction to cleansing utility to reflect current collection trends.	(774)
Reduction to refuse dumping to reflect current disposal trends.	(496)
Sale of scrap reduced to reflect current actuals YTD.	(94)
Increase to other revenue to reflect current actuals YTD.	28
Wastewater Services	
Reduction to commercial sewerage revenue to reflect current consumer trends.	(522)
Increase to residential sewerage revenue to reflect current consumer trends.	1,073
Reduction to trade waste revenue to reflect current consumer trends.	(109)
Other revenue adjustments to reflect current actuals YTD	(12)
Change to reflect strategic planning component of developer contributions	(6)
Water Services	
Reduction to bulk commercial water volumetric revenue to reflect current water consumption trends.	(1,923)
Increase to commercial water volumetric revenue to reflect current water consumption trends.	576
Increase to residential water watcher water volumetric revenue to reflect current water consumption trends.	973
Reduction to residential standard plan water volumetric revenue to reflect current water consumption trends.	(167)

Increase to water utility concessions to reflect current water consumption trends.	(291)
Meter connections revenue reduced to reflect current actuals YTD.	(261)
Change to reflect strategic planning component of developer contributions	27
Private works revenue reduced to reflect current actuals YTD.	(362)
9 Month Budget Operating Revenue	390,745

Operating Expenditure (Before depreciation, financing costs and internals)

Details	Amount \$'000
4 Month Budget Operating Expenditure (before depreciation, financing costs and internals)	266,461
Community And Cultural Services	
Service Delivery Review process mapping expenditure	80
Reduced Enforcement and Compliance bad debts and legal expenses for recovery	(150)
Transfer of operational funding to external provider for management of HACC Major Modifications and refund of unused grant funds to Department of Communities	714
Reduced expenditure to reflect commencement of 'Best Start Program' in 2015/16.	(192)
Other expenditure adjustments across Community and Cultural Services	(27)
Reduction of employee costs due to finalisation of the Home Services program.	(238)
Enabling Services	
Increased service delivery of security patrols at Riverway precinct	280
Identified Building and Facilities Management reductions (Business Management Services \$50k, Repairs and Maintenance \$200k, Cleaning \$100k) Management Services (operating reductions to offset increase in electricity charges)	(356)
Increased electricity charges based on YTD actuals. Savings not realised as previously budgeted for in adopted and 4 month review budgets.	795
Increased services resulting from acquisition of 143 Walker Street	400
Program of works deferred to 15/16 financial year for Queensland Parks and Wildlife building	(209)
Other expenditure reductions in the Buildings and Facilities management service	(124)
Increased employee costs in Fleet Service relating to 2 FTE EMT approved positions (\$136K), increased service delivery demand for Resource Plant Allocation Office (RPA) from Public Infrastructure (\$481K), and reallocation of RPA wages from Water Services (\$430K).	1,048
Reduced Laboratory Services wages resulting from vacancies	(113)
Adjustment to multiple expenditure items for Laboratory Services to reflect YTD trends	71
Reduced expenditure for People Services reflecting YTD trends and HRIS project delay	(279)
Reduced expenditure for Trades Services reflecting YTD trends	(213)
Other expenditure adjustments across Enabling Services	(58)
Increased wages for Property Workshop. Reallocation from Home Services Program	50
Environment And Sustainability Services	
Increase in wages costs to reflect YTD actual costs	167
Increase in expenditure related to increased grant funding	15
Planning And Development	
Reduced wages resulting from staff vacancies and wages reallocations to Public Infrastructure services	(448)
Other expenditure adjustments across Planning and Development	(265)
Public Infrastructure	
Increased expenditure for Townsville Recreational Boat Park variations associated with unsuitable ground and bedding for ramp construction	584
Increased expenditure for unbudgeted asset survey combined with purchase of Assetic software	211
Identified savings within asset management services	(180)
Reduced expenditure for the Townsville Floodplain Management strategy from savings identified in finalisation of tender process	(195)

Increased employee costs for CCTV pipeline works based upon service delivery demand	135
Introduction of new Department Transport Main Roads street lighting cost share agreement reducing revenue and expense	(871)
Reallocation of Operational Support employee costs to Fleet Service programmes	(482)
Finalisation of NDRRA project	203
Other expenditure adjustments across Public Infrastructure	85
Solid Waste Management	
Fuel expenses reduced to reflect current actuals YTD.	(129)
External plant hire reduced to reflect current actuals YTD.	(145)
Increase in wages and external labour hire expenses	233
Waste & recycling services increased to reflect current actuals YTD.	150
Adjustment to multiple expenditure items to reflect YTD trends	183
Refund early collected carbon tax related to utility 2012/13 and 2013/14 refuse and recycling charges	2,983
Wastewater Services	
Environmental & health services reduced as works no longer required.	(155)
Donations reduced as no longer required.	(50)
Chemical costs increased to reflect current actuals YTD.	147
Engineering services reduced as Septicity model for Bushland Beach and Mather Street & Eastern Outfall pressure main studies not currently required.	(159)
Adjustment to multiple expenditure items to reflect YTD trends (including external hire \$164k, maintenance services \$396k)	(641)
Water Services	
Bulk water supply services reduced to reflect removal of contractual emergency fund for excepted asset repair, remainder of reduction due to operational projects not commencing as scheduled.	(1,490)
Reduction to RPA wages allocations to reflect dry hire of vehicles from fleet.	(457)
Equipment supplies, construction and hardware and maintenance services costs reduced due to operational projects not commencing as scheduled.	(1,377)
Other expenses reduced to reflect YTD trends	(346)
9 Month Budget Operating Expenditure (before depreciation, financing costs and internals)	265,646

Depreciation, Finance Costs and Internal Allocations

Details	Amount \$'000
4 Month Budget Depreciation and Finance Costs	127,380
Depreciation	
Environment And Sustainability Services	(381)
Public Infrastructure	381
Finance Cost	
Enabling Services	8
9 Month Budget Depreciation and Finance Costs	127,388
4 Month Budget Net Operating Internal Revenue and Expenditure	(4,196)
Reallocation of internal short term plant hire costs to capital	(1,731)
9 Month Budget Net Operating Internal Revenue and Expenditure	(5,927)

Capital Income and Capital Works

Details	Amount \$'000
4 Month Budget Capital Income	115,563
Community And Cultural Services	
Contribution from BHP Billiton for Jezzine Barracks	35
TECC - Change to expected funding to be received in 2014/15 in accordance with the recently signed federal funding agreement.	(1,701)
Planning & Development	
Reduced contributions relating to Strategic Land Acquisitions.	(17,500)
Increased revenue associated with the resumption of council owned land by DTMR at Stuart.	1,174
Public Infrastructure	
Reduced developer contributions in alignment with actuals	(1,973)
Increased revenue in line with Blakeys Crossing works performed; increased scope of works	387
Dalrymple Road Bridge funding brought forward in line with project milestones	2,000
Reduction of other capital funding across Public Infrastructure	(147)
Wastewater Services	
Reduction in Headworks - Developer Contributions	(7,346)
Water Services	
Reduction in Headworks - Developer Contributions	1,504
9 Month Budget Capital Income	91,996
4 Month Budget Capital Works	232,597
Community And Cultural Services	
Grand Piano purchase	233
Library refurbishment - carry over to 15-16	(180)
Reduced Jezzine Barracks program due to legal costs being recognised within prior financial year	(400)
Enabling Services	
Acquisition of 143 Walker Street including upgrades	19,566
Reduced Facilities Master Plan combined with identified savings and projects being removed	(1,200)
Net identified adjustments across multiple minor projects in Building and Facilities Management Service	207
Reduction in capital expenditure due to carryover of Information and Technology projects.	
Projects carried over include HRIS, desktop replacement, MFD printer replacement and fibre connectivity.	(3,500)
Other minor capital adjustments across Enabling Services	(27)
Planning & Development	
Reduced capital expenditure relating to Strategic Land Acquisitions.	(13,000)
Public Infrastructure	
Increased expenditure to finalise Townsville Recreational Boat Park works including transfer of budgets from other projects.	2,400
Reduction of expenditure for Roads and Transport Management and Open Space Management capital programs. Budget has been reallocated to Townsville Recreational Boat Park works.	(900)
Increased revenue in line with Blakeys Crossing works performed; increased scope of works	383
Dalrymple Road Bridge funding brought forward in line with project milestones	1,000
Additional allocation for stormwater drainage program due to forward planning revision. These works are offset by adjustments to funding in later years in the 10 year capital works plan.	894

Additional allocation for Tony Ireland Stadium due to forward planning revision. These works are offset by adjustments to funding in later years in the 10 year capital works plan.	1,012
Additional allocation for Blakey's Crossing works due to forward planning revision. These works are offset by adjustments to funding in later years in the 10 year capital works plan.	11,554
Additional allocation for Townsville Entertainment Centre works due to forward planning revision. These works are offset by adjustments to funding in later years in the 10 year capital works plan.	1,282
Additional allocation for numerous capital programs across council due to forward planning revision. These works are offset by adjustments to funding in later years in the 10 year capital works plan.	4,247
Capital carryover for Gill Park, Village Green Park and Bicentennial Park	(825)
Identified carryover works for 15/16 (Road Reconstruction, Street lighting and Shared Pathway programmes)	(1,260)
Other minor capital adjustments across Public Infrastructure	15
Waste Services	
Carryovers identified for 2015/16. Hervey Range Stormwater Management (\$4,500K), Sedimentation Pond (\$394K), Leachate Management (\$735K). Stuart Upgrade to Greenwaste Pad (\$589K), Leachate Pond (\$189K), Sedimentation Pond (\$815K), Stormwater Management (\$244K)	(7,466)
Reduction of WIP/Capital Works across TWW Services, including reduction to Stuart Landfill Transfer Station (\$4,830K), Hervey Range Sedimentation Pond (\$4,676K), Hervey Range Capping (\$2,380K), Stuart Landfill Stormwater (\$1,100K)	(8,903)
Reduction to Bulk Services Bins	(56)
Wastewater Services	
Reduction of WIP/Capital Works across TWW Services, reduction to Southern Suburbs Bypass (\$800K), Cleveland Bay STP Process Upgrade (\$430K), Eastern Pressure Main Upgrade (\$300K), Southern Suburbs Trunk (\$580K)	(3,837)
Water Services	
Carryover of works for Echlin Street 31ML Reservoir to 2015/16	(5,000)
Increase to WIP/Capital Works across TWW Services, including a reduction in funds for Charters Towers Rd Water Pipe Replacement (\$500K) and Mt Louisa Water Main (\$500K)	1,391
9 Month Budget Capital Works	230,227

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).

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	176,478	187,347
Utility charges	187,973	191,101	197,740
<i>Water</i>	90,415	91,652	94,878
<i>Wastewater</i>	80,035	80,782	83,296
<i>Refuse & Recycling</i>	17,523	18,667	19,566
Discounts and concessions	(31,762)	(32,620)	(34,453)
Fees and charges	23,630	23,979	24,881
Interest received	5,751	5,470	4,897
Contributions	1,630	1,340	1,272
Grants and subsidies	23,085	8,728	13,514
Other revenue	13,024	13,760	14,140
Total revenue	390,746	388,236	409,338
Expenses			
Employee costs	136,489	138,548	144,118
Materials and services	121,578	118,345	127,626
Depreciation and amortisation	104,863	107,524	114,283
Finance costs	22,525	21,577	21,699
Other expenses	1,653	1,378	1,611
Total expenses	387,108	387,372	409,337
Surplus/(Deficit) before capital income ¹	3,638	864	1
Operating surplus ratio	0.93%	0.22%	0.00%
Capital income			
Grants, subsidies, contributions and donations ²	90,706	104,805	73,743
Gain/(loss) on sale of property plant and equipment	1,291	490	490
Total capital income	91,997	105,295	74,233
Increase/(Decrease) in operating capability	95,635	106,159	74,234
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%)	2.86%	3.43%	4.76%
Increase in rates and utility changes revenue after discounts and concessions (increases include forecast growth of 1.7%)	2.62%	1.42%	3.21%
1 Included in the 2014/15 surplus (before capital income) is \$1.67 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 over page.

Table 5

	2014/15 \$'000	2015/16 \$'000	2016/17 \$'000
Current Assets			
Cash and cash equivalents	87,843	49,531	58,751
Investments	10,000	10,000	10,000
Trade and other receivables	32,143	33,128	34,720
Inventories	1,606	1,606	1,606
Other assets	3,539	3,637	3,737
Total Current Assets	135,131	97,902	108,814
Non-Current Assets			
Investments	23,905	23,905	23,905
Trade and other receivables	10,005	10,005	10,005
Property, plant and equipment	4,453,798	4,608,694	4,695,330
Intangible assets	10,647	9,988	9,462
Other assets	4,988	4,988	4,988
Total Non-Current Assets	4,503,343	4,657,580	4,743,690
Total Assets	4,638,474	4,755,482	4,852,504
Current Liabilities			
Trade and other payables	64,772	63,869	68,356
Borrowings	19,206	20,613	22,949
Provisions	9,535	9,952	10,386
Other current liabilities	2,953	2,953	2,953
Total Current Liabilities	96,466	97,387	104,644
Non-Current Liabilities			
Trade and other payables	1,973	1,973	1,973
Borrowings	309,936	308,424	306,271
Provisions	54,943	55,254	56,634
Total Non-Current Liabilities	366,852	365,651	364,878
Total Liabilities	463,318	463,038	469,522
Net Community Assets	4,175,156	4,292,444	4,382,982
Community Equity			
Asset revaluation reserve	692,517	703,646	719,949
Retained surplus	3,482,639	3,588,798	3,663,033
Total Community Equity	4,175,156	4,292,444	4,382,982

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	2015/16	2016/17
	\$'000	\$'000	\$'000
<i>Cash Flows from Operating Activities</i>			
Receipts			
Receipts from customers	387,069	380,710	401,552
Payments to suppliers and employees	(237,459)	(258,034)	(266,816)
Interest received	5,751	5,470	4,897
Borrowing costs	(21,246)	(20,918)	(20,639)
Other cashflows from operating activities	(1,729)	(98)	(100)
Net Cash Provided by Operating Activities	132,386	107,130	118,894
<i>Cash Flow from Investing Activities</i>			
Payments for property, plant and equipment	(180,680)	(205,392)	(141,689)
Proceeds from sale of property, plant and equipment	2,094	1,230	1,230
Grants, subsidies, contributions and donations	41,948	58,825	30,602
Net Cash Used in Investing Activities	(136,638)	(145,337)	(109,857)
<i>Cash Flows from Financing Activities</i>			
Proceeds from Borrowings	15,000	19,544	21,281
Repayment of Borrowings	(19,690)	(19,649)	(21,098)
Net Cash Provided by Financing Activities	(4,690)	(105)	183
Net Increase/(Decrease) in Cash Held	(8,942)	(41,739)	2,021
Cash at Beginning of Reporting Period	96,785	87,843	46,104
Cash at End of Reporting Period	87,843	46,104	48,125

Statement of Changes in Equity

Table 7

	2014/15	2015/16	2016/17
	\$'000	\$'000	\$'000
Asset Revaluation Reserve			
Opening balance	688,442	692,518	703,646
Increase in asset revaluation reserve	4,076	11,128	16,304
Closing Balance	692,518	703,646	719,950
Retained Surplus			
Opening Balance	3,387,004	3,482,638	3,588,798
Net result for the period	95,634	106,160	74,234
Closing Balance	3,482,638	3,588,798	3,663,032
Total Community Equity	4,175,156	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	185,008	17,739	0
Less Discount & Concessions	(2,952)	(101)	0
Fees & Charges	3,110	13,493	649
Income From Investments & Financing	683	94	0
Contributions Recurrent	688	0	0
N.C.P. Revenue / Recovery	3,627	422	0
Grants & Subsidies Recurrent	0	0	55
Other Revenue	2,507	923	782
Total Operating Revenue	192,670	32,571	1,486
Operating Expenses			
Employee Costs	22,561	7,486	2,652
Materials & Services	40,717	16,028	6,880
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	2,983	0
Other Expenses	10	12	8
Total Operating Expenses	120,201	30,767	9,616
Operating Surplus / (Deficit) Before Income Tax & Capital items	72,469	1,804	(8,129)
Income Tax	21,734	1,435	0
Operating Surplus / (Deficit) Before Capital items	50,735	370	(8,129)
Capital Income			
Contributions Capital	13,893	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	27,179	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	77,913	370	(8,129)
Capital Works			
Capital Works	53,354	7,320	258
Restoration & Rehabilitation Works	0	721	0
Donated Assets	13,285	0	0
Total Capital Works	66,639	8,041	258

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	17,789	6,541	0
Services provided to clients other than Local Government	171,899	25,757	1,486
Community Service Obligation	2,982	273	0
Total Operating Revenue	192,670	32,571	1,486
Operating Expenses	120,201	30,767	9,616
Other Capital Amounts	27,179	0	0
Increase / (Decrease) In Operating Capability Before Tax	99,648	1,804	(8,129)
Income Tax	21,734	1,435	0
Increase / (Decrease) in Operating Capability after Tax	77,913	370	(8,129)

Community Service Obligations	Townsville Water FY \$000	Townsville Waste FY \$000
Concessions on Wastewater Utility Charges	520	
Concessions on Water Utility Charges	2,462	
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
National Recycling Week		4
Landfill Free Access Weekend		144
Total Community Service Obligations	2,982	273