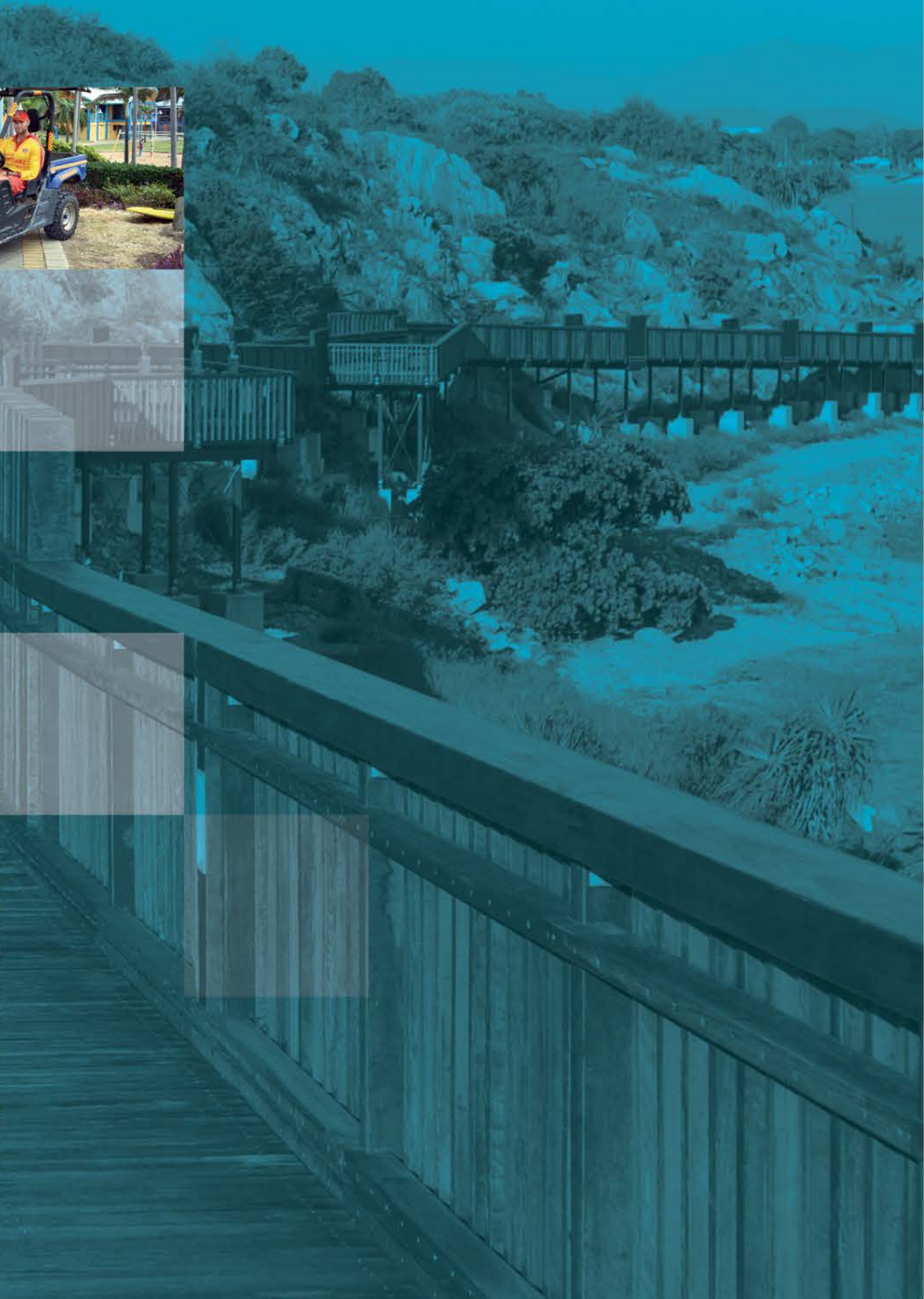
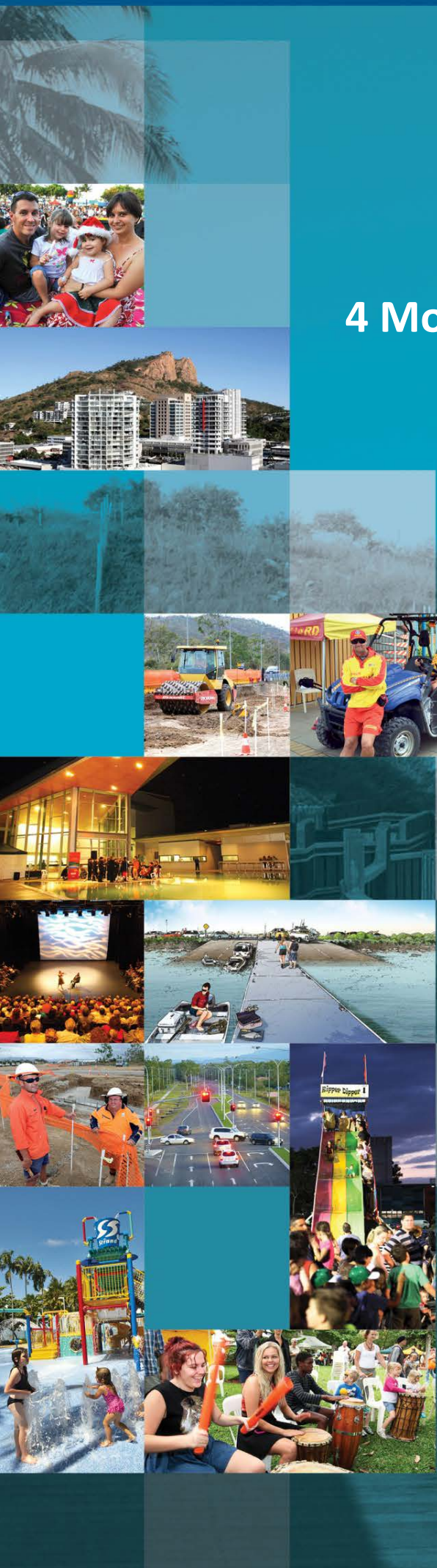


# 4 Month Budget Review 2015/16



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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 | 2015/16

## 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

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>										
General rates	173,742	186,614	197,584	212,089	231,563	248,029	257,544	266,266	276,719	285,353
Utility charges	191,770	203,029	207,191	211,558	216,239	222,304	228,883	235,892	243,598	250,571
<i>Water</i>	91,652	100,838	103,119	105,504	108,051	110,988	114,230	117,682	121,597	124,527
<i>Wastewater</i>	81,537	82,620	83,761	84,964	86,269	88,512	90,904	93,454	96,169	99,063
<i>Refuse &amp; Recycling</i>	18,581	19,571	20,311	21,090	21,919	22,804	23,749	24,756	25,832	26,981
Discounts and concessions	(30,698)	(32,433)	(34,070)	(35,732)	(37,489)	(39,348)	(41,331)	(43,416)	(45,609)	(47,915)
Fees and charges	22,987	23,783	24,607	25,462	26,348	27,266	28,215	29,199	30,219	31,277
Interest received	4,370	4,595	5,592	4,650	4,052	4,923	7,611	6,578	7,507	8,311
Contributions	982	1,007	1,032	1,058	1,084	1,111	1,139	1,168	1,197	1,227
Grants and subsidies	9,730	8,348	8,348	8,348	8,348	8,348	8,348	8,348	8,348	8,348
Other revenue	15,982	14,204	13,981	14,775	15,368	15,552	16,137	16,339	16,944	17,166
<b>Total revenue</b>	<b>388,865</b>	<b>409,147</b>	<b>424,265</b>	<b>442,208</b>	<b>465,513</b>	<b>488,185</b>	<b>506,546</b>	<b>520,374</b>	<b>538,923</b>	<b>554,338</b>
<b>Expenses</b>										
Employee costs	138,626	142,436	147,078	151,708	156,592	161,714	167,086	172,722	178,638	184,848
Materials and services	117,783	130,795	134,755	141,642	150,508	159,145	166,098	173,176	181,134	187,765
Depreciation and amortisation	106,742	111,017	115,633	121,887	129,398	135,048	139,517	143,779	148,793	151,528
Finance costs	21,721	21,450	22,134	22,208	24,215	27,239	28,893	26,107	24,817	22,112
Other expenses	1,295	255	263	271	279	287	296	305	314	323
<b>Total expenses</b>	<b>386,167</b>	<b>405,953</b>	<b>419,863</b>	<b>437,716</b>	<b>460,992</b>	<b>483,433</b>	<b>501,890</b>	<b>516,089</b>	<b>533,696</b>	<b>546,576</b>
<b>Surplus/(Deficit) before capital income</b>	<b>2,698</b>	<b>3,194</b>	<b>4,402</b>	<b>4,492</b>	<b>4,521</b>	<b>4,752</b>	<b>4,656</b>	<b>4,285</b>	<b>5,227</b>	<b>7,762</b>
<b>Operating surplus ratio</b>	<b>0.69%</b>	<b>0.78%</b>	<b>1.04%</b>	<b>1.02%</b>	<b>0.97%</b>	<b>0.97%</b>	<b>0.92%</b>	<b>0.82%</b>	<b>0.97%</b>	<b>1.40%</b>
<b>Capital income</b>										
Grants, subsidies, contributions and donations	88,257	60,637	75,551	107,984	119,162	153,733	104,030	96,679	113,010	86,734
Gain/(loss) on sale of property plant and equipment	36	1,108	1,241	946	1,213	1,448	1,402	1,482	1,114	1,284
Other capital income	2,131	2,510	0	0	0	0	0	0	0	0
<b>Total capital income</b>	<b>90,424</b>	<b>64,255</b>	<b>76,792</b>	<b>108,930</b>	<b>120,375</b>	<b>155,181</b>	<b>105,432</b>	<b>98,161</b>	<b>114,124</b>	<b>88,018</b>
<b>Increase/(Decrease) in operating capability</b>	<b>93,122</b>	<b>67,449</b>	<b>81,194</b>	<b>113,422</b>	<b>124,896</b>	<b>159,933</b>	<b>110,088</b>	<b>102,446</b>	<b>119,351</b>	<b>95,780</b>

## Balance Sheet

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'001	\$'002	\$'003	\$'004	\$'005	\$'006	\$'007
<b>Current Assets</b>										
Cash and cash equivalents	51,645	74,068	79,594	81,301	84,376	96,666	89,074	94,919	86,256	122,428
Trade and other receivables	46,421	48,812	49,389	51,676	54,404	57,186	59,104	60,928	62,909	64,888
Inventories	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025	1,025
Other assets	2,043	2,094	2,147	2,200	2,255	2,312	2,370	2,429	2,490	2,552
<b>Total Current Assets</b>	<b>101,134</b>	<b>125,999</b>	<b>132,155</b>	<b>136,202</b>	<b>142,060</b>	<b>157,189</b>	<b>151,573</b>	<b>159,301</b>	<b>152,680</b>	<b>190,893</b>
<b>Non-Current Assets</b>										
Investments	23,880	26,390	26,390	26,390	26,390	26,390	26,390	26,390	26,390	26,390
Trade and other receivables	6,660	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518	5,518
Property, plant and equipment	4,619,963	4,721,665	4,839,860	5,048,356	5,307,741	5,579,331	5,687,684	5,833,799	5,964,972	6,040,035
Intangible assets	9,150	7,216	5,405	3,711	2,027	811	705	682	660	638
Other assets	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382	4,382
<b>Total Non-Current Assets</b>	<b>4,664,035</b>	<b>4,765,171</b>	<b>4,881,555</b>	<b>5,088,357</b>	<b>5,346,058</b>	<b>5,616,432</b>	<b>5,724,679</b>	<b>5,870,771</b>	<b>6,001,922</b>	<b>6,076,963</b>
<b>Total Assets</b>	<b>4,765,169</b>	<b>4,891,170</b>	<b>5,013,710</b>	<b>5,224,559</b>	<b>5,488,118</b>	<b>5,773,621</b>	<b>5,876,252</b>	<b>6,030,072</b>	<b>6,154,602</b>	<b>6,267,856</b>
<b>Current Liabilities</b>										
Trade and other payables	65,515	71,170	73,114	76,771	80,713	85,041	88,520	92,085	95,775	99,507
Borrowings	20,809	25,433	29,277	36,628	46,680	55,523	57,913	59,822	51,938	54,347
Provisions	11,488	11,944	12,420	12,916	10,452	10,822	5,670	5,875	6,090	6,315
Other current liabilities	2,748	2,748	2,748	2,748	2,748	2,748	2,748	2,748	2,748	2,748
<b>Total Current Liabilities</b>	<b>100,560</b>	<b>111,295</b>	<b>117,559</b>	<b>129,063</b>	<b>140,593</b>	<b>154,134</b>	<b>154,851</b>	<b>160,530</b>	<b>156,551</b>	<b>162,917</b>
<b>Non-Current Liabilities</b>										
Trade and other payables	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873
Borrowings	308,820	343,481	359,273	427,808	531,361	601,031	543,118	533,374	481,435	427,089
Provisions	43,361	44,213	45,628	38,426	29,305	30,618	31,975	33,755	35,721	37,586
<b>Total Non-Current Liabilities</b>	<b>354,054</b>	<b>389,567</b>	<b>406,774</b>	<b>468,107</b>	<b>562,539</b>	<b>633,522</b>	<b>576,966</b>	<b>569,002</b>	<b>519,029</b>	<b>466,548</b>
<b>Total Liabilities</b>	<b>454,614</b>	<b>500,862</b>	<b>524,333</b>	<b>597,170</b>	<b>703,132</b>	<b>787,656</b>	<b>731,817</b>	<b>729,532</b>	<b>675,580</b>	<b>629,465</b>
<b>Net Community Assets</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>	<b>4,627,389</b>	<b>4,784,986</b>	<b>4,985,965</b>	<b>5,144,435</b>	<b>5,300,540</b>	<b>5,479,022</b>	<b>5,638,391</b>
<b>Community Equity</b>										
Asset revaluation reserve	755,439	767,743	785,618	810,208	842,909	883,955	932,337	985,996	1,045,127	1,108,716
Retained surplus	3,555,116	3,622,565	3,703,759	3,817,181	3,942,077	4,102,010	4,212,098	4,314,544	4,433,895	4,529,675
<b>Total Community Equity</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>	<b>4,627,389</b>	<b>4,784,986</b>	<b>4,985,965</b>	<b>5,144,435</b>	<b>5,300,540</b>	<b>5,479,022</b>	<b>5,638,391</b>



## Cashflow Statement

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>										
<b>Receipts</b>										
Receipts from customers	382,654	402,003	416,952	435,276	458,733	480,481	497,017	511,969	529,435	544,051
Payments to suppliers and employees	(261,592)	(267,509)	(279,248)	(297,654)	(316,007)	(316,123)	(334,780)	(341,636)	(355,203)	(368,100)
Interest received	4,370	4,595	5,592	4,650	4,052	4,923	7,611	6,578	7,507	8,311
Borrowing costs	(21,057)	(20,464)	(21,148)	(21,223)	(23,230)	(26,254)	(27,908)	(25,121)	(23,832)	(21,126)
Other cashflows from operating activities	(98)	(51)	(52)	(54)	(55)	(56)	(58)	(59)	(61)	(62)
<b>Net Cash Provided by Operating Activities</b>	<b>104,277</b>	<b>118,574</b>	<b>122,096</b>	<b>120,995</b>	<b>123,493</b>	<b>142,971</b>	<b>141,882</b>	<b>151,731</b>	<b>157,846</b>	<b>163,074</b>
<b>Cash Flow from Investing Activities</b>										
Payments for property, plant and equipment	(199,215)	(171,152)	(164,131)	(243,837)	(304,561)	(305,608)	(131,388)	(177,777)	(152,153)	(125,521)
Proceeds from sale of property, plant and equipment	1,385	14,108	1,241	946	1,213	1,448	1,402	1,482	1,114	1,284
Grants, subsidies, contributions and donations	35,365	20,309	25,540	47,718	69,325	94,965	36,035	38,245	44,352	49,273
<b>Net Cash Used in Investing Activities</b>	<b>(161,165)</b>	<b>(135,435)</b>	<b>(136,207)</b>	<b>(195,173)</b>	<b>(234,023)</b>	<b>(209,195)</b>	<b>(93,951)</b>	<b>(138,050)</b>	<b>(106,687)</b>	<b>(74,964)</b>
<b>Cash Flows from Financing Activities</b>										
Proceeds from Borrowings	19,544	60,000	45,000	105,000	150,000	125,000	-	50,000	-	-
Repayment of Borrowings	(19,160)	(20,716)	(25,363)	(29,115)	(36,395)	(46,486)	(55,523)	(57,836)	(59,822)	(51,938)
<b>Net Cash Provided by Financing Activities</b>	<b>384</b>	<b>39,284</b>	<b>19,637</b>	<b>75,885</b>	<b>113,605</b>	<b>78,514</b>	<b>(55,523)</b>	<b>(7,836)</b>	<b>(59,822)</b>	<b>(51,938)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(56,504)</b>	<b>22,423</b>	<b>5,526</b>	<b>1,707</b>	<b>3,075</b>	<b>12,290</b>	<b>(7,592)</b>	<b>5,845</b>	<b>(8,663)</b>	<b>36,172</b>
Cash at Beginning of Reporting Period	108,149	51,645	74,068	79,594	81,301	84,376	96,666	89,074	94,919	86,256
<b>Cash at End of Reporting Period</b>	<b>51,645</b>	<b>74,068</b>	<b>79,594</b>	<b>81,301</b>	<b>84,376</b>	<b>96,666</b>	<b>89,074</b>	<b>94,919</b>	<b>86,256</b>	<b>122,428</b>

## Statement of Changes in Equity

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Asset Revaluation Reserve</b>										
Opening balance	750,575	755,439	767,743	785,618	810,208	842,909	883,955	932,337	985,996	1,045,127
Increase in asset revaluation reserve	4,864	12,304	17,875	24,590	32,701	41,046	48,382	53,659	59,131	63,589
<b>Closing Balance</b>	<b>755,439</b>	<b>767,743</b>	<b>785,618</b>	<b>810,208</b>	<b>842,909</b>	<b>883,955</b>	<b>932,337</b>	<b>985,996</b>	<b>1,045,127</b>	<b>1,108,716</b>
<b>Retained Surplus</b>										
Opening Balance	3,461,994	3,555,116	3,622,565	3,703,759	3,817,181	3,942,077	4,102,010	4,212,098	4,314,544	4,433,895
Net result for the period	93,122	67,449	81,194	113,422	124,896	159,933	110,088	102,446	119,351	95,780
<b>Closing Balance</b>	<b>3,555,116</b>	<b>3,622,565</b>	<b>3,703,759</b>	<b>3,817,181</b>	<b>3,942,077</b>	<b>4,102,010</b>	<b>4,212,098</b>	<b>4,314,544</b>	<b>4,433,895</b>	<b>4,529,675</b>
<b>Total Community Equity</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>	<b>4,627,389</b>	<b>4,784,986</b>	<b>4,985,965</b>	<b>5,144,435</b>	<b>5,300,540</b>	<b>5,479,022</b>	<b>5,638,391</b>

## 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.

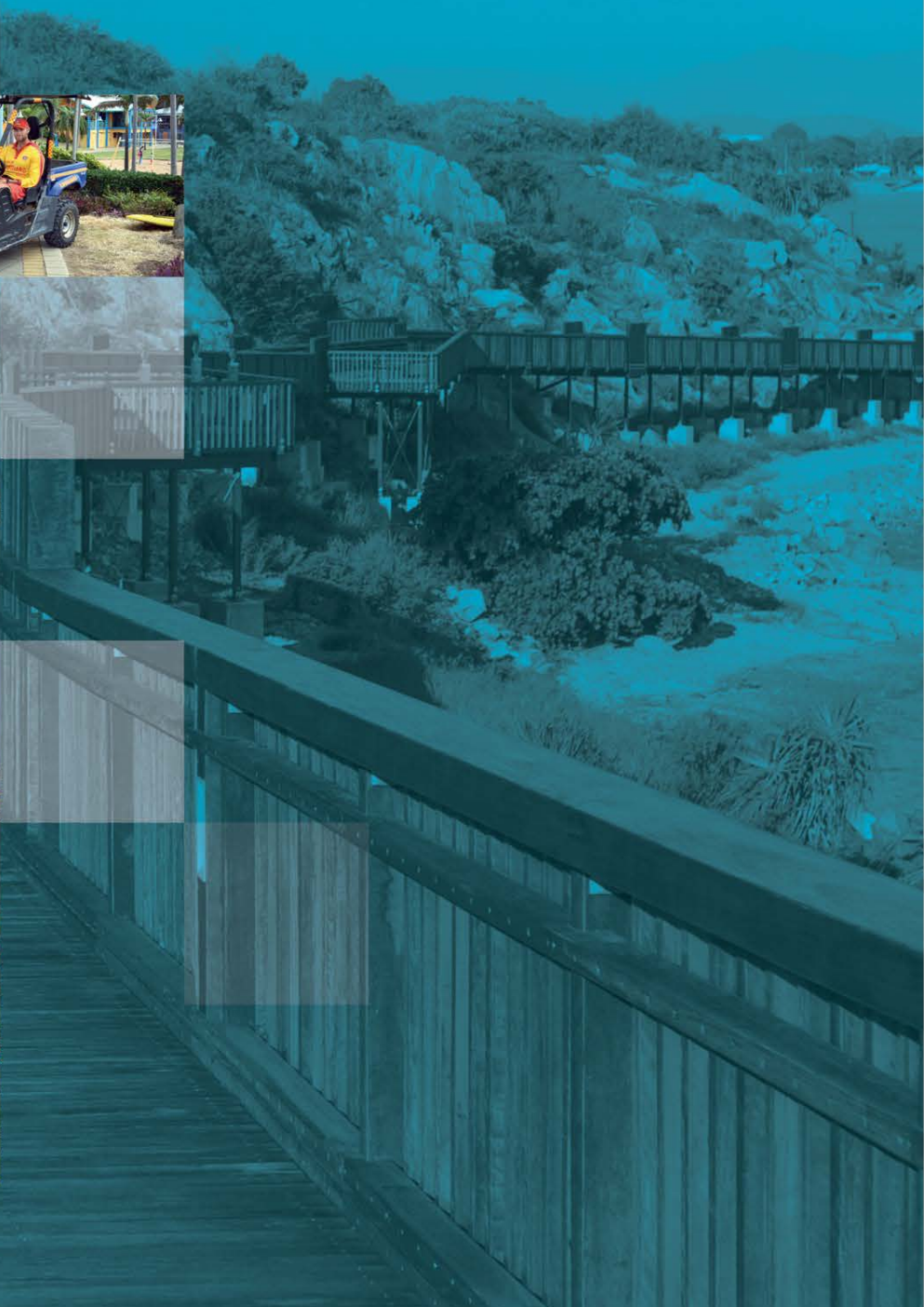
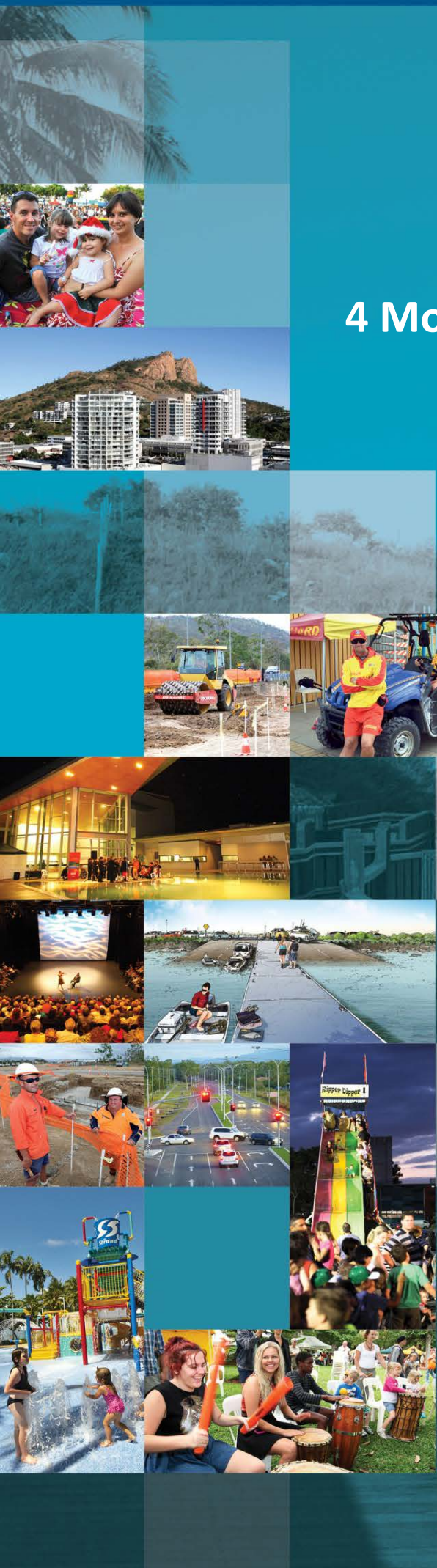
This ratio indicates whether council is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out.

## Measures of Financial Sustainability

Table 1

	Target Ratio	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Operating surplus ratio</b> (Net operating surplus / Total operating revenue)	0% - 10%	0.69%	0.78%	1.04%	1.02%	0.97%	0.97%	0.92%	0.82%	0.97%	1.40%
<b>Net financial asset / Liability ratio</b> (Total liabilities - Current assets) / Total operating revenue	<60%	90.90%	91.62%	92.44%	104.24%	120.53%	129.14%	114.55%	109.58%	97.03%	79.12%
<b>Asset sustainability ratio</b> (Capital expenditure on the replacement of assets (renewals) / Depreciation)	>90%	93.34%	84.54%	78.10%	87.55%	79.38%	76.57%	79.56%	81.78%	73.11%	69.37%

# 4 Month Budget Review 2015/16





## 4 Month Revised Budget 2015/16

The draft 4 month revised budget 2015/16 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 an increase in the operating surplus from \$1,124,000 to \$2,698,000 when compared to the 2015/16 adopted budget. Capital Income is forecast to reduce by \$20,357,000 and Capital Works is forecast to reduce by \$7,587,000, compared to the 2015/16 adopted budget.

An income statement comparing the adopted budget 2015/16 and the draft 4 Month Revised Budget 2015/16 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 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 2015/16 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 FY 2014/15 \$'000	Draft Revised FY 2014/15 \$'000	Budget Movement \$'000
<b>Operating Revenue</b>			
General Rates	173,942	173,742	(200)
Utility Charges	191,101	191,770	669
<i>Water</i>	91,652	91,652	0
<i>Wastewater</i>	80,782	81,537	755
<i>Refuse &amp; Recycling</i>	18,667	18,581	(87)
Less Discount & Concessions	(30,998)	(30,698)	300
Fees & Charges	23,509	22,987	(522)
Income From Investments & Financing	5,870	4,370	(1,500)
Contributions Recurrent	1,340	982	(358)
Grants & Subsidies Recurrent	8,728	9,730	1,002
Other Revenue	13,800	15,982	2,182
<b>Total Revenue</b>	<b>387,292</b>	<b>388,865</b>	<b>1,573</b>
<b>Operating Expenses</b>			
Employee Costs	138,368	138,626	(258)
Materials & Services	122,123	123,549	(1,426)
Taxes Other Than Income Tax	0	0	0
Other Expenses	1,313	1,295	18
<b>Total Expenses</b>	<b>261,804</b>	<b>263,470</b>	<b>(1,666)</b>
<b>Surplus/(Deficit) Before Depn, Finance Costs &amp; Internals</b>	<b>125,488</b>	<b>125,395</b>	<b>(93)</b>
Depreciation & Amortisation	107,524	106,742	782
Finance Costs	21,577	21,721	(143)
Internal Allocations	(4,738)	(5,766)	1,028
<b>Total Depn, Finance Costs &amp; Internals</b>	<b>124,364</b>	<b>122,697</b>	<b>1,667</b>
<b>Surplus/(Deficit) Before Capital</b>	<b>1,124</b>	<b>2,698</b>	<b>1,574</b>
<b>Operating Surplus Ratio</b>	<b>0.29%</b>	<b>0.69%</b>	
<b>Capital Income</b>			
Grants, Subsidies, Contributions And Donations	107,419	88,257	(19,163)
Gain/(Loss) On Sale Of Property Plant & Equipment	1,230	36	(1,194)
Other Capital Income	2,131	2,131	0
<b>Capital Expense</b>			
Loss On Investment	0	0	0
Other Capital Expenses	0	0	0
<b>Total Capital Income</b>	<b>110,780</b>	<b>90,423</b>	<b>(20,357)</b>
<b>Increase / (Decrease) In Operating Capability</b>	<b>111,904</b>	<b>93,121</b>	<b>(18,783)</b>

Table 3

## Operating Revenue

Details	Amount \$'000
<b>Adopted Budget Operating Revenue</b>	<b>387,292</b>
<b>Community And Cultural Services</b>	
Increased grant revenue across a number of programs (Community Services, Emergency Management, Library Services)	113
Increased revenue in Parking Compliance (Bad Debts Recovered, Legal Recoveries and Commercial Permits)	183
Reduction in Grants - revenue was received in June 2014/15 (Gallery Services)	(245)
Reduction in lease repayments revenue for Tobruk Pool (Lessee contributing capital)	(40)
<b>Enabling Services</b>	
Increased recovery of expenses for 143 Walker St	160
Revision of interest revenue considering updated cash movement and interest rates	(1,500)
Decreased Federal Assistance Grant - General Portion - as determined by Department Infrastructure Local Government & Planning	(142)
Reduction in general rates revenue as a result of the CBD boundary adjustment in the city plan	(200)
Reduction in pensioner and general concessions based on actuals year to date	300
Reduction to Lab external revenue due to current economic climate and loss of clients	(100)
Recognition of grant revenue for the First Start Program 2015/16 for the learning centre	236
Increase in revenue associated with current maintenance requirements of the Douglas Water Treatment Plant for Trility	100
Other minor revenue adjustments across Enabling Services	48
<b>Environment And Sustainability Services</b>	
Minor revenue adjustments across Environment and Sustainability Services	(3)
<b>Planning &amp; Development</b>	
Reduction in rental income for Townsville Enterprise service agreement. \$99k of this is offset by a reduction in sponsorship agreement.	(105)
Share of profit of sale of Civic Centre	1,900
Other minor revenue adjustments across Planning and Development	(15)
<b>Public Infrastructure</b>	
Increased revenue due to variations associated with latent conditions for the Townsville Recreational Boat Park (TRBP)	968
Reduced Storm Water and Drainage developer contributions in alignment with industry trends	(406)
Increased revenue in alignment with the Roads Maintenance Performance Contract (RMPC)	300
Increased funding from Local Function Charging of State Controlled Roads (LFIC)	358
Other minor revenue adjustments across Infrastructure Services	144
<b>Solid Waste Management</b>	
Reduction of Refuse & Recycling Utility Charges revenue to reflect current collection trends	(87)
Reduction for incorrectly budgeted credit card surcharge	(246)
Reduction of landfill revenue to reflect reduced tonnages being received	(333)
Other minor revenue adjustments across Solid Waste Services	(50)
<b>Wastewater Services</b>	
Increase due to higher than expected commercial and residential sewerage utility revenue	761
Finalisation of account connection to sewerage network at caravan park	259
Reallocation of private works capital revenue to correct capital revenue natural account (fees & charges capital)	(137)
Other minor revenue adjustments across Wastewater Services	1
<b>Water Services</b>	
Reallocation of private works capital revenue to correct capital revenue natural account (fees & charges capital)	(685)
Other minor revenue adjustments Water Services	37
<b>4 Month Budget Operating Revenue</b>	<b>388,866</b>

## Operating Expenditure (Before depreciation, financing costs and internals)

Details	Amount \$'000
<b>Adopted Budget Operating Expenditure (before depreciation, financing costs and internals)</b>	<b>261,804</b>
<b>Community And Cultural Services</b>	
Increase to Library Services wages following review of the structure	(60)
Increased costs for Lifeguard services at Riverway and Beaches in line with Tender	(48)
New Project Officer January-June 2016 (Community Services)	(44)
Reduction in wages for vacancies (Cemetery Staff & CPU Coordinator)	60
Reduction in Budget Efficiency line - matched by increased revenue (Enforcement Compliance)	(183)
Increased expenditure for Parking Software (PIN Force)	(20)
Increased costs associated with delivery of Events (T150 events, Cowboys welcome home)	(63)
Reduction in chemical costs for pools (matches offsetting reduction in lease revenue)	40
Correction to royalties payable for Public Programs	(24)
Minor budget adjustments across Community and Cultural Services	31
<b>Enabling Services</b>	
Reduction in salaries for the governance department attributable to closure of the SOP office.	146
QR north yards clean up (asbestos and fencing)	(300)
Deferral of costs in Building and Facilities Management Service until 2016/17 (Wellington Street depot and Garbutt Operations Centre)	400
Increased expenditure due to Flinders Street public amenities lease hire	(54)
Revision of joint venture operating loss as per most recent financial statements.	108
Building modification for Electrical Workshop	(100)
Purchase of tools for workshops	(133)
Change to financial accounting treatment of unwinding discounts on employee costs	(221)
Increase in training expenditure for various programs	(117)
Reduction in software licence expenditure	820
Reduction in Consultants Expenses across Knowledge Management (\$135k efficiencies plus \$406k re-prioritisation of works until 2016/17)	541
Increase in external staffing based on revised service delivery for 2015/16 (Knowledge Management)	(400)
Revision of wages for Communication and Customer Relations to reflect embedded structure	(227)
BPM consultancy and change management workshops for Communication and Customer Relations	(50)
Reduction of anticipated local government election costs	250
Reallocation of payroll tax across programs	213
Back pay of employee entitlements (TWW - Program and Technical Support)	(83)
Budget efficiency line removed from Governance budget - efficiencies found across council	(1,115)
Other minor expenditure adjustments across Enabling Services	172
<b>Environment And Sustainability Services</b>	
Rowes Bay Sand Renourishment project	(25)
Other minor expenditure adjustments across Environment And Sustainability Services	7

<b>Planning And Development</b>	
Reduction in TEL sponsorship payment	99
Collier's property management fees associated with 143 walker street	(60)
Addition of document storage costs missed in original budget	(80)
Other minor expenditure adjustments across Planning and Development	3
Efficiencies across Planning and Development (employee costs \$260k, consultants expenses \$115k)	375
<b>Public Infrastructure</b>	
Increased costs in alignment with Roads Performance Maintenance Contract (RMPC) delivery (recoverable through RMPC contract)	(291)
Increased expenditure due to variations for the Townsville Recreational Boat Park (TRBP) (recoverable from DTMR)	(928)
Reduction in electricity costs (new billing arrangement of street lighting between Main Roads, TCC and Ergon)	1,000
Other minor expenditure adjustments across Public Infrastructure	(38)
<b>Solid Waste Management</b>	
Visy recycling costs increased to reflect current requirements	(59)
Deferral of costs until 2016/17 (Concrete crushing and marketing )	204
Efficiencies in employee costs	149
Reduction in consultancy costs (Landfill site identification)	70
Other minor expenditure adjustments across Solid Waste Management	(23)
<b>Wastewater Services</b>	
Removal of septicity model and hazardous area investigation in the sewer catchment which will not occur in 15/16	50
Other minor expenditure adjustments across Wastewater Services	(19)
<b>Water Services</b>	
Integrated Water Bulk Model and Toonpan Water Treatment Plan revised project costs	(28)
Other minor expenditure adjustments across Water Services	(27)
Purchase of new fixed water allocation from Haughton supply	(1,584)
<b>4 Month Budget Operating Expenditure (before depreciation, financing costs and internals)</b>	<b>263,470</b>



## Depreciation, Financing Costs and Internals

Details	Amount \$'000
<b>Adopted Budget Depreciation and Finance Costs</b>	<b>129,101</b>
<b>All Core Services</b>	
Revision of depreciation based on review of effective lives of buildings and residual values of other assets	782
<b>Enabling Services</b>	
Revision of accounting treatment for unwinding discounts on employee costs	397
Increased interest payable on existing loans based on revised loans schedules from QTC	(540)
<b>4 Month Budget Depreciation and Finance Costs</b>	<b>128,462</b>
<b>Adopted Budget Net Operating Internal Revenue and Expenditure</b>	<b>4,737</b>
Increased recovery for internal short term plant hire due to review of fleet utilisation across capital and operating functions	2,229
Review of capitalisation of workshop oncosts has resulted in a reduction of the costs being attributed to capital works	(1,089)
Other Internal Movements (Net)	(111)
<b>4 Month Budget Net Operating Internal Revenue and Expenditure</b>	<b>5,766</b>

## Capital Income and Capital Works

Details	Amount \$'000
<b>Adopted Budget Capital Income</b>	<b>110,780</b>
<b>Community And Cultural Services</b>	
Increased revenue due to receipt of BHP Billiton contribution	35
Reduced revenue in alignment with funding agreement milestones for Townsville Entertainment & Convention Centre	(776)
<b>Enabling Services</b>	
Release of retention funds for RSL Stadium	10
Recognition of net book value on disposal of Fleet Management assets as per renewal program	(899)
<b>Planning and Development</b>	
Strategic Land Sales (Civic Centre) - Removal of revenue as sale of building deferred beyond 15/16	(8,000)
Strategic Land Sales (Civic Centre) - Removal of net book value on disposal in line with deferral of sale	8,000
<b>Public Infrastructure</b>	
Decrease of developer contributions due to lower than expected development works undertaken this financial year (Open Space Management and Roads & Transport)	(5,987)
Increased funding as per State Government announcements associated with TIDs ( Blackspot, Bus Stops (\$496k) , Roads to Recovery (\$1.3m) combined with funding for Angus Smith Drive Bikeway	1,898

Reduction associated with Dalrymple Road Bridge due to project being delivered below budget combined with funding brought forward into 14/15	(11,681)
Minor budget adjustment across Public Infrastructure	(270)
<b>Wastewater Services</b>	
Decrease of developer contributions reflecting reduced development activity this financial year	(3,083)
Part payment of subsidies associated with Cleveland Bay Purification Plant upgrade works	2,000
Minor budget adjustment across Wastewater Services	54
<b>Water Services</b>	
Reallocation of private works revenue to correct capital revenue natural account (fees & charges capital) plus increase in line with current trends	1,556
Decrease of developer contributions reflecting reduced development activity this financial year	(3,214)
<b>4 Month Budget Capital Income</b>	<b>90,423</b>
<b>Adopted Budget Capital Works</b>	<b>266,480</b>
<b>Community And Cultural Services</b>	
Adjustment to the delivery of various works at the Townsville Entertainment and Convention Centre (costs brought forward)	(329)
Minor Capital Movements	1
<b>Enabling Services</b>	
Land acquisition from the state government for Civic Centre	(4,401)
Purchase of excavators and new vehicles for the fleet management service	(183)
Minor Capital Movements	(1)
Roof box gutter replacement at Riverway Arts Centre	(100)
Desktop Replacement Project	300
Correction to value for land acquisition for GST (Property Management)	380
LED Screens at RSL Stadium	(200)
<b>Public Infrastructure</b>	
Dalrymple Road Bridge - Capital reduction realised due to works fast tracked in 2014/15 and expected delivery of project under budget	10,505
Waterfront Promenade - Capital reduction due to delays with tendering	138
Reduction in Design Costs for Waterfront Promenade Project (Open Space)	300
CBD Utilities Upgrade Roads - Capital removed as project will not begin until after the wet season. Not expected to be spent this financial year	1,779
Drains Capital - Reduction to the general drainage capital programme due to delays in obtaining permits and land tenure issues	1,100
Townsville Recreational Boat Park (On Shore Works) - Increase for ancillary works to close out in-water interface and Stage 1 works	(1,000)
Rollingstone Bridge Repairs - Addition of new capital works as major repairs identified during inspection	(730)
Minor Capital Movements	(61)

<b>Solid Waste Management</b>	
Stuart Landfill Capping Works - Capital increase due to a change in construction estimates based on recent tenders	(740)
Hervey Range Cell Works	124
Bluewater and Toomulla Transfer Stations	(140)
Magnetic Island Landfill Transfer Station completed ahead of schedule	357
Removal of contingency for cell construction interface liner at Stuart Landfill	290
Leachate management at Hervey Range landfill	(120)
Deferral of Hervey Range Vegetative Buffer Project to next financial year	340
Deferral of Alternative Day Cover for Transfer Stations	100
Minor Capital Movements	(4)
<b>Wastewater Services</b>	
Various movements between projects, minor overall reduction in capital expenditure	197
<b>Water Services</b>	
Carry over costs associated with the Haughton Pipeline Duplication - This is a result of the inability to carry over last financial year's funding due to the \$1 million threshold and the project manager's under estimation of costs likely to hit the project in the current financial year	(1,217)
Carry over costs associated with Water Pipe Replacement - Contractor delays last financial year has led to construction costs falling into 15/16	(1,225)
Northern Reservoir Site Strategy	(233)
Reduced capital expenditure associated with delays in the CBD Utilities Upgrade project	2,000
Various movements between projects, overall reduction in capital expenditure	407
Minor Capital Movements	(48)
<b>Planning And Development</b>	
Strategic Land Sales - Record Sale of Parcel of Land	(200)
Strategic Land Sales - Record NBV on Sale of Parcel of Land	200
<b>4 Month Budget Capital Works</b>	<b>258,894</b>

## **Revenue**

The income statement includes the expected revenue for 2015/16, 2016/17 and 2017/18 per Councils 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

	2015/16	2016/17	2017/18
	\$'000	\$'000	\$'000
<b>Revenue</b>			
General rates	173,742	186,614	197,584
Utility charges	191,770	203,029	207,191
<i>Water</i>	91,652	100,838	103,119
<i>Wastewater</i>	81,537	82,620	83,761
<i>Refuse &amp; Recycling</i>	18,581	19,571	20,311
Discounts and concessions	(30,698)	(32,433)	(34,070)
Fees and charges	22,987	23,783	24,607
Interest received	4,370	4,595	5,592
Contributions	982	1,007	1,032
Grants and subsidies	9,730	8,348	8,348
Other revenue	15,982	14,204	13,981
<b>Total revenue</b>	<b>388,865</b>	<b>409,147</b>	<b>424,265</b>
<b>Expenses</b>			
Employee costs	138,626	142,436	147,078
Materials and services	117,783	130,795	134,755
Depreciation and amortisation	106,742	111,017	115,633
Finance costs	21,721	21,450	22,134
Other expenses	1,295	255	263
<b>Total expenses</b>	<b>386,167</b>	<b>405,953</b>	<b>419,863</b>
<b>Surplus/(Deficit) before capital income</b>	<b>2,698</b>	<b>3,194</b>	<b>4,402</b>
<b>Operating surplus ratio</b>	<b>0.69%</b>	<b>0.78%</b>	<b>1.04%</b>
<b>Capital income</b>			
Grants, subsidies, contributions and donations	88,257	60,637	75,551
Gain/(loss) on sale of property plant and equipment	36	1,108	1,241
Other capital income	2,131	2,510	0
<b>Total capital income</b>	<b>90,424</b>	<b>64,255</b>	<b>76,792</b>
<b>Increase/(Decrease) in operating capability</b>	<b>93,122</b>	<b>67,449</b>	<b>81,194</b>
Pursuant to Section 169 (6) and (7) of the Local Government Regulation 2012			
	<b>14/15 - 15/16</b>	<b>15/16 - 16/17</b>	<b>16/17 - 17/18</b>
Increase in rates and utility charges revenue before discounts and concessions (increases include average growth of 1.43% over the forecast period)	2.40%	6.60%	3.88%
Increase in rates and utility charges revenue after discounts and concessions (increases include average growth of 1.43% over the forecast period)	2.93%	7.40%	1.77%



## Balance Sheet

Table 5

	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	51,645	74,068	79,594
Trade and other receivables	46,421	48,812	49,389
Inventories	1,025	1,025	1,025
Other assets	2,043	2,094	2,147
<b>Total Current Assets</b>	<b>101,134</b>	<b>125,999</b>	<b>132,155</b>
<b>Non-Current Assets</b>			
Investments	23,880	26,390	26,390
Trade and other receivables	6,660	5,518	5,518
Property, plant and equipment	4,619,963	4,721,665	4,839,860
Intangible assets	9,150	7,216	5,405
Other assets	4,382	4,382	4,382
<b>Total Non-Current Assets</b>	<b>4,664,035</b>	<b>4,765,171</b>	<b>4,881,555</b>
<b>Total Assets</b>	<b>4,765,169</b>	<b>4,891,170</b>	<b>5,013,710</b>
<b>Current Liabilities</b>			
Trade and other payables	65,515	71,170	73,114
Borrowings	20,809	25,433	29,277
Provisions	11,488	11,944	12,420
Other current liabilities	2,748	2,748	2,748
<b>Total Current Liabilities</b>	<b>100,560</b>	<b>111,295</b>	<b>117,559</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	1,873	1,873	1,873
Borrowings	308,820	343,481	359,273
Provisions	43,361	44,213	45,628
<b>Total Non-Current Liabilities</b>	<b>354,054</b>	<b>389,567</b>	<b>406,774</b>
<b>Total Liabilities</b>	<b>454,614</b>	<b>500,862</b>	<b>524,333</b>
<b>Net Community Assets</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>
<b>Community Equity</b>			
Asset revaluation reserve	755,439	767,743	785,618
Retained surplus	3,555,116	3,622,565	3,703,759
<b>Total Community Equity</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>

## Cashflow Statement

Table 6

	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000
<b><i>Cash Flows from Operating Activities</i></b>			
<b>Receipts</b>			
Receipts from customers	382,654	402,003	416,952
Payments to suppliers and employees	(261,592)	(267,509)	(279,248)
Interest received	4,370	4,595	5,592
Borrowing costs	(21,057)	(20,464)	(21,148)
Other cashflows from operating activities	(98)	(51)	(52)
<b>Net Cash Provided by Operating Activities</b>	<b>104,277</b>	<b>118,574</b>	<b>122,096</b>
<b><i>Cash Flow from Investing Activities</i></b>			
Payments for property, plant and equipment	(199,215)	(171,152)	(164,131)
Proceeds from sale of property, plant and equipment	1,385	14,108	1,241
Grants, subsidies, contributions and donations	35,365	20,309	25,540
<b>Net Cash Used in Investing Activities</b>	<b>(161,165)</b>	<b>(135,435)</b>	<b>(136,207)</b>
<b><i>Cash Flows from Financing Activities</i></b>			
Proceeds from Borrowings	19,544	60,000	45,000
Repayment of Borrowings	(19,160)	(20,716)	(25,363)
<b>Net Cash Provided by Financing Activities</b>	<b>384</b>	<b>39,284</b>	<b>19,637</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>(56,504)</b>	<b>22,423</b>	<b>5,526</b>
Cash at Beginning of Reporting Period	108,149	51,645	74,068
<b>Cash at End of Reporting Period</b>	<b>51,645</b>	<b>74,068</b>	<b>79,594</b>

## Statement of Changes in Equity

Table 7

	2015/16 \$'000	2016/17 \$'000	2017/18 \$'000
<b>Asset Revaluation Reserve</b>			
Opening balance	750,575	755,439	767,743
Increase in asset revaluation reserve	4,864	12,304	17,875
<b>Closing Balance</b>	<b>755,439</b>	<b>767,743</b>	<b>785,618</b>
<b>Retained Surplus</b>			
Opening Balance	3,461,994	3,555,116	3,622,565
Net result for the period	93,122	67,449	81,194
<b>Closing Balance</b>	<b>3,555,116</b>	<b>3,622,565</b>	<b>3,703,759</b>
<b>Total Community Equity</b>	<b>4,310,555</b>	<b>4,390,308</b>	<b>4,489,377</b>

## Council Business Activities

Table 8

Account Classification	Townsville Water FY \$000	Townsville Waste FY \$000	Performing Arts FY \$000
<b>Operating Revenue</b>			
Rate Charges	0	0	0
Utility Charges	187,923	18,745	0
Less Less Discount & Concessions	(2,227)	(101)	0
Fees & Charges	2,927	13,403	632
Income From Investments & Financing	688	87	0
Contributions Recurrent	521	0	0
N.C.P. Revenue / Recovery	2,901	403	0
Grants & Subsidies Recurrent	0	0	0
Other Revenue	1,934	862	805
<b>Total Operating Revenue</b>	<b>194,668</b>	<b>33,398</b>	<b>1,436</b>
<b>Operating Expenses</b>			
Employee Costs	23,756	7,391	3,195
Materials & Services	47,289	15,862	7,872
Finance Costs	17,446	572	0
Depreciation & Amortisation	39,777	2,743	68
N.C.P. Expense / Charges	840	347	0
Taxes Other Than Income Tax	0	0	0
Other Expenses	71	1	8
<b>Total Operating Expenses</b>	<b>129,179</b>	<b>26,916</b>	<b>11,144</b>
<b>Operating Surplus / (Deficit) Before Income Tax &amp; Capital items</b>	<b>65,489</b>	<b>6,482</b>	<b>(9,708)</b>
Income Tax	20,666	1,878	0
<b>Operating Surplus / (Deficit) Before Capital items</b>	<b>44,823</b>	<b>4,604</b>	<b>(9,708)</b>
<b>Capital Income</b>			
Contributions Capital	7,929	0	0
Contributions Non-Cash Capital	15,939	0	0
Grants & Subsidies Capital	2,000	0	0
Profit/Loss On Sale Of Assets	0	0	0
Revaluation Reserve Retired	0	0	0
<b>Total Capital Income</b>	<b>25,867</b>	<b>0</b>	<b>0</b>
<b>Capital Expense</b>			
Impairment Losses	0	0	0
Revaluation Decrement	0	0	0
Other Capital Expenses	0	0	0
<b>Total Capital Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase / (Decrease) In Operating Capability</b>	<b>70,690</b>	<b>4,604</b>	<b>(9,708)</b>
<b>Capital Works</b>			
Capital Works	58,023	11,621	94
Restoration & Rehabilitation Works	0	6,787	0
Donated Assets	15,939	0	0
<b>Total Capital Works</b>	<b>73,962</b>	<b>18,408</b>	<b>94</b>

## Business Activity Statement

Table 9

Account Classification	Townsville Water FY \$000	Townsville Waste FY \$000	Performing Arts FY \$000
<b>Operating Revenue</b>			
Services provided to Local Government	17,874	6,618	0
Services provided to clients other than Local Government	174,538	26,527	1,436
Community Service Obligation	2,256	253	0
<b>Total Operating Revenue</b>	<b>194,668</b>	<b>33,398</b>	<b>1,436</b>
<b>Operating Expenses</b>	129,179	26,916	11,144
<b>Other Capital Amounts</b>	<b>25,867</b>	<b>0</b>	<b>0</b>
<b>Increase / (Decrease) In Operating Capability Before Tax</b>	<b>91,356</b>	<b>6,482</b>	<b>(9,708)</b>
Income Tax	20,666	1,878	0
<b>Increase / (Decrease) in Operating Capability after Tax</b>	<b>70,690</b>	<b>4,604</b>	<b>(9,708)</b>

Community Service Obligations	Townsville Water FY \$000	Townsville Waste FY \$000
Concessions on Wastewater Utility Charges	520	
Concessions on Water Utility Charges	1,736	
Concessions on landfill fees for charity organisations		43
Costs of provision of dead animal collection services		31
Costs of provision of infirmed services		26
National Recycling Week		4
Cleanup Australia Day		6
Great Northern Cleanup		3
Landfill Free Access Weekend		140
<b>Total Community Service Obligations</b>	<b>2,256</b>	<b>253</b>