

## ANNUAL REPORT

# 2018/19

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## ACKNOWLEDGEMENT

Townsville City Council acknowledges the Traditional Owners and Custodians of Townsville – the Wulgurukaba of Gurambilbarra and Yunbenun; and Bindal people. We pay our respects to their cultures, their ancestors and their Elders – past and present – and all future generations.

## **CONTACT US**

This document contains important information about the Townsville City Council and Townsville City. If you would like further assistance or information on a service or Council facility, please contact us via one of the following:



13 48 10



PO Box 1268. Townsville OLD 4810



townsville.qld.gov.au enquiries@townsville.qld.gov.au



103 Walker Street, Townsville City

Building for our future

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# CHAPTER 1

# OUR CITY

# COMMUNITY SNAPSHOT TOWNSVILLE

## POPULATION OF THE CITY

According to the Australian Bureau of Statistics (ABS) Regional Population Growth (ABS 3218.0, Regional Population Growth, Australia) as of June 2018 the Estimated Resident Population of Townsville is



## 34.3

Median age

(ABS 3235.0, Population by Age and Sex, Regions of Australia) An Aboriginal and/or Torres Strait Islander population of **7%** 

of the population were born overseas

14%

(ABS, Census of Population and Housing, 2016)

(ABS, Census of Population and Housing, 2016)

# gross regional product \$10.90 billion



Value of all services/goods produced in Townsville North Queensland.

- Public Administration & Safety 18.6%
- Rental, Hiring & Real Estate Services 2,5%
- Health Care & Social Assistance 11.9%
- Construction 8.3% Education & Training 7.4%
- Manufacturing 6%
- Transport, Postal & Warehousing 5.7%
- Retail Trade 5.6%
- Electricity, Gas, Water & Waste Services 5.5%
- Financial & Insurance Services 5,1%

Agriculture, Forestry & Fishing 0.9%
 Professional, Scientific

- & Technical Services 4.5%
- Accommodation & Food Services 3.2%
  - Wholesale Trade 3.5%
  - Administrative & Support Services 2.6%
  - Other Services 2.4%
  - Information Media & Telecommunications 2.1%
     Mining 3.4%
  - Arts & Recreation Services 0.9%

National Institute of Economic and Industry Research (NIEIR) ©2018

## POPULATION BY AGE

	Males	Females	Persons
Total persons	97,203	96,869	194,072
Age groups			
0-4 years	6,924	6,201	13,125
5-9 years	6,811	6,509	13,320
10-14 years	6,393	6,265	12,658
15-19 years	6,943	6,401	13,344
20-24 years	8,879	8,066	16,945
25-29 years	8,035	7,454	15,489
30-34 years	6,965	7,115	14,080
35-39 years	6,196	6,728	12,924
40-44 years	5,916	6,211	12,127
45-49 years	6,510	6,691	13,201
50-54 years	5,614	5,911	11,525
55-59 years	5,837	5,856	11,693
60-64 years	4,690	4,977	9,667
65-69 years	4,152	4,088	8,240
70-74 years	3,273	3,201	6,474
75-79 years	2,076	2,332	4,408
80-84 years	1.138	1,485	2,623
85 years and over	851	1,378	2,229

(ABS 3235.0, Population by Age and Sex, Regions of Australia)

## QUARTERLY UNEMPLOYMENT RATE



Australian Government Department of Employment, Skills, Small and Family Business, Small Area Labour Markets Australia, various editions



# COMMUNITY SNAPSHOT TOWNSVILLE CITY COUNCIL

TOWNSVILLE CITY COUNCIL JOBS 1 x = 10 persons

1,604

Number of people employed at TCC at 30/06/2019

\*\*\*\*\*\*\*

301 Number of new starters throughout 2018/19 \*\*\*\*\*\*\*\*\*\*

125 Number of apprentices and trainees for 2018/19



## ABOUT TOWNSVILLE CITY COUNCIL

# *Council's broad range of community services and infrastructure support the wellbeing and prosperity of its community.*

Council is continuing in its goal of building for our future through delivering great services, maintaining and improving our public open spaces and living within our means.

Throughout this year Council's clear vision for the City 'Townsville 2020' has continued with excellent progress on project masterplans, extensive community engagement on the projects and works that will transform our city.

Council's vision, strategic objectives and strategies to further improve services and facilities are described in the Corporate Plan, Operational Plan and Budget, and reported in this Annual Report.

In January 2019, the city of Townsville faced the worst natural disaster in recorded history with an unprecedented monsoon. Council continues to play a major role in community recovery – through facilitating human social interactions, mental health, infrastructure repairs, economic support and environmental restoration.

And while Council has been focussed on these tasks, major objectives remain – such as job creation, community safety, and water security.



#### Our Organisational Structure:

## TOWNSVILLE DASHBOARDS

Townsville City Council is committed to transparent, responsible and open disclosure of information to the community. Townsville Dashboards provides the digital platform for the community to access accurate, relevant and timely information about their community and Council. This delivers the Smart Townsville Strategy of an open and engaged Council building public trust through transparency and accountability.

Townsville Dashboards includes access to Council datasets through our Open Data Portal and presentation and visualisation of Council datasets (Your Council) and Community datasets (Your City) through OpenGov.

Following the publishing of Townsville Dashboards in February 2019, the community has undertaken 47,286 page views and downloaded the 34 available datasets from the Open Data Portal on 2,391 occasions.

Month	Page Views	Downloads
February	3,464	354
March	12,346	437
April	10,236	837
May	10,597	473
June	10,643	290
Total	47,286	2,391



Access Townsville Dashboards at dashboards.townsville.qld.gov.au

# ANNUAL REPORT SUMMARY



Key milestones continue to be met in the three-point \$225 million water security solution. Projects include the new 1.8m diameter pipeline, a Recycled Water Re-use Scheme for community spaces and industrial use and the Water Smart Package.



The \$8.5 million Local Disaster Coordination Centre (LDCC) opened in early December 2018 in time for our wet season. This facility is rated to withstand a Category 5 Cyclone, allowing the Townsville Local Disaster Management Group to lead the coordination of any emergency response for the city.



The Townsville 2020 masterplan was launched in December 2017. The masterplan focuses on creating world-class experiences for locals and tourists and re-imagining some of our most loved public spaces such as The Strand and Castle Hill. It provides a framework for the new masterplan to build on the strategic recommendations included in the Pure Projects review. Townsville 2020 will be the most transformative masterplan in the city's history.



Construction continued on the North Queensland Stadium site, which is a joint project of the Queensland Government, the Australian Government and the Townsville City Council and is supported by the National Rugby League and the North Queensland Cowboys. The centrally located 25,000 seat, best-practice, multi-purpose stadium is on course to be completed in time for the 2020 NRL season.



Our City experienced an unprecedented monsoon at the start of 2019, and while it broke rainfall records, it did not break the spirits of those in our community. With thousands of properties damaged throughout the suburbs we have seen the biggest clean-up effort in our history.



Responsible financial management has seen Council's 2018/19 operating result has again delivered a balanced financial outcome. Red tape reduction and operational reforms has enabled resources to be redirected into front line services whilst keeping rate increases low.

## CHAPTER 2

# MAYOR AND CEO REPORTS

VICTORIA BRIDGE

## MESSAGE FROM THE MAYOR

## WELCOME

On behalf of my Councillors and the Executive Management Team, I am pleased to present the Townsville City Council 2018/19 Annual Report. Townsville City Council's core business has come a long way from just roads, rates and rubbish and this report highlights our continued plan to deliver cost-effective government, financial reform and our commitment to create jobs.

## FINANCIAL PERFORMANCE

Responsible financial management meant Council's modest rate increase of 1.9 per cent for 2018/19 matched the rate of inflation and is one of the lowest in the state. This fiscal responsibility ensured that Council was able to deliver its second consecutive balanced budget.

## **DELIVERING ON OUR PROMISES**

This year major infrastructure projects were a huge focus for Council, while getting on with business as usual – such as improving our road and pedestrian networks, maintaining our city's drainage and upgrading park facilities.

Public safety remains a high priority with our Emergency Management Dashboard playing a pivotal role in communication before, during and after a disaster. The Dashboard, which was launched in time for Cyclone Owen and the unprecedented monsoonal event earlier this year, provides accurate and timely information as the single source of truth during a disaster, including preparation and recovery information.

The \$8.5 million Townsville Local Disaster Coordination Centre (LDCC) opened in early December in time for our wet season. This state-of-the-art facility provides a safe space for all emergency management agencies to convene in a disaster, ensuring a single point of contact for all communications.

Council remains committed to delivering long-term water security for the region through our three-point water security solution. Work continues on Stage 1 of the 1.8 metre diameter water pipeline, while funding for Stage 2 has also been secured, which will see the pipeline span 36.5km from the Haughton Pump Station to the Ross River Dam.

Council's \$55.0 million CBD utilities upgrade was completed ahead of schedule and within budget, creating 315 local jobs. The project replaced century-old water and sewer pipes throughout the CBD and sections of North Ward to ensure Townsville can cater for future residential and commercial growth.

Work has been underway throughout our CBD including initial civil works on the new Townsville Waterfront Promenade, supporting 34 local construction jobs. The CBD Bus Hub was completed in May, providing a central hub for all public transport users, and a link to the new stadium and Council led projects such as Flinders Lane.

## **CHALLENGES**

Our city faced a rough start to 2019. The unprecedented monsoon may have broken rainfall records, but it did not break the spirits of those in our community. With thousands of properties damaged throughout the suburbs we have seen the biggest clean-up effort in our history. Council has been lobbying insurance companies to ensure our local contractors get their share of the work on offer when it comes to being chosen as insurance panel providers so we can keep jobs in the city.

Recovery is certainly not an overnight process and relies on the whole community, but I am confident that our city's amazing community spirit, resilience and mateship will ensure we come back even stronger than before.

## **BUILDING FOR OUR FUTURE**

With jobs creation, water security and major infrastructure projects being delivered I have no doubt that Townsville is on the cusp of significant economic recovery.

The 2019/20 budget mid year review will continue to drive job creation and infrastructure investment to build for our future. Council will invest \$427.4 million to deliver our normal services to the community such as libraries, planning services, environmental health officers, disaster management, infrastructure maintenance, wastewater treatment, dam management and animal management just to name a few. Council will also deliver a major capital works plan with \$431.2 million to be invested in job-creating infrastructure projects throughout our city, injecting money into the local economy and changing how we see our city into the future.

Thank you to Councillors, Council Executive and Officers for their hard work. The 2019/20 year will be another big year for Townsville and we will continue to focus on delivering for our community and building for our future.

Jenneyll

Cr Jenny Hill Mayor of Townsville



## **CEO ASSESSMENT** OF IMPLEMENTING COUNCIL'S FIVE YEAR CORPORATE PLAN

## **BUILDING TOWNSVILLE FOR THE FUTURE**

This is an annual report that demonstrates our focus on building for the future of our community. Using the solid work of the last three years as a foundation, Council demonstrates city wide commitment to the highest possible levels of affordable service delivery, rebuilding our community after the monsoon event, and giving locals the best opportunities in employment and business.

In presenting this annual report, it is fitting to reflect on the essential and deliberate approaches taken to ensure Council continues to appropriately maintain its assets and be well positioned to deliver the necessary future capital works and facilities our community needs and expects.

2018/19 saw Council continue to reach key milestones and complete transformational projects for our city, whilst also delivering on our basics. Projects delivered for our city include:

- Installation of a new 1.8 metre diameter water pipeline is on track with stage 1 to be delivered in March 2020;
- Park upgrades to Heatley Park, Charles Moroney Park and Aplins Weir Rotary Park;
- Multiple road and footpath upgrades;
- Significant refurbishments and upgrades to the Animal Care and Adoption Centre;
- Delivery of the Liveability study to our community;
- Repair of the Civic Theatre; and
- Improvements to our Riverway precinct.

Council also continues to work with our state and federal counterparts on delivery of the North Queensland Stadium Precinct via a contribution of land and supporting infrastructure.

The new Local Disaster Coordination Centre (LDCC) was officially opened and then put to the test in 2018/19. The purpose-built facility was a collaboration between all levels of government, supporting over 250 local jobs during construction. During the unprecedented rain event, all agencies involved in the Local Disaster Management Group (LDMG) worked collaboratively within the LDCC to support our community.

In the wake of the unprecedented monsoon event earlier this year, we also continue to focus on all aspects of resilience and recovery, including community wellbeing.

Council has undertaken a number of initiatives as we work to deliver a liveable city for our residents to work, rest and play. In 2018/19 these included:

- Welcoming nearly 30 new apprentices and trainees to our team. This is our largest ever intake under Queensland Government First Start funding, and in fact we received the largest allocation of this funding of any local government in Queensland;
- Offering two-hour free parking through the month of December in the CBD;
- Running multiple community events, and commencing the extremely successful regular fixture that is Townsville Eats; and
- Commencing the search for a project partner to transform the Northern Railyards, a critical component to the revitalisation of Ross Creek.

This year, Council continued to stand up and speak out against family and domestic violence. We implemented changes to process, behaviour and priorities and worked closely with the Queensland Police Service and other community organisations to develop collaborative partnerships to support positive change.

Townsville has certainly faced challenges in this financial year, and the spirit and resilience demonstrated as we continue to rebuild has been a credit to everyone in our community.

Our team has worked incredibly hard during 2018/19 and I am confident Townsville will continue to see further economic and community benefits as we move towards 2020.

M. Chank.

Mike Chiodo Chief Executive Officer



## CHAPTER 3

# COMMUNITY FINANCIAL REPORT

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## **COMMUNITY** FINANCIAL REPORT

This Community Financial Report is produced as part of Council's Annual Report to enable members of our community, our business partners, our employees and stakeholders to gain a better understanding of our financial performance and position over the last financial year. The following information presents a summary of financial results for 2018/19 in an easy to understand format. For more detailed information, please refer to the Annual Financial Statements on pages 56 to 98.

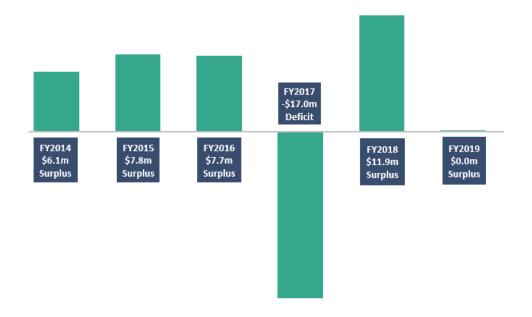


## **Operating Result**

Responsible financial management has enabled Council to deliver a balanced budget in 2018/19 despite additional challenges the unprecedented monsoon has had on Council's resources. A small operating surplus demonstrates the benefits of a smarter, faster and better Council.

#### **Net Result**

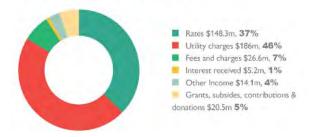
The net result is made up of the operating surplus and any one-off items such as income and expenses related to capital investment. Council achieved a net result of \$170.7 million in 2018/19. This result includes \$240.8 million in government grants and developer contributions offset by \$70.2 million capital expenses primarily relating to the revaluation of assets.



## FINANCIAL **PERFORMANCE**

#### Revenue

\$400.7m total operating Revenue



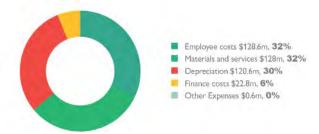
Revenue comes in from rates and utility charges on residential properties, business and industrial properties and fees and charges from Council running its operations, state and federal Government grants, developer and other contributions, and interest.

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

Total operating revenue increased by 3.9% from last year due to the receipt of the state waste levy advance payment and an increase in rates and utilities revenue resulting from property growth and a CPI increase in line with inflation.

#### Expense

\$400.7m total operating expenses



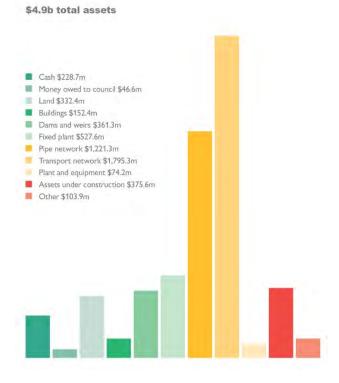
Expenses go out for employee costs, materials, utilities, services, depreciation and financing costs to deliver community services. The following information covers operational spending only because capital spending is added to the value of assets when incurred.

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

Total operating expenses have increased by 7.1% from last year due to one-off costs associated with the unprecedented monsoon, increased depreciation on assets capitalised during the year and increased employee benefits resulting from lower vacancy rates.

## FINANCIAL POSITION

## **ASSETS – WHAT THE COMMUNITY OWNS**

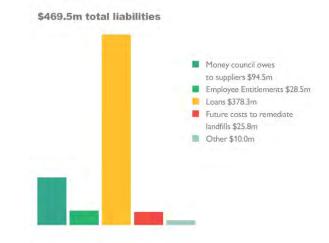


Infrastructure is the Council's largest investment and includes roads, pipes and buildings that benefit the community.

The value of Council's assets has increased from the prior year by \$361.6 million due to:

- \$53.4 million increased value of assets under construction primarily due to the Townsville water pipeline project;
- \$142.7 million increased cash holdings at 30 June 2019 as a result of funds received for the Townsville water pipeline and disaster recovery funding;
- \$93.9 million value of fixed plant has increased as a result of the scheduled revaluation undertaken in 2018/19.

## LIABILITIES – WHAT THE COMMUNITY OWES



Council's liabilities include borrowings (loans), amounts owed to suppliers, amounts owed for employee entitlements and provisions for future landfill capping. The largest debt owed at 30 June 2019 was to Queensland Treasury Corporation (QTC). QTC is the Queensland Government owned lending agency from which most local governments and state authorities borrow to finance their large scale infrastructure projects.

The value of Council's liabilities has increased from the prior year by \$67.6 million due to:

- \$35.1 million increase in amounts owed to suppliers at 30 June due to the delivery of a significant capital works program;
- \$34.0 million increase in net borrowings resulting from the drawdown of \$60 million planned borrowings offset by \$26 million principal debt repayments.

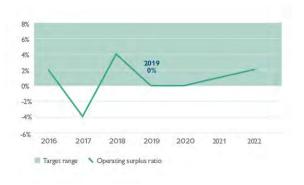
Council actively monitors its cash and borrowing requirements to ensure we are financially sustainable.

## FINANCIAL SUSTAINABILITY

While this report focuses on the 2018/19 financial results, it is important to view these results in the context of the long term financial objectives of Council. Council is committed to addressing key issues around service, managing debt levels and asset management.

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

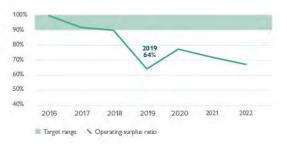
The graphs show the historical actual ratio values for the last three financial years as well as forecast ratios for the next three years. The target range for the financial ratio graphs is in accordance with the Department of Local Government, Community Recovery and Resilience Financial Management (Sustainability) Guidelines 2013. There are circumstances specific to Council where actual results may vary from the target range.



**OPERATING SURPLUS RATIO** 

The operating surplus ratio indicates Council's ability to fund ongoing operations over the long term. A ratio of 0% in 2018/19 indicates costs incurred by Council were the same as total revenue received. This result was achieved despite additional challenges resulting from the unprecedented monsoon event.

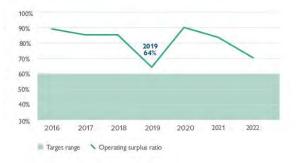




The asset sustainability ratio is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives. It can assist in identifying the potential decline or improvement in asset condition and standards. The result of 64% has been influenced by Council's significant investment in the Townsville water pipeline project.

Council recognises the below average (target) asset sustainability ratios of 90% in coming years, as council is in the process of reviewing the remaining lives of assets and systematically allocate renewal funding in the future years based on new asset lifecycle framework.

## **NET FINANCIAL LIABILITIES RATIO**



In the context of a household budget, the net financial liabilities ratio would indicate whether a homeowner's annual salary plus savings could repay the mortgage and all other debt, assuming no money was spent on anything else during the year. The result in 2018/19 improved considerably due to increased cash holdings received for the Townsville water pipeline and disaster recovery. Whilst the ratio will increase in 2019-20, it is expected to continue in a downward trend going forward.

## ASSESSMENT OF OPERATIONS AND PERFORMANCE 2018/19 KEY HIGHLIGHTS

## 1. A PROSPEROUS CITY

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

#### Key deliverables achieved:

Townsville's CBD Bus Hub was completed, improving public transport to and from the city, providing better pedestrian access to the city heart and linking the new North Queensland Stadium to the CBD.

An updated public transport timetable for the city's bus network, a 24-hour hotline and access to an online journey planner improved public transport services.

Secured \$0.4 million in funding for the Regional Skills Investment Strategy to develop local training pathways to local jobs and build a skilled workforce.

The \$8.5 million Local Disaster Coordination Centre (LDCC) opened in early December 2018 in time for our wet season. This facility is rated to withstand a Category 5 Cyclone, allowing the Townsville Local Disaster Management Group to lead the coordination of any emergency response for the city.

The 50% construction milestone was reached for the new NQ Stadium.

Works on the Cowboys Centre of Excellence and Hotel projects progressed in the Stadium Precinct.

Council is continuing to show its commitment to boosting the city's economy with local businesses supplying 85% of procurement services during the financial year.

The community was engaged on the Townsville 2020 project masterplans including Castle Hill, Central Park and Dean Street Carpark, Entry Statements, Flinders Lane, Mount Louisa Open Space and the Riverway Splash Park.

Feasibility study for a Lithium-ion battery plant being finalised by Imperium 3.

Council offered free two-hour parking throughout the CBD for the month of December. The free parking continued with Council introducing free 15-minute parking in 2P parking spaces, encouraging more motorists to stop and shop in the CBD.

Development partners were attracted for the Lansdown Eco Industrial Precinct and lodged the Planning Scheme amendment with the state Government.

Work commenced on the Townsville Technology Precinct at the North Rail Yards site in the CBD.

Smart Townsville was launched, a community-led partnership to deliver a Smart City.

## 2. A CITY FOR PEOPLE

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

#### Key deliverables achieved:

Utopia Tropicae: The Spirit of the North was a major exhibition of works from the City of Townsville Art Collection which celebrated the work of local artists, who reside in, or who have a strong connection to Townsville, Cairns, and the wider North Queensland region, and who have made an enduring commitment towards the area's visual arts and cultural conversation.

Townsville 400 supercar event and Australian Festival of Chamber Music were rousing successes for Townsville.

Council refurbished the Animal Shelter kennels, office, built new exercise enclosures, entry road and established a vet clinic. Free microchipping days have also been held to promote responsible pet ownership. 60 exhibitors were on show at this year's Pet Expo, a free event at Jezzine Barracks.

The highly successful 'Townsville Eats' events commenced and continued to grow in popularity.

The biennial Percival Portrait Painting Prize and Photographic Prize is a North Queensland art competition attracting prize money of \$50,000. The 2018 competition ran from April to July 2018 and attracted over 100 entrants in each category. Winning works are part of the City of Townsville Art Collection.

Council supported the biggest weekend of football in Townsville's history in June, with the NRL Cowboys v West Tigers match and AFL Gold Coast Suns v St Kilda match at Riverway Stadium, occurring in the same weekend.

Get Active Expo was held again to encourage participants to try different activities on offer.

CityLibraries celebrated its 80th Birthday hosting a number of events, which saw up to a 70% increase in participation compared to general sessions.

The new Magnetic Island Seniors Fitness Trail (MISFIT) has three fitness zones designed for older users.

The North Shore Youth Hub was officially opened in November 2018. The project includes a skate park, obstacle course, teenage playground and outdoor DJ table.

The community was engaged to develop the Townsville Liveability Study.

## ASSESSMENT OF OPERATIONS AND PERFORMANCE 2018/19 KEY HIGHLIGHTS

## 3. A CLEAN AND GREEN CITY

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

#### Key deliverables achieved:

Council achieved significant progress on the water security infrastructure component of the three-point water security solution. Stage 1 of the new 1.8m water pipeline project is on track to be delivered by March 2020.

The first section of the 24 kilometre pipework to support the delivery of the Recycled Water Re-Use Scheme went into the ground, a Recycled Water Re-Use Policy was endorsed by Council and all regulatory approvals received. The scheme is being progressed to commence on 1 July 2020.

Kerbside hard waste collection commenced in January 2019. Free dumping of green waste and recyclable materials at landfill sites continued through 2018/2019 for all residents from 1 July.

A free tipping weekend gave residents the opportunity to dispose of their domestic waste for free.

During the 2019 unprecedented flood Townsville Waste responded to the event by providing additional waste disposal and transfer stations, conducting kerbside collection of flood waste and waiving disposal costs for residential flood impacted waste.

Three temporary food waste sites were open during this event to allow residents to dispose of food resulting from the flood or loss of power.

In addition, two major temporary transfer stations were opened to accommodate the large influx of traffic and the resulting waste. The Murray Sporting Complex site took 2,600 deliveries of waste while the Lou Litster Park site took 13,000 deliveries of which 7,000 were domestic vehicles. All waste was processed and where possible metal, including whitegoods were recovered for recycling. Over 1,000kg of hazardous waste was collected, separated and sent for specialist treatment. All remaining residual waste was transported to the Stuart Waste Facility for appropriate treatment and disposal prior to both temporary sites being remediated.

## 4. A SMARTER, FASTER BETTER COUNCIL

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

#### Key deliverables achieved:

Council launched Townsville Dashboards on 26 February 2019, providing a digital platform for the community to easily access data and information about their community and delivering upon Council's commitment to openness and transparency.

Council limited rates growth at 1.9%. Council extended the payment deadline for all ratepayers and further extended the deadline for ratepayers directly affected by the monsoon event, helping thousands of families and businesses that suffered damage to their property.

Council was business ready for the adoption of new plumbing and drainage legislation which began on 1 July 2019. This was the first major reform of this legislation since 2002. Council used this opportunity to streamline many processes and ensure compliance with the new and reduced permit application timeframes.

Council endorsed a partnership with Australian Academic & Research Network (AARNet) and James Cook University (JCU) enabling the organisations to access each other's fibre optic cables throughout the city.

Go green, go paperless initiative launched moving towards a more sustainable future by providing rates notices via email.

Council launched a new Grants & Partnerships program that went live in February 2019. Using the SmartyGrants software, Australia's most-used grant making system, Council is ensuring a dynamic, intuitive and accessible user experience, making grant applications easier. The program has been streamlined into 3 categories and allows applicants to align their initiatives to Council priorities and deliver on our commitment to supporting, and enhancing, the impact of community organisations in the city.

The Queens Gardens bird aviary was constructed, which included decommissioning of the old rose garden, and consultation with the community about what birds should be housed in the aviary. The aviary is on schedule to be opened in early 2020.

# CHAPTER 4

# TOWNSVILLE WATER

## PURPOSE OF THIS REPORT

This Operations Report is designed to provide an overview of the operations and performance of Townsville Water for the 2018/19 financial year, as measured against its Annual Performance Plan.

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

## TOWNSVILLE WATER

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

To apply the competitive neutrality principle under the *Local Government Act 2009*, the significant business activity was commercialised in 2008, with the creation of a commercial business unit. The business unit sits within the Townsville Water and Waste section of Council. It employs over 300 staff from the Townsville community and has a combined operating and capital expenditure of over \$230.0 million.

Townsville Water aims to be the best regional water service provider in Australia and is committed to providing safe, reliable, value for money water services for the Townsville community. In 2018/19, it produced more than 43,000 mega litres of safe, high- quality potable water, and supplied water to 77,812 service connections in the Townsville region. Townsville Water also collected and treated over 17,000 mega litres of sewage, serving approximately 74,000 residential, commercial and industrial properties, including approximately 1,000 trade waste customers.

The operation of the water business includes the management of assets valued at approximately \$1.6 billion in total, including the operation of major water storages, 4 water treatment plants, 6 sewage treatment plants, 41 water reservoirs or tanks, 27 water pumping stations, around 20 chlorinators, over 180 sewage pump stations, over 2,500 kilometres of water mains, and over 1,300 kilometres of sewer mains, in accordance with health, environmental and other legislative and regulatory obligations.

## OUR PERFORMANCE

Townsville Water's performance in the 2018/19 financial year focused on several key areas.

## **Customer Service Standards**

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

## **Education Programs**

Townsville Water continued to provide community and school education programs in 2018/19, including offering school groups to participate in Eco-catchment Education Tours to enable students to follow the water cycle from catchment to reef, and integrate essential infrastructure with the local natural environment. School groups participated in guided tours of "Learnscapes" such as the Mount Saint John Wastewater Treatment Plant and the Ross River Dam Spillway, where connections were made between the built environment and surrounding natural habitats.

Community members were informed how to keep their lawns and gardens healthy by using the right amount of water. Community members were also informed about Council's sewerage treatment processes and the many items that, if flushed, can cause blockages and overflows, or are a danger to workers or impact the sewerage treatment process.

The aim of the residential wastewater education program is to reduce the costs of managing sewerage and reduce environmental and health impacts from overflows.

#### Water Restrictions

In February 2018, following significant rainfall, water restrictions were eased to Level 2. At this time Ross Dam filled to over 90% capacity, the ease in water restrictions allowed residents to use sprinklers on their gardens and wash their cars with a hose. Throughout the period that restrictions have been in place, Council has focused its efforts on raising awareness of the levels of restrictions and their impact, educating residents on how to conserve water usage around their homes and businesses, and working with key sectors of the community to minimise the impact of restrictions as much as possible for the community as a whole.

In February 2019 Townsville experienced the largest rainfall event to have occurred over the Townsville catchment in the past 120 years. At this time the Ross River Dam received 850,000 megalitres of rainfall which is 3.8 times Ross River Dam capacity. Throughout the event, rainfall was measured at the historic highs and the level of water in Ross River Dam exceeded the greatest flood on record peaking at 43m and a capacity of 248%.

Following this event Council eased Level 2 water restrictions introducing Water Conservation Measures. This is to help ensure the city's water security as part of Council Water Demand Management Strategy.

## OUR INFRASTRUCTURE

#### Asset Management

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

#### The Three-Point Water Security Solution

#### 1. Townsville Water Pipeline Project

The water pipeline project commenced in October 2017. Despite delays associated with the monsoon event, significant progress was achieved on construction of the pipeline during 2018/2019. Stage 1 of the project is on track to be delivered by March 2020. In addition, the federal Government completed a business case on stage 2 of the project, with a commitment to fund \$195 million towards stage 2 of the project.

#### 2. Recycled Water Re-Use Scheme

The purpose of this project is to recycle treated wastewater to produce high quality recycled water to irrigate parks, golf courses, James Cook University, the new North Queensland Stadium and large industrial users. During 2018/19, construction of the project commenced with the first section of the 24km of pipework going in the ground. A Recycled Water Re-Use Policy was endorsed by Council during this financial year and all regulatory approvals received. Environmental modelling was also completed on end user's sites. The Scheme is being progressed to commence on 1 July 2020.

## 3. Water Smart Package

The Townsville Water Security Taskforce recommended the implementation of a wise water use program in Townsville, as part of an overall solution to address Townsville's water security issues. The Water Smart Package (the Package) is supported by a \$10 million grant from the Queensland Government. The Package provides assistance to the community to transition to more efficient outdoor water use practices, applicable for Townsville's dry tropics environment. During 2018/19, a panel of suppliers was established to deliver the products and services under the Package as well as the web portal developed which would allow customer to access the program. A marketing, communications and community engagement specialist was also selected to develop the communications and behaviour change campaign that would accompany the release of the Water Smart Package. The Water Smart Package was on track to be launched on 16 July 2019.

## **Key Projects**

- Water Pipes and Services Replacement Program
- Water Treatment and Bulk Supply Renewals
- CBD and Stadium Utilities Upgrade Project
- Cleveland Bay Purification Plant Capacity Upgrade
- Sewer Pipe Relining and Manhole Rehabilitation

## OUR ENVIRONMENT

## **Environmental Licences and Compliance**

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

## Licensing of Water and Sewage Treatment Activities

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

Townsville Water successfully negotiated new licence conditions with the Department of Environment and Science for the Magnetic Island Water Recycling (MIWR) Facility in relation to recycled water. Discharge nutrient targets for MIWR are now in line with current industry standards and licensed effluent irrigation areas have been extended to the naturally forested area adjacent to the plant. Townsville Water commenced design of appropriate irrigation infrastructure to meet the new licence requirements and plan to have infrastructure in place in the 2018/19 financial year.

Townsville Water monitored and measured its compliance against its licence conditions during the 2018/19 financial year and ensured that all routine and event-specific reporting requirements were met, including preparing annual returns for its environmental licenses where required by licence conditions.

Townsville Water will maintain a Transitional Environmental Program for its Cleveland Bay Purification Plant during the 2018/19 financial year, as a temporary measure while the Cleveland Bay plant undergoes an upgrade to bring its performance in line with its licence requirements. This will ensure that Townsville Water minimises any environmental harm and complies with the *Environmental Protection Act 1994*.

## OUR GOVERNANCE

## Mandatory Performance Reporting

Townsville Water is required to report annually on key performance indicators intended to allow the Department of Natural Resources, Mines and Energy to monitor performance of water and sewerage service providers, and to promote transparency and accountability for customers of water and sewerage services through the publication of performance results. Townsville Water delivered its performance report on 1 October 2018 and published its results to the community before the end of December 2018. Reporting on the 2018/19 year will take place in October 2019.

## Drinking Water Quality Management Plan

Townsville Water maintained a drinking water quality monitoring program in accordance with its Drinking Water Quality Management Plan (DWQMP) during the 2018/19 financial year to ensure the effective management of its drinking water supply.

Townsville's percentage compliance with the Australian Drinking Water Quality Guidelines (ADWG) and the DWQMP for the financial year was 98%. In accordance with its requirements under the *Water Supply (Safety and Reliability) Act 2008*, Townsville Water delivered their DWQMP Annual Report during 2018/19. This report addressed progress and compliance with its Drinking Water Quality Management Plan.

## **Quality Management Systems**

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

## MAJOR INVESTMENTS

During 2018/19, Townsville Water invested in the below major projects for Water and Wastewater Infrastructure.

Initiative/Project	Proposed Investment	Mid Year Review Budget	Actual Investment	Commentary
	\$000	\$000	\$000	
Water & Wastewater				
NQ Stadium Precinct Water and Wastewater Infrastructure	7,000	7,000	7,000	Work has been completed in line with scheduled work plan.
Stage 1 of Haughton Pipeline Duplication to Ross River Dam	158,900	139,809	84,988	The project continues to experience impacts of the unprecedented wet weather event.
Stage 1 of CBPP Effluent Re-Use Pipeline to Murray Sporting Complex	6,830	4,883	2,251	Project has experienced changes to the delivery of scheduled works, so some underspend expected against 2018/19 budget The unused funds from 2018/19 will be added to the project in 2019/20 with practica completion due early in the 2020/21 However, some parts of the network will be completed and start receiving recycled water early 2020.
Cleveland Bay STP Performance Rectification (Total upgrade of the plant is estimated at \$72 million)	17,030	23,087	20,187	Delays related to the monsoonal weather event.
CBD Utility Upgrade - water infrastructure (Total upgrade of the CBD Utilities Infrastructure is estimated at \$55 million)	15,940	14,040	11,946	The main CBD project is in finalisation stages Expenditure will continue in June with the completion of footpaths restoration works.
Investment in reservoirs including Cungulla High Lift Tank Renovation	1,443	1,443	1,513	Program includes refurbishment of two water reservoirs. Cungulla reservoir upgrade was completed in May 2019 and is in Defect Liability Period. Nelly Bay reservoir repairs contract was awarded in April 2019 and wil be completed late 2019. Project is on track.
Pump Station 7A Replacement (Total replacement is estimated at \$5.3 million)	1,080	1,080	1,100	Project on track with construction contract being awarded in May 2019. Completion expected mid-December 2019.
Investment in Rising Main for Cranbrook to mitigate wet weather overflows	1,800	1,910	1,864	Work has been completed in line with scheduled work plan and is in Defect Liability Period. Final completion is expected in January 2020.

Initiative/Project	Proposed Investment	Mid Year Review Budget	Actual Investment	Commentary
	\$000	\$000	\$000	
Investment in Southern Suburbs Rising Main to mitigate wet weather overflows to many southern suburbs (Total works estimated at \$25 million)	7,350	5,067	4,109	Project experienced delays related to the monsoonal weather event and possession of the site. Some underspend expected against 2018/19 budget.
Investment in water reticulation assets (mains and services) to improve the resilience in water supply	5,341	5,341	5,858	Work has been completed in line with scheduled work plan.
Replacement of water meters to improve the reliability of water meter readings	763	1,163	1,051	Work has been completed in line with scheduled work plan.
Investment in wastewater assets (maintenance holes, mains and property connections) to improve the resilience of wastewater collection system	4,684	4,919	4,609	Work has been completed in line with scheduled work plan.
Investment in water and wastewater treatment assets to improve reliability	1,971	2,704	2,389	Work has been completed in line with scheduled work plan.

## **PERFORMANCE** TARGETS

In the 2018/19 financial year, Townsville Water measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

Deliverable	Details	Current Complet	ion
Economic Sustainability (Water)			
Revenue – Budget to Actual within 5% of the revised budget	Total Operating Revenue	4 / 5 % Variance	•
Capital Expenditure – Budget to Actual within 5% of the revised budget	Total Capital Works	32 / 5 % Variance	•
Operating Expenditure – Budget to Actual within 5% of the revised budget	Total Operating Expenses	6 / 5 % Variance	•
Net Operating Result – Budget to Actual within 5% of the revised budget	Surplus / (Deficit) Before Capital	24 / 5 % Variance	•
Five Year Price Path (information reported annually)	Approved price path derived from QTC model	100 / 100 %	•
Return on Assets within 5% of revised budget (information reported annually)	Net Income / NBV of non-current assets	5 / 5 % Variance	•
Asset Renewal, target minimum 90% (information reported annually)	Rehabilitation capital works. Target: minimum 90%	75 / 90 %	•
Interest Coverage Ratio (information reported annually)	Total Operating Revenue / Net Interest Expense	4.9 Times	•
Asset Consumption Ratio (information reported annually)	Weighted average measure of consumption of non-current assets	58 %	•
Debt to Equity Ratio (information reported annually)	This ratio identifies the portion of debt compared to the business's equity. Target: <0.5 Times	0.12 Times	•
Annual Dividend (information reported annually)	The portion of earnings distributed to Council (our shareholder) from the operation of the Townsville Water commercial business unit. Target: >90% of budgeted amount	164 %	•
Environmental Sustainability (Water)			
Penalty Infringement Notices or Legal Action for Non-Compliance	Number of penalty infringement notices issues or instances of legal action initiated by the Regulator for non-compliance with respect to sewerage treatment or reticulation activities	0 / 0 notices	•
Dry Weather Sewerage Releases	Number of dry weather sewerage overflows, bypasses or releases to the environment that was not caused by a third party or natural phenomenon	0 / 0 releases	•
Responsible Governance (Water)			
Percentage reduction number of Lost Time Injuries recorded, compared to he previous financial year (information reported annually) – 80%	Percentage reduction in the number of Lost Time Injuries recorded, compared with the previous financial year	80 / 80%	•
Social Responsibility (Water)			
Customer Satisfaction recorded by the Customer Service Department urvey – Target 90%	Percentage of results of "good" and "excellent" recorded by the Customer Service Department monthly survey	90 / 90%	
Drinking Water Quality Compliance – drinking water quality compliance neasure 100%	Percentage of compliance with all drinking water requirements in accordance with Townsville Water's Drinking Water Quality Management Plan	100 / 100%	
Drinking Water Quality Compliance – e.Coli compliance measure 100%	Percentage of compliance with all drinking water requirements in accordance with Townsville Water's Drinking Water Quality Management Plan	100 / 100%	

## **COMMUNITY SERVICE OBLIGATIONS**

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

In the 2018/19 financial year, the following community service obligations were carried out by Townsville Water, at a total cost of \$2,696,331.

Category	Budgeted Value \$	Actual Value \$
Pumping of sewerage – Magnetic Island Surf Lifesaving Club (Arcadia)	8,000	10,795
Price concessions on water and wastewater charges in recognition of an activity's contribution to the social and cultural welfare of the community	2,419,785	See detail below
Commercial Irrigation	See above total	99,329
Caravan Parks	See above total	193,103
Retirement/lifestyle villages	See above total	226,135
Boarding and lodging houses	See above total	113,783
Charitable and non-profit aged care facilities	See above total	432,754
Churches, church halls, clubhouses and halls – charitable and non-profit organisations	See above total	388,308
Sporting field irrigation – restricted public access (not including schools, tertiary institutions and other educational facilities)	See above total	1,029,800
Sporting field – no public access restrictions (not including schools, tertiary institutions and other educational facilities)	See above total	3,815
War Graves	See above total	1,736
Water Leakage Concession	See above total	196,150
Water Haemo Dialysis Concession	See above total	625
TOTAL	2,427,785	2,696,331

## CHANGES TO THE ANNUAL PERFORMANCE PLAN

The Local Government Regulation 2012 allows local government to amend its annual performance plan for a commercial business unit, at any time before the end of the financial year for which it is prepared. Any changes must be documented in this Annual Operations Report.

No changes were made during the financial year.

# CHAPTER 5

# TOWNSVILLE WASTE

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## PURPOSE OF THIS REPORT

This Operations Report is designed to provide an overview of the operations and performance of Townsville Waste Services for the 2018/19 financial year, as measured against its Annual Performance Plan.

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

## TOWNSVILLE WASTE SERVICES

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

To apply the competitive neutrality principle under the *Local Government Act 2009*, the significant business activity was commercialised in 2008, with the creation of a commercial business unit. The business unit sits within the Townsville Water and Waste section of Council. It employs approximately 100 staff from the Townsville community and has a combined reported operating and capital expenditure of over \$38 million.

Townsville Waste Services strives to be the region's best waste managers. Its mission is to deliver excellence in customer service, environmental management and efficient operations while maximising financial returns to Council. It currently provides close to 80,000 combination domestic waste and recycling services per week, with over 700 bulk bins in service. It operates and manages two active landfill sites and six waste transfer stations, which cumulatively receive around 240,000 visits each year from customers and receives around 300,000 tonnes annually for processing.

## OUR PERFORMANCE

Townsville Waste Services' performance in the 2018/19 financial year focused on several key areas.

## **Customer Service Standards**

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

## Free Tipping of Green Waste and Recyclables

In the 2018/2019 financial year 20,000 tonnes of domestic green waste was received at disposal sites representing a 1,000 tonne increase on the previous financial year. In addition, 450 tonnes of recyclables were dropped off at waste facilities by residents free of charge.

## Free Tipping Weekend

Council held a free tipping weekend in October 2018/19 financial year. This event provided an opportunity for residents to clean up their properties prior to cyclone season. More than 8,000 visits were made to our waste facilities over the event which resulted in more than 1,600 tonnes of waste disposal.

## Hard Kerbside Collection

The 2018/19 financial year saw the completion of the initial hard kerbside collection waste service which was conducted between January and November 2018. The next annual service commenced in March 2019 and is scheduled for completion by October 2019. As part of the initial service, Townsville Waste Services collected 2,800 tonnes of waste with 42% of eligible properties participating in the service.

## **Changes to Day of Services**

A model of optimised waste and recycling collection runs has been developed and adopted that will enable the most efficient service delivery with minimal changes required to resident's bin days. The implementation of this model is scheduled to be undertaken in the first half of the 2019/20 financial year.

#### **Our Region**

Townsville Waste Services continued to focus on regional collaboration with its North Queensland counterparts in 2018/19. It continued to work with the Burdekin Shire Council, the Hinchinbrook Shire Council and the Charters Towers Regional Council to implement the North Queensland Regional Waste Reduction and Recycling Plan 2014 – 2024, with each Council focusing on delivering their Local Action Plans.

## North Queensland Regional Waste Reduction and Recycling Plan 2014 – 2024

Council continued to work with its neighbouring Councils to implement the actions contained within the North Queensland Regional Waste Reduction and Recycling Plan. In the 2018/19 financial year a regional metal recycling contract was formed and delivered and three of the participating councils partnered with an external agency to undertake market development trials of recycled garden organic waste. A consultant was also engaged to begin a review of the plan with a view to deliver an updated regional plan by early 2020.

## OUR INFRASTRUCTURE

## Landfills Optimisation

Townsville Waste Services maintains and operates one active landfill and five transfer stations to service the disposal needs of the Townsville community.

The Hervey Range landfill reached capacity and was closed in March 2018 with Jensen landfill approaching capacity in early 2019. Hervey Range will remain as a transfer station and the transfer station was modified with the installation of a conveyor system feeding to bulk waste compactor units allowing for efficient and sustainable transport to existing landfills in the city to reduce waste transport costs. Works will continue at the Hervey Range site with the construction of a front-end resource recovery facility in 2019 allowing for greater diversion and greater reclamation of resources for recycling, reprocessing or re-sale.

The construction of the new transfer station at the Stuart Waste Facility was completed in 2017/18 making disposal easier and safer for residents by diverting domestic customers away from the landfill face. Preparations for increased commercial traffic at the Stuart site have continued on site with upgrades to weighbridges and installation of an automated driver station to allow waste fleet and commercial customers to access the facility more efficiently which will be completed in 2019.

## OUR ENVIRONMENT

Addressing environmental impacts was a key factor for Townsville Waste Services during the financial year. In recent years, community pressure has increased regarding waste management. As a result, regulations covering environmental aspects of business operations have increased significantly, which in turn will impact on the cost of delivering these services.

#### **Environmental Management Systems**

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

## Licencing of Waste Storage and Disposal Activities

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

Townsville Waste Services renewed its licenses for 2018/19 and successfully monitored and measured its compliance against its license conditions, ensuring that all routine and event-specific reporting requirements were met for the financial year.

#### Initiatives to Reduce Greenhouse Gas Emissions from Landfills

To reduce the environmental impact of landfill operations, gas flaring systems have been in operation at the Stuart Landfill facility since 2012 and at Hervey Range from 2016. Council utilises gas flaring technology to reduce the impact of methane by converting it to a less potent form of gas, carbon dioxide.

These systems have demonstrated a significant reduction in emissions with the Stuart and Hervey Range facilities flaring 2,197,282 and 1,937,499 cubic metres in the financial year.

#### **E-Waste Recycling**

In the 2018/19 financial year, Council collected over 170 tonnes of electronic waste that was sent to local processes for recycling.

#### **Materials Recovery Facility transition**

The transition to a new Materials Recovery Facility operation was successfully undertaken with no material interruption to recycling services. The new facility has provided an increase in quality output and enabled local reuse markets to be developed for recycled glass. The impact of China's National Sword policy had a significant impact on global recyclable commodity markets, however due to the high-quality output of this facility and commitment from both Council and its contractor, recycling services have not been impacted.

#### **Recycling of Compact Fluorescent Light Bulbs**

Compact Fluorescent Light Bulbs (CFLs) contain mercury which, when accumulated in landfills can convert to a more toxic chemical, methylmercury, potentially threatening the wider environment if it spreads by air, water or soil.

Townsville Waste Services introduced recycling for CFLs during the financial year at all our waste facilities allowing for the diversion of CFLs from our landfills providing an opportunity for the glass, metals and other materials that make up the lights to be reused.

#### **Reducing Plastic Pollution**

Council has contributed to and consulted with State Government representatives on the introduction of the Container Refund Scheme.

#### **Recycling Education**

Townsville Waste Services continued to promote and educate the community about recycling during the 2018/19 financial year.

Recycling education programs were delivered at community events to educate residents, local industries and businesses about waste minimisation through recycling. Townsville Waste Services will work in partnership with new recycling service providers to enhance its recycling education program to build upon current recycling rates and outcomes.

## OUR GOVERNANCE

#### **Queensland Waste Strategy**

On 20 March 2018, the Queensland Government announced it is developing a comprehensive new waste strategy underpinned by a waste disposal levy to increase recycling and recovery. The strategy will provide the investment in new and expanded resource recovery infrastructure in Queensland and will prioritise waste types for action and identify key re-investment opportunities.

The waste levy is designed to act as a price signal that encourages waste avoidance and resource recovery behaviours and discourages disposal to landfill as the first option. It will provide a source of funding for programs to assist local government, business and industry to establish better resource recovery practices and improve overall waste management. The Queensland Government has indicated that a crucial element of the legislation to implement the levy will be measures that avoid direct cost impacts to households, providing for payment to local governments to offset the cost of the levy on domestic waste.

The new strategy will significantly impact on the operations of Townsville Waste Services. It is expected that landfill diversion targets will remain a challenge and there will be a prioritisation to focus on developing new technology, aimed at facilitating local governments and the private sector to invest in alternative waste technology such as energy from waste infrastructure.

## **Quality Assurance**

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

## Participation in Waste Committees and Forums

Townsville Waste Services continued to actively participate in the Local Authority Waste Management Advisory Committee in 2018/19, as well as in relevant Waste Management Association of Australia forums.

## MAJOR INVESTMENTS

During 2018/19, Townsville Waste Services invested in the below major projects.

Initiative/Project	Proposed Investment \$000	Revised Budget \$000	Actual Investment \$000	Commentary
Stuart and Jensen Landfills				
Leachate Collection and Extraction	900	1,100	1,014	Construction was delayed, with the tender process for Jensen being completed in September 2018 and works to occur in 2018/19. Stuart works have been deferred until 2019/20.
Hervey Range Landfill				
Hervey Range Landfill Front End Resource Recovery Facility (Total investment estimated at \$7 million)	6,842	4,023	4,036	Project experienced delays related to the monsoonal weather event. Project on schedule to be opened February 2020.
Magnetic Island				
Picnic Bay Landfill Capping	4,020	4,020	3,484	Work has been completed in line with scheduled work plan and in Defect Liability Period. (Final completion expected in November 2019).
Stuart Landfill				
Stuart Landfill - Cell Construction - Cell 2C Liner (Total investment estimated at \$4 million)	2,430	2,430	1,123	Work has been completed in line with scheduled works plan.

## **PERFORMANCE** TARGETS

In the 2018/19 financial year, Townsville Waste Services measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

Deliverable	Details	Current Completion
Economic Sustainability (Water)		
Revenue – Budget to Actual within 5% of the revised budget	Total Operating Revenue	27 / 5% Variance
Capital Expenditure – Budget to Actual within 5% of the revised budget	Total Capital Works	15 / 5% Variance
Operating Expenditure – Budget to Actual within 5% of the revised budget	Total Operating Expenses	4 / 5 % Variance
Net Operating Result – Budget to Actual within 5% of the revised budget	Surplus / (Deficit) Before Capital	149 / 5 % Variance
Annual Dividend (information reported annually)	The portion of earning distributed to Council (our shareholder) from the operation of the Townsville Waste commercial business unit. Target: >90% of budgeted amount	304 %
Environmental Sustainability (Water)		
Penalty Infringement Notices or Legal Action for Non-Compliance	Number of penalty infringement notices issues or instances of legal action initiated by the Regulator for non-compliance	0 / 0 notices
Environmental Incidents reported to Department of Environment and Science	The number of incidents, which exceed the acceptable limit, that was required to be reported to the Department of Environment and Science	5 / 0 incidents
Rate of Diversion of Waste for Landfills – 20% to 40%	Divert over 40% of waste from landfills for recycling or beneficial reuse on site	53 / 40%
Responsible Governance (Water)		
Percentage reduction number of Lost Time Injuries recorded, compared to the previous financial year (information reported annually) – 80%	Percentage reduction in the number of Lost Time Injuries recorded, compared with the previous financial year	80 / 80%
Social Responsibility (Water)		
Customer Satisfaction with Response to Waste Services Requests – Target 90%	Percentage of results of "good" and "excellent" recorded by the Customer Service Department monthly survey	90 / 90%
Collection Performance Less than 1 per 1,000 missed kerbside waste and recycling services – Target <1	Less than 1 per 1,000 missed kerbside waste and recycling services	1.24 / 1

## **COMMUNITY SERVICE** OBLIGATIONS

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

In the 2018/19 financial year, Townsville Waste carried out the following community service obligations, at a total cost of \$3,502,751.

Category	Budgeted Value \$	Actual Value \$
Emergency Flood Event	0	1,722,328
Stadium Remediation	850,282	1,479,928
Free Dumping	155,000	156,776
Charity Dumping	62,560	62,556
Infirmed Services	32,600	32,604
Dead Animals	31,926	31,932
Community Clean Up Events	10,000	16,093
Clean up Australia Day	6,800	534
TOTAL	1,149,168	3,502,751

## CHANGES TO THE ANNUAL PERFORMANCE PLAN

The Local Government Regulation 2012 allows local government to amend its annual performance plan for a commercial business unit, at any time before the end of the financial year for which it is prepared. Any changes must be documented in this Annual Operations Report.

No changes were made during the financial year.

## CHAPTER 6

# GOVERNANCE

## COUNCILLORS



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

Councillors receive a **remuneration** package determined by the Local Government Remuneration and Disciplinary Tribunal, which is reviewed by the Tribunal on an annual basis.

On 30 November 2017, the Local Government Remuneration and Discipline Tribunal concluded its review, and in accordance with this decision the Councillor remuneration packages were increased in line with the Remuneration schedule as of 1 July 2018.

Councillor	Base Salary	Allowances	Superannuation*	TOTAL
Cr Jenny Hill	\$ 199,617	\$ 0	\$ 23,954	\$ 223,571
Cr Les Walker	\$ 135,744	\$ 0	\$ 12,896	\$ 148,640
Cr Margie Ryder	\$ 119,751	\$ 8,238 <sup>1</sup>	\$ 14,370	\$ 142,359
Cr Ann-Maree Greaney	\$ 119,751	\$ 0	\$ 14,370	\$ 134,121
Cr Russ Cook	\$ 119,751	\$ 0	\$ 14,370	\$ 134,121
Cr Maurie Soars	\$ 119,751	\$ 13,044 <sup>1</sup>	\$ 14,370	\$ 147,165
Cr Colleen Doyle	\$ 119,751	\$ 0	\$ 14,370	\$ 134,121
Cr Mark Molachino	\$ 119,751	\$ 0	\$ 11,376	\$ 131,127
Cr Kurt Rehbein	\$ 119,751	\$ 7,772 <sup>1</sup>	\$ 11,376	\$ 138,899
Cr Verena Coombe	\$ 119,751	\$ 0	\$ 11,376	\$ 131,127
Cr Paul Jacob	\$ 119,751	\$ 0	\$ 14,370	\$ 134,121

<sup>1</sup> Personal vehicle usage

\*Variances in superannuation due to variations in member contributions attracting additional contributions of superannuation

Pursuant to s250 of the Local Government Regulation 2012, the Councillor Expenses Reimbursement Policy and Councillor Facilities Policy outline the resources and facilities extended to Councillors to enable them to perform their roles.

Council business is described as the official business of a Councillor as generally described in s12 of the *Local Government Act 2009.* Council business should result in a benefit being achieved either for the local government and/or the local government area.

The table below shows the expenses incurred	by Councillors in the 2018/19 financial yea	r:
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Councillor	Conferences and Seminars	Travel and Accommodation	Printing and Advertising	Hospitality (Meals)	Office and Administration Costs	TOTAL
Mayor Jenny Hill	\$ 725	\$ 31,979 <sup>1</sup>	\$ 1,702	\$ 1,898	\$ 4,953	\$ 41,258
Cr Les Walker	\$ 1,124	\$ 16,978 <sup>1</sup>	\$ 7,428	\$ 472	\$ 762	\$ 26,764
Cr Margie Ryder	\$ 1,019	\$ 1,429	\$ 5,912	\$ 118	\$ 940	\$ 9,418
Cr Ann-Maree Greaney	\$ 847	\$ 16,810 <sup>1</sup>	\$ 7,166	\$ 347	\$ 1,175	\$ 26,344
Cr Russ Cook	\$ 1,074	\$ 11,756 <sup>1</sup>	\$ 6,786	\$ 359	\$ 1,448	\$ 21,423
Cr Maurie Soars	\$ 3,507	\$ 2,188	\$ 6,161	\$ 183	\$ 1,086	\$ 13,125
Cr Colleen Doyle	\$ 2,832	\$ 2,203	\$ 6,147	\$ 286	\$ 527	\$ 11,996
Cr Mark Molachino	\$ 1,589	\$ 15,109 <sup>1</sup>	\$ 5,698	\$ 36	\$ 1,556	\$ 23,988
Cr Kurt Rehbein	\$ 933	\$ 2,087	\$ 6,802	\$ 200	\$ 2,086	\$ 12,108
Cr Verena Coombe	\$ 8,575	\$ 12,219 <sup>1</sup>	\$ 2,173	\$ 118	\$ 761	\$ 23,846
Cr Paul Jacob	\$ 1,977	\$ 16,568 <sup>1</sup>	\$ 2,649	\$ 201	\$ 470	\$ 21,865
TOTAL	\$ 24,202	\$ 129,327	\$ 58,625	\$ 4,218	\$ 15,764	\$ 232,136

<sup>1</sup> Travel and Accommodation (includes motor vehicle)

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

- Personal protective equipment (PPE)
- Stationery supplies
- Full administrative support (Mayor)
- Limited administrative support (Deputy Mayor and Councillors)
- Telecommunications facilities<sup>2</sup>
- Shared office facilities (Councillors)
- Home office facilities (Councillors)
- Private vehicle use (optional) Councillors who choose this option claim reimbursement for business use of private vehicle. (Refer to Councillor Expenses Reimbursement Policy)
- Council leased vehicle (optional), Councillors who choose this option are supplied with a fully maintained 4 or 6 cylinder motor vehicle for the four year term of Council which shall be used for official Council business. Contribution required for private use. (Refer to Council's Motor Vehicle Administrative Directive and Motor Vehicle Procedure)

There were no amendments to the Councillor Expense Reimbursement Policy or Councillor Facilities Policy during 2018/19.

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

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

Under s186(d), (e) and (f) of the Local Government Regulation 2012, Council's annual report must contain details of any **decisions, orders, recommendations and complaints** about Councillors during the financial year. Details for 2018/19 are outlined below:

Type of complaint	Number received
Total number of orders made under s150I(2) of the Local Government Act 2009	nil
Total number of orders made under s150AH(1) of the Local Government Act 2009	nil
Total number of decisions, orders and recommendations made under s150AR(1) of the <i>Local Government</i> Act 2009	nil
The name of each Councillor for whom a decision, order or recommendation was made under ss 150I(2), 150AH(1) or 150AR(1) of the <i>Local Government Act 2009</i> , a description of the unsuitable meeting conduct, inappropriate conduct or misconduct engaged in by each Councillor, and a summary of the decision, order or recommendation made for each Councillor	nil
The number of complaints referred to the assessor under s150P(2)(a) of the <i>Local Government Act 2009</i> by local government entities for the local government	nil
The number of matters, mentioned in section 150P(3) of the <i>Local Government Act 2009</i> , notified to the Crime and Corruption Commission	nil
The number of notices given under s150R(2) of the Local Government Act 2009	nil
The number of notices given under s150S(2)(a) of the Local Government Act 2009	nil
The number of decisions made under s150W(a), (b) and (d) of the Local Government Act 2009	nil
The number of referral notices accompanied by a recommendation mentioned in s150AC(3)(a) of the <i>Local</i> Government Act 2009	nil
The number of occasions information was given under s150AF(4)(a) of the Local Government Act 2009	nil
The number of occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the <i>Local Government Act 2009</i> for the local government, the suspected inappropriate conduct of a Councillor	nil
The number of applications heard by the conduct tribunal about the alleged misconduct of a Councillor	6*

\* Complaints made in relation to Councillor conduct must be referred to the Office of the Independent Assessor. All allegations made have been dismissed.

## OVERSEAS TRAVEL

Details of international travel expenses incurred by the Mayor, Councillors and employees during the financial year are listed below:

Name	Position	Dates of Travel	Destination	Purpose	Cost
Cr Jenny Hill	Mayor	07/07/2018 – 13/07/2018	Singapore	2018 World Cities Summit	\$ 2,106*
Cr Les Walker	Deputy Mayor	23/03/2019 — 01/04/2019	Taipei, Taiwan	2019 Smart Cities Summit and Expo	\$ 540*
Cr Ann-Maree Greaney	Councillor	01/11/2018 — 08/11/2018	Guangzhou, China	Sister City Event – Autumn Colour Parade	\$ 2,104
Matt McCarthy	Team Manager – Townsville Waste	24/08/2018 – 02/09/2018	Europe	International Zero Waste Study Tour 2018	\$ 11,602
Matt Steine	Head – Digital City Strategy	23/03/2019 – 29/03/2019	Taipei, Taiwan	2019 Smart Cities Summit and Expo	\$ 3,790
Matt Steine	Head – Digital City Strategy	07/07/2018 — 13/07/2018	Singapore	2018 World Cities Summit	\$ 6,267
TOTAL					\$ 26,409

\*Attendees were sponsored by the event organisers.

## **REMUNERATION PACKAGES PAYABLE** TO SENIOR MANAGEMENT

Under the *Local Government Act 2009*, the annual report of a local government must state the total remuneration packages that were payable during the reporting period to its senior management and the number of employees in senior management who are being paid each band of remuneration.

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

As at 30 June 2019 Council's organisation structure consisted of three divisions.

The total of remuneration packages payable to senior management from 1 July 2018 to 30 June 2019 was \$1,607,800. The annual package bands for Council's senior management team are outlined below:

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

## PARTICULAR **RESOLUTIONS**

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

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

## ADMINISTRATIVE **ACTION COMPLAINTS**

Council continues to recognise, record and respond to complaints made to Council in a timely, fair and transparent manner. During the year more than 100 Council staff undertook Queensland Ombudsman delivered training coupled with an additional 50 staff trained in the Complaints Management Systems (CMS). Additional courses will be delivered again in 2020.

A focus on continued improvements, additional training and complaint identification are reflective of the increased numbers of complaints correctly identified and processed through the CMS. Council treats all complaints confidentially and with respect. All complaints are thoroughly investigated in a timely manner with the aim of reaching a resolution, acceptable both to Council and the complainant.

	Number i	eceived	Number outstanding			
Classification	2017/18	2018/19		2017/18	2018/19	
Administrative action	484	574	$\uparrow$	52	84	
Competitive neutrality	0	0	$\leftrightarrow$	0	0	
Conduct and performance of Councillors	2	5	$\uparrow$	0	0	
Workers' behaviour and misconduct	125	125	$\Leftrightarrow$	13	52	
TOTAL	611	704	$\uparrow$	65	136	

Complaints made in relation to Councillor conduct must be referred to the Office of the Independent Assessor. All allegations made have been dismissed.

Find out more about Council's complaints management process through Council's website or by contacting the Customer Service Centre. An online complaint form is available on Council's website.

## **RIGHT TO** INFORMATION AND INFORMATION PRIVACY

Townsville City Council continues its commitment to transparent, responsible and accessible disclosure of information to the community. In 2019 Council launched the Townsville Dashboards – the gateway to accessing information on Council's service delivery and performance for essential community services – increasing the timely and consistent release of information to the community. The *Right to Information Act 2009 (RTI)* and *Information Privacy Act (2009)* are additional avenues the community can utilise to apply for documents held by Council. While fewer applications were made in the 2018/19, partially attributable to Townsville Dashboards, more than 2300 documents were released to the Applicant, an increase of nearly 300% on the previous financial year. Applications included requests for images, internal and external correspondence and 7 applications were footage captured through the Council's CCTV network.

Classification	Right to Information		Information Privacy	
	2017/18	2018/19	2017/18	2018/19
Number Received	45	36	2	5
Number Finalised	42	30	2	5
Number Withdrawn	1	1	0	3
Number of OIC Reviews	3	1	0	0

## PUBLIC SECTOR ETHICS REPORTING

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

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

Mandatory induction training for all new employees includes a detailed session on the requirements and obligations of all staff under the Code of Conduct. 222 new employees completed corporate induction training during 2018/19. Council will continue to deliver education and awareness sessions to all employees on Council's Code of Conduct as part of Council's commitment to the highest standards as a public sector leader.

Council's policies, procedures and delegations of authority are monitored and regularly reviewed. The Code of Conduct was reviewed and updated in May 2019.

## LIST OF **REGISTERS**

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

- Beneficial Enterprises
- Dog Registry
- Cost-recovery Fees
- Delegation Register
- Development Application Register as Assessment Manager
- Development Application Register as Referral Agency
- Environmentally Relevant Activities Application Register
- Exemption Certificates Register
- Information Asset Register
- Infrastructure Charges Register
- Major Contracts Register
- Petitions Register
- Register of Private Certifier Applications
- Register of Annual Returns under the EPA
- Register of Assets and Gifts
- A Designation Register of all Designations made by Local Government that are in effect.
- Register of Councillor Conduct

- Register of on-site Sewerage and Greywater Facilities
- Register of Environmental Authorities including Surrendered, Suspended or Cancelled Authorities
- Register of Impounded Animals
- Register of Infrastructure Agreements
- Register of Permits and Inspection Certificate (under the *Planning and Drainage Act*)
- Register of Provisional Land Use Plans under the *Economic Development Act (EDA)*
- Register of Interim Land Use Plans under the EDA
- Register of Local and Subordinate Local Laws
- Register of PDA Development Applications under the EDA
- Register of PDA Development Approvals under the EDA
- Register of Regulatory Fees
- Register of Show Cause and Enforcement Notices (under the *Plumbing and Drainage Act*)
- Register of Submitted Plans of Operation under the EPA
- Register of the Testable Back Flow Devices
- Roads Map

## **EXPENDITURE ON** GRANTS TO COMMUNITY ORGANISATIONS

The **total value of community assistance** provided by Townsville City Council to the local community in 2018/19 was \$22,788,227.

Activity	Description	Value of Support (\$)
Operational discounts, waivers and in-kind support	Approved under manager delegation in Community Services Section, Performing Arts, Events and Protocol, Galleries and Sports Facilities	\$ 269,138
Cowboys Collateral Program	Value of Cowboys merchandise	\$ 8,595
Community Photocopying Program	Free service provided to community organisations though Thuringowa Library	\$ 1,481
Water and wastewater concessions	Available for general utility charges where land use is considered to contribute to the social, cultural, economic or sporting welfare of the community	\$ 2,489,381
Pensioner concessions on rates and charges	Concession offered to approved pensioners equivalent to 85% of the general rate, up to a maximum of \$800 per annum	\$ 5,377,828
Not-for-profit concessions on general rates	Calculations based on utility charges, concession policy and concessions schedule, concession levels stated in Operational Plan	\$ 1,470,393
Community Leases	Total annual estimated value provided to community groups including sporting clubs, theatre groups, scout groups and swimming pools	\$10,765,428
Funds distributed through the 'Community Grants and Sponsorships Scheme' / 'Community Grants and Partnerships Program', including waivers	Funding approved through the 'Community Grants and Sponsorships Scheme' and/or newly adopted 'Community Grants and Partnerships Program' (see table below for details)	\$2,405,983
TOTAL		\$ 22,788,227

Townsville City Council's former **Community Grants and Sponsorships Scheme** and newly adopted **Community Grants and Partnerships Program** (from 31 January 2019) supports local initiatives and pursuits of excellence that enhance community wellbeing and opportunity, through the provision of financial assistance to individuals, community organisations and businesses who deliver activities and services that provide community benefits in Townsville.

An overview of funds distributed through this program during the 2018/19 financial year is provided below. In the period 1 July 2018 to 30 June 2019, Council provided grants totaling \$2,405,983 (ex GST).

Program	Amount (\$)
Community Capacity Building – Partnerships and Sponsorships	\$ 677,915
Festival and Events Grants Program	\$ 537,981
Community Waivers Approved (and in-kind support)	\$ 369,124
NQ Cowboys	\$ 248,800
Funding: Supercars Event	\$ 100,000
Townsville Fire	\$ 100,000
Club Infrastructure Grant Program	\$ 97,844
Dance North	\$ 90,000
Funding: NQ Professional Bull Riders	\$ 70,000
Regional Arts Development Fund (RADF)	\$ 24,793

Pulse Townsville	\$ 20,640
Community Halls Maintenance Grants Program	\$ 14,476
Mayor's Community Assistance Fund	\$ 12,904
Funding: Tropical Brain and Mind Foundation	\$ 10,000
Get Active Elite Sportsperson Grant Program - Individual	\$ 9,300
Community Micro Grants Program	\$ 8,998
Community Capacity Building – Community Cultural Awareness	\$ 4,915
Get Active Elite Sportsperson Grant Program - Team	\$ 2,700
Councillors' Discretionary fund	\$ 2,593
Theodore Kuchar Scholarship	\$ 2,000
Funding: JCU Awards Sponsorship	\$ 1,000
TOTAL	\$ 2,405,983

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

Organisation Name	Amount (\$)
Northern Jets Baseball Club	\$ 500
Torgas Inc	\$ 500
Angel-Paws Inc	\$ 500
Townsville Marksmen Rifle Club Inc	\$ 500
The Townsville Toy Library Association Inc	\$ 500
Quota International of Thuringowa Inc	\$ 500
Garbutt Primary P & C Association	\$ 500
Happy Touch Townsville	\$ 493
AFL Townsville Umpires Association	\$ 480
Castle Hill Spinney Ltd	\$ 471
Base 2 Base	\$ 455
Community Gro Inc	\$ 400
NQ Phoenix Dragon Boat Club Inc	\$ 400
Townsville Castle Hill Touch Association	\$ 400
Gary Powis	\$ 400
Alligator Creek Community & Sports Club	\$ 400
Board of Benevolence Community Fund	\$ 400
Rebels Football Club	\$ 350
Townsville & District Multiple Birth	\$ 350
Villains Car Club	\$ 350
Soroptimist International	\$ 350
North Barrier Branch Surf Lifesaving QLD	\$ 300
Mystic Sands Golf and Country Club	\$ 300
Townsville City Lions Club Inc	\$ 300
Dalrymple Squash Club Inc	\$ 300
Heatley Secondary College	\$ 300

Toomulla Beach Community Assoc Inc	\$ 300
Tropic Voices Choir	\$ 300
Townsville and District Garden Club Inc	\$ 300
Immune Deficiencies Foundation	\$ 300
Connecting 2 Community Circles Ltd	\$ 250
Townsville Chinese Club	\$ 250
Townsville Sporting Wheelies	\$ 205
St Patrick's College Townsville Limited	\$ 200
St Margaret Mary's College	\$ 100
TOTAL	\$ 12,904

As part of the Grants & Partnerships Program, which commenced 31 January 2019, each Councillor is allocated a **Councillor's discretionary fund**. Details of funding allocations made during the financial year are outlined below:

Councillor	Organisation Name	Purpose	Amount	Total
	Kirwan Scout Group	Q Stores Supplies	\$ 250	_
Cr Russ Cook	Brothers Rugby League Club	Individual Travel - Represent QLD U15	\$ 250	\$ 500
Cr Colleen Doyle	Townsville Community Garden Inc	Community BBQ	\$ 250	\$ 250
Cr Ann-Maree Greaney	Parents and Citizens Association - Townsville Central State School	150-year Celebration Event	\$ 250	\$ 250
Cr Mark Molachino	Upper Ross Junior Rugby League	Training Equipment	\$ 250	\$ 250
	Wests Squash Club	Open Championships	\$250	
Cr Kurt Rehbein	Canine Obedience Club of Townsville Inc	Clubhouse Repairs	\$ 193	\$ 693
Kenbelli	Brothers Rugby League Club	Individual Travel - Represent QLD U15	\$ 250	
Cr Margie Ryder	Toomulla Beach Community Association	Community Fun Day	\$ 100	\$ 100
Cr Maurie Soars	Western Suburbs Tennis Club	Trophies for Annual Awards	\$ 250	\$ 250
Cr Les Walker	Wulguru State School Parents & Citizens Association	School Fete	\$ 150	\$ 300
	Cungulla Men's Shed	Tools & Equipment	\$ 150	-
TOTAL				\$ 2,593

## IDENTIFYING BENEFICIAL ENTERPRISES

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

Section 39(4) of the *Local Government Act 2009* provides that a local government is conducting a beneficial enterprise if the local government is engaging in, or helping, the beneficial enterprise.

The city actively engages with entities through partnering or collaborative arrangements to achieve mutually beneficial outcomes for the city.

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

## IDENTIFYING SIGNIFICANT BUSINESS ACTIVITIES

A business activity is defined in Schedule 4 of the *Local Government Act 2009* as "the trading in goods and services by the local government".

Townsville City Council conducted the following business activities during 2018/19:

- Townsville Water
- Townsville Waste Services
- Performing Arts

In accordance with threshold of expenditure and the methodology prescribed by s19 and s20 of the Local Government Regulation 2012, Council's water, sewerage and waste management activities were considered **significant business activities** for the period.

In accordance with threshold the *Local Government Act 2009*, Council has established commercial business units for its significant water and waste business activities – Townsville Water and Townsville Waste Services.

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

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

As significant business activities of the Townsville City Council, both businesses were commercialised in 2008 to apply the **competitive neutrality principle** under the *Local Government Act 2009*.

By resolution at the ordinary meeting held on 26 June 2018, Council adopted the following pricing structures for Townsville Water and Townsville Waste Services:

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

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

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

Further details on the Fees and Charges Schedule are available on the Council's website.

All existing significant business activities were conducted in 2018/19 and no new significant activities were conducted.

## SUMMARY OF INVESTIGATION NOTICES FOR **COMPETITIVE NEUTRALITY COMPLAINTS**

During the 2018/19 financial year, there were no **investigation notices** provided to Council relating to competitive neutrality complaints.

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

## SERVICE, FACILITY OR ACTIVITY SUPPLIED BY **ANOTHER LOCAL GOVERNMENT**

There are no details to report under this section for the 2018/19 year.

## NUMBER OF INVITATIONS TO CHANGE TENDER

There was one reportable invitation made by Council to change tenders during the period.

## SUMMARY OF CONCESSIONS FOR RATES AND CHARGES

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

**Nelly Bay Harbour Development special rate levy** is applied to maintaining water quality in the canals, dredging the canals, maintaining the rock walls around the canal area and maintaining the sediment basin in Gustav Creek. A special rate of zero cents in the dollar on the rateable value of the land applies to identified properties for the 2018/19 year.

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

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

Rural fire levy 2018/19			
Black River and Districts	\$ 45	Paluma	\$ 35
Bluewater	\$ 55	Purono Park	\$ 15
Bluewater Estate	\$ 35	Rangewood	\$ 55
Clevedon	\$ 40	Reid River	\$ 0
Crystal Creek	\$ 20	Rollingstone	\$ 50
Cungulla	\$ 40	Rupertswood	\$ 40
Horseshoe Bay	\$ 30	Saunders Beach	\$ 30
Lime Hills-Elliot	\$ 30	Toolakea	\$ 0
Majors Creek	\$ 0	West Point	\$ 30
Oak Valley	\$ 0		

Further details on the special rates and special charges are available on the Council's website.

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

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

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

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

Further details on the Pensioner Rates Concession Policy are available on the Council's website.

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

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

Further details on the Charitable and Community Organisations Rates and Charges Concessions Policy are available on the Council's website.

## REPORT ON INTERNAL AUDIT

Internal audit is an independent, objective assurance and consulting activity established within Council designed to add value and improve operations.

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

Council's internal audit staff are required to undertake training activities in alignment with professional membership requirements and as part of the annual Internal Audit Plan, which is approved and monitored by the Council's Audit Committee.

The internal audit staff are specialists with the following professional affiliations and qualifications:

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

The internal audit unit applies a risk-based approach to its planning and audit activities by applying assurance mapping. An annual Internal Audit Plan is prepared based on Council's Consolidated Enterprise Wide Risk Management plan. The Council's Audit Committee reviews, approves and then monitors performance against this plan at meetings. For the year ended 30 June 2019, internal audit activity consisted of more than 250 days of work, resulting in the completion of 7 reviews and consulting activities across various sections of Council in accordance with the Internal Audit Plan.

These include activities in the following areas:

- Property legislative compliance and inspection processes
- Purchase card management
- Incorporation of policy commitments into corporate documents
- Gifts and benefits disclosure
- Theatre show reconciliations
- Privacy reporting

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

Internal audit complies with Queensland Government legislative requirements in addition to meeting the professional standards of the Institute of Internal Auditors. The Institute's standards require an External Quality Assessment at least every 5 years which Council last completed in March 2019. A review based on the Institute of Internal Auditors white paper "Small Internal Audit functions" was undertaken with Audit Committee members and management. The review examined 12 key areas of Internal Audit functions as part of continuous improvement.

#### **External Audit**

Council is audited externally each year by the Queensland Audit Office (or their appointed contractors). During the 2018/19 financial year the annual external audit of Council's financial statements was conducted by the Queensland Audit Office.

#### Audit Committee

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

The committee's role is to monitor and review:

- the integrity of financial documents
- the Internal Audit function
- the progress of audit items actions
- the effectiveness and objectivity of internal auditors
- the independence and objectivity of external auditors
- any other matters relevant to fulfil the Audit Committee Terms of Reference.

During 2018/19 the Audit Committee considered reports relating to:

- Financial management, financial compliance and internal controls
- Financial statements
- Emergency response and business continuity activities
- Enterprise risk management framework
- Internal audit planning, monitoring of progress and reports
- Annual external audit strategy, audit reports and performance audit reports

The Audit Committee monitored management progress on a number of areas in 2018/19, including:

- Asset management
- Business Continuity and Disaster Management
- Commercial businesses compliance with legislation
- Electrical compliance
- Environmental management systems
- External Audit issues raised by the Queensland Audit Office
- Fraud management
- Gifts and benefits disclosure
- IT Governance
- Joint venture activities
- Planning and development charges
- Plant utilisation
- Privacy reporting
- Procurement

- Project management
- Property management and leasing
- Purchase card management
- Request and complaints management
- Revenue systems
- Risk management
- Workplace, health and safety

The Audit Committee meetings and the presentation of the minutes of the meetings to Governance and Finance Committee are tabled below.

Audit Committee Meeting Date	Minutes Presented to Council
4 September 2018	Governance and Finance Committee 12 August 2019
22 November 2018	Governance and Finance Committee 16 May 2019
28 March 2019	Full Council 22 January 2019
29 May 2019	Governance and Finance Committee 15 November 2018

The Audit Committee has four members, two independent of Council and two Councillors.

Membership of the Audit Committee for the reporting period was:

Name and Position	Qualifications and Memberships
Mr Geoff Haberfield	Fellow of the Australia Society of CPA's (FCPA)
Independent Member and Chair	Graduate Member of the Australian Institute of Company Directors (GAICD)
	Bachelor of Arts, majoring in Economics
	Over 30 years' experience as a finance executive and independent consultant specialising in finance, governance, risk management, organisational change, strategic planning, project evaluation and management across all levels of government and within large water infrastructure and health organisations.

Name and Position	Qualifications and Memberships
Ms Carolyn Eagle	Certified Internal Auditor (CIA)
Independent Member	Certified Government Auditor (CGAP)
	Certified Risk Management Auditor (CRMA)
	Member of the Association of Certified Fraud Examiners
	Member of ISACA
	Former State Councillor of the Institute of Internal Auditors
	Professional Member of the Institute of Internal Auditors (PMIIA)
	Fellow of Chartered Accountants Australia and New Zealand (FCA)
	Bachelor of Commerce with majors in Financial Accounting and Organisational Management
	Over 20 years' experience in professional firms providing audit and assurance services, specifically in the internal audit, risk management and governance field with a focus on public sector entities and large multidisciplinary corporates.
Cr Jenny Hill Mayor and Member of the Audit	Bachelor of Science, Master in Public Health and Tropical Medicine Member of Australian Institute of Company Directors
Committee	Cr Hill has over 20 years' experience as a scientist with mining companies, the Department of Primary Industries, James Cook University and Townsville Hospital.
	Master of Public Health and Tropical Medicine including studies in management, economics and accounting.
	Over 19 years' service in local government and in 2012 was elected as Townsville's first female mayor.
Cr Verena Coombe	Diploma of Financial Markets
<i>Councillor and Member of the Audit Committee</i>	Over 20 years' experience in the finance sector as a stockbroker and financial planner and is currently director of DanceNorth, Townsville's own internationally renowned contemporary dance company.
	Cr Coombe is also on the board of LiteHaus International, and volunteers with Annandale State School Council.

## CHAPTER 7

## FINANCIAL REPORT

General purpose financial statements for the year ended 30 June 2019

## **UNDERSTANDING** OUR FINANCIAL STATEMENTS

Council is required to prepare a set of audited financial statements each year for the period 1 July to 30 June. This guide has been prepared to assist readers to understand and analyse the statements. A summary of the 2018/19 results is also included in the **Community Financial Report** (page 15).

The **Statement of Comprehensive Income** is a summary of Council's financial performance for the year listing all income earned and expenses incurred in delivering Council's services. **Recurrent revenue and expenses** are also known as operating revenue and expenses. Operating expenses do not include capital purchases for the renewal or upgrade of Council assets. Operating expenses do include depreciation and amortisation which is an allocation of the asset across its expected life. This statement is **prepared on an accrual basis** and includes both cash and non-cash items. The key figure to assess Council's performance is the **operating surplus or deficit** which is recurrent revenue minus recurrent expenses.

The **Statement of Financial Position** is a snapshot of Council's financial position including assets and liabilities at 30 June. **Assets** that Council owns can be used to provide services or sold to earn an income, including physical property and cash. **Liabilities** are amounts of money that Council owes to others, including money borrowed from Queensland Treasury Corporation and unpaid bills. Assets and liabilities are separated into **current and non-current**.

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

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

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

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

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

## GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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## TOWNSVILLE CITY COUNCIL MANAGEMENT CERTIFICATION

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

In accordance with Section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the *Local Government Act 2009* and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 59 to 91, present a true and fair view, in accordance with Australian Accounting Standards, of Council's transactions for the financial year and financial position at the end of the year.

Mayor

Dated this 21 day of NOVEMBER 2019

Chief Executive Officer

Dated this 21ST day of NOVEMBER 2019

#### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

Income Revenue Recurrent revenue Rates and utilities Fees and charges Interest received Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(a) 3(b) 3(c) 	\$000 334,328 26,567 5,237 14,096 20,477 400,705 230,857 9,970	\$000 326,316 20,168 5,423 12,440 21,510 385,857 52,870 31,272
Recurrent revenue Rates and utilities Fees and charges Interest received Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(b) 3(c)	26,567 5,237 14,096 20,477 400,705 230,857	20,168 5,423 12,440 21,510 385,857 52,870
Rates and utilities Fees and charges Interest received Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(b) 3(c)	26,567 5,237 14,096 20,477 400,705 230,857	20,168 5,423 12,440 21,510 385,857 52,870
Fees and charges Interest received Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(b) 3(c)	26,567 5,237 14,096 20,477 400,705 230,857	20,168 5,423 12,440 21,510 385,857 52,870
Interest received Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(c)	5,237 14,096 20,477 400,705 230,857	5,423 12,440 21,510 385,857 52,870
Other income Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	-	14,096 20,477 400,705 230,857	12,440 21,510 385,857 52,870
Grants, subsidies, contributions and donations <b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	-	20,477 400,705 230,857	21,510 385,857 52,870
<b>Capital revenue</b> Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	-	400,705 230,857	385,857
Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(c)	230,857	52,870
Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(c)		
Grants, subsidies, contributions and donations Fair value gain on contributions of assets from developers Other capital income	3(c)		
Other capital income	_	9,970	21 272
	-	_	J1,4/4
Total income	-		12,613
Total income		240,827	96,755
	-	641,532	482,612
Expenses	_		
Recurrent expenses			
Employee benefits	4(a)	(128,606)	(116,851)
Materials and services	4(b)	(128,042)	(117,914)
Depreciation and amortisation		(120,603)	(114,023)
Finance costs	4(c)	(22,841)	(24,139
Other expenses		(592)	(100)
Share of net loss of joint venture		(20)	(978)
	_	(400,704)	(374,005)
Capital expenses	4(d)	(70,161)	(40,042
Total expenses		(470,865)	(414,047)
Net result	-	170,667	68,565
Other comprehensive income:	_		
Items that will not be reclassified to net result			
Net gain / (loss) on revaluation of property, plant and equipment	7	124,052	134,244
Share of other comprehensive income of joint venture		-	(3,827)
Total comprehensive income for the year	-	294,719	198,982

#### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Current assets			
Cash and cash equivalents	5	228,681	85,979
Receivables	6	44,236	42,686
Inventories		1,759	1,486
Other assets		5,506	4,211
Total current assets	-	280,182	134,362
Non-current assets			
Receivables	6	2,337	2,338
Property, plant and equipment	7	4,930,192	4,711,489
Intangible assets		3,897	4,602
Other assets		2,750	4,970
Total non-current assets	-	4,939,176	4,723,399
Total assets	-	5,219,358	4,857,761
Current liabilities			
Payables	8	107,580	72,479
Borrowings	9	30,213	26,258
Provisions	10	19,268	23,177
Other liabilities		384	354
Total current liabilities	-	157,445	122,268
Non-current liabilities			
Borrowings	9	348,037	317,950
Provisions	10	29,949	27,596
Other liabilities		1,673	1,723
Total non-current liabilities	-	379,659	347,269
Total liabilities	-	537,104	469,537
Net community assets	-	4,682,254	4,388,224
Community equity			
Asset revaluation surplus	11	876,334	752,282
Retained surplus		3,805,920	3,635,942
Total community equity	-	4,682,254	4,388,224

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Retained surplus \$000	Asset revaluation surplus \$000	Total \$000
Balance as at 1 July 2018	3,635,942	752,282	4,388,224
Adjustment on application of AASB 9 Financial Instruments	(689)	-	(689)
Net result	170,667	-	170,667
Other comprehensive income for the year Increase / (decrease) in asset revaluation surplus Total comprehensive income for the year Balance as at 30 June 2019	- 169,978 3,805,920	124,052 124,052 876,334	124,052 294,030 4,682,254
Balance as at 1 July 2017	3,567,377	621,865	4,189,242
Net result	68,565	-	68,565
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	-	134,244	134,244
Share of other comprehensive income of joint venture	-	(3,827)	(3,827)
Total comprehensive income for the year	68,565	130,417	198,982
Balance as at 30 June 2018	3,635,942	752,282	4,388,224

#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$000	2018 \$000
Cash flows from operating activities			
Receipts from customers		424,775	402,162
Payments to suppliers and employees		(292,424)	(259,897)
Contribution to joint venture		(20)	-
Interest received		5,103	5,488
Finance costs	4(c)	(20,675)	(21,887)
Net cash inflow from operating activities	15	116,759	125,866
Cash flows from investing activities			
Payments for property, plant and equipment		(240,164)	(186,208)
Payments for intangible assets		(1,088)	(3,252)
Proceeds from sale of property, plant and equipment		909	1,400
Grants, subsidies, contributions and donations		232,245	52,409
Receipts from repayment of community loans and advances		-	2
Net cash outflow from investing activities		(8,098)	(135,649)
Cash flows from financing activities			
Proceeds from borrowings		60,000	-
Repayment of borrowings		(25,959)	(23,884)
Net cash outflow from financing activities		34,041	(23,884)
Net increase / (decrease) in cash and cash equivalents held		142,702	(33,667)
Cash and cash equivalents at the beginning of financial year		85,979	119,646
Cash and cash equivalents at the end of financial year	5	228,681	85,979

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

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

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the Local Government Regulation 2012.

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

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

#### (b) Basis of consolidation

Council has a 79.8% ownership interest in an unincorporated joint venture known as the Townsville Breakwater Entertainment Centre. The joint venture exists between Breakwater Island Limited as trustee of the Breakwater Island Trust and the Townsville City Council. Council impaired its investment in the joint venture to nil in 2017/18.

Pursuant to the terms of the management agreement, Townsville City Council will indemnify the joint venture from any amount by which defined costs exceed total revenue. Where this occurs, a contribution will be recorded in the Statement of Comprehensive Income.

#### (c) Rounding and comparatives

The financial statements are in Australian dollars that have been rounded to the nearest thousand (\$000) except for Note 19: Transactions with related parties.

Comparative information has been restated where necessary to be consistent with disclosures in the reporting period.

#### (d) Estimates and judgements

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

- Valuation of property, plant and equipment including useful life assessments, fair value and impairment (Note 7).
- Measurement and recognition of employee benefit liabilities (Note 8).
- Measurement and recognition of provisions (Note 10).
- Measurement and recognition of the impairment of trade receivables (Note 6).

#### (e) Taxation

Income of local authorities and public authorities is exempt from Income Tax. However, Council is subject to Fringe Benefits Tax, Goods and Services Tax (GST) and payroll tax on certain activities. The net of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

#### (f) New and revised Accounting Standards

#### **AASB 9** Financial Instruments

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way Council calculates impairment provisions, which are now based on lifetime expected credit losses rather than incurred credit losses.

Council has not restated comparative figures therefore the new impairment rules are only reflected in the receivables balance at 30 June 2019.

On 1 July 2018 (date of initial application), Council reassessed the classification, measurement category and carrying amount of each financial instrument in accordance with AASB 9. There were some changes to classification however this did not result in changes to measurement categories. Carrying amounts were also unchanged, except for receivables which decreased by \$692,357 due to an increase in impairment under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

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

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

On 1 July 2019 AASB 1058 *Income of Not-for-Profit Entities* will clarify and simplify the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 *Revenue from Contracts with Customers*, and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*. These standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*.

Identifiable impacts are as follows:

- Grants eligible for the deferral of revenue will initially be recognised as a liability and subsequently
  recognised as revenue once Council satisfies its performance obligations under the grant. These grants are
  currently recognised as revenue upfront.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Australian Government and Queensland Government for which sufficiently specific performance obligations do not exist. These are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time
  prepaid rates will be recognised as a liability (unearned revenue).
- There will be no impact on the recognition of other fees and charges.

Based on Council's assessment, if Council had adopted the new standards in the current financial year, it would have had the following impacts:

- Revenue decrease of \$986,884 due to deferral of prepaid rates;
- Revenue decrease of \$5,629,554 due to deferral of the state waste levy advance payment;
- Revenue decrease of \$105,669,981 due to deferral of capital grant funding;
- Reported equity decrease of \$120,700,321. Reduced revenue will require an increase in the recognition of contract liabilities and statutory receivables. Equity decrease includes \$8,413,902 operating grant revenue received in a prior year and unspent at 30 June 2019.

A range of new disclosures will also be required by the new standards in respect of Council's revenue.

#### **Transition method**

Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and Council will not restate comparative information. Alternatively, Council will recognise the cumulative effect as an adjustment to opening equity as at the date of initial application, being 1 July 2019.

#### AASB 16 Leases

On 1 July 2019 AASB 16 *Leases* will introduce a single, on-balance sheet lease accounting model for lessees. Council has assessed the impacts that initial application of AASB 16 will have on its financial statements however actual impacts may differ as the new accounting policies are subject to change until Council presents the first financial statements after the date of initial application.

Under the new standard, a lessee recognises a right-of-use asset representing its right to the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard (i.e. lessors continue to classify leases as finance or operating leases).

#### Leases in which Council is a lessee

Council will recognise new assets and liabilities for its operating leases of buildings, IT equipment and motor vehicles. Previously, Council recognised an operating lease expense on a straight-line basis over the term of the lease. From 1 July 2019 Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Based on Council's assessment, it is expected that the first-time adoption of AASB 16 for the year ended 30 June 2020 will have the following impacts:

- Lease assets and financial liabilities on the balance sheet will increase by \$12,742,810 and \$13,677,325 respectively (based on the facts available to Council at the date of assessment);
- There will be a reduction in the reported equity as the carrying amount of lease assets will reduce at a faster rate than the carrying amount of lease liabilities;
- Net result will be lower on initial application as depreciation and lease liability interest will be initially higher than operating lease expenses previously recorded.

#### Leases in which Council is a lessor

No significant impact is expected for other leases in which Council is a lessor.

#### **Peppercorn** leases

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

#### Transition method

Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

#### **Current policy**

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

## NOTE 2 ANALYSIS OF RESULTS BY FUNCTION

#### (a) Components of Council's functions

The activities relating to Council's components reported in Note 2(b) are as follows:

#### (i) Business services

The goal of business services is to provide the most efficient, effective and proactive support services across Council to enable the delivery of policy commitments, Council vision and mission. The provision of these services includes finance, information communication and technology, legal, people and culture and procurement.

#### (ii) Community engagement, environmental and cultural services

Community engagement, environmental and cultural services provides environmental and sustainability products and services, high quality community focussed programs, service delivery and communication to residents. This component is comprised of community engagement, integrated marketing communications, libraries, the arts, customer contact and environmental services.

#### (iii) Construction and maintenance

Construction and maintenance is responsible for constructing new, and maintaining existing infrastructure across a diverse range of assets that underpin the wellbeing of the Townsville community. These assets include roads, drains, stormwater, boat ramps, cemeteries, parks and open spaces and coastal assets.

#### (iv) Future cities

Townsville City is embarking on a transformative journey. Focussing on the needs and aspirations of the Townsville community, Future Cities will deliver commitments under City Deals, the vision of Townsville 2020 and its projects, and will drive the attraction of investment opportunities to the city.

#### (v) Infrastructure, planning, assets and fleet

The purpose of infrastructure, planning, assets and fleet is to deliver high priority capital projects, construct enabling infrastructure and implement programs to improve and maintain facilities. Services include project management, design services, asset management, fleet services, property management, emergency management, compliance and continuous business improvement.

#### (vi) Planning

Planning services manages the city's growth while striving to enhance Townsville's lifestyle and meet the ongoing demands for residential, commercial and industrial development. The planning services area includes the assessment of development applications, development construction activities, infrastructure planning for the city, land use planning and urban design.

#### (vii) Townsville Water

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

#### (viii) Townsville Waste Services

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

#### **Components grouped by entity**

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

Rest of Council	(i) to (vi)
Townsville Water	(vii)
Townsville Waste Services	(viii)

#### (b) Analysis of results by function

Income and expenses defined between recurring and capital are attributed to the following components:

			Income					Expenses			Net result	
		Recurre	ent	Ca	pital	Total	Re	current	Capital	Total	from	Net result
Components	Grants	Other	Internal eliminations	Grants	Other	income	Other	Internal eliminations	Other	expenses	recurrent operations	result
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Year ended 30 June 2019												
Business services	14,081	209,526	(52,846)	20,000	-	190,761	(78,837)	13,026	(2,356)	(68,167)	104,950	122,594
Community engagement, environmental and cultural services	1,178	9,463	(6,936)	-	-	3,705	(41,399)	7,080	(116)	(34,435)	(30,614)	(30,730)
Construction and maintenance	4,072	9,098	(4,637)	-	11,331	19,864	(120,847)	14,419	(39,549)	(145,977)	(97,895)	(126,113)
Future cities	202	75	-	-	-	277	(6,069)	11	-	(6,058)	(5,781)	(5,781)
Infrastructure, planning, assets and fleet	277	27,855	(24,925)	200,863	3,045	207,115	(85,333)	24,809	(21,736)	(82,260)	(57,317)	124,855
Planning	172	8,182	(56)	-	-	8,298	(16,380)	3	-	(16,377)	(8,079)	(8,079)
Townsville Water	340	195,895	(26,974)	282	5,305	174,848	(147,070)	54,714	(6,240)	(98,596)	76,905	76,252
Townsville Waste Services	38	47,889	(11,264)	-	-	36,663	(27,819)	8,988	(163)	(18,994)	17,832	17,669
Total	20,360	507,983	(127,638)	221,145	19,681	641,531	(523,754)	123,050	(70,160)	(470,864)	1	170,667
Year ended 30 June 2018												
Business services	4,451	213,575	(62,719)	-	1	155,308	(92,268)	29,169	(23,744)	(86,843)	92,208	68,465
Community engagement, environmental and cultural services	3,096	11,481	(8,713)	-	13	5,877	(44,455)	8,749	-	(35,706)	(29,842)	(29,829)
Construction and maintenance	3,421	10,600	(5,795)	-	29,494	37,720	(109,966)	12,395	(3,611)	(101,182)	(89,345)	(63,462)
Future cities	-	13	-	-	-	13	(2,428)	116	-	(2,312)	(2,299)	(2,299)
Infrastructure, planning, assets and fleet	763	49,318	(45,945)	39,305	12,353	55,794	(100,526)	45,675	(10,166)	(65,017)	(50,715)	(9,223)
Planning	199	8,559	(59)	172	-	8,871	(16,072)	13	-	(16,059)	(7,360)	(7,188)
Townsville Water	9,311	189,606	(23,519)	1,075	14,342	190,815	(135,948)	47,549	(1,900)	(90,299)	86,999	100,516
Townsville Waste Services	-	37,819	(9,604)	-	-	28,215	(24,344)	8,334	(620)	(16,630)	12,205	11,585
Total	21,241	520,971	(156,354)	40,552	56,203	482,613	(526,007)	152,000	(40,041)	(414,048)	11,851	68,565

#### (c) Function assets

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

	Assets	Assets
Entity	2019	2018
	\$000	\$000
Rest of Council	3,334,751	3,159,955
Townsville Water	1,845,607	1,665,044
Townsville Waste Services	39,000	32,762
Total Council	5,219,358	4,857,761

## NOTE 3 REVENUE

#### (a) Rates and utilities

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	2019	2018
	\$000	\$000
General rates	170,203	165,445
Refuse and recycling utility charges	20,732	19,538
Water and wastewater utility charges	168,691	164,433
Less: Discounts	(15,039)	(14,548)
Less: Pensioner and other remissions	(10,259)	(8,552)
	334,328	326,316

#### (b) Fees and charges

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

Regulatory fees and charges	7,233	7,875
Commercial fees and charges	13,704	12,293
State waste levy advance payment*	5,630	-
	26,567	20,168

\*The Queensland Government made an annual payment to Council in June 2019 to mitigate any direct impacts of the waste levy on households in the local government area. The State waste levy comes into effect on 1 July 2019. Funds have been set aside to help fund Council's 2019-20 levy expense.

#### (c) Grants, subsidies, contributions and donations

Grants, subsidies, cash contributions and donations that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds.

Where grants, subsidies, contributions and donations are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Council classifies grants and subsidies received as capital where they are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

Physical assets contributed to council by developers in lieu of cash contributions are recognised as revenue when council obtains control of the assets, there is sufficient data available to determine the specifications and values of such assets and they have been formally accepted as design compliant. Generally, the developer is liable for maintenance for an agreed period after acceptance. Non-cash contributions with a value in excess of council's recognition threshold are recognised as a non-current asset. Those below the threshold are recorded as an expense.

Council received \$160 million funding in 2018/19 as part of the Queensland Government's \$225 million commitment to Townsville's water security. This funding is included in capital revenue in 2018/19.

	2019	2018
	\$000	\$000
Recurrent		
Contributions received for operating purposes	117	270
Subsidies and grants received for operating purposes	20,360	21,240
	20,477	21,510
Capital		
Contributions received for capital purposes	9,711	12,318
Subsidies and grants received for capital purposes	221,146	40,552
	230,857	52,870

#### **Conditions over contributions**

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

Townsville water pipeline grant	73,420	-
Water smart package grant	-	9,091
Other non-reciprocal grants	32,647	11,499
	106,067	20,590

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

Non-reciprocal grants	11,819	14,177

#### NOTE 4 EXPENSES

#### (a) Employee benefits

	Note	2019 \$000	2018 \$000
Total staff wages and salaries		121,262	110,783
Councillors' remuneration		1,442	1,259
Superannuation	14	13,550	12,319
Termination benefits*		1,696	776
		137,950	125,137
Other employee related expenses		5,826	6,912
		143,776	132,049
Less: Capitalised employee expenses		(15,170)	(15,198)
		128,606	116,851

\*Benefits represent the settlement of key management personnel and other employee contracts during the year.

#### (b) Materials and services

Accommodation services	8,612	7,592
Administration supplies and consumables	14,569	11,232
Audit of annual financial statements by the Auditor-General of Queensland	209	321
Bulk water supply	14,465	16,223
Contractors and service providers	17,554	15,033
Electricity	13,406	13,147
Employee related costs	3,843	3,298
Equipment and tools	4,838	5,096
Information, communications and technology	10,213	8,331
Insurance	3,092	3,540
Marketing and promotion	3,565	2,968
Other materials and services	4,576	5,575
Other utilities	194	276
Repairs, maintenance and construction	19,794	20,374
Vehicle and plant operating costs	13,699	9,261
	132,629	122,267
Less: capitalised materials and services	(4,587)	(4,353)
	128,042	117,914
(c) Finance costs		
Interest and finance charges on loans from financial institutions	20,675	21,887
Unwinding of discounted provisions	549	1,201
Impairment of receivables	1,617	1,051
	22,841	24,139

#### (d) Capital expenses

	2019	2018
	\$000	\$000
Loss on sale/disposal of property, plant and equipment	5,680	10,484
Revaluation decrement of property, plant and equipment	60,399	-
Impairment losses on property, plant and equipment	3,211	2,251
Impairment losses on intangibles	22	3,877
Impairment losses on net investment in joint venture	-	4,452
Revaluation decrement of joint venture	-	15,307
Other capital expenses	849	3,671
	70,161	40,042

#### NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at year end and deposits held at call with financial institutions.

Cash at bank and on hand	1,065	401
Deposits at call	227,616	85,578
Balance per Statement of Cash Flows	228,681	85,979

#### Cash not available for general use

Council's cash and cash equivalents at the reporting date are subject to external restrictions that limit

amounts available for discretionary or future use. These include:			
Other unspent contributions, government grants and subsidies	33,733	21,703	
Unspent government grants received in relation to Council's water			
security program	81,834	-	
State waste levy advance payment	5,630	-	
	121,197	21,703	
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on	4.074	2 4 4 4	
behalf of those entities	1,876	2,444	
Townsville City Council Mayor's Christmas Tree Appeal	16	4	

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

2.448

1,892

#### NOTE 6 RECEIVABLES

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

Debts are regularly assessed for collectability and an allowance is made for impairment where appropriate. All known bad debts were written off at 30 June 2019. Subsequent recoveries of amounts previously written off are recognised as revenue.

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

	Note	2019	2018
	Note	\$000	\$000
Current			
Rates and utilities		28,466	22,471
Fees and charges		4,355	3,823
Less: loss allowance	17	(3,748)	(2,235)
Water charges not yet levied		10,783	11,436
Other receivables		4,380	7,191
		44,236	42,686
Non-current			
Community organisations		2,337	2,338
		2,337	2,338

Interest charged on outstanding rates and utilities during 2018/19 was 11% per annum. No interest was charged on other debtors.

#### NOTE 7 PROPERTY, PLANT AND EQUIPMENT

#### (a) Recognition

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

#### (b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

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

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

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

#### (c) Depreciation

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. Factors used in estimating the useful lives of assets at each reporting date include the condition assessments performed as part of the annual valuation process for assets measured at current replacement cost (CRC), manufacturer specifications, maintenance history, analysis of an asset class, and any other relevant evidence.

#### (d) Valuation Process

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

This year council conducted the five year cyclical revaluation of land, buildings, and fixed plant asset classes. These valuations took into account damage resulting from the monsoon event. Land improvements will be revalued in 2020. The carrying value is not anticipated to be materially different to fair value at balance date.

In the intervening years, council will internally assess, through physical inspection, the condition of infrastructure assets on a sample basis and as part of the maintenance process. The inspection results are considered in combination with indices provided by independent valuers. Together these elements are used to form the basis of a management valuation for infrastructure asset classes at balance date.

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

In accordance with AASB 13 *Fair Value Measurement*, fair value measurements are categorised on the following basis:

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

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

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

#### Valuation - dates of revaluations and reviews

Asset Class	Last Full Valuation Date	Index Review by Valuers	Management Review		
Buildings (Level 2)	31 March 2019 <sup>(1)</sup>	n/a	30 June 2019		
Buildings (Level 3)	30 June 2019 <sup>(5)</sup>	n/a	30 June 2019		
Dams and weirs	30 June 2019 (3)	n/a	30 June 2019		
Major fixed plant	30 June 2019 (3)	n/a	30 June 2019		
Cultural and heritage	30 June 2015 <sup>(4)</sup>	n/a	30 June 2019		
Land	31 March 2019 (1)	n/a	30 June 2019		
Land improvements	28 February 2014 (6)	30 June 2017	30 June 2019		
Landfills	n/a	n/a	30 June 2019		
Pipe network					
Water	1 June 2019 (3)	n/a	30 June 2019		
Wastewater	1 June 2019 (3)	n/a	30 June 2019		
Stormwater	1 June 2019 (3)	n/a	30 June 2019		
Transport network	30 June 2019 <sup>(2)</sup>	n/a	30 June 2019		

#### Valuation performed by independent valuer:

- (1) Knight Frank (Adam Reguson CPV No. 2215)
- (2) Barnwell Resources Pty Ltd (Graham John Jordan RPEQ No. 3305). Rates only.
- (3) Northern Water Management Pty Ltd (Jeff Ballard RPEQ No. 6854)
- (4) Ross Searle and Associates (Ross Searle BA Uni.Qld MLitt JCU)
- (5) APV Valuers & Asset Management (Josh Franklin CPV No. 4079)
- (6) Michael Puntil from AECOM (RPEQ 11865)

Any changes that have occurred as a result of the valuations and reviews have been noted in the financial statements in the movement in carrying amount table.

#### (e) 2019 Monsoon event and impact on valuations

The fair value of assets damaged during the monsoon event that have not been restored at 30 June 2019 have been reduced to reflect the damage incurred. For assets valued at CRC where its service potential is not available to the community at balance date, the asset value has been reduced to nil until such time that the asset becomes operable. This is only applicable to five building precincts. For road assets, damage from the monsoon event has been included in the condition assessment performed as at 30 June 2019.

Land improvement assets in flood affected areas suffered damage causing partial or full closure in some instances. However, the overall service potential of the asset class at balance date was available to the community. Ongoing restoration to those land improvement assets is being treated according to paragraphs (a) and (b).

		on Decrement ation Surplus	Impai	Total	
Location	Buildings \$000	Land Improvements \$000	Plant \$000	Intangible \$000	\$000
Civic Theatre	33,128	361	2,922	-	36,411
Horseshoe Bay School House	107	-	-	-	107
Railway Estate Community Centre	446	8	23	-	477
Riverway Arts Centre	11,407	-	13	-	11,420
Riverway Lagoons	5,352	86	254	22	5,714
Total	50,440	455	3,212	22	54,129

Table of revaluation decrements and impairments from monsoon damage is as follows:

#### (f) Valuation techniques used to derive fair values

#### (i) Land - (level 2)

Reserve land held by council as trustee for the Queensland Government is not valued. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Land was valued for its highest and best use, notwithstanding that this may differ from its current use.

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

#### (ii) Buildings - (level 2 and 3)

Level 2 buildings are valued using an equivalent market value as the valuation technique. For these buildings the most significant inputs were estimated net rental per square metre and the associated capitalisation rate, valued at the highest and best use. Other inputs into this valuation approach were the sales prices of comparable properties after adjusting for differences in key attributes such as property size. Where a market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component.

Level 2 buildings were valued by a registered valuer after the 2019 monsoon event. Damage to these buildings was not substantial and has not impacted the fair value of these assets. The values for the buildings have declined, reflective of current market conditions. The decline was applied to land and building components proportionately.

All other buildings (level 3) were deemed of specialist nature with no active market or are situated on reserve land, valued at current replacement value less obsolescence.

In determining the level of accumulated depreciation, assets are disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset.

A proportion of council's buildings suffered damage during the monsoon event and have been valued according to the monsoon event disclosure in paragraph (e) above. In most cases, minor damage had been repaired before balance date or the service potential of the building is substantially still in place.

Condition of level 3 buildings have been assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence. For this financial year, no residual amounts were applied to buildings. Council has applied the condition of the buildings, as assessed by the valuer, including as appropriate the impact of the monsoon event. Application of the valuer's condition rating has resulted in a general increase in fair value of level 3 buildings. Remaining lives were also extended into the future, reflecting the usage pattern of council's buildings.

	2019	2018
	\$000	\$000
Buildings		
Market value buildings (level 2)	25,632	33,183
Special purpose buildings (level 3)	126,739	123,953
	152,371	157,136

#### (iii) Infrastructure assets - (level 3)

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

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

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

#### Roads

Council categorises its road infrastructure into urban and rural roads and further sub-categorises these into sealed and unsealed roads. All roads are managed in sections, generally assigned as intersection to intersection, but varying to meet engineering requirements.

All road sections are then componentised into formation, pavement sub-base, pavement base, surface, kerbs, barriers, road furniture and pathways. Traffic lights and car parks are not segmented. Council assumes that environmental factors such as soil type, climate and topography are consistent across each section. Council also assumes a section is designed and constructed to the same standard and uses a consistent amount of labour and materials.

Council's roads were significantly impacted by the 2019 monsoon event. In 2018/19 a review of rates has been performed in conjunction with condition assessment that conforms with AustRoads technical network assessment papers 2011-2018. A change in methodology in 2018/19 has resulted in an improvement in condition from historical data and an increase in road network value. This increase has been partially offset by a deterioration in condition as a result of the monsoon event. The net impact is reflected in the fair value of roads at 30 June 2019.

#### **Bridges**

Each bridge has been assessed individually post the 2019 monsoon event, with the valuation varying according to the material type used for construction, the deck area, condition and size. No change has been made to values in 2019, based on an internal assessment of index movement.

#### Pipe networks - water, wastewater and stormwater

Water, wastewater and stormwater pipe network assets were revalued at their CRC. The process incorporates the determination of unit rates by reference to data contained in Rawlinson's Construction Cost Guide (Rawlinson's), an assessment of council's internal and external costings, manufacturer's specifications and other relevant data.

Pipe network assets are split into over 500,000 individual components of varying length and function. Generally, for pipes below 100mm in size, fittings are included in the pipe revaluation rates but fittings, valves and flow meters are listed separately for larger pipe sizes. Culverts in the stormwater system are generally characterised as bridges.

Key valuation data are usage, material, depth, length and size. Secondary factors include ground conditions, construction cost indexes such as Rawlinson's, and local contractor cost data. Generally, a standardised rate reflecting current best practice and materials is used. Limitations on access caused by location or methodology are not incorporated into standardised rates.

Many elements of wastewater and limited elements of stormwater pipes may be relined at the end of their useful life, extending the economic life to a high percentage of the original life. Pipes that may be relined are componentised into the appropriate life. Water pipes are not relined nor subject to CCTV inspections. CCTV inspection data currently does not cover a statistically significant portion of the pipe network each year, accordingly condition data derived from the CCTV images is not applied to remaining life for the network.

Assessments conducted since the monsoon event suggests there was no significant damage to the pipe networks. Elements that were damaged have been repaired and do not represent a material component of the asset class.

#### (iv) Landfills - (level 3)

Waste landfill cell restoration provision fair values were determined by council engineers. New landfill cells are recorded at cost for recently completed cells, with an index applied for subsequent periods.

The principal element of landfill costs is the restoration cost provision at the end of the cell's economic life. Periodically new site plans are prepared which may be able to utilise an existing cell for an extended period of time. In such cases only the incremental landfill cell cost is recorded at fair value.

The monsoon event had a consequential impact with reduced life of landfill cells at Stuart Waste Facility, resulting from the quantity of building waste. Similarly, the closure of landfill cells at Hervey Range, Jensen and Picnic Bay with waste directed to Stuart has had an impact on the remaining useful life. This will be partially mitigated in the future by consequential impacts of the state waste levy and the opening of front end resource recovery facilities. Accelerated landfill usage is a known risk factor following natural disasters.

## (v) Fixed plant, dams and weirs - comprising treatment plants and pump stations plus some

#### coastal assets - (level 3)

The assets, including treatment plants, dams, weirs and pump stations, (excluding pipelines), have been independently valued, either on a top down approach for major facilities or the appropriate valuation techniques have been applied.

Numerous assets suffered severe damage during the 2019 monsoon event including Aplins Weir and water/wastewater pump stations. Fair value has been assessed following the process in the monsoon event disclosure in paragraph (e) above. At balance date, the service potential of the assets in this class was essentially available to the community, thus no reduction for monsoon related causes has been made.

Componentisation of assets in these classes has been updated allowing improved asset management practices. A revised condition rating has been applied resulting in an increase in fair value and, on average, increased remaining life.

#### (vi) Land improvements - (level 3)

Land improvements were not externally valued in 2019 due to materiality and the monsoon event prioritising recovery and restoration on the transport asset class. The fair value of this class represents 1.6% of total assets and there is not expected to be a material change in fair value. A revaluation has been rescheduled for 2020. Fair value of land Improvement assets is based on the 2014 revaluation, 2017 index adjustment and index comparatives at June 2019.

The monsoon event impacted many of council's parks and open space facilities. Fair value has been assessed following the monsoon event in paragraph (e) above.

#### (vii) Cultural and heritage - (level 3)

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

The monsoon event had very limited impact on assets within this asset class.

Note 7 Property, Plant and Equipment 30 June 2019	Buildings	Dams & weirs	Fixed plant	Cultural and heritage	Land	Land improvements	Landfills	Pipe network	Plant and equipment	Transport network	Assets under construction	Total
Basis of measurement	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
Asset values	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening gross value as at 1 July 2018	260,440	532,248	807,186	15,695	357,284	133,948	45,276	2,228,180	162,047	2,413,220	223,850	7,179,374
Additions	-	-	-	-	-	-	1,777	1,351	-	3,528	271,646	278,302
Disposals	(266)	-	(6,497)	(1,519)	(343)	(1,446)	-	(1,778)	(4,863)	(3,578)	-	(20,290)
Revaluation adjustment to asset revaluation surplus	-	(11,965)	20,436	=	-	-	(112)	(41,088)	=	29,700	-	(3,029)
Revaluation adjustment to Statement of Comprehensive Income	(92,170)	=	-	830	(24,512)	(812)	-	(20,439)	-	-	-	(137,103)
Transfers between classes & intangible assets	1	20	(163)	-	1	(20)	172	-	(24)	1	3	(9)
Transfers between classes: capitalised assets	14,005	73	8,178	-	-	2,546	121	66,344	10,985	16,035	(118,286)	1
Closing gross value as at 30 June 2019	182,010	520,376	829,140	15,006	332,430	134,216	47,234	2,232,570	168,145	2,458,906	377,213	7,297,246
Accumulated depreciation and impairment												
Opening balance as at 1 July 2018	(103,305)	(141,359)	(373,481)	(27)	(1,359)	(66,728)	(33,530)	(996,176)	(81,209)	(669,134)	(1,582)	(2,467,890)
Depreciation provided in period	(6,677)	(4,826)	(18,130)	-	-	(5,486)	(2,272)	(25,880)	(13,435)	(42,126)	-	(118,832)
Depreciation on disposals	45	-	4,466	591	-	1,289	-	1,159	3,915	5,885	-	17,350
Revaluation adjustment to asset revaluation surplus	-	(9,968)	85,592	-	-	-	-	9,665	-	41,789	-	127,078
Revaluation adjustment to Statement of	70 400	(2,020)		1 220	1 250	(())						77 505
Comprehensive Income	78,482	(2,938)	-	1,229	1,359	(627)	-	-	-	-	-	77,505
Impairment adjustment to income	-	-	-	-	-	946	-	-	(3,211)	-	-	(2,265)
Transfers between classes	1,817	(6)	(4)	(1,820)	-	6	-	-	7	-	-	-
Accumulated depreciation and impairment as at 30 June 2019	(29,638)	(159,097)	(301,557)	(27)	-	(70,600)	(35,802)	(1,011,232)	(93,933)	(663,586)	(1,582)	(2,367,054)
Total written down value as at 30 June 2019	152,372	361,279	527,583	14,979	332,430	63,616	11,432	1,221,338	74,212	1,795,320	375,631	4,930,192
Range of estimated useful life in years	5 - 180	10 - 150	3 - 150	150+	-	3 - 100	3 - 48	7 - 150	3 - 33	4 - 150	-	
Additions including reallocations from WIP to	o asset class:											
Renewals	4,084	924	12,314	-	-	1,706	39	18,981	24,458	29,446	-	91,952
Other additions	3,819	-	19,120	69	1,993	1,828	5,808	119,594	8,338	19,125	-	179,694
Total capital expenditure, contributed assets, & assets not previously recorded	7,903	924	31,434	69	1,993	3,534	5,847	138,575	32,796	48,571	-	271,646
Asset revaluation surplus												
Opening balance at 1 July 2018	-	21,931	9,330	4,405	-	-	112	31,424	-	685,079	-	752,281
Asset revaluation movement	-	-	-	-	-	-	(112)	-	-	-	-	(112)
Change in value of future rehabilitation cost	-	(21,932)	106,028	-	-	-	=	(31,423)	-	71,492	-	124,165
Closing balance at 30 June 2019	-	(1)	115,358	4,405	-	-	-	1	-	756,571	-	876,334

Note 7 Property, Plant and Equipment 30 June 2018	Buildings	Dams & weirs	Fixed plant	Cultural and heritage	Land	Land improvements	Landfills	Pipe network	Plant and equipment	Transport network	Assets under construction	Total
Basis of measurement	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
Asset values	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening gross value as at 1 July 2017	257,581	532,098	797,233	14,702	346,482	126,449	42,231	2,174,165	172,356	2,239471	116,504	6,819,272
Additions	329	-	1,498	13	7,331	150	(778)	18,784	364	12,185	190,874	230,750
Disposals	(5,157)	-	-	-	(1,664)	(385)	-	(10,274)	(18,514)	(4,651)	-	(40,645)
Revaluation adjustment to asset revaluation surplus	-	-	(1,498)	-	-	-	-	20,724	-	145,717	-	164,943
Assets reclassified from held for sale	-	-	-	-	5,058	-	-	-	-	-	-	5,058
Transfers between classes: capitalised assets	7,688	150	9,953	980	77	7,734	3,824	24,781	7,841	20,498	(83,527)	(1)
Closing gross value as at 30 June 2018	260,441	532,248	807,186	15,695	357,284	133,948	45,277	2,228,180	162,047	2,413,220	223,851	7,179,377
Accumulated depreciation and impairment												
Opening balance as at 1 July 2017	(96,734)	(136,545)	(355,993)	(4)	-	(61,657)	(30,501)	(980,011)	(84,522)	(603,961)	(1,582)	(2,351,510)
Depreciation provided in period	(6,135)	(4,814)	(17,488)	(23)	-	(5,366)	(3,029)	(24,485)	(13,227)	(37,215)	-	(111,782)
Depreciation on disposals	456	-	-	-	-	295		8,040	16,540	3,134	-	28,465
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	280	-	(31,090)	-	(30,810)
Assets reclassified from held for sale	-	-	-	-	(5,058)	-	-	-	-	-	-	(5,058)
Impairment adjustment to income	(892)	-	-	-	3,699	-	-	-	-	-	-	2,807
Accumulated depreciation and impairment as at 30 June 2018	(103,305)	(141,359)	(373,481)	(27)	(1,359)	(66,728)	(33,530)	(996,176)	(81,209)	(669,132)	(1,582)	(2,467,888)
Total written down value as at 30 June 2018	157,136	390,889	433,705	15,668	355,925	67,220	11,747	1,232,004	80,838	1,744,088	222,269	4,711,489
Range of estimated useful life in years	5 - 180	10 - 150	3 - 150	150+	-	3 - 100	3 - 48	7 - 150	3 - 33	4 - 150	-	
Additions including reallocations from WIP to class:	o asset											
Renewals	14,354	385	1,518	-	-	-	8,453	30,272	16,245	33,343	-	104,570
Other additions	7,490	-	4,733	260	8,356	5,502	7,963	32,461	32,279	27,136	-	126,180
Total capital expenditure, contributed												
assets, and assets not previously recorded	21,844	385	6,251	260	8,356	5,502	16,416	62,733	48,524	60,479	-	230,750
Asset revaluation surplus												
Opening balance at 1 July 2017	-	21,931	10,828	4,405	-	-	1	10,419	-	570,454	-	618,038
Asset revaluation movement	-	-	(1,498)	-	-	-	-	21,005	-	114,625	-	134,132
Change in value of future rehabilitation cost	-	-		-	-	-	112	-	-	-	-	112
Closing balance at 30 June 2018	-	21,931	9,330	4,405	-	-	113	31,424	-	685,079	-	752,282

#### NOTE 8 PAYABLES

Payables are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

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

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

		2019	2018
	Note	\$000	\$000
Current			
Trade payables		37,316	30,348
Annual leave		13,091	12,118
Accrued expenses		51,289	25,166
Sundry payables	_	5,884	4,847
	17	107,580	72,479

#### **NOTE 9** BORROWINGS

Borrowings are initially recognised at fair value. Subsequent to initial recognition these liabilities are measured at amortised cost.

Principal and interest repayments are made quarterly in arrears. Expected final repayment dates vary from 15 December 2023 to 15 June 2039. There have been no defaults or breaches of the loan agreement during the period.

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

#### Current

Loans - Queensland Treasury Corporation	30,213	26,258
<b>Non-current</b> Loans - Queensland Treasury Corporation	348,037	317,950
Total borrowings 17	378,250	344,208

The loan market value at the reporting date was \$447,967,670. This represents the value of the loans if Council repaid the loans as at reporting date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these financial statements.

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

The interest rates on borrowings range from 2.32% to 8.35% for book value rates.

#### Undrawn facilities

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

	2019	2018
	\$000	\$000
Bank overdraft facility	500	500
Purchase card facility	1,740	1,691
Working Capital Facility - Queensland Treasury Corporation	200,000	200,000
	202,240	202,191

Council received approval for a Queensland Treasury Corporation working capital facility of \$200 million in 2017/18. This facility is available for use until 31 July 2021 and is to be used only for transactions relating to Council's water security program. At reporting date, the facility was fully undrawn.

#### NOTE 10 PROVISIONS

Current		
Self-insurance	898	998
Landfill restoration	1,526	4,442
Long service leave	13,129	12,897
Other	3,715	4,840
	19,268	23,177
Non-current		
Self-insurance	3,353	3,373
Landfill restoration	24,313	22,134
Long service leave	2,283	2,089
	29,949	27,596

#### (a) Landfill restoration

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

Where the monsoon event has decreased the remaining useful life before rehabilitation is required under the environmental licence conditions, the provision has been modified to reflect this.

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

The total projected cost of \$26,472,891 is expected to be incurred between 2020 and 2026. The figure excludes rehabilitating landfill cells on existing sites that are yet to be constructed or used, but which are in the current site plan.

#### (b) Long service leave

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

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

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

	2019	2018
	\$000	\$000
Long service leave obligations expected to be settled after 12 months	13,346	12,996

#### (c) Movements

	Self-	Landfill	Long service		
	insurance \$000	restoration \$000	leave \$000	Other \$000	Total \$000
Balance at beginning of financial year	4,371	26,576	14,986	4,840	50,773
Additional provisions raised during the year	378	3,093	2,144	22	5,637
Amounts used	(498)	(3,628)	(1,873)	(1,147)	(7,146)
Unused amounts reversed	-	(1,318)	=	-	(1,318)
Increase in provision due to unwinding of					· · · ·
discount	-	268	155	-	423
Increase in provision due to change in discount					
rate	-	848	-	-	848
Balance at end of financial year	4,251	25,839	15,412	3,715	49,217

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

#### NOTE 11 ASSET REVALUATION SURPLUS

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

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

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

	Note	2019 \$000	2018 \$000
Asset revaluation surplus	7 _	876,334	752,282

#### NOTE 12 COMMITMENTS FOR EXPENDITURE

#### (a) Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Within one year	2,971	2,301
One to five years	10,500	10,224
Later than five years	4,066	5,717
	17,537	18,242

#### (b) Capital expenditure commitments

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:

Townsville water pipeline project	97,437	5,131
Road upgrades	6,303	6,498
Waste facility improvements	5,626	4,064
Resource recovery and waste disposal	5,500	-
Southern Suburbs Wastewater Pipe	5,265	-
Water treatment plant refurbishment	4,284	4,273
Works for Queensland projects	3,332	117
Cleveland Bay purification plant upgrade	2,066	19,999
Open space upgrades	1,263	2,327
Information technology upgrades	1,200	-
Operational buildings and depots	273	3,716
CBD utilities upgrade	-	13,827
Other	2,887	4,619
	135,436	64,571

#### NOTE 13 CONTINGENT LIABILITIES

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

#### Guarantees

Workers' compensation self-insurance guarantees

5,777	4,758

WorkCover Queensland authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the estimated liability. Guarantees held at each balance date do not always equal the liability at these dates due to delays in issuing the guarantees. An actuarial assessment of the Council workers' compensation claims liability performed on 10 August 2019 has estimated the required self-insurance guarantee be \$5,907,000.

The actuarial assessment also recommends a self-insurance provision that has been recognised for risks relating to potential workers' compensation claims at balance date. Refer to Note 10.

#### Claims

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

At the time of preparation of this report, the financial statements for 30 June 2019 of LGM Queensland were not available. As at 30 June 2018 the financial statements reported an accumulated surplus of \$75,834,341 and it was not anticipated any liability would arise.

#### NOTE 14 SUPERANNUATION

Council contributes to the LGIAsuper Regional Defined Benefits Fund, at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB 119 Employee Benefits because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of Council.

Technically Council can be liable to the scheme for a portion of other local governments' obligations should that local government be unable to meet them. However, the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed, changes to Council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that 'At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date'. Council is not aware of any events since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is due 1 July 2021.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary are:

- Investment risk the risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
- Salary growth risk the risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Townsville City Council made 4.01% of the total contributions to the plan for the 2018/19 financial year.

#### TOWNSVILLE CITY COUNCIL

#### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$000	\$000
Superannuation contributions made to the Regional Defined Benefits Fund	715	750
Other superannuation contributions for employees	12,835	11,569
Total superannuation contributions paid by Council for employees	13,550	12,319

## NOTE 15 RECONCILIATION OF NET RESULT FOR THE YEAR TO NET INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

Net result for the year	170,667	68,565
Non-cash and non-operating items:		
Depreciation and amortisation	120,603	114,023
Increases in value from asset adjustments	-	(12,613)
Impairment losses on property, plant and equipment	3,211	2,251
Impairment losses on intangibles	22	3,877
Revaluation decrement of property, plant and equipment	60,399	-
Revaluation decrement of joint venture	-	15,307
Change in future rehabilitation and restoration costs	(1,775)	(906)
Grants, subsidies and contributions received for constructing assets	(232,245)	(52,409)
Net loss on sale of non-current assets	5,671	10,514
Fair value gain on contributions of assets	(9,970)	(31,272)
Share of net loss on investments	-	978
Impairment losses on net investment in joint venture	-	4,453
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(2,234)	(5,252)
(Increase)/decrease in inventories	(273)	(99)
(Increase)/decrease in other assets	(1,245)	(1,156)
Increase/(decrease) in payables	5,530	8,665
Increase/(decrease) in provisions	(1,558)	1,048
Increase/(decrease) in other liabilities	(44)	(108)
Net cash flows from operating activities	116,759	125,866

Prior year figures relating to the 2018 net result and movement in provisions have been restated to decrease the net result by \$3,633,228 and increase provisions by the same amount. This was inadvertently disclosed in the prior year financial statements. There was no impact to net cash flows.

#### NOTE 16 EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date.

#### NOTE 17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### (a) Financial assets and liabilities

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

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

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

#### (b) Financial risk management

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

#### (c) Credit risk

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

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure. Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

Investments in financial instruments are required to be made with QTC or similar State/Commonwealth bodies or financial institutions in Australia, in line with the Statutory Bodies Financial Arrangement Act 1982.

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

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

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

	Gross	luce ciuc d	Within initial				
Financial assets	amount	Impaired	trade terms	<30	31-60	61-90	>90
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
30 June 2019							
Rates and utilities, fees and							
charges	32,821	(3,748)	4,153	443	301	833	27,091
Loans and advances to							
community organisations	2,337	-	2,337	-	-	-	-
Water charges not yet levied	10,783	-	10,783	-	-	-	-
Other receivables	4,380	-	4,380	-	-	-	-
Total	50,321	(3,748)	21,653	443	301	833	27,091

#### (d) Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 9.

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

Financial liabilities	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$000	\$000	\$000	\$000	\$000
30 June 2019					
Payables	107,580	-	-	107,580	107,580
Loans - Queensland Treasury Corporation	49,687	194,474	260,905	505,066	378,250
	157,267	194,474	260,905	612,646	485,830
30 June 2018					
Payables	72,479	-	-	72,479	72,479
Loans - Queensland Treasury Corporation	45,770	183,082	244,210	473,062	344,208
	118,249	183,082	244,210	545,541	416,687

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

#### (e) Market risk

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

#### Interest rate risk

Exposure to interest rate risk arises on investments and borrowings with QTC and other financial institutions in which a future change in interest rates will affect future cash flows. In relation to QTC loans, Council holds fixed rate loan products. Consequently, Council's borrowings are not subject to interest rate risk and therefore no sensitivity analysis is required.

Council does not undertake any hedging of interest rate risk.

#### Sensitivity analysis of cash balances

Sensitivity analysis depicts what effect a reasonable possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values of cash balances at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period. If the rates increased by 1% the impact would be an increase in profit of \$2,287,063 (2018: \$859,587), an equal amount in the reverse direction is possible for a decrease in rates.

#### NOTE 18 NATIONAL COMPETITION POLICY

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

- water and sewerage
- waste management
- performing arts.

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

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

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

	Water and sewerage 2019 \$000	Waste management 2019 \$000	Performing arts 2019 \$000
Revenue for services provided to the Council	25,008	7,737	-
Revenue for services provided to external clients	169,276	36,692	1,190
Community service obligations	2,696	3,503	-
	196,980	47,932	1,190
Less: Expenditure	(133,200)	(33,076)	(8,672)
Surplus/(deficit)	63,780	14,856	(7,482)

Description of CSOs provided to business activities:

Activities	CSO Description	Net cost \$000
Townsville Water	Concessions on water and wastewater utility charges	2,696
Townsville Waste	Concessions on landfill charges, community clean-up events and other	3,503
	waste services	- ,

#### NOTE 19 TRANSACTIONS WITH RELATED PARTIES

#### (a) Transactions with Townsville Breakwater Entertainment Centre Joint Venture

	2019	2018
	\$	\$
Purchase of services from joint venture	-	7,784
Payment of working capital required under management agreement	20,000	50,000
Contribution of refurbishment assets to joint venture	-	722,282
	20,000	780,066

#### (b) Key management personnel compensation (KMP)

KMP include the Mayor, Councillors, Council's senior management staff (Chief Executive Officer and directors). The compensation to the KMP for the financial year is as follows:

	2019	2018
	\$	\$
Short-term employee benefits	3,217,287	2,739,956
Post-employment benefits	326,407	245,185
Long-term employee benefits	179,916	145,817
Termination benefits*	740,085	172,250
	4,463,695	3,303,208

\* Benefits represent amounts paid during the year as a result of settlement of employment contracts with two previous senior management staff.

#### (c) Transactions with other related parties

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

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

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

At 30 June 2019, Council employed 1,604 employees of which one was a close family member of key management personnel. This close family member was employed through an arm's length process and is paid in accordance with Council's certified agreement.

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

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

- Payment of rates
- Use of Council facilities such as swimming pools and libraries
- Dog registration

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



#### INDEPENDENT AUDITOR'S REPORT

To the Councillors of Townsville City Council

#### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Townsville City Council (the council).

In my opinion, the financial report:

- gives a true and fair view of the council's financial position as at 30 June 2019, and of its financial performance and cash flows for the year then ended;
- b) complies with the Local Government Act 2009, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in Townsville City Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the current year financial sustainability statement.



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

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

#### Responsibilities of the council for the financial report

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

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

#### Auditor's responsibilities for the audit of the financial report

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

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

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



- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2019:

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

26 November 2019

Sri Narasimhan as delegate of the Auditor-General

Queensland Audit Office Brisbane

#### TOWNSVILLE CITY COUNCIL CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT

#### Measures of financial sustainability

Net financial liabilities ratio **Operating surplus ratio** Asset sustainability ratio Capital expenditure on the Net result (excluding capital replacement of assets Total liabilities less current How the items) divided by total (renewals) divided by assets divided by total measure is operating revenue (excluding operating revenue (excluding depreciation expense calculated capital items)\* (excluding non-infrastructure capital items) assets) Target between 0% and 10% greater than 90% not greater than 60% Actual 0% 64% 64%

Council's performance at 30 June 2019 against key financial ratios and targets:

#### Note 1 Basis of preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from Council's audited general purpose financial statements for the year ended 30 June 2019.

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

#### CERTIFICATE OF ACCURACY FOR THE YEAR ENDED 30 JUNE 2019

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Mavo

Dated this 21 day of NOVEMBER 2019.

Chief Executive Officer

Dated this 21 St day of NOVEMBER 2019



#### INDEPENDENT AUDITOR'S REPORT

To the Councillors of Townsville City Council

#### Report on the current year financial sustainability statement

#### Opinion

I have audited the accompanying current year statement of financial sustainability of Townsville City Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Townsville City Council for the year ended 30 June 2019 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter - basis of accounting

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

#### Other Information

Other information comprises the information included in Townsville City Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

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



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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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

26 November 2019

Sri Narasimhan as delegate of the Auditor-General

Queensland Audit Office Brisbane

#### TOWNSVILLE CITY COUNCIL LONG TERM FINANCIAL SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

#### Measures of financial sustainability

		Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
	How the measure is calculated	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (excluding non- infrastructure assets)	Total liabilities less current assets divided by total operating revenue (excluding capital items)
	Target	between 0% and 10%	greater than 90%	not greater than 60%
	30-Jun-19	0%	64%	64%
	30-Jun-20	0%	78%	90%
	30-Jun-21	1%	72%	84%
ears ende	30-Jun-22	2%	67%	70%
e e	30-Jun-23	3%	64%	60%
ear	30-Jun-24	4%	73%	51%
- <b>-</b>	30-Jun-25	5%	91%	45%
-	30-Jun-26	5%	94%	41%
1	30-Jun-27	5%	89%	38%
	30-Jun-28	5%	81%	35%

#### Financial management strategy

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

#### **CERTIFICATE OF ACCURACY** FOR THE LONG TERM FINANCIAL SUSTAINABILITY STATEMENT PREPARED AS AT 30 JUNE 2019

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

Mayor

Dated this 21 day of NOVEMBER 2019

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Chief Executive Officer

Dated this 21 day of NOVEMBER 2019

TOWNSVILLE CITY COUNCIL ANNUAL REPORT 2018/19

## CHAPTER 8

# GLOSSARY

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## GLOSSARY

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

## CHAPTER 9



### INDEX OF REPORTABLE DISCLOSURES

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

\* LGA – Local Government Act 2009

LGR – Local Government Regulation 2012

PSEA – Public Sector Ethics Act 1994

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