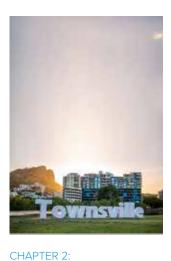


TABLE OF CONTENTS









CHAPTER 1: OUR CITY	4
Townsville Community Snapshot	5
About Townsville City Coun	cil 7
Annual Report Summary	8

MAYOR AND	
CEO REPORTS	9
Message From the Mayor	10
CEO Assessment of Progre	SS
Towards Implementing	
Council's Five Year	
Corporate Plan	11

CHAPTER 3: GOVERNANCE		
	12	
Reportable Disclosures	13	
Assessment of Operations		
and Performance	16	
Councillors	18	
Overseas Travel	21	
Remuneration Packages		
Payable to Senior		
Management	22	
Particular Resolutions	22	

CHAPTER 4: **TOWNSVILLE WATER** Our Performance 35 Our Infrastructure 36 Our Environment 38 Our Governance 38 Major Investments 39 Performance Targets 41 Community Service 43 Obligations





TOWNSVILLE WASTE	44
Our Performance	45
Our Infrastructure	46
Our Environmental	
Management	46
Major Investments	48
Performance Targets	49



CHAPTER 6

COMMUNITY FINANCIAL	
REPORT	51

Financial Performance 52



CHAPTER 7:

FINANCIAL REPORT	56
Understanding Our	
Financial Statements	57
Financial Statements	58

The auditor-general's audit reports about the general purpose financial statement and the current year financial sustainability statement 90

Current year financial sustainability statement audited by the auditor-general

Long term financial sustainability statement for the financial year 95

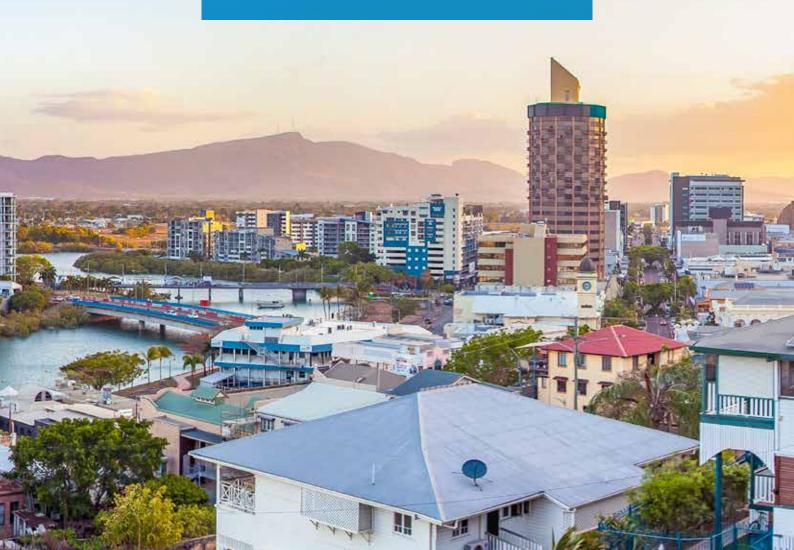


CHAPTER 8:

GLOSSARY	96
Glossary	97

CHAPTER 1

OUR CITY



COMMUNITY SNAPSHOT TOWNSVILLE

POPULATION OF THE CITY

According to the 2016 Census data, Townsville has a population of

186,757



Median age

An Aboriginal and/or Torres Strait Islander population of

7%

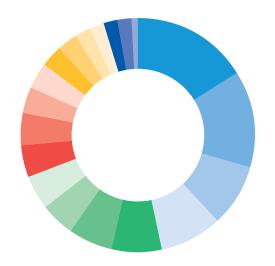
21.4%

of the population were born overseas

POPULATION BY AGE

	Males	Females	Persons
Total persons	93,352	93,402	186,757
Age groups			
0-4 years	6,596	6,038	12,635
5-14 years	12,745	12,333	25,078
15-19 years	6,847	6,414	13,258
20-24 years	8,199	7,538	15,741
25-34 years	13,808	13,920	27,731
35-44 years	12,141	12,698	24,836
45-54 years	12,021	12,460	24,477
55-64 years	10,207	10,302	20,507
65-74 years	6,950	6,814	13,761
75-84 years	2,940	3,474	6,417
84 years and over	890	1,417	2,305

GROSS REGIONAL PRODUCT \$14.9 billion



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

Public Administration & Safety 16% Rental, Hiring & Real Estate Services 13% Health Care & Social Assistance 9% Construction 8% Education & Training 7% Manufacturing 6% Transport, Postal & Warehousing 5% Retail Trade 5% ■ Electricity, Gas, Water & Waste Services 4% ■ Mining 2% Financial & Insurance Services 4%

Agriculture, Forestry & Fishing 4%

Professional, Scientific & Technical Services 4%

Accommodation & Food Services 3%

Wholesale Trade 3%

Administrative & Support Services 2%

Other Services 2%

■ Information Media & Telecommunications 2%

Arts & Recreation Services 1%

EMPLOYMENT FIGURES

Employment figures *	June 2017	June 2018
Full time employed in Townsville (all ages)	72,400	70,300
Part time employed (all ages)	34,700	39,900
Unemployment rate (% of all ages)	9.9%	9.1%
Participation rate (% of all)	62.8%	64.1%
Youth unemployment rate (% of 15-24 yrs)	25.4%	19.6%

Source from TEL

AREA OF THE CITY

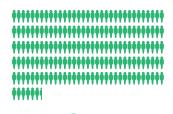


3,730.8km²

COMMUNITY SNAPSHOT TOWNSVILLE

TOWNSVILLE CITY COUNCIL JOBS

1 x = 10 persons



1556

Number of people employed at TCC at 30/6/18



254

Number of new starters throughout 2017/18

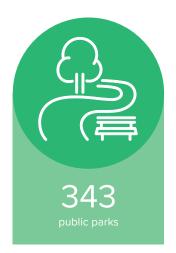


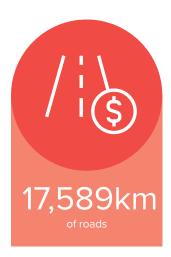
84

Number of apprentices and trainees at 30/6/18



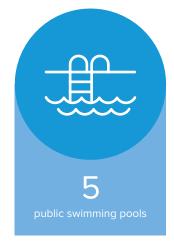














ABOUT TOWNSVILLE CITY COUNCIL

Council's main responsibilities are to set the overall direction and goals for the city and monitor their implementation and success.

The tools for setting the direction and goals are the major strategic plans, including the Townsville City Plan, the Community Plan and the Corporate Plan. These plans integrate our social, economic, environmental and good governance commitments to the community.

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

Council provides and maintains over \$4.7b worth of community infrastructure including bridges, drainage, roads, community facilities, sporting venues and more. We look after the health and wellbeing of the community through public health initiatives such as mosquito and pest control as well as animal management. Council provides recreational facilities, events and a wide range of Smart City and environmentally sustainable activities.

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

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

OUR ORGANISATIONAL STRUCTURE:

Council

• Mayor • Councillors • Standing Committee

Chief Executive Officer

• Future Cities Office

Chief Financial Officer

- People & Culture Legal Services
 - Information, Communication & Technology
 - Procurement Finance

Director Planning and Community Engagement

- Planning Community Engagement
- Venues & Cultural Services
 Environmental Health & Regulatory
 Services

Director Infrastructure and Operations

 Infrastructure, Planning, Assets & Fleet • Construction, Maintenance & Operations • Townsville Water & Townsville Waste Services

ANNUAL REPORT SUMMARY



Construction commenced on the new **Local Disaster**Coordination Centre (LDCC) and the North Queensland

Regional Data Centre (NQRDC) joint facility. This new facility
will be 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 project
is also designed to attract more high-tech businesses and
innovative jobs as the energy-efficient Tier 3 managed data centre
will allow global companies such as banks, information technology
and knowledge services companies to locate facilities in the north.



Festival 2018 and the **Commonwealth Games** were officially launched at an Opening Event at Jezzine Barracks. The 12 day arts and culture festival had nearly 100,000 people attend activities across the city with over 70,000 people visiting Strand Park and 20,000 going to Queens Gardens. Townsville hosted a series of basketball matches at the Townsville Entertainment and Convention Centre as one of only three cities outside the Gold Coast to host GC2018 events.



The **Townsville 2020** masterplan was launched in December. 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.



Work officially started on the **North Queensland stadium** site in September 2017. The centrally located 25,000 seat, best-practice, multi-purpose stadium is on course to be completed in time for the 2020 NRL season and 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.



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 system for community spaces and industrial use and the community water transition support package.



Prudent **financial management** has seen council's 2017/18 operating result return to an underlying surplus of \$2.8 million. 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



MESSAGE FROM THE MAYOR

Welcome

On behalf of my Councillors and the Executive Management Team, I am pleased to present the Townsville City Council 2017/18 Annual Report. This report builds on our previous efforts to accelerate job creation opportunities, deliver on water security and ensure economic activation across the city.

FINANCIAL PERFORMANCE

A modest rates increase of just 1.48 per cent was delivered for 2017/18 – testament to the strong financial management that has been a priority for this Council. We have identified a clear objective to continually find improvements in how we do business and deliver for our residents and ratepayers.

HIGHLIGHTS FOR THE YEAR

The 2017/18 financial year signalled an exciting year for Townsville with the unveiling of major infrastructure projects for the city and the ongoing delivery of vital local services to our community.

Council's Townsville 2020 - a clear vision for our city initiative focuses on creating world-class experiences for locals and tourists and capitalising on some of our most-loved public spaces such as The Strand and Castle Hill.

CONFIDENCE IS BUILDING

Townsville's economy is rebounding and the new masterplan provides a vision for our city to give the private sector the confidence it needs to invest and create jobs.

Through the Townsville City Deal with the State and Federal Government, the \$250 million North Queensland Stadium is taking shape and is providing the catalyst to revitalise our CBD and secure new developments in the precinct. This is complemented by Council's ongoing investment in the CBD Utilities upgrades which commenced in July 2016 and has delivered over \$28 million of infrastructure and has created 265 jobs since works commenced. This investment will improve water and waste water infrastructure critical for the future development of our city.

The provision of \$225 million in funding by the Palaszczuk Government will deliver on Council's 3 point water security solution which includes the new 36.5km pipeline, a recycled water system for community spaces and industrial use and a community water transition support package.

Collectively, our pipeline of projects which includes the proposed lithium-ion battery plant will help reposition our city, ensure its resilience and provide must needed opportunity for our residents and businesses.

Importantly, Council has continued its strong commitment to strengthening our local communities through an ongoing investment in our city's disaster preparedness and the delivery of a purpose built Local Disaster Coordination Centre which will also house the North Queensland Regional Data Centre. This Data Centre delivered in conjunction with James Cook University is crucial infrastructure to ensure our community gets the most benefit from advances in digital technologies.

INTO THE FUTURE

The 2018/19 financial year is shaping up as another exciting year for Townsville with Council investing in a record spend of \$432.5 million on vital infrastructure projects. We are a Council that continues to deliver on our commitments.

Thank you to Councillors, Council Executive and Officers for their hard work. The 2018/19 year will be equally as busy and I am confident we will again deliver for our community.

Reaards.

Jenny Hill

Cr Jenny Hill
Mayor of Townsville
30 June 2018



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

I'm pleased to say this Annual Report gives a clear summary of Townsville City Council's achievements for the past year.

Council continued major organisational reforms throughout 2017/18 in line with the implementation of its 5 year corporate and annual operational plans. Those changes paying major dividends for our community – including a record infrastructure spend of \$432.5 million planned for 2018/19.

The structure of the Council has been improved to realign more resources to ensure front-line service delivery is improved, while duplication and waste has been significantly reduced.

The reforms have allowed Council to further invest in our people to ensure a better future for our community. We have over 100 trainees and apprentices for the 2018 calendar year working in the organisation – the highest level in more than a decade.

Removing red tape and inefficiencies has made Council simpler and easier for our community to interact with and has reduced the cost of doing business in Townsville.

Council is also partnering with State and Federal Governments to build the infrastructure to spur Townsville's future growth through the City Deal and projects such as the North Queensland Stadium and the new water pipeline.

A major focus for us has been, and continues to be water security. Council's 3-point water security solution — with a \$225 million grant from the Queensland Government — will guarantee our community has long-term water security.

These major projects – delivered in partnership – have provided a major boost to the economy and created hundreds of jobs for locals.

While delivering on core services and infrastructure, Council is also looking to the future with the 2018/19 Budget.

The Townsville 2020 masterplan provides a clear vision for our city and will help facilitate new investment – and importantly jobs – in our city.

Several projects in the Townsville 2020 masterplan – such as the proposed new Lagoon, Riverway Waterpark, Castle Hill Masterplan and Flinders Lane – will all be progressed throughout the financial year.

Another important reform being undertaken by Council is the Townsville Dashboard initiative, which will improve access to data and information for residents and businesses.

I want to ensure that everything Council does is simpler, faster and better.

Council's prudent financial management and planning for the future will further take shape in 2018/19 and residents will see more positive changes throughout Townsville.

Regards, **Adele Young**Chief Executive Officer





REPORTABLE DISCLOSURES

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

PSEA – Public Sector Ethics Act 1994

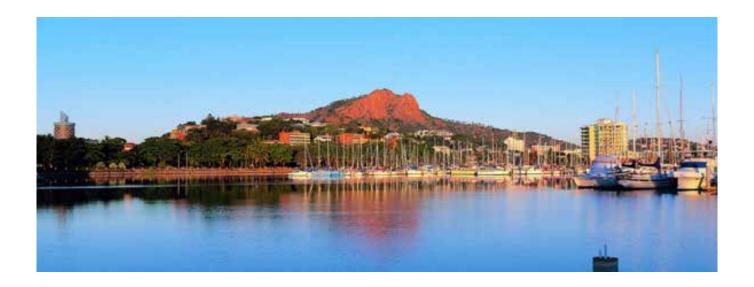
	Legislation	Page
CEO assessment of progress towards implementing council's five year corporate plan	s190(1)(a) LGR	11
Assessment of operations and performance	s190(1)(b) LGR	15
Councillors		18
Remuneration paid	s186(a) LGR	18
Expenses incurred and facilities provided	s186(b) LGR	19
Meetings attended	s186(c) LGR	20
Number of orders [i] under s180(2) or (4) or [ii] under s181	s186(d) LGR	21
Misconduct	s186(e) LGR	21
Complaints	s186(f) LGR	21
Overseas travel	s188 LGR	
Councillor travel	s188 LGR	21
Employee travel	s188 LGR	21
Remuneration		
Remuneration packages payable to senior management	s201(1)(a) LGA	22
Number of senior management employees in each band	s201(1)(b) LGA	22
Particular resolutions		
Copy of resolutions under s250(1) for expenses reimbursement policy	s185(a) LGR	22
List of resolutions under s206(2) for non-current physical assets	s185(b) LGR	22
Administrative action complaints		
Statement of commitment to dealing fairly with administrative action complaints	s187(1)(a) LGR	23
Statement on process and assessment of performance in resolving complaints	s187(1)(b) LGR	23
Number of administrative action complaints	s187(2) LGR	23
Public Sector ethics		
Code of conduct	s23 PSEA	24
Education and training	s23 PSEA	24
Procedures and practices of public sector entities	s23 PSEA	24
List of registers	s190(1)(f) LGR	24
Expenditure on grants to community organisations		
Council grants to community organisations	s189(a) LGR	25
Expenditure from each councillor's discretionary fund	s189(b) LGR	26
Identifying beneficial enterprises	s41 LGA	28
Identifying significant business activities		
List of business activities	s45(a) LGA	28
Significant business activities	s45(b) LGA	28
Application of competitive neutrality principle	s45(c) LGA	29
Significant business activities not conducted or new	s45(d) LGA	29

^{*} LGA – Local Government Act 2009

LGR - Local Government Regulation 2012

REPORTABLE DISCLOSURES CONT

	Legislation	Page
Competitive neutrality		
Summary of investigation notices for competitive neutrality complaints under s49	s190(1)(i) LGR	29
Responses for competitive neutrality complaints	s190(1)(j) LGR	29
Service, facility or activity supplied by another local government	s190(1)(d) LGR	29
Summary of concessions for rates and charges	s190(1)(g) LGR	30
Number of invitations to change tender under s228(7)	s190(1)(e) LGR	31
Report on internal audit	s190(1)(h) LGR	31
Operations report for each commercial business unit		
Townsville Water	s190(1)(c) LGR	34
Townsville Waste Services	s190(1)(c) LGR	44
Community financial report	s184 LGR	51
Financial statements		58
General purpose financial statement audited by the auditor-general	s183(a) LGR	
The auditor-general's audit reports about the general purpose financial statement and the current year financial sustainability statement	s183(d) LGR	90
Current year financial sustainability statement audited by the auditor-general	s183(b) LGR	92
Long term financial sustainability statement for the financial year	s183(c) LGR	95





ASSESSMENT OF **OPERATIONS AND PERFORMANCE 2017/18 KEY HIGHLIGHTS**



2 A City for People

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

Funding received for a feasibility study for a Lithium-ion battery plant

Reduced red tape for development with construction commencing for:

- Refurbishment of City Point in the CBD, providing a high standard of office and retail floorspace;
- A new Aged Care Facility off Angus Smith Drive, Douglas, providing a 140 bed facility only 2 km from the Hospital;
- The Ross River Solar Farm, Pinnacles, being a 148MW project, enough to power 54,000 homes.

Hosted 3 rugby league world cup games in October and November

Kicked off construction for the NQ Stadium

Agreement secured to attract a Hilton Hotel to the CBD.

Draft guidelines for future developments in the Waterfront Priority Development Area (PDA) were approved

Formal rezoning amendment for Woodstock industrial zoning Planning Scheme lodged with the State Government.

Skilling Queenslanders for Work program successfully delivered with an intake of 40 trainees

Elliot Springs commencing construction on the southern side of the city, being a master planned residential community which will be home to over 26,000 residents over a 40 year timeframe

Townsville 2020 masterplan launched including the following projects: Castle Hill Masterplan, Central Park and Dean Street Carpark, Entry Statements, Flinders Lane, Mount Louisa Open Space Masterplan, Riverway Waterpark, Stadium Precinct and Townsville Lagoon

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

Townsville City Council's Civic Theatre gets \$10m upgrade.

The transformation of the Strand waterpark upgrade was completed in time for summer.

The Strand waterpark operating hours increased with summer opening hours now 9am to 8pm.

The \$2m, 5 week Basics Blitz spruced up the city and suburbs in time for Christmas

The Castle Hill Goat Track and Cutheringa track were both upgraded in 2017/18

\$50,000 allocated to a major upgrade of the aviary in Queen's

Parking fines were slashed by more than half and Eyre Street car park returned to free parking

Council takes over operations of Townsville Animal Shelter. 71 of 77 other councils across the state manage their own pound services

The highly successful CBD street Art program has continued which resulted in the addition of two new Street Art Murals.

Get active expo was held again to encourage participants to try different activities on offer.

Townsville hosted the Gold Coast Suns and Geelong Cats in an AFL preseason match at Riverway Stadium.

Strand Ephemera was an overwhelming success attracting a record 155,000 visitors to The Strand.

Council teamed up with the NQ Cowboys to help sporting and community groups to grow with the Cowboys Merchandise Competition.

Townsville 400 V8's supercar event is another rousing success for Townsville.

ASSESSMENT OF **OPERATIONS AND PERFORMANCE 2017/18 KEY HIGHLIGHTS**





3. A CLEAN AND GREEN CITY

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

Kev deliverables achieved

Curbside hard waste collection commenced in January.

The council maintained:

- Over 200,000 trees across parks, road and drainage reserves
- Over 36,000,000 m² of grass

Successful delivery of the Crazy Yellow Ants eradication program continued

500 eucalypt trees planted on Magnetic Island to provide food and homes for the local koala population.

Rowes Bay sand renourishment project was completed with 2,000 tonnes of sand returned to the area.

Free dumping of green waste and recyclable materials at landfill sites implemented for all residents from 1 July

Two free tipping weekends gave residence the opportunity to dispose of their domestic waste for free

Flying Fox management strategies continue across Palmetum, Dan Gleeson Park and the Botanical Gardens

4. A SIMPLER, FASTER, BETTER COUNCIL

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

Key deliverables achieved

Top award for project innovation awarded to TCC at the annual Institute of Public Works Engineering Australasia.

Council launched its emergency management dashboard

Council continues the reduction in red tape in support of a simpler, faster, better Council. Examples include the efficiencies being drive through more efficient procurement of materials and services; and reduction in back office processing of work orders through streamlined work-flows

Pensioner rates concessions retained – up to \$800 in concessions on general rates

Limited rates growth at 1.48%

Savings of \$500k in interest payments over the year in 2017/18 relating to no debt draw down

Easy to follow instructions released for artists on how to get their street art approved by Council.

Council hosted the Smart Energy Expo in the CBD.

COUNCILLORS



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

Councillors receive a **remuneration** package determined by the Local Government Remuneration and Disciplinary Tribunal. The remuneration package is reviewed by the Tribunal on an annual basis. At the Full Council meeting on 27 June 2017 council resolved:

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

Councillor	Remuneration	Superannuation	TOTAL
Cr Jenny Hill	\$177,131	\$21,256	\$198,387
Cr Les Walker	\$120,771	\$11,473	\$132,244
Cr Margie Ryder	\$104,668	\$12,560	\$117,228
Cr Ann-Maree Greaney	\$104,668	\$12,560	\$117,228
Cr Russ Cook	\$104,668	\$12,560	\$117,228
Cr Maurie Soars	\$104,668	\$12,560	\$117,228
Cr Colleen Doyle	\$104,668	\$12,560	\$117,228
Cr Mark Molachino	\$104,668	\$9,944	\$114,612
Cr Kurt Rehbein	\$104,668	\$9,944	\$114,612
Cr Verena Coombe	\$104,668	\$9,944	\$114,612
Cr Paul Jacob	\$93,242	\$11,189	*\$104,431

^{*} Remuneration includes an period of unpaid leave during the State Government election campaign

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

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

The table below shows the **expenses incurred** by councillors in the 2017/18 financial year:

Councillor	Conferences and Seminars	Travel and Accomm.	Advertising	Hospitality (meals)	TOTAL
Cr Jenny Hill	640	22,713	118	2,738	\$26,209
Cr Les Walker	1,948	9,588	0	341	\$11,877
Cr Margie Ryder	1,937	3,386	138	55	\$5,516
Cr Paul Jacob	1,890	3,707	0	141	\$5,738
Cr Ann-Maree Greaney	10,503	1,965	921	281	\$13,670
Cr Mark Molachino	10,040	2,648	484	91	\$13,263
Cr Russ Cook	52	1,601	0	239	\$1,892
Cr Verena Coombe	161	0	484	91	\$736
Cr Kurt Rehbein	11,782	5,810	1,176	59	\$18,827
Cr Maurie Soars	2,288	1,194	138	278	\$3,898
Cr Colleen Doyle	2,986	3,543	319	438	\$7,286
TOTAL	\$44,227	\$56,155	\$3,778	\$4,752	\$108,912

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

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

There were no amendments to the Councillor Expense Reimbursement Policy or Councillor Facilities Policy during 2017/18.

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

COUNCILLORS

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

Under s186(d) (e) and (f) of the Regulation, council's annual report must contain details of any **orders and complaints** about councillors during the financial year. Details for 2017/18 are outlined below:

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

OVERSEAS TRAVEL

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

Name	Position	Dates of travel	Destination	Purpose	Cost
Cr Jenny Hill	Mayor	21 – 26 August 2017	Singapore	Ministerial Business Mission	\$3,554
Cr Jenny Hill	Mayor	16 – 23 September 2017	China	International Education Delegation	\$4,798
Cr Jenny Hill	Mayor	31 May – 8 June 2018	Boston & Florida	BIO 2018 QLD delegations and business meetings	\$7,561
Cr Les Walker	Deputy Mayor	4 – 8 September 2017	Singapore	Singapore Insights Delegation	\$5,302
Cr Colleen Doyle	Councillor	16 – 24 May 2018	New Zealand	2018 Asia-Pacific Venue Industry Congress	\$4,869
Meg Frisby	Head of Office to the Mayor	21 – 24 August 2017	Singapore	Ministerial Business Mission	\$3,596
Sarah Kendall	Executive Officer to the Mayor	16 – 23 September 2017	China	International Education Delegation	\$4,798
TOTAL					\$34,478

REMUNERATION PACKAGES PAYABLE TO SENIOR MANAGEMENT

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

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

As at 30 June 2018 council's organisation structure consisted of three divisions, comprising twelve sections.

The total of remuneration packages payable to senior management from 1 July 2017 to 30 June 2018 was \$1,444,150. The annual package bands for council's senior management team are outlined below:

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

PARTICULAR RESOLUTIONS

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

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

ADMINISTRATIVE ACTION COMPLAINTS

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

Council treats all complaints confidentially and with respect. All complaints are thoroughly investigated in a timely manner with the aim of reaching a resolution, acceptable both to council and the complainant.

2017/18 results are reflective of the adoption of the new Complaints Management System (CMS). Following the adoption of recommendations from the NOUS Project and the Queensland Ombudsman Audit, Council introduced a new CMS in June 2017 and has seen significant improvements through staff training and accurate processing of complaints.

Council also considered the Queensland Ombudsman Office audit of the CMS. Improvements included the lodgement of complaints irrespective of contact method, detailed complaint categorisation and the identification and distribution of complaints to the relevant departments. These coupled with increased operational awareness has improved decision making across the organisation.

	Number received		Number outstandin		
Classification	2016/17	2017/18		2016/17	2017/18
Administrative action (minor)	296	484	t	28	52
Competitive neutrality	0	0	↔	0	0
Conduct and performance of councillors	0	2	1	0	0
Workers' behaviour and misconduct	167	125	1	5	13
TOTAL	463	611	t	33	65

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 is committed to transparent, responsible and open disclosure of information to the community. Applicants can apply to Council for access to documents through the *Right to Information Act 2009* (RTI) and *Information Privacy Act 2009* (IP). Council received 45 RTI applications and 2 IP applications during the 2017/18 financial year of which less than 7% were externally reviewed by the Office of the Information Commissioner. 819 documents were successfully released to Applicants in the form of CCTV footage, photographs, correspondence and Council reports.

	Right to i	Right to information		on Privacy
Classification	2016/17	2017/18	2016/17	2017/18
Number of Applications Received	28	45	9	2
Number Finalised	12	42	8	2
Number Withdrawn	9	1	0	0
Number of OIC Reviews	6	3	0	0

PUBLIC SECTOR ETHICS REPORTING

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

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

Mandatory induction training for all new employees includes a detailed session on the requirements and obligations of all staff under the Code of Conduct. 227 new employees completed corporate induction training during 2017/18. Council will continue to deliver education and awareness sessions to all employees on council's Code of Conduct as part of the council's commitment to the highest standards as a public sector leader.

Council's policies, procedures and delegations of authority are monitored and regularly reviewed. The Code of Conduct was reviewed and updated in February 2018.

LIST OF REGISTERS

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

- Beneficial Enterprises
- Cat and Dog Registry
- Complaints Register (Councillor Conduct)
- Cost-recovery Fees
- Development Application Register as Assessment Manager
- Development Application Register as Referral Agency
- Environmentally Relevant Activities application register
- Exemption certificates register
- Infrastructure Charges Register
- Local Heritage register
- Major Contracts Register
- Petitions Register
- · Private Certified Building Approval Register
- Register of all Persons Removed from the Assessment Manager List
- Register of Annual Returns under the EPA
- Register of Assets and Gifts
- Register of Community Infrastructure Designations in the Townsville City Plan
- Register of Details 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 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 Planning Scheme Amendments in the Townsville City Plan
- Register of Proposed Development Scheme or Proposed amendment under the EDA
- Register of Provisional Land Use Plans under the Economic Development Act (EDA)
- Register of Regulatory Fees
- 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 2017/18 was \$18,504,216.

Activity	Description	Value of support
Operational discounts and in-kind support	Approved under manager delegation in Community Services Section, Performing Arts, Events and Protocol, Galleries and Sports Facilities	\$302,678
Cowboys Collateral Program	Value of Cowboys merchandise (1 Captain signed football, 15 signed jerseys, 100 caps and 100 drink bottles)	\$21,250
Community Photocopying Program	Free service provided to community organisations through Thuringowa Library	\$4,210
Water and wastewater concessions	Available for general utility charges where land use is considered to contribute to the social, cultural, economic or sporting welfare of the community	\$1,859,704
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	\$5,275,254
Not-for-profit concessions on general rates	Calculations based on utility charges, concession policy and concessions schedule, concession levels stated in Operational Plan	\$1,393,614
Charitable groups disposals at TCC landfill	Value of \$88 per tonne	\$62,128
Total \$ grants approved	Funding approved through Community Grants Program (see page 26 for details)	\$2,037,284
Community grants and sponsorships waivers (and in-kind support)	Approved through Community Grants Program (see page 26 for details)	\$165,406
Pensioner Transport Subsidy Scheme	Encourages people who receive a pension to participate in the community through the provision of a subsidy towards the costs of public transport	\$314,201
Community lessees	Total annual estimated value provided to community groups including sporting clubs, theatre groups, scout groups and swimming pools	\$7,068,487
TOTAL		\$18,504,216

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

An overview of funds distributed through this program during the 2017/18 financial year is provided below. In the period 1 July 2017 to 30 June 2018, council provided a total of 294 grants totalling \$2,202,690 (ex GST).

Program	\$
Community Capacity Building – Partnerships and Sponsorships	\$1,025,258
Community Capacity Building – Community Organisation Support	\$12,340
Community Capacity Building – Community Cultural Awareness	\$6,447
Community Halls Maintenance Grants Program	\$25,333
Festival and Events Grants Program	\$694,038
Community Micro Grants Program	\$12,859
Regional Arts Development Fund (RADF)	\$89,410
Get Active Elite Sportsperson Grant Program – Team	\$900
Get Active Elite Sportsperson Grant Program – Individual	\$19,200
Get Active – Club Capacity Building Grants Program	\$16,545
Theodore Kuchar Scholarship	\$2,000
Community Heritage	\$3,605
Pulse Townsville	\$9,950
Mayor's Community Assistance Fund (see pages 26 and 27 for details)	\$15,400
Club Infrastructure Grant Program	\$104,000
SUB TOTAL	\$2,037,284
Total waivers approved (non-financial contribution) (see details below)	\$165,406
TOTAL	\$2,202,690

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

Category	\$ approved	# approved
Organisations approved for waiver/in-kind ONLY	\$17,061	13
Organisations approved for waiver/in-kind (in addition to	\$148,345	18
cash) as part of funding application		
TOTAL waived hire fees approved	\$165,406	31

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

Organisation name	Details of project / activity	Amount approved
AFL Townsville Umpires Association Inc.	Assistance towards 50th year celebration and presentation night.	\$480
Australia Japan Society North Queensland	Assistance towards a Japanese 'Tsukimi' event.	\$450
Australia Japan Society North Queensland	Assistance towards the Taiko Drumming Festival - October 2018.	\$400
Community Gro Inc	Assistance towards the School Holiday at the Garbutt Community Program – 2017.	\$425
Community Gro Inc.	Assistance towards April 2018 School Holiday Program - Garbutt Community Centre.	\$500

Organisation name	Details of project / activity	Amount approved
Diggers Military Motorcycle Club	Annual Poker Run VOTSA Fundraiser	\$500
Gardens Swimming Club Incorporated	Assistance towards the purchase of portable sun shade tent structures.	\$400
Goodstart Early Learning Ltd	Assistance towards the 2017 Goodstart Early Centre, Kelso, 2017 Christmas Party	\$150
Kirwan State High School	Assistance towards the TCC Junior Citizen Award – 2018 Kirwan High Awards Night.	\$100
Lions Club City of Townsville Inc.	Assistance towards supporting a group of children with special needs to attend the 31st Annual World Festival of Magic.	\$300
North Queensland Association for Blind Citizens Inc.	Assistance towards annual Christmas Break-up.	\$500
North Shore State School P&C Association	New tuckshop at the school.	\$500
Queensland Country Women's Association – Alligator Creek Branch (Gator Girls)	Assistance towards the Annual Community Halloween Party.	\$350
Queensland Country Women's Association – Alligator Creek Branch (Gator Girls)	QCWA Northern Region Conference 7 - 10th June - Denham Street office.	\$500
Quota International of Townsville Inc.	Assistance towards Quota International Region 15 Meeting – May 2018	\$500
Road Racing Association of Townsville Inc.	Assistance towards the Queensland Road Racing Titles.	\$500
Rollingstone and District Lions Club Inc.	Assistance towards consumables for the promotion of the Pineapple Festival.	\$350
Rowes Bay Pre-School & Kindergarten	Mother's Day luncheon	\$500
Ryan Catholic College - Kirwan	'Council Award' for Presentation Night 2017.	\$100
St Margaret Mary's College	Sponsorship of St. Margaret Mary's College Awards Night – Townsville City Council Dux prize.	\$100
St Patrick's College Townsville Limited	Assistance towards an award to be presented on the 2017 Speech Night.	\$200
The Immune Deficiency Foundation of Australia Limited	Assistance towards enabling a number of chronically ill children to attend Circus Quirkus.	\$300
The North Queensland Historical Re- Enactment Society Inc.	Assistance towards administrative costs	\$300
The Pyjama Foundation Ltd	Assistance towards holding the Battle of the Brains Trivia Night – March 2018.	\$400
The Pyjama Foundation Ltd.	Assistance towards hosting Awards Night which will recognize volunteers.	\$300
Thuringowa Combined Probus Club Inc.	Assistance towards the Club's 25 year anniversary celebrations	\$350
Toomulla Beach Community Association Incorporated	Assistance towards the cost of the 2018 Australia Day celebrations at Toomulla Beach	\$200
TORGAS Inc.	Apprentice and Trainee Awards Night	\$500
Townsville Brothers Swimming Club Inc.	Assistance towards the purchase of a Pace Clock.	\$400
Townsville Castle Hill Touch Association Incorporated.	Assistance towards the 'Player of the Year Awards	\$400
Townsville Community Broadcasting Company Ltd Trading as Triple T	Assistance towards 35 years radiothon fundraiser.	\$400

Organisation name	Details of project / activity	Amount approved
Townsville District Rugby Union	Donation towards Junior State championships for a junior.	\$495
Townsville Eisteddfod	Donation towards trophy at Townsville Eisteddfod.	\$100
Townsville Floorball Incorporated	Assistance towards the cost of attendance at a Referee Clinic and purchase of sundry items.	\$500
Townsville Marksman Rifle Club Inc.	Annual NQ shooting championships 2018	\$350
Townsville Toy Library	Donation towards a thank you event for the volunteers.	\$200
Townsville West State School	Reading material.	\$500
U3A Townsville Inc.	Assistance towards 30th Anniversary of U3A and to promote U3A.	\$500
Uncle Alfred Mens Group	UAMG Art & Craft Workshops.	\$250
United Suburbs Junior Football Club	Assistance towards new jerseys and training equipment.	\$500
Violets and Lace Sun Safe	Sun safe dance production	\$200
Wests Squash Club	2018 Open Squash Championship.	\$300
Yoga Tools for Schools Inc.	Assistance towards office administration for volunteer workers.	\$150
TOTAL		\$15,400

IDENTIFYING BENEFICIAL ENTERPRISES

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

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

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

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

IDENTIFYING SIGNIFICANT BUSINESS ACTIVITIES

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

Townsville City Council conducted the following business activities during 2017/18:

- Townsville Water
- Townsville Waste Services
- · Performing arts

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

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

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

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

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

By resolution at the ordinary meeting held on 6 July 2016, council adopted the following pricing structures for 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 refuse and recycling (waste management) services as a business activity (Townsville Waste Services) on a commercial basis. The utility charges and other fees and charges for this business activity are set in accordance with full cost recovery principles outlined in the Regulation.

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 2017/18 and no new significant business activities were conducted.

SUMMARY OF INVESTIGATION NOTICES FOR COMPETITIVE NEUTRALITY COMPLAINTS

During the 2017/18 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 2017/18 financial year.

SUMMARY OF CONCESSIONS FOR RATES AND CHARGES

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

Nelly Bay Harbour Development special rate levy is applied to maintaining water quality in the canals, dredging the canals, maintaining the rock walls around the canal area and maintaining the sediment basin in Gustav Creek. A special rate of zero cents in the dollar on the rateable value of the land applies to identified properties for the 2017/18 year.

Owners of properties in the **Julago and Alligator Creek Water Supply Scheme** benefited area are required to pay back a capital contribution of \$10,500 per lot over a ten year, interest-free period for a connection to the Bruce Highway main, with payments levied in half-yearly instalments. The first instalment period started on 1 July 2008, and half yearly instalments number 19 and 20 of \$525 each were levied for the financial year 2017/18.

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 2017/18	
Black River and Districts	\$45
Bluewater	\$55
Bluewater Estate	\$0
Clevedon	\$40
Crystal Creek	\$30
Cungulla	\$40
Horseshoe Bay	\$25
Lime Hills-Elliott	\$30
Majors Creek	\$0
Oak Valley	\$20
Paluma	\$35
Purono Park	\$20
Rangewood	\$40
Reid River	\$0
Rollingstone	\$50
Rupertswood	\$40
Saunders Beach	\$30
Toolakea	\$6
West Point	\$30

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

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

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

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

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

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

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

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

Further details on the Charitable and Community Organisations Rates and Charges Concession Policy can be obtained by phoning the Customer Service Centre on 13 48 10.

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

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

NUMBER OF INVITATIONS TO CHANGE TENDER

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

REPORT ON INTERNAL AUDIT

Internal audit is an independant, 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 staff consisting of two Internal Auditors. Internal audit staffing has remained stable for a number of years with no staff turnover in the last three years.

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

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

The internal audit unit applies a risk based approach to its planning and audit activities by assurance mapping. An annual and projected three year Internal Audit Plan is prepared based on council's Consolidated Enterprise Wide Risk Management plan. The council's Audit Committee reviews, approves and then monitors performance against this plan at meetings. For the year ended 30 June 2018, internal audit activity consisted of more than 250 days of work, resulting in the completion of 9 reviews and consulting activities across various sections of council in accordance with the Internal Audit Plan. These include activities in the following areas:

compliance with; commercial business, water, waste and wastewater legislative requirements

- review of contractor compliance with conditions of the water treatment plant agreement
- · parking meter trend analysis
- management of assigned assets at cessation of employment
- superannuation accuracy and remittance
- assurance map
- fraud risk assessment

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

EXTERNAL AUDIT

Council is audited externally each year by the Queensland Audit Office (or their appointed contractors). During the 2017/18 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.

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 Haberfeld Independent Member and Chair	Fellow of the Australia Society of CPA's (FCPA) Graduate Member of the Australian Institute of Company Directors (GAICD) Mr Haberfeld also holds a Bachelor of Arts majoring in Economics. He has 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 initiatives.
Ms Carolyn Eagle Independent Member	Certified Internal Auditor (CIA) Certified Government Auditor (CGAP) Certified Risk Management Auditor (CRMA) Member of the Association of Certified Fraud Examiners and Member of ISACA Former State Councillor of the Institute of Internal Auditors Professional Member of the Institute of Internal Auditors (PMIIA) and Fellow of Chartered Accountants Australia and New Zealand (FCA). Ms Eagle also holds a Bachelor of Commerce with majors in Financial Accounting and Organisational Management. She has 20 years' experience in professional firms providing audit and assurance services, specifically in the internal audit, risk management and governance fields with a focus on public sector entities and large multidisciplinary corporates.
Cr Jenny Hill Mayor and Member of the Audit Committee	Bachelor of Science Master in Public Health and Tropical Medicine Member of Australian Institute of Company Directors Cr Hill has over 20 years' experience as a scientist with mining companies, the Department of Primary Industries, James Cook University and Townsville Hospital. Her Masters of Public Health and Tropical Medicine included studies in management, economics and accounting. Cr Hill has over 18 years' service in local government and in 2012 was elected as Townsville's first female mayor.
Cr Verena Coombe Councillor and Member of the Audit Committee	Diploma of Financial Markets Cr Coombe's career has spanned both the corporate and not-for-profit sector. She has 20 years' experience in the finance sector as a Stockbroker and Financial Planner and is currently Director of DanceNorth, Townsville's own internationally renowned contemporary dance company. Cr Coombe also volunteers with many organisations including the RSL, Arcadian Surf Lifesaving Club and as immediate past President of the Hermit Park Tigers AFL Club.

The Council appointed Mr Geoff Haberfeld to the position of Chair of the Audit Committee in February 2018. Ms Carolyn Eagle continues with Council as an independent member. Coucil would like to thank both members for their contribution to the committee during 2017/18.

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
31 August 2017	Governance and Finance Committee 16 November 2017
9 October 2017	Full Council 12 December 2017
20 February 2018	Governance and Finance Committee 12 April 2018
23 May 2018	Governance and Finance Committee 12 July 2018

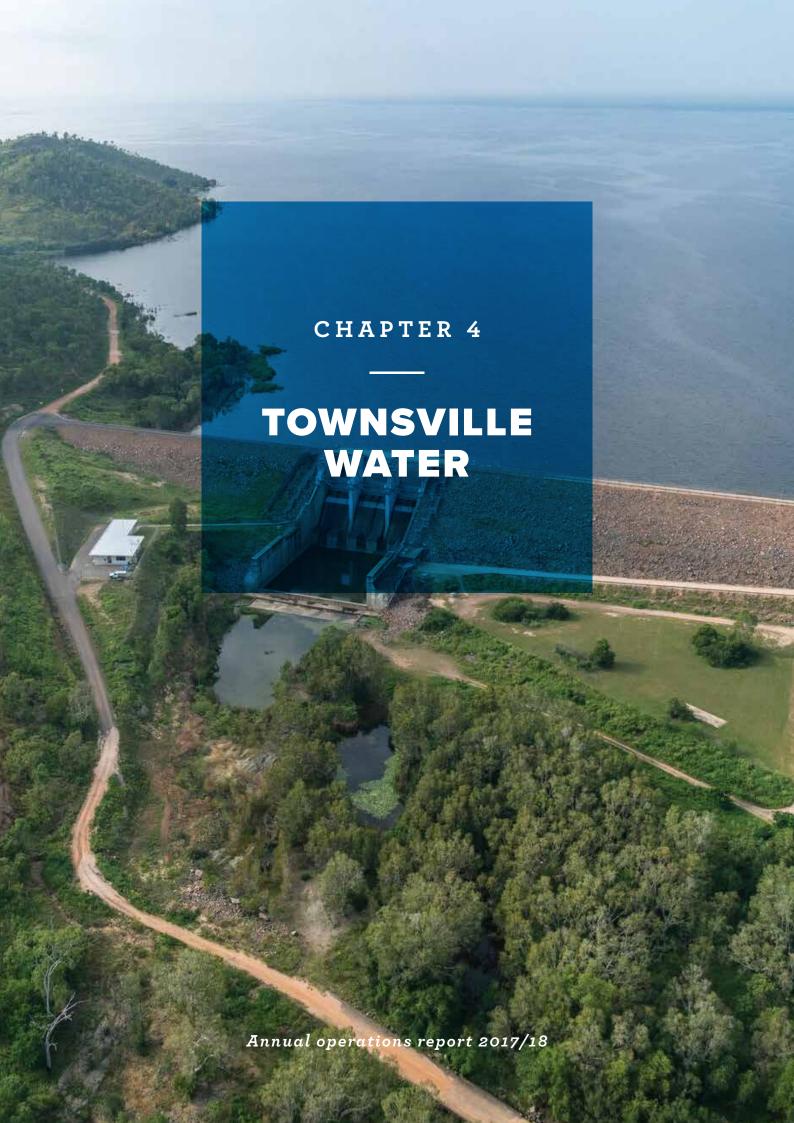
During 2017/18 the Audit Committee considered reports relating to:

- 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
- External Audit reports
- Queensland Audit Office performance audit reports.

The Audit Committee monitored management progress around a number of areas in 2017/18, including:

- Asset management
- Business Continuity and Disaster Management
- Cemetery management
- Commercial businesses compliance with legislation
- · Electrical compliance
- Environmental management systems
- External Audit issues raised by the Queensland Audit Office and PricewaterhouseCoopers.
- Fraud management
- IT Governance and Cloud strategy
- Joint venture activities
- Overtime management
- Planning and development charges
- Plant utilisation
- Procurement

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



PURPOSE OF THIS REPORT

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

This Annual Operations Report is designed to provide an overview of the operations and performance of Townsville Water for the 2017/18 financial year, as measured against its Annual Performance Plan.

TOWNSVILLE WATER

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

To apply the competitive neutrality principle under the *Local Government Act 2009*, the significant business activity was commercialised in 2008, with the creation of a commercial business unit. The business unit sits within the Townsville Water and Waste section of council. It employs over 300 staff from the Townsville community and has a combined operating and capital expenditure of over \$230 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 2017/18, it produced more than 37,000 mega litres of safe, high-quality potable water, and supplied water to over 85,000 service connections in the Townsville region. Townsville Water also collected and treated over 16,000 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 2 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 2017/18 financial year focused on a number of key areas.

Our Customers

Customer Service Standards

Townsville Water maintains Customer Service Standards in accordance with the requirements of the *Water Supply (Safety and Reliability) Act 2008*. These set out the service standards that Townsville Water aims to achieve and which it will report on

annually to the Water Supply Regulator. The business reports to the community on a quarterly basis against their progress towards achieving the annual key performance targets that they set for themselves as part of their Customer Service Standards.

Customer Surveys

Townsville Water surveyed its customers each month to obtain feedback about the customer's experiences with, and expectations of, its services. A selection of customers, who contacted Townsville Water requesting a service within a given month, were randomly selected to be contacted to participate in a short, over-the-phone survey. Townsville Water aims to achieve 90% of customers rating its services as 'good' or 'excellent' each month. During the financial year, Townsville Water achieved an average of 91.5% of 'good' and 'excellent' ratings from customers for its water and wastewater services.

Education Programs

Townsville Water continued to provide community and school education programs in 2017/18, 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 taught about how to keep their lawns and gardens healthy while using less water. Community members were also taught 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

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

From July 2015 until February 2018, restrictions increased progressively from Level 1 to Level 3, due to the Ross Dam levels falling below 20%. At the height of the restrictions, this meant all residential and commercial sprinkler and irrigation systems were banned and handheld watering restricted to 4 hours per week. These changes allowed Townsville Water to reduce the city's water consumption to under 100 megalitres per day on average.

Due to the Ross Dam level falling below 15%, Townsville Water utilised the Haughton Pipeline to pump water from the Burdekin Dam from 13 November 2017 to 28 February 2018. Following significant rainfall in late February, the Ross Dam filled to over 90% capacity and the water restrictions were eased to level 2 completed to preserve water until the \$215 million pipeline is completed at the end of 2019.

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.

Water Opt-In Period for Residential Properties

Townsville City Council offers a choice between the Standard Plan and the Water Watchers Plan for residential properties. During the annual Opt-in Period, customers can decide which plan works best for their household. The Opt-in Period for the 2017/18 financial year took place from 30 July to 26 August 2017. During the 2017/18 financial year, 427 customers changed their water billing plan within the Opt-in period.

Our Infrastructure

Asset Management

Townsville Water continued to apply effective control and governance of assets to realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance. This 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.

In 2017/18 Townsville Water assessed risk at facility level for all fixed plant assets and assessed risk at asset level for all pipe network assets. A risk based proactive maintenance strategy for all Wastewater pump stations was developed and implemented. All capital renewals for 2017/18 were justified based on cost, risk and performance.

Townsville Water Security Taskforce

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

In the short term (0-3 years) the Taskforce made a number of interim recommendations. Based on the interim recommendations Townsville initiated a three point water security program which is funded through \$225 million from the Queensland Government.

The three point security program includes:

1. Water Security Infrastructure – Haughton Pipeline Duplication

The Queensland Department of Natural Resources, Mines and Energy approved approximately \$216m of funding for water infrastructure. The key recommendation from the interim report of the Task Force was for an 1800mm pipeline, pump station and alternative energy supply be installed. The Haughton Pipeline Duplication Project commenced in October 2017. During 2017/18 the focus was on designing, planning and procurement of long lead items for this project. Construction will commence in 2018/19 with the project scheduled for completion by December 2019.

2. Water Security Infrastructure – Recycled Water

The purpose of this project is to recycle treated water from the Cleveland Bay Purification Plant to produce economically viable non-potable water to irrigate parks, golf courses, James Cook University, the new North Queensland Stadium and large industrial users. During 2017/18, this project commenced with a project management consultant being engaged to lead the project in-house. In the first half of 2018, AECOM were engaged to establish the estimate for pipeline construction and develop a network model to assist in sizing and scheme specification and to gather potential end user data to facilitate this work. A consultant was engaged in the first half of 2018 to develop the Recycled Water Management Plan, assist in the Regulatory issues and applications attached to the discharge license for Cleveland Bay Purification Plant and carry out environmental modelling on end users sites.

A draft project plan has been prepared. Potential end users have also been identified and work commenced to carry out preliminary engagement meetings to give an outline of the scheme to these users.

3. Community Transition Support 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 Community Water Transition Package (the Package) is supported by a \$9.1 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 2017/18, work continued on development of the framework to deliver the community water transition package, this included submission of a draft project plan to the State Government. In addition, in May 2018 Council released a tender for marketing, communications and community engagement services under the Transition Package.

The Taskforce will deliver its final report by 30 September 2018. During the 2017/18 financial year, a number of technical

studies, including those funded under the National Water Infrastructure Development Fund have been completed, and this work will feed into preparation of the Final Report

Smart Water Meter Trial

The scope of the Smart Water Meter Trial that was planned for 2017/18 was redefined during the financial year to focus on trialling the technology on meters for sporting fields and schools. This enabled accurate, frequent tracking of water consumption at sporting fields and schools to ensure the most efficient uses of water for irrigation purposes during water restrictions, when water conservation is of immense importance. In addition, the new technology was able to be trialled on meters where the location makes them difficult to read, this has improved the efficiency of obtaining water meter readings.

Water Pipes and Services Replacement Program

Townsville Water carried out its annual Water Pipes and Services Replacement programs in 2017/18, spending \$6.4m to replace pipes and services of priority to ensure that Townsville Water can provide a sufficient, safe and reliable water supply to its customers into the future

Water Treatment and Bulk Supply Renewals

Townsville Water invested \$1.1m in the 2017/18 financial year in renewal projects for critical water supply infrastructure including dams, weirs, water treatment plants, reservoirs and pump stations.

Townsville Airport Water Main

The construction of the new trunk water main along John Melton Black Drive to the Townsville Airport was almost complete in 2017/18. The final connection to the existing water system is due to be completed by September 2018. The new water main will supply future developments along John Melton Black Drive and provide a more reliable primary water supply to the Townsville Airport.

CBD and Stadium Utilities Upgrade Project

Works continued on the CBD Utilities Upgrade Project in the 2017/18 financial year. The purpose of the project is to upgrade the water and sewer networks in the CBD. The works will address water quality and pressure issues due to age and reduced capacity of water mains servicing the CBD and will ensure that council is able to meet the future demands on the water network in the City.

In financial year 2017/18, the program of works completed to a majority of inner CBD areas included;

- Package C Church St to Fletcher Street trunk main
- · Package F, Stage 3, Jones and Fletcher Street
- Package F, Water reticulation north and south of Stanley Street
- Package H, gravity sewer

- Package E, Stanley Street trunk sewer
- Footpath upgrades

Works are scheduled to transition to Packages I & J at the Strand in 2018/19 with CBD Utilities works forecast to be completed by January 2019.

Design for the Stadium Utilities upgrade was completed in the 3rd and 4th quarter of 2017/18 for the water and sewer headworks to the Stadium precinct and a structural assessment was completed on Little Fletcher Street bridge to determine a design solution for hydraulics and pedestrian access. Council have utilised existing arrangements between Department of State Development (DSD) and their Managing Contractor to award the water and sewer construction headworks. Council engaged a designer for roads, drainage and street lighting for the Stadium precinct to ensure alignment between the Stadium design and the surrounding roadworks.

Master planning and design commenced on other aspects of the project including the promenade, pedestrian access, landscaping, recycled water, lighting, closed circuit television and communications.

Construction activities will continue in 2018 and the 1st half of 2019 to meet the opening of the Stadium in early 2020.

Cleveland Bay Purification Plant Capacity Upgrade

Townsville Water progressed with the capacity and reliability upgrade of the Cleveland Bay Purification Plant in the 2017/18 financial year to ensure compliance with its environmental licence. Detailed Design of the Plant Upgrade (SP1) and Outfall (SP3) continued and procurement of lead time Hollow Fibre Membrane System was completed. Early Tenderer Involvement was completed with three shortlisted construction contractors from which a Principal Contractor was engaged and commenced in July 2017. A Membrane supplier was appointed in the first quarter of 2017/18 and design and manufacture of the membranes progressed during this financial year.

Construction works commenced on the Plant Upgrade in July 2017 with more than 60% of the plant site construction completed by 30 June 2018. The Outfall construction commenced in the 3rd quarter of the 2017/18 financial year after Council obtained key environmental approvals.

The Queensland Department of State Development allocated \$20 million of funding under the Royalties for Regions Strategic Projects Fund to assist with the capacity and reliability upgrade with \$14.5m of funding paid in 2017/18.

Castellana Street Parkland Pump Station (L1C) and Rising Main

Construction of a new pump station L1C located in parkland on Castellana Street, Cranbrook, including gravity sewer and sewer rising main, has been scheduled for 2018/19.

This project was originally planned to begin in February 2018 and issues with land acquisition caused delays.

The construction of the gravity sewer and sewer rising main started at the beginning of the 2018/19 financial year. The new pump station will cater for future development in the area and overcome capacity issues within the catchment area at times of peak flows. The construction of the pump station is scheduled to begin in September 2018 and is expected to be completed by early 2019.

Sewer Pipe Relining and Manhole Rehabilitation

Townsville Water carried out its annual Sewer Pipe and Manhole Rehabilitation programs in 2017/18. \$2.4m was spent on sewer pipe relining and \$473,000 was spent on manhole rehabilitation.

Our Environmental Management

Environmental Licences and Compliance

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

Licensing of Water and Sewage Treatment Activities

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

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 licenced 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 2017/18 financial year and ensured that all routine and event-specific reporting requirements were met, including preparing annual returns for its environmental licences 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 2017, and published its results to the community before the end of December 2017. Reporting on the 2017/18 year will take place in October 2018.

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 2017/18 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 94%. This is due to ongoing issues in the raw water supply at Paluma Township (fed from a small rainforest creek) early in the financial year. As chlorination is the only treatment at Paluma Township it has been under a boil water notice since November 2016. In April, a water treatment facility was constructed at Paluma, resolving these water quality issues.

In accordance with its requirements under the *Water Supply* (Safety and Reliability) Act 2008, Townsville Water delivered their DWQMP Annual Report during 2017/18. 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 2017/18, Townsville Water invested in the below major projects.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Water				
CBD Utility Upgrade Project – Water and Sewerage (Construction Year 2)	\$17,000	\$19,160	\$18,908	In financial year 2017/18, the program of works completed to a majority of inner CBD areas included Church St to Fletcher Street trunk main, Stage 3 Jones and Fletcher Street, water reticulation north and south of Stanley Street, gravity sewer, Stanley Street trunk sewer and footpath upgrades.
Haughton Pipeline Duplication to Ross River Dam (Approvals and Purchases Year 2)	\$7,472	\$7,472	\$2,558	During 2017/18 the focus was on designing, planning and procurement of long lead items for this project. Construction will commence in 2018/19 with the project scheduled for completion by December 2019.
City Deals Stadium Upgrade Project – Water – Ross Creek Crossing	\$5,000	\$1,400	\$4,609	Design for the Stadium Utilities upgrade was completed in the 3rd and 4th quarter of 2017/18 for the water and sewer headworks to the Stadium precinct
City Deals Stadium Upgrade Project — Water — Trunk Main around Stadium	\$800	\$800	\$157	and a structural assessment was completed on Little Fletcher Street bridge to determine a design solution for hydraulics and pedestrian access. Council have utilised existing arrangements to award the water and sewer construction headworks.
Water Pipes Replacement	\$4,000	\$3,500	\$4,561	Work has been completed in line with scheduled works plan.
Water Services Replacement	\$2,500	\$1,800	\$1,908	Work has been completed in line with scheduled works plan.
Townsville Airport Industrial Area Water Main (Construction)	\$2,085	\$1,385	\$1,252	The final connection to the existing water system is due to be completed by September 2018.
Trility renewals	\$1,684	\$1,684	\$0	No investment occurred during the 17/18 financial year.
Dams and weirs renewals	\$1,130	\$630	\$385	Work has been completed in line with scheduled works plan.
Reservoir renewals	\$1,034	\$600	\$744	Work has been completed in line with scheduled works plan.
New Meters and Services	\$616	\$616	\$1,045	Work has been completed in line with scheduled works plan.
Mt Low Parkway Water Main along Northshore Boulevard (Construction)	\$610	\$610	\$0	This project was developer delivered.
Water Meter Replacement	\$600	\$600	\$741	Work has been completed in line with scheduled works plan.
Stanley Street (Toorak to Kennedy Street) Replacement Water Main (Construction)	\$600	\$750	\$519	
Paluma Township Water Treatment	\$500	\$560	\$562	The treatment plant was commissioned in April 2018.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Wastewater				
Cleveland Bay Purification Plant Upgrade – Construction Year 1	\$26,900	\$30,000	\$35,779	Construction works commenced on the Plant Upgrade in July 2017 with more than 60% of the plant site construction completed by 30 June 2018. The Outfall construction commenced in the 3rd quarter of the 2017/18 financial year.
Sewer Pipe Rehabilitation	\$3,000	\$2,600	\$2,382	Work has been completed in line with scheduled works plan.
Treatment Plant Renewals/ Upgrades	\$2,652	\$2,024	\$1,521	Work has been completed in line with scheduled works plan.
Castellana Street Parkland Pump Station (L1C) and Rising Main – Construction	\$2,000	\$2,000	\$90	This project was originally planned to begin in February 2018, however issues with land acquisition caused delays and the project has been rescheduled for the 2018/19 financial year.
Sewer Manhole Rehabilitation	\$1,000	\$500	\$473	Work has been completed in line with scheduled works plan.
Sewerage Pump Station Renewals/Upgrades	\$872	\$1,200	\$1,400	Work has been completed in line with scheduled works plan.
The Village Pump Station 5A6F and Discharge Sewer – Construction	\$740	\$740	\$0	This project was developer delivered.
Mount Low Pump Station ML14 and Rising Main — Construction	\$650	\$650	\$0	This project was developer delivered.
Pressure Mains	\$500	\$100	\$14	

PERFORMANCE TARGETS

In the 2017/18 financial year, Townsville Water measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

Performance	Description	Target	Result	Status	Comment
Measure		3 00			
Operating Revenue – Budget to Actual	Comparison of the actual operating revenue received with the budgeted revenue	Within 5% of revised budget	-1%		Actual revenue of \$199.5m was higher than budgeted revenue of \$197.8m due easing water restrictions.
Operating Expenditure – Budget to Actual	Comparison of the actual operating expenditure with the budgeted operating expenditure	Within 5% of revised budget	3%		Actual expenses of \$152.6m were lower than budgeted expenses of \$156.8m due to reduced water pumping costs. A rain event occurred reducing this activity.
Capital Expenditure – Budget to Actual	Comparison of the actual capital expenditure with the budgeted capital expenditure	Within 5% of revised budget	9%		Actual capital expenditure of \$80.2m was below budgeted capital expenditure of \$86.3m due to delays in a number of projects including Cranbrook pump station, treatment plant renewals and NQ Stadium water main.
Net Operating Result – Budget to Actual	Comparison of the actual net operating result with the budgeted net operating result	Within 5% of revised budget	-10%		Townsville Water's net operating result (after tax) was 10.7% above the budgeted net operating result. Townsville Water's actual surplus \$5.8m higher than budget due to increased revenue from volumetric water and reduced costs from pumping activity.
5 Year Price Path	Approved price path derived from QTC model	Information only	Approved		Approved in 2017/18.
Return on Assets	Net income / NBV of non- current assets	Within 5% of revised budget	3%		Return on assets is on target.
Asset Renewal	Rehabilitation capital works / Depreciation charges	Minimum 90%	41%		Townsville Water is working toward improving asset renewals by ensuring the allocated renewal component is spent.
Interest Coverage Ratio	Earnings before interest and tax/Interest expense	Information only	4.66		Townsville Water is able to service its debt.
Asset Consumption Ratio	Weighted average measure of consumption of non- current assets	Information only	56%		On average, assets are 56% through their useful life.
Debt to Equity Ratio	This ratio identifies the portion of debt compared to the business' equity	<0.5	0.14		Townsville Water is on target.
Annual Dividend	The portion of earnings distributed to council (our shareholder) from the operation of the Townsville Water commercial business unit	>90% of budgeted amount	106%		100% of Townsville Water's net result after tax, \$56.9m was distributed to council. The net result is made up of an operating surplus of \$46.8m, capital revenue of \$28.7m, capital expenses of \$1.9m and income tax expense of \$16.7m.

Performance Measure	Description	Target	Result	Status	Comment
Customer satisfaction with fault management	Percentage of results of "good" and "excellent" recorded by the Customer Service Department monthly survey	90%	91.5%		On average, 91.5% of customers rate Water and Wastewater Operations as good or excellent.
Drinking water quality compliance	Percentage of compliance with all drinking water quality requirements in accordance with Townsville Water's Drinking Water Quality Management Plan	100%	94%		The overall drinking water quality compliance was 94%. Issues experienced early in the financial year in the Paluma Township Drinking Water Supply Scheme led to a less favourable result. In April, a water treatment facility was constructed at Paluma, resolving these water quality issues.

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

GOAL 3 – Responsible Governance							
Performance	Description	Target	Result	Status	Comment		
Measure							
Number	Total number of safety	Zero	85		There were 85 safety incidents reported for		
of Safety	incidents				Water and Wastewater, with 54 resulting in an		
Incidents					injury.		

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 2017/18 financial year, the following community service obligations were carried out by Townsville Water, at a total cost of \$1,868,409.

Category	Budgeted Value \$	Actual Value \$
Pumping of sewerage — Magnetic Island Surf Lifesaving Club	\$11,600	\$8,705
Price concessions on water and wastewater charges in recognition of an activity's contribution to the social and cultural welfare of the community	\$2,016,000	See detail below
Commercial Irrigation	See above total	\$45,774
Caravan Parks	See above total	\$201,983
Retirement/lifestyle villages	See above total	\$174,424
Boarding and lodging houses	See above total	\$100,244
Charitable and non-profit aged care facilities	See above total	\$27,387
Churches, church halls, clubhouses and halls – charitable and non-profit organisations	See above total	\$540,465
Sporting field irrigation – restricted public access (not including schools, tertiary institutions and other educational facilities)	See above total	\$456,183
Sporting field – no public access restrictions (not including schools, tertiary institutions and other educational facilities)	See above total	\$5,095
War Graves	See above total	\$1,491
Approved transitional sewerage price plans	See above total	\$57,485
Water Leakage Concession	NA	\$109,113
Water Haemodialysis Concession	NA	\$750
CBD Development Incentive Concessions	NA	\$28,331
YWAM	NA	\$79,708
100% Concession on water charge (Cowboys Holdings & College of the Nations Ltd)	NA	\$31,271
TOTAL	\$2,027,600	\$1,868,409

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.



PURPOSE OF THIS REPORT

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

This Annual Operations Report is designed to provide an overview of the operations and performance of Townsville Waste Services for the 2017/18 financial year, as measured against its Annual Performance Plan.

TOWNSVILLE WASTE SERVICES

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

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

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 currently 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 2017/18 financial year focused on a number of key areas.

Our Customers

Customer Service Standards

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

Customer Surveys

Townsville Waste Services surveyed its customers each month to obtain feedback about the customer's experiences with, and

expectations of, its services. A selection of customers, who contacted Townsville Waste requesting a service within a given month, were randomly selected to be contacted to participate in a short, over-the-phone survey. Townsville Waste aims to achieve 90% of customers rating its services as 'good' or 'excellent' each month. The business achieved its target for customer satisfaction with an average of 93% of 'good' and 'excellent' ratings from customers for its waste collection services.

Free Tipping of Green Waste and Recyclables

The free tipping of free recyclable and green waste at disposal sites was introduced on 1 July 2017, and the former tip voucher system was phased out from 1 October 2017, as part of council's policy commitments. Over the 2017/18 financial year 19,000 tonnes of domestic green waste was received at disposal sites representing a 400% increase on the previous financial year. In addition, 800 tonnes of recyclables were dropped off at waste facilities by residents free of charge.

Free Tipping Weekend

Council held two free tipping weekends during the 2017/18 financial year. The first event was held in October and provided an opportunity for residents to clean up their properties prior to cyclone season. The second event was held in January and provided further opportunity for residents to dispose of domestic waste free of charge. Overall, more than 14,500 visits were made to our waste facilities over the two events and resulted in more than 3,000 tonnes of waste being disposed of during the events.

Hard Kerbside Collection

Hard kerbside collection commenced on 29 January 2018. Between the 29th of January and the end of June, Townsville Waste Services collected hard waste from Zones 1 to 15, comprising of 37,800 properties. In total, 1700 tonnes of rubbish was collected, with 42% of the properties within the zoned areas participating in the activity.

As part of the service, Townsville Waste Services collected and recycled 325 tonnes of e-waste and white goods which was made up of 5065 white goods items and 1977 e-waste items.

Changes to Day of Services

This project continued to be developed during 2017/18 financial year and will align with planned landfill closures in 2018/19. An analysis of roster options has been completed along with a preliminary balance of collection routes. Further refinement and finalisation of the optimal solution will be completed in 2018/19.

Our Region

Townsville Waste Services continued to focus on regional collaboration with its North Queensland counterparts in 2017/18. 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 2017/18 financial year, tools to enable benchmarking and measure performance against the plan were developed. A regional garden organics processing contract was developed and work has begun on the development of a regional metal recycling contract due for release in the following financial year.

Our Infrastructure

Asset Management

Townsville Waste Services continued applying effective control and governance of assets to realise value through managing risk and opportunity, in order to achieve the desired balance of cost, risk and performance. This 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 meet organisational objectives, including regulatory compliance. The focus on continuous improvement increases overall asset effectiveness while lowering life cycle costs.

In 2017/18, Townsville Waste Services completed 70% of their assessment of risks at facility level for all waste facilities.

Landfills Optimisation

Townsville Waste Services maintains and operates 2 active landfills and 6 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 has 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.

Picnic Bay Landfill Rehabilitation

Following initial rehabilitation measures undertaken in 2016/17, final capping works commenced on site during the year and is expected to be finalised towards the end of 2018. Such works will see the installation of an effective surface liner system along with a range of measures to effectively manage stormwater and minimise erosion issues.

Magnetic Island Waste Facility Reuse Improvements

The Magnetic Island transfer station was modified during the financial year with the installation of dual bulk waste compactor units allowing for maximum load movements and reduced transport costs to mainland waste facilities for final disposal.

Our Environmental Management

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.

Licensing of Waste Storage and Disposal Activities

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

Townsville Waste Services renewed its licences for 2017/18 and successfully monitored and measured its compliance against its licence conditions, ensuring that all routine and event-specific reporting requirements were met for the financial year.

Initiatives to Reduce Greenhouse Gas Emissions from Landfills

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 facility flaring 2,433,640 cubic metres

of gas during 2017/18 and Hervey Range facility flaring 2,055,312 cubic metres during 2017/18.

E-Waste Recycling

In the 2017/18 financial year, council collected over 75 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 2017/18 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 levy is expected to begin in March 2019.

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 2017/18, as well as in relevant Waste Management Association of Australia forums.

MAJOR **INVESTMENTS**

During 2017/18, Townsville Waste Services invested in the below major projects.

Initiative/Project	Proposed Investment \$000s	Revised Budget \$000s	Actual Investment \$000s	Commentary
Stuart and Jensen Landfills				
Stuart and Jensen Landfills Leachate Collection and Extraction – Construction Year 2	\$1,000	\$1,000	\$227	Designs for Stuart were undertaken during the financial year. 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.
Hervey Range Landfill				
Hervey Range Landfill – Front End Resource Recovery Facility Stages 1 and 2 – Design	\$400	\$1,165	\$764	Some civil and design works were carried out in 17/18. The construction of the Facility has been delayed until 18/19.
Hervey Range Landfill – Front End Resource Recovery Facility Stages 1 and 2 – Construction Year 1	\$765			
Magnetic Island				
Picnic Bay Landfill Capping –				
Construction Year 1	\$806	\$600	\$728	Final capping works commenced on site during the year and is expected to be finalised towards the end of 2018.
Stuart Landfill				
Stuart Landfill Transfer Station – Construction Year 2	\$2,440	\$2,440	\$2,396	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.
Stuart Landfill Improvements to Stormwater / Leachate Management for Greenwaste Pad	\$300	\$110	\$156	Following survey and design works, this project was placed on hold pending potential changes in the operation of the site.
Stuart Landfill – Establishment of vegetative buffers inside creek diversion	\$530	\$357	\$79	This project was completed as per schedule.
Works for Queensland				
Hervey Range Transfer Station Upgrades				
Compaction Equipment for Hervey Range Transfer Station	\$1250	\$650	\$277	The Hervey Range Transfer Station was upgraded, with compaction equipment being installed. The installation of a second weighbridge at Stuart Landfill was
Stuart Landfill Automated Driver Station (Second Weighbridge)				completed in 17/18

PERFORMANCE TARGETS

In the 2017/18 financial year, Townsville Waste Services measured its performance against the below performance indicators as outlined in its Annual Performance Plan.

GOAL 1 – Economic Sustainability							
Performance Measure	Description	Target	Result	Status	Comment		
Operating Revenue – Budget to Actual	Comparison of the actual operating revenue received with the budgeted revenue	Within 5% of revised budget	-5%		Actual revenue of \$37.8m was higher than budgeted revenue of \$36m due to higher waste tonnage disposals received.		
Operating Expenditure - Budget to Actual	Comparison of the actual operating expenditure with the budgeted operating expenditure	Within 5% of revised budget	-6%		Actual expenditure of \$32m was slightly higher than budgeted expenditure of \$30m.		
Capital Expenditure – Budget to Actual	Comparison of the actual capital expenditure with the budgeted capital expenditure	Within 5% of revised budget	30%		Actual capital expenditure of \$5.7m was lower than budgeted capital expenditure of \$8.1m primarily due to the Hervey Range Front End Resource Recovery project starting later than forecast, with a flow on effect to the upgrade of the Transfer Station and 2nd weighbridge at that location.		
Net Operating Result – Budget to Actual	Comparison of the actual net operating result with the budgeted net operating result	Within 5% of revised budget	1%		Townsville Waste's net operating result (after tax) was 1% below the budgeted net operating result.		
Debt to Equity Ratio	This ratio identifies the portion of debt compared to the business' equity	<0.5	N/A		Townsville Waste Services has no debt.		
Annual Dividend	The portion of earnings distributed to council (our shareholder) from the operation of the Townsville Waste Services commercial business unit	>90% of budgeted amount	99%		100% of Townsville Waste's net result after tax, \$5.4m, was distributed to council. The net result is made up of an operating surplus of \$7.8m and income tax expense of \$2.3m.		

GOAL 2 – Social Responsibility							
Performance Measure	Description	Target	Result	Status	Comment		
Customer Satisfaction Waste	Percentage of results of "good" and "excellent" recorded by the Customer Service Department monthly survey	90%	93%		On average, 93% of customers rated Townsville Waste Services as good or excellent.		
Number of Missed Waste and Recycling Services	Less than 1 per 1000 missed kerbside waste and recycling services	<1	0.41		On target <1 bin per 1000 was missed each month.		

GOAL 3 – Environmental Sustainability							
Performance Measure	Description	Target	Result	Status	Comment		
Penalty Infringement Notices or Legal Action for Non- Compliance	Number of penalty infringement notices issued or instances of legal action initiated by the Regulator for noncompliance	Zero	Zero		No Penalty Infringement Notices were issued and no legal action was initiated over the duration of the year.		
Rate of Diversion of Waste at Disposal Sites	Maintain waste diversion rate at all disposal sites of greater than 40%	>40%	50.38%		An overall diversion rate of 50.38% was maintained by Waste Services.		

GOAL 4 – Responsible Governance								
Performance	Description	Target	Result	Status	Comment			
Measure								
Number	Total number of safety	Zero	53		There were 53 safety incidents reported for			
of Safety	incidents				Waste, with 18 resulting in an injury.			
Incidents								

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.

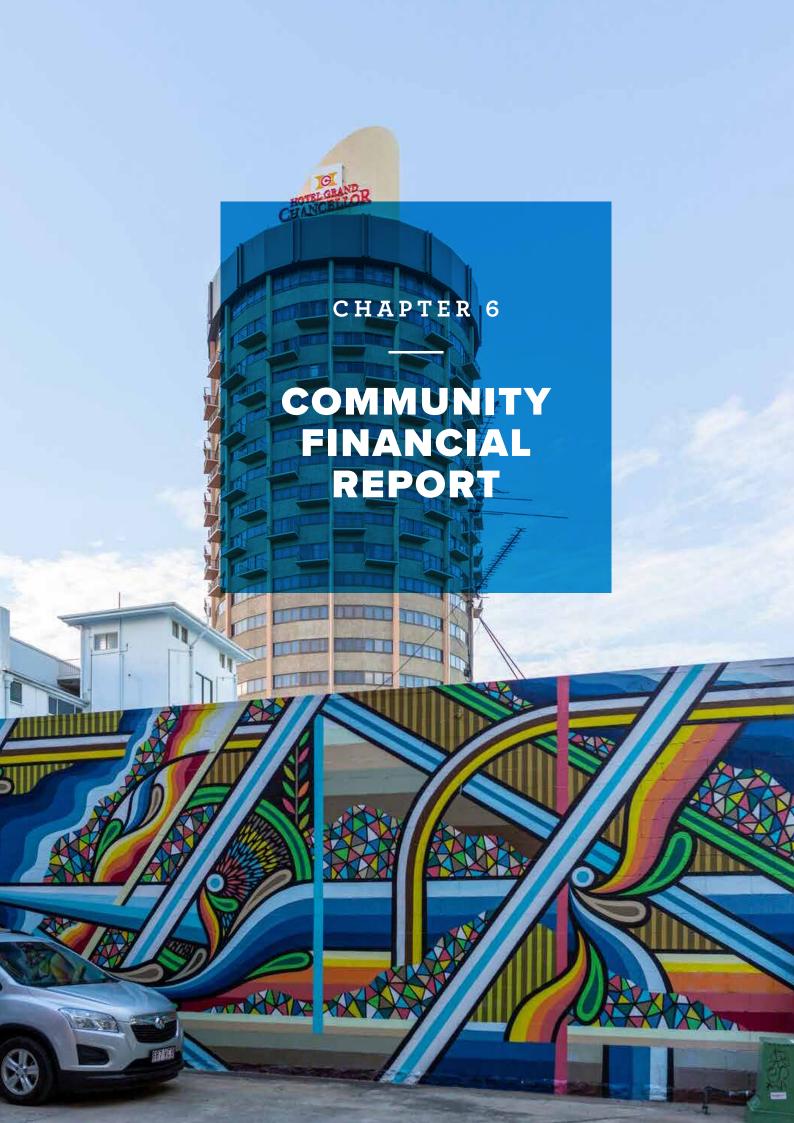
In the 2017/18 financial year, Townsville Waste carried out the following community service obligations, at a total cost of \$1,606,250.

Category	Budgeted Value \$	Actual Value \$
National Recycling Week	\$4,500	\$0
Charity Dumping Fees	\$62,128	\$62,128
Dead Animals	\$31,300	\$31,300
Infirm Services	\$33,009	\$33,009
Clean up Australia Day	\$6,500	\$629
Free Dump Weekends	\$295,810	\$282,602
Community Clean Up Events	\$10,000	\$10,000
Stadium	\$600,000	\$1,186,529
TOTAL	\$1,043,247	\$1,606,250

CHANGES TO THE ANNUAL PLAN

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

No changes were made during the financial year.



FOR EVERY \$100 OF OPERATING INCOME WE HAVE DELIVERED THESE SERVICES.

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 2017/18 in an easy to understand format.

For more detailed information, please refer to the Annual Financial Statements on pages 57 to 95.

FINANCIAL PERFORMANCE

Operating result before capital

FY 2017/18 \$11.9m

FY 2016/17 -\$17.0m

FY 2015/16 \$7.7m

FY 2014/15 \$7.8m

FY 2013/14 \$6.1m

Operating result

Following a significant organisational restructure in 2016/17 our operating result returned to a surplus in 2017/18 of \$11.9m. This result includes \$9.1m to be spent in future years.

The underlying operating surplus of \$2.8m demonstrates the benefits of the 'simpler, faster, better' approach that council has adopted.

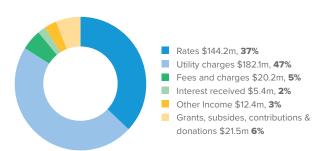
Net result

The net result is made up of the operating surplus of \$11.9m and any one-off items such as income and expenses related to capital expenditure. We achieved a net result of \$68.6m in 2017/18. This result includes \$96.8m in government grants and developer contributions to fund capital projects offset by \$40.0m in capital expenses.

<u>ф</u>	\$19.76	Water services
AN THE	\$14.26	Community and cultural services
/:\	\$17.55	Road and transport management
702	\$15.07	Wastewater services
	\$10.55	Parks and open space management
	\$6.33	Solid waste management
ি	\$5.31	Planning and development
	\$6.03	Public infrastructure management
	\$2.94	Drain and stormwater management
S	\$1.89	Environmental sustainability services
**************************************	\$0.31	Coastal Facilities

Revenue

\$385.9m total operating income



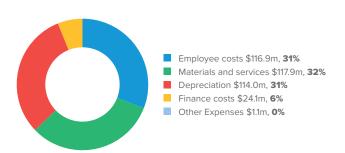
Revenue comes in from rates and utility charges on residential properties, business and industrial properties, fees and charges from council running its operations, State and Federal Government grants, developer and other contributions, and interest.

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 1.6% from last year largely due to higher water consumption charges as a result of water restrictions easing.

Expenses

\$374.0m total operating expenses



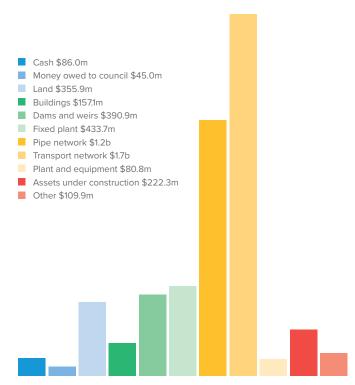
Expenses go out for employee costs, materials, utilities, services, depreciation and financing costs to deliver community services. The following information covers operational spending only because capital spending is added to the value of assets when incurred.

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 decreased by 5.8% from last year largely due to the one-off costs associated with council's organisation restructure included in the 2016/17 year.

Assets - what the community owns

\$4.9b total assets



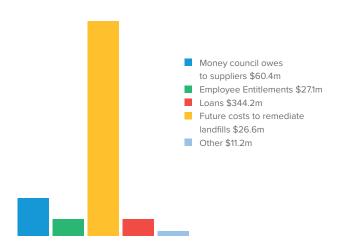
Infrastructure is the council's largest investment and includes roads, pipes and buildings that benefit the community.

The value of council's assets has increased from the prior year by \$186.7m largely due to:

- \$108.6m value of transport assets has increased in line with the cost to replace these assets
- \$107.3m increased value of assets under construction

Liabilities - what the community owes

\$469.5m total liabilities



Council's liabilities include borrowings (loans), amounts owed to suppliers, amounts owed for employee entitlements and provisions for future landfill capping. The largest debt owed at 30 June 2018 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 decreased from the prior year by \$12.2m largely due to:

- \$30m planned borrowings by council to fund infrastructure projects postponed to 2018/19
- \$23.9m repayment of debt.

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

Financial sustainability

While this report focuses on the 2017/18 financial results, it is important to view these results in the context of the long term financial objectives of council. Council is committed to addressing key issues around service, managing debt levels and asset management.

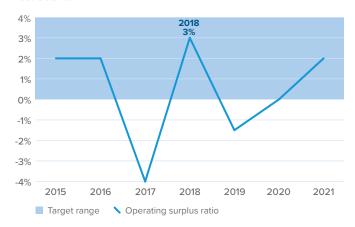
The Community Financial Report contains three measures of financial sustainability used to demonstrate council is operating in a prudent financial manner while maintaining its financial management objectives.

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

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

Operating surplus ratio

The operating surplus ratio indicates council's ability to fund ongoing operations over the long term. The positive ratio of 3% in 2017/18 indicates costs incurred by council are less than total revenue received. This is an improvement on 2016/17 as previous years included one-off costs associated with the organisational restructure.



Net financial liabilities ratio

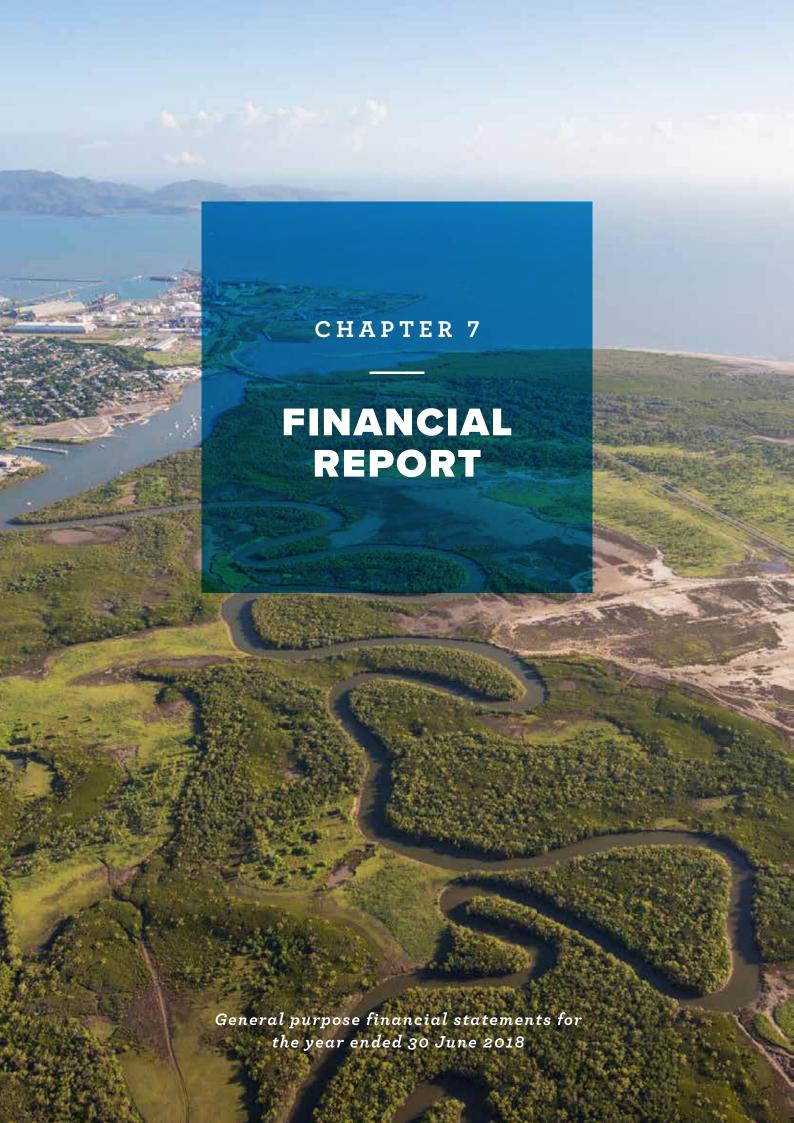
In the context of a household budget, this ratio would indicate whether a homeowner's annual salary plus savings could repay the mortgage and all other debt, assuming no money was spent on anything else during the year. While this result is still above the recommended target, the use of debt to fund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



Asset sustainability ratio

This ratio is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives. It can assist in identifying the potential decline or improvement in asset condition and standards. The result of 90% shows council is replacing its assets at the appropriate time.





UNDERSTANDING OUR FINANCIAL STATEMENTS

Each year council is required to prepare a set of audited Financial Statements for the period 1 July – 30 June. This guide has been prepared to assist readers to understand and analyse the statements. A summary of the 2017/18 results is also included in the **Community Financial Report**.

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

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

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

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

The Statement of Financial Position is a snapshot of council's financial position including assets and liabilities at 30 June 2018.

Assets are things that council owns that can be used to provide services or sold to earn an income. Assets include physical property and cash. Liabilities are amounts of money that council owes to others. Liabilities include money borrowed from Queensland Treasury Corporation and unpaid bills. Assets and liabilities are separated into current and non-current which determines when those assets will be received or liabilities paid.

The Statement of Changes in Equity measures the changes in council's net wealth, which is the net of our assets 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 2018

Management Certification	58
Statement of Comprehensive Income	59
Statement of Financial Position	60
Statement of Changes in Equity	61
Statement of Cash Flows	62
Notes to the Financial Statements	63
Independent Auditor's Report	90

FINANCIAL SUSTAINABILITY STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Current Year Financial Sustainability Statement and Certificate of Accuracy	92
Independent Auditor's Report	93
Long Term Financial Sustainability Statement and Certificate of Accuracy	95

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 89, 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.

Acting Mayor LES LAUREL DI

Dated this 4TH day of QTBEL 201

Chief Executive Officer

Dated this 4th day of October 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
Income	Note	\$000	\$000
Revenue			
Recurrent revenue			
Rates and utilities	3(a)	326,316	321,781
Fees and charges	3(b)	20,168	21,451
Interest received	3(5)	5,423	4,575
Other income		12,440	15,088
Grants, subsidies, contributions and donations	3(c)	21,510	16,996
oranis, substates, contributions and donations	3(0)	385,857	379,891
Capital revenue		303,037	373,031
Grants, subsidies, contributions and donations	3(c)	52,870	52,292
Fair value gain on contributions of assets	3(0)	31,272	34,489
Capital income		12,613	5,353
Capital income		96,755	92,134
Total income		482,612	472,025
Total income		702,012	472,023
Expenses			
Recurrent expenses			
Employee benefits	4(a)	(116,851)	(149,222)
Materials and services	4(b)	(117,914)	(106,044)
Depreciation and amortisation		(114,023)	(112,889)
Finance costs	4(c)	(24,139)	(26,023)
Other expenses		(100)	(770)
Share of net loss of joint venture	7	(978)	(1,980)
		(374,005)	(396,928)
Capital expenses	4(d)	(40,042)	(30,171)
Total expenses	4(u)	(414,047)	(427,099)
Net result		68,565	44,926
Netresuit			44,920
Other comprehensive income			
Items that will not be reclassified to net result			
Net gain / (loss) on revaluation of property, plant and equipment	8	134,244	(93,350)
Share of other comprehensive income of joint venture		(3,827)	(863)
Total comprehensive income for the year		198,982	(49,287)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		2018	2017
	Note	\$000	\$000
Current assets			
Cash and cash equivalents	5	85,979	119,646
Receivables	6	42,686	37,433
Inventories		1,486	1,387
Other assets		4,211	3,106
Non-current assets held for sale	8		97
Total current assets		134,362	161,669
Non august accets			
Non-current assets	C	2 220	2 220
Receivables	6 7	2,338	2,339
Investments accounted for using the equity method		4 744 400	23,818
Property, plant and equipment	8	4,711,489	4,467,762
Intangible assets		4,602	8,600
Other assets		4,970	6,835
Total non-current assets		4,723,399	4,509,354
Total assets		4,857,761	4,671,023
Current liabilities			
Payables	9	72,479	61,659
Borrowings	10	26,258	24,738
Provisions	11	23,177	23,530
Other liabilities		354	533
Total current liabilities		122,268	110,460
Non-current liabilities	10	0/7050	0.40.05.4
Borrowings	10	317,950	343,354
Provisions	11	27,596	26,194
Other liabilities		1,723	1,773
Total non-current liabilities		347,269	371,321
Total liabilities		469,537	481,781
Net community assets		4,388,224	4,189,242
Community equity			
Asset revaluation surplus	12	752,282	621,865
Retained surplus		3,635,942	3,567,377
Total community equity		4,388,224	4,189,242
i with w		,,	,,

TOWNSVILLE CITY COUNCIL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Retained surplus	Asset revaluation surplus	Total
	\$000	\$000	\$000
Balances 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
Balances as at 1 July 2016	3,522,451	716,078	4,238,529
Net result	44,926	-	44,926
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	-	(93,350)	(93,350)
Share of other comprehensive income of joint venture		(863)	(863)
Total comprehensive income for the year	44,926	(94,213)	(49,287)
Balance as at 30 June 2017	3,567,377	621,865	4,189,242

TOWNSVILLE CITY COUNCIL STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$000	2017 \$000
Cash flows from operating activities	Note	\$000	ΨΟΟΟ
Receipts from customers		402,162	394,944
Payments to suppliers and employees		(259,897)	(295,282)
Interest received		5,488	4,311
Finance costs	4(c)	(21,887)	(22,084)
Net cash inflow from operating activities	16	125,866	81,889
Cash flows from investing activities			
Payments for property, plant and equipment		(186,208)	(131,601)
Payments for intangible assets		(3,252)	(487)
Proceeds from sale of property, plant and equipment		1,400	8,014
Proceeds from cash contributions for constructing assets		52,409	52,670
Receipts from repayment of community loans and advances		2	1,304
Net cash outflow from investing activities		(135,649)	(70,100)
Cash flows from financing activities			
Proceeds from borrowings		-	60,000
Repayment of borrowings		(23,884)	(21,356)
Net cash outflow from financing activities		(23,884)	38,644
Net increase / (decrease) in cash and cash equivalents held		(33,667)	50,433
Cash and cash equivalents at the beginning of financial year		119,646	69,213
Cash and cash equivalents at end of financial year	5	85,979	119,646

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

(b) Account classifications

In order to improve the accuracy of presentation of the financial statements, some account classifications have changed in the current year. Comparative figures have also been reclassified for consistency of presentation. This year rates receivables were reclassified as current. Refer to note 6 for further disclosure.

(c) Constitution

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

(d) Rounding of amounts

The financial statements are in Australian dollars that have been rounded to the nearest thousand (\$000) except for Note 21: Transactions with related parties. Amounts shown in the financial statements may not add to the correct subtotals or totals due to rounding.

(e) 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 8).
- Impairment of receivables (Note 6).
- Measurement and recognition of employee benefit liabilities (Note 9).
- Measurement and recognition of provisions (Note 11).

(f) 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.

NOTE 2

ANALYSIS OF RESULTS BY FUNCTION

Following the organisational review council has changed its core services for reporting and operational purposes. Prior year disclosure has been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(a) Operating functions

The activities relating to council's core services 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 and cultural services

Community engagement and cultural services provides high quality community focussed programs, service delivery and communication to residents. Community engagement and cultural services is comprised of community engagement, public affairs, libraries, the arts and customer contact.

(iii) Construction and maintenance

Construction and maintenance is responsible for constructing new, and maintaining existing infrastructure across a very 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

Future cities is embarking on a transformative journey, focusing 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.

Core services grouped by entity

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Analysis of results by function cont.

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

			Income					Expenses				
		Recurrent		Capita	al	Total Income	Recui	rent	Capital		Net result from recurrent	Net result
Core Service	Grants	Other	Internal eliminations	Grants	Other	Total Income	Other	Internal eliminations	Other	Total Expenses	operations	Net lesuit
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000		\$000	\$000
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 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
Year ended 30 June 2017												
Business services	6,300	216,999	(65,075)	-	58	158,282	(106,459)	29,115	(365)	(77,709)	80,880	80,573
Community engagement and cultural services	1,778	12,439	(8,676)	-	-	5,541	(44,035)	8,812	-	(35,223)	(29,682)	(29,682)
Construction and maintenance	4,474	12,692	(8,547)	-	36,813	45,432	(112,436)	13,444	(7,844)	(106,836)	(90,373)	(61,404)
Future cities	-	-	-	-	-	-	-	-	-	-	-	
Infrastructure, planning, assets and fleet	2,865	48,039	(47,040)	33,902	3,891	41,657	(98,121)	46,412	(16,499)	(68,208)	(47,845)	(26,551)
Planning	992	14,260	(56)	-	-	15,196	(29,822)	227	-	(29,595)	(14,399)	(14,399)
Townsville water	-	182,887	(21,960)	-	17,310	178,237	(139,026)	49,116	(5,440)	(95,350)	71,017	82,887
Townsville waste services	1	34,924	(7,405)	-	160	27,680	(20,593)	6,438	(23)	(14,178)	13,365	13,502
Total	16,410	522,240	(158,759)	33,902	58,232	472,025	(550,492)	153,564	(30,171)	(427,099)	(17,037)	44,926

CITY OF TOWNSVILLE ANNUAL REPORT 2017/18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(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.

Entity	Assets 2018 \$000	Assets 2017 \$000
Rest of council	3,159,955	3,043,562
Townsville water	1,665,044	1,596,040
Townsville waste services	32,762	31,421
Total council	4,857,761	4,671,023

NOTE 3 REVENUE

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.

On 1 July 2019 AASB 15 Revenue from Contracts with Customers, will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Notfor-Profit Entities provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 Financial Instruments and AASB 15. AASB 1058 Income of Not-for-Profit Entities will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

If this requirement had been adopted at 30 June 2018 prepaid rates would have been reclassified. Management estimate general rates revenue would decrease by \$723,975 and current liabilities increase by the same amount.

Grants received for operating and capital purposes at 30 June 2018 and which contained enforceable and sufficiently specific obligations would also have been reclassified. Management estimate operating grant revenue would decrease by \$9,090,901 and capital grant revenue by \$10,784,196. Current liabilities would increase by the same amount.

(a) Rates and utilities

Rates are recognised as revenue at the start of the rating period, or where earlier, upon receipt.

	2018 \$000	2017 \$000
General rates	165,445	175,426
Refuse and recycling utility charges	19,538	18,780
Water and wastewater utility charges	164,433	159,100
Less: Discounts	(14,548)	(23,061)
Less: Pensioner and other remissions	(8,552)	(8,464)
	326,316	321,781

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(b) Fees and charges

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

	2018 \$000	2017 \$000
Regulatory fees and charges	7,875	8,865
Commercial fees and charges	12,293	12,586
	20,168	21,451

(c) Grants, subsidies, contributions and donations

Grants, subsidies, 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.

Physical assets contributed to council by developers 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.

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

Recurrent		
Contributions received for operating purposes	270	586
Subsidies and grants received for operating purposes	21,240	16,410
	21,510	16,996
Capital		
Contributions received for capital purposes	12,318	18,390
Subsidies and grants received for capital purposes	40,552	33,902
	52,870	52,292
Conditions over contributions		

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

Rates received in advance	14,800	14,076
Water transition grant	9,091	-
Other non-reciprocal grants	11,499	14,288
	35,390	28,364

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Conditions over contributions cont.

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

	2018	2017
	\$000	\$000
Rates received in advance	14,076	12,449
Non-reciprocal grants	14,177	1,182
	28,253	13,631
NOTE 4 EXPENSES (a) Employee benefits		
Total staff wages and salaries	110,783	124,935
Councillors' remuneration	1,259	1,220
Superannuation	12,319	14,596
Termination benefits	776	17,765
	125,137	158,516

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

(b) Materials and services

Other employee related expenses

Less: Capitalised employee expenses

Accommodation services	7,592	6,318
Administration supplies and consumables	11,232	11,959
Audit of annual financial statements by the Auditor-General of Queensland	321	261
Bulk water supply	16,223	12,419
Contractors and service providers	15,033	15,166
Electricity	13,147	12,437
Employee related costs	3,298	2,432
Equipment and tools	5,096	2,766
Information, communication and technology	8,331	8,020
Insurance	3,540	2,498
Marketing and promotion	2,968	2,424
Other materials and services	5,575	4,868
Other utilities	276	519
Repairs, maintenance and construction	20,374	18,505
Vehicle and plant operating costs	9,261	10,647
	122,267	111,239
Less: Capitalised materials and services	(4,353)	(5,195)
	117,914	106,044

6,912

132,049

(15,198)

116,851

7,335

165,851

(16,629)

149,222

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Finance costs

	Note	2018 \$000	2017 \$000
Interest and finance charges on loans from financial institutions		21,887	22,084
Unwinding of discounted provisions		1,201	1,194
Impairment of receivables		1,051	2,745
		24,139	26,023
(d) Capital expenses			
Loss on sale/disposal of property, plant and equipment		10,484	18,824
Impairment losses on property, plant and equipment		2,251	11,347
Impairment losses on intangibles		3,877	-
Impairment losses on net investment in joint venture	7	4,452	-
Revaluation decrement of joint venture		15,307	-
Other capital expenses		3,671	-
	_	40,042	30,171

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, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at bank and on hand	401	1,557
Deposits at call	85,578	118,089
Balance per Statement of Cash Flows	85,979	119,646

Cash not available for general use

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

Unspent contributions, government grants and subsidies	21,703	15,274
Trust funds held for outside parties		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of		
those entities	2,444	2,270
Townsville City Council Mayor's Christmas Tree Appeal	4	7
	2,448	2,277

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 6

RECEIVABLES

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

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

All known bad debts were written off at 30 June 2018. 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 expected recovery value is less than outstanding arrears.

This year \$8,696,000 in rates receivables have been reclassified from non-current to current to reflect council's current entitlement to rates revenue. When issuing rates notices, council has a current entitlement to these funds on normal 30 day terms of trade.

	2018 \$000	2017 \$000
Current		
Rates and utilities	22,471	20,036
Fees and charges	3,823	5,425
Less: impairment	(2,235)	(2,066)
Water charges not yet levied	11,436	8,525
Other receivables	7,191	5,513
	42,686	37,433
Non-current		
Loans and advances to community organisations	2,338	2,339

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

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

NOTE 7

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests in joint venture - 23,818

Joint venture

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

The purpose of the joint venture is to design, develop, construct, commission, operate and own the Townsville Breakwater Entertainment Centre. Principal activities of the joint venture are the provision of a venture and ancillary services for the conduct of conventions, exhibitions, sports and entertainment events. Unless otherwise agreed in writing between the joint venturers, the joint venture is limited to the purposes and activities specified in the *Townsville Breakwater Entertainment Centre Act 1991*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Joint venture cont.

The joint venture has entered into an agreement with the Trustee of Breakwater Island Trust and Breakwater Island Limited for the management of the Townsville Breakwater Entertainment Centre. Pursuant to the terms of the Management Agreement, Townsville City Council will indemnify the joint venture from any amount by which defined costs exceed total revenue. Defined costs exclude general rates and land tax, replacement of fixed assets and major repairs. Council is entitled to reimbursement of any indemnity paid in any previous year out of net operating surpluses of the operations of the centre. A management agreement is currently in place until 31 December 2018 and an option is available to extend for a further 6 months.

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

The financial results of the audited special purpose financial statements for the year ended 30 June 2018 of the joint venture are included in this note.

Council's interest in the joint venture is measured using the equity method with council including its share of the joint venture's operating losses in the Statement of Comprehensive Income. Council has impaired its net investment in the joint venture to nil at 30 June 2018.

Townsville Breakwater Entertainment Centre	2018 \$000	2017 \$000
Revenue	3,338	6,292
Expenses	(3,843)	(4,501)
Profit or loss from continuing operations	(505)	1,791
Profit (loss) for the year	(505)	1,791
Other comprehensive income for the year	-	
Total comprehensive income (loss) for the year	(505)	1,791
The above profit (loss) for the year includes:	(4.005)	(0.000)
Depreciation and amortisation	(1,395)	(2,332)
Interest income	8	6
Revenue from capital contribution	722	4,273
Current assets	931	749
Non-current assets	5,500	30,151
Total assets	6,431	30,900
TOTAL ASSETS	6,431	30,900
Current liabilities	(829)	(1,034)
Non-current liabilities	(23)	(19)
Total liabilities	(852)	(1,053)
Net assets	5,579	29,847
The above amounts include:		
Cash and cash equivalents	864	642

Included in cash is \$767,413 (2017: \$547,441) in accounts established in the name of the operator pursuant to the Management Agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Joint venture cont.

	2018 \$000	2017 \$000
The joint venture's net assets reconcile to the carrying amount of the investment as follows:		
Net assets	5,579	29,847
Ownership interest in the joint venture	79.8%	79.8%
Carrying amount after application of equity method	4,452	23,818
Impairment of council's interest in the joint venture	(4,452)	_
Carrying amount of council's interest in the joint venture	-	23,818
The movement in the carrying amount of council's investment in the joint venture is as follows:		
Carrying amount at the beginning of the financial year	23,818	22,388
Share of profit/(loss)	(978)	(1,980)
Other equity adjustments	24	(863)
Contribution of assets	722	4,273
Share of asset revaluation	(19,134)	-
Carrying amount after application of equity method	4,452	-
Impairment of interest in the joint venture	(4,452)	-
Carrying amount at the end of the financial year	-	23,818

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

NOTE 8

PROPERTY, PLANT AND EQUIPMENT

(a) Recognition

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

(b) Measurement

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(c) Depreciation

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

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

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

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

(d) Impairment

Land was acquired for the new Townsville Stadium in 2017 under the "City Deal" arrangement and was impaired by \$9,765,426 and transferred to assets held for sale. This was based on information available at balance date. In the current financial year, the arrangement has been modified and a portion of the land (51%) will remain in council ownership as freehold land. The portion retained by council has been recognised as an asset on a pro-rata basis at \$5,058,424.

The Enterprise Centre no longer has full tenancy due to loss of external funding and council's desire to exit supporting the venture, resulting in a change in market value. A valuation performed in April 2018 by Carlo Lando (Registered Valuer (Qld) No 2534) of Knight Frank provided a midpoint valuation of \$1,250,000 (excl GST). A fair value impairment of \$2,258,225 has been included in the Statement of Comprehensive Income as a capital expense.

Council has performed a review of its primary information technology system Tech 1 and as a result is in the early stages of identifying another system for its replacement. While council is still receiving value from the existing system, council will not see the full life or value of the asset; as a result impairment is required. The cost allocated to system development has expired and the useful life of the Tech 1 useful software has been reduced to 3 years. Accordingly a fair value impairment of \$3,876,933 has been included in these financial statements.

(e) Valuation processes

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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)	28 February 2014 ⁽¹⁾	30 June 2017 ⁽¹⁾	30 June 2018
Buildings (Level 3)	28 February 2014 ⁽²⁾	30 June 2017 (2)	30 June 2018
Dams and weirs	28 February 2014 ⁽²⁾	30 June 2017 (2)	30 June 2018
Major fixed plant	28 February 2014 (2)	30 June 2017 (2)	30 June 2018
Cultural and heritage	30 June 2015 ⁽⁶⁾	N/A	30 June 2018
Land	28 February 2014 ⁽¹⁾	30 June 2017 ⁽¹⁾	30 June 2018
Land improvements	28 February 2014 ⁽²⁾	30 June 2017 (2)	30 June 2018
Landfills	N/A	N/A	30 June 2018
Pipe network			
Water	1 March 2018 (5)	N/A	30 June 2018
Wastewater	1 March 2018 (5)	N/A	30 June 2018
Stormwater	1 March 2018 (4)	N/A	30 June 2018
Transport network	31 March 2018 (3)	N/A	30 June 2018

Valuation performed by independent valuer:

- (1) Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) No.1632)
- (2) Michael Puntil from AECOM (RPEQ No. 11865)
- (3) Barnwell Resources Pty Ltd (Graham John Jordan RPEQ No. 3305). Rates Only.
- (4) Barnwell Resources Pty Ltd (Graham John Jordan RPEQ No. 3305)
- (5) Northern Water Management Pty Ltd (J Ballard RPEQ No. 6854)
- (6) Ross Searle and Associates (ROSS SEARLE BA Uni.Qld MLitt JCU)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(f) Valuation techniques used to derive fair values

(i) Land - (level 2)

Reserve land held by the council as trustee for the State 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.

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

	2018 \$000	2017 \$000
Buildings		
Market value buildings (level 2)	33,183	34,899
Special purpose buildings (level 3)	123,953	125,947
	157,136	160,846

(iii) Infrastructure assets - (level 3)

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

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

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Roads

This financial year a review of rates only was performed and condition was not assessed. 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. Transport components other than roads were assessed internally and no change was made to values.

Where staff inspection condition reports suggest a change in life and the amount is material the asset is adjusted accordingly.

Bridges

Each bridge is assessed individually, 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 2018, based on an internal assessment of index movement.

Pipe networks - water, wastewater and stormwater

Stormwater pipe network assets were revalued at their current replacement cost. The process incorporates a review of unit rates for stormwater drainage with the valuer referring to the rates applied by other councils utilising a 'first principles' model approach, consultant model rates and consultant contract rates.

Water and wastewater pipe network assets were revalued at their current replacement cost. The process incorporates the determination of unit rates by reference to data contained in Rawlinson's plus an assessment of council's internal and external costings.

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

(iv) Landfills - (level 3)

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

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

The assets, including treatment plants, dams, weirs and pump stations, (excluding pipelines), have been independently reviewed and either valued at a top down approach or the appropriate indices have been applied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(vi) Land improvements – (level 3)

Land improvements were valued at current replacement value less obsolescence. The comparative basis is a new asset having similar service potential including allowances for preliminaries and professional fees.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8

PROPERTY, PLANT AND EQUIPMENT

Townsville City Council - 30 June 2018				Cultural &		Land			Plant &	Transport	Assets under	
	Buildings	Dams & weirs	Fixed plant	heritage	Land	improvements	Landfills	Pipe network	equipment	network	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	2,239,471	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
Residual value									6,723			6,723
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 asset class:	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
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 expendinture, 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

CITY OF TOWNSVILLE ANNUAL REPORT 2017/2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Townsville City Council - 30 June 2017	D. 242	D	Fig. d. d. d.	Cultural &		Land	I - ICH	D'.	Plant &	Transport	Assets under	-
De la efermana de	Buildings	Dams & weirs	Fixed plant	heritage	Landza	improvements	Landfills	Pipe network	equipment	network	construction	Total
Basis of measurement	Fair Value \$000	Fair Value \$000	Fair Value \$000	Fair Value	Fair Value \$000	Fair Value	Fair Value \$000	Fair Value \$000	Cost \$000	Fair Value \$000	Cost \$000	\$000
Asset values Opening gross value as at 1 July 2016	252,589	531,957	774,586	\$000 15,358	341,398	\$000 118,897	41,318	2,281,945	157,940	2,108,920	132,521	\$000 6,757,429
	1,318		5,718				,	16,142				
Additions		-	•	- (2.42)	-	1,604	-	,	5,599	19,337	118,400	168,118
Disposals Disposals	(6,792)	- (2,020)	(4,052)	(243)	-	(1,519)	-	(11,200)	(8,005)	(16,577)	-	(48,388)
Revaluation adjustment to asset revaluation surplus	-	(2,028)	(1,106)	-	-	-	-	(152,219)	-	94,170	-	(61,183)
Revaluation adjustment to Statement of Comprehensive Income	-	-	-	-	5,084	-	-	-	-	-	-	5,084
Assets classified as held for sale	-	-	-	-	(9,765)	-	-	-	(247)	-	-	(10,012)
Transfers between classes and intangible assets - reallocation	-	-	-	-	-	-	-	-	-	-	(26)	(26)
Transfer between classes - capitalised assets	10,466	2,169	22,087	(413)	9,765	7,467	913	39,497	17,069	33,621	(134,391)	8,250
Closing gross value as at 30 June 2017	257,581	532,098	797,233	14,702	346,482	126,449	42,231	2,174,165	172,356	2,239,471	116,504	6,819,272
Accumulated depreciation and impairment												
Opening balance as at 1 July 2016	(92,825)	(131,738)	(340,211)	-	-	(57,317)	(27,979)	(980,465)	(76,271)	(516,348)	-	(2,223,154)
Depreciation provided in period	(6,732)	(4,807)	(17,334)	205	-	(5,183)	(2,522)	(28,833)	(14,097)	(31,824)	-	(111,127)
Depreciation on disposals	2,604	-	1,552	10	-	843	-	1,892	5,696	3,774	-	16,371
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	27,395	-	(59,563)	-	(32,168)
Assets classified as held for sale	-	-	-	-	9,765	-	-	-	150	-	-	9,915
Impairment adjustment to income	-	-	-	-	(9,765)	-	-	-	-	-	(1,582)	(11,347)
Transfers between classes/ intangible assets	219	-	-	(219)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment as at 30 June 2017	(96,734)	(136,545)	(355,993)	(4)	-	(61,657)	(30,501)	(980,011)	(84,522)	(603,961)	(1,582)	(2,351,510)
Total written down value as at 30 June 2017	160,847	395,553	441,240	14,698	346,482	64,792	11,730	1,194,154	87,834	1,635,510	114,922	4,467,762
Residual value									7,018			7,018
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 comprise:	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Renewals	8,674	283	9,866	-	_	3,688	484	38,096	9,153	28,350	-	98,594
Other additions	1,876	-	6,964	-	2,830	5,016	_	18,301	6,714	27,822	-	69,523
Total additions	10,550	283	16,830	-	2,830	8,704	484	56,397	15,867	56,172	-	168,117
					*			•				,
Asset revaluation surplus												
Opening balance at 1 July 2016	-	23,959	11,934	4,405	-	-	1	135,243	-	535,846	-	711,388
Asset revaluation movement	-	(2,028)	(1,106)	-	-	-	-	(124,824)	_	34,608	-	(93,350)
Closing balance at 30 June 2017	-	21,931	10,828	4,405	-	-	1	10,419	-	570,454	-	618,038

CITY OF TOWNSVILLE ANNUAL REPORT 2017/2018

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9 PAYABLES

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

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

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

	Note	2018 \$000	2017 \$000
Current	Note	Ψ000	φοσο
Trade payables		30,348	19,989
Annual leave accrued		12,118	12,867
Termination payments accrued		-	9,706
Sundry payables and accrued expenses		30,013	19,097
	19	72,479	61,659

NOTE 10 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, interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period.

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

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

Current			
Unsecured liabilities			
Loans - Queensland Treasury Corporation		26,258	24,738
Non-current			
Unsecured liabilities			
Loans - Queensland Treasury Corporation		317,950	343,354
Total borrowings	19	344,208	368,092

The loan market value at the reporting date was \$395,607,800. 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 3.59% to 8.35% for book value rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Undrawn facilities

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

	Nete	2018	2017
	Note	\$000	\$000
Bank overdraft facility		500	500
Purchase card facility		1,691	1,622
Working Capital Facility - Queensland Treasury Corporation		200,000	-
		202,191	2,122

On 18 April 2018 council received approval for a Queensland Treasury Corporation working capital facility of \$200 million. 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. The facility remained fully undrawn at reporting date.

NOTE 11 PROVISIONS

Current		
Self-insurance	998	846
Landfill restoration	4,442	4,337
Long service leave	12,897	15,879
Other	4,840	2,468
	23,177	23,530
Non-current		
Self-insurance	3,373	2,944
Landfill restoration	22,134	20,715
Long service leave	2,089	2,030
Other	<u> </u>	505
	27,596	26,194

(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.

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

The total projected cost of \$28,272,914 is expected to be incurred between 2018 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(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 Commonwealth 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.

	2018 \$000	2017 \$000
Long service leave obligations expected to be settled after 12 months	12,996	15,846

(c) Movements

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

	Self- insurance \$000	Landfill restoration \$000	Long service leave \$000	Other \$000	Total \$000
Balance at beginning of financial year	3,790	25,052	17,909	2,973	49,724
Additional provisions raised during year	1,030	1,870	1,604	3,790	8,294
Amounts used	(449)	(892)	(4,861)	(1,516)	(7,718)
Unused amounts reversed	-	(102)	-	(423)	(525)
Increase in provision due to unwinding of discount	-	615	334	12	961
Increase in provision due to change in discount rate	-	33	-	4	37
Balance at end of financial year	4,371	26,576	14,986	4,840	50,773

NOTE 12

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	2018 \$000	2017 \$000
Asset revaluation surplus	8	752,282	618,038
Asset revaluation surplus – share of JV		-	3,827
		752,282	621,865

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 13

COMMITMENTS FOR EXPENDITURE

(a) Operating leases

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.

On 1 July 2019 AASB 16 Leases will require the recognition of all leases on the statement of financial position. A lease liability will be initially measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised to record the right to use the leased item over the lease term. Council expects a net increase to expenditure by way of increased depreciation and interest charges, offset by reduced operating lease expenses. Based on assessments to date, these changes are not expected to have a material impact overall. This estimate is based on council's current obligations and various market and other assumptions.

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.

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

	2018	2017
	\$000	\$000
Within one year	2,301	2,136
One to five years	10,224	6,771
Later than five years	5,717	2,541
	18,242	11,448
(b) Capital expenditure commitments		
Capital expenditure commitments contracted for:		
Cleveland Bay purification plant upgrade	19,999	8,015

Cleveland Bay purification plant upgrade	19,999	8,015
CBD utilities upgrade	13,827	32,912
Road upgrades	6,498	2,376
Water security program	5,131	-
Water treatment plant refurbishment	4,273	25,313
Waste facility improvements	4,064	2,458
Operational buildings and depots	3,716	-
Open space upgrades	2,327	397
Works for Queensland projects	117	1,205
Other	4,619	2,346
	64,571	75,022

NOTE 14

CONTINGENT LIABILITIES

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

Guarantees

Workers' compensation self-insurance guarantees 4,758 4,826

State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the estimated liability. Guarantees held at each balance date do not always equal the liability at these dates due to delays in issuing the guarantees. An actuarial assessment of the council workers' compensation claims liability performed on 17 August 2018 has estimated the required self-insurance guarantee be \$5,777,000.

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

Claims

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

At the time of preparation of this report, the financial statements for 30 June 2018 of LGM Queensland were not available. As at 30 June 2017 the financial statements reported an accumulated surplus of \$70,521,289 and it was not anticipated any liability would arise.

NOTE 15

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 2015. The actuary indicated that 'at the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position'. Council is not aware of anything that has happened 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.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

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 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Townsville City Council made 4.5% of the total contributions to the plan for the 2017/18 financial year.

	2018 \$000	2017 \$000
Superannuation contributions made to the Regional Defined Benefits Fund	750	1,026
Other superannuation contributions for employees	11,569	13,533
Total superannuation contributions paid by council for employees	12,319	14,559

NOTE 16RECONCILIATION OF NET RESULT FOR THE YEAR TO NET INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	2018 \$000	2017 \$000
Net result for the year	72,198	44,926
Non-cash and non-operating items:		
Depreciation	111,782	111,127
Amortisation	2,241	1,762
Increases in value from asset adjustments	(12,613)	(5,083)
Impairment losses on land and buildings	2,251	11,347
Impairment losses on intangibles	3,877	-
Revaluation decrement of joint venture	15,307	-
Reclassification of assets under construction to Statement of Comprehensive Income	-	5,444
Change in future rehabilitation and restoration costs	(906)	1,765
Grants, subsidies and contributions received for constructing assets	(52,409)	(52,670)
Net loss on sale of non-current assets	10,514	18,824
Fair value gain on contributions of assets	(31,272)	(34,489)
Share of net loss on investments	978	1,980
Impairment losses on net investment in joint venture	4,453	-
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(5,252)	617
(Increase)/decrease in inventories	(99)	(12)
(Increase)/decrease in other assets	(1,156)	620
(Increase)/decrease in payables	8,665	(13,486)
(Increase)/decrease in provisions	(2,585)	(9,973)
(Increase)/decrease in other liabilities	(108)	(810)
Net cash flows from operating activities	125,866	81,889

NOTE 17

RECONCILIATION OF LIABILITIES ARISING FROM FINANCE ACTIVITIES

This year council has applied AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendements to AASB 107 for the first time. As a result council has disclosed more information to explain changes in liabilities arising from financing activities. This information is presented below.

	30 June 2017	Cash Flows	Non-cash Changes	30 June 2018
	\$000	\$000	\$000	\$000
Loans - Queensland Treasury Corporation	368,092	(23,884)	-	344,208

NOTE 18

EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date.

NOTE 19

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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.

On 1 July 2018 AASB 9 *Financial Instruments* will replace AASB 139 *Financial Instruments: Recognition and Measurements* and will address the classification, measurement and disclosure of financial assets and liabilities.

A new impairment model will be introduced and will require impairment provisions be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

(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.

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.

Financial assets	Gross amount	All the second of		itidi		anea within initial		
				<30	31-60	61-90	>90	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
30 June 2018								
Rates and utilities, fees and charges	26,294	(2,235)	4,459	531	142	276	20,886	
Loans and advances to community organisations	2,338	-	2,338	-	-	-	-	
Water charges not yet levied	11,436	-	11,436	-	-	-	-	
Other receivables	7,191	-	7,191	-	-	-	-	
Total	47,259	(2,235)	25,424	531	142	276	20,886	

(d) Liquidity risk

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

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 10.

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

Financial liabilities	Within 1 year	1 to 5 years	Over 5 years	Total contractual cash flow	Carrying amount
	\$000	\$000	\$000	\$000	\$000
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
30 June 2017					
Payables	61,659	-	-	61,659	61,659
Loans - Queensland Treasury Corporation	45,770	183,082	289,981	518,833	368,092
	107,429	183,082	289,981	580,492	429,751

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

(e) Market risk

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

Interest rate risk

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

Council does not undertake any hedging of interest rate risk.

Sensitivity analysis 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 \$859,587 (2017: \$1,193,388), an equal amount in the reverse direction is possible for a decrease in rates.

NOTE 20

NATIONAL COMPETITION POLICY

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

- · water and sewerage
- waste management
- · performing arts.

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

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

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

	Water and sewerage 2018 \$000	Waste management 2018 \$000	Performing arts 2018 \$000
Revenue for services provided to the council	22,441	7,998	-
Revenue for services provided to external clients	175,160	28,241	1,136
Community service obligations	1,868	1,607	-
	199,469	37,846	1,136
Less: Expenditure	(135,860)	(30,069)	(8,924)
Surplus/(deficit)	63,609	7,777	(7,788)

Description of CSOs provided to business activities:

Activities	CSO Description	Net Cost \$000
Townsville Water	Concessions on water and waste water utility charges	1,868
Townsville Waste	Concessions on landfill charges, community clean-up events and other waste services	1,607

NOTE 21

TRANSACTIONS WITH RELATED PARTIES

(a) Transactions with Townsville Breakwater Entertainment Centre Joint Venture

	2018 \$	2017 \$
Purchase of services from joint venture	7,784	19,918
Payment of working capital required under management agreement	50,000	-
Contribution of refurbishment assets to joint venture	722,282	4,273,300
	780,066	4,293,218

(b) Key management personnel compensation (KMP)

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

Short-term employee benefits	2,739,956	2,614,733
Post-employment benefits	245,185	320,899
Long-term employee benefits	145,817	194,185
Termination benefits	172,250	349,630
	3,303,208	3,479,447

(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.

There were no KMP family members employed by Council during the financial year.

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

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

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

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



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 2018, and of its financial performance and cash flows for the year then ended;
- 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 2018, 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 Acting 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 the Townsville City Council annual report for the year ended 30 June 2018, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the
 entities or business activities within the Council to express an opinion on the financial
 report. I am responsible for the direction, supervision and performance of the audit of
 the Council. I remain solely responsible for my audit opinion.

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 2018:

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

Jamb C

12 October 2018

CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

Measures of financial sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
How the measure is calculated	Net result (excluding capital items) divided by total operating revenue (excluding capital items)*	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense (excluding non-infrastructure assets)	Total liabilities less current assets divided by total operating revenue (excluding capital items)
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	3%	90%	86%

Note 1 Basis of preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from council's audited general purpose financial statements for the year ended 30 June 2018.

CERTIFICATE OF ACCURACY

FOR THE YEAR ENDED 30 JUNE 2018

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.



^{*} 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.



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 for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Acting 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 2018 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 2018, 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.

12 October 2018

Sri Narasimhan as delegate of the Auditor-General

Queensland Audit Office Brisbane

LONG TERM FINANCIAL SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

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-18	3%	90%	86%
ar. S	30-Jun-19	2%	80%	129%
Actual Projected for the years ended	30-Jun-20	0%	50%	110%
5	30-Jun-21	2%	60%	80%
ended	30-Jun-22	3%	80%	80%
ecte	30-Jun-23	3%	50%	80%
ō O	30-Jun-24	4%	80%	70%
	30-Jun-25	5%	80%	70%
T T	30-Jun-26	5%	90%	70%
	30-Jun-27	5%	80%	70%

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 2018

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

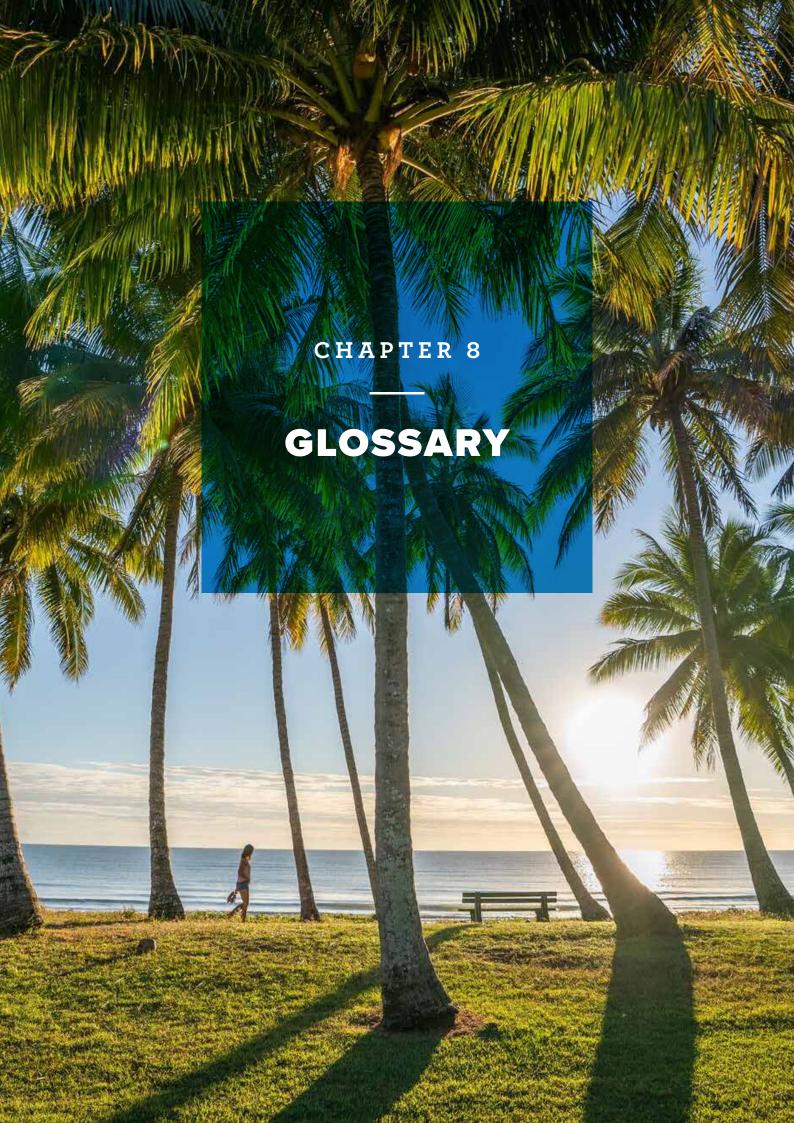
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

Acting Mayor LES LAUKEL SUBS.

Dated this 4 TH day of OctoBel 2018.

Chief Executive Officer

Dated this 4 th day of OctoBer 2016.



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 a 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 togethe with the notes and certification statements.		
Governance	The process by which decisions are taken and implemented, organisations are controlled and managed to achieve their objectives, and the process by which organisations are directed, reviewed and held to account.		
Kilolitre (kL)	One kilolitre of water = 1,000 litres		
Local Government Act 2009	The principal legislation which provides the legal framework for Queensland's local government sector.		
Local Government Association of Queensland (LGAQ)	The peak body for local government in Queensland. A not-for-profit association set up solely to serve the state's 77 councils and their individual needs.		
Local laws	Those laws under the jurisdiction of the council and enforced by city staff and/or Police.		
Megalitre (ML)	One megalitre of water = 1,000,000 litres		
Operational Plan	A document with a one-year outlook, which outlines the key activities to be undertaken to achieve the desired outcomes set out in the Corporate Plan. This is a legislative requirement.		
Personal protective equipment (PPE)	Refers to anything used or worn to minimise risk to workers' health and safety. This may include, but is not limited to: boots, ear plugs, face masks, gloves, goggles, hard hats, high visibility clothing, safety shoes, and sunscreen.		
Policy A statement, formally adopted by council that describes the council's position on a particula policies are consistent with council's long, medium and short term planning outcomes and s directly support the delivery of the council's Community and Corporate Plans.			
Waterfront Priority Development Area (PDA)	Covers land located on both sides of Ross Creek, which is directly adjacent to Townsville's Central Business District (CBD). The PDA has an area of approximately 63.7 hectares over land and 33.5 hectare over water.		

