

Extract of the minutes from the
Townsville City Council
Ordinary Meeting - 16 December 2010
including
Revised Budget
Financial Statements 2010/11 to 2012/13

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8 Finance - Revised Budgeted Financial Statement 2010/11

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Authorised by >> Director Corporate Services

Date >> 13 December 2010

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Executive Summary >>

In accordance with the Local Government Act 2009 and the Local Government (Finance, Plans and Reporting) Regulation 2010, council may amend the budget for a financial year at any time before the end of the financial year.

Management have completed a 4 month review of the 2010/2011 Budget considering the results to the end of October 2010 and known or anticipated changes to the operating environment or assumptions made at the time of budget formulation and the forecast operating deficit for 2010/11 remains unchanged at \$7.6 million.

Management have made every effort to update the budget assumptions to reflect the results to-date and anticipated changes in the operating environment however, there remains a risk that the forecast deficit may be impacted by the wet season, water consumption, growth and net interest costs.

There are no material changes to planned activities or service levels resulting from the budget amendments.

The amended budget for 2010/2011 and the following two years financial statements and nine years financial sustainability ratios as defined by the Department of Infrastructure and Planning are attached for adoption by Council.

Officer's Recommendation >>

OPERATING FUND BUDGET

1. That, in accordance with sections 98 and 99 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, and having considered presentations and advice provided by the Executive Manager Finance, Council note the 2010/2011 Budget has been:
 - prepared on an accruals basis; and
 - developed consistently with Council's corporate and operational plans.
and shows that council's:
 - liabilities are able to be satisfied;
 - capital base is not being consumed at a rate that will adversely affect it's service potential;
 - planned asset replacement is sufficiently funded; and
 - planned borrowings are only for capital expenditure.

2. That in accordance with Sections 98 to 100 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council adopt as its Budget the Revised Budget Financial Statements for 2010/2011, including Council's Significant Business Activities, Forecast Financial Statements for 2011/12 to 2012/13, and relevant measure of financial sustainability ratio's for 2010/11 to 2019/20 as attached.
3. That in accordance with section 133 of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council adopt the Statement of Planned Borrowings – December 2010 as attached.

Councillor R Gartrell queried the increase in finance costs between the 2010/2011 budget and the 2011/2012 budget. The Chief Executive Officer advised the increase was due to loan interest cost increasing.

Councillor R Gartrell queried the increase in labour costs. The Chief Executive Officer advised that the councils Enterprise Bargaining Agreement was due to expire August 2011 and the increase to labour costs anticipated the increase of salary and wages costs as well as the maintenance of staffing levels.

It was moved by Councillor D Last, seconded by Councillor V Veitch:

"that the Officer's Recommendation be adopted."

CARRIED

Statement of Income and Expenditure
For the year ended 30 June

	Adopted Budget 2010/11	Revised Budget 2010/11	Budget Forecast	
	2010/11	2010/11	2011/12	2012/13
	\$'000	\$'000	\$'000	\$'000
Revenue				
General Rates	137,555	137,555	144,708	154,400
Utility Charges	151,754	149,227	154,765	162,814
Less Discounts and Remissions	(28,507)	(28,287)	(29,570)	(31,355)
Fees and Charges	31,946	28,974	30,422	31,944
Income from Investments and Financing	3,583	5,487	3,291	3,357
Contributions and Donations	420	676	608	548
Grants and Subsidies	17,895	23,681	14,552	15,134
Other	12,150	12,858	13,501	14,176
Total Revenue	326,796	330,171	332,277	351,018
Less Expenses				
Employee and Contract Labour Costs	120,416	119,807	122,808	125,264
Materials and Services	105,566	107,941	90,744	93,584
Depreciation & Amortisation	88,438	89,275	94,547	101,705
Finance Costs	16,475	16,629	25,196	25,243
Other	3,496	4,114	4,983	5,056
Total Expenses	334,391	337,766	338,278	350,852
Surplus/(Deficit) before capital income	(7,595)	(7,595)	(6,001)	166
Capital Income				
Contributions, Grants, Subsidies and Donations	168,724	171,347	114,492	100,250
Gain / (Loss) on sale of Capital Assets	(1,785)	(1,753)	-	-
Total Capital Income	166,939	169,594	114,492	100,250
Increase/(Decrease) in Operating Capability	159,344	161,999	108,491	100,416

Balance Sheet

As at 30 June

	Adopted Budget 2010/11 \$'000	Revised Budget 2010/11 \$'000	Budget Forecast	
			2011/12 \$'000	2012/13 \$'000
Current Assets				
Cash Assets	98,435	91,294	90,237	87,604
Receivables	24,794	24,018	24,336	25,717
Inventories	2,046	11,485	11,841	12,210
Prepayments	412	1,636	1,699	1,765
Other Current Assets	178	327	1,236	2,205
Total Current Assets	125,865	128,760	129,349	129,501
Non Current Assets				
Investments	-	27,559	27,559	27,559
Other	1,381	1,959	1,959	1,959
Property, Plant and Equipment	3,875,422	3,870,165	4,073,139	4,263,283
Total Non-Current Assets	3,876,803	3,899,683	4,102,657	4,292,801
Total Assets	4,002,668	4,028,443	4,232,006	4,422,302
Current Liabilities				
Payables	13,011	13,590	12,226	12,597
Interest Bearing Liabilities	19,905	19,906	21,239	23,132
Provisions	976	8,877	9,055	9,236
Other	3,169	24,414	25,355	26,332
Total Current Liabilities	37,061	66,787	67,875	71,297
Non-Current Liabilities				
Payables	18,071	27,362	28,020	28,696
Interest Bearing Liabilities	382,274	383,520	383,281	372,149
Provisions	6,844	14,499	15,058	15,638
Total Non-Current Liabilities	407,189	425,381	426,359	416,483
Total Liabilities	444,250	492,168	494,234	487,780
Net Community Assets	3,558,418	3,536,275	3,737,772	3,934,522
Community Equity				
Asset revaluation reserve	283,990	244,498	337,504	433,838
Retained surplus	3,221,665	3,246,434	3,354,925	3,455,341
Other Reserves	52,763	45,343	45,343	45,343
Total Community Equity	3,558,418	3,536,275	3,737,772	3,934,522

Statement of Cash Flows
For the year ended 30 June

	Adopted Budget 2010/11 \$'000	Revised Budget 2010/11 \$'000	Budget Forecast	
			2011/12 \$'000	2012/13 \$'000
Cash Flow from Operating Activities				
Receipts				
Net Rates, Utility, Fees & Charges	320,534	333,315	328,669	346,280
Interest Received	3,583	5,487	3,291	3,357
Payments				
Materials and Services and Employee Costs	(233,253)	(248,304)	(218,512)	(222,103)
Finance Costs	(23,063)	(23,147)	(25,148)	(25,193)
Other	(2,838)	(3,092)	(419)	(435)
Net Cash Provided by Operating Activities	64,963	64,259	87,881	101,906
Cash Flow from Investing Activities				
Payments for Property, Plant & Equipment	(336,561)	(341,758)	(184,028)	(173,458)
Subsidies, Donations and Contributions for capital expenditure	147,027	149,660	92,805	76,991
Proceeds from sale of Property, Plant & Equipment	3,906	3,938	1,200	1,200
Other	-	-	(9)	(33)
Net Cash Used in Investing Activities	(185,628)	(188,160)	(90,032)	(95,300)
Cash Flows from Financial Activities				
Proceeds from Borrowings	50,000	50,000	21,000	12,000
Repayment of Borrowings	(18,061)	(18,184)	(19,906)	(21,239)
Net Cash Provided by Financing Activities	31,939	31,816	1,094	(9,239)
Net Increase/ (Decrease) in Cash Held	(88,726)	(92,085)	(1,057)	(2,633)
Cash at Beginning of Reporting Period	187,161	183,379	91,294	90,237
Cash at End of Reporting Period	98,435	91,294	90,237	87,604

Changes in Equity

	Total \$'000	Retained Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
Balance at 30 June 2010	3,374,276	3,081,935	244,498	47,843
Net Result for the Period	161,999	161,999	-	-
Transfer to Capital and Reserves	-	(14,113)	-	14,113
Transfer from Capital to Reserves	-	16,613	-	(16,613)
Asset revaluation adjustment				
Balance at 30 June 2011	<u>3,536,275</u>	<u>3,246,434</u>	<u>244,498</u>	<u>45,343</u>
Budget - Forecast				
Net Result for the Period	108,491	108,491	-	-
Transfer to Capital and Reserves	-	-	-	-
Transfer from Capital to Reserves	-	-	-	-
Asset revaluation adjustment	93,006	-	93,006	-
Balance at 30 June 2012	<u>3,737,772</u>	<u>3,354,925</u>	<u>337,504</u>	<u>45,343</u>
Net Result for the Period	100,416	100,416	-	-
Transfer to Capital and Reserves	-	-	-	-
Transfer from Capital and Reserves	-	-	-	-
Asset revaluation adjustment	96,334	-	96,334	-
Balance at 30 June 2013	<u>3,934,522</u>	<u>3,455,341</u>	<u>433,838</u>	<u>45,343</u>

Key Financial Ratios

Sustainability Ratios	Target	Budget	Budget Forecast								
	Ratio	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Working Capital Ratio (Current Assets / Current Liabilities)	1:1.0	1:1.9	1:1.9	1:1.8	1:1.8	1:2.0	1:2.1	1:2.1	1:2.0	1:1.9	1:2.0
Operating Surplus Ratio (Net Operating Surplus / Total Operating Revenue) (%)	0.0% - 15%	(2.3)%	(1.8)%	0.0%	1.1%	2.6%	3.1%	2.8%	3.4%	3.8%	4.2%
Net Financial Asset / Liability Ratio ((Total Liabilities – Current Assets) / Total Operating Revenue) (%)	<60.0%	110.1%	109.8%	102.1%	93.9%	79.1%	72.1%	71.3%	66.2%	61.8%	60.1%
Interest Coverage Ratio (Net Interest Expense / Total Operating Revenue) (%)	0.0% - 10%	3.4%	6.6%	6.2%	5.8%	5.1%	4.5%	4.3%	4.2%	3.9%	3.7%
Asset Sustainability Ratio (Capital Expenditure on the Replacement of Assets (renewal) / Depreciation Expense) (%)	>90.0%	124.3%	97.7%	94.0%	94.5%	97.1%	97.1%	95.9%	96.4%	96.5%	96.4%
Asset Consumption Ratio (Written Down Value of Infrastructure Assets / Gross Current Replacement Cost of Infrastructure Assets) (%)	40% - 80%	61.1%	58.6%	56.3%	54.1%	52.0%	50.3%	48.8%	47.4%	46.2%	45.1%

Council Business Activities - 2010/11

	Townsville Water	Townsville Waste	Construction & Maintenance	Nursery	Fleet & Property Management	Performing Arts	Off Street Parking
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Revenue							
Rates & Utility Charges	141,446	15,011	301	-	-	-	-
Less Discounts & Remissions	(3,480)	-	(25)	-	-	-	-
Fees & Charges	7,511	6,921	1,335	-	16,140	705	701
Income from Investments & Financing	583	86	192	-	107	-	-
Contributions - Recurrent	-	-	673	-	-	-	-
Subsidies & Grants - Recurrent	239	-	14,755	-	-	-	-
Corporate Overhead Recovery	-	-	-	-	-	-	-
Community Service Obligation	13,834	1,162	-	-	-	-	-
Competitive Neutrality Receipt	544	174	386	-	-	-	-
Taxes Received from Business Units	-	-	-	-	-	-	-
Other Revenue	3,270	2,106	14,216	1,256	23,490	1,371	-
Total Operating Revenue	163,946	25,459	31,834	1,256	39,737	2,076	701
Operating Expense							
Employee & Contract Labour Costs	18,555	6,105	6,637	346	6,278	1,540	51
Materials and Services	37,673	12,104	41,978	191	19,101	3,978	264
Bulk Water Expense	866	89	-	-	412	-	-
Finance	11,700	3	-	-	193	-	-
Depreciation and Amortisation	35,438	1,370	28,778	42	9,953	34	-
Community Service Obligation	-	-	-	-	-	-	-
Competitive Neutrality Expense	-	-	-	-	-	-	-
Taxes other than Income Tax	73	-	-	-	-	-	-
Other Expenses	11	2	-	386	150	283	-
Total Operating Expenses	104,315	19,672	77,393	965	36,087	5,835	315
Operating Surplus/(Deficit) before Capital Items	59,631	5,787	(45,559)	292	3,651	(3,760)	387
Other Capital Amounts							
Contributions - Capital	15,200	-	16,945	-	-	-	-
Grants & Subsidies - Capital	69,541	-	17,703	-	-	-	-
Contributed Assets	6,387	-	15,300	-	-	-	-
Profit/Loss on Sale of Assets	(2)	-	-	-	(398)	-	-
Revaluation Reserve Retired	-	-	-	-	-	-	-
Land Held for Resale	-	-	-	-	-	-	-
Total Other Capital Amounts	91,126	-	49,947	-	(398)	-	-
Increase/(Decrease) in Operating Capability before Tax	150,757	5,787	4,389	292	3,253	(3,760)	387
Income Tax	9,536	1,370	-	-	-	-	-
Increase/(Decrease) in Operating Capability after Tax	141,222	4,417	4,389	292	3,253	(3,760)	387
Dividend Payment to Council	50,096	4,417					

Business Activity Statement - 2010/11

	Townsville Water	Townsville Waste	Construction & Maintenance	Nursery	Fleet & Property Management	Performing Arts	Off Street Parking
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Operating Revenue							
Services provided to Local Government	23,649	2,738	13,244	440	39,510	-	-
Services provided to clients other than Local Government	140,297	22,721	18,590	817	228	2,076	701
Community Service Obligation	13,834	1,162	-	-	-	-	-
Total Operating Revenue	163,946	25,459	31,834	1,256	39,737	2,076	701
Operating Expense	104,315	19,672	77,393	965	36,087	5,835	315
Other Capital Amounts	91,126	-	49,947	-	(398)	-	-
Increase/(Decrease) in Operating Capability before Tax	150,757	5,787	4,389	292	3,253	(3,760)	387
Income Tax Equivalent	9,536	1,370	-	-	-	-	-
Increase/(Decrease) in Operating Capability after Tax	141,222	4,417	4,389	292	3,253	(3,760)	387
Dividend payment to Council	50,096	4,417					

Community Service Obligations - 2010/11

	Townsville Water	Townsville Waste
	\$000	\$000
Water - Remissions and transitional pricing	7,417	-
Wastewater - Remissions and transitional pricing	6,417	-
Public Place Waste	-	214
Speak Up Advertising	-	1
Public Place Bin Delivery	-	11
Litter Collection - roads	-	935
Total Community Service Obligations	13,834	1,162

Statement of Planned Borrowings

Year and Purpose of Borrowing	Amount 000's	Term
Year ended 30/6/2011 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$50,000	20 Years
Year ended 30/6/2012 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$21,000	20 Years
Year ended 30/6/2013 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$12,000	20 Years
Year ended 30/6/2014 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$15,000	20 Years
Year ended 30/6/2015 <ul style="list-style-type: none"> • Currently no planned borrowings 	nil	n/a
Year ended 30/6/2016 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$30,000	20 Years
Year ended 30/6/2017 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$40,000	20 Years
Year ended 30/6/2018 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$20,000	20 Years
Year ended 30/6/2019 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$20,000	20 Years
Year ended 30/6/2020 <ul style="list-style-type: none"> • New Infrastructure Assets 	\$50,000	20 Years

The amount projected to be outstanding at 30 June 2011 is \$403.426m repayment term of new loans is 20 years with existing loans having repayment terms between 2 and 18 years.

Anticipated loan principal repayments for the year ended 30 June 2011 is \$18.2m.