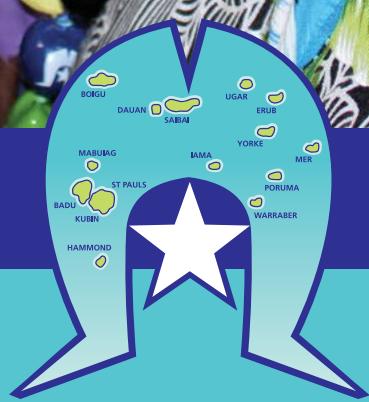




# ANNUAL REPORT

## 2016 - 2017



Torres Strait Island  
REGIONAL COUNCIL



#### TOP WESTERN ISLANDS

Saibai (Saibai Island)  
Boigu (Talbot Island)  
Dauan (Mt Cornwallis)

#### EASTERN ISLANDS

Mer (Murray Island)  
Erub (Darnley Island)  
Ugar (Stephen Island)

#### CENTRAL ISLANDS

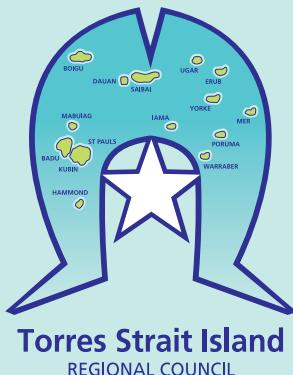
Iama (Yam Island)  
Masig (Yorke Island)  
Warraber (Sue Island)  
Poruma (Coconut Island)

#### WESTERN ISLANDS

Badu (Mulgrave Island)  
Arkai (Kubin) at Mua  
Wug (St Pauls) at Mua  
Mabuyag (Jervis Island)

#### SOUTHERN ISLAND

Kirriri (Hammond Island)



**Torres Strait Island**  
REGIONAL COUNCIL

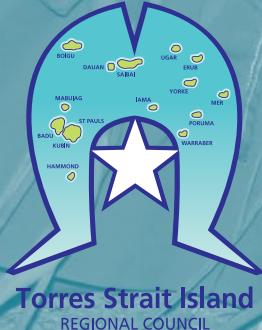
# SECTION 1

## Welcome

### Introduction to the Report

Torres Strait Island Regional Council is proud to present our Annual Report for the 2016/17 financial year. Our Report demonstrates that we are open and accountable and are committed to continuous improvement for the people we serve.

This report aims to give readers a clearer insight into our vision, direction and unique set of challenges we face delivering services across the beautiful islands of the Torres Strait.



# CONTENTS

<b>SECTION 1   Welcome</b>	<b>1</b>
Introduction to the report	3
Table of Contents	5
Mayoral Foreword	6
Snapshot of the Torres Strait Island Regional Council	8
<b>SECTION 2   OUR ELECTED COUNCIL</b>	<b>11</b>
Governance and decision making processes	12
Elected Council 2017	13
Council meetings	14
Councillor remuneration	15
Particular resolutions	
Expenditure on grants to community organisations	
<b>SECTION 3   FROM THE OFFICE OF THE CEO</b>	<b>19</b>
Message from the CEO	20
Challenges	20
Achievements	20
Executive structure	24
Internal audit	24
Report on the 2016 - 2017 Operational Plan	24
<b>SECTION 4   EXECUTIVE REPORTS</b>	<b>25</b>
Community Services	26
Housing	27
Engineering	28
Corporate Services	29
Case Study	31
Financial Services	32
<b>SECTION 5   DISCLOSURES</b>	<b>33</b>
Investigation notices	35
Investigation to change tender	35
Rates and charges	35
Commercial Business Units (beneficial enterprises)	35
Overseas travel	36
Registers kept by the Torres Strait Island Regional Council	37
Significant business activities	37
Senior Management remuneration	37
<b>SECTION 6   FINANCIAL MANAGEMENT</b>	<b>39</b>
Community Financial Report	40
Understanding Council's Financial Performance	41
Understanding Council's Financial Position	43
Queensland Treasury Debt	44
Financial Sustainability Ratios	45
Conclusion	46
Financial Management Strategy	46
Expenditure on Grants or Donations to Community Organisations	47
<b>SECTION 7   FINANCIAL STATEMENTS 2016 - 17</b>	<b>55</b>

# Mayoral Foreword



**Mayor Fred Gela**  
**Torres Strait Island Regional Council**

Firstly, I thank God for his many blessings and acknowledge our past and present Elders and the community leaders of the Torres Strait.

On 28 June 2016 Council adopted a \$106M operating budget for 2016/17, forecasting its second operating surplus in Council history (before depreciation).

As we close another strong year for Council, we also begin to reflect on the end of a decade with preparations beginning for our 10<sup>th</sup> Anniversary celebration in March of 2018. This will be a time of reflection and learning as we revisit Council's values and mission to foster a new decade of regional achievement and empowerment.

Our council is an established and significant player in the Indigenous Affairs sector. After a decade of achievements, we are better equipped than ever to hone-in on big-picture issues such as regional governance and genuine economic development.

We are proud to be celebrating more major wins through our tireless lobbying and engagement with senior politicians during a week in Brisbane in July 2016 and a week in Canberra in June 2017, alongside our ongoing engagements throughout the year.

The achievements during this financial year have resulted in significant policy changes and project funding from the Queensland Government. Our longstanding advocacy for our community members holding rights to **LHA (Katter) leases** has also borne fruit with \$50M allocated over 5 years to upgrade 344 LHA (Katter) Lease properties to enable homeownership.

I have been working directly with the State to identify parameters that should be factored into the State's Housing Capital Works funding bid to the Commonwealth as they seek new housing investment post 2018.

After ongoing lobbying the State Government Financial Aid (SGFA) has been increased and indexed annually. The Local Fare Scheme has been extended for two more years (\$8.3M) and the Transport Infrastructure Development Scheme (TIDS) was expanded by \$30M.

TSIRC has regularly advocated to government about the insufficient funding available to meet our essential infrastructure needs, and in response the Queensland Government has created the Indigenous Water Infrastructure Program (\$120M over four years) of which we will be a major beneficiary.

The Queensland Government's Indigenous Council's Critical Infrastructure Program funding is a \$120 million boost over four years to improve water, wastewater and solid waste infrastructure across remote Aboriginal and Torres Strait Islander communities in Queensland.

Of this funding pool, TSIRC has been successful in securing \$51M for essential works on water, wastewater and solid-waste infrastructure assisting Council to bring its essential infrastructure back to a standard where it can provide reliable services to our communities.

The Queensland Government has also responded to our calls for extension of the Works for Queensland (W4Q) funding extended for a further two years (\$200M). Council will also receive \$2.73M over 17/18 and 18/19 under the extended State Government-funded W4Q program.



Additionally, Council approved to apply its \$6.2M own source fund which was the result of Council's significant improvement in commercial debt recovery. This partnership will repair and maintain key existing community facilities, with a focus on island beautification, functionality and OHS. Some of the W4Q + TSIRC projects include:

- Airport Waiting Sheds
- Public Toilets
- Council Offices
- Landfill Clean-up and Transformation
- Landfill Fencing and Signage
- Wharves and Jetties

I continue to call on senior politicians and policy makers to ensure funding aligns with Council's expertise on providing fit for purpose, sustainable infrastructure and value for money in our region.

In closing, I personally wish to thank my team of Councillors and our dedicated employees who are committed to delivering services for the region that lead to change and empowerment.

**God Bless**

A handwritten signature in blue ink, appearing to read "Fred Gela".

**Mayor Fred Gela**  
**Torres Strait Island Regional Council**

# Snapshot of the Torres Strait Island Regional Council's electorate



## Our Council

The Torres Strait Island Regional Council (TSIRC) is one of three local councils found in the Torres Strait region.

The region is divided into three Local Government Areas. The smaller Torres Shire Council (TSC) represents Thursday Island, Prince of Wales, Horn Island and immediate surrounding islands. The Northern Peninsula Area Regional Council (NPARC) represents the Cape communities of Injinoo, Umagico, Bamaga, New Mapoon and Seisa.

Unlike any other local government, TSIRC services 15 remote island communities spread out across 42,000 square kilometres of water, each with its own unique characteristics and service requirements.

The TSIRC electorate has its own unique set of challenges impacting from climate change such as water shortages caused by lower rainfall, tidal

erosion and inundation. Given the sheer remoteness of the region the electorate is also faced with complex logistics, increased cost of doing business and funding shortfalls which contribute to poor sustainability outcomes.

The TSIRC region has a population of 4,514 across nearly 1,000 homes, 900 of which are tenancy-managed by TSIRC.



## Geography and Culture

The distance from Cape York to Papua New Guinea is around 150 km at the narrowest point, extending some 200 to 300 km from farthest east to farthest west.

Geographically, the islands in the Torres Strait can be divided into four main groups: an **eastern group** of high volcanic islands; a **central group** of low sandy islands; a **western group** of high islands composed of volcanic and granitic rocks; and a **top-western** group of low islands composed of mangrove muds and peats.

There are two distinct languages spoken throughout the Torres Strait:

- Kalaw Lagaw Ya, Kalau Kawau Ya, Kulkalgau and Kawalgau Ya. These are dialects of the western-central Torres Strait Language (Kala Lagaw Ya), and are spoken on the south-western, western, northern and central islands.
- Meriam Mir is spoken on the eastern islands.

### International Border with Papua New Guinea

TSIRC plays a key role in managing the treaty agreement between Australia and Papua New Guinea (PNG).

The international border with Papua New Guinea is Australia's closest and most porous international border. In some years, numbers of traditional visitors from PNG into the Torres Strait can swell to 50,000 per annum. Cross-border movements impact our housing, drinking water supplies, sewerage and waste management.

Currently, the elected Councillor in each community is responsible for verifying entry of traditional visitors into their respective communities.

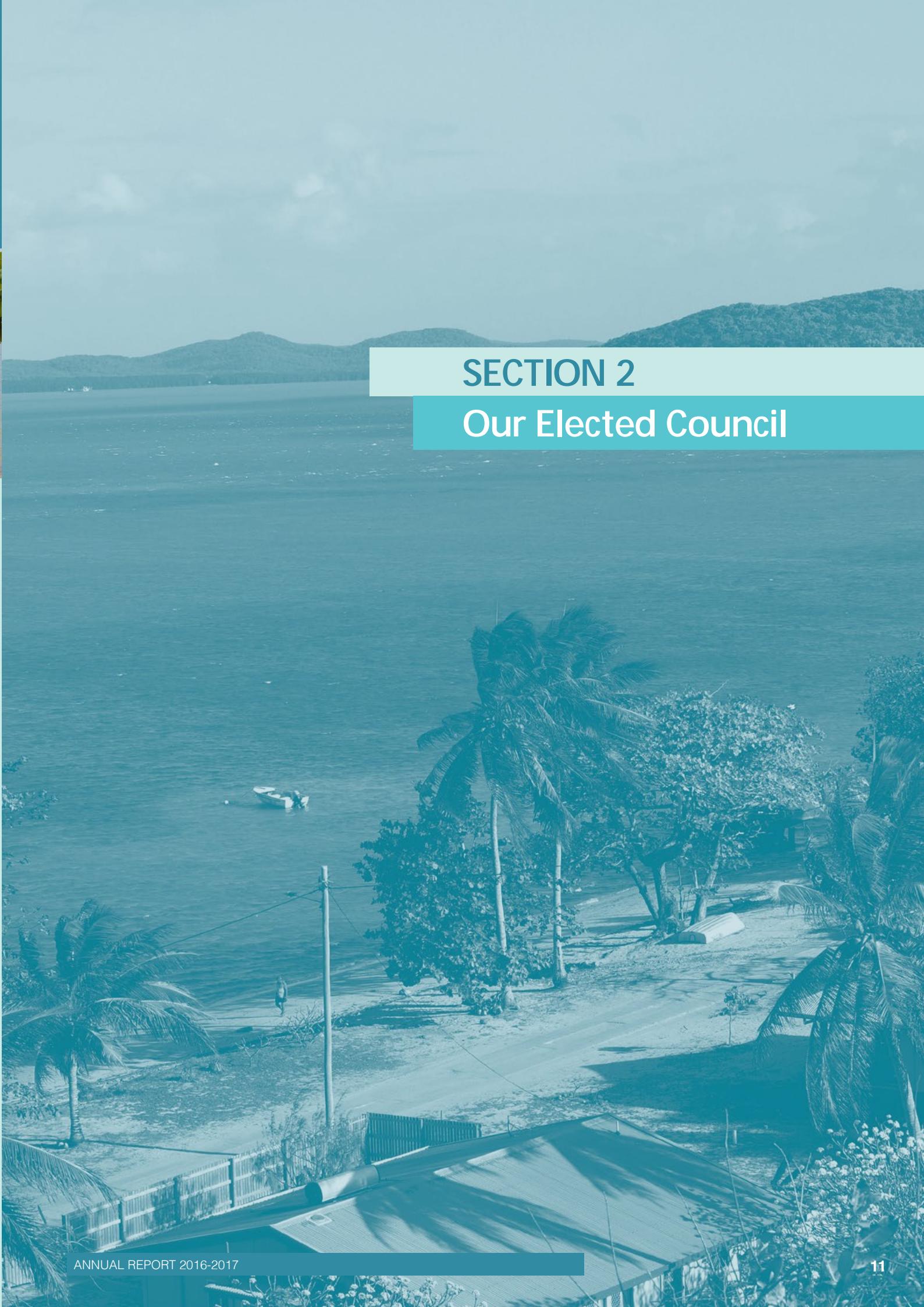


## Community Facilities

Each community has a TSIRC Administration Office, a Community Health Centre, a local Primary School (up to Year 6) and a local supermarket. The local supermarket has a vast range of produce and supplies, which are delivered by barge on a weekly schedule.

Some communities have police, bio-security (quarantine services), Australian Customs (border security), a church, post office and a Centrelink office. We provide social housing for community members which is constructed by local builders employed by Council.

Queensland Health delivers most medical services to each community, with local and registered nurses residing in most communities. Doctors and health staff visit most communities on a fortnightly basis.



## **SECTION 2**

### **Our Elected Council**

## Governance and Decision-Making Processes

While councils have core service delivery responsibilities, the *Local Government Act 2009* (Qld) provides a much broader definition of local government's obligations.

Elected Councillors and staff are required to act according to the following principles:

- Transparent and effective processes, and decision-making in the public interest
- Sustainable development and management of assets and infrastructure, and delivery of effective services
- Democratic representation, social inclusion and meaningful community engagement
- Good governance of, and by, local government
- Ethical and legal behaviour of councillors and local government employees.

These principles guide Council's governance structures and decision-making processes.

### The Structure of Torres Strait Island Regional Council

Elected members and Council staff make up the Torres Strait Island Regional Council (TSIRC). Each Division of TSIRC has one Councillor elected by voters within the Division. Council has one Mayor and 15 Councillors, one of whom is also Deputy Mayor. Voters across all 15 Divisions of the Council elect the Mayor.

### Council's Advisory Committees and Working Groups

In addition to Council's monthly Ordinary Meetings, TSIRC has other governance mechanisms established to assist in meeting our obligations for the people of our region.

#### Strategic Advisory Reference Group

The Strategic Advisory Reference Group (SARG) is chaired by the Mayor and comprised of three Councillors elected by their peers; the CEO; Executive Manager Corporate Services and Executive Officer.

The SARG provides strategic support and information to the monthly Council meetings. It meets monthly prior to Council meetings and increases Council's capacity to assess opportunities and risks in our current and future operating environment.

#### Audit Committee

Council's Audit Committee consists of two Councillors and two external members, one of whom is the Audit Committee Chair. The role of the committee is to act in an independent advisory capacity with oversight on financial matters of the Council and management.

#### Advisory Committees

Council has appointed Advisory Committees for three of its Divisions: Boigu, Dauan and Poruma. Advisory Committees are comprised of the elected Councillor as Chair and up to four members appointed from within the Division. The Advisory Committees meet at the request of Council and provide advice in regards to Ailan Lore and Ailan Kastom.

# Elected Council 2017



**Cr Fred Gela**  
Mayor



**Cr Dimas Toby**  
Boigu - Division 1



**Cr Torenzo Elisala**  
Dauan - Division 1



**Cr Keri Akiba**  
Saibai - Division 3



**Cr Keith Fell**  
Mabuiag - Division 4  
Deputy Mayor



**Cr Laurie Nona**  
Badu - Division 5



**Cr David Bosun**  
Kubin (Moa) - Division 6



**Cr John Levi**  
St Pauls (Moa) - Division 7



**Cr Mario Sabatino**  
Kirri - Division 8



**Cr Getano Lui (Jnr)**  
Iama - Division 9



**Cr Clara Tamu**  
Warraber - Division 10



**Cr Francis Pearson**  
Poruma - Division 11



**Cr Ted Nai**  
Masig - Division 12



**Cr Rocky Stephen**  
Ugar - Division 13



**Cr Patrick Thaiday**  
Erub - Division 14



**Cr Bob Kaigey**  
Mer - Division 15



## Council Meetings

Councillor	Jul 18	Aug 24	Sep 20	Oct 26	Nov 17	Dec 14	Feb 20	Mar 9	Mar 21 *SM	Apr 19	May 30	Jun 27	Total %
Mayor Fred Gela	yes	yes	yes	yes	yes	yes	100						
Dep Mayor Keith Fell	yes	yes	no	yes	yes	no	yes	yes	yes	yes	yes	yes	83
Cr Dimas Toby	yes	no	no	yes	yes	no	yes	no	no	yes	no	yes	50
Cr Torenzo Elisala	yes	yes	yes	no	yes	yes	91						
Cr Keri Akiba	no	yes	yes	yes	yes	no	yes	yes	yes	yes	yes	yes	83
Cr Laurie Nona	yes	yes	no	yes	yes	no	yes	yes	no	yes	no	yes	66
Cr David Bosun	yes	yes	no	yes	yes	yes	yes	yes	yes	no	yes	yes	83
Cr John Levi	yes	yes	yes	yes	yes	yes	100						
Cr Mario Sabatino	yes	yes	no	yes	no	yes	yes	no	yes	yes	yes	yes	75
Cr Getano Lui (Jnr)	yes	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	91
Cr Clara Tamu	no	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes	91
Cr Francis Pearson	yes	yes	yes	no	yes	yes	yes	yes	yes	yes	yes	yes	91
Cr Ted Nai	yes	yes	yes	yes	yes	yes	100						
Cr Rocky Stephen	yes	yes	no	yes	yes	no	yes	yes	yes	no	yes	yes	75
Cr Patrick Thaiday	yes	yes	yes	yes	yes	yes	100						
Cr Bob Kaigey	no	no	yes	yes	no	no	yes	yes	no	yes	yes	yes	58

\* Special Meeting

## Councillor Remuneration

Councillor	Division	Travel Allowance	Councillor Allowance
Fred Gela (Mayor)	(Mayor)	\$12,433.95	\$99,608.18
Keith Fell (Dep Mayor)	(Dep Mayor) Mabuiag	\$7,784.60	\$57,465.79
Laurie Nona	Badu	\$4,773.40	\$48,425.36
Dimas Toby	Boigu	\$5,244.30	\$49,809.22
Torenzo Elisala	Dauan	\$5,524.35	\$49,809.22
Patrick Thaiday	Erub	\$8,733.20	\$49,809.22
Mario Sabatino	Hammond	\$4,378.65	\$49,809.22
Getano Lui	Iama	\$6,934.90	\$49,809.22
David Bosun	Kubin	\$6,593.10	\$48,425.36
Bob Kaigey	Mer	\$6,586.00	\$48,425.36
Francis Pearson	Poruma	\$6,531.55	\$49,809.22
Keri Akiba	Saibai	\$5,422.35	\$44,603.12
John Levi	St Pauls	\$6,265.95	\$49,809.22
Rocky Stephen	Ugar	\$14,561.45	\$49,809.22
Clara Tamu	Warraber	\$5,332.80	\$49,809.22
Ted Nai	Masig	\$10,823.85	\$49,809.22
<b>TOTAL</b>		<b>\$117,924.40</b>	<b>\$845,045.37</b>



## Particular Resolutions

### Expense Reimbursement Policy

Section 250 of the *Local Government Regulation 2012* (Qld)

The expense reimbursement policy is a policy providing for the following:

- payment of reasonable expenses incurred, or to be incurred, by councillors for discharging their duties and responsibilities as councillors;
- provision of facilities to councillors for that purpose.

Council adopted its Councillor Expense Reimbursement and Facilities Provision Policy (SPO 6) for the period 1 July 2016 to 30 June 2017 in June 2016, as follows:

#### RESOLUTION

*Moved Cr Stephen, Seconded Cr Levi  
That Council adopt the following Policies:*

- *Investment Policy (SPO 1)*
- *Community Grants Policy (SPO 3)*
- *Debt Policy (SPO 4)*
- *Revenue Policy (SPO 5)*
- *Councillor Expense Reimbursement and Facilities Provision Policy (SPO 6)*
- *Fiscal Governance Policy (PO 4)*
- *Entertainment and Hospitality Policy (PO 11)*

**MOTION CARRIED**

### Valuable Non-Current Assets

Section 185 of the Local Government Regulation 2012 requires Council to list in its Annual Report any resolutions made under section 206(2) of the Regulation, where Council has set an amount for each different type of non-current physical asset below which the value of an asset of the same type must be treated as an expense.

Council passed a resolution in March 2017 to set an amount for each different type of non-current physical asset, as follows:

#### RESOLUTION

*Moved Cr Fell; Seconded Cr Bosun*

*That pursuant to section 206 (2) of the Local Government Regulation 2012 (Qld), Council resolve to amend Council's Asset Capitalisation threshold to \$10,000 for plant and equipment and \$10,000 for all other assets, with the exception of land that remains at \$1.*

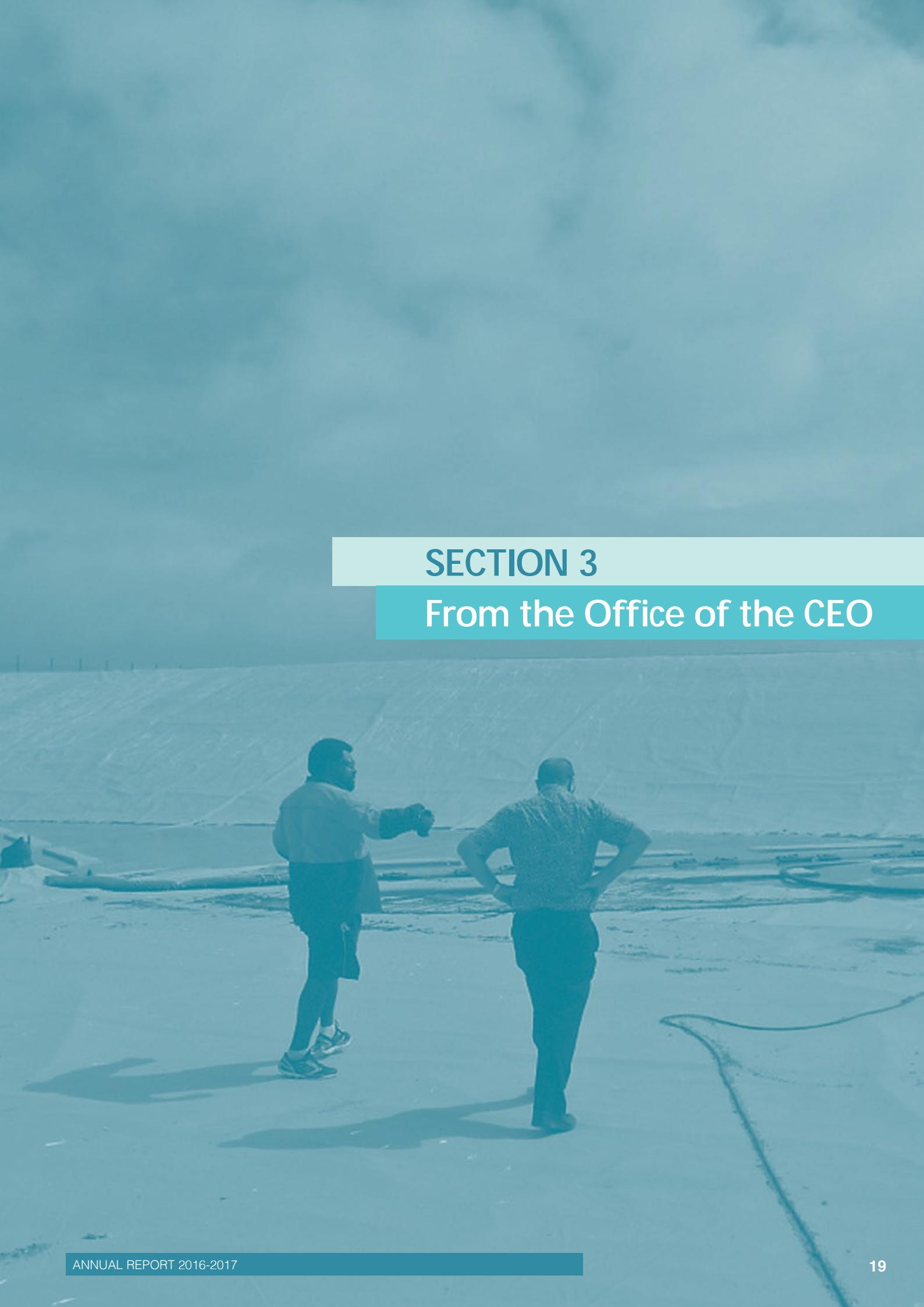
**MOTION CARRIED**

## Expenditure on Grants to Community Organisations

Expenditure on Grants to Community Organisations	
Division	Expense
Regional	\$29,500.00
Mayor	\$23,875.32
Boigu	\$20,184.77
Dauan	\$17,688.37
Saibai	\$19,604.56
Mabuiag	\$18,753.19
Badu	\$16,382.00
Kubin	\$22,913.02
St Pauls	\$17,577.93
Hammond	\$19,033.20
Iama	\$18,919.61
Warraber	\$21,636.60
Poruma	\$20,507.34
Masig	\$25,339.84
Ugar	\$18,541.85
Erub	\$23,818.78
Mer	\$19,009.38
<b>Total</b>	<b>\$353,285.76</b>







## SECTION 3

### From the Office of the CEO

# Message from the CEO



**Chris McLaughlin**  
**Acting Chief Executive Officer**

With the 2016/17 financial year coming to a close on 30 June, let's take a look back at TSIRC's top challenges and achievements.

## Challenges

Our principal challenges identified in Council's 2017 Risk Register are funding, asset management and sustainability. These are evident on the face of audited financial statements, 10 year financial forecasts for 16/17 and Asset Management Plans.

Council addressed specific operational challenges in our advocacy to State and Federal governments. Over 2016/17 we advocated on the following issues:

- Ongoing funding for new housing in the Torres Strait
- Funding for a waste metal clean up in the Torres Strait and upgrades to waste management facilities
- Establishment of a joint State–Federal facility on Saibai for services relating to Treaty management and enforcement
- Ongoing State commitment to the Local Fare Scheme
- Ongoing State commitment to funding TSIRC's public health program
- Transport solutions for Ugar and Dauan
- Restoration of Federal Financial Assistance Grants Indexation
- Restoration of State Government Financial Aid Indexation
- Protective works against tidal inundation and erosion for Boigu, Poruma, and scoping for Iama, Masig and Warraber
- Option to tender for Government Housing building works

- Ongoing operations funding for our water and wastewater services
- Aligning State and Federal infrastructure funding opportunities with Council Asset Management Plans
- Better funding for jetties, wharves and other marine infrastructure
- Holistic approaches to land tenure resolution
- Better mobile and internet coverage in the Torres Strait
- Recognition of Ailan Adoption
- Health worker capacity building

In addition, Council made submissions to the Inquiry into Local Government Sustainability, and to the Queensland Productivity Commission's Inquiry into Service Delivery in Queensland's Remote and Discrete Indigenous Communities.

## Achievements

### Office of the Chief Executive Officer

Council has been successful in its advocacy efforts in 2016/17, obtaining significant funding and policy commitments. In addition, we have achieved:

- Budget operating surplus in 2016/17 before depreciation
- Successful recruitment of a permanent Chief Executive Officer from September 2017
- Successful recruitment of Executive Manager Housing Services



## **Financial Services**

- Strengthened Council's forecasting and long term financial planning by refining model inputs and documenting assumptions and inputs
- Grants database implemented to keep track of Council's grants and acquittals
- Increased debt recovery collection rates: in 16/17: utility charges to 82% and commercial debt to 99%
- State wage increase and level merge in September 2016 per Industry Award

## **Corporate Services**

- \$1.5B of Council assets revalued with asset condition assessments
- Backhoe competency training provided to six staff from Mabuiag and Dauan Islands
- Finalist in the Far North Queensland Training Awards – Large Employer of the Year category: 15 apprenticeships and 22 traineeships
- Favourable decision in the Land Court of Queensland for the grant of pending LHA (Katter) leases
- Video-conferencing facilities at each TSIRC office

## **Housing Services (incorporating the Building Services Unit)**

- 30 new houses completed across our communities, and a new subdivision on Badu and Hammond Islands
- Indigenous employment and training: 15 apprentices and 10 Indigenous contractors
- In-kind construction of Anzac Memorials
- Successful recruitment of Manager Housing Services
- Increase in social housing rent recovery from 20% to 56%, with payment plans up from 5% of debtors to 30%
- Social housing community engagement sessions

## **Community Services**

- Five-year funding deal secured for Environmental Health Program
- Biosecurity Plan and Strategy developed
- Health and Wellbeing program renewed for 12 months
- Health and Wellbeing program gets a boost from TSYRSA funding
- Ideas Box confirmed for communities without Indigenous Knowledge Centres in 17/18

- Community education sessions, vet visits and mosquito control
- Eighteen Environmental Health Workers completed Cert IV in Animal Control and Regulations

## **Engineering Services**

- Saibai Seawalls completed
- MIP5 projects completed, including:
- Water Main Replacement – Badu & Iama
- Water Improvements – Erub & Mer
- Regional SCADA Project
- Pump Station Refurbishment – Mer & Saibai
- Boigu Water Production Investigation and Upgrades

Other capital projects completed, including

- Saibai Airport fencing relocation
- Mer Road (barge ramp to desalination plant) continuation
- Barge Ramp Upgrade – Dauan, Hammond & Masig
- WTP Shed Repairs & Upgrade – Kubin & St Pauls
- Airport Upgrades – Badu, Kubin, Mabuiag, Mer & Erub
- Boigu Water Investigation and Upgrades
- Emergency Mobile Desalination Units
- HF Radio
- NDRRA works – Badu, Boigu, Erub, Hammond, Mabuiag & Moa
- Road safety improvements – Hammond & Moa
- Water pump stations renewals – Warraber & Poruma

Council has set its Operational Plan for 2017/18 which can be downloaded from Council's website and includes a list of all approved projects.

I am pleased to hand over the reigns of TSIRC management in September 2017 to our incoming Chief Executive Officer, Bruce Ranga, and will continue to support him in my role as Executive Manager Corporate Services to ensure Council continues to evolve to meet community expectation. Mina Big Esso to Council and community for the opportunity over the past 12 months to serve as your acting Chief Executive Officer.

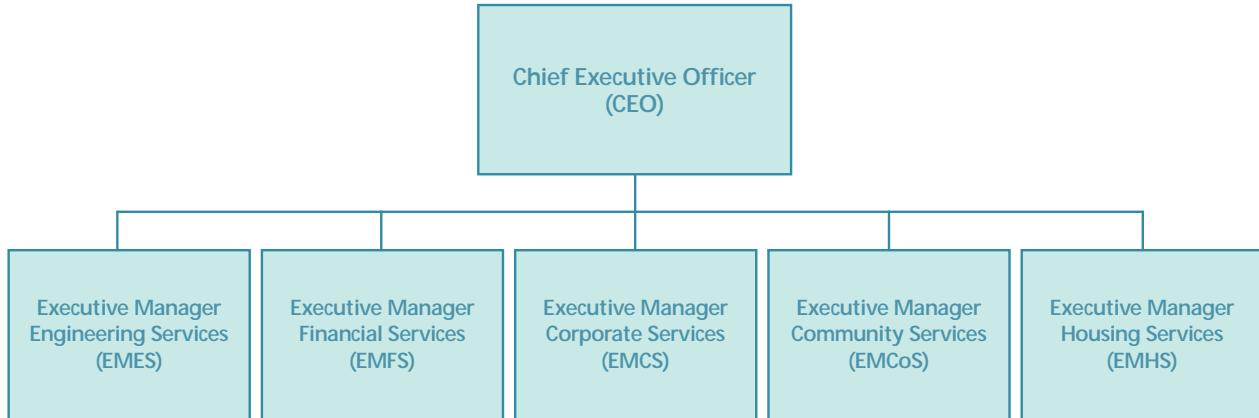
## **God Bless**



**Chris McLaughlin**  
**Acting Chief Executive Officer**



## Executive Structure



## Internal Audit

This section details Council's internal audit activities for the year.

- November 2016;
- February 2017;
- April 2017; and
- June 2017

### Audit Committee

In line with the requirements of the *Local Government Act 2009* and its supporting regulations, Council's Audit Committee consists of two Councillors and two external members, one of whom is the Audit Committee Chair.

The two Councillor positions on the committee were held by Cr Fred Gela (Mayor) and Cr Ted Nai (Councillor - Masig). The external members of the committee were Eric Muir (also the Audit Committee Chair) and Paul Shipperley.

### Evaluating Activities and Controls

The Internal Audit department operates in accordance with the Internal Audit Charter and Internal Audit Procedure. It sets out the mandate, roles and responsibilities of the internal audit function. It outlines the dual reporting of Internal Audit, to the Audit Committee and to the Chief Executive Officer. Council's internal audit activity over the medium-term is managed via a three-year Strategic Internal Audit Plan, while the specific internal audit activities performed each year are outlined in the Annual Work Plan. These plans were endorsed by the Audit Committee in June 2017.

The Internal Audit department provides an independent and professional review, established to evaluate the risks and controls associated with Council's activities, processes and systems. By reviewing Council's risks, internal controls, efficiency, effectiveness, governance, performance and compliance, internal audit aims to provide assurance that the Council and its management are discharging their responsibilities effectively and efficiently.

During 2016/17, Internal Audit issued reports to the Audit Committee in:

- August 2016;
- September 2016;

## Report on the 2016/17 Operational Plan

The Council has adopted an Operational Plan that specifically addresses the core functional components of its vision. The Operational Plan as adopted identifies outputs, activities and performance measures.

The hierarchy of planning documentation requires that the Operational Plan specifically address the Corporate Plan. Council's Operational Plan links with outcomes in the Corporate Plan and delivers on specific strategies mentioned in the Corporate Plan. Due to the fact that the Operational Plan is both qualitative and quantitative in nature, it is difficult to assess the Operational Plan in number terms. Many of the outputs in the Operational Plan are ongoing in nature, e.g. provision of potable water services. Reviews of the Operational Plan are provided to Council quarterly. The 2016/17 Operational Plan was adopted by Council in June 2016 as follows:

### 5.50pm-5.55pm Corporate Services: Operational Plan

#### RESOLUTION

Moved Cr Toby, Seconded Cr Thaiday

*That pursuant to section 174(1) of the Local Government Regulation 2012 (Qld), Council adopts the Annual Operational Plan for financial year 2016–2017, subject to removing Policy (OP), Feasibility Aged Care (OP), Sustainable Programs (OP) Projects (\$136,000) and quarantining Fire Hydrants, IT Refresh, ECM Upgrade, Lagoon Fencing, WTP Shed (St Pauls and Kubin), Badu Workshop (\$604,400) for further workshop in July 2016 along with other potential capital works priorities and approving increase of Corporate Buildings Upgrade (CAP) Project budget from \$100,00 to \$200,000.*

**MOTION CARRIED**

A photograph of a woman in a traditional Hawaiian hula outfit, featuring a white dress with large blue floral patterns and a matching headband. She is smiling and looking towards the camera. In the background, a man in a suit and tie is seated, and another person is visible on the right side of the frame.

## SECTION 4

### Executive Reports

## Community Services

### Health and Community Services

Council's Health and Community Services Department's role is to develop, manage and deliver a broad range of community and public health services that meet the needs of all sectors of the communities we serve. In the 2016/17 financial year the department's priority was to provide improved service delivery across a broad range of programs including animal management programs, Home and Community Care (HACC) Services, and delivery of sustainable healthy lifestyle programs.

### Aged Care

Council's Aged Care Program provides services to the aged, elderly and people with a disability to assist them to continue living at home. Aged care support services include domestic assistance, personal care, respite, social support, transport, client care coordination, equipment use and home modifications.

Aged Care Workers organised a number of Senior Weeks, which were celebrated on Poruma, Warraber, Badu, Kubin, St Pauls, Mer and Erub. The seniors enjoyed various activities ranging from dancing, strength exercises, and learning how to use the iPad. The week concluded with a Seniors Ball celebrated Ailan Style.

During the 16/17 financial year, Manager Community Services and six Aged Care Workers were enrolled in Cert III in Individual Support through TAFE Queensland North.

### Child Care

Council's Early Childhood Services provide high-quality child care for very young children aged up to 3.5 years at Aragun Child Care Centre – Badu Island and school-aged care for children at the Hammond Island After-School Care Centre.

In the Early Childhood Services Program there are 14 Early Childhood Educators within the following services that are provided to the constituents of TSIRC on Badu and Hammond:

- CHILD CARE - Badu Island
- AFTER SCHOOL CARE - Hammond Island
- VACATION CARE - Hammond Island

As part of professional development, capacity building and in-house training for Council's Early Childhood Educators, a number of educators have been enrolled in the Diploma in Early Childhood and Care.

Council's Early Childhood Educational Programs work with families to develop age-appropriate educational programs in accordance with the Early Years Learning Framework – Being, Belonging, Becoming (Child Care) My Time, Our Place (School Age Care).

A working group was established to progress the feasibility study of alternative child care support in community as per the 16/17 Operational Plan for the department.

### Health and Wellbeing

The 2016/17 Health and Wellbeing program focused on creating sustainable programs in the communities and empowering community capacity building to community members to gain skills in delivering active sustainable programs.

### Indigenous Knowledge Centre

TSIRC has worked in partnership with State Library Queensland (SLQ) for the delivery of Programs across the 10 IKC sites. Council was successful in securing funding from SLQ for the delivery of Ideas Box (Mobile Library) to Mer and Masig, commencing August 2017.

### Environment and Health

Council delivers environmental health and animal management services throughout the local government area under the Aboriginal and Torres Strait Islander Public Health Program with assistance through funding by the Queensland Government.

Council was also successful in securing five-year funding for the Public Health Program up to June 2022.

Council currently employs a team of 21 staff to deliver environmental health services to the community. Some key areas of service delivery include:

#### Animal Management

- Appropriately manage animal numbers, and animal health and treatment in community.
- Raise community awareness of animal health and wellbeing.
- Reduce potential feral animal activity through monitoring and managing of feral animal population.
- Engage and deliver veterinary services to all communities.

### **Food Safety and Awareness**

- Inspect and monitor food handling, transport and point of sale on commercial operations.
- Provide food safety awareness throughout the community.

### **Health Promotion**

- Provide advice and increase awareness of environmental health issues through education and awareness, such as hygiene, pest management and waste management.

### **Compliance and Enforcement**

- Assess and monitor local law compliance and conduct enforcement action as required.

### **Pest Management**

- Provide advice and treatments for the control and eradication of pests, including mosquitos, flea, tick and feral animals.

The Environmental Health Program prioritises capacity building and professional development of its Environmental Health employees through mentoring, tertiary education, and in-house training.



### **Housing Services (incorporating Building Services Unit)**

Council provides social housing to more than 900 households across the Torres Strait. The Housing Services Department delivers tenancy management, including rent collection, repairs and maintenance, upgrades and new housing construction.

Housing Services is continuously developing strategies to engage tenants in maintaining their rent contribution to ensure housing is sustainable in the Torres Strait. All collected rent is utilised to support the delivery of services to tenants.

Council Building Services Unit (BSU) completed 6481 repairs and maintenance jobs across all communities in the financial year 2016/17, including:

- 1772 within the Eastern Cluster
- 2143 within the Central Cluster
- 2566 within the Western Cluster

In addition to repairs and maintenance, BSU completed \$16M worth of housing upgrades and disability modifications, driveways and other structural improvements.

BSU also manages new house construction and infrastructure enhancements, such as domestic water supply compliance upgrades, septic upgrades and extensions to water and sewer mains to bring services to new housing lots previously unserviced.

Housing Officers on the ground deliver high quality customer service achieved through effective administration and tenancy management for their community, including processing complex tenancy matters.

One of Housing Services' most successful strategies is to conduct week-long visits to discuss housing at community forums, provide training to Housing Officers and meet with individual tenants. The forums provide information to tenants about how housing is funded, where rental income goes and tenants' responsibilities. While in community the team focuses on working with tenants to enter into payment plans to address arrears and resolve complex tenancy management issues.

The greatest engagement strategy achievement this year has been the remarkable 98% rent collection rate achieved by Warraber and increasing the rent collection rate by 32% on Dauan, which the Housing team visited in early 2017.

Housing Services strives for continuous improvement in delivering housing and building services that address the current and future needs of each community.

## Engineering Services

The past year has been very busy and productive especially in relation to project delivery and training of staff.

The completion of the Major Infrastructure Projects (MIP 5) across several communities focused on new water and wastewater infrastructure. Also included was a telemetry and remote control system whereby drinking water equipment (pumps, storage levels, treatment plants) are continuously monitored to enable real-time assessment and planning around water security and quality.

Numerous other projects were delivered, many by Council's own staff. These included works such as upgrades to roads on Hammond and Moa and a new concrete sealed road on Mer. Barge ramps across many communities and airport upgrades such as line marking, and solar powered lit-up wind socks.



The demonstrated success of project delivery by Council has no doubt been a key factor in obtaining significant additional funding for project roll-outs in the year ahead.

Training and development of the water and wastewater teams has been a focus over the past year, to strengthen our response to water security challenges and the need for 'self-sufficiency' given the remoteness and costs of doing business. Staff undertook formal Water Operations Training to receive a Cert II in Water Operations. Council has also partnered with the Department of Health in tailor-made training and a pilot program to enhance the water disinfection systems and general water operations across several divisions. This program has had great success and will be a spring board for roll-out across all Council divisions and as a model for other remote councils.

The major component of the overall Seawalls Project was completed on Saibai. This project will see a significant improvement to the lives of Saibai residents which were otherwise regularly flooded by high tides and storm surges.

A new rock seawall and wave wall at the ocean side of the community measuring 1870 meters, and a bund wall measuring 2060 meters at the rear acts as a barrier

to repel water flooding the community. A construction contract has been entered into to enable similar works to start on Boigu as a stage one.

Both projects are funded by Department of Infrastructure and Regional Development, Department of the Prime Minister and Cabinet, Department of Infrastructure, Local Government and Planning and Torres Strait Regional Authority.

## Corporate Services

The Corporate Services Department provides support services to Council in relation to Asset Management, Legal Services, Human Resources, Information Services, Procurement and Fleet. It has been an eventful year for the Department of Corporate Services, capitalising on a 'back to basics' and 'no frills' strategy commenced in 2015/16. A rigorous strategic corporate 'service-focused' framework now exists within Council, requiring a renewed focus upon training and implementation of that framework.

The focus has also been on corporate and community expectations and sustainability, including performance appraisals and management of all staff, improved efficiency and savings through the use of technology,



and an increased emphasis on asset management of the substantial asset portfolio held by Council.

Corporate Services prides itself on its vision and innovation. This has been capitalised on over the year in the consolidation and refinement of our processes, systems and technologies, in order to provide increased capability with fewer resources.

#### **Video Conferencing and Network Upgrade**

Installation of Polycom Video Conferencing system to every TSIRC Division office. These systems consist of high-end camera and microphone, along with two large 50" screens, to enable the delivery of face to face meetings for Division staff and community. They are already being used for training and Council meetings and will allow Council to reduce travel costs. At the same time network infrastructure was upgraded at all Divisions to allow more efficient management of IT systems and to take advantage of the soon to be completed Telstra/TSRA Digital Foundation project.

#### **Asset Revaluation**

Undertake a full valuation of Council infrastructure assets in areas which include buildings, water and sewer networks, roads, landfill, flood mitigation,

wharves and jetties, roads and airports, recreational facilities, drainage and flood mitigation. Council has over 15,000 individual assets valued at over \$1.5B. The reassessment of the condition of these assets allows Council to plan for future costs, monitor the condition and rate of degradation to assets and provide more accurate financial forecasting.

#### **LHA (Katter) Lease Decision**

This year, two LHA (Katter) Lease entitlement holders from Hammond Island went to the Land Court of Queensland seeking orders that the Minister grant their LHA (Katter) leases immediately. In April 2017, the Land Court of Queensland decided that the LHA (Katter) leases could be granted immediately. The Land Court said that Commonwealth native title laws allow the Minister to grant an LHA (Katter) lease and extinguish any native title for the leased land.

The case is under judicial review in the Supreme Court. If the entitlement holders are successful, this case would facilitate homeownership for up to 177 LHA (Katter) Lease entitlements across Torres Strait.



## Case Study

### Housing: Growing Local Jobs

Council's responsibility is to ensure housing is financially sustainable into the future for Torres Strait communities.

Through its rent collection, Council delivers a sustainable asset and tenancy management approach to social housing. In 2016/17, Housing Services has also strengthened its capacity to run effective housing infrastructure development programs.

These programs improve the living standards of tenants whilst maximising employment and training opportunities for locals.

In 2016/17, repairs and maintenance, upgrade of housing stock and new construction continued to provide job opportunities for 50 full time and part time workers on the islands.

Council's Building Services Unit (BSU) completed the construction of 22 new houses and commenced the building of another 31 new houses in 2017/18 across the Strait.

Throughout the construction of the National Partnership on Remote Housing (NPRH) new houses, BSU employed six new apprentices, bringing the total number of Council apprentices in the Torres Strait to 10.

Additionally, Council provided casual employment for 10 local residents for the upgrade of its building assets including stadiums, accommodation and offices.

Council has also increased its number of full time Indigenous trade contractors from five to 10 in the past 12 months.

The total number of Torres Strait Islander people employed full time and part time directly by Council's Housing Services in building and related trades is now 70.

One particular highlight for Corporate Services this year was TSIRC's nomination as a Finalist for the Far North Queensland Training Awards, under the Large Employer category. Great work from our staff who are involved with the training of 15 apprentices and 22 trainees, along with the general training requirements of all our Departments.



## Financial Services

2016/17 activities focused on strengthening Council's long term sustainability. This was driven by the delivery of a Strategic Financial Review Report conducted by Queensland Treasury Corporation (QTC) at the request of Council.

The review recommended strengthening the maturity of Council's long-term forecasting documentation and decision making tools, to assist Council balance both financial risk and community aspiration.

A number of key achievements driven by the report were implemented throughout 2016/17, including the development of scenario based long term financial forecasting. Scenario based modelling is enabling Council to consider multiple financial forecasts, including quantification of the funding gap if 100% of asset renewals were to be undertaken. This improvement has fundamentally influenced the decision making process of Council and enabled a stronger strategic focus with Council considering the longer term financial impacts of today's decisions.

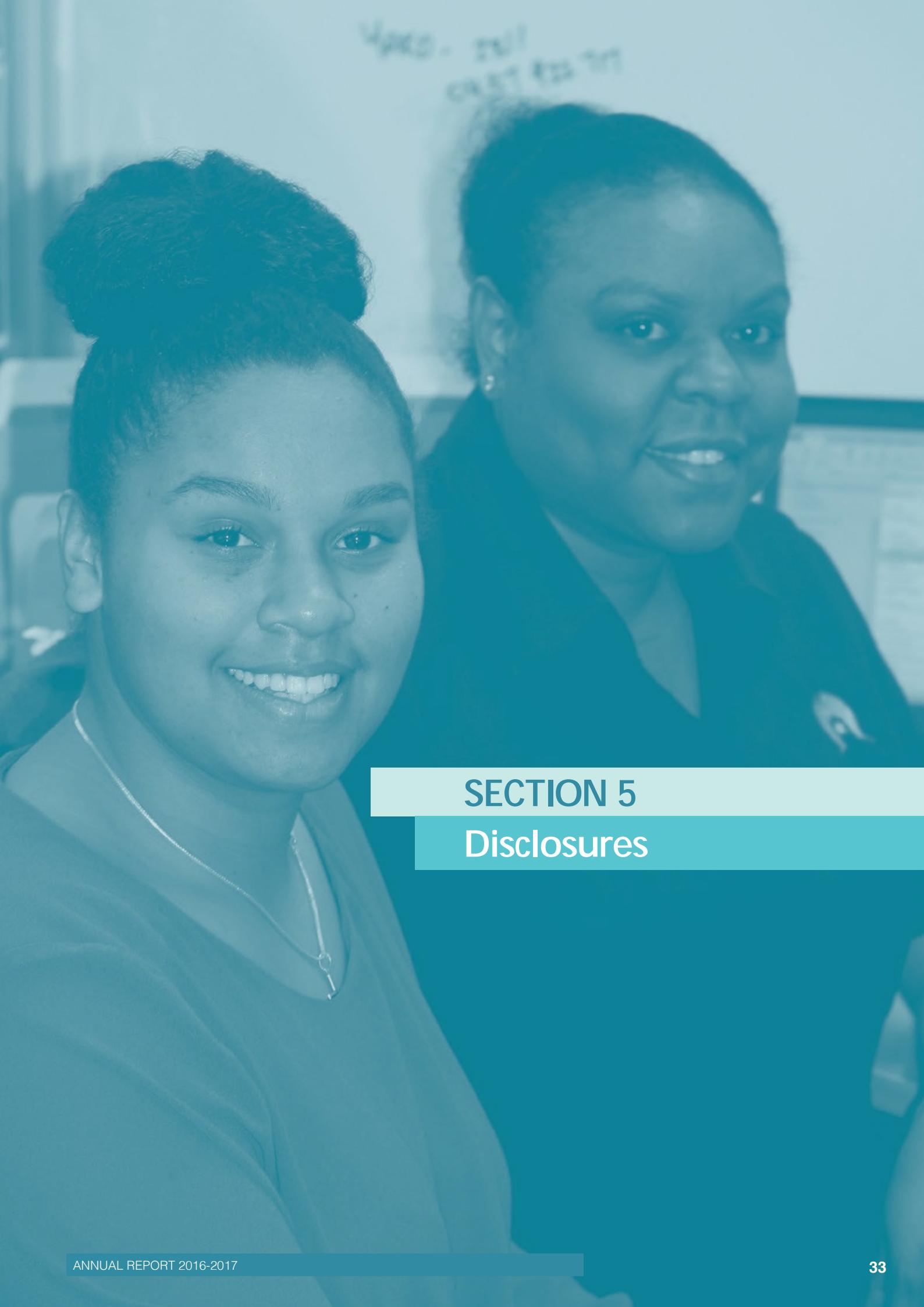
A fully integrated Grants Database was also developed by Financial Services staff. This database provides information across all departments of Council and enables grants to be recorded and tracked within Council's core financial software. Click of a button reporting on grant status, milestones and unexpended funds is now a reality, supporting budget forecasts

and assisting meeting funding body acquittal requirements. This coupled with significant project costing improvements on building construction and maintenance projects have aided in strengthening Council's budget forecasts.

Additional improvements were made in the area of debt recovery with a dedicated Rates & Debt Recovery Officer being appointed. This has resulted in a marked reduction in trade debtors (Net Trade and other receivables \$6.2M in 2017, \$7.3M in 2016) with debt recovery being a dedicated daily function. The most significant improvement has been in the recovery of Council utility charges and commercial debt with a continued focus on improving housing collection rates.

The latter half of the year focused on process and system preparation to enable related party disclosures mandated for Council's financial statements from 1 July 2017 under Australian Accounting Standards Board AASB124. This entailed the development of a procedure and register of related parties and training all key management personnel and Councillors to ensure all related party transactions were captured and reported from 1 July 2017.





## **SECTION 5**

### **Disclosures**

## Councillor Complaints and Recommendations

<i>Local Government Act 2009 (Qld)</i>	Completed	Refers to
Total number of orders and recommendations made under section 180(2) or (4) of the Act Total number of orders made under section 181 of the Act	2 Section 180(2)	Disciplinary action (misconduct) Disciplinary action (inappropriate conduct)
The name of each Councillor in relation for whom an order or recommendation was made under section 180 of the Act or an order was made under section 181 of the Act	Former Cr Joel Gaidan (5 October 2016); Former Cr Ron Enosa (14 February 2017)	Disciplinary action (misconduct)
A description of the misconduct or inappropriate conduct engaged in by each of the Councillors	Former Cr Joel Gaidan: Misconduct (failing to uphold the standards of conduct and performance a councillor is entrusted to maintain under the Act). Former Cr Ron Enosa: Misconduct (performing the responsibilities of a Councillor, or exercising a councillor's powers, in a way that is not honest or impartial).	Disciplinary action (misconduct)
A summary of the order or recommendation made for each Councillor	Former Cr Joel Gaidan was ordered to pay Council money. Former Cr Ron Enosa was ordered to reimburse Council.	Disciplinary action (misconduct)
The total number of complaints about the conduct or performance of Councillors for which no further action was taken under section 176C(2) of the Act	3	No further action (frivolous, vexatious or lacking in substance)
The number of complaints referred to the department's Chief Executive under section 176C(3)(a)(i) of the Act	Nil	Referral to Department's CEO - complaint about conduct of Mayor/Deputy Mayor
The number of complaints referred to the Mayor under section 176C(3)(a)(ii) or (b)(i) of the Act	3	Referral to Mayor - complaint about conduct of Councillor other than Mayor/Deputy Mayor
The number of complaints assessed by the Chief Executive Officer under section 176C(4)(a) of the Act	2	Misconduct - referred by CEO to Department's CEO
The number of complaints assessed by the Chief Executive Officer as being about corrupt conduct	Nil	Corrupt conduct
The number of complaints heard by a regional conduct review panel	2	Heard by regional conduct review panel
The number of complaints heard by the Tribunal	Nil	Heard by tribunal
The number of complaints to which section 176C(6) of the Act applied	1	Other matters - dealt with in another way

## Administrative Action Complaints

Administrative action complaints under section 187 of the Local Government Regulation 2012 (Qld)	Completed	Refers to
The number of administrative action complaints made to the local government	15	Administrative action complaints made
The number of administrative action complaints resolved by the local government under the complaints management process	9 (plus 2 from previous years)	Administrative action complaints resolved
The number of administrative action complaints not resolved by the local government under the complaints management process	6	Administrative action complaints unresolved
The number of administrative action complaints not resolved by the local government, that were made in a previous financial year	Nil	Administrative action complaints unresolved

Council is committed to dealing fairly with administrative action complaints. An “administrative action” complaint is a complaint about action or inaction taken/failed to be taken by Council.

This year, Council reviewed its complaint management process and updated its website. In March 2017, Council adopted a new Complaint Management Policy and a revised Complaint Management Procedure. Comprehensive review of Council’s complaint management process ensures that Council deals with complaints in line with best practice.

## Investigation Notices

Council did not receive any Investigation Notices from Queensland Competition Authority.

## Investigation to Change Tender

There were no invitations to change tenders under section 228(7) of the *Local Government Regulation 2012* (Qld) during the financial year.

## Rates and Charges

Council did not levy any special rates or charges in this financial year.

## Commercial business units (beneficial enterprises)

### Section 41 of the *Local Government Act 2009* (Qld)

Council does not currently have any adopted commercial business units. Therefore, Council has no Annual Operations Report on Commercial Business Units (beneficial enterprises).



Australian WILC2016 delegates with Dr Henrietta Mann, 21 October 2016. (Photo: Seventh Generation Fund for Indigenous Peoples)

## Overseas travel

Local Government Employees who travelled overseas during the financial year:

- Fiona Campbell, Legal Counsel – Lands
- Julia Maurus, Legal Counsel – Compliance

Destination: United States of America

Purpose of travel: World Indigenous Law Conference, University of California (Irvine)

Cost of travel: \$17,951.49

Details: Council sent two delegates to the 2016 World Indigenous Law Conference. The Conference provided an opportunity for the 200 registrants to develop awareness of emerging legal issues affecting Indigenous peoples. The ongoing stance to protect land by Water Warriors at Standing Rock Indian Reservation in North Dakota in response to the proposed Dakota Access Pipeline through the area served as a unifying symbol of the ongoing struggle of Indigenous peoples across the world to regain control of decision-making, claim water rights and protect country.

Delegates also strengthened their legal problem-solving skills by considering how similar legal problems are treated in different legal systems and jurisdictions. The Conference also developed delegates' transferrable skills such as inter-cultural communication and networking, with many papers presented in languages other than English.

The experiences and stories shared by Council's delegates and other Australian delegates related to:

- the effects of native title in Australia
- the challenges of climate change and remoteness
- the importance of protecting and perpetuating the practice of Indigenous culture
- economic development issues, including the significance of fisheries to Torres Strait Islanders
- the overarching need to reframe decision-making structures to empower Aboriginal and Torres Strait Islander people.

## Registers kept by the Torres Strait Island Regional Council

### Subsection 190(1)(f) of the *Local Government Regulation 2012* (Qld)

- Register of Councillors
- Delegations Registers
- General Complaints Database
- Land Record
- Local Laws Register
- Lost and Stolen Property
- Cat and Dog Register
- Cost-recovery Fees Register
- Register of Electoral Gifts
- Register of Gifts
- Road Map and Register
- Right to Information Database
- Beneficial Enterprises
- Interests Register
- Assets Register
- Pre-qualified Suppliers
- Preferred Suppliers
- Related Parties

## Senior Management Remuneration

Senior Management remuneration is reported in accordance with section 201 of the *Local Government Act 2009* (Qld).

Renumeration Package Band	In Band
\$50,000 - \$150,000	3
\$150,001 - \$250,000	5
\$250,001 - \$350,000	1
<b>Total Remuneration of Senior Management</b>	<b>\$1,605,881</b>

*Remuneration package includes employer superannuation contribution, termination payments and annual and long service leave paid out during the period.*

*There was a change in Council's Executive Team structure during the 16-17 year. Council's current Executive Team structure consists of 6 members including the Chief Executive Officer.*

## Significant Business Activities

### Section 41 of the *Local Government Act 2009* (Qld)

Council does not currently have any adopted commercial business units. Therefore, Council has no Annual Operations Report on Commercial Business Units (beneficial enterprises).



A person with dark skin and curly hair is performing a traditional hula dance. They are wearing a white tank top and a white, ruffled, layered skirt made of dried leaves or petals. Their arms are raised wide, and they are looking off to the side. The background is a solid teal color.

## **SECTION 6**

### **Financial Management**

## Community Financial Report 2016/17

This Community Financial Report shows a summary of the Financial Statements with the aim of providing understandable information to the members of our community. The use of plain language and pictorial aids such as graphs and tables, allows readers to easily evaluate Council's financial performance and financial position.

The Community Financial Report is prepared in accordance with *Section 179 of the Local Government Regulation 2012*. Council's full Financial Statements and accompanying notes can be found within the Annual Report. The Financial Statements have been prepared in accordance with Australian Accounting Standards and complies with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

The Financial Statements in this report cover a 12 month period ending 30 June 2017. The Financial Statements contained in this report include:

- **Statement of Comprehensive Income** – measures how Council performed during the year. The statement displays Council's revenue and expenses with the resulting profit or loss amount known as the Net Result. This also displays Council's other comprehensive income.

- **Statement of Financial Position** – shows what Council owns (assets), what Council owes (liabilities) and Council's net worth (community equity). Total community equity is equal to total assets minus total liabilities. Community equity can be a reflection of how healthy the position of Council is at a given point in time. The more Council's assets exceeds its liabilities, the better the position of Council.
- **Statement of Changes in Equity** – presents a summary of transfers to and from community equity accounts including retained earnings and asset revaluation surplus.
- **Statement of Cash Flows** – reports how revenue received and expenses paid impact on Council's cash balances.
- **Notes to the Financial Statements** – provide a detailed breakdown of all significant items in the Financial Statements and what these items represent.
- **Long-Term Measures of Financial Sustainability** – presents three sustainability indicators which have been set by the Department of Infrastructure, Local Government and Planning to help monitor the long-term sustainability of Councils across Queensland.

## Understanding Council's financial performance (Statement of Comprehensive Income)

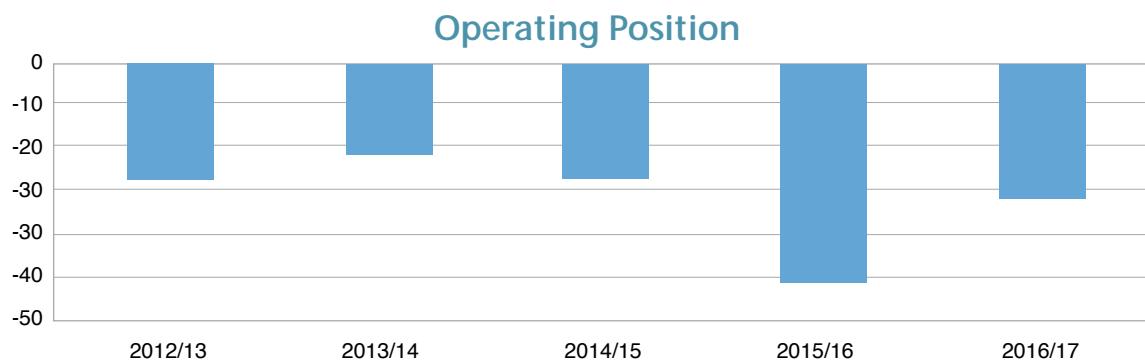
### Operating Position:

Council's operating position reflects the Council's ability to meet its day-to-day running costs from operating revenue. This includes Council's ability to fund the future acquisition and replacement of assets.

The operating position is calculated using the formula:

$$\text{Operating revenue} - \text{Operating expense} = \text{Operating Surplus (Deficit)}$$

This calculation does not include revenue or expenses for capital projects. This graph shows the operating position of Council over the past five years

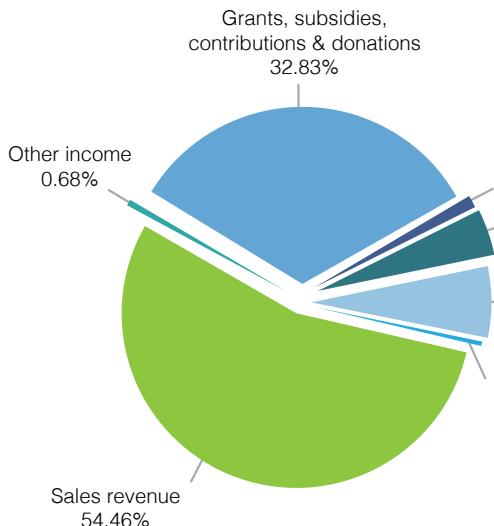


Council's operating position for the year ended 30 June 2017 is a deficit of \$32,662,732. While a negative result is not desirable, accounting depreciation has had a significant impact on Council's operating result. Accounting depreciation of \$40,791,267 has been expensed in order to account for the use or deterioration of community assets over the expected life of each asset. Council undertook a comprehensive revaluation during the 2016-17 year which resulted in an increase in Council's asset base of \$232,477,772. The significant increase in Council's asset base coupled with minor changes in condition ratings and effective lives means that depreciation expense will be higher in future years.

### Sourcing our revenue

Where our money comes from

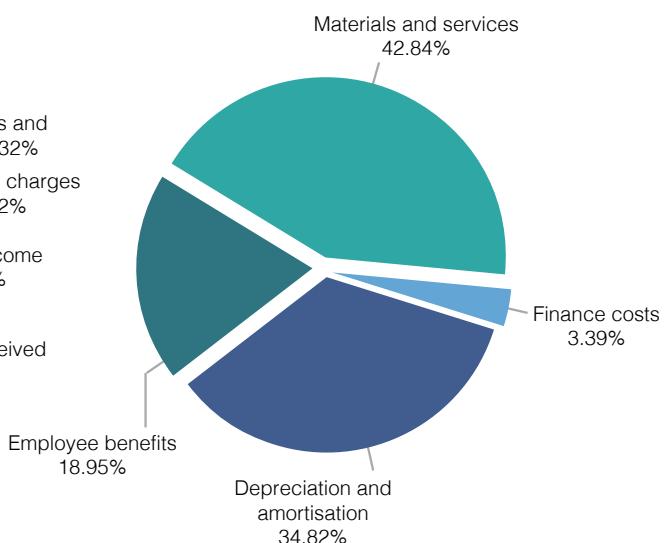
#### Sources of Operating Revenue



### Sourcing our expenses

Where our money goes

#### Expenditure by Type



Council received \$84,497,093 of operating revenue during 2016-2017. Sales revenue continues to be the major source of income equating to \$46,015,034 or 54.46% of total revenue. Another significant source of revenue is grants, subsidies, contributions and donations providing \$27,738,076 of revenue or 32.83% of total revenue. The remaining operating revenue for Council is sourced from rates and charges, fees and charges, rental income, interest revenue and other income.

Council's operating expenses for the 2016-2017 financial year totalled \$117,159,825. The major expenses are materials and services at 42.84%, depreciation and amortisation at 34.82% and employee benefits at 18.95%.

Council is actively working to reduce its operating expenditure by identifying efficiencies and ensuring value for money on purchases.

#### **Net Result:**

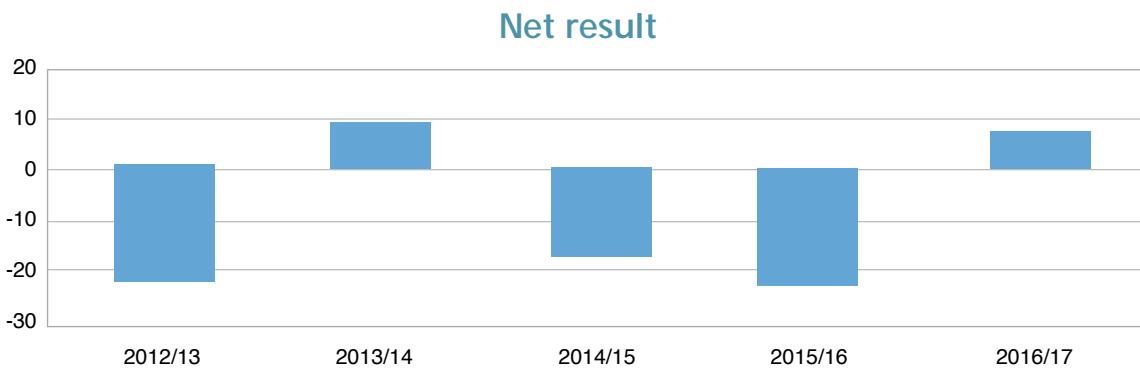
Council's net result reflects total revenue less total expenses, this includes capital revenue and expenditure however does not include any adjustments for asset revaluations.

The net result is calculated using the formula:

$$(Operating + Capital revenue) - (Operating + Capital expenses) = Net result$$

The net result for 2016-2017, as reported in the Financial Statements is a surplus of \$6,895,894. This result includes the following major items:

- \$27,738,076 of operating grants from various Government agencies to assist with the delivery of various programs and aid with operational costs of service delivery of Council were received. \$5,201,482 of Financial Assistance and Local Roads Grant (FAGS) funding relating to the 2017/18 year of operations has been recorded in this year due to the early receipt of grant monies.
- \$45,578,431 of capital grants, subsidies, contributions and donations received from various Government agencies to assist with providing capital infrastructure. Within this total, \$10,172,650 of community housing assets from the Department of Housing and Public Works and \$8,550,512 of water and sewer assets from Torres Strait Regional Authority under the Major Infrastructure Program 5 have been accounted for as contributed assets which are reported as non-cash revenue.
- \$40,791,267 of depreciation has been recognised as a non-cash expense.



## Understanding our financial position (Statement of Financial Position)

### Assets: what we own

Council's assets as at 30 June 2017 total \$918,397,002. This includes \$41,391,239 of current assets (liquid assets or amounts due to be received within twelve months) and \$877,005,763 of non-current assets. The most significant component of assets is \$868,780,897 in property, plant and equipment including intangibles in our region. This is equivalent to 94.60% of total assets. During the year a comprehensive valuation was undertaken which resulted in Council's asset base increasing by \$232,477,772.

Current assets consist of cash and cash equivalents, trade and other receivables, inventories and other financial assets. Non-current assets consist of property, plant and equipment, intangibles and other financial assets.

Trade and other receivables reflect outstanding housing and commercial debts payable as at 30 June 2017.

### Liabilities: what we owe

Council's liabilities include loans, amounts owed to suppliers, amounts owing to employees for leave entitlements and provision for future expenditure such as landfill restoration costs. Council's total liabilities were \$13,178,009 as at 30 June 2017. This includes \$7,860,211 of current liabilities (due to be paid out within twelve months) and \$5,317,798 of non-current liabilities.

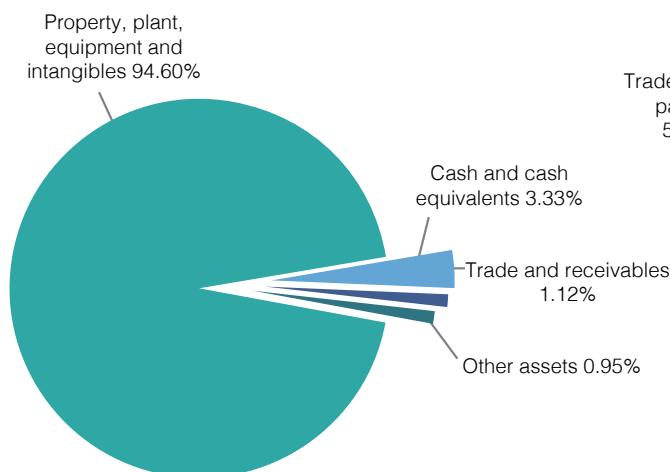
Trade and other payables represent the largest component within Council's liabilities (50.55%) and consist of trade creditors, employee entitlements, GST payable and refundable bonds.

Borrowings consist of a loan from Queensland Treasury Corporation (QTC). Council's borrowings are discussed further in the Queensland Treasury Debt section.

### Assets

#### What the community owns

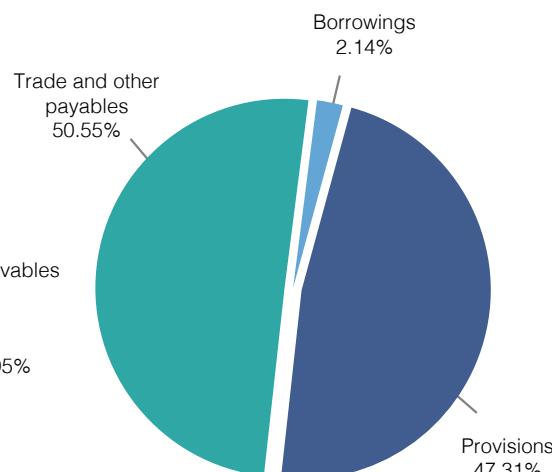
#### What the community owns



### Liabilities

#### What the community owes

#### What the community owes



### Community Equity: net worth of council

Community equity is calculated using the formula:

$$\text{Assets (what we own)} - \text{Liabilities (what we owe)} = \text{Community Equity}$$

Council's total community equity as at 30 June 2017 is \$905,218,993. Asset revaluation surplus represents \$386,746,732 of total equity and relates to the increase in values of property, plant and equipment.

## Queensland Treasury Debt

Queensland Treasury Corporation is the State Government owned lending agency from which most local governments and state agencies within Queensland borrow to finance infrastructure projects. At the end of the financial year, Council owed Queensland Treasury Corporation a total of \$282,525. This financial year Council did not undertake any new borrowings.

Council manages its debt in accordance with its Debt Policy. The policy states:

- No use of long term debt to finance operating activities or recurrent expenditure;
- Priority will be given in any borrowing program to income producing assets;
- The ratio of Interest and Redemption to Grant Income should remain less than ten (10) percent.

Principal and interest repayments are made on these borrowings on a monthly basis in accordance with the terms and conditions set by Queensland Treasury Corporation.



## Financial Sustainability Ratios

Responsible financial management is crucial for Council to ensure it is financially sustainable for the short, medium and long term.

The Community Financial Report contains three measures of financial sustainability used to demonstrate Council is operating in a prudent financial manner whilst maintaining its financial management objectives in accordance with Section 178 of the Local Government Regulation 2012.

The target range for the financial ratios is set in accordance with Department of Infrastructure, Local Government and Planning Financial Management (Sustainability) Guideline 2013. There are circumstances specific to Council where actual results many vary from the target range.

The following table shows actual historical ratio values for the last two financial years. Forecast ratios for the next nine years are included in the Long Term Financial Sustainability Statement contained within the audited Financial Statements.

Ratio	Description	Formula	Target Range	2015/16	2016/17	Within Range 2016/17	Explanation
<b>Operating Surplus Ratio</b>	This is an indicator of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes.	Net Result (excluding capital items) ÷ Total Operating Revenue (excluding capital items)	Between 0% and 10%	-66%	-39%	X	Council has seen an increase in both income and expenditure during the year. Council received an advanced payment of \$5.2M in June 2017 representing 50% of the 17/18 Financial Assistance and Local Roads Grant funding.
<b>Asset Sustainability Ratio</b>	This is an approximation of the extent to which infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	Capital expenditure on the replacement of assets (renewals) ÷ Depreciation expense	Greater than 90%	18%	28%	X	Council is dependant on State and Federal funding for renewal of infrastructure assets. The timing of renewal programs do not coincide with the annual allocation of depreciation expense.
<b>Net Financial Liabilities Ratio</b>	This is an indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	Total Liabilities less Current Asset ÷ Total Operating Revenue (excluding capital items)	Not greater than 60%	-23%	-33%	✓	Council has minimal liabilities as a percentage of Total Operating Revenue.

## Conclusion

During the 2016-17 financial year, Torres Strait Island Regional Council recorded an improved position from 2015-16 however still reports an operating deficit. Operating revenue streams of Council are not adequate to cover operational costs including depreciation expense of \$40.8M.

Taking into account capital revenue and expenses, Council's net position for 2016-17 is however a surplus of \$6,895,894. Included in this result is an advance payment from the Department of Infrastructure, Local Government and Planning of \$5.2M being 50% of the 2017-18 Financial Assistance and Local Roads Grant. Further detail can be found in the audited Financial Statements and the detailed notes to the Financial Statements.

Council remains committed to improving its long term sustainability and continues to implement recommendations from Queensland Treasury Corporation's Strategic Financial Review of Council.

## Financial Management Strategy

Council has put in place a number of long term financial planning initiatives since the time of amalgamation. These have included:

- Development and regular update of Council's Long Term Financial Model including scenario based and sensitivity analysis;
- Divestment of non-core Local Government Services to the Community;
- Implementation of a rigorous Debt Management Policy;
- Identification and valuation of all Council assets;
- Development of Asset Management Plans for all asset classes;
- Implementation of cashless divisional offices;

The Council has made further long term financial management decisions. The Long Term Financial Plan and subsequent strategy for Council is to:

- Maximise own source revenue initiatives including strengthening the Debt Recovery process;
- Concentrate on delivering a surplus budget (before depreciation).
- Deliver on Asset Management Plan strategies and goals where funding allows Council to do so; and
- Continue to lobby Federal and State Governments to free up funds for further Asset Management Plan initiatives.

## Expenditure on Grants or Donations to Community Organisations

<b>Regional Grants</b>		
<b>Organisation/Individual</b>	<b>Purpose of Grant or Donation</b>	<b>Amount</b>
New Day Concert Team	Contribution towards travel for performers and organisers to attend The New Day Music Concert on Boigu Island	\$2,500.00
Tagai State College	Contribution towards The Yam Island State School Tuckshop Program	\$2,500.00
Northern Giants Sporting Association	Contribution towards purchasing sporting equipment, hire fees and repairs and maintenance	\$2,000.00
Mulga Junior Rugby League Team	Contribution towards Mulga Junior Rugby League Team for the purchase of sporting equipment	\$2,500.00
Mulga Tigers Rugby League Football Club	Contribution towards Mulga Tigers Rugby League Club for the purchase of jerseys	\$2,500.00
Purple Spider Dance Team	Contribution towards attending "Our Languages" NAIDOC event	\$2,500.00
Kulpiyam Youth & Sport	Contribution towards attending the Island of Origin	\$2,500.00
Waibene Netball Junior Team	Contribution towards students attending Sharon Finnane Development Netball Carnival	\$2,500.00
Saibai Stags Rugby League Football Club	Contribution towards attending 2017 Zenadh Kes Cup	\$2,500.00
Sucker Punchers Ladies Touch Football Team	Contribution towards attending Battle of the Islands Touch Football Carnival	\$2,500.00
Erub Erwer Meta TSI Corporation	Contribution towards new website design	\$2,500.00
Torres Strait Flag Documentary	Contribution towards Torres Strait Flag documentary launch	\$2,500.00
<b>Total</b>		<b>\$29,500.00</b>

<b>Mayor - Fred Gela</b>		
<b>Organisation/Individual</b>	<b>Purpose of Grant or Donation</b>	<b>Amount</b>
Northern Giants Sporting Association	Contribution towards Dauan Football Team	\$3,000.00
Butuh Lagau Saral Torres Strait Islander Corporation	Contribution towards food for Urab Dancers attending Cultural Festival on Thursday Island 13-17 September 2016	\$2,500.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$4,476.36
Kulka Balas Rugby League Team	Contribution towards Mobile Booster Program on Poruma	\$3,703.55
Guardians Touch Football Club	Contribution towards various items related to Battle of the Islands Touch Football Carnival	\$1,000.00
Various	Sorry business contributions	\$9,195.41
<b>Total</b>		<b>\$23,875.32</b>

<b>Division 1- Boigu</b>		
<b>Councillor Dimas Toby</b>		
<b>Organisation/Individual</b>	<b>Purpose of Grant or Donation</b>	<b>Amount</b>
Church of Saint Saviour	Contribution towards accommodation for the church group	\$344.30
Church of the Rock	Contribution towards Youth Outreach Program held on Boigu between 27-30th October 2016	\$1,000.00
Church of Saint Saviour	Contribution towards supplies for church group	\$419.70
Boigu Island Indigenous Church	Contribution towards PNG Independence Day celebrations	\$1,000.00
Blood Covenant Ministry	Contribution towards spiritual programmes for the year	\$3,000.00
MaluKiwai Memorial Rugby League Team	Contribution towards travel costs to attend Gindaja ATSI Cup in Yarrabah	\$1,000.00
Harry Mooka	Contribution towards Samu Balas Rugby League Team to participate in Cairns All Blacks Carnival	\$1,000.00
Boigu Prescribed Body Corporate	Contribution towards PBC Land Meeting	\$677.27
Malu Kiyay Ngurpay Lag	Contribution towards Year 6 graduation ceremony	\$1,000.00
Various	Sorry business contributions	\$10,743.50
<b>Total</b>		<b>\$20,184.77</b>

<b>Division 2 - Dauan</b>		
Councillor Torenzo Elisala		
Organisation/Individual	Purpose of Grant or Donation	Amount
Church of Holy Cross Dauan	Contribution towards supplies for Church Day celebrations	\$1,012.45
Joel Gaidan Jnr	Contribution towards attending the Europe Rugby Union Tour	\$2,000.00
Church of Holy Cross Dauan	Contribution towards supplies for Church Day celebrations	\$174.55
Church of Holy Cross Dauan	Contribution towards Easter Community Program	\$600.00
Solema Luffman	Contribution towards supplies for community meeting	\$219.39
Various	Sorry business contributions	\$13,681.98
	<b>Total</b>	<b>\$17,688.37</b>

<b>Division 3 - Saibai</b>		
Councillor Keri Akiba		
Organisation/Individual	Purpose of Grant or Donation	Amount
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$227.28
Tina Tabuai	Contribution towards ANZAC Day celebrations	\$649.65
Various	Sorry business contributions	\$18,727.63
	<b>Total</b>	<b>\$19,604.56</b>

<b>Division 4 - Mabuiag</b>		
Deputy Mayor Keith Fell		
Organisation/Individual	Purpose of Grant or Donation	Amount
Besi Blazers	Contribution towards charter to attend Torres Strait Dart Carnival on Masig	\$2,500.00
Wagadagam Storm Football Team	Contribution towards accommodation and travel costs to attend Torres Strait Cup	\$1,500.00
Goemu Bau Raiders	Contribution towards travel costs to attend Dan Ropeway Cup in Bamaga	\$3,000.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$590.91
St Mary's Church Mabuiag	Contribution towards St Mary's Church Day	\$500.00
Jack Fell	Contribution towards purchase of sporting equipment to host sporting activities on Mabuiag	\$1,883.00
KAYIN Revolution	Contribution towards KAYIN Project on Mabuiag	\$500.00
Various	Sorry business contributions	\$8,279.28
	<b>Total</b>	<b>\$18,753.19</b>

<b>Division 5 - Badu</b>		
Councillor Laurie Nona		
Organisation/Individual	Purpose of Grant or Donation	Amount
Mulga Football club	Contribution towards Torres Strait Cup	\$2,500.00
May Ahmat	Contribution towards flights for Argun Warriors to attend All Blacks Carnival in October 2016	\$2,000.00
Aibai Sagulaw Dance Team	Contribution towards travel to the Cultural Festival on Thursday Island	\$600.00
Matilda Nona	Contribution towards levy fee to attend AFL State Championships in Brisbane	\$500.00
Gerald Bowie	Contribution towards AFL training at the Gold Coast	\$1,000.00
Badu Interagency	Contribution towards working bee group	\$500.00
Sagucci Rugby League Team	Contribution towards travel to rugby league carnival	\$2,500.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$272.72
Mura Badulgal Committee	Contribution towards purchase of supplies for the 3rd anniversary of the Badu Island DOGIT transfer	\$500.00
Timena Nona	Contribution towards supplies for Easter program	\$500.00
Diocese of the Church of Torres Strait	Contribution towards St Marks Church Day	\$500.00
Badu Interagency	ANZAC Day celebrations	\$500.00
Timena Nona	Contribution towards interagency appreciation lunch	\$250.00
Various	Sorry business contributions	\$4,259.28
<b>Total</b>		<b>\$16,382.00</b>

<b>Division 6 - Kugin</b>		
Councillor David Bosun		
Organisation/Individual	Purpose of Grant or Donation	Amount
Lighthouse Christian Community Church Kugin	Contribution towards flights to attend church conference on Thursday Island	\$1,290.91
Louise Manas	Contribution towards flights to attend Cairns Tropical Writers Festival between 12-14 August 2016	\$1,794.00
Elijah Tabernacle Ministry	Contribution towards Boigu Youth Outreach Program	\$4,216.00
Percy Maitie	Contribution towards Remembrance Day celebrations	\$483.99
Elijah Tabernacle Ministry	Contribution towards youth activities and courses	\$2,000.00
Kugin Primary P&C Association	Contribution towards graduation, concert night, carols by candlelight for Kugin Primary P & C Association	\$1,934.83
Various	Sorry business contributions	\$11,193.29
<b>Total</b>		<b>\$22,913.02</b>

<b>Division 7 - St Pauls</b>		
Councillor John Levi		
Organisation/Individual	Purpose of Grant or Donation	Amount
Cygnet Repu	Contribution towards charter for Mr Cygnet Repu to attend ILUA meeting on Kugin	\$1,263.64
Latoya Billy	Contribution towards uniforms for Matriarch Football Team attending Thursday Island Cup	\$4,235.00
Catherine Enosa	Contribution towards NAIDOC Celebration	\$500.00
Michelle Ware	Contribution towards graduation ceremony	\$800.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$272.73
Cygnet Repu	Contribution towards accommodation to attend ILUA meeting on Kugin	\$119.09
Harriet Naawi	Contribution towards community celebrations	\$1,000.00
Wallis Mene	Contribution towards travel for school event	\$2,500.00
Various	Sorry business contributions	\$6,887.47
<b>Total</b>		<b>\$17,577.93</b>

<b>Division 8 - Hammond</b>		
Councillor Mario Sabatino		
Organisation/Individual	Purpose of Grant or Donation	Amount
Seriako Dorante	Contribution towards NAIDOC celebrations held in Townsville	\$1,000.00
Annie Garnier	Contribution towards NAIDOC celebrations held in Townsville	\$600.00
Hammond Christmas Community Dinner	Contribution towards fireworks display	\$8,160.08
Hammond Christmas Community Dinner	Contribution towards supplies for community celebrations	\$2,411.09
Sharon County	Contribution towards Term 3 School Auskick Program for Our Lady of the Sacred Heart Hammond (14 X Sport Kits)	\$381.82
Mary Gela on behalf of Hammond Community	Contribution towards supplies for Solomon Island cultural exchange dinner	\$781.00
Various	Sorry business contributions	\$5,699.21
<b>Total</b>		<b>\$19,033.20</b>

<b>Division 9 - Iama</b>		
Councillor Getano Lui Jnr		
Organisation/Individual	Purpose of Grant or Donation	Amount
Lizzie Lui	Contribution towards health and wellbeing initiatives	\$795.35
Magun Warriors	Contribution towards nomination fees for Magun Warriors to attend Torres Strait Cup	\$2,500.00
Magun Warriors	Contribution towards return charter for Magun Warriors from Torres Strait Cup	\$8,759.09
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$272.73
Maggie Kelly	Contribution towards basketball blessing	\$290.25
Clayford Lui	Contribution towards supplies for ANZAC Day celebrations	\$288.81
Maggie Kelly	Contribution towards supplies for Minister visit	\$191.37
Various	Sorry business contributions	\$5,822.01
<b>Total</b>		<b>\$18,919.61</b>

<b>Division 10 - Warraber</b>		
Councillor Clara Tamu		
Organisation/Individual	Purpose of Grant or Donation	Amount
Maria Tamu	Contribution towards National Aboriginal & Torres Strait Islander Children's Day	\$300.00
Free Spirit Dance Team	Contribution towards attending the New Day Music Concert	\$1,000.00
Zogo Tudi Dance Corporation	Contribution towards attending the Cultural Festival	\$3,000.00
Warraber Sports Club	Contribution towards attendance to NPA Rugby League Cup in Bamaga	\$2,500.00
Magun Warriors	Contribution towards catering for Magun Warriors attending Torres Strait Cup	\$1,000.00
Gladiators Football Team	Contribution towards travel costs to attend Torres Strait Cup	\$3,360.00
Macoy enterprise	Contribution towards raft race, makar race, markets and carols by candlelight events	\$1,300.00
Zogo Tudi Incorporation	Contribution towards flights for Zogo Tudi Dancers	\$2,085.50
Lui Tommy Billy	Contribution towards travel and accommodation for the Battle of the Islands (Warraber Sporting Association)	\$2,000.00
Zogo Tudi Dance Corporation	Contribution towards airfares for church group to attend Cultural Festival 13-17 October 2016	\$2,181.82
Various	Sorry business contributions	\$2,909.28
<b>Total</b>		<b>\$21,636.60</b>

<b>Division 11 - Poruma</b>		
Councillor Francis Pearson		
Organisation/Individual	Purpose of Grant or Donation	Amount
Frank Faud	Contribution towards flights to attend 2016 Regional Safer Churches Awareness Workshop	\$2,000.00
Kulka Balas Rugby League Team	Contribution towards flights to attend Thursday Island Cup in October 2016	\$2,000.00
Poruma Ngurpay Lag	Contribution towards NAIDOC celebrations	\$1,376.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$454.54
Urab Dancers	Contribution towards flights to attend cultural celebrations	\$3,780.00
Cornwell M Pearson	Contribution towards flights to attend cultural celebrations	\$2,000.00
Kulka Balas Rugby League Team	Contribution towards supplies for mobile booster	\$50.00
Mui Kuzi Men's Touch Football Team	Contribution towards Kuki Carnival	\$1,500.00
St Andrews Anglican Church	Contribution towards Saint Andrews Church decommission	\$2,300.00
Mokathani Lui	Contribution towards ANZAC Day celebrations	\$445.82
Various	Sorry business contributions	\$4,600.98
	<b>Total</b>	<b>\$20,507.34</b>

<b>Division 12 - Masig</b>		
Councillor Ted Nai		
Organisation/Individual	Purpose of Grant or Donation	Amount
Masig Island Darts Committee	Contribution towards Masig Island Darts Committee attending Kulkalgal Dart Carnival held on Masig	\$2,000.00
Simon Naawi	Contribution towards airfares to attend sporting event in Townsville	\$1,000.00
Ruth Naawi	Contribution towards airfares to attend sporting event in Townsville	\$1,000.00
Yorke Island State School	Contribution towards Year 5 & 6 Brisbane Leadership Trip	\$5,000.00
Fountain of the Living Water	Contribution towards community gathering between 24 December 2016 and 2 January 2017	\$4,000.00
Darnell Mosby	Contribution towards Makar (Masig Boat Team) attending Cultural Festival	\$700.00
Makar Boat Team	Contribution towards Makar (Masig Boat team) attending Cultural Festival	\$300.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$409.09
Patrick Nai	Contribution towards fuel for visitors from Ture Ture Village lost during a storm on 13/12/16	\$250.00
SES Volunteers	Contribution towards supplies for community SES clean up of historical fig tree	\$213.00
Ned Mosby	Contribution towards supplies for community SES clean up of historical fig tree	\$494.48
Masig Touch Football Team	Contribution towards attending the Battle of the Islands Touch Carnival	\$2,500.00
Patterson Mosby	Contribution towards uniforms for Masig Men's Touch Football and Volley Ball Team to attend Daisy Mye Sporting Carnival on Darnley	\$1,000.00
Ruth Naawi	Contribution towards travel to attend sporting event	\$900.00
Gavin Mosby	Contribution towards Gudhmud Aboriginal & Torres Strait Island Health Corp - Colour Fun Run	\$496.00
Various	Sorry business contributions	\$5,077.27
	<b>Total</b>	<b>\$25,339.84</b>

<b>Division 13 - Ugar</b>		
Councillor Rocky Stephen		
Organisation/Individual	Purpose of Grant or Donation	Amount
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$454.55
Florianna Bero	Contribution towards accommodation and travel	\$218.18
Ugar Church	Contribution towards supplies for church rally	\$2,497.88
Purple Spider Dance Team	Contribution towards Purple Spider Dance Team Tour	\$2,500.00
Saam Karem Beizam	Contribution towards accommodation for Torres Strait Cup	\$750.00
Various	Sorry business contributions	\$12,121.24
	<b>Total</b>	<b>\$18,541.85</b>

<b>Division 14 - Erub</b>		
Councillor Patrick Thaiday		
Organisation/Individual	Purpose of Grant or Donation	Amount
Church of Beulah	Contribution towards charter to attend church rally on Dauan between 23-25 September 2016	\$6,220.00
Joshua Thaiday	Contribution towards Erub Kerkar Kus Dance Team attending Cultural Festival on Thursday Island 13-16 September 2016	\$3,000.00
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$318.18
John Armitage on behalf on the Erub Community	Contribution towards supplies for Community Christmas Dinner	\$120.00
Patrick Thaiday on behalf of the Erub Community	Contribution towards Community War Memorial Project	\$5,000.00
John Armitage on behalf on the Erub Community	Contribution towards supplies for community feasting	\$490.06
Guardians Touch Football Club	Contribution towards various items related to attending the Battle of the Islands Touch Football Carnival	\$1,185.25
Sampung Thaiday	Contribution towards registration fees for NQ Peninsula Regional Volleyball Team	\$500.00
Caiban Thaiday	Contribution towards registration fees for Under 14's FNQ Junior Storm Rugby Union Team	\$500.00
John Armitage on behalf on the Erub Community	Contribution towards supplies for ANZAC Day celebrations	\$87.20
John Armitage on behalf on the Erub Community	Contribution towards Coming of the Light celebrations	\$630.30
John Armitage on behalf on the Erub Community	Contribution towards ANZAC Day celebrations	\$399.23
Various	Sorry business contributions	\$5,368.56
	<b>Total</b>	<b>\$23,818.78</b>

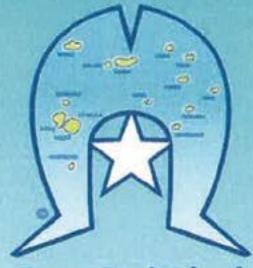
<b>Division 15 - Mer</b>		
<b>Councillor Bob Kaigey</b>		
<b>Organisation/Individual</b>	<b>Purpose of Grant or Donation</b>	<b>Amount</b>
St James Anglican Church	Contribution towards supplies for opening of Marou Road	\$2,025.73
Warraber Christmas Community Dinner	Contribution towards fireworks display	\$181.82
Rottannah Passi	Contribution towards supplies for opening of Marou Road	\$474.27
Mary Kaigey	Contribution towards supplies for new year cultural celebrations	\$709.30
Mer Gedkem Le TSI Corporation	Contribution towards supplies for maritime strike celebrations	\$291.33
Barrier Balaz Touch Team	Contribution towards attending Battle of the Islands Carnival on Thursday Island	\$2,000.00
Magaram Tribe	Contribution towards supplies for Mabo Day celebrations	\$2,500.00
James Zaro	Contribution towards supplies for Dauard Waier Determination Day celebrations	\$1,500.00
Lucy Wailu	Contribution towards Mer Island Community Justice Group to participate in NAIDOC celebrations	\$1,500.00
Various	Sorry business contributions	\$7,826.93
	<b>Total</b>	<b>\$19,009.38</b>



## SECTION 7

# Financial Statements

For the year ended 30 June 2017



Torres Strait Island  
REGIONAL COUNCIL

**Torres Strait Island Regional Council  
Financial Statements  
For the year ended 30 June 2017**

**Torres Strait Island Regional Council**  
**Financial statements**  
**For the year ended 30 June 2017**

## Table of contents

	<b>Page</b>
<b>Financial statements</b>	
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
<b>Notes to financial statements</b>	
Note 1. Significant accounting policies	5
Note 2. Analysis of results by function	8
<b>Revenue</b>	
Note 3. Revenue analysis	10
Note 4. Grants, subsidies, contributions and donations	11
<b>Expenses</b>	
Note 5. Employee benefits	12
Note 6. Materials and services	12
Note 7. Finance costs	12
Note 8. Depreciation and amortisation	13
Note 9. Capital expenses	13
<b>Assets</b>	
Note 10. Cash and cash equivalents	14
Note 11. Trade and other receivables	15
Note 12. Other financial assets	16
Note 13. Property, plant and equipment	17
Note 14. Fair value measurements	23
<b>Liabilities</b>	
Note 15. Trade and other payables	27
Note 16. Provisions	28
<b>Other disclosures</b>	
Note 17. Commitments for expenditure	29
Note 18. Contingent liabilities	29
Note 19. Superannuation	30
Note 20. Trust funds	31
Note 21. Reconciliation of net result for the year to net cash inflow (outflow) from operating activities	32
Note 22. National Competition Policy	32
Note 23. Transactions with related parties	32
<b>Certification of the financial statements</b>	
Management Certificate	36
Independent Auditor's Report	37
<b>Financial sustainability</b>	
Current Year Financial Sustainability Statement	39
Certificate of Accuracy - for the Current Year Financial Sustainability Statement	39
Independent Auditor's Report on Current Year Measures of Financial Sustainability	40
Long Term Financial Sustainability Statement	42
Certificate of Accuracy - for the Long Term Financial Sustainability Statement	42



# Torres Strait Island Regional Council

## Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
<b>Recurrent revenue</b>			
Community levies, rates and charges	3(a)	1,117,570	1,223,371
Fees and charges		3,394,062	2,939,379
Rental income	3(b)	5,387,000	5,952,483
Interest received		268,865	439,839
Sales revenue	3(c)	46,015,034	27,701,263
Other income	3(d)	576,486	1,255,797
Grants, subsidies, contributions and donations	4(a)	27,738,076	21,956,339
		<u>84,497,093</u>	<u>61,468,471</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	45,578,431	20,855,844
<b>Total income</b>		<u>130,075,524</u>	<u>82,324,315</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	5	(22,207,277)	(21,857,763)
Materials and services	6	(50,186,243)	(36,815,481)
Finance costs	7	(3,975,038)	(2,926,210)
Depreciation and amortisation	8	(40,791,267)	(40,675,141)
		<u>(117,159,825)</u>	<u>(102,274,595)</u>
<b>Capital expenses</b>	9	(6,019,805)	(4,063,973)
<b>Total expenses</b>		<u>(123,179,630)</u>	<u>(106,338,568)</u>
<b>Net result</b>		<u>6,895,894</u>	<u>(24,014,253)</u>
<b>Other comprehensive income</b>			
Increase / (decrease) in asset revaluation surplus	13	232,477,772	-
<b>Total other comprehensive income for the year</b>		<u>232,477,772</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>239,373,666</u>	<u>(24,014,253)</u>

The above statement should be read in conjunction with the accompanying notes.

# Torres Strait Island Regional Council

## Statement of Financial Position

as at 30 June 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	10	30,593,357	15,343,589
Trade and other receivables	11	10,275,135	10,955,090
Inventories		255,704	305,662
Other financial assets	12	267,043	177,344
<b>Total current assets</b>		<u>41,391,239</u>	<u>26,781,685</u>
<b>Non-current assets</b>			
Other financial assets	12	8,224,866	5,704,146
Property, plant and equipment	13	868,317,610	645,094,405
Intangible assets		463,287	678,203
<b>Total non-current assets</b>		<u>877,005,763</u>	<u>651,476,754</u>
<b>Total assets</b>		<u>918,397,002</u>	<u>678,258,439</u>
<b>Current liabilities</b>			
Trade and other payables	15	6,660,554	6,940,885
Borrowings		55,639	124,304
Provisions	16	1,144,018	1,037,682
<b>Total current liabilities</b>		<u>7,860,211</u>	<u>8,102,871</u>
<b>Non-current liabilities</b>			
Borrowings		226,886	281,672
Provisions	16	5,090,912	4,028,569
<b>Total non-current liabilities</b>		<u>5,317,798</u>	<u>4,310,241</u>
<b>Total liabilities</b>		<u>13,178,009</u>	<u>12,413,112</u>
<b>Net community assets</b>		<u>905,218,993</u>	<u>665,845,327</u>
<b>Community equity</b>			
Asset revaluation surplus	13	386,746,732	154,268,960
Retained surplus		518,472,261	511,576,367
<b>Total community equity</b>		<u>905,218,993</u>	<u>665,845,327</u>

The above statement should be read in conjunction with the accompanying notes.

**Torres Strait Island Regional Council**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2017**

	Note	Asset revaluation surplus	Retained surplus	Total
		\$	\$	\$
<b>Balance as at 1 July 2016</b>		154,268,960	511,576,367	665,845,327
Net result		-	6,895,894	6,895,894
Other comprehensive income for the year		232,477,772	-	232,477,772
Increase / (decrease) in asset revaluation surplus		232,477,772	6,895,894	239,373,666
<b>Total comprehensive income for the year</b>				
<b>Balance as at 30 June 2017</b>		386,746,732	518,472,261	905,218,993
<b>Balance as at 1 July 2015</b>		154,268,960	535,590,620	689,859,580
Net result		-	(24,014,253)	(24,014,253)
Other comprehensive income for the year		-	-	-
<b>Total comprehensive income for the year</b>		-	(24,014,253)	(24,014,253)
<b>Balance as at 30 June 2016</b>		154,268,960	511,576,367	665,845,327

*The above statement should be read in conjunction with the accompanying notes.*

# Torres Strait Island Regional Council

## Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		54,291,365	38,243,674
Payments to suppliers and employees		(72,512,025)	(56,586,298)
		(18,220,660)	(18,342,624)
Interest received		268,865	439,839
Recurrent grants and contributions		27,738,076	21,956,339
Borrowing costs		(22,808)	(25,063)
<b>Net cash inflow (outflow) from operating activities</b>	21	<b>9,763,473</b>	<b>4,028,491</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(19,794,551)	(12,686,330)
Proceeds from sale of property plant and equipment		89,245	81,268
Proceeds from insurance claims		1,014,548	-
Finance lease receipts		221,240	177,905
Capital grants, subsidies, contributions and donations		24,006,930	8,925,856
<b>Net cash inflow (outflow) from investing activities</b>		<b>5,537,412</b>	<b>(3,501,301)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(51,117)	(44,555)
<b>Net cash inflow (outflow) from financing activities</b>		<b>(51,117)</b>	<b>(44,555)</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<b>15,249,768</b>	<b>482,635</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>15,343,589</b>	<b>14,860,954</b>
<b>Cash and cash equivalents at end of the financial year</b>	10	<b>30,593,357</b>	<b>15,343,589</b>

The above statement should be read in conjunction with the accompanying notes.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 1 Significant accounting policies

#### 1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets and finance lease assets. The Council uses the Australian dollar as its functional currency, its presentation currency and rounds to the nearest dollar.

Local authorities and public authorities are exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and are effective for the current reporting period. The 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). To the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

#### 1.B Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

#### 1.C Adoption of new and revised Accounting Standards

This year Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in Note 23.

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

	Applicable date: Impact:
AASB 9 <i>Financial Instruments</i> <i>with Customers, AASB 1058 Income of Not-for Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	1 July 2018 AASB 9 will replace AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and changes the classification, measurement and disclosure of financial assets. This change will require Council to measure all financial assets at fair value or amortised cost rather than at cost.  To date no impact has been identified.
AASB 15 <i>Revenue from Contracts with Customers</i> , AASB 1058 <i>Income of Not-for Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</i>	1 July 2019 AASB 115 will replace AASB 118 <i>Revenue</i> , AASB 111 <i>Construction Contracts</i> and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 <i>Contributions</i> . Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.  To date no impact has been identified.

# **Torres Strait Island Regional Council**

## **Notes to the financial statements**

**For the year ended 30 June 2017**

### **1 Significant accounting policies (continued)**

#### **1.C Adoption of new and revised Accounting Standards (continued)**

##### **AASB 16 Leases**

1 July 2019 AASB 16 will require the recognition of all leases on the balance sheet. 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 has undertaken a preliminary analysis to identify and quantify the impacts of introducing AASB 16. The current assessment indicates the impact on Council's statement of financial position on initial recognition would likely be a nil effect. This assessment takes into account Council's current obligations and various market and other assumptions.

#### **1.D Critical accounting judgements and key sources of estimation uncertainty**

The financial statements are subject to the use of estimates and judgements. The estimates and judgements that have a significant effect, or risk of causing an adjustment to the carrying amounts of assets and liabilities relate to:

- Valuation and depreciation of property, plant and equipment - Note 13
- Provisions - Note 16
- Valuation of finance leases - Note 12
- Contingent liabilities - Note 18

#### **1.E Financial assets and financial liabilities**

##### **Categorisation of financial instruments**

Council has the following categories of financial assets and financial liabilities:

<b>Financial assets</b>	Note	<b>2017</b>		<b>2016</b>	
		\$	\$	\$	\$
Cash and cash equivalents	10	30,593,357		15,343,589	
Receivables (measured at amortised cost)	11	10,275,135		10,955,090	
Other financial assets (fair value)	12	8,491,909		5,881,490	
		<b>49,360,401</b>		<b>32,180,169</b>	

##### **Financial liabilities**

Payables (measured at amortised cost)	15	6,660,554	6,940,885
Borrowings (measured at amortised cost)		282,525	405,975
		<b>6,943,079</b>	<b>7,346,860</b>

##### **Financial risk management**

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 1 Significant accounting policies (continued)

#### 1.E Financial assets and financial liabilities (continued)

##### 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 the Council's investments and 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.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

No collateral is held as security relating to the financial assets held by Torres Strait Island Regional Council.

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	2017	2016
Financial assets		\$	\$
Cash and cash equivalents	10	30,593,357	15,343,589
Receivables - housing	11	1,349,159	1,678,356
Receivables - rates	11	565,928	561,599
Receivables - other	11	4,306,349	5,118,062
Other financial assets	12	8,491,909	5,881,490
Other credit exposures			
Guarantees	18	233,667	245,019
		<u>45,540,369</u>	<u>28,828,115</u>

##### 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 and other financial institutions.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 10.

##### Market risk

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

##### Interest rate risk

Torres Strait Island Regional Council is exposed to interest rate risk through investments and borrowings with QTC and other financial institutions.

##### Sensitivity

Sensitivity to interest rate movements (assumed to be 1%) is disclosed in Note 10 for financial assets and liabilities with variable rates of interest based on the carrying amount at reporting date.

# **Torres Strait Island Regional Council**

## **Notes to the financial statements For the year ended 30 June 2017**

### **2 Analysis of results by function**

#### **2(a) Components of Council functions**

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

##### **Executive**

The objective of the Executive function is to seek to maximise corporate performance, comply with law, regulations, standards, community expectations and support staff to carry out their responsibilities.

Implementation of major policy and management decisions is delivered from the Office of the CEO. Ultimately the CEO is responsible for services to Councillors and the Community. The Office of the CEO consists of the following areas:

- Mayor and Councillors
- Committees
- Governance
- Media and public relations
- Administrative services

##### **Health and Community Services**

The objective of the Health and Community Services function is to develop, manage and deliver community and public health services that meet the needs of all sectors of the community.

The Health and Community Services function delivers the following services:

- Community services
- Environmental health services
- Health and wellbeing services

##### **Financial Services**

The objective of the Financial Services function is to provide efficient and effective financial support services to Council functions.

The Financial Services function is multi-disciplinary and consists of:

- Financial management services
- Strategic (financial) planning
- Policy and procedure review

##### **Engineering Services**

The objective of the Engineering Services function is to provide a high level of service in integrated infrastructure management which ensures environmental protection and meets community expectations.

The outcomes achieved by Engineering Services are linked with Council's commitment to public health, transport, water and wastewater infrastructure.

Key components of the Engineering Services function include:

- Water services
- Wastewater services
- Civil works services
- Waste services

##### **Housing Services**

The objective of the Housing Services function is to provide social housing services including tenancy management, repairs and maintenance and new construction on behalf of the State and Federal Government.

Key components of the Housing Services function include:

- Building services
- Tenancy management services

##### **Corporate Services**

The objective of the Corporate Services function is to provide efficient and effective delivery of services to Council functions through innovative, practical and responsible solutions.

The Corporate Services function is multi-disciplinary and consists of support services including:

- Information services
- Asset management services
- Procurement and fleet services
- Organisational development services
- Strategic (corporate) planning services
- Legal services
- Planning services

**Torres Strait Island Regional Council  
Notes to the financial statements  
For the year ended 30 June 2017**

**2 Analysis of results by function**

**2(b) Income and expenses defined between recurring and capital are attributed to the following functions:**

**Year ended 30 June 2017**

Functions	Gross program income				Total income	Gross program expenses	Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets	
	Grants	Recurrent	Other	Capital		Recurrent	Capital					
Executive	\$ 523,978	\$ 4,904,101	\$ -	\$ -	\$ 5,428,079	(12,923,820)	-	\$ 109,798	(12,814,022)	\$ (7,385,943)	-	
Health and Community Services	\$ 3,812,080	\$ 59,555	\$ -	\$ -	\$ 3,871,645	(5,429,998)	-	\$ (82,586)	(5,512,582)	\$ (1,640,937)	7,937,100	
Financial Services	\$ 20,916,980	\$ 274,332	\$ -	\$ 2,848,338	\$ 24,039,650	(2,072,046)	-	\$ (1,827)	(2,073,873)	\$ 19,117,438	21,965,777	
Engineering Services	\$ 2,405,028	\$ 2,769,711	\$ 24,006,930	\$ -	\$ 29,261,668	(27,000,553)	-	\$ (183,287)	(27,273,840)	\$ (22,019,101)	49,616,105	
Housing Services	\$ -	\$ 48,556,076	\$ -	\$ -	\$ 48,556,076	(61,298,670)	-	\$ (1,488,441)	(62,758,111)	\$ (14,202,034)	314,473,400	
Corporate Services	\$ -	\$ 195,242	\$ 18,723,163	\$ -	\$ 18,918,405	(8,373,740)	-	\$ (12,747,202)	(6,532,155)	\$ 6,171,203	56,611,789	
Total Council	\$ 27,738,076	\$ 56,758,017	\$ 42,739,083	\$ 2,848,338	\$ 130,075,524	(117,159,829)	\$ (6,019,805)	\$ -	(123,179,630)	\$ (32,662,732)	\$ 6,895,894	918,397,001

**Year ended 30 June 2016**

Functions	Gross program income				Total income	Gross program expenses	Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net result	Assets	
	Grants	Recurrent	Other	Capital		Recurrent	Capital					
Executive	\$ 610,419	\$ 29,780,935	\$ 1,132,380	\$ -	\$ 31,503,734	(37,752,431)	-	\$ (258,886)	(38,011,317)	\$ (7,639,863)	\$ (6,507,583)	
Health and Community Services	\$ 3,483,182	\$ 6,009,525	\$ -	\$ -	\$ 9,492,707	(28,840,631)	-	\$ (30,193,992)	(20,701,285)	\$ (20,701,285)	275,966,864	
Financial Services	\$ 15,773,871	\$ 840,195	\$ -	\$ 766,385	\$ 17,380,451	(2,086,217)	-	\$ (2,086,217)	\$ 14,527,849	\$ 15,294,234	32,485,832	
Corporate Services	\$ -	\$ 345,352	\$ 11,077,606	\$ -	\$ 11,422,960	(10,470,160)	-	\$ (4,063,973)	\$ (13,552,180)	\$ (9,142,655)	58,667,485	
Engineering Services	\$ 2,088,867	\$ 2,556,125	\$ 7,879,471	\$ -	\$ 12,524,463	(23,125,156)	-	\$ 630,294	(22,494,862)	\$ (17,849,870)	311,138,268	
Total Council	\$ 21,956,339	\$ 39,512,132	\$ 20,089,459	\$ 766,385	\$ 82,324,315	(102,274,595)	\$ (4,063,973)	\$ -	\$ (106,338,568)	\$ (40,806,124)	\$ (24,014,253)	678,258,439

Effective 1 July 2016 Council introduced the Housing Services function which consists of tenancy management and building services. In prior years tenancy management and building services were reported under Health and Community Services and Executive functions respectively.



# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>3 Revenue analysis</b>			
<b>(a) Community levies, rates and charges</b>			
Revenue from rates and levies is recognised as revenue during the period to which they relate.			
Water charges commercial		244,175	416,297
Sewerage charges commercial		700,887	587,206
Garbage charges commercial		138,508	219,868
Rates from 40 year leases		34,000	-
		<u>1,117,570</u>	<u>1,223,371</u>
<b>(b) Rental income</b>			
Rental revenue from community housing is recognised as income on a periodic straight line basis over the lease term.			
Residential property rental income		5,387,000	5,952,483
		<u>5,387,000</u>	<u>5,952,483</u>
Council currently holds a social welfare housing portfolio and these buildings are held to meet service delivery objectives, rather than to earn rental income or for capital appreciation purposes.			
As the buildings held by Council do not meet the definition of investment property, these buildings are accounted for in accordance with AASB 16 <i>Property, Plant and Equipment</i> .			
<b>(c) Sales revenue</b>			
Council provides a range of goods and services to the community and other third parties for a fee. These fees are set in a fees and charges register adopted by Council at the annual budget meeting. Revenue is recognised when the significant risk and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods or provision of service.			
Revenue from contract and recoverable works generally comprises a recoupment of material costs together with an hourly charge for the use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. The contract work carried out is not subject to retentions.			
Contract and recoverable works		43,109,758	24,645,475
Plant and equipment hire		34,095	95,272
Childcare services		56,366	48,470
Accommodation		524,398	331,080
Sale of fuel and gas		1,354,012	1,439,555
Sale of powercards		936,405	1,141,411
		<u>46,015,034</u>	<u>27,701,263</u>
<b>(d) Other income</b>			
Insurance claims received		66,295	150,610
Gain/(loss) on revaluation of finance leases	12	(16,679)	141,733
Commission income		359,677	405,671
Other revenue		167,193	557,783
		<u>576,486</u>	<u>1,255,797</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 4 Grants, subsidies, contributions and donations

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

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 other Government entities and Departments. These assets are recognised upon the practical transfer of the asset to Council. The assets are recognised at cost, as supplied by the contributing agency/department as the Council believes the provided costs approximate fair value at the date of transfer.

The funding of infrastructure assets by State and Federal Government Departments, which are then transferred to Council, is expected to be an ongoing process. Refer to Note 20 for funds held in trust for this purpose.

	Note	2017	2016
		\$	\$
(a) Recurrent			
General purpose grants		15,272,638	9,982,643
State Government subsidies and grants		8,658,554	8,636,405
Commonwealth Government subsidies and grants		3,806,884	3,289,505
Contributions		-	47,786
		<u>27,738,076</u>	<u>21,956,339</u>

On 8 June 2017 Council received 50% of the Financial Assistance and Local Roads Grant allocation for the 17/18 financial year totalling \$5.2 million. Per AASB 1004 *Contributions* revenue recognition criteria, Council has recognised the contribution upon receipt of the funds.

### (b) Capital

State Government subsidies and grants	2,401,431	3,062,547
Commonwealth Government subsidies and grants	21,605,499	5,863,309
Gain on initial recognition of finance lease	2,848,338	766,385
Contributed assets	18,723,163	11,163,603

#### 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:

Non-reciprocal grants for expenditure on services and infrastructure	3,637,395	1,633,642
	<u>3,637,395</u>	<u>1,633,642</u>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>5 Employee benefits</b>			
Total staff wages and salaries		16,046,312	15,322,812
Councillors' remuneration		962,241	877,745
Annual, sick and long service leave entitlements		3,107,501	3,051,558
Superannuation	19	2,072,182	1,939,259
		22,188,236	21,191,374
Other employee related expenses		451,929	1,071,115
Less: Capitalised employee expenses		22,640,165	22,262,489
		(432,888)	(404,726)
		<u>22,207,277</u>	<u>21,857,763</u>

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

Total Council employees at the reporting date:

	2017	2016
Elected members	16	15
Administration staff	307	313
Total full time equivalent employees	323	328

	\$	\$
<b>6 Materials and services</b>		
Advertising and marketing	82,799	45,329
Audit services	219,869	215,752
Communications and IT	1,441,248	1,576,078
Consultants	665,275	707,587
Contractors	23,096,365	10,636,107
Donations paid	365,074	413,600
Freight	2,568,927	2,301,618
Insurance	2,470,893	2,380,890
Legal fees	234,144	184,431
Motor vehicle expenses	271,359	231,120
Powercards, fuel & gas for resale	2,430,256	2,490,146
Power	1,312,390	1,261,994
Repairs and maintenance	9,445,333	8,048,597
Rent paid	653,563	673,184
Subscriptions and registrations	47,455	100,926
Supplies and consumables	413,715	363,982
Temporary staff costs	89,789	3,886
Travel	3,198,734	3,329,880
Other materials and services	1,243,600	1,941,905
Less: Expenses capitalised	(64,545)	(91,532)
	<u>50,186,243</u>	<u>36,815,481</u>

## 7 Finance costs

Finance costs charged by QTC	22,810	25,063
Bank charges	55,707	51,050
Impairment of debts	2,712,598	3,022,637
Refuse restoration	1,183,923	(172,540)
	<u>3,975,038</u>	<u>2,926,210</u>



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
<b>8 Depreciation and amortisation</b>			
<b>Depreciation of non-current assets</b>			
Buildings (Communities)		20,440,133	20,616,098
Buildings (Corporate)		3,278,249	3,327,660
Recreational facilities		1,053,079	743,670
Roads/transport network		5,226,019	4,919,586
Stormwater drainage network		184,797	184,797
Flood mitigation network		200,647	101,297
Water supply network		4,149,238	4,162,243
Sewerage network		4,300,335	4,495,294
Bridges		4,550	4,550
Wharves, piers, jetties and pontoons		501,680	515,646
Waste landfill		251,755	76,341
Plant and equipment		985,869	1,335,295
	13	40,576,351	40,482,477
<b>Amortisation of intangible assets</b>			
Software		214,916	192,664
<b>Total depreciation and amortisation</b>		<b>40,791,267</b>	<b>40,675,141</b>
The renewal of Council assets is dependent on State and Commonwealth funding and therefore Council assets may not get renewed at the same rate as they depreciate.			
<b>9 Capital expenses</b>			
<b>Revaluation decrement</b>			
Revaluation down of property, plant and equipment		298,841	-
		<b>298,841</b>	<b>-</b>
<b>Loss on disposal of non-current assets</b>			
Book value of property, plant and equipment		6,824,757	4,145,241
Less: Proceeds from the sale of property, plant and equipment		(89,245)	(81,268)
Less: Proceeds from insurance claims		(1,014,548)	-
		<b>5,720,964</b>	<b>4,063,973</b>
<b>Total capital expenses</b>		<b>6,019,805</b>	<b>4,063,973</b>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 10 Cash and cash equivalents

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

	Note	2017	2016
		\$	\$
Cash at bank		10,356,872	3,586,187
Deposits at call		20,175,252	11,697,432
Term deposit		61,233	59,970
Balance per Statement of Cash Flows		<u>30,593,357</u>	<u>15,343,589</u>

Council's cash at bank and term deposit are held with National Australia Bank on normal terms. The bank currently has a short term credit rating of A-1+ and long term rating of AA-. Deposits on call are held with Queensland Treasury Corporation.

Council's interest rate sensitivity to an expected 1% maximum fluctuation in interest rates if all other variables were held constant is:

	Net carrying amount	Effect on net result		Effect on equity	
		1% Increase	1% decrease	1% Increase	1% decrease
<b>2017</b>					
QTC cash fund	20,175,252	201,753	(201,753)	201,753	(201,753)
Other investments	61,233	612	(612)	612	(612)
Loans - QTC	(282,525)	(2,825)	2,825	(2,825)	2,825
<b>Net total</b>	<b>19,953,960</b>	<b>199,540</b>	<b>(199,540)</b>	<b>199,540</b>	<b>(199,540)</b>

### 2016

QTC cash fund	11,697,432	116,974	(116,974)	116,974	(116,974)
Other investments	59,970	600	(600)	600	(600)
Loans - QTC	(333,643)	(3,336)	3,336	(3,336)	3,336
Loans - TSRA	(72,333)	(723)	723	(723)	723
<b>Net total</b>	<b>11,351,426</b>	<b>113,515</b>	<b>(113,515)</b>	<b>113,515</b>	<b>(113,515)</b>

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 11 Trade and other receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is generally required within 30 days from invoice date. There is a geographical concentration of credit risk for housing and other debtors.

The collectability of receivables is assessed periodically 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 2017.

	Note	2017	2016
		\$	\$
<b>Current</b>			
Receivable - Housing		13,931,034	14,095,643
Less impairment		(12,581,875)	(12,417,287)
Receivable - Rates		635,421	1,148,908
Less impairment		(69,493)	(587,309)
Receivable - Other		4,547,837	8,843,009
Less impairment		(241,488)	(3,724,947)
		<u>6,221,436</u>	<u>7,358,017</u>
Accrued revenue		3,894,066	3,254,620
Prepayments		159,633	162,363
GST receivable		-	180,090
		<u>10,275,135</u>	<u>10,955,090</u>

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	16,729,543	16,347,228
Impairment debts written off during the year	(6,549,286)	(2,640,330)
Additional impairments recognised	2,712,599	3,022,645
Closing balance at 30 June	<u>12,892,856</u>	<u>16,729,543</u>

Ageing of receivables and the amount of any impairment is disclosed in the following table:

Not past due	2,516,267	5,076,092
Past due 31-60 days	810,274	372,645
Past due 61-90 days	495,533	363,697
More than 90 days	15,292,218	18,275,125
Impaired	(12,892,856)	(16,729,543)
Total	<u>6,221,436</u>	<u>7,358,017</u>



# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 12 Other financial assets

Council has leased the following dwellings and vacant sites as lessor to the Queensland Government for 40 years:

- 51 dwellings located on Moa Island (Kubin)
- 8 dwellings and 6 vacant sites on Mabuiag Island
- 5 vacant sites on Poruma Island
- 4 vacant sites on Hammond Island
- 3 vacant sites on Erub Island
- 6 dwellings and 1 vacant site on Saibai Island
- 6 dwellings and 2 vacant sites on Boigu Island
- 7 vacant sites on Warraber Island
- 22 vacant sites on Moa Island (St Pauls)
- 6 vacant sites on Masig Island

The total lease payment per dwelling in the current year ranged between \$2,000 and \$2,091 (\$2,000 to \$2,056 for 2015-16). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups). As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income annually.

	Note	2017	2016
		\$	\$
<b>Current</b>			
Finance leases		267,043	177,344
		<hr/>	<hr/>
		267,043	177,344
<b>Non-current</b>			
Finance leases		8,224,866	5,704,146
		<hr/>	<hr/>
		8,224,866	5,704,146

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

Gross minimum lease payments receivable:		
Not later than one year	267,043	177,344
Later than one year but not later than five years	1,068,171	709,376
Later than five years	8,723,995	5,818,395
Add: Estimated contingent rent	10,059,209	6,705,115
Less: Present value adjustment	6,356,336	4,248,104
Fair value of lease payments	(7,923,636)	(5,071,729)
	<hr/>	<hr/>
	8,491,909	5,881,490

The fair value of lease payments is receivable as follows:

Not later than one year	267,043	177,344
Later than one year but not later than five years	1,043,120	696,587
Later than five years	7,181,746	5,007,559
	<hr/>	<hr/>
	8,491,909	5,881,490

Movements in finance leases were as follows:

Opening balance		5,881,490	5,151,278
Add: Initial recognition of new leases		2,848,338	766,385
Less: Lease receipts		(221,240)	(177,906)
Add: Gain/(loss) on revaluation	3(d)	(16,679)	141,733
Closing balance		<hr/>	<hr/>
		8,491,909	5,881,490

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2.5%, 2016) and a discount rate of 3.48% (3.25%, 2016).

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 13 Property, plant and equipment

Each class of property, plant and equipment is stated at amortised cost or fair value. Items of plant and equipment, and infrastructure assets and buildings with a total value of less than \$10,000 effective 21 March 2017 and \$5,000 prior to that date are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

By operation of the Local Government Act 2009, Torres Strait Islander Land Act 1991 and Land Act 1994, Council retains ownership of the below classes of property, plant and equipment. This includes leasehold and licensed assets on Mer Island and Badu Island.

The classes of property, plant and equipment recognised by the Council are:

- Buildings (Community)
- Buildings (Corporate)
- Recreation facilities
- Roads / transport network
- Stormwater drainage network
- Flood mitigation network
- Water supply network
- Sewerage network
- Bridges
- Wharves, piers, jetties and pontoons
- Waste landfill
- Land assets
- Plant and equipment
- Work in progress (WIP)

#### Acquisition of assets

Acquisitions of assets are initially recorded at cost. 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.

Property, plant and equipment received in the form of contributions are recognised as assets and revenues at cost as supplied by the contributing entity, where that value exceeds the recognition threshold for the respective asset class.

#### Capital and operating expenditure

Wages, materials expenditure and an appropriate portion of direct costs for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset are expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

#### Valuation

All asset classes excluding plant and equipment and work in progress (WIP) are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Plant and equipment and WIP are measured at amortised cost.

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 at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. In the intervening years Council uses the indexation method to determine the fair value of each class of property, plant and equipment assets. Council only accounts for the impact of revaluation if the cumulative change in the index is 5% or greater (either positive or negative).

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, 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.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

#### Depreciation

Land is not depreciated as it has an unlimited useful life. 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, 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.

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.



# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

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 to the Council.

Depreciation methods and estimated useful lives 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 written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in the tables later in this Note.

#### Land under roads

Torres Strait Island Regional Council does not control any land under roads. Land under the road network within the Council area that has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 is not controlled by Council but is controlled by the State pursuant to the relevant legislation. This land is not recognised in these financial statements.

#### Impairment

Each asset class is assessed for indicators of impairment annually.

#### Deed of Grant in Trust land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) held under the Torres Strait Islander Land Act 1991 (Qld) (TSILA), Aboriginal Land Act 1991 (Qld) and the Land Act 1994 (Qld). The land comprises an area of approximately 483.6 square kilometres, across the following Islands:

- Boigu Island
- Dauan Island
- Erub Island
- Hammond Island
- Iama Island
- Moa Island (comprising two DOGITs of St Paul's and Kubin communities)
- Mabuiag Island
- Poruma Island
- Saibai Island
- Ugar Island
- Warraber Island
- Masig Island



# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 13 Property, plant and equipment (continued)

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of islander inhabitants. The DOGIT land has not been taken up in Council's asset register as it cannot be reliably measured.

The Reserve Land for Mer Island was managed by the Department of Communities, Child Safety and Disabilities Services until 14 December 2012. On 14 December 2012 Mer Gedkem Le (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Mer Island. The Corporation is trustee for the Native Title Holders.

The DOGIT land for Badu Island was administered by Council in the capacity as trustee until 1 February 2014. On 1 February 2014, Mura Badulgal (Torres Strait Islanders) Corporation RNTBC became the trustee of Torres Strait Islander land under the TSILA in communal freehold of Badu Island. The Corporation is trustee for the Native Title Holders.

Essential service buildings and infrastructure on Badu Island and Mer Island are leased by Council for the terms of 5 years, 30 years and 99 years at agreed values.

The relevant leased assets are still reported as assets of the Council; land is not reported; nominal rental is paid except for the former child care centre and one staff residence on Badu Island, for which future commitments are \$45,484 over two years. They have not been classified as finance leases as assets were originally constructed by Council, and recorded as such prior to the change in land arrangements. No lease liability has been recognised in the financial statements for these leases.

Pursuant to the terms and conditions of the respective leases, it is intended that the Council continue to maintain these assets for the benefit of the community, as Council possesses the necessary skills and knowledge to best utilise these assets.

**Torres Strait Island Regional Council**  
 Notes to the financial statements  
 For the year ended 30 June 2017

**13 Property, plant and equipment (continued)**

Council - 30 June 2017											Total		
Buildings (Communities)	Buildings (Corporate)	Recreational Facilities	Road / Transport Network	Stormwater Drainage Network	Water Supply Network	Boulevard Network	Bridges	Wharves, Piers, Jetties & Pontoon	Land Assets	Plant & Equipment	Work in progress		
Fair Value	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$11,501,181	90,917,898	19,762,710	201,560,431	9,239,849	6,412,089	124,594,785	124,564,386	91,000	19,489,011	1,084,250	567,000	9,112,073	12,287,201
Asset values													19,131,153,865
Opening gross value as at 1 July 2016													
Additions													19,150,573
Capital contributions													19,150,573
Assets capitalised from WIP													18,723,184
Assets previously not recognised													
Disposals													
Revaluation adjustment to other comprehensive income (asset revaluation surplus)													
Revaluation adjustment to income (capital expenses)													
Transfers between classes													
Closing gross value as at 30 June 2017													1,499,477,363
565,142,000	103,988,300	24,674,700	261,106,700	12,353,000	28,034,245	215,267,560	235,406,450	-	36,503,600	1,231,000	520,000	6,276,980	5,973,138
Accumulated depreciation and impairment													
243,155,464	48,731,389	12,141,563	66,145,503	2,804,097	2,700,283	48,953,872	45,492,908	66,757	9,424,516	309,604	-	6,143,501	-
20,440,133	3,278,249	1,053,079	5,226,019	184,797	200,647	4,149,238	4,300,338	4,550	501,680	251,755	-	(600)	486,058,460
(8,408,248)	5,963,168	4,079,622	23,307,120	1,113,006	2,208,185	40,293,593	40,581,812	(2,256)	5,983,791	398,590	-	985,359	40,576,352
(3,721,569)	(1,539,829)	(471,521)	(107,463)	(1,384,115)	(1,113,465)	(228,306)	(228,306)	(69,051)	(852,082)	-	-	117,516,383	
(797,179)	562,322	234,857	(11,795)	-	-	-	-	-	11,795	-	-	(1,514,454)	(13,001,844)
250,988,600	56,988,300	17,037,600	94,559,388	4,101,900	3,723,000	92,283,250	90,146,750	-	15,069,700	956,949	-	5,614,316	631,169,753
314,473,400	48,983,000	7,637,100	168,547,312	8,251,100	25,311,245	122,984,300	145,259,700	-	21,433,900	271,051	520,100	2,682,384	5,973,138
3 - 88	2 - 73	7 - 55	1 - 111	42 - 62	25 - 44	1 - 64	1 - 113	0	3 - 98	8 - 29	Land Not Depreciated	3 - 25	WIP: Not Depreciated
Additions comprise:													
Renewals													
Other additions													
Previously not recognised													
Total additions													44,629,433
Asset revaluation surplus													
Opening balance as at 1 July 2016													154,288,980
Movements													232,477,772
Closing balance asset revaluation surplus as at 30 June 2017													368,746,732



**13 Property, plant and equipment (continued)**

Torres Strait Island Regional Council  
Notes to the Financial Statements  
For the year ended 30 June 2016

**Council - 30 June 2016**

	Buildings (Communities)	Buildings (Carpette)	Recreational Facilities	Road / Transport Network	Sewerage Network	Water Supply Network	Flood Mitigation Network	Bridges	Wharves, piers, jetties & pontoons	Land Assets	Plant & Equipment	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	\$	
<b>Basis of measurement</b>														
<b>Asset values</b>														
Opening gross value as at 1 July 2015	93,296,073	17,520,810	198,329,488	9,239,849	7,717,057	123,731,199	124,552,069	91,000	16,700,285	1,084,250	567,000	9,563,138	7,949,671	
<b>Adjustments</b>														
<b>Additions</b>														
Capital contributions	-	-	-	211,000	-	(2,065,000)	-	128,000	-	2,525,000	-	(120,184)	140,184	
Assets capitalised from WIP	10,889,626	-	-	-	-	-	-	-	-	-	-	-	20,001	
Assets previously not recognised	69,877	2,441,725	97,906	2,785,065	-	1,560,032	969,888	617	-	11,850	-	788,500	(8,725,(60))	
Disposals	-	-	54,000	325,680	-	-	-	-	-	-	-	414,000	793,680	
Transfers between classes	(8,629,891)	(2,289,349)	(122,412)	-	-	(285,603)	-	-	(88,124)	-	-	(1,563,371)	(18,071,155)	
<b>Closing gross value as at 30 June 2016</b>	<b>511,501,181</b>	<b>90,617,898</b>	<b>19,762,710</b>	<b>201,560,431</b>	<b>9,239,848</b>	<b>6,412,086</b>	<b>124,564,786</b>	<b>124,564,386</b>	<b>91,000</b>	<b>19,489,011</b>	<b>1,084,250</b>	<b>567,000</b>	<b>9,112,073</b>	<b>12,267,201</b>

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2015	48,106,968	10,158,270	61,283,851	2,619,300	4,286,002	44,944,624	40,999,979	62,207	7,249,619	233,263	-	6,390,660	45,204,635	
Adjustments	(26,949)	26,949	-	-	-	(1,987,016)	-	-	1,687,016	-	-	20,000	-	
Depreciation provided in period	20,616,098	3,327,660	743,370	4,919,566	184,797	101,297	4,162,243	4,498,294	4,550	515,646	76,341	-	1,335,295	
Depreciation/impairment on disposals	(4,886,290)	(1,810,831)	(84,339)	(88,885)	-	-	(186,776)	-	-	(27,785)	-	-	(1,570,274)	
Transfers between classes	(417,489)	(919,385)	1,504,482	984	-	-	33,783	(2,385)	-	-	-	(22,180)	(22,180)	
<b>Accumulated depreciation as at 30 June 2016</b>	<b>243,155,464</b>	<b>48,731,359</b>	<b>12,141,363</b>	<b>66,145,506</b>	<b>2,804,097</b>	<b>2,700,283</b>	<b>46,665,372</b>	<b>46,982,908</b>	<b>65,757</b>	<b>9,424,516</b>	<b>309,904</b>	<b>-</b>	<b>8,143,501</b>	<b>486,068,460</b>

**Book value as at 30 June 2016**

	Range of estimated useful life in years	5 - 77	3 - 64	8 - 50	6 - 100	50	25 - 50	1 - 80	2 - 80	20	11 - 100	8 - 30	Land: Not Depreciated	3 - 25 WIP: Not Depreciated

**Additions comprise:**

Renewals	6,420,706	381,748	\$ 97,906	\$ 209,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 243,056	\$ 7,465,975
Other additions	4,338,797	2,656,877	-	2,565,889	-	-	1,560,032	959,888	617	-	226	-	445,405	-
Previously not recognised	-	-	54,000	325,680	-	-	-	-	-	-	-	-	414,000	-
Total additions	10,759,503	2,441,725	151,606	3,120,745	-	1,560,032	959,888	617	-	11,850	-	-	1,202,500	-
														20,208,466

**Asset revaluation surplus**

Opening balance as at 1 July 2015	38,627,981	3,383,699	2,110,266	92,079,325	758,006	-	6,282,513	11,041,750	5,430	-	-	-	-	154,268,960
Movements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance Asset revaluation surplus as at 30 June 2016	38,627,981	3,383,699	2,110,266	92,079,325	758,006	-	6,282,513	11,041,750	5,430	-	-	-	-	154,268,960



# **Torres Strait Island Regional Council**

## **Notes to the financial statements For the year ended 30 June 2017**

### **14 Fair value measurements**

#### **(i) Recognised fair value measurements**

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

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

All Council's property, plant and equipment measured at fair value at reporting date is categorised at level 3 (2016: all at level 3). Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

Council measures and recognises assets in all asset classes relating to property plant and equipment, other than plant and equipment and WIP, at fair value on a recurring basis.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (level 2).

#### **(ii) Valuation techniques used to derive fair values for level 3 valuations**

**Specific valuation techniques used to value Council assets comprise:**

##### **Valuation**

A comprehensive valuation was completed by independent valuer, Jones Lang LaSalle effective 30 June 2017. A broad sample of assets were inspected by the valuers and fair values determined.

##### **Land**

Council's land assets consist of two parcels of land on Thursday Island. Land fair values have been measured by the cost approach and by direct comparison. Level 2 and 3 valuation inputs were utilised, being sales transactions of other properties within the region, and adjusted for differences between key attributes of the properties. Based on limited sales transactions, the cost approach was applied.

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

##### **Buildings and infrastructure**

The fair value of buildings and infrastructure was also determined by independent valuer, Jones Lang LaSalle effective 30 June 2017.

Due to the predominantly specialised nature of Local Government assets, both the infrastructure valuations and buildings valuations have been undertaken on a cost approach (current replacement cost).

Where there is no market, the net current value of an asset is the gross current replacement value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a level 2 input.

In determining the level of accumulated depreciation for major assets, they have been disaggregated into significant components which exhibit different patterns of consumption (useful lives). The condition assessment is applied on a component basis.

While the replacement cost of the assets could be supported by market supplied evidence (level 2). Useful life and asset condition were also considered. Meaning that under AASB13 the valuation of buildings and infrastructure is deemed to fall under level 3.

To calculate the appropriate amount of accumulated depreciation, assets are either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections are conducted (i.e. for visible active assets), the assets were allocated a condition assessment, which are used to estimate remaining useful life, as tabled below:

Condition rating	Rating description	% of life remaining
0	Brand new or rehabilitated to new	90 - 100
0.5	Near new with no visible deterioration	80 - 90
1	Excellent overall condition, early stages of deterioration	70 - 80
1.5	Very good overall condition with obvious deterioration evident	60 - 70
2	Good overall condition, obvious deterioration, serviceability impaired very slightly	50 - 60
2.5	Fair overall condition, obvious deterioration, some serviceability loss	40 - 50
3	Fair to poor overall condition, obvious deterioration, some serviceability loss	30 - 40
3.5	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance	20 - 30
4	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	10 - 20
4.5	Extremely poor condition, severe serviceability problems, renewal required immediately	5 - 10
5	Failed asset, no longer serviceable. Should not remain in service	0 - 5

Where site inspections are not conducted, the remaining useful life is calculated on asset age and estimated useful life. The valuation techniques used in the determination of fair values maximise the use of observable data where it is available.

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

The current replacement cost is determined using methods relevant to the asset class as described under individual asset categories below.

#### 1. Buildings - calculation of current replacement cost

##### *Current replacement cost*

Construction costs are based on published construction cost guides and discussions with trade contractors living and working on the Torres Strait Islands. Rates are analysed from a number of sources and include review of producer price indexes, building cost indices, wage indexes, architectural engineering and technical services indices and construction cost movements (sourced from Australian Institute of Quantity Surveyors and Rawlinson's).

Building construction costs take into consideration factors relevant to the location (such as increased shipping and mobilisation costs) and include all preliminary and direct costs.

##### *Accumulated depreciation*

To calculate the appropriate amount of accumulated depreciation, a portion of buildings are subject to a site inspection and/or an assessment to determine remaining useful life. Site inspection and external examination of all building assets are carried out over the 3 year period in between full valuations undertaken by a professional valuer. Those buildings which are open to the public such as Council administration buildings and locations where staff are on site such as workshop buildings, are internally inspected as per triannual reviews. They are completed internally by suitably qualified Council officers and reviewed by the asset class manager. Internal assessments are used in conjunction with Department of Housing and Public Works condition reports (as available) to support Council's assessment.

#### 2. Roads/Transport Network - calculation of current replacement cost

##### *Current replacement cost*

Some of the road network is segmented at a high level (e.g. between intersections) and other parts not segmented. Unit rates are applied to the individual road components formation, pavement, seal and kerb and channel of each road in order to determine the replacement cost.

The unit rates applied are based on greenfield project costs and include all materials, labour and direct costs. These unit rates are established by averaging various information sources, including internal Council costs of recent projects, sub-contractor and head contractor costs of recent projects. This information is all supplied by Council or the contractors. Due to the unique nature of constructing infrastructure in the Torres Strait area, the valuation is required to rely on information provided by Council. Publicly available information such as Rawlinson's construction handbook is used to check the Council supplied information for appropriateness.

##### *Accumulated depreciation*

In determining the level of accumulated depreciation, roads are disaggregated into significant components which exhibit different useful lives. Asset condition assessments were completed in the year ending 30 June 2017 on 33% of Council's roads/transport network and condition rating, useful lives and depreciation rates have been amended accordingly.

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 14 Fair value measurements (continued)

#### (ii) Valuation techniques used to derive fair values for level 3 valuations (continued)

##### 3. Water supply and sewerage network - calculation of current replacement cost

###### *Current replacement cost*

The water and sewerage assets are segregated into active and passive assets; passive assets are not further componentised and consist primarily of mains. Unit rates are applied based on Council supplied recent project costs, similar recent project costs from other entities, unit rate databases, indices, Rawlinson's Construction rates and quotations. To check for reasonableness, the valuer also compares these indices to wages indexes and non-residential building construction indexes.

The remaining active assets consist of treatment, pumping and storage assets. These assets are componentised and were valued independently as at 30 June 2017, with allowances for complexity, size, function and site factors. As a check these components are generally combined into a lump sum item and compared against recent similar projects and in-house databases.

###### *Accumulated depreciation*

An assessment of remaining useful life was made by the valuer as at 30 June 2017 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Where necessary, further guidance on remaining life was sought from Council engineering staff. Condition assessments have been completed in 2017 for 33% for Council's water and sewer network and the condition rating and depreciation rates have been amended accordingly.

##### 4. Other infrastructure – Calculation of current replacement cost

Other infrastructure includes the flood mitigation network, bridges, waste landfill, recreational facilities, stormwater drainage and wharves, piers, jetties and pontoons, which combined represent around 7.2 % of Council's assets.

###### *Current replacement cost*

The replacement cost of all assets which as a group represent other infrastructure, have been estimated through first principles. Summing together the costs of materials, labour and direct costs, utilising constructed project costs and publicly available reference material, having regard to the location and condition.

###### *Accumulated depreciation*

An assessment of remaining useful life was made by the valuer as at 30 June 2017 after inspection taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors. Condition assessments have been completed in 2017 for 33% of Council's other infrastructure and the condition rating, useful lives and depreciation rates have been amended accordingly.

#### (iii) Valuation processes

Council's property, plant and equipment valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Management prepares a report for the Audit Committee's review and endorsement.

Council's comprehensive valuation undertaken by Jones Lang LaSalle identified significant fair value movement in the following asset classes: building community, water, sewerage and roads and transport. The primary reason for the significant movement was due to increases in the underlying unit prices of the infrastructure. Unit prices were based on recent project costs undertaken in the region or where not available, Council and Jones Lang LaSalle utilised their combined knowledge base to apply an indexation factor to adjust unit prices for Council's geographic location.

# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 15 Trade and other payables

Trade creditors are recognised as a liability at the time the amount owed can be measured reliably and when it is probable the amount will have to be paid, when the goods are received or the service is performed. Amounts are unsecured and normally settled within 30 days.

Annual leave represents the amount which Council has a present obligation to pay resulting from employees' services provided up to balance date. The accrual is based on present value 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 twelve months after the balance date, annual leave is classified as a current liability.

	Note	2017	2016
		\$	\$
<b>Current</b>			
Accrued creditors		1,860,879	3,024,248
Employee benefits - annual leave		2,046,768	2,079,505
GST payable		106,254	-
Accrued payroll		283,520	216,029
Refundable bonds		2,000	2,000
Trade creditors and other payables		2,361,133	921,790
Retention		-	697,313
		<b>6,660,554</b>	<b>6,940,885</b>

The following table discloses the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2017</b>					
Trade and other	6,660,554	-	-	6,660,554	6,660,554
Loans - QTC	74,219	259,551	-	333,770	333,770
	<b>6,734,773</b>	<b>259,551</b>	<b>-</b>	<b>6,994,324</b>	<b>6,994,324</b>
<b>2016</b>					
Trade and other	6,940,885	-	-	6,940,885	6,940,885
Loans - QTC	74,219	296,876	36,893	407,988	407,988
Loans - TSRA	72,333	-	-	72,333	72,333
	<b>7,087,438</b>	<b>296,876</b>	<b>36,893</b>	<b>7,421,207</b>	<b>7,421,207</b>

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

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 16 Provisions

#### Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by Council resulting from employees' services provided up to balance date. The accrual is based on present value of remuneration rates that will be paid when the liability is expected to be settled including related on-costs and adjusted for the probability of employees remaining in the Council's employment.

The long service leave provision has been discounted using discount rates derived from Commonwealth Government bond rates as at 30 June 2017.

Where employees have met the pre-requisite 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.

#### 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.

The calculation of this provision requires assumptions such as 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. Management estimates that the 15 sites will close between 2018 and 2026.

As refuse dumps are on state reserves / DOGIT land which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

	Note	2017 \$	2016 \$
<b>Current</b>			
Long service leave		954,643	1,037,682
Provision for landfill restoration		189,375	-
<hr/>			
<b>Non-current</b>			
Long service leave		353,739	285,944
Provision for landfill restoration		4,737,173	3,742,625
<hr/>			

#### Details of movements in provisions:

##### Landfill restoration

Balance at beginning of financial year	3,742,625	3,915,165
Increase/ (decrease) in provision due to unwinding of discount	(169,523)	107,428
Increase/(decrease) in provision due to change in discount rate	1,353,446	(279,968)
Balance at end of financial year	4,926,548	3,742,625

##### Long service leave provision

Balance at beginning of financial year	1,323,627	1,166,863
Long service leave entitlement arising	281,827	331,576
Long service entitlement paid	(297,072)	(174,812)
Balance at end of financial year	1,308,382	1,323,627

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

17 Commitments for expenditure	Note	2017	2016
		\$	\$
<b>Operating leases</b>			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		588,980	568,406
One to five years		2,353,598	45,485
		<hr/>	<hr/>
		2,942,578	613,891
		<hr/>	<hr/>

Payments made under operating leases (substantially all the risks and benefits remain with the lessor) are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

### Contractual commitments

Contractual commitments at the end of the financial year but not recognised in the financial statements are as follows:

Recoverable work contractors	8,503,162	4,991,564
Capital assets	1,479,001	11,757,163
Contract employees	22,688	92,704
Cleaning services	33,220	-
Other	45,918	-
	<hr/>	<hr/>
	10,083,989	16,841,431
	<hr/>	<hr/>

### 18 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

#### Local Government Mutual

The Council is a member of the local government mutual liability 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.

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

#### Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$233,667.



# Torres Strait Island Regional Council

## Notes to the financial statements For the year ended 30 June 2017

### 18 Contingent liabilities (continued)

#### Native Title Compensation liability

The Native Title Act 1993 (Cth) requires future acts, such as the construction of major and minor Council infrastructure, housing, signage and the granting of leases to proponents such as government, to be conducted using processes listed under it. Generally, in order to be valid, a notice process or a registered Indigenous Land Use Agreement under the Native Title Act 1993 (Cth) is required before conducting a future act. Prior to amalgamation of the island councils in 2008 infrastructure and leases were likely to have been progressed without complying with these requirements of the Native Title Act 1993 (Cth). This infrastructure and leases are termed invalid future acts, for which compensation is payable by Council.

It is difficult to estimate the likely compensation payable, because there is no legally settled compensation formula. A native title compensation case was decided by the Federal Court of Australia in 2016 (*Griffiths v Northern Territory (No 3)* [2016] FCA 900), however that decision is in the process of being appealed to the High Court. There may be some certainty in relation to a compensation formula once the appeal is finalised. At this point there are no applications for compensation claims against Council. Council has sufficient insurance cover in the event of adverse applications for native title compensation for alleged invalid future acts under the Native Title Act 1993 (Cth), via Council's statutory liability cover.

### 19 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had 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.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 19 Superannuation (continued)

The most recent 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 as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Torres Strait Island Regional Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2017	2016
		\$	\$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:			
	5	2,072,182	1,939,259

### 20 Trust funds

#### 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:

Island funeral funds	382,964	388,387
Church funds	9,780	60,371
Other community funds	81,511	84,719
	<u>474,255</u>	<u>533,477</u>

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

#### Funds held in trust by outside

DFK Kidsons holding funds for Major Infrastructure and Other Program	<u>30,919,841</u>	<u>47,017,677</u>
	<u>30,919,841</u>	<u>47,017,677</u>

The Major Infrastructure & Other Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure capital works in the Torres Strait. DFK Kidsons holds funds for multiple councils in regards to the Major Infrastructure and Other Program. The amount disclosed above relates to Torres Strait Island Regional Council's portion of the funds. Infrastructure assets are not recognised by the Council until they have reached completion.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 21 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	Note	2017 \$	2016 \$
Net result		6,895,894	(24,014,253)
Non-cash items:			
Depreciation and amortisation		40,791,267	40,675,141
Asset contributions in capital income		(18,723,163)	(11,163,603)
Gain on initial recognition of finance lease		(2,848,338)	(766,385)
Gain on revaluation of finance lease		16,679	(141,733)
Loan TSRA - services offset agreement		-	72,333
Reversal of contingent liability		-	(225,622)
Reversal of WIP to operating		-	121,075
		19,236,445	28,571,205
Investing and development activities:			
Revaluation down of property, plant and equipment		298,841	-
Proceeds from the sale of property, plant and equipment		(89,245)	(81,268)
Proceeds from insurance claims		(1,014,548)	-
Loss on disposal of non-current assets		6,824,757	4,145,241
Capital grants and contributions		(24,006,930)	(8,925,856)
		(17,987,125)	(4,861,883)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		679,955	2,555,391
(Increase)/decrease in inventory		49,958	167,311
Increase/(decrease) in payables		(280,333)	1,626,499
Increase/(decrease) in other provisions		1,168,679	(15,777)
		1,618,259	4,333,424
Net cash inflow from operating activities		9,763,473	4,028,491

### 22 National Competition Policy

Council does not currently have any significant business activities to which the Code of Competitive Conduct (CCC) may be applied.

### 23 Transactions with related parties

#### (a) Transactions with key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

KMPs include the Mayor, Councillors, Council's Chief Executive Officer and the Executive Management team. Compensation paid to KMPs for 2016/17 comprises:

	2017 \$
Short-term employee benefits	2,515,519
Termination benefits	16,923
	2,532,442

Detailed remuneration disclosures are provided in Council's Annual Report.



# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

#### (b) 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 and dependant of a KMP or their spouse.

Details of transactions between Council and other related parties are disclosed below:

Details of Transaction	Note	2017
		\$
Employee expenses for close family members of KMPs	23(b)(i)	787,394
Purchase of materials and services from entities controlled by KMPs	23(b)(ii)	242,206
Grants and donations for close family members of KMPs	23(b)(iii)	16,999
Fees and charges charged to entities controlled by KMPs	23(b)(iv)	37,554

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with Council's Certified Agreement for the job they perform.

Council employs 340 staff (307 full time equivalent staff) of which 16 are close family members of key management personnel.

(ii) Council purchased the following materials and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of Council operations:

Fuel and electricity	56,765
Commercial rent	55,608
Ferry charters	52,862
Cultural Awareness	34,805
Consumables	23,976
Accommodation	16,650
Catering	1,540
	<hr/>
	242,206

Included in the above is \$56,765 of fuel and electricity charges from Badu Island Foundation and Mer Gedkem Le (TSI) Corporation (RNTBC). During this time Councillor Nona was a director for both entities. All purchases were at arm's length, on normal terms and conditions and were in the normal course of Council's operations.

As at 30 June 2017 there was \$10,878 owed by Council to Badu Island Foundation.

(iii) Grants and donations totalling \$16,999 were made during the reporting period to related parties of KMPs as community members under Council's Grants and Donations Procedure.

(iv) The fees and charges charged to entities controlled by KMPs were at arms length. \$25,000 was for the divestment of the Dauan Ferry to Sharon and Mario Sabatino as resolved by the full Council in July 2016 with Councillor Sabatino abstaining from the vote, \$10,928 was charged for commercial lease and licensing fees for M&M Minimart at Hammond Island and licence fees for Maria Tamari Tamu for office space use on Warraber Island and \$1,626 was charged for building repair and maintenance fees for Badu Island Foundation.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

#### (c) Commitments to/from related parties

Council has commitments for the provision of goods and services at ordinary commercial rates and terms. Commitments include the supply of accommodation, fuel and ferry transfers from the following related party entities:

	2017
	\$
Badu Island Foundation Ltd	10,878
Hammond Island Ferry	1,525
M & M Mini Mart	707
	<hr/>
	13,110
	<hr/>

#### (d) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

#### (e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Current \$	30 Days \$	60 Days \$	Over 90 Days \$	Total \$
					\$
Rates and service charges	-	963	101,626	151,226	253,815
Social housing	2,494	3,346	3,967	259,305	269,112
Other fees and charges	-	-	-	5,682	5,682
<b>Total</b>	<b>2,494</b>	<b>4,309</b>	<b>105,593</b>	<b>416,213</b>	<b>528,609</b>

\$116,119 has been recognised in the current year and prior years for bad or doubtful debts owed by related parties.

# Torres Strait Island Regional Council

## Notes to the financial statements

For the year ended 30 June 2017

### 23 Transactions with related parties (continued)

#### (f) Debt balances written off during the period as statute barred debt

The below debts were written off during the period as statute barred debt, being debt older than 6 years of age and pursuant to the Limitation of Actions Act 1974 (Qld) and cannot be legally enforced in a Court of competent jurisdiction.

Council first attempted to write off statute-barred debts in 2015 however quorum could not be established due to a number of Councillors declaring a material personal interest or conflict of interest and excluding themselves from voting. Following the March 2016 local government election, Council tabled the write off again however was still unable to reach quorum.

In August 2016, Council presented two separate write off resolutions for Council's consideration, one addressing commercial debts and the other addressing housing debt. Again quorum could not be established for consideration of either resolution.

On 5 October 2016, Council engaged King & Company Solicitors to address the question of how Council may act to write off statute barred debt while ensuring statutory compliance. King & Company provided several options to Council to address the issue. The option adopted by Council was to delegate the write off power to the CEO. The issue of material personal interest or conflict of interest does not arise in respect of a Council decision to delegate the matter to the CEO for decision, provided Council merely delegates the CEO power to make the decision and does not in any way direct the CEO to make any particular decision about the matter.

The resolution was made at the October 2016 Ordinary Council Meeting adopting the revised Fiscal Governance Policy granting CEO delegation to write off statute barred debt.

Related Party	Relationship Customer	Nature of Transactions	Debt Balance Written Off \$
Keith Fell	Councillor Keith Fell	Social housing	17,978
Gefano Lui (Jnr)	Councillor Getano Lui (Jnr)	Social housing	17,680
Patrick Thaiday	Councillor Patrick Thaiday	Social housing	11,300
Bob Kaigey	Brother Robert Kaigey	Social housing	9,227
Getano Lui	Priest Church Of Torres Strait	Dishonoured cheque recovery	3,955
Clara Tamu	Son Pryce Mareko	Social housing	6,359
Torenzo Elisala	Councillor Torenzo Elisala	Social housing	1,900
Torenzo Elisala	Spouse Diana Wosomo	Social housing	2,750
Daisy Ketchell	Son Marsat & B. Ketchell	Pre amalgamation debt - unknown	2,042
Dimas Toby	Councillor Dimas Toby	Social housing	1,505
Keith Fell	Councillor Keith Fell	Pre amalgamation debt - unknown	679
David Bosun	Councillor David Bosun	Pre amalgamation debt - unknown	311
John Levi	Councillor John E Levi	Purchase of goods	261
Keith Fell	Councillor Keith Fell	Pre amalgamation debt - unknown	239
David Bosun	Councillor Jeanon Baira	Pre amalgamation debt - unknown	213
John Levi	Councillor John E Levi	Annual levy 2008	90
			<hr/> 76,489 <hr/>

**Torres Strait Island Regional Council**  
**Financial statements**  
**For the year ended 30 June 2017**

**Management Certificate**  
**For the year ended 30 June 2017**

These general purpose financial statements have been prepared pursuant to sections 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, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

  
\_\_\_\_\_  
Mayor  
Fredrick Gela

Date: 8 / 12 / 2017

  
\_\_\_\_\_  
Chief Executive Officer  
Bruce Ranga

Date: 8 / 12 / 2017

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Torres Strait Island Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, 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 certificate given by the Mayor and 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 Torres Strait Island Regional Council's annual report for the year ended 30 June 2017, 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.

## **Other Matters**

The council is required to comply with the Local Government Regulation 2012. The requirements include completing their financial statements in sufficient time to allow the audit to be completed no later than four months after the end of the financial year. When extraordinary circumstances exist, the Minister for Local Government (the Minister) may decide later dates.

Council advised the Minister in early September of the extraordinary circumstances.

Council is awaiting the Minister's decision.

## **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.

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

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the

financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report.

However, future events or conditions may cause the council to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



C G Strickland  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

**Torres Strait Island Regional Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2017**

**Measures of Financial Sustainability**

	<b>How the measure is calculated</b>	<b>Target</b>	<b>30 June 2017 Result</b>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	-39%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	28%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-33%

**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 the Council's audited general purpose financial statements for the year ended 30 June 2017.

**Certificate of Accuracy**  
**For the year ended 30 June 2017**

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.

  
**Mayor**  
**Fredrick Gela**

Date: 8 / 12 / 2017

  
**Chief Executive Officer**  
**Bruce Ranga**

Date: 8 / 12 / 2017



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Torres Strait Island Regional Council

### **Report on the Current Year Financial Sustainability Statement**

#### **Opinion**

I have audited the accompanying current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Torres Strait Island Regional Council for the year ended 30 June 2017 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 Torres Strait Island Regional Council's annual report for the year ended 30 June 2017, 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 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.

#### **Other Matters**

The council is required to comply with the Local Government Regulation 2012. The requirements include completing their financial statements in sufficient time to allow the audit to be completed no later than four months after the end of the financial year. When extraordinary circumstances exist, the Minister for Local Government (the Minister) may decide later dates.

Council advised the Minister in early September of the extraordinary circumstances.

Council is awaiting the Minister's decision.

#### **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.

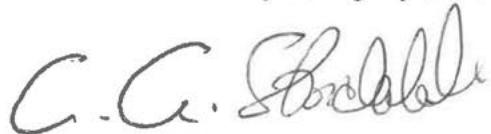
My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

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
- 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.



C G Strickland  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

**Torres Strait Island Regional Council**  
**Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2017**

**Measures of Financial Sustainability**

	Measure	Target	Actuals at 30 June 2017	Projected for the years ended								
				30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-38%	-53%	-68%	-54%	-49%	-45%	-42%	-40%	-38%	-37%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	28%	30%	17%	20%	23%	25%	27%	29%	32%	33%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-33%	-16%	-18%	-21%	-22%	-23%	-23%	-23%	-23%	-22%

**Council's Financial Management Strategy**

Council measures revenue and expenditure trends over time 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.

Council aims to operate within a set of conservative guidelines to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Infrastructure, Local Government and Planning to help monitor the long-term sustainability of all councils across Queensland. Through the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

**Certificate of Accuracy**  
**For the long-term financial sustainability statement prepared as at 30 June 2017**

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

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

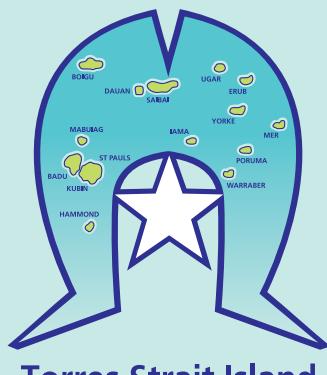
  
**Mayor**  
**Frederick Gela**  
**Date:** 8/12/2017

  
**Chief Executive Officer**  
**Bruce Ranga**

**Date:** 8/12/2017



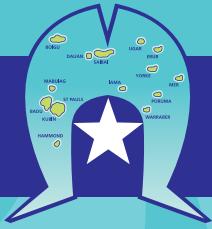




Torres Strait Island  
REGIONAL COUNCIL

# Empowering Our People

In Our Decision  
In Our Culture  
For Our Future



Torres Strait Island  
REGIONAL COUNCIL

## TORRES STRAIT ISLAND REGIONAL COUNCIL

PO Box 7336 | CAIRNS QLD 4870 Ph. (07) 4034 5700 Fax. (07) 40345750  
[www.tsirc.qld.gov.au](http://www.tsirc.qld.gov.au) | email. [info@tsirc.qld.gov.au](mailto:info@tsirc.qld.gov.au)