



BUDGET ESTIMATES

2017–2018

Financial Year



City of **HOBART**

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1. Executive Summary

Introduction

Pursuant to the *Local Government Act 1993*, Council is required to prepare Estimates of its revenue and expenditure for each financial year. These are required to be adopted by August 31 each year.

Operating Result

Council's underlying surplus is forecast to reduce by \$0.142 million to \$1.328 million in 2017-18. Major factors impacting on the 2017-18 operating result are: -

- The Estimates propose a rate increase of 3.25% to fund Council's increased cost of providing services;
- This increase is comprised of: -
 - An increase in the total cents in the dollar of Assessed Annual Value (AAV), from 9.41 cents to 9.52 cents;
 - Increases in waste management service charges, from \$245 to \$250 for residential properties, and from \$490 to \$500 for non-residential properties;
 - Landfill rehabilitation service charges of \$50 for residential properties and \$100 for non-residential properties. These amounts are unchanged from the previous year and will be reviewed in 17/18; and
 - A kerbside green waste collection service charge of \$50 for properties meeting certain criteria within the municipal area to which Council supplies or makes available a green waste collection service utilising a green waste collection bin. This amount is unchanged from the previous year.
- Rate base growth provides additional rates income of \$0.56 million, and increases in fire protection service rates of \$0.5 million are necessary to fund the increase in the State Government fire levy. In total, rates revenue will increase by \$3.57 million over the previous year;
- The combination of amounts which vary according to property value (rates) and amounts which do not vary according to property value (charges) results in differing impacts across the rate base.
- The Valuer-General has recently published AAV adjustment factors which apply from 1 July 2017. Whilst AAV adjustment factors do not directly impact the Estimates, they do alter the distribution of the rate burden, and the impact on individual ratepayers varies considerably. In general terms, there has been a shift in the rate burden from non-residential properties to residential properties. Residential properties will therefore pay more, and non-residential properties will pay less. Increases for most residential properties range between \$100 and

\$160. Whilst the impact on individual ratepayers varies, the average residential ratepayer will experience a rate increase of \$125, comprised as follows: -

General and storm water rates	\$105
Waste management service charge	\$5
Fire protection service rate	\$15
Total	\$125

- Increases in materials and services of \$1.93 million (6.7%) for reasons outlined in chapter 3.1.2;
- An increase in labour costs of \$1.99 million (3.6%), which includes an enterprise bargaining increase;
- A increase in energy costs of \$0.18 million (7.6%) mainly due to significant increases in electricity prices;
- Increases in parking fines, fees and charges of \$0.95 million (4.4%);
- A increase in property rental income of \$0.145 million (4.7%) ;
- An expected increase in depreciation expenses of \$0.56 million (3.0%) due to Council's rolling program of asset revaluations;
- An increase in the State Government fire levy of \$0.54 million (5.5%). Pursuant to the *Fire Service Act 1979*, local government acts as a collection agent for this levy, which is then paid directly to the State Fire Commission;
- Council expects to pay \$0.875 million associated with the Myer site redevelopment during 2017-18; and
- A reduction in interest revenue of \$0.13 million (14.2%).

Cash Flows

The cash balance is forecast to reduce by \$5.4 million, from \$31.15 million at 30 June 2017 to \$25.75 million at 30 June 2018.

Operations

Cash provided by operating activities will decrease by \$1.9 million, from \$21 million in 2016-17 to \$19.1 million in 2017-18, mainly due to the bring-forward of Commonwealth financial assistance grants into 2016-17.

Capital

Capital expenditure of \$50.64M includes asset renewal of \$29.41 million and new assets/upgrades of \$11.54 million. Council recently considered and approved the early years of an expanded capital works program. A key element of the program is projects under the Transforming Hobart banner.

Asset renewal expenditure is split between infrastructure assets (\$24.97 million) and plant and equipment (\$4.44 million). The level of asset renewal funding provided for 2017-18 represents 100% of the known requirements (identified in Council's Asset

Management Plans) for that year. Asset renewal funding provided in following years is also 100% of the known requirements for those years.

New asset/upgrade spending includes \$6.7 million for the Tasman Highway Shared Bridge project, \$1.29 million for new corporate core business systems, \$0.56 million for plant and equipment and \$2.99 million for general infrastructure.

Most of Council's capital expenditure will be funded from borrowings and operating revenues. Some funding is also provided by asset sales, capital grants and cash reserves.

Financing

New borrowings of up to \$20 million will be undertaken in 2017-18, and existing debt of \$1.48 million will be retired.

Balance Sheet

Net assets will increase by \$15 million from \$1.611 billion at 30 June 2017 to \$1.626 billion at 30 June 2018 mainly as a result of asset revaluations/indexation.

Conclusions

The Estimates will deliver an underlying surplus of \$1.328 million in 2017-18, and modest surpluses in following years. Cash balances will be maintained at between \$25 million and \$30 million over the next 5 years, and Council's balance sheet will remain strong. Council's eight financial sustainability indicators will all be substantially within benchmark ranges over the next five years.

The above results can be achieved with a rate increase of 3.25% in 2017-18 and 3% in following years, based on current forecasts.

Appendix

The appendix to this document contains the detailed capital expenditure program for 2017-18.

2. External Factors Impacting the Estimates

2.1 Monetary Policy

Further tightening of monetary policy occurred during the early part of 2016-17, with the Reserve Bank of Australia making a further cut to the cash rate of 25 basis points. In formulating Council's estimate of interest earnings for 2017-18, it has been assumed that the cash rate will remain constant at 1.5%.

The above interest rate cut has contributed to a \$0.13 million reduction in expected interest earnings for 2017-18.

2.2 State Fire Commission Contribution

Pursuant to the *Fire Service Act 1979*, local government acts as a collection agent for this State Government tax, which is paid directly to the State Fire Commission. Council earns a 4% collection fee for this service.

Council has been advised that it will be required to contribute \$10.25 million in 2017-18, which represents a \$0.535 million (5.5%) increase from the previous year.

This additional impost accounts for a further 0.67% increase over and above the 3.25% rate increase required for Council operations.

2.3 Federal Budget

The Federal Government's budget announced by the Treasurer on 9 May 2017 has no significant effect on Council's budget. It contains ongoing funding to Local Government under its Roads to Recovery program and accordingly, the Estimates include capital grant funding from this source.

The Budget Papers confirm that the three year freeze on indexation of financial assistance grants will cease in 2016-17, with indexation of grants to be restored from 1 July 2017. The Budget Papers also indicate that 50 percent of the 2017-18 financial assistance grants will be brought forward and paid in 2016-17. The estimates include a timing adjustment of \$1.318 million between the above two years to recognise the Federal Government's intention in this regard.

2.4 State Budget

The State Government's budget announced by the Treasurer on 25 May 2017 reinforces the Government's intentions to assume ownership of TasWater, and contains \$20 million per annum from 2018-19 to meet the Government's commitment to local government to provide the same level of returns promised by TasWater. Council's share of this \$20 million is approximately \$2.172 million, and this amount is included in the Estimates from 2018-19.

The Treasurer also announced the introduction of interest free loans under the State-wide Accelerated Local Government Capital Program (ALGCP) and Council is investigating its eligibility to participate in this program.

3. Operating Result

This section considers Council's forecast 2017-18 operating result, as outlined in Table 1. It is presented as follows: -

- Expenses by expense type refer 3.1
- Revenues by revenue type refer 3.2

Table 1: Operating Result

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Expenses				
Labour	3.1.1	(54,960)	(56,949)	(1,989)
Materials and services	3.1.2	(28,592)	(30,519)	(1,927)
Depreciation	3.1.3	(18,684)	(19,241)	(557)
Fire Levy	3.1.4	(9,715)	(10,250)	(535)
Energy costs	3.1.5	(2,378)	(2,559)	(181)
Bad Debts	3.1.6	(370)	(350)	20
Finance Costs	3.1.7	(888)	(708)	180
Asset write-offs	3.1.8	(2,500)	(2,487)	13
Other	3.1.9	(5,521)	(4,629)	892
		(123,608)	(127,692)	(4,084)
Revenues				
Rates and Charges	3.2.1	77,908	81,478	3,570
Parking Fines	3.2.2	7,330	7,719	389
Operating Grants	3.2.3	3,969	3,109	(860)
Distributions from TasWater	3.2.4	3,258	3,258	-
Rents	3.2.5	3,101	3,246	145
Interest	3.2.6	886	760	(126)
Fire Levy collection fee	3.2.7	388	410	22
Fees and Charges - car parks	3.2.8	8,800	9,002	202
Fees and Charges - on street parking	3.2.9	5,356	5,715	359
Fees and Charges - other	3.2.10	14,082	14,323	241
		125,078	129,020	3,942
Underlying Surplus / (Deficit)		1,470	1,328	(142)
Capital items				
Capital Grants	3.2.3	4,619	2,664	(1,955)
Financial assistance grants in advance	3.2.3	1,318	(1,318)	(2,636)
Asset sales	3.2.11	171	767	596
Surplus / (Deficit)		7,578	3,441	(4,137)

Council's underlying result is forecast to decrease by \$0.14 million, to a surplus of \$1.33 million in 2017-18. Expenses will increase by \$4.08 million (3.3%) and revenues will increase by \$3.94 million (3.2%).

The following is a more detailed examination of significant movements, or otherwise noteworthy changes, in specific expense and revenue categories.

3.1 Expenses

3.1.1 Labour

Table 2: Labour

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Wages and salaries	3.1.1.1	(39,991)	(42,611)	(2,620)
Labour On-costs	3.1.1.2	(7,229)	(7,864)	(635)
Leave entitlements	3.1.1.3	(3,823)	(4,142)	(319)
Defined-benefit superannuation expense	3.1.1.4	(1,534)	(1,377)	157
Employee costs		(52,577)	(55,994)	(3,417)
External labour	3.1.1.5	(2,383)	(955)	1,428
		(54,960)	(56,949)	(1,989)

3.1.1.1 Wages and salaries

Wages and salaries include the direct costs of employees such as base pay, overtime and allowances.

Wages and salaries are expected to increase by \$2.62 million over the 2016-17 forecast. However, this increase is inflated to the extent that the 2016-17 forecast has been progressively revised downwards throughout the year due to a number of vacant positions. As these positions have been filled by external labour, the 2016-17 forecast for external labour has been progressively revised upwards throughout the year.

The major factors contributing to the increase include an enterprise bargaining increase from 1 July 2017, filling of the current vacant positions, some salary increments arising from employee grade reclassifications, and the conversion of some roles being filled by external labour in 2016-17 to Council employees in 2017-18. This increase is partially offset by a decrease in external labour (see below).

3.1.1.2 Labour on-costs

Labour on-costs include workers compensation insurance, superannuation contributions (except contributions to Council's defined-benefit superannuation scheme) and payroll tax levied by the State Government. Increases are in line with expected wage and salary increases.

3.1.1.3 Leave entitlements

Leave entitlements include annual leave, long service leave, sick leave, public holidays and other leave accruing to employees. Increases are in line with expected wage and salary increases.

3.1.1.4 Defined-benefit superannuation expense

Council contributes to a defined-benefit superannuation scheme on behalf of employees who commenced employment with Council prior to 11 March 2003. The contribution rate is 9.5% of the wages and salaries of those employees, resulting in contributions of \$0.918 million in 2017-18 (\$0.965 million in 2016-17).

The accounting requirements for defined-benefit superannuation schemes are set out in Accounting Standard AASB 119 *Employee Benefits*. This accounting standard specifies the method for determining the defined-benefit superannuation expense to be recognised in financial statements, which generally involves an actuarial calculation. The defined-benefit superannuation expense will generally not be the same as the amount of contributions paid to the scheme during the year.

Council engages an actuary to provide reports and forward projections for its defined-benefit superannuation scheme. The amounts shown in the table above are in accordance with advice received from Council's actuary.

3.1.1.5 External labour

External labour includes all labour sourced from external labour-hire companies to fill short-term vacancies across a variety of disciplines.

External labour is expected to decrease by \$1.43 million from the 2016-17 forecast. This decrease reflects progressive upward revisions of the 2016-17 forecast due to a number of vacant positions being filled by external labour. At the same time, the 2016-17 forecast for wages and salaries has been progressively revised downwards (see above).

The 2017-18 budget reflects the conversion of some roles being filled by external labour in 2016-17 to Council employees in 2017-18.

3.1.2 Materials and Services

A detailed examination of the individual expense categories which comprise "Materials and Services" is provided in Table 3 below.

Table 3: Materials and Services

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Valuation Costs		(141)	(129)	12
Water and sewerage charges	3.1.2.1	(735)	(892)	(157)
Consultancy Fees	3.1.2.2	(3,164)	(2,980)	184
Materials		(1,811)	(1,793)	18
Stock Purchases		(826)	(887)	(61)
Chemicals and Herbicides		(153)	(189)	(36)
Contractor Charges	3.1.2.3	(9,063)	(10,171)	(1,108)
Lease and Rental		(1,453)	(1,466)	(13)
Licence Costs		(1,415)	(1,426)	(11)
Motor Vehicle Registration		(206)	(205)	1
Vehicle Expenses - Fuel		(810)	(775)	35
Consumables		(157)	(176)	(19)
Advertising and Promotions		(813)	(838)	(25)
Mobile Phone Costs		(209)	(249)	(40)
Communications - Telephones, Faxes		(393)	(365)	28
Legal Expenses	3.1.2.4	(1,154)	(979)	175
Conferences and Seminars (Registration, Travel (incl Accom, fares, meals allow,))		(203)	(234)	(31)
Travel (incl Accom, fares, meals allow,)	3.1.2.5	(340)	(500)	(160)
Equipment Maintenance		(268)	(292)	(24)
Insurance	3.1.2.6	(609)	(795)	(186)
Publications/Subscriptions/Memberships		(298)	(307)	(9)
Plant Hire	3.1.2.7	(955)	(1,179)	(224)
Printing and Stationery		(488)	(495)	(7)
Training Courses		(403)	(400)	3
Postage		(292)	(252)	40
Security		(938)	(865)	73
Credit Card Fees	3.1.2.8	(318)	(454)	(136)
Freight and Haulage		(90)	(142)	(52)
Other		(4,053)	(4,578)	(525)
		(31,758)	(34,013)	(2,255)
less amounts capitalised		3,166	3,494	328
		(28,592)	(30,519)	(1,927)

3.1.2.1 *Water and Sewerage Charges*

Water and sewerage charges are expected to increase by \$157 000 mainly due to projected increased water usage at the waste management centre leachate pond and at sportsgrounds.

3.1.2.2 *Consultancy Fees*

Consultancy fees are expected to decrease by \$184 000 mainly due to decreased spending for civil engineering and architectural contractors, and consultancy costs for restoration of the City Hall being required in 2016-17 only.

3.1.2.3 *Contractor Charges*

Contractor charges are expected to increase by \$1.1 million mainly due to increased spending for road maintenance (\$600 000) and the extension of the firebreak program (\$381 000).

3.1.2.4 *Legal Expenses*

Legal expenses will decrease by \$175 000 mainly due to decreased outsourcing of work as a result of staff returning from long term leave.

3.1.2.5 *Travel (include Accommodation, fares, meals allowance)*

Travel expenses are expected to increase by \$160 000 mainly due to sister city international travel and other Aldermanic travel. Three delegations to our Friendship Cities are planned. The L'Aquila and Yaizu sister city relationships celebrate 20 and 40 years respectively, and one trip to China to visit both Fuzhou and Xi'an is planned.

3.1.2.6 *Insurance*

Insurance is expected to increase by \$186 000 due mainly to a portion of the 2016-17 premiums being prepaid in 2015-16 (and the 2016-17 forecast being reduced to reflect that) and an anticipated 5% increase in insurance premiums.

3.1.2.7 *Plant Hire*

Plant hire is expected to increase by \$224 000 mainly due to increased costs in Civil Works internal operations (on-charged to other areas) and at the Waste Management Centre.

3.1.2.8 *Credit Card Fees*

Credit Card Fees are expected to increase by \$136 000 mainly due to the introduction of 370 parking meters which will accept credit card payments.

3.1.3 Depreciation

Depreciation expense is expected to increase by \$557 000 (3.0%) to \$19.24 million in 2017-18 as a result of asset revaluations.

3.1.4 Fire Levy

The fire levy will increase by \$535 000 (5.5%) to \$10.25 million. Pursuant to the *Fire Service Act 1979*, local government acts as a collection agent for this State Government levy, which is paid directly to the State Fire Commission. Council earns a 4% collection fee which is included in revenue (refer 3.2.7).

3.1.5 Energy Costs

It is estimated that energy costs will increase by \$181 000 (7.6%) to \$2.56 million due to significant increases in electricity prices. These increases are being partially offset by increased efficiency measures and increased production of electricity from solar panels.

3.1.6 Bad Debts

Bad debts will decrease by \$20 000 (5.4%). This represents an allowance for the non-collectability of debts. The main area of non-collectability is parking fines.

3.1.7 Finance Costs

Finance costs will decrease by \$180 000 (20.3%) and consists of the following: -

- Interest on borrowings (decreasing by \$75 000 from \$726 000 to \$651 000);
- Finance costs associated with Council's landfill restoration liability (decreasing by \$18 000 from \$122 000 to \$104 000); and
- Finance costs associated with Council's defined-benefit superannuation scheme liability decreasing by \$87 000.

3.1.8 Asset Write-Offs

Asset write-offs essentially comprise the remaining value of infrastructure assets replaced as part of Council's asset renewal program. The amount of \$2.49 million estimated for 2017-18 is marginally less than the previous year.

3.1.9 Other Expenses

A detailed examination of the individual items which comprise "Other Expenses" is provided in Table 4 below.

Table 4: Other Expenses

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Grants and Specific Purpose Benefits	3.1.9.1	(2,078)	(2,257)	(179)
Rate remissions (net)		(68)	(70)	(2)
Fringe Benefits Tax		(460)	(460)	-
Land Tax		(733)	(769)	(36)
Auditors Remuneration		(218)	(198)	20
South Hobart Living Arts Centre (SHLAC)		(898)	-	898
Additional Landfill Restoration provisions		(1,190)	-	1,190
Myer payments	3.1.9.2	-	(875)	(875)
Other		124	-	(124)
		(5,521)	(4,629)	892

3.1.9.1 *Grants and Specific Purpose Benefits*

Council provides grants and benefits to a range of community and cultural organisations including the Domain Tennis Centre, Tasmanian Symphony Orchestra, and the Southern Tasmanian Netball League. Additional support is provided to a range of major events and festivals. Other Council grant/benefit payments include contributions to Business Events Tasmania, Royal Tasmanian Botanical Gardens, Canine Defence League, Derwent Estuary Program, Wellington Park Management Trust and local sporting organisations. Payments pursuant to Council's development assistance deed in relation to the Vodafone Development are also included in this line item.

3.1.9.2 *Myer Payments*

Council's agreement with Myer Pty Ltd (Myer) in relation to the Myer site redevelopment in Liverpool Street requires Council to make payments to Myer if sales targets are not met. The maximum amount payable is \$0.875 million and this amount has been included in the 2017-18 budget.

3.2 Revenues

3.2.1 Rates and Charges

The Estimates propose a 3.25% increase in rates to fund the increased cost of providing services.

Additional rates income will also be derived from: -

- A \$0.5 million increase in rates to fund the increase in the State Government fire levy; and
- \$0.56 million derived from growth in the rate base due to development activity.

In total, rates revenue will be \$81.48 million, an increase of \$3.57 million over the prior year.

Service charges to provide funding for rehabilitation costs at Council's McRobies Gully Landfill site following completion of land filling were introduced in 2011/12. Amounts remain unchanged from the previous year at \$50 for residential properties and \$100 for non-residential properties. These service charges provide annual rates income of \$1.26 million. These service charges will be reviewed in 2017-18.

Waste management service charges will increase from \$245 to \$250 for residential properties, and from \$490 to \$500 for non-residential properties. These increases reflect increased operating costs at Council's Waste Management Centre.

A kerbside green waste collection service charge was introduced in 2016-17. The amount remains unchanged at \$50 for affected properties. This service charge provides annual rates income of \$0.68 million.

The combination of amounts which vary according to property value (rates) and amounts which do not vary according to property value (charges) results in slightly differing impacts across the rate base.

Before the impact of AAV indexation (see below) most residential ratepayers will receive increases of between 3.6% and 3.8%, meaning increases in the range \$66 to \$108. Lower-valued properties will experience lower increases, and higher-valued properties will experience higher increases. The *average* residential ratepayer will experience a rate increase of 3.7% or \$85, comprised as follows: -

General and storm water rates	\$70
Waste management service charge	\$5
Landfill rehabilitation service charge	\$0
Kerbside green waste collection service charge	\$0
Fire protection service rate	\$10
Total	\$85

3.2.1.1 AAV Indexation

Pursuant to the Valuation of Land Act 2001, Assessed Annual Values are adjusted every two years according to adjustment factors published by the Valuer-General. Whilst AAV indexation does not directly impact the Estimates, it does impact the distribution of the rate burden, and the impact on individual ratepayers can vary considerably.

The Valuer-General last published adjustment factors to apply from 1 July 2013. These resulted in an overall shift in the rate burden from the non-residential sector to the residential sector. Residential properties therefore experienced higher rate increases than non-residential properties in 2013-14.

A full revaluation which applied from 1 July 2015 saw the opposite effect - an overall shift in the rate burden from the residential sector to the non-residential sector. Consequently, most non-residential properties experienced rate increases in 2015-16, but most residential properties received rate reductions.

The Valuer-General recently published adjustment factors to apply from 1 July 2017. These will result in an overall shift in the rate burden from the non-residential sector to the residential sector. Residential properties will therefore experience higher rate increases than non-residential properties in 2017-18.

After AAV indexation is applied, rate increases for residential properties range between 5.3% and 5.6% and rate increases for non-residential properties range between 1.17% and 1.24%.

Increases for most residential properties range between \$100 and \$160. The *average* residential ratepayer experiences a rate increase of \$125, comprised as follows: -

General and storm water rates	\$105
Waste management service charge	\$5
Landfill rehabilitation service charge	\$0
Kerbside green waste collection service charge	\$0
Fire protection service rate	\$15
Total	\$125

3.2.2 Parking Fines

Fines income is expected to increase by \$389 000 (5.3%) as a result of an increase in the penalty unit fees set by the State Government (an average of \$0.50 per fine), as well as the use of improved technology to detect vehicle overstays, which is expected to result in an increase in the number of infringements issued

3.2.3 Grants

Operating grants are expected to decrease by \$860 000 in 2017-18 mainly due to one-off amounts of \$890 000 in 2016-17 for the purpose of establishing the South Hobart Living Arts Centre.

Recurring operating grants are mainly comprised of Commonwealth Government Financial Assistance Grants (FAGs) which will total \$2.636 million in 2017-18. However, the Federal Government Budget Papers indicate that 50 percent of this amount will be brought forward and paid in 2016-17. The estimates therefore include a timing adjustment of \$1.318 million between the above two years to recognise the Federal Government's intention in this regard.

Capital grants are comprised of \$1.636 million for the Tasman Highway Shared Bridge project (taking total grants received for this project to \$8 million) and \$1.028 million for Roads to Recovery projects.

3.2.4 Distributions from TasWater

Council's ownership interest in TasWater entitles it to annual distributions of dividends, income tax equivalent payments and guarantee fees. No change is anticipated for 2017-18 based on Taswater's corporate plan.

3.2.5 Rents

Property rental income is expected to increase by \$145 000 (4.7%) due to increased rental income from commercial properties.

3.2.6 Interest

Interest income will decrease by \$126 000 (14.2%) due to a combination of lower interest rates and lower forecast cash balances.

3.2.7 Fire levy collection fee

The 4% collection fee earned by Council for collecting the fire levy on behalf of the State Fire Commission will increase by \$22 000 (5.7%) in line with the increase in the fire levy payment.

3.2.8 Fees and Charges – Car Parks

Car park fees and charges are forecast to increase by \$202 000 (2.3%) as a result of minor increases in both short-term and long-term parking fees approved for 2017-18, together with a forecast increase in car park occupancy rates.

3.2.9 Fees and Charges – On-street Parking

On-street parking collections are expected to increase by \$359 000 (6.7%) due to small fee increases and an increase in the number of metered car parking spaces.

3.2.10 Fees and Charges – Other

Other fees and charges income will increase by \$241 000 (1.7%) in 2017-18. Further detail is provided in Table 5 below.

Table 5: Other Fees and Charges

Description	Ref.	2016-17 Forecast \$'000	2017-18 Budget \$'000	Change \$'000
The Hobart Aquatic Centre	3.2.10.1	5,045	5,252	207
Landfill Charges	3.2.10.2	1,150	1,050	(100)
Plumbing Compliance fees		397	397	0
Tasmanian Travel & Information Centre	3.2.10.3	909	1,026	117
Taste of Tasmania	3.2.10.4	1,416	1,413	(3)
Waste Management charges		404	365	(39)
Customer Services		480	535	55
Sporting Facility hire		383	403	20
Public Health		310	332	22
Building Compliance fees		384	385	1
Roads Policy & Management		176	161	(15)
External Services revenue	3.2.10.5	300	377	77
Development Appraisal fees	3.2.10.6	630	813	183
Stormwater Maintenance		205	212	7
Traffic Strategy and Projects	3.2.10.7	92	162	70
Parental Leave Scheme reimbursements		80	80	0
Other		1,721	1,360	(361)
Total Fees & Charges		14,082	14,323	241

3.2.10.1 *The Doone Kennedy Hobart Aquatic Centre*

The Doone Kennedy Hobart Aquatic Centre fees and charges will increase by \$207 000 (4.1%) mainly due to expected increases in Pool Operations, the Swim School and the Café.

3.2.10.2 *Landfill Charges*

Landfill charges are expected to decrease by \$100 000 primarily due to the introduction of additional greenwaste collections.

3.2.10.3 *Tasmanian Travel and Information Centre (TTIC)*

TTIC revenue is derived from several sources including sale of goods, advertising, booking fees and commissions. The increase of \$117 000 (12.9%) is due to an expected increase in volumes.

3.2.10.4 *Taste of Tasmania*

Only minor changes are expected to Taste of Tasmania income in 2017-18.

3.2.10.5 *External Services Revenue*

The expected increase of \$77 000 is mainly due to an expected higher demand for street sweeping services.

3.2.10.6 *Development Appraisal Fees*

The expected increase of \$183 000 is due to an expected increase in the volume/value of applications.

3.2.10.7 *Traffic Strategy and Projects*

The expected increase of \$70 000 is mainly due to increased demand for hoarding fees for various major developments including Myer, Royal Hobart Hospital, The Hedberg, H&M and Palace Hotel.

3.2.11 Asset sales

Asset sales are expected to increase by \$596 000 in 2017-18. Further detail is provided in Table 6 below.

Table 6: Asset sales

	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Proceeds from sale - Property	200	800	600
Proceeds from sale - Plant and equipment	959	873	(86)
	1,159	1,673	514
Carrying value - Property	-	-	-
Carrying value - Plant and equipment	(988)	(906)	82
	171	767	596

4. Capital Budget

4.1 Overview

Capital expenditure will consist of the following four components: -

- Tasman Highway Shared Bridge refer 4.2
- Core Business Systems refer 4.3
- Infrastructure refer 4.4
- Plant and Equipment refer 4.5

The budget provides capital works funding of \$40.944 million, as summarised in the following table.

Table 7: Capital Expenditure

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
New Assets / Upgrades				
- Tasman Highway Shared Bridge	4.2	(500)	(6,700)	(6,200)
- Core Business Systems	4.3	(2,029)	(1,290)	739
- Infrastructure	4.4	(3,754)	(2,987)	767
- Property		(330)	-	330
- Plant and Equipment	4.5	(650)	(558)	92
Asset Renewal				
- Infrastructure	4.4	(24,243)	(24,974)	(731)
- Plant and Equipment	4.5	(2,325)	(4,435)	(2,110)
Total New Funding			(40,944)	
- Deferred from prior years		-	(9,695)	(9,695)
Total		(33,831)	(50,639)	(16,808)

Funding sources for this \$40.94 million program comprise: -

- Capital Grants \$2.66 million;
- Property Sales \$0.80 million;
- Plant and Equipment sales \$0.87 million;
- Borrowings of up to \$20 million (possibly including ALGCP interest free loans);
and
- Funds from operations and cash reserves \$16.61 million.

Council endorsed the proposed capital works program for 2017-18 on 24 April 2017. A detailed list of projects is included in chapter 8.

Council also endorsed the proposed capital works programs for 2018-19 and 2019-20.

4.2 Tasman Highway Shared Bridge

A final allocation of \$6.7 million is included in the 2017-18 budget for the Tasman Highway Shared Bridge project, taking the total budget for this project to \$8.7 million.

Federal Government funding for this project will total \$7.273 million (\$8 million including GST) with the final instalment of \$1.636 million to be received in 2017-18.

4.3 Core Business Systems

The second allocation of \$1.29 million of the approved project budget is included in the 2017-18 budget for the replacement of Council's core business systems, taking the total budget for this project thus far to \$4.39 million.

4.4 Infrastructure

Capital expenditure on infrastructure will be \$27.96 million in 2017-18.

Some significant projects and programs proposed include: -

	\$'000
Lenah Valley Retail Precinct Plan	2,000
Public Toilets (across 8 different sites)	1,700
Wellington Park Tracks (across 3 different track projects)	1,420
TCA Ground playing surface replacement	1,276
Kemp Street upgrade	1,550
Street Light upgrade with Tas Networks	500
Implementation of Transport Strategy	300
Tolmans Hill playground	300
Road pavement renewals and reconstructions	5,918
Road spray seals, slurry seals and overlays	3,289
Footpath renewals	1,040
DKHAC plant and other minor renewals	1,020
Pinnacle Road guardrail renewal	500
Soldiers Memorial flood lighting replacement	250

Further detail is provided in chapter 8 where individual projects are listed.

4.5 Plant and Equipment

Council's plant and equipment budget comprises:

- Vehicle fleet, major and minor plant,
- Information technology items,
- Parking equipment, and
- General plant including office furniture and equipment.

Council's vehicle fleet, major plant items and PCs are subject to a rolling replacement program. In each case, forward estimates are compiled to aid replacement decision-making. Funding requests for plant are rigorously reviewed.

Capital expenditure on plant and equipment will total \$4.99 million in 2017-18, comprised as follows: -

Table 8: Plant and Equipment

	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Vehicle fleet, major and minor plant	(1,343)	(2,206)	(863)
Information technology	(645)	(733)	(88)
Parking	(122)	(131)	(9)
General plant including office equipment	(865)	(1,923)	(1,058)
Total	(2,975)	(4,993)	(2,018)

The vehicle fleet and major plant budget for 2017-18 will be \$1.949 million and the budget for minor plant purchases will be \$257 000.

The information technology budget includes desk-top computers, laptops, tablets, server replacements and communication equipment.

The parking budget includes various items of parking equipment.

The General plant budget includes: -

- General Divisional allocations for minor equipment purchases totalling \$443 000, allocated as follows: -
 - City Infrastructure \$71 000
 - City Planning \$13 000
 - Community Development \$84 000
 - Corporate Services \$124 000
 - Financial Services \$31 000
 - Parks and City Amenity \$120 000

- \$200 000 for Salamanca Market for emergency management systems (EWIS system and associated infrastructure upgrades) and market visitor wayfinding system;
- \$150 000 for Christmas Decorations;
- \$175 000 for Taste of Tasmania event infrastructure including plumbing and electrical equipment, site signage/wayfinding, replacement umbrellas and tables, CCTV and synthetic grass; and
- \$80 000 for Art Prize acquisitions and maintenance of the collection.

5. Financing

Council's debt levels, actual and forecast are: -

30 June 2016	\$13.10M
30 June 2017	\$11.67M
30 June 2018	\$30.19M

Council's expanded capital works program will require significant borrowings, commencing in 2017-18. However, debt levels will remain within reasonable benchmarks. Council's strong financial position, current low level of debt, and forecast operating surpluses provide Council with the ability to take on, and comfortably service, increased levels of debt. Chapter 7 (Forecasts) provides more detail on Council's indebtedness and servicing ability.

Council will undertake new borrowings of up to \$20 million in 2017-18, and retire \$1.48 million of existing debt.

6. Commercial-Like Undertakings

6.1 Off-Street Parking

Table 9: Off-Street Parking

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Expenses				
Labour	6.1.1	(1,078)	(1,241)	(163)
Energy costs		(166)	(176)	(10)
Materials and services	6.1.2	(2,750)	(2,576)	174
Rates and Charges		(447)	(452)	(5)
Land Tax		(314)	(327)	(13)
Overheads		(813)	(813)	-
Depreciation		(715)	(736)	(21)
		(6,283)	(6,321)	(38)
Revenues				
Fees and Charges	6.1.3	8,800	9,002	202
Rents		427	433	6
		9,227	9,435	208
Surplus / (Deficit)		2,944	3,114	170

6.1.1 Labour

Labour will increase by \$163 000 (15%) over the revised down 2016/17 forecast due to Enterprise Bargaining increases, a new staff member and a change in salary disbursements within the parking function.

6.1.2 Materials and Services

Materials and Services are expected to decrease due to a reduction in anticipated costs for legal services, water and cleaning contractors.

6.1.3 Fees and charges

Fees and charges revenue will increase by \$202 000 (2.3%) due to the continued increase in occupancy rates, as well as a number of fee increases including: -

- A \$1 increase for 5, 6, 7 and 8 hour parking fees for all multi storey car parks;
- A new fee of \$295 for long term parking at Argyle Street Car Park;
- An increase in long term car park fees in Trafalgar, Goulburn Street, Lefroy Street and Liverpool/Barrack Street car parks;
- Permit parking for the University of Tasmania and Henry Jones IXL Hotel on Hunter Street in line with parking meter charges in that area;
- Special event parking rate in Salamanca Square Car Park is to increase from \$6.00 to \$10.00 for four hours parking; and
- A \$0.40 increase for short term motor bike parking across all multi storey car parks.

6.2 On-Street Parking

Table 10: On-Street Parking

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Expenses				
Labour	6.2.1	(3,215)	(3,607)	(392)
Materials and services	6.2.2	(1,448)	(1,678)	(230)
Bad Debts		(350)	(350)	-
Overheads		(703)	(703)	-
Depreciation		(189)	(195)	(6)
		(5,905)	(6,533)	(628)
Revenues				
Fees and Charges	6.2.3	5,356	5,715	359
Fines	6.2.4	7,330	7,719	389
		12,686	13,434	748
Surplus / (Deficit)		6,781	6,901	120

6.2.1 Labour

Labour will increase by \$392 000 over the revised down 2016/17 forecast due to Enterprise Bargaining increases and an anticipated increase in parking enforcement staffing levels.

6.2.2 Materials and Services

Materials and Services will increase by \$230 000 due to costs related to the introduction of 370 parking meters which will accept credit card payments.

6.2.3 Fees and charges

Parking fees and charges will increase by \$359 000 (6.7%) due to new meter installations and a small fee increase to parking metered space permit fees.

6.2.4 Fines

Fines income is expected to increase by \$389 000 (5.3%) as a result of an increase in the penalty unit fees set by the State Government (an average of \$0.50 per fine), as well as the use of improved technology to detect vehicle overstays, which is expected to result in an increase in the number of infringements issued.

6.3 The Doone Kennedy Hobart Aquatic Centre

Table 11: The Doone Kennedy Hobart Aquatic Centre (DKHAC)

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Expenses				
Labour		(3,015)	(2,973)	42
Energy costs		(506)	(553)	(47)
Materials and services	6.3.1	(1,533)	(1,756)	(223)
Depreciation		(861)	(887)	(26)
		(5,915)	(6,169)	(254)
Revenues				
Fees and Charges	6.3.2	5,045	5,252	207
Other		9	30	21
		5,054	5,282	228
Surplus / (Deficit)		(861)	(887)	(26)

6.3.1 Materials and Services

Materials and Services will increase by \$223 000 mainly due to a greater level of contractor services in Pool Operations.

6.3.2 Fees and charges

Fees and charges revenue will increase by \$207 000 (4.1%) in 2017-18. A breakdown of the increase is as follows: -

- Café & Retail - \$35 000;
- Pool Operations and Swim School - \$143 000;
- Health and Fitness Gym - \$5 000; and
- Management - \$24 000 (solar panel credits not previously received).

The 2017-18 budget forecasts a breakeven result (before depreciation) with both revenues and expenses being at similar levels to the original 2016-17 budget.

6.4 Tasmanian Travel and Information Centre

Table 12: Tasmanian Travel and Information Centre (TTIC)

	Ref.	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	Change (\$'000)
Expenses				
Labour		(859)	(996)	(137)
Materials and services		(268)	(283)	(15)
Depreciation		(8)	(9)	(1)
		(1,135)	(1,288)	(153)
Revenues				
Commission		501	514	13
Other fees and charges		408	512	104
Grants		150	150	-
Interest		27	20	(7)
		1,086	1,196	110
Surplus / (Deficit)		(49)	(92)	(43)

Only minor changes are expected to revenues and expenses for 2017-18.

Small deficits are forecast for both years.

7. Forecasts

7.1 Assumptions

Council maintains a 20-year financial model to enable both short term and long term financial planning. All of the elements that comprise the Estimates are variables within the model. The model is flexible, and allows for analysis and modelling of various scenarios. It also enables estimates of Council's annual operating results, as well as net assets and cash position (as at 30 June) to be forecast.

Council's Long-Term Financial Management Plan (LTFMP) has also been updated to reflect the most recent version of the Estimates and will be tabled for Council approval.

7.2 Operating Result

Table 13: Operating Result Forecasts

	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	2018-19 Budget (\$'000)	2019-20 Budget (\$'000)	2020-21 Budget (\$'000)	2021-22 Budget (\$'000)
Expenses						
Labour	(54,960)	(56,949)	(58,774)	(60,658)	(62,608)	(64,622)
Materials and services	(28,592)	(30,519)	(30,830)	(31,223)	(32,046)	(32,237)
Depreciation	(18,684)	(19,241)	(19,825)	(20,437)	(20,998)	(21,678)
Fire Levy	(9,715)	(10,250)	(10,866)	(11,518)	(12,209)	(12,941)
Energy costs	(2,378)	(2,559)	(2,623)	(2,689)	(2,756)	(2,825)
Bad Debts	(370)	(350)	(369)	(380)	(391)	(403)
Finance Costs	(888)	(708)	(1,574)	(2,873)	(3,626)	(4,339)
Asset write-offs	(2,500)	(2,487)	(2,398)	(2,433)	(2,285)	(2,313)
Other	(5,521)	(4,629)	(4,438)	(4,527)	(4,619)	(3,837)
	(123,608)	(127,692)	(131,697)	(136,738)	(141,538)	(145,195)
Revenues						
Rates and Charges	77,908	81,478	84,110	87,842	91,828	95,674
Parking Fines	7,330	7,719	7,951	8,189	8,435	8,688
Operating Grants	3,969	3,109	3,171	3,234	3,299	3,365
Distributions from TasWater	3,258	3,258	2,172	2,172	2,172	2,172
Rents	3,101	3,246	3,344	3,444	3,547	3,654
Interest	886	760	643	728	756	879
Fire Levy collection fee	388	410	434	460	488	518
Fees and Charges - car parks	8,800	9,002	9,272	9,551	9,837	10,132
Fees and Charges - on street parking	5,356	5,715	5,886	6,063	6,245	6,432
Fees and Charges - other	14,082	14,323	14,755	15,198	15,653	16,123
	125,078	129,020	131,738	136,881	142,260	147,637
Underlying Surplus / (Deficit)	1,470	1,328	41	143	722	2,442
Capital items						
Capital Grants	4,619	2,664	514	600	600	600
Financial assistance grants in advance	1,318	(1,318)	-	-	-	-
Asset sales	171	767	(387)	27	(55)	(18)
Surplus / (Deficit)	7,578	3,441	168	770	1,267	3,024

Modest underlying surpluses are forecast for the ensuing 5 year period.

7.3 Cash Flow

Table 14: Cash Flow Forecasts

	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	2018-19 Budget (\$'000)	2019-20 Budget (\$'000)	2020-21 Budget (\$'000)	2021-22 Budget (\$'000)
Operating Activities						
Payments						
Employee Costs	(51,057)	(54,753)	(56,455)	(58,212)	(60,028)	(61,904)
Fire Levy	(9,715)	(10,250)	(10,866)	(11,518)	(12,209)	(12,941)
Interest	(726)	(651)	(1,531)	(2,841)	(3,597)	(4,314)
Other	(40,378)	(39,464)	(39,396)	(39,467)	(40,471)	(39,971)
	(101,876)	(105,118)	(108,248)	(112,038)	(116,305)	(119,130)
Receipts						
Rates and Charges	77,798	81,333	84,004	87,692	91,667	95,519
Grants	5,253	1,790	3,169	3,232	3,297	3,362
Fees and Charges	35,880	37,120	37,900	39,043	40,227	41,449
Rents	3,107	3,241	3,340	3,440	3,543	3,650
Interest	886	760	644	729	757	880
Other						
	122,924	124,244	129,057	134,136	139,491	144,860
Net Cash Flows from Operating Activities	21,048	19,126	20,809	22,098	23,186	25,730
Investing Activities						
Payments						
New Assets / Upgrades						
- Tasman Highway Shared Bridge	(500)	(6,700)	-	-	-	-
- Core Business Systems	(2,029)	(1,290)	-	-	-	-
- Infrastructure	(3,754)	(2,987)	(12,612)	(8,333)	(10,957)	(7,208)
- Property	(330)	-	-	-	-	-
- Plant and Equipment	(650)	(558)	(660)	(851)	(658)	(674)
Asset Renewal						
- Deferred from prior years	-	(9,695)	-	-	-	-
- Infrastructure	(24,243)	(24,974)	(30,111)	(25,098)	(26,117)	(21,812)
- Plant and Equipment	(2,325)	(4,435)	(4,740)	(6,404)	(5,078)	(5,205)
	(33,831)	(50,639)	(48,123)	(40,686)	(42,810)	(34,899)
Receipts						
Grants	4,619	2,664	514	600	600	600
Distributions from TasWater	3,258	3,258	2,172	2,172	2,172	2,172
Plant and equipment sales	959	873	526	972	880	902
Property sales	200	800	-	-	-	-
	9,036	7,595	3,212	3,744	3,652	3,674
Net Cash Flows from Investing Activities	(24,795)	(43,044)	(44,911)	(36,942)	(39,158)	(31,225)
Financing Activities						
Payments						
Debt Repayment	(1,406)	(1,482)	(2,503)	(4,043)	(4,945)	(5,876)
Receipts						
Proceeds from Borrowings	-	20,000	30,000	20,000	20,000	10,000
Net Cash Flows from Financing Activities	(1,406)	18,518	27,497	15,957	15,055	4,124
Net Cash Surplus / (Deficit)	(5,153)	(5,400)	3,395	1,113	(917)	(1,371)
Opening Cash On Hand	36,305	31,152	25,752	29,147	30,260	29,343
Closing Cash On Hand	31,152	25,752	29,147	30,260	29,343	27,972

Cash balances will be maintained at between \$25 million and \$30 million (estimated minimum balances to ensure adequate liquidity) over the next 5 years by undertaking borrowings (to assist in funding Council's expanded capital works program).

Table 15: Reserved Funds

	2016-17 (\$'000)	2017-18 (\$'000)	2018-19 (\$'000)	2019-20 (\$'000)	2020-21 (\$'000)	2021-22 (\$'000)
Closing Cash Balance ear-marked for (a): -						
Contributions in Lieu of Public Open Space	495	495	495	495	495	495
Contributions in Lieu of Parking	135	135	135	135	135	135
Heritage Account	1,464	1,462	1,449	1,435	1,421	1,414
Public Infrastructure Fund	5,310	3,800	3,800	3,800	3,800	3,350
Plant and equipment carry-forwards (b)	3,000	3,000	3,000	3,000	3,000	3,000
Bushland Fund	389	439	489	539	589	639
McRobies Gully Tip Site Rehabilitation	2,971	3,334	2,900	2,961	3,017	3,068
Other project carry-forwards (b)	29,695	20,000	20,000	20,000	20,000	20,000
Refundable Deposits	2,317	2,317	2,317	2,317	2,317	2,317
Future Asset Renewal Reserve (c)	(14,624)	(9,230)	(5,438)	(4,422)	(5,431)	(6,446)

- (a) Some of Council's cash reserves are restricted. In some cases, this restriction is imposed by legislation (e.g. The Heritage Account). Others have been earmarked for certain purposes by Council decision and may therefore be used for other purposes at Council's discretion.
- (b) Carry-Forwards take account of annual allocations included in the capital expenditure budget but which may not be expended during the year, and are therefore on hand at the end of the year i.e. capital works in progress or not yet commenced.
- (c) The above table also shows that the Future Asset Renewal Reserve (total cash less reserved amounts) falls into the negative during 2016-17 and remains so over the next 5 years. This situation results from Council's expanded capital works program which will necessitate borrowings. This means that the aggregate of reserved amounts exceeds the available cash balance. Of itself, this is not a concern because the majority of reserved amounts can be utilised for other purposes by Council decision, and not all amounts are required at the same point in time. However, balances and cash flow requirements will need to be closely monitored and further refined to ensure adequate liquidity.

Contributions in Lieu of Public Open Space

A reserve has been established to separately account for funds provided to Council for the express purpose of providing areas of Public Open Space throughout the city.

Contributions in Lieu of Parking

A reserve has been established to separately account for funds provided to Council for the express purpose of providing parking facilities in areas near developments with inadequate parking.

Heritage Account

Council has established a Heritage Account as required by the *National Trust Preservation Fund (Winding-up) Act 1999*. Amounts transferred to the account include the initial distribution from the National Trust Preservation Fund, together with interest accruing on the balance of the account.

The Act requires that funds transferred into the Heritage Account be applied for the provision of financial or other assistance in relation to an entry in either the National Trust Register kept by the National Trust of Australia (Tasmania), or the Tasmanian Heritage Register.

Public Infrastructure Fund

Council has established a Public Infrastructure Fund for the purpose of identifying funding available for projects identified in Council's Inner City Action Plan (ICAP).

Bushland Fund

Council established a Bushland Fund for the purpose of purchasing strategic areas of bushland and open space. Up until 2003/04, an annual allocation of \$0.15 million was being provided from revenue for this purpose.

During 2003-04, Council resolved to utilise the accumulated balance of the Bushland Fund to provide funding for Mt. Nelson land purchases, and to use \$0.1 million of the annual allocation of \$0.15 million to assist with servicing of the associated debt.

McRobies Gully Landfill Site Rehabilitation

Commencing in 2011-12, approximately \$1.25 million per annum of rates and charges will be raised to provide funding for rehabilitation of the McRobies Gully Landfill Site.

Other Project Carry-forwards

This item represents an estimate of the value of unspent projects at the end of each financial year which are carried-forward into the following financial year, with capital works representing the majority of the balance.

7.4 Balance Sheet

Table 16: Balance Sheet Forecasts

	2016-17 Forecast (\$'000)	2017-18 Budget (\$'000)	2018-19 Budget (\$'000)	2019-20 Budget (\$'000)	2020-21 Budget (\$'000)	2021-22 Budget (\$'000)
Assets						
Current Assets						
Cash and cash equivalents	31,152	25,752	29,147	30,260	29,343	27,972
Inventories	331	331	331	331	331	331
Receivables	4,852	4,702	4,842	5,035	5,240	5,441
Other	22	22	22	22	22	22
	36,357	30,807	34,342	35,648	34,936	33,766
Non-Current Assets						
Receivables	226	226	226	226	226	226
Investment in TasWater	163,612	163,612	163,612	163,612	163,612	163,612
Property, plant and equipment	1,454,503	1,494,222	1,527,936	1,495,310	1,524,142	1,545,272
	1,618,341	1,658,060	1,691,774	1,659,148	1,687,980	1,709,110
Total Assets	1,654,698	1,688,867	1,726,116	1,694,796	1,722,916	1,742,876
Liabilities						
Current Liabilities						
Payables	(4,573)	(4,689)	(4,843)	(5,003)	(5,169)	(5,342)
Trust, Deposits, Retention	(2,890)	(2,890)	(2,890)	(2,890)	(2,890)	(2,890)
Employee benefits	(11,564)	(12,174)	(12,818)	(13,498)	(14,215)	(14,973)
Unearned Revenue	(446)	(446)	(446)	(446)	(446)	(446)
Loans	(1,482)	(2,503)	(4,043)	(4,945)	(5,876)	(5,970)
	(20,955)	(22,702)	(25,040)	(26,782)	(28,596)	(29,621)
Non-Current Liabilities						
Employee benefits	(3,262)	(3,434)	(3,615)	(3,807)	(4,009)	(4,223)
DB Superannuation Scheme	(4,148)	(4,561)	(5,028)	(5,546)	(6,126)	(6,763)
Loans	(10,189)	(27,686)	(53,643)	(68,698)	(82,822)	(86,853)
Other Provisions	(5,514)	(4,703)	(4,115)	(4,013)	(3,905)	(3,790)
Other						
	(23,113)	(40,384)	(66,401)	(82,064)	(96,862)	(101,629)
Total Liabilities	(44,068)	(63,086)	(91,441)	(108,846)	(125,458)	(131,250)
Net Assets	1,610,630	1,625,781	1,634,675	1,585,950	1,597,458	1,611,626

Council's balance sheet is expected to remain strong. Net assets (and equity) vary over the period reflecting expected asset revaluations.

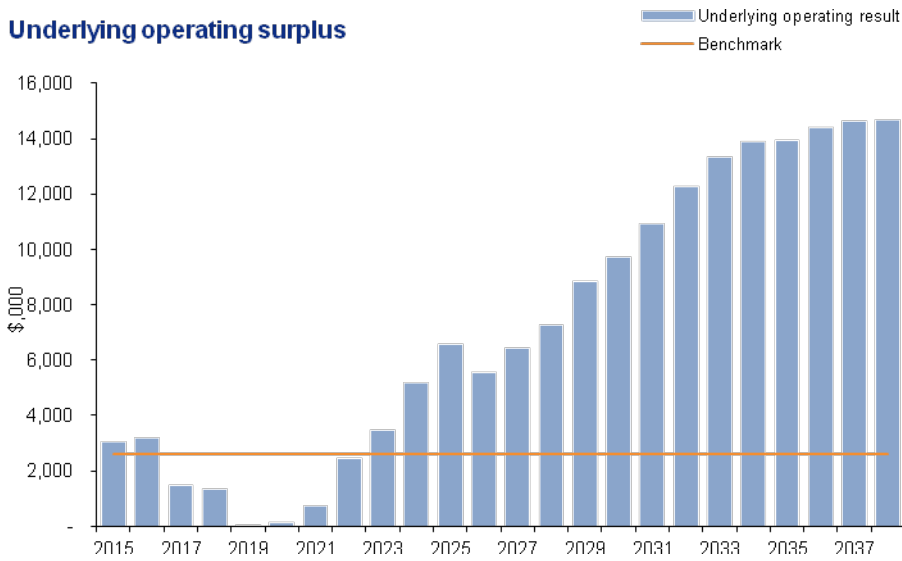
7.5 Sustainability Indicators

For the purposes of measuring the financial sustainability of Council, eight financial sustainability indicators have been adopted.

Indicator 1 – Underlying Operating Surplus

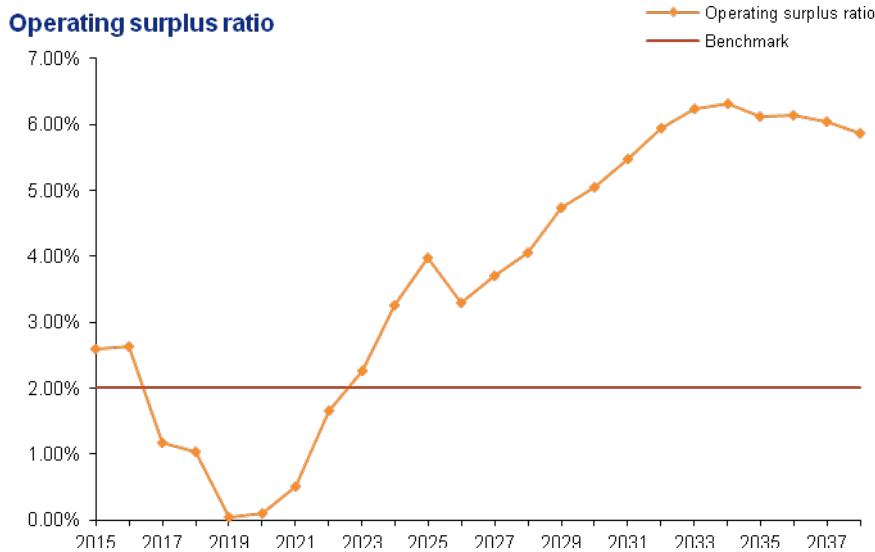
The difference between day-to-day income and expenses for the period (excluding contributed assets, asset revaluations and capital grants). This indicator is seen as a better indicator of sustainable or recurring operations as it excludes capital grants which can be project-specific and thus non-recurring, and other amounts which are recorded as income due to accounting standard requirements.

Underlying operating surplus



Indicator 2 – Operating Surplus Ratio

The operating surplus ratio is the operating surplus (or deficit) expressed as a percentage of total revenue (adjusted by excluding capital grants, contributed PP&E and asset revaluation increments/decrements).

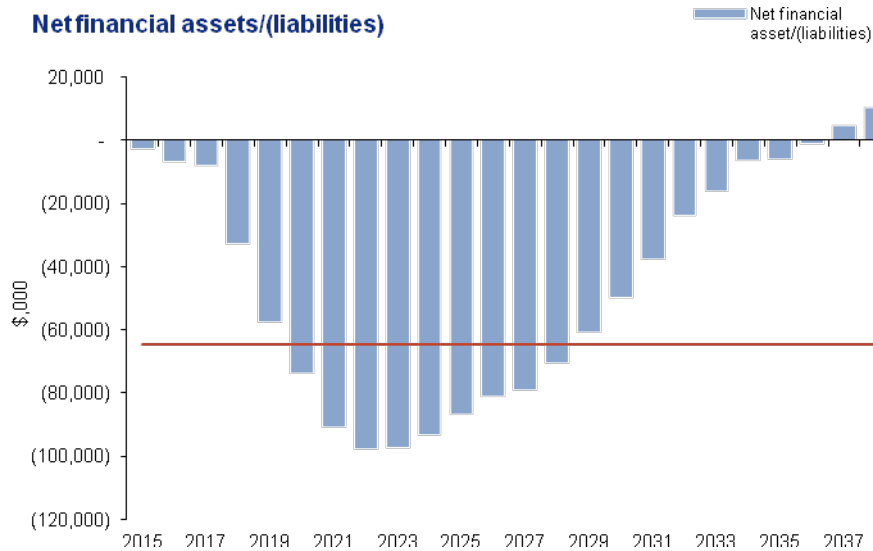


Indicator 2 shows Council forecasting modest, but sustainable operating surpluses. The surpluses rise in the later years due to revenue growth assumptions being slightly higher than expenditure growth assumptions, to generate cash surpluses needed for asset replacement. These forecasts will continue to be reviewed.

Indicator 3 – Net Financial Assets/ (Liabilities)

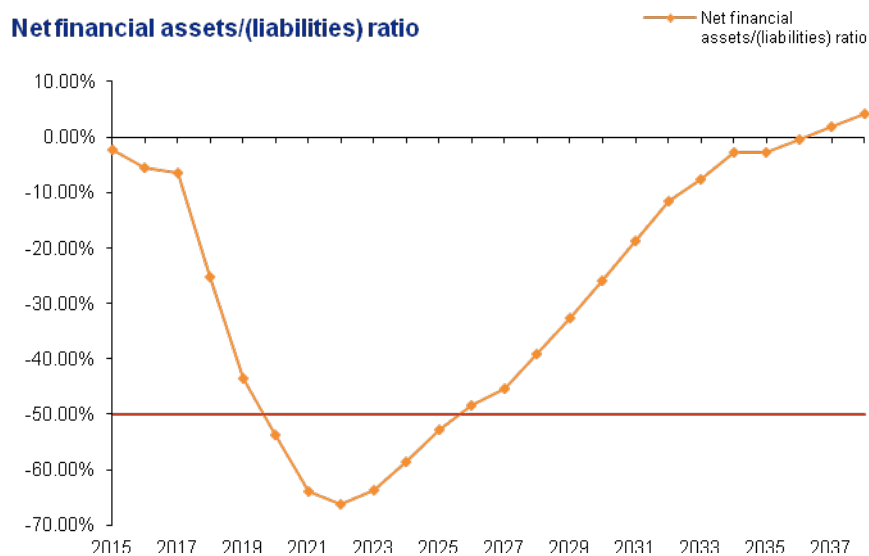
What is owed to others less cash held/invested and receivables and is thus a measure of net indebtedness. It is broader than just loan debt, as it includes amounts owed to creditors, employee provisions, amounts held in trust and all other

liabilities. The graph below indicates that net financial assets/(liabilities) are expected to move into the medium risk range for a period (due to increased borrowings) before returning to the low risk range.



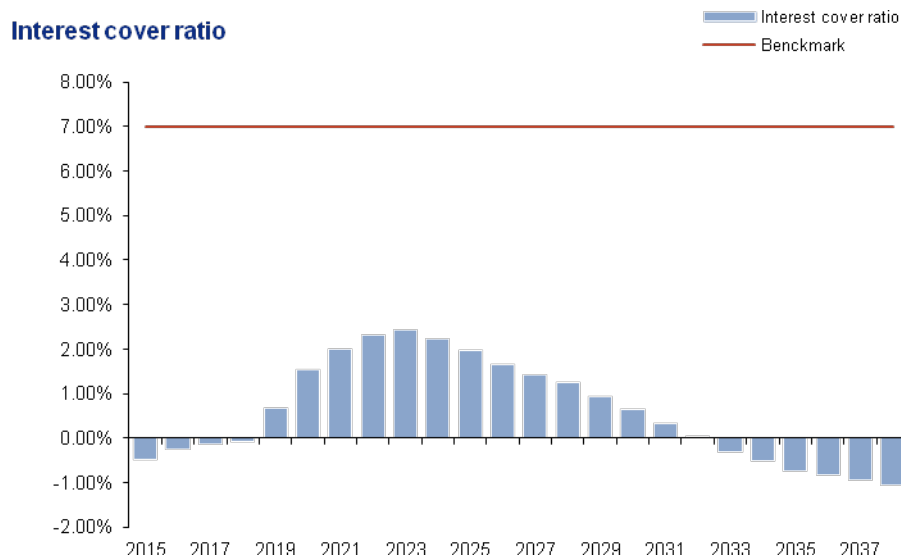
Indicator 4 – Net Financial Assets/(Liabilities) Ratio

This ratio is net financial assets/(liabilities) expressed as a percentage of income. It indicates the extent to which net financial liabilities can be met by Council's income. An increasing ratio indicates that the Council's capacity to meet its financial obligations from income is strengthening. The graph below indicates that net financial assets/(liabilities) are expected to move into the medium risk range for a period (due to increased borrowings) before returning to the low risk range (less than 50% of revenue).



Indicator 5 – Interest Cover Ratio

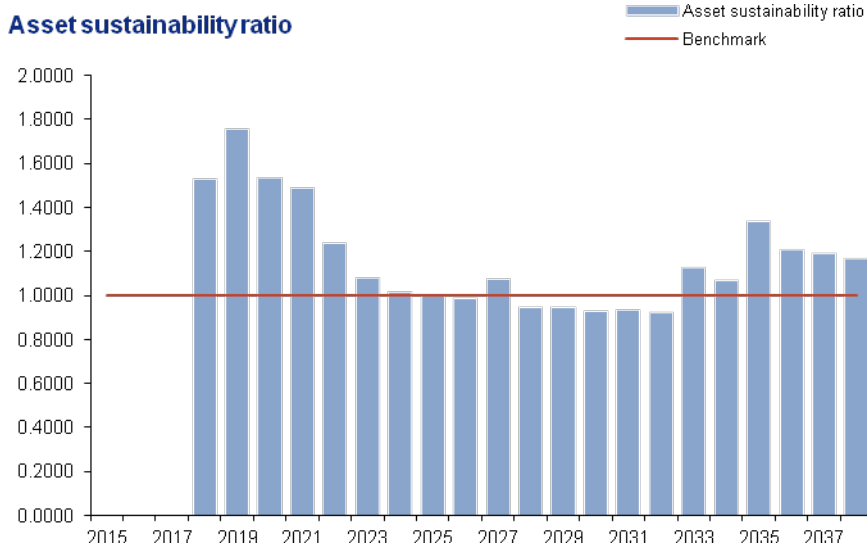
This ratio is interest expense less interest earned on investments, expressed as a percentage of income. It measures the proportion of income required to service interest costs.



Indicators 3, 4, and 5 show Council’s level of indebtedness is increasing. This is due to Council’s expanded capital works program.

Indicator 6 – Asset Sustainability Ratio

This ratio is asset replacement capital expenditure expressed as a percentage of depreciation expense. It measures whether assets are being replaced at the rate at which they are wearing out. With a young asset portfolio, the target may be quite low. If old, it may be > 100%. Over time, if it averages at or near 100% the service of the asset portfolio is being maintained.

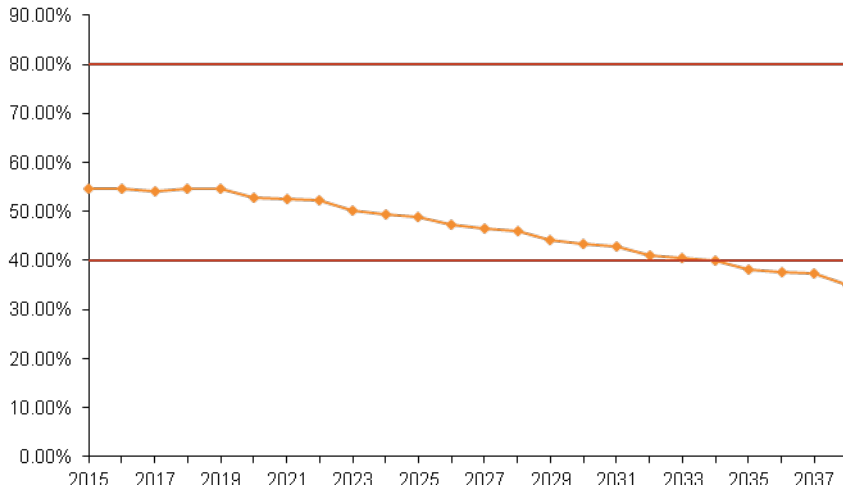


Indicator 7 – Asset Consumption Ratio

This indicator expresses asset written down value as a percentage of replacement cost and thus seeks to measure the proportion of life remaining in assets. A lower measure indicates an older (on average) portfolio of assets and could indicate the potential for large renewal expenditure.

However, a low or declining ratio is not a concern provided assets are being maintained/replaced in accordance with well prepared asset management plans and the organisation is operating sustainably i.e.: recording a breakeven or better underlying operating result. The cash generated by operating sustainably funds the renewal of assets.

Asset consumption ratio- Total Assets

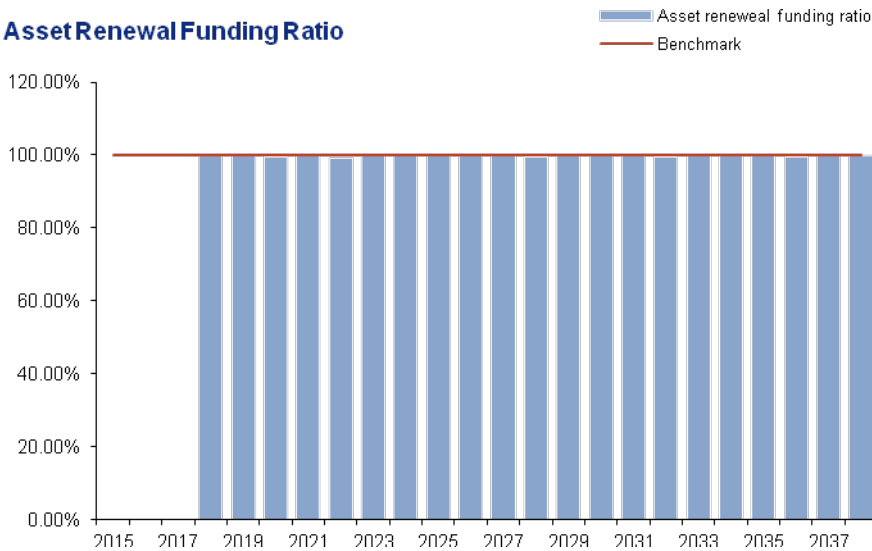


This indicator is declining over the financial plan period but the ratio will increase when, beyond the 20 year plan period, asset renewal expenditure is expected to be greater than depreciation.

Indicator 8 – Asset Renewal Funding Ratio

This ratio is planned asset replacement capital expenditure expressed as a percentage of the future asset replacement capital expenditure required by asset management plans. It therefore measures the capacity to fund asset replacement requirements. An inability to fund future requirements will result in revenue or expense or debt consequences, or a reduction in service levels.

Asset Renewal Funding Ratio



Council's LTFMP indicates through the graph above that known asset replacement requirements will be fully funded. That is, 100% of known asset replacement needs, as identified in Council's asset management plans, will be funded.

Conclusions

All financial sustainability indicators are expected to be within benchmark ranges over the next five years. Net financial assets/liabilities are expected to move into the medium risk range for a period (due to increased borrowings) before returning to the low risk range.

Further detail is provided in Council's Long-Term Financial Management Plan 2018 – 2038.

8. Appendix - Capital Expenditure Program 2017-18

City Hall Renewal - Major Refurbishment	\$	200,000
Elizabeth St Mall Information Booth Renewal	\$	40,000
Energy Savings Action Plan Implementation - Buildings	\$	100,000
Phoenix Project - Software Procurement	\$	1,290,000
Action 02 - No 3 - Elizabeth Street Bus Mall - Construction	\$	100,000
Action 04 - Collins Street / Hobart Rivulet Linear Park Connection (ICAP)	\$	100,000
Action 08 - Castray Esplanade Upgrade (ICAP)	\$	300,000
Action 14 - Salamanca Pedestrian Works Stage 2 - Salamanca Montpelier Inter.	\$	150,000
Action 16 - Battery Point Walkway - Stage 1	\$	150,000
Action 18 - Tasman Highway Shared Bridge	\$	6,700,000
Action 19 - Kemp Street Project	\$	1,100,000
Action 21 - Collins Court Revitalisation (Stage 2- Pedestrian Amenity)	\$	400,000
Action 22 - Collins Street Revitalisation - Stage 1 Cycleway	\$	250,000
Lenah Valley Retail Precinct Upgrade	\$	2,000,000
New Town Retail Precinct Upgrade	\$	100,000
Sandy Bay Retail Precinct Upgrade Project	\$	200,000
Cascade Gardens Car Park	\$	200,000
Hobart Rivulet Linear Park - Vicinity of Anglesea Street	\$	125,000
Tolmans Hill Playground	\$	300,000
Argyle St Carpark Public Convenience Internal Furbishment	\$	500,000
Domain Athletics Centre - Public Convenience Internal Refurbishment	\$	100,000
Domain Summit Public Convenience	\$	250,000
Prossers Restaurant Public Convenience Internal Refurbishment	\$	50,000
Public Convenience - Annual Allocation for Accessibility Upgrades	\$	50,000
Swan St Public Convenience Building Renewal	\$	250,000
Washington St Playground Public Convenience Internal Refurbishment	\$	250,000
Wellington Park Fern Tree Park Public Convenience Renewal	\$	250,000
Domain Summit Facilities	\$	250,000
TCA Ground playing surface replacement	\$	1,276,000
City Laneways - Access and Lighting Upgrades	\$	100,000
Huon Road Uphill Widening for Cyclists	\$	25,000
Implementation Of Transport Strategy (Budget Only)	\$	300,000
King Street Pedestrian Improvements	\$	300,000
Street Light Acquisition (TasNetworks)	\$	500,000
Summerleas Road Footpaths	\$	25,000
Kemp St Commercial Waste & Recycling Receiving Facility	\$	450,000
Implementation of Stormwater Strategy	\$	60,000

Project	Amount
Maypole Stormwater Upgrade	\$ 100,000
Great Short Walks - Pinnacle Track - Springs To Zig Zag Track	\$ 710,000
Great Short Walks - Springs Feeder Tracks	\$ 210,000
Pipeline Trail - Fern Tree Park Master Plan	\$ 500,000
Clearys Gates Plant Workshop Bulk Storage Upgrade	\$ 34,000
Community Hall Creek Road 18 - Kitchen Renewal	\$ 60,000
Community Hall Darcy Street - Minor Roof Renewal	\$ 20,000
Community Hall Darcy Street - Sanitary Plumbing and Fittings Renewal	\$ 10,000
Corporate Properties - Compliance Works 17/18	\$ 100,000
Council Centre - LED Feature Lighting to Replace Neon Tubes	\$ 50,000
Council Centre Basement Corridor Floor Vinyl Renewal	\$ 20,000
DKHAC Major Upgrade - Small Renewal Works	\$ 120,000
DKHAC New Lifting System for DE Filters lids	\$ 50,000
DKHAC Plant Renewals 17/18	\$ 805,000
DKHAC Rear Lane Gate Renewal	\$ 25,000
DKHAC Safe Access to 50m Air Handling Unit in roof space	\$ 20,000
Electronic Security Access Control Works	\$ 50,000
Franklin Square Public Convenience Decorative Sandstone Bricks Renewal	\$ 20,000
Hobart Central Car Park - Render Repair	\$ 350,000
Maritime Museum Partial Roof Renewal	\$ 6,000
Queenborough Oval Female Toilet Block Demolition	\$ 12,000
Sandown Park Pavilion - Change Rooms Refurbishment	\$ 277,000
TCA Concrete Grandstand Demolition	\$ 100,000
TCA Kiosk Fixtures Renewals	\$ 5,000
TCA Ladies Stand External Door Renewal & Water Proofing	\$ 3,000
TCA West Ticket Box Roof, Distribution, Internal and External Lighting Renewals	\$ 6,000
Town Hall Annexe Basement Car Park - Drainage Grate Renewals	\$ 10,000
Town Hall Annexe Basement Car Park Refurbishment	\$ 19,000
Town Hall Annexe Car Park Deck Surface and Drainage Renewal	\$ 100,000
Town Hall Macquarie Wing Basement Lift Lobby Fitout Refurbishment	\$ 35,000
Town Hall Maritime Museum Carpet Renewal Level 1	\$ 15,000
West Hobart Rec Ground Pavilion Roof Renewal	\$ 11,000
YouthARC Ground Floor Carpet Renewal	\$ 30,000
Bushland Bollards & Barriers - Yearly Amount	\$ 55,000
Bushland Firetrail Works - Yearly Amount	\$ 200,000
Bushland Fund - Yearly Amount	\$ 50,000
Bushland Signage - Yearly Amount	\$ 40,000
Brinsmead to Olinda Grove Fire Trail	\$ 54,000
Bushland Bin Replacements	\$ 52,500
Dorney House Track	\$ 19,200
Fern Glade Track Bridges - 17/18	\$ 97,000

Project	Amount
Knocklofty Reserve Handrails	\$ 18,750
Old Farm Track Technical Features	\$ 40,000
Paragliders Launch Pad	\$ 15,000
Strickland Falls Track	\$ 110,000
ICT Laptop Renewal Yearly Amount	\$ 75,274
ICT Mobile Phone Renewal Yearly Amount	\$ 8,100
ICT Monitor Renewal Yearly Amount	\$ 8,100
ICT Other IT Assets Renewal Yearly Amount	\$ 439,800
ICT Personal Computers Renewal Yearly Amount	\$ 176,200
ICT Printers Renewal Yearly Amount	\$ 17,600
ICT Servers Renewal Yearly Amount	\$ 8,000
Christmas Decorations Yearly Amount	\$ 150,000
Christmas Pageant Float Renewal	\$ 23,000
City Of Hobart Art Prize Yearly Amount	\$ 30,000
Parking Equipment - Yearly Amount	\$ 130,500
Plant & Equipment - City Infrastructure Division	\$ 71,045
Plant & Equipment - City Planning Division	\$ 13,321
Plant & Equipment - Community Development Division	\$ 84,365
Plant & Equipment - Corporate Services Division	\$ 124,328
Plant & Equipment - Financial Services Division	\$ 31,082
Plant & Equipment - Parks & City Amenity Division	\$ 119,887
Plant & Equipment - Salamanca Market	\$ 200,000
Public Art - Yearly Amount	\$ 50,000
Salamanca Place Banner Pole Replacement	\$ 10,000
Southern Visitor Arrival Points	\$ 40,000
Taste Tasmania Yearly Amount	\$ 175,000
Wayfinding Signs Yearly Amount	\$ 15,000
UTas Carpark Access Equipment	\$ 300,000
Parks Seating - Yearly Amounts	\$ 82,122
Parks Bins - Yearly Amounts	\$ 20,116
Parks Fences, Walls & Edges - Yearly Amounts	\$ 70,000
Parks Other Assets - Yearly Amounts	\$ 45,000
Parks Park & Street Trees - Yearly Amounts	\$ 40,000
Parks Pavements - Yearly Amounts	\$ 100,000
Parks Signage - Yearly Amounts	\$ 20,700
Parks Structures & Fountains - Yearly Amounts	\$ 59,199
Playgrounds - Yearly Amounts	\$ 80,000
Cascade Gardens Lighting Design	\$ 30,000
Domain Spine Improvements - detailed design	\$ 150,000
Lower John Turnbull Fenced Dog Area	\$ 150,000

Project	Amount
Recycling Bins Parks and Sports Fields	\$ 30,000
PVE Funding Request - Heavy Vehicles (net of sale proceeds)	\$ 371,091
PVE Funding Request - Light Vehicles (net of sale proceeds)	\$ 893,361
PVE Funding Request - Major Plant (net of sale proceeds)	\$ 684,323
PVE Minor Plant Yearly Amount	\$ 257,330
Argyle St - New Town to Stoke - Ash RFP	\$ 40,000
Argyle St - Tasma to Warwick - Partial Ash RFP	\$ 35,000
Bathurst St - Cavell to Molle - L Ash FP	\$ 91,000
Bayley St - Lillie to Deadend - Ash L&R FP	\$ 80,000
Cressy St - Burnside to Bishop - Conc L&R FP (resurfacing)	\$ 35,000
Dynnyrne Rd - Waterworks Rd to Zomay - Ash LFP	\$ 140,000
Lochner St - Arthur to Hamilton - Ash LFP	\$ 60,000
Park St - Gowrie to Oldham - Ash L&R FP	\$ 220,000
Princes St - Regent to King - Ash L&R FP	\$ 180,000
St Stephens Ave - Lipscombe to Deadend - Ash L&R FP	\$ 60,000
Valentine St - Carlton to Montagu - Ash RFP & Ped Improvements	\$ 100,000
Aberdeen St - Davenport to Allambee - Left Drainage/Crossover Construction	\$ 140,000
Aberdeen St - Edward to Liverpool - Car Park Renewal (Contribution)	\$ 50,000
Augusta Rd - No.151 Frontage Retaining Wall - Full Renewal	\$ 105,000
Braeside Crs - Fisher To Head - L&R Ash FP, K&C and Overlay	\$ 150,000
Faraday St - Hill to Forbes - LK&C and Ash LFP	\$ 130,000
Huon Rd - No.481 to Hillborough - Footpath Construction	\$ 130,000
Lansdowne Cres - Allison to Warwick - Ped & Drainage Improvements	\$ 250,000
Old Farm Rd - Bridge Barrier Renewal	\$ 7,150
Pinnacle Road Guardrail Renewal	\$ 500,000
Pottery Rd & Doyle Ave - Junction - Ped & Vehicle Access Improvements	\$ 180,000
Queens Walk - Risdon to deadend - Drainage	\$ 20,000
Reynolds Crt - No.14 to No.16 Retaining Wall	\$ 100,000
Sandy Bay Rd - Casino to Manning Ave - Sea Wall Handrail Upgrade	\$ 50,000
Shoobridge St - No.11 to Davenport - LK&C	\$ 71,500
Strickland Ave - Woodlyn to Huon - Stage 1 (Design & Maintenance)	\$ 150,000
Weerona Ave - Gillon to Head - Left Road Shoulder	\$ 310,000
Poles & Lighting - Yearly Amount	\$ 40,000
Road Handrails / Guardrails - Yearly Amounts	\$ 150,000
Road Other Assets - Yearly Amounts	\$ 190,000
Argyle St - Liverpool Intersection - Deep Lift Asphalt Inlay	\$ 85,000
Collins St - Elizabeth to Argyle (west bound lane) - Deep Lift Asphalt Inlay	\$ 70,000
Creek Rd - New Town Rd to Wilks - Overlay & Reseal Prep	\$ 250,000
Davey St - Sandy Bay Intersection - Deep Lift Asphalt Inlay	\$ 250,000
Hillborough Rd - Huon to Cascade - Partial Deep Lift Repairs & Overlay	\$ 230,000
King St - Regent Intersection to Sandy Bay Rd - Overlay	\$ 300,000

Project	Amount
Macquarie St - Barrack to Molle (inc Barrack Intersection) - Deep Lift Asphalt Inlay	\$ 200,000
Macquarie St - Southern Outlet Junction - Overlay	\$ 110,000
Molle St - Macquarie to Davey - Partial Pavement Recon & Overlay	\$ 80,000
Murray St - Collins to Davey - SAMI & Overlay	\$ 140,000
Nelson Rd - No.127 to 144 - Correction & Overlay	\$ 250,000
Pinnacle Rd - Mountain Top Car Park Junction - Overlay	\$ 150,000
Pottery Rd - Doyle to McCann - Overlay	\$ 200,000
Bathurst St - Campbell to Brooker - Partial Reconstruction	\$ 250,000
Bedford St - Honora to Augusta - Ash RFP & Subsoil Installation	\$ 150,000
Carlton St - Augusta to Forster - R2R project	\$ 1,377,853
Churchill Ave - Derwentwater to Waimea - Pavement Renewal	\$ 30,000
Churchill Ave - Sonning to Wayne - Partial Pavement	\$ 200,000
Kemp Street Upgrade - Pavement Renewal (AP19)	\$ 190,000
Suncrest Ave - Augusta to No.16 - Pavement Reconstruction	\$ 15,000
Baker St - Giblin to Carlton - Reseal Prep	\$ 75,000
Burnside Ave - Cressy to Gowrie - Reseal Prep	\$ 30,000
Clegg St - Huon to Deadend - Reseal Prep	\$ 50,000
Dynnyrne Rd - Waterworks to Zomay - Reseal Prep	\$ 50,000
Fordham St - Elphinstone to Deadend (inc. Strathern Ln) - Reseal Prep	\$ 80,000
Huon Rd - Hillborough to Strickland - Reseal Prep	\$ 100,000
Lansdowne Cres - Hill to Hill (Entire Section) - Overlay Prep & Crack Treatment	\$ 100,000
Princes St - Parliament to King - Reseal Prep	\$ 80,000
Quayle St - Sandy Bay to Balmoral - Reseal Prep	\$ 100,000
Summerhill Rd - Hillside to Bimbadeen (inc Hillside Cres) - Reseal Prep	\$ 100,000
Wellesley St - Washington to Wellesley Park - Reseal Prep	\$ 65,000
Road Strategy Project Annual Allocation - Disability Access	\$ 30,000
Roads Infrastructure Signage - Yearly Amount	\$ 20,000
Elizabeth St - Lyndhurst to McTavish - Footpath/Heritage Tree	\$ 52,000
New and Upgraded Works - Delivery Component - Project Delivery	\$ 50,000
New and Upgraded Works Planning & Design - Design Services	\$ 250,000
Belleue Pde - Bishop to Bay - Slurry Seal	\$ 35,000
Carr St - Ryde to Archer - Slurry Seal	\$ 35,000
Claude Ave - Valentine to Pedder - Reseal	\$ 40,000
Coolabah Rd - Churchill to Head - Slurry Seal	\$ 40,000
Devonshire Sq - Slurry Seal	\$ 20,000
Goulburn St - Molle to Cavell - SAMI & Reseal	\$ 120,000
Gregory St - Sandy Bay to Grosvenor - Slurry Seal	\$ 30,000
Grosvenor St - Princes to Duke - Slurry Seal	\$ 11,000
Hillborough Rd - Huon to Cascade - Reseal	\$ 70,000
Huon Rd - Huon No.495 to Turnip Field - Reseal	\$ 100,000
Pitt St - Andrew to deadend - Slurry Seal	\$ 13,000

Project	Amount
Salvator Rd - Salvator PI to Deadend - Reseal	\$ 15,000
Skid Resistance Treatments - Various Sites	\$ 200,000
Summerhill Rd - Hillside to Bimbadeen (inc Hillside Cres) - Slurry Seal	\$ 40,000
Swan St - Elizabeth to Deadend - Slurry Seal	\$ 25,000
Wilson - Carr to Deadend - Slurry Seal	\$ 20,000
Ryde St - Carr to Argyle - Slurry Seal	\$ 10,000
Traffic Project Annual Allocation - Blackspot	\$ 50,000
Traffic Project Annual Allocation - Local Area Traffic Management	\$ 50,000
Traffic Project Annual Allocaton - Accessible Parking	\$ 50,000
Traffic Project Annual Allocaton - Cycling Infrastructure	\$ 50,000
Lenah Valley Rd - Creek Rd - Left Slip Lane	\$ 10,000
Solid Waste Management - Wheelie Bins - Yearly Amounts	\$ 113,000
Waste Management Centre - Yearly Amount	\$ 90,500
Litter Bin Renewals 17/18	\$ 150,000
Main Entry to WMC - Renewal	\$ 107,202
Sporting Facilities Bins - Yearly Amount	\$ 4,192
Sporting Facilities Signage Renewal Yearly Amount	\$ 6,007
Sporting Fences Walls & Edges - Yearly Amount	\$ 122,180
Domain Athletic Centre Tiered Seating	\$ 180,000
Domain Crossroads Oval new lighting	\$ 200,000
Queenborough/Lower Queenborough Oval - Furniture Replacement	\$ 20,000
Regatta Grounds Boat Ramp Replacement	\$ 30,000
Soldiers Memorial Oval flood lighting replacement	\$ 250,000
South Hobart Oval laneway	\$ 8,364
West Hobart Oval - Replacement of concrete drainage at perimeter	\$ 10,000
West Hobart Oval carpark replacement	\$ 79,380
Augusta Road (Giblin St 74) 115 to 123 SW extension	\$ 95,000
Hobart Rivulet Minor Repairs	\$ 140,000
Kemp Street Upgrade - Stormwater Renewal (AP19)	\$ 60,000
Lower Jordan Hill 1 Providence Gully Rivulet Bank Reinstatement	\$ 40,000
New Town Rivulet Catchment Works	\$ 143,000
Providence Rivulet GPT	\$ 160,000
Roope St Stormwater Upgrade	\$ 63,908
Salamanca Place DN300RCP SW Replacement	\$ 55,000
Trafalgar Place Stormwater Extension	\$ 25,000
Turner Street - Erina Place main replacement	\$ 80,000
	\$ 41,740,530
add back proceeds from sale of plant and equipment	\$ 873,300
	\$ 42,613,830
less estimated amount not to be capitalised	\$ 1,669,621
Capital expenditure	\$ 40,944,209

