



# Financial Report

## Period Ending December 2018

Financial Year 2018-19



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# 1. Introduction

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The purpose of this report is to provide a high level summary of: -

- Council's financial position as at 31 December 2018,
- the results of operations for the first six months of the 2018-19 financial year,
- the forecast end of year results, and
- progress towards the achievement of Council's financial sustainability outcomes.

The report also seeks to have the 2018-19 estimates (budget) amended to take account of expected differences from budget at 30 June 2019 (permanent variances).

Council's financial direction is enunciated in its Long-Term Financial Management Plan (LTFMP) first adopted by Council in October 2010. At this time, it was also resolved that annual Council budgets would be prepared within the context of the LTFMP.

The primary objective of the LTFMP is to achieve financial sustainability. The eight measures adopted in the LTFMP for the purpose of measuring financial sustainability are set out in this report (refer section 9) along with an indication as to whether targets for each are expected to be achieved in 2018-19.

## 2. Operating

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The forecast end of year result is an **underlying deficit** of \$0.13M, a decrease of \$1.06M due to the factors listed in tables 4 and 5 below. The history for the year has been: -

- Original budget forecast \$1.45M surplus
- Inclusion of Taste of Tasmania adjustment \$1.05M surplus
- Inclusion of carry-forwards from 2017-18 \$0.74M surplus
- September revised forecast \$0.93M surplus
- December revised forecast (this report) \$0.13M deficit

The main reasons for the changes have been:

September quarter: The decline in the underlying surplus from the original forecast are the inclusion of the 2017-18 operating carry forwards and the inclusion of additional expenditure for the Taste of Tasmania, partially offset by a net decrease in anticipated interest and other operating costs.

December quarter: The decline in December is due to expected decreases in rates revenue as a consequence of the Southern Cross Care reimbursement, an increase in interest expense due the timing of borrowing being brought forward and increases in other operating costs.

It is noted that costs and recoveries relating to the May 2018 storm event have been excluded from the underlying result. To date, \$926K of operating costs have been incurred in the 2018-19 year. The first claim for recovery of costs incurred in 2017-18 and costs up to November 2018 will be lodged this month.

The Income Statement as outlined in Table 1 shows the financial impact of providing Council's general services to the community. It compares actual expenses (by expense type) and actual revenues (by revenue type) to the end of December (YTD Actual) with what was expected at the same stage (YTD Budget). The difference between the two is the variance, and this is also expressed as a percentage of the YTD budget.

Table 1 also shows the **original** 2018-19 budget, the **revised** 2018-19 budget, and the projected year-end result.

**Table 1: Income Statement as at 31 December 2018**

|                                      | Ref. | YTD Actual<br>(\$,000) | YTD Budget<br>(\$,000) | Variance<br>Fav/(Unfav)<br>(\$,000) | Variance<br>% | 2018-19<br>Original<br>Budget<br>(\$,000) | 2018-19<br>Revised<br>Budget<br>(\$,000) | Forecast<br>Year-End<br>Result<br>(\$,000) |
|--------------------------------------|------|------------------------|------------------------|-------------------------------------|---------------|---|--|--|
| <b>Expenses</b>                      |      |                        |                        |                                     |               |   |  |  |
| Labour                               | 2.1  | (28,579)               | (28,528)               | (51)                                | -0.2%         | (60,217)                                  | (59,789)                                 | (59,744)                                   |
| Materials and Services               | 2.2  | (15,524)               | (15,598)               | 74                                  | 0.5%          | (30,525)                                  | (31,788)                                 | (32,002)                                   |
| Energy Costs                         | 2.3  | (1,042)                | (1,057)                | 15                                  | 1.4%          | (2,238)                                   | (2,288)                                  | (2,413)                                    |
| Finance Costs                        | 2.4  | (479)                  | (487)                  | 8                                   | 1.6%          | (1,323)                                   | (976)                                    | (1,296)                                    |
| Fire Levy                            |      | (5,371)                | (5,371)                | 0                                   | 0.0%          | (10,740)                                  | (10,740)                                 | (10,740)                                   |
| Depreciation                         |      | (10,262)               | (10,262)               | 0                                   | 0.0%          | (20,523)                                  | (20,523)                                 | (20,523)                                   |
| Asset Write-offs                     |      | (1,265)                | (1,265)                | 0                                   | 0.0%          | (2,530)                                   | (2,530)                                  | (2,530)                                    |
| Bad Debts                            |      | 0                      | 0                      | 0                                   | 0.0%          | (351)                                     | (351)                                    | (351)                                      |
| Other Expenses                       | 2.5  | (1,119)                | (1,202)                | 83                                  | 6.9%          | (4,708)                                   | (4,518)                                  | (4,518)                                    |
|                                      |      | <b>(63,641)</b>        | <b>(63,770)</b>        | <b>129</b>                          | <b>0.2%</b>   | <b>(133,155)</b>                          | <b>(133,503)</b>                         | <b>(134,117)</b>                           |
| <b>Revenues</b>                      |      |                        |                        |                                     |               |   |  |  |
| Rates and Charges                    | 2.6  | 42,181                 | 42,010                 | 171                                 | 0.4%          | 84,918                                    | 84,918                                   | 84,528                                     |
| Fire Levy Commission                 |      | 217                    | 215                    | 2                                   | 0.9%          | 430                                       | 430                                      | 430  |
| Fines                                | 2.7  | 3,376                  | 4,251                  | (875)                               | -20.6%        | 8,571                                     | 8,454                                    | 8,254                                      |
| Fees and Charges - Car Parks         | 2.8  | 5,161                  | 5,097                  | 64                                  | 1.3%          | 10,180                                    | 10,122                                   | 10,122                                     |
| Fees and Charges - On Street Parking | 2.9  | 2,916                  | 3,245                  | (329)                               | -10.1%        | 6,469                                     | 6,492                                    | 6,492                                      |
| Other Fees and Charges               | 2.10 | 7,599                  | 6,880                  | 719                                 | 10.5%         | 14,261                                    | 14,400                                   | 14,447                                     |
| Operating Grants                     |      | 517                    | 509                    | 8                                   | 1.6%          | 3,220                                     | 3,220                                    | 3,220                                      |
| Interest                             |      | 394                    | 412                    | (18)                                | -4.4%         | 981                                       | 851                                      | 851  |
| Rents                                |      | 2,305                  | 2,307                  | (2)                                 | -0.1%         | 3,400                                     | 3,470                                    | 3,470                                      |
| Tas Water Distributions              |      | 789                    | 790                    | (1)                                 | -0.1%         | 2,172                                     | 2,172                                    | 2,172                                      |
|                                      |      | <b>65,455</b>          | <b>65,716</b>          | <b>(261)</b>                        | <b>-0.4%</b>  | <b>134,602</b>                            | <b>134,529</b>                           | <b>133,986</b>                             |
| <b>Underlying Result</b>             |      | <b>1,814</b>           | <b>1,946</b>           | <b>(132)</b>                        |               | <b>1,447</b>                              | <b>1,026</b>                             | <b>(131)</b>                               |

## Results

For the first six months of the year:

- Expenses \$ 129,000 (0.2%) favourable to budget
- Revenues \$ 261,000 (0.4%) unfavourable to budget
- Total \$ 132,000 unfavourable to budget

Table 2 provides an explanation of the main variances in expenses for the first six months of the year.

**Table 2: Significant Expense Variances Explained**

| Ref. | Expenses Category | Variance                     | Explanation   |
|------|-------------------|------------------------------|---|
| 2.1  | Labour            | \$51K (0.2%)<br>Unfavourable | Includes a \$0.59M favourable variance for wages and salaries offset by a \$0.64M unfavourable variance for external labour costs.<br><br>Budget adjustments of \$40K are proposed – see Table 4. |

|     |                      |                            |   |
|-----|----------------------|----------------------------|---|
| 2.2 | Materials & Services | \$74K (0.5%)<br>Favourable | <p>Includes favourable variances for: -</p> <ul style="list-style-type: none"> <li>• Expensed projects \$355K due to timing in expending projects, and</li> <li>• Parking enforcement \$296K primarily due to delays in the roll out of the Integrated Parking System. This partially correlates with reduced revenue explained in Table 3 below.</li> </ul> <p>Includes unfavourable variances for: -</p> <ul style="list-style-type: none"> <li>• Contractor costs for City Planning \$86K for matrix management costs and crowded space security and Asset Maintenance \$70K due to the timing of the road management program,</li> <li>• Engineering Contractors for Design Services \$46K and Stormwater \$40K and</li> <li>• People and Capability \$161K for higher than expected recruitment and training costs.</li> </ul> <p>The remaining variances are attributed to estimated expense accruals and timing variances.</p> <p>Budget adjustments of \$421K increase are proposed – see Table 4</p> |
| 2.5 | Other Expenses       | \$83K (6.9%)<br>Favourable | <p>Includes a \$148K favourable variance for pensioner rate reimbursements.</p> <p>Includes \$65K unfavourable variances for grants and benefits in Community and Cultural Programs.</p>  |

Table 3 provides an explanation of the key variances in revenue for the first six months of the year.

**Table 3: Significant Revenue Variances Explained**

| Ref. | Revenue Category                     | Variance                       | Explanation   |
|------|--------------------------------------|--------------------------------|---|
| 2.6  | Rates                                | \$171K (0.4%)<br>Favourable    | <p>Mainly due to an increase in supplementary rate revenue resulting from development activity in the City.</p> <p>Budget adjustments of \$390K are decrease proposed – see Table 5.</p>  |
| 2.7  | Fines                                | \$875K (20.6%)<br>Unfavourable | <p>Due to lower than expected enforcement activity as a result of construction work around the city and space closure and installation delays for the integrated parking system.</p> <p>Budget adjustments of \$200K decrease are proposed – see Table 5.</p> |
| 2.8  | Fees and Charges – Car Parks         | \$64K (1.3%)<br>Favourable     | Due to increased car park usage partially due to less available on-street parking.  |
| 2.9  | Fees and Charges – On Street Parking | \$329K (10.1%)<br>Unfavourable | Parking meter collections less than expected due to construction work around the city and space closure and installation delays for the integrated parking system.  |
| 2.10 | Other Fees and Charges               | \$719K (10.5%)<br>Favourable   | <p>Includes favourable variances for: -</p> <ul style="list-style-type: none"> <li>• DKHAC pool and gym \$185K,</li> </ul>  |

|  |  |  |  |
|--|--|--|--|
|  |  |  | <ul style="list-style-type: none"> <li>• Development Compliance and Appraisal \$262K for licence and fees,</li> <li>• McRobies Waste Management Centre \$95K, and</li> <li>• Contributions from UTas for Brooker Bridge \$140K.</li> </ul> <p>Budget adjustments of \$133K are proposed – see Table 5.</p> |
|--|--|--|--|

In many cases, variances represent “timing differences” only, which are **not** expected to result in a variance from budget at year-end. A final underlying deficit of around \$0.13M is currently forecast.

However, some variances represent “permanent differences”, which **are** expected to result in a variance from budget at year-end. Changes to the budget are requested for these known permanent differences in tables 4 and 5 below. These are reflected in the annual forecasts shown in the Income Statement (table 1). These changes result in the forecast underlying result decreasing by \$1.06M (from a surplus of \$0.93M to a deficit of \$0.13M).

Please note that the annual forecast includes some items which are difficult to reliably estimate during the year. These may result in the end of year actual result being different to forecast. Examples include ‘asset write-offs’, ‘expensed projects’, ‘expensed plant and equipment’ and ‘movements in employee leave provisions’.

### Operating Budget Changes Requested – Requiring Council Approval

Tables 4 and 5 list budget items which are expected to differ from budget at year-end. Changes to budget are therefore requested.

**Table 4: Expenses - Budget Changes requested – requiring Council approval**

| Ref. | Expenses Category | Increase/ (Decrease) | Explanation  |
|------|-------------------|----------------------|--|
| 2.1  | Labour            | \$40K decrease       | <p>Includes increases for:-</p> <ul style="list-style-type: none"> <li>• Taste of Tasmania \$47K (offset with income increases for Taste of Tasmania shown in Table 5 below), and</li> <li>• Parks and Reserve Management \$5K for additional wages incurred as a result of the May 2018 Storm Event.</li> </ul> <p>Includes decreases for:-</p> <ul style="list-style-type: none"> <li>• City Cleansing and Solid Waste Operations \$42K due to the transfer of cleaning services to external contractors for the Taste of Tasmania (noted in Materials and Services below),</li> <li>• Traffic Strategy \$30K due to timing delays in recruiting a vacant position, and</li> </ul> |



|     |                      |                 |   |
|-----|----------------------|-----------------|---|
|     |                      |                 | <ul style="list-style-type: none"> <li>On-Street Parking \$20K due to delays in the implementation of the Integrated parking system (offset with reduced revenue shown in Table 5 below)</li> </ul>   |
| 2.2 | Materials & Services | \$421K increase | <p>Includes increases for:-</p> <ul style="list-style-type: none"> <li>Internal Charges/Revenue \$11K due to the transfer of cleaning services to external contractors for the Taste of Tasmania (Parks and City Amenities internal revenue decreasing \$89K offset by Taste of Tasmania internal expense decreasing by \$78K),</li> <li>Taste of Tasmania \$104K for cleaning and security contractors, cleaning materials, stock and security due to additional expenditure as a result of increased external funding and the transfer of event cleaning from internal labour to external contractors (note that the net increased cost to Council to change from internal labour to external contractors is \$38K),</li> <li>Structural engineering contractors \$30K for preparation of McRobies Gully stormwater catchment management plan, as a consequence of May 2018 storm event,</li> <li>Contractors – plumbing \$10K for unplanned plumbing works (offset by increased income shown in Table 5 below),</li> <li>Recruitment costs \$77K for executive recruitment costs,</li> <li>Security lock up costs \$50K for increased costs associated with Franklin Square,</li> <li>Engineering contractors \$55K for the crowded spaces consultant report and the Lipscombe catchment plan,</li> <li>Legal Services \$100K for the additional costs incurred for Southern Cross Care, Right To Information requests and a Coronial Inquest,</li> <li>Additional Tasmanian Electoral Commission costs \$47K,</li> <li>Contractors and equipment dry hire \$1K for Parks and Reserve Management,</li> <li>Statutory Notices \$15K due to increased costs in Traffic Strategy and Projects,</li> <li>Contractors, equipment dry hire and materials \$61K for Parks and Reserve Management incurred as a result of the May 2018 Storm Event, and</li> </ul> |

|     |               |                 |   |
|-----|---------------|-----------------|---|
|     |               |                 | <ul style="list-style-type: none"> <li>Contractors – civil and structural engineering \$146K for project management and consultants for flood restoration works (partially offset with the \$80K community recovery grant shown in Other Fees and Charges in Table 5 below).</li> </ul> <p>Includes decreases for:-</p> <ul style="list-style-type: none"> <li>Internal revenue \$60K for TTIC for the transfer of the reimbursement income for the Mall Booth Attendant (offset shown in Other Fees and Charges in Table 5 below),</li> <li>Credit card fees, licences costs, legal services and debt collection fees for On-Street Parking totalling \$180K due to the delays in final installation of the integrated parking system (offsets reduced income shown in Table 5 below), and</li> <li>Contractors – environmental and electrical engineering \$46K for Roads Strategy and Projects.</li> </ul> |
| 2.3 | Energy Costs  | \$125K increase | Increase due to delay in transfer of TasNetwork lights to CoH ownership.  |
| 2.4 | Finance Costs | \$320K increase | Includes an increase to interest expense due to the timing of borrowings being brought forward earlier than forecast to fund capital works and storm event repairs.   |

**Table 5: Revenues - Budget Changes requested – requiring Council approval**

| Ref. | Revenue Category       | Increase/ (Decrease) | Explanation   |
|------|------------------------|----------------------|---|
| 2.6  | Rates                  | \$390K decrease      | Includes a decrease due to the repayment to Southern Cross Care partially offset with expected increases for supplementary rates, additional interest and penalty rates income.   |
| 2.7  | Fines                  | \$200K decrease      | Includes decreases for parking meter fines income (fully offset with expense reductions shown in Labour and Materials and Services in Table 4 above).   |
| 2.10 | Other Fees and Charges | \$133K increase      | Includes increases for:- <ul style="list-style-type: none"> <li>Unplanned plumbing works \$10K (offset shown in Materials and Services in Table 4 above).</li> <li>State government contribution for Taste of Tasmania \$82K (offset with additional expenses shown in Labour and Materials and Services in Table 4 above),</li> <li>Statutory notice reimbursements \$15K for Traffic Strategy and Projects (offset shown in Materials and Services in Table 4 above), and</li> <li>Community recovery fund grant \$86K for flood modelling work (offset shown in Materials and Services in Table 4 above).</li> </ul> |

|  |  |  |   |
|--|--|--|---|
|  |  |  | Includes a decrease of \$60K TTIC for the transfer of the reimbursement income for the Mall Booth attendant to internal revenue (offset shown Materials and Services in Table 4 above). |
|--|--|--|---|

### 3. Property, Plant and Equipment

Council owns a significant amount of plant and equipment. Each year, items of plant and equipment are replaced in accordance with relevant asset management plans. From time to time, Council also purchases parcels of property necessary to meet its strategic objectives.

The tables below show a summary of property, plant and equipment expenditure (net of proceeds obtained from the sale of assets) compared to budget. This includes carry-forward budgets of \$1.61M from 2017-18 approved by Council on Agenda Item 6.1 of its meeting on 18 June 2018.

**Table 6.1: Plant and Equipment Expenditure (Net of Sale Proceeds) as at 31 December 2018**

| Division                            | Net amount spent (\$,000) | 2018-19 Budget (including carry-forwards) (\$,000) | % Spent %    | Amount unspent (\$,000) |
|-------------------------------------|---------------------------|--|--------------|-------------------------|
| General Manager                     | 0                         | 18   | 0.0%         | 18                      |
| Corporate Services                  | 29                        | 70   | 41.4%        | 41                      |
| Parks and City Amenity              | 1,121                     | 3,162  | 35.5%        | 2,041                   |
| Community Development               | 26                        | 75   | 34.7%        | 49                      |
| City Planning                       | 25                        | 70   | 35.7%        | 45                      |
| City Infrastructure                 | 39                        | 95   | 41.1%        | 56                      |
| Financial Services                  | 1                         | 22   | 4.5%         | 21                      |
| Innovation and Technology           | 318                       | 1,182  | 26.9%        | 864                     |
| Doone Kennedy Hobart Aquatic Centre | 5                         | 30   | 16.7%        | 25                      |
| Parking Operations                  | (32)                      | 369  | -8.7%        | 401                     |
| City Economy, Tourism and Events    | 33                        | 377  | 8.8%         | 344                     |
| Communications and Marketing        | 81                        | 140  | 57.9%        | 59                      |
|                                     | <b>1,646</b>              | <b>5,610</b>                                       | <b>29.3%</b> | <b>3,964</b>            |

The Innovation and Technology Division budget is mainly comprised of information technology equipment. The Parks and City Amenity Division budget is mainly comprised of trucks, heavy plant, light vehicles and minor equipment items. The City Economy, Tourism and Events Division budget is mainly comprised of requirements for the Christmas decorations and Salamanca Market.

**Table 6.2: Property (Net of Sale Proceeds) as at 31 December 2018**

| Property                    | Net amount spent (\$,000) | 2018-19 Budget (including carry-forwards) (\$,000) | % Spent %   | Amount unspent (\$,000) |
|-----------------------------|---------------------------|--|-------------|-------------------------|
| Lot 2 - Collins St, Wapping | (10)                      | 0  | 0.0%        | 10                      |
|                             | <b>(10)</b>               | <b>0</b>   | <b>0.0%</b> | <b>10</b>               |

**Property, Plant and Equipment Budget Changes Requested – Requiring Council Approval**

Table 7 lists budget items which are expected to differ from budget at year-end. Changes to budget are therefore requested.

**Table 7: Budget Changes requested – requiring Council approval**

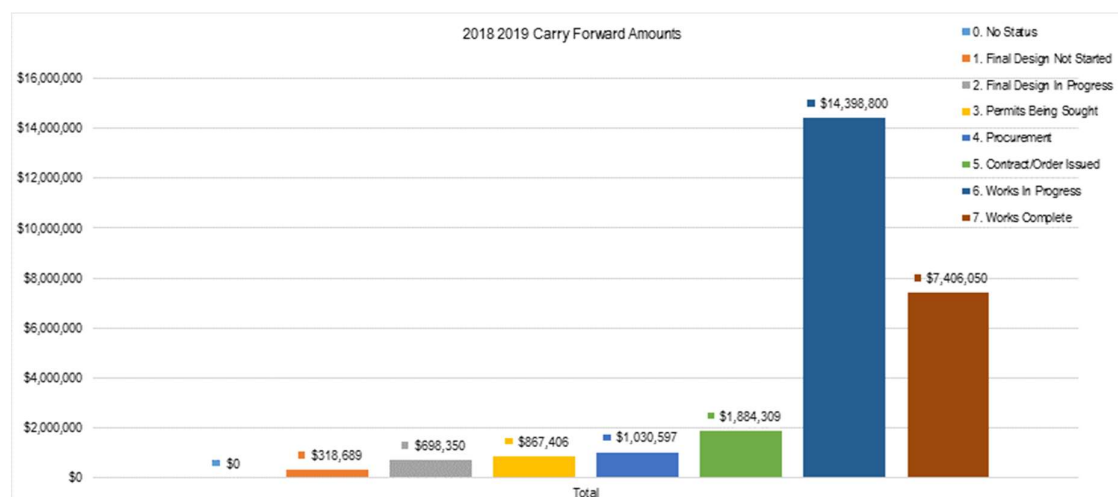
| Description                             | Adjustment<br>Increase /<br>(Decrease)<br>\$'000 | Reason for adjustment                          |
|---|--|--|
| New printer - Corporate Services        | 23   | Purchase of printer which is currently leased. |
| <b>Net Increase / (Decrease) in PPE</b> | <b>23</b>  |  |

## 4. Projects

Projects include capital expenditure on Council's infrastructure assets in accordance with relevant asset management plans, and include both 'asset renewal' and 'new assets'.

The tables below show a summary of expenditure against budget for projects. Budgets have been increased to reflect the 2017-18 carry forward budgets approved by Council on Agenda Item 6.1 of its meeting on 18 June 2018. This includes \$5.34M for externally funded capital projects and \$21.29M for internally funded capital projects. The current status of projects carried forward from 2017-18 by stage is shown below in Table 8.1.

**Table 8.1: Carry Forward Project Status**



**Table 8.2: Externally Funded Projects**

| Project                      | Amount spent<br>(\$,000) | 2018-19 Budget<br>(including carry-forwards)<br>(\$,000) | % Spent<br>% | Amount unspent<br>(\$,000) |
|------------------------------|--------------------------|--|--------------|----------------------------|
| Roads to Recovery            | 0                        | 1,000  | 0.0%         | 1,000                      |
| Accident Blackspot Projects  | 96                       | 169  | 56.8%        | 73                         |
| Vulnerable Road User         | 47                       | 75   | 62.7%        | 28                         |
| Tasman Highway Shared Bridge | 6,192                    | 7,966  | 77.7%        | 1,774                      |
|                              | <b>6,335</b>             | <b>9,210</b>   | <b>68.8%</b> | <b>2,875</b>               |

**Table 8.3: Deferred Projects**

| Project                        | (\$,000) |
|--------------------------------|----------|
| No projects currently deferred | 0        |
|                                | <b>0</b> |

**Table 8.4: Internally Funded Projects**

| Project                             | Amount spent<br>(\$,000) | 2018-19 Budget<br>(including carry-forwards)<br>(\$,000) | % Spent<br>% | Amount unspent<br>(\$,000) |
|-------------------------------------|--------------------------|--|--------------|----------------------------|
| Corporate Services                  | 975                      | 1,461  | 66.7%        | 486                        |
| Parks and City Amenity              | 4,715                    | 9,995  | 47.2%        | 5,280                      |
| Community and Culture               | 228                      | 600  | 38.0%        | 372                        |
| City Infrastructure                 | 9,608                    | 22,746   | 42.2%        | 13,138                     |
| Innovation and Technology           | 145                      | 500  | 29.0%        | 355                        |
| Doone Kennedy Hobart Aquatic Centre | 321                      | 4,669  | 6.9%         | 4,348                      |
| Public Infrastructure Fund          | 3,634                    | 13,074   | 27.8%        | 9,440                      |
| Parking                             | 946                      | 3,034  | 31.2%        | 2,088                      |
| Bushland Fund                       | 41                       | 193  | 21.2%        | 152                        |
| City Economy, Tourism and Events    | 136                      | 435  | 31.3%        | 299                        |
|                                     | <b>20,749</b>            | <b>56,707</b>  | <b>36.6%</b> | <b>35,958</b>              |

Some particular projects/programs which have significant amounts unspent are listed in Table 8.5 below:

**Table 8.5: Project Examples – Significant Budgets Remaining**

| Project  | Amount spent<br>(\$,000) | 2018-19 Budget<br>(including carry-forwards)<br>(\$,000) | % Spent<br>% | Amount unspent<br>(\$,000) |
|--|--------------------------|--|--------------|----------------------------|
| Brooker Highway Pedestrian and Cycle Crossing (ICAP) | 1,424                    | 5,791  | 24.6%        | 4,367                      |
| DKHAC - Asset Management                             | 321                      | 4,669  | 6.9%         | 4,348                      |
| Civil Works Program                                  | 1,965                    | 5,432  | 36.2%        | 3,467                      |
| Building Projects                                    | 1,872                    | 5,121  | 36.6%        | 3,249                      |
| Overlay Program                                      | 524                      | 2,609  | 20.1%        | 2,085                      |
| Tasman Highway Shared Bridge (ICAP)                  | 6,192                    | 7,966  | 77.7%        | 1,774                      |
| Pavement Program                                     | 1,765                    | 3,280  | 53.8%        | 1,515                      |
| Stormwater   | 929                      | 2,023  | 45.9%        | 1,094                      |
| Slurry / Spray Seal Program                          | 0                        | 1,068  | 0.0%         | 1,068                      |
| Kemp Street Project                                  | 1,143                    | 2,230  | 51.3%        | 1,087                      |
| Elizabeth St Bus Mall                                | 39                       | 1,031  | 3.8%         | 992                        |
| Council Business System Replacement                  | 975                      | 1,461  | 66.7%        | 486                        |
| Other - Unspent less than \$800K                     | 9,935                    | 23,236   | 42.8%        | 13,301                     |
|  | <b>27,084</b>            | <b>65,917</b>  | <b>41.1%</b> | <b>38,833</b>              |

**Table 8.6: Project Expenditure as at 31 December 2018 – Summary**

| Division                            | Amount spent<br>(\$,000) | 2018-19 Budget<br>(including carry-<br>forwards)<br>(\$,000) | % Spent<br>% | Amount unspent<br>(\$,000) | Deferred to<br>2019-20<br>(\$,000) | Total unspent<br>(\$,000) |
|-------------------------------------|--------------------------|--|--------------|----------------------------|------------------------------------|---------------------------|
| Corporate Services                  | 975                      | 1,461  | 66.7%        | 486                        | 0                                  | 486                       |
| Parks and City Amenity              | 4,715                    | 9,995  | 47.2%        | 5,280                      | 0                                  | 5,280                     |
| Community and Culture               | 228                      | 600  | 38.0%        | 372                        | 0                                  | 372                       |
| City Infrastructure                 | 9,751                    | 23,990   | 40.6%        | 14,239                     | 0                                  | 14,239                    |
| Innovation and Technology           | 145                      | 500  | 29.0%        | 355                        | 0                                  | 355                       |
| Doone Kennedy Hobart Aquatic Centre | 321                      | 4,669  | 6.9%         | 4,348                      | 0                                  | 4,348                     |
| Public Infrastructure Fund          | 9,826                    | 21,040   | 46.7%        | 11,214                     | 0                                  | 11,214                    |
| Parking                             | 946                      | 3,034  | 31.2%        | 2,088                      | 0                                  | 2,088                     |
| Bushland Fund                       | 41                       | 193  | 21.2%        | 152                        | 0                                  | 152                       |
| City Economy, Tourism and Events    | 136                      | 435  | 31.3%        | 299                        | 0                                  | 299                       |
|                                     | <b>27,084</b>            | <b>65,917</b>  | <b>41.1%</b> | <b>38,833</b>              | <b>0</b>                           | <b>38,833</b>             |

Table 8.6 represents the total of Tables 8.2, 8.3 and 8.4.

**Table 8.7: Project Status as at 31 December 2018**

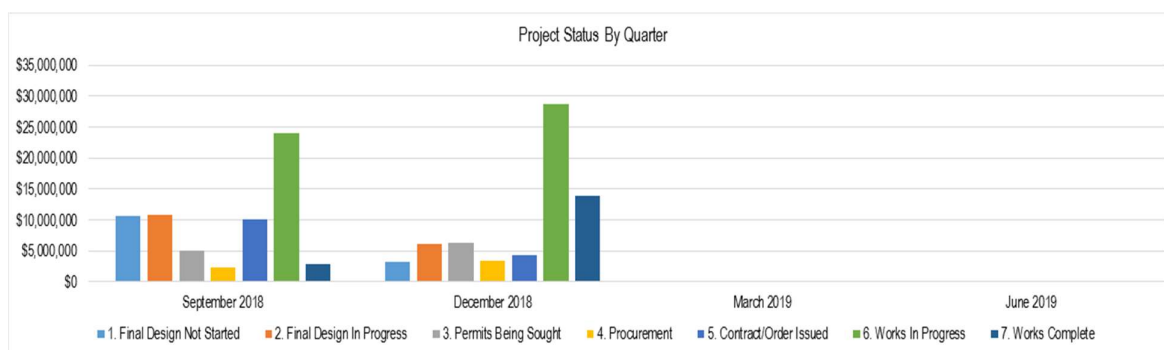


Table 8.7 shows data extracted from the Finance and Asset Management systems for the Project Delivery Committee which monitors and reports on organisational progress of projects and reports to Executive Leadership Team monthly. It shows that at the end of the second quarter the implementation of the City's Capital Works Program is progressing well as individual projects move between phases. As at 31 December the current status of projects by stage is as follows:

| Stage                       | \$ Budget    | % Budget |
|-----------------------------|--------------|----------|
| 1. Final design not started | \$3,182,156  | 4.83%    |
| 2. Final design in progress | \$6,145,132  | 9.32%    |
| 3. Permits being sought     | \$6,370,391  | 9.66%    |
| 4. Procurement              | \$3,415,563  | 5.18%    |
| 5. Contract/Order Issued    | \$4,307,970  | 6.54%    |
| 6. Works in progress        | \$28,665,761 | 43.49%   |
| 7. Works complete           | \$13,829,755 | 20.98%   |
| Total                       | \$65,916,728 | 100.00%  |

Please note that Table 8.7 includes Property, Plant and Equipment and committed expenditure. For these reasons, values will differ from other tables in this chapter.



## Project Budget Changes Requested – Requiring Council Approval

Table 9 lists budget items which are expected to differ from budget at year-end. Changes to budget are therefore requested.

**Table 9: Budget Changes Requested – Requiring Council Approval**

| Description   | Increase / (Decrease)<br>\$'000 |
|---|---------------------------------|
| <b>Revenue</b>  |                                 |
| INCOME - Aberdeen St / Liverpool St pedestrian improvements | (60)                            |
| INCOME - Huon Rd motorcycle crash protection rails          | (35)                            |
| INCOME - Forster St bicycle improvements                    | (28)                            |
| INCOME - Solar Panels                                       | (16)                            |
| INCOME - Solar Panel Projects 2018-2019                     | (121)                           |
|   |                                 |
| <b>Reallocations</b>  |                                 |
| Lumeah East Fire Trail                                      | 10                              |
| Bushland Firetrail Works - Yearly Budget                    | (10)                            |
| Franklin Square   | 10                              |
| Public Art Project for Children                             | 30                              |
| Urban LED Screen  | 30                              |
| New Town Retail Precinct - Public Art Project               | (70)                            |
| Lenah Valley Rd - Creek Rd - Left Slip Lane                 | (127)                           |
| Implementation Of Transport Strategy                        | (24)                            |
| Elizabeth St Retail Precinct Upgrade                        | 151                             |
| Implementation of Stormwater Strategy                       | (100)                           |
| Lefroy St 8 Stormwater Upgrade                              | 160                             |
| Beddome St 18-24 Recline                                    | (60)                            |
| City Laneways - Access and Lighting Upgrades                | (100)                           |
| Minallo St - Lochner to Deadend - Slurry Seal               | (1)                             |
| Sherborne Ave - Lochner to Deadend - Slurry Seal            | (1)                             |
| Lochner St - Arthur to Warwick - Slurry Seal                | (22)                            |
| Long Point Rd - Car Park to Sandown - Slurry Seal           | 8                               |
| Clegg St - Huon to Deadend - Spray Seal                     | (1)                             |
| Elma Rd - Nutgrove to Sandown - Slurry Seal                 | 11                              |
| Heathorn Ave - Beechworth to Elma - Slurry Seal             | 9                               |
| Benjafield Terrace - Darling Parade - Laneway Footpath      | 100                             |
| Salvator Rd - Salvator Pl to Deadend - Slurry Seal          | 12                              |
| Bellevue Pde - Bishop to Bay - Slurry Seal                  | (8)                             |
| Claude Ave - Valentine to Pedder - Reseal                   | (13)                            |
| Coolabah Rd - Churchill to Head - Slurry Seal               | (7)                             |
| Wilson - Carr to Deadend - Slurry Seal                      | 2                               |
| Beechworth Rd - Nutgrove to Sandown - Slurry Seal           | 4                               |
| Mansell Crt - Nutgrove to Deadend - Slurry Seal             | 7                               |
|   |                                 |
| <b>Other - Capital</b>                                      |                                 |
| Traffic Project Annual Allocation - Blackspot               | (32)                            |
| Traffic Project Annual Allocation - Cycling Infrastructure  | (9)                             |
| Aberdeen Street / Liverpool Street pedestrian improvements  | 60                              |
| Huon Road motorcycle crash protection rails                 | 35                              |
| Forster Street bicycle improvements                         | 37                              |
| Byron Street kerb bulbing                                   | 32                              |
| Retaining Wall for Landslip 56 Waterworks Rd                | 216                             |
| Solar Array Installations on Council Buildings 2016 - 2017  | 16                              |
| Solar Array Installations on Council Buildings 2018- 2019   | 121                             |
|   |                                 |
| <b>Net Increase / (Decrease) in Projects</b>                | <b>216</b>                      |

## 5. Cash and Investments

Table 10 shows how Council's cash balances are invested at 31 December 2018.

**Table 10: Cash Balances as at 31 December 2018**

|  | Amount<br>(\$,000) | Weighted<br>Average<br>Interest<br>Rate | Fossil Fuel<br>Friendly<br>(Y/N) |
|--|--------------------|---|----------------------------------|
| <b><u>Term Deposit Accounts</u></b>  |                    |   |                                  |
| Auswide  | 2,000              | 2.73%                                   | Y                                |
| Australian Unity Bank  | 3,000              | 2.45%                                   | Y                                |
| Bendigo & Adelaide   | 1,000              | 2.75%                                   | Y                                |
| Beyond Bank Australia  | 3,000              | 2.80%                                   | Y                                |
| MyState  | 1,000              | 2.70%                                   | Y                                |
| Police & Nurses Bank   | 3,000              | 2.11%                                   | Y                                |
| Rural Bank   | 300                | 2.63%                                   | Y                                |
| Suncorp  | 1,000              | 2.70%                                   | Y                                |
|  | <b>14,300</b>      |   |                                  |
| <b><u>Cheque Accounts</u></b>  |                    |   |                                  |
| Commonwealth Bank - HCC  | 346                |   |                                  |
| Commonwealth Bank - TTIC   | 863                |   |                                  |
|  | <b>1,209</b>       |   |                                  |
| <b><u>High Interest At-Call Cash Accounts</u></b>  |                    |   |                                  |
| ANZ Bank (Corporate Investment) - HCC  | 7                  |   |                                  |
| National Australia Bank Business Cash Maximiser  | 12                 |   |                                  |
| AMP Business Saver   | 6                  |   |                                  |
| Bankwest   | 3,712              |   |                                  |
| Tascorp  | 440                |   |                                  |
|  | <b>4,177</b>       |   |                                  |
| <b><u>Heritage Account</u></b>   |                    |   |                                  |
| Tasmanian Perpetual Trustees - cash fund   | 1,318              |   |                                  |
| Tasmanian Perpetual Trustees - equity fund   | 253                |   |                                  |
|  | <b>1,571</b>       |   |                                  |
| <b><u>Summary</u></b>  |                    |   |                                  |
| Term Deposit Accounts  | 14,300             |   |                                  |
| Cheque Accounts  | 1,209              |   |                                  |
| High Interest At-Call Cash Accounts  | 4,177              |   |                                  |
| Heritage Account   | 1,571              |   |                                  |
|  | <b>21,257</b>      |   |                                  |
| * Tascorp funds are guaranteed by the State of Tasmania. Other guaranteed funds are guaranteed by the Australian Government, under the Financial Claims Scheme. The guarantee is limited to \$250,000 per financial institution. Funds with Tasmanian Perpetual Trustees are not guaranteed. |                    |   |                                  |
| * Heritage account funds have been placed in accordance with a resolution of the Heritage Account Special Committee at a meeting held on 24 May 2001.  |                    |   |                                  |

## Results

Table 10 shows that Council's cash balance at 31 December 2018 is around \$21M. This balance is expected to increase to around \$27M at 30 June 2019, although this will depend on the final capital expenditure outcome. This amount will be allocated to the various purposes listed in Table 11 below.

**Table 11: Composition of Cash Balance**

|  | As at<br>30 June 2018<br>(\$,000) | Expected<br>30 June 2019<br>(\$,000) |
|--|-----------------------------------|--------------------------------------|
| Contributions in Lieu of Public Open Space * | 48                                | 48                                   |
| Contributions in Lieu of Parking *           | 135                               | 135                                  |
| Heritage account                             | 1,553                             | 1,553                                |
| Unspent grants                               | 5,388                             | 0                                    |
| Plant and equipment carry-forwards           | 1,726                             | 1,000                                |
| Bushland fund                                | 208                               | 115                                  |
| McRobies Gully tip site rehabilitation       | 3,637                             | 3,168                                |
| Queens Domain Facility Upgrades              | 912                               | 912                                  |
| Other project carry-forwards                 | 17,634                            | 19,898                               |
| Public Infrastructure Fund                   | 2,791                             | 2,791                                |
| Refundable deposits *                        | 2,162                             | 2,162                                |
| Future asset renewal reserve                 | (4,350)                           | (4,782)                              |
|  | <b>31,844</b>                     | <b>27,009</b>                        |

\* no change has been assumed

Table 11 demonstrates that the cash balance is not "un-utilised funds". Rather, all of the cash balance is either externally restricted, or allocated by Council to particular purposes.

The above table also shows that the future asset renewal reserve (total cash less reserved amounts) continues to be negative in 2018-19. This situation results from Council's expanded capital works program which will exhaust cash balances, and 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.

## 6. Receivables

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Table 12 below shows a summary of amounts owed to Council, including projections for the position at 30 June 2019.

**Table 12: Receivables**

|                                 | As at<br>30 June 2017<br>(\$,000) | As at<br>30 June 2018<br>(\$,000) | As at<br>31 December 2018<br>(\$,000) | Expected<br>30 June 2019<br>(\$,000) |
|---------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|--------------------------------------|
| Rates                           | 1,101                             | 1,245                             | 1,965                                 | 1,200                                |
| Parking Fines                   | 7,776                             | 8,128                             | 8,209                                 | 7,900                                |
| Trade Receivables               | 737                               | 1,159                             | 764                                   | 1,100                                |
| Accrued Interest on investments | 73                                | 76                                | 95                                    | 75                                   |
| Other Receivables               | 1,220                             | 1,422                             | 1,072                                 | 1,400                                |
|                                 | <b>10,907</b>                     | <b>12,030</b>                     | <b>12,105</b>                         | <b>11,675</b>                        |

### Results

Table 12 shows that parking fines owing to Council account for around 68% of the receivables balance, and the balance of fines owing is forecast to remain consistent. A detailed report of outstanding fines is provided to Finance and Governance Committee twice per year.

The level of other receivables is satisfactory.

A detailed report of outstanding rates is provided to the Finance and Governance Committee in August each year, and detailed reports of trade receivables are provided quarterly.

## 7. Loans

Table 13 below shows the composition of Council's loan portfolio at 31 December 2018.

**Table 13: Loan Balances as at 31 December 2018**

| Lender        | Loan Amount (\$,000) | Principal & Interest (P&I) or Interest | Drawdown Date | Term (years) | Maturity Date | Interest Rate (fixed) | Balance (\$,000) |
|---------------|----------------------|--|---------------|--------------|---------------|-----------------------|------------------|
| C'wealth Bank | 4,800                | P&I                                    | 30/06/2006    | 30           | 30/06/2036    | 6.41%                 | 3,717            |
| Tascorp       | 1,750                | P&I                                    | 30/06/2010    | 10           | 30/06/2020    | 6.48%                 | 229              |
| Tascorp       | 1,850                | P&I                                    | 30/06/2011    | 10           | 30/06/2021    | 6.24%                 | 466              |
| Tascorp       | 5,000                | P&I                                    | 29/06/2012    | 10           | 29/06/2022    | 4.89%                 | 1,761            |
| Tascorp       | 2,500                | P&I                                    | 28/06/2013    | 10           | 30/06/2023    | 5.13%                 | 1,154            |
| Tascorp       | 2,375                | P&I                                    | 30/06/2014    | 10           | 30/06/2024    | 4.56%                 | 1,321            |
| National      | 10,000               | P&I                                    | 29/06/2018    | 15           | 30/02/2033    | 4.02%                 | 9,493            |
|               |                      |  |               |              |               |                       | <b>18,141</b>    |

### Results

Table 13 shows that Council currently has seven loans totalling \$18.14M, with annual servicing costs totalling \$3.558M (2.64% of revenues). The Commonwealth Bank loan taken out in 2006 was used to purchase land at Porter Hill, and has a thirty year term. The National Australia Bank loan taken out in 2018 was used to fund capital works and has a fifteen year term. All other loans have terms of ten years.

In all cases, principal and interest is paid half-yearly, and the interest rate is fixed for the term of the loan. The weighted average interest rate of the above loans is 4.79%.

The only security Council has offered for the above loans is future revenues - no Council assets have been pledged as security for loans.

Since 31 December, Council has taken up its approved 2018-19 borrowings of \$20M. The loan was taken out with Tascorp and has a 15 year term with an interest rate of 3.59%.

## 8. Loan Guarantees

Council has provided the following loan guarantees for which the principal borrowing amount is shown in table 14 below: -

**Table 14: Loan Guarantees Principal Borrowing Amounts**

| Association                            | Principal Borrowing Amount (\$'000) |
|--|-------------------------------------|
| Southern Tasmanian Netball Association | 631                                 |
| Hockey Tasmania                        | 1,500                               |
| Buckingham Bowls Club                  | 50                                  |
| Derwent Sailing Squadron               | 4,100                               |
| <b>TOTAL</b>                           | <b>6,281</b>                        |

Council's maximum liability is \$6.28M based upon the original commitments provided.

A summary of the loan guarantor repayment arrangements is shown in table 15 below:

**Table 15: Loan Guarantor Repayment Arrangements**

| Borrower                               | Lender                       | Guarantee Amount (\$'000) | Balance at 31 December 2018 (\$'000) | Repayment Arrangements (Per Month)         |
|--|------------------------------|---------------------------|--------------------------------------|--|
| Southern Tasmanian Netball Association | Westpac                      | 631                       | 207                                  | Re-draw facility on loan being utilised.   |
| Hockey Tasmania                        | Tasmanian Perpetual Trustees | 1,500                     | 1,000                                | Interest only paid in arrears per quarter. |
| Buckingham Bowls Club                  | Bendigo                      | 50                        | 0                                    | Re-draw facility on loan.                  |
| Derwent Sailing Squadron               | CBA                          | 4,100                     | 4,000                                | Interest only for 2.5 years                |
| <b>TOTAL</b>                           |                              | <b>6,281</b>              | <b>5,207</b>                         |  |

### Results

All loans are being serviced within required arrangements. The limit of Council's potential exposure is currently is \$5.21M.

## 9. Financial Sustainability Indicators

As outlined in Council's LTFMP, eight financial sustainability measures have been adopted for the purpose of measuring Council's financial sustainability.

- Indicators 1-2 are measures of profit performance and the extent to which expenses are covered by revenues.
- Indicators 3-4 are measures of indebtedness and the amount council owes others (loans, employee provisions, creditors) net of financial assets (cash investments and amounts owed to council).
- Indicator 5 measures the proportion of income required to meet net interest costs.
- Indicators 6-8 are measures of asset management.

Council's performance against the eight financial sustainability indicators is shown in Table 16 below.

**Table 16: Performance against Financial Sustainability Indicators**

| Indicator No: | Description                      | Target (original budget) 2018-19 | Sep Qtr Forecast for 2018-19 | Dec Qtr Forecast for 2018-19 | Target Met |
|---------------|----------------------------------|----------------------------------|------------------------------|------------------------------|------------|
| 1             | Underlying Surplus               | 1,447,000                        | 926,000                      | (131,000)                    | x          |
| 2             | Underlying Surplus ratio         | 1.1%                             | 0.7%                         | -0.1%                        | x          |
| 3             | Net Financial Liabilities        | 28,265,537                       | 24,676,000                   | 29,057,000                   | x          |
| 4             | Net Financial Liabilities ratio  | 21.0%                            | 18.3%                        | 21.7%                        | x          |
| 5             | Net Interest Expense Cover ratio | -0.23%                           | 0.09%                        | 0.09%                        | ✓          |
| 6             | Asset Sustainability ratio *     | 126.7%                           | 126.7%                       | 126.7%                       | ✓          |
| 7             | Asset Consumption ratio          | 53.5%                            | 56.3%                        | 53.1%                        | ✓          |
| 8             | Asset Renewal Funding ratio      | 110.6%                           | 110.6%                       | 110.6%                       | ✓          |

\* assumes that the asset renewal budget will be fully expended.

### Results

Table 16 shows that targets for half of Council's financial sustainability indicators are expected to be achieved in 2018-19.

At this stage indicator 1 and 2 are not expected to be met due to higher than expected operating costs, increased interest expense, reduced rates revenue and carry forwards from 2017-18. Indicator 3 and 4 are not expected to be met due to a reduction in cash forecasts mainly from increased capital expenditure and increased operating costs.

If an underlying deficit is recorded (indicators 1 and 2), this will be outside of accepted benchmarks. Indicators 3 and 4, although forecast to not meet target, will remain within accepted benchmarks.

## 10. Conclusions

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This financial report shows that Council remains in a strong, sustainable financial position. Targets set for half of Council's eight financial sustainability indicators are expected to be achieved in 2018-19.

An underlying deficit of around \$0.13M is currently forecast. However, expenses are currently favourable when compared to budget and revenues are currently unfavourable. If this position continues, the final result may vary from the current forecast.

A significant proportion of the capital budget remains unspent at 31 December.

Investments continue to be well-managed with a very competitive rate of return achieved.

Cash reserves are currently forecast to be around \$27M at year end. However, year to date capital expenditure is tracking better than budget and this figure may be lower. The March quarter update will provide a clearer picture.

Significant effort continues to be directed toward pursuing collection of amounts owed to Council. As a result, receivables balances are expected to remain constant at around \$12M.

With borrowings totalling \$18.14M, Council's level of indebtedness is low, and annual servicing costs (principal and interest) require only 2.64% of revenues.

Council currently acts as guarantor for several loans taken out by various local sporting organisations. All loans are being serviced within the required arrangements, so there are currently no financial implications arising from the existence of these guarantees.

The currently approved LTFMP (June 2018) projects modest underlying surpluses into the future. An updated LTFMP will be presented to Council for adoption in June 2019.