BUDGET ESTIMATES

2019–20 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 be $0.76 million in 2019-20. Major factors impacting on the 2019-20 operating result are:

- The Estimates forecast total Rates income of $88.6M, an increase of $4M or 4.73%. This includes a 3.5% rate increase to fund the increased cost of providing services. The rate increase would have been 3% but for the loss of rate revenue resulting from the court decision regarding independent living units.
- As always, the effects on individual ratepayers will vary due to the combination of amounts which vary according to property value (rates) and amounts which do not vary according to property value (charges).
- This increase is comprised of: -
    - Increased property values as a consequence of applying Assessed Annual Value (AAV) adjustment factor (see below);
    - A decrease in the total cents in the dollar of AAV, from 9.98 cents to 8.38 cents;
    - Waste management service charges remain unchanged from the previous year at $250 for residential properties and $500 for non-residential properties;
    - Landfill rehabilitation service charges remain unchanged from the previous year at $10 for residential properties and $20 for non-residential properties; 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 $0.59 million, and increases in fire protection service rates of $0.45 million are necessary to fund the increase in the State Government fire levy.
- The Valuer-General has recently published AAV adjustment factors which apply from 1 July 2019. Whilst AAV adjustment factors do not directly impact the Estimates, they do alter the distribution of the rate burden. In general terms, there has been a minor shift in the rate burden from residential properties to non-residential properties. Rate increases will therefore be lower for residential properties, and higher for non-residential properties, as a direct result of applying AAV adjustment factors.
- Increases for most residential properties range between $38 and $124, plus additional fire protection service rates. The average residential ratepayer will

experience a rate increase of $74, plus an additional $11 in fire protection service rates.

- Increases in materials and services of $3.45 million (11.6%) for reasons outlined in chapter 3.1.2;
- An increase in labour costs of $2.43 million (4.1%), which includes an enterprise bargaining increase;
- An increase in finance costs of $1.07 million (84.5%) mainly due to increased interest on borrowings;
- An expected increase in depreciation expenses of $1.242 million due to Council's rolling program of asset revaluations/indexation and new assets, and an expected decrease in depreciation expenses of $0.35 million due to transfers of Davey and Macquarie Streets and Brooker Avenue to the Department of State Growth, together producing a net increase in depreciation expenses of $0.892 million (4.2%);
- An increase in other expenses $0.3 million (6.8%);
- Increases in parking fines, fees and charges of $3.83 million (16.5%) primarily due annual increases and changes to operating hours in specific high-volume parking areas;
- An increase in other fees and charges income $0.69 million (4.7%) for reasons outlined in chapter 3.2.10;
- An increase in the State Government fire levy of $0.65 million (6.0%). 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 2019-20; and
- An increase in interest revenue of $0.21 million (28.8%).

Cash Flows

The cash balance is forecast to increase by $5.94 million, from $21.27 million at 30 June 2019 to $27.21 million at 30 June 2020.

Operations

Cash provided by operating activities will increase by $1.05 million, from $21.90 million in 2018-19 to $22.95 million in 2019-20. The size of this increase is impacted by the Federal Government's decision to bring forward $1.355 million of financial assistance grants from 2019-20 into 2018-19 (see chapter 2.2).

Capital

Capital expenditure of $37.4 million includes asset renewal of $22 million and new assets/upgrades of $15.4 million. Council recently considered and approved the early years of the ten year capital works program. A key element of the program is projects under the Transforming Hobart banner.

Asset renewal expenditure is split between infrastructure assets ($17.79 million) and plant and equipment ($4.22 million). The level of asset renewal funding provided for 2019-20 is 70%. This is less than the benchmark (100%) because a number of

"Transforming Hobart" projects will take precedence, resulting in some asset renewal works being deferred. This will also be the case for the following two years.

New asset/upgrade spending includes $0.42 million for the new Corporate Core Business Systems and $5.6 million for the Doone Kennedy Hobart Aquatic Centre (DKHAC) major refurbishment.

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 2019-20, and existing debt of $3.19 million will be retired.

Balance Sheet

Net assets will decrease by $24 million from $1.784 billion at 30 June 2019 to $1.760 billion at 30 June 2020 mainly due to asset revaluations.

Conclusions

The Estimates will deliver an underlying surplus of $0.764 million in 2019-20, and modest surpluses in following years. Cash balances will be maintained at between $27 million and $32 million over the next 5 years, and Council's balance sheet will remain strong. Council's eight financial sustainability indicators will all be within benchmark ranges within the next four years.

The above results can be achieved with the 3.5% rate increase proposed for 2019-20, and 3% in following years, based on current forecasts.

Appendix

The appendix to this document contains the detailed capital expenditure program for 2019-20.

2. External Factors Impacting the Estimates

2.1 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 $11.39 million in 2019-20, which represents a $0.65 million (6.0%) increase from the previous year.

This additional impost accounts for a further 0.53% increase over and above the rate increase required for Council operations.

2.2 Federal Budget

The Federal Government's budget announced by the Treasurer on 2 April 2019 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 indicate that 50 percent of the 2019-20 financial assistance grants will be brought forward and paid in 2018-19. The Estimates include a timing adjustment of $1.355 million between the two years to recognise the Federal Government's intention.

2.3 TasWater Ownership

On 1 May 2018, the State Government, Chief Representative of the TasWater Owners Group and TasWater announced a memorandum of understanding (MOU) to bring an end to the debate about future ownership of TasWater.

The MOU paved the way for a package of reforms that were supported by member councils and was tabled in Parliament to enable implementation on 1 January 2019.

Under the agreement, the Government will invest $20 million per year for the next ten years into TasWater and in return will become a shareholder of TasWater. The State Government has elected not to receive dividends from TasWater with councils continuing to receive payments as agreed. The TasWater corporate plan provides for $20 million to be distributed to owner councils in 2019-20 and the City of Hobart's share of this is approximately $2.172 million, and this amount is included in the 2019-20 Estimates.

2.4 Transfer of Macquarie and Davey Streets to the State Government

The State Government has transferred the management of Davey and Macquarie Streets and Brooker Avenue to the Department of State Growth with a proclamation dated 26 December 2018. The State Government will be responsible for managing and maintaining the vehicular road surface and road street lighting and the City will manage and maintain footpath related infrastructure, operate parking meters and manage parking compliance.

The annual reduction in depreciation resulting from the asset transfer is $0.7 million. Half of this reduction ($0.35 million) has been recognised in 2018-19 and the full year impact of the transfer has been recognised from 2019-20.

The Estimates also include savings for street lighting ($30,000) and for road maintenance ($5,000) representing the full year impact of the transfer in 2019-20.

2.5 Severe Weather Event 10 May 2018

Provision has been made in the Estimates for ongoing expenses and revenues resulting from the weather event of 10 May 2018. Costs will be incurred in relation to insurable losses, and in relation to both essential and non-essential infrastructure. These expenses and revenues are excluded from the underlying result.

Council is tracking its costs and these will continue to accumulate for some time. The final financial outcome is not possible to determine at this time. However, Council is confident that it will be able to accommodate any residual financial outcome given its strong financial position.

The 2019-20 capital budget also includes an amount of $800 000 for ongoing remedial works relating to the severe weather event.

2.6 Charitable Rates Exemptions – Independent Living Units

The *Local Government Act 1993 (Tas)* (LG Act) requires land to be owned and occupied exclusively for charitable purposes in order for a rates exemption to apply. In early 2015, at a Local Government Association of Tasmania (LGAT) General Meeting, councils discussed legal advice that suggested that although a property may be owned by a charitable institution, occupancy by private residents is not a charitable purpose. For example, non-subsidised independent living units (ILUs) in retirement villages owned by a charity would not be exempt from general rates. This advice arose after two successful Magistrate court cases in Tasmania.

LGAT's members at that time determined that they would take a common and equitable approach to the rating of ILUs which takes as a core assumption that private residential occupancy is not a charitable purpose and is not exempt from general rates.

The City of Hobart undertook a review of all properties at the time in receipt of the General Rate exemption with Council resolving to remove the General Rate exemption from properties not eligible under the new Council Policy giving 13 months' notice.

Southern Cross Care (Tas) Inc. objected to Council's decision and subsequently took legal action against the City of Hobart, and three other councils, in relation to the application of general rates to part of properties it owns as independent living units.

The court upheld councils' rights to charge rates on such properties on the basis that the land was not both owned and occupied exclusively for charitable purposes. Southern Cross Care then escalated action to the Full Bench of the Supreme Court and on 12 November 2018 the court handed down its judgement finding that

Southern Cross Care did not have to pay general rates on its ILUs, and ordering councils to pay back rates collected.
The decision has meant that approximately $4 million of AAV is no longer rateable, equating to approximately $400 000 of lost rates revenue per annum. This lost rates revenue contributes approximately 0.5% to the rates increase for 2019-20.

3. Operating Result

This section considers Council's forecast 2019-20 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.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Expenses				
Labour	3.1.1	(59,683)	(62,117)	(2,434)
Materials and services	3.1.2	(29,728)	(33,173)	(3,445)
Depreciation	3.1.3	(21,140)	(22,032)	(892)
Fire Levy	3.1.4	(10,741)	(11,388)	(647)
Energy costs	3.1.5	(2,367)	(2,318)	49
Bad Debts	3.1.6	(351)	(351)	-
Finance Costs	3.1.7	(1,265)	(2,334)	(1,069)
Asset write-offs	3.1.8	(2,100)	(2,202)	(102)
Other	3.1.9	(4,615)	(4,931)	(316)
		(131,990)	**(140,846)**	**(8,856)**
Revenues				
Rates and Charges	3.2.1	84,604	88,604	4,000
Parking Fines	3.2.2	7,059	8,463	1,404
Operating Grants	3.2.3	3,441	3,226	(215)
Distributions from TasWater	3.2.4	2,172	2,172	-
Rents	3.2.5	3,530	3,714	184
Interest	3.2.6	722	930	208
Fire Levy collection fee	3.2.7	429	455	26
Fees and Charges - car parks	3.2.8	10,257	11,219	962
Fees and Charges - on street parking	3.2.9	5,929	7,389	1,460
Fees and Charges - other	3.2.10	14,747	15,438	691
		132,890	**141,610**	**8,720**
Underlying Surplus		**900**	**764**	**(136)**
Capital items and timing adjustments				
Capital Grants	3.2.3	2,318	550	(1,768)
Financial assistance grants in advance	3.2.3	(10)	(1,355)	(1,345)
2018 Storm Event	3.2.11	(724)	(85)	639
Surplus		**2,484**	**(126)**	**(2,610)**

Council's underlying result is forecast to be a surplus of $0.76 million in 2019-20 which represents 0.54% of revenue.

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.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Wages and salaries	3.1.1.1	(45,099)	(47,250)	(2,151)
Labour On-costs	3.1.1.2	(7,535)	(8,184)	(649)
Leave entitlements	3.1.1.3	(4,328)	(4,520)	(192)
Defined-benefit superannuation expense	3.1.1.4	(1,252)	(1,238)	14
Employee costs		**(58,214)**	**(61,192)**	**(2,978)**
External labour	3.1.1.5	(1,469)	(925)	544
		(59,683)	**(62,117)**	**(2,434)**

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 $2.15 million over the 2018-19 forecast. This increase is inflated due to the extent that the 2018-19 forecast has been revised downwards throughout the year due to a number of vacant positions. As some of these positions have been filled by external labour, the 2018-19 forecast for external labour has been revised upwards throughout the year.

The major factors contributing to the increase include an expected enterprise bargaining increase from 1 July 2019, filling of the current vacant positions including some salary increments arising from employee grade reclassifications, some additional positions arising from the Council restructure and the conversion of some roles being filled by external labour in 2018-19. This increase is partially offset by a decrease in positions due to Council restructure and 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 for 2019-20.

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 for 2019-20.

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 $0.808 million in 2019-20 ($0.841 million in 2018-19).

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 $0.54 million from the 2018-19 forecast. This decrease reflects progressive upward revisions of the 2018-19 forecast due to a number of vacant positions being filled by external labour. At the same time, the 2018-19 forecast for wages and salaries has been progressively revised downwards (see above).

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.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Water and sewerage charges	3.1.2.1	(864)	(985)	(121)
Consultancy Fees	3.1.2.2	(3,406)	(3,631)	(225)
Election Costs/Elector Polls	3.1.2.3	(297)	(198)	99
Materials	3.1.2.4	(1,956)	(1,830)	126
Stock Purchases		(840)	(759)	81
Chemicals and Herbicides		(208)	(251)	(43)
Contractor Charges	3.1.2.5	(9,455)	(10,266)	(811)
Lease and Rental		(1,432)	(1,410)	22
Licence Costs	3.1.2.6	(1,671)	(2,562)	(891)
Motor Vehicle Registration		(206)	(203)	3
Vehicle Expenses - Fuel		(822)	(841)	(19)
Advertising and Promotions		(770)	(778)	(8)
Mobile Phone Costs		(257)	(254)	3
Communications - Telephones, Faxes		(368)	(326)	42
Legal Expenses		(949)	(902)	47
Conferences and Seminars (Registration)		(162)	(172)	(10)
Travel (incl Accom, fares, meals allow,)		(259)	(346)	(87)
Equipment Maintenance		(209)	(297)	(88)
Insurance		(839)	(958)	(119)
Publications/Subscriptions/Memberships		(284)	(340)	(56)
Plant Hire		(1,479)	(1,440)	39
Printing and Stationery		(398)	(456)	(58)
Training Courses		(534)	(458)	76
Postage		(229)	(219)	10
Security	3.1.2.7	(1,052)	(945)	107
Credit Card Fees	3.1.2.8	(489)	(1,066)	(577)
Other		(4,127)	(4,429)	(302)
		(33,562)	**(36,322)**	**(2,760)**
less amounts capitalised		3,834	3,149	(685)
		(29,728)	**(33,173)**	**(3,445)**

3.1.2.1 ***Water and Sewerage Charges***

Water and sewerage charges are expected to increase by $121 000 primarily due to increased costs for Recreation and Sporting Facilities and Parks and Reserves Management.

3.1.2.2 ***Consultancy Fees***

Consultancy fees are expected to increase by $225 000 mainly due to increases in Storm Water for the development of a storm water management plan and Road Strategy for the engagement of consultants to conduct risk and condition assessments of bridges, roads and geotech.

3.1.2.3 ***Election Costs/Elector Polls***

Elector Poll costs of $198 000 are budgeted in 2019-20, representing a contribution of 0.225% of the rates increase. The Poll is being conducted by virtue of the provisions in the *Local Government Act 1993*.

3.1.2.4 ***Materials***

Material costs are expected to decrease by $126 000 mainly due to decreased spending in Civil Maintenance for quarry products, construction products, concrete products and asphalt supplies. Decreases are expected in Corporate Branding also.

3.1.2.5 ***Contractor Charges***

Contractor charges are expected to increase by $811 000 due to increased costs for DKHAC for electrical contractors, Solid Waste for recycling collection, Building Maintenance for general maintenance and Fire and Biodiversity for fire management. These increases are partly offset by decreases in spending for vehicle maintenance and asbestos inspections.

3.1.2.6 ***Licence Costs***

Licence costs are expected to increase by $891 000 in 2019-20. Increases are mainly due to the introduction of the new core business systems, the introduction of new software including Walkthrough, Bluebeam and Lanteria, fleet and asset management software, existing enterprise licence increases including Microsoft increases and licence fees for parking meters, sensors and monitoring software.

3.1.2.7 ***Security***

Security costs are expected to decrease by $107 000 mainly due to decreased costs for DKHAC, parking enforcement cash handling services and reduced requirements for security for convenience cleansing at Salamanca Square.

3.1.2.8 ***Credit Card Fees***

Credit Card Fees are expected to increase by $577 000 due to increased costs associated with the public uptake of credit card payment functionality in the integrated parking system.

3.1.3 Depreciation

Depreciation expense is expected to increase by $899 000 (4.2%) to $22.03 million in 2019-20. Increases of $1.242 million are due to asset revaluations/indexation and new assets. A decrease of $355 000 results from the transfers of Davey and Macquarie Streets and Brooker Avenue to the Department of State Growth.

3.1.4 Fire Levy

The fire levy will increase by $647 000 (6.0%) to $11.39 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 to chapter 3.2.7).

3.1.5 Energy Costs

Energy costs are expected to decrease by $49 000 (2.1%) to $2.3 million mainly due to the savings resulting from transfers of Davey and Macquarie Streets and Brooker Avenue to the Department of State Growth, partially offset by CPI increases for Council owned buildings and at DKHAC.

3.1.6 Bad Debts

Council maintains a provision for bad and doubtful debts, which is mainly in respect to parking fines. Bad debts will remain the same as 2018-19 at $351 000.

3.1.7 Finance Costs

Finance costs will increase by $1.07 million due to the following:

- Interest on borrowings increasing from $1.26 million to $2.25 million;
- Finance costs associated with Council's landfill restoration liability (decreasing from $111 000 to $101 000); and
- Finance costs associated with Council's defined-benefit superannuation scheme liability (increasing from -$108 000 to -$14 000).

3.1.8 Asset Write-Offs

Asset write-offs comprise the remaining value of infrastructure assets replaced as part of Council's asset renewal program. The amount of $2.2 million estimated for 2019-20 is $102 000 more than 2018-19 reflecting Council's increasing capital works program.

3.1.9 Other Expenses

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

Table 4: Other Expenses

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Grants and Specific Purpose Benefits	3.1.9.1	(2,432)	(2,670)	(238)
Rate remissions (net)		(109)	(57)	52
Fringe Benefits Tax	3.1.9.2	(145)	(290)	(145)
Land Tax		(827)	(849)	(22)
Auditors Remuneration		(225)	(190)	35
Myer payments	3.1.9.3	(875)	(875)	-
Other		(2)	-	2
		(4,615)	**(4,931)**	**(316)**

3.1.9.1 Grants and Specific Purpose Benefits

Council provides grants and benefits to a range of community and cultural organisations including Dark MoFo, Ten Days on the Island, Cycling South, Kennerley Children's Festival, Festival of Voices, Wooden Boat Festival, North Melbourne Partnership, Community Christmas Events, Playgroup Tasmania and the Tasmanian Museum and the Tasmanian Symphony Orchestra. Other Council grant/benefit payments include contributions to Business Events, Performing Arts, the Theatre Royal, and the Tasmanian University as well as 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 Fringe Benefits Tax

Fringe Benefits tax has increased by $145 000 but this is due to the 2018-19 forecast being revised down to reflect a refund received in 2018-19 in respect of 2017-18.

3.1.9.3 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 in 2019-20 is $0.875 million and this amount has been included in the 2019-20 budget.

3.2 Revenues

3.2.1 Rates and Charges

The Estimates propose a 3.5% increase in rates to fund the increased cost of providing services.

Additional rates income will also be derived from: -

- A $0.45 million increase in rates to fund the increase in the State Government fire levy; and
- $0.59 million derived from growth in the rate base due to development activity.

In total, rates revenue will be $88.6 million, an increase of $4 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. Up until 2017-18, the amounts were $50 for residential properties and $100 for non-residential properties. In 2018-19, these amounts reduced to $10 for residential properties and $20 for non-residential properties. These amounts remain unchanged for 2019-20, and will provide annual rates income of $0.25 million.

Waste management service charges remain unchanged from the previous year at $250 for residential properties, and $500 for non-residential properties.

A kerbside green waste collection service charge was introduced in 2016-17. The amount remains unchanged at $50 for properties receiving the green waste collection service.

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 the increased fire protection service rate and before the impact of AAV indexation (see below), most residential ratepayers (approximately 85%) will receive increases of between 2.8% and 3.3%, meaning increases in the range $39 to $129. Lower-valued properties will experience lower increases, and higher-valued properties will experience higher increases. Most non-residential properties will receive rate increases of between 3.2% and 3.6%.

The Fire Services Contribution which Council is obliged to pay to the Tasmanian Fire Service has increased by 6% ($0.65 million). 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.

Before the impact of AAV indexation (see below) most residential ratepayers will receive increases of between 3.2% and 3.8%, meaning increases in the range $45 to $146. 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 3.6% or $88, comprised as follows: -

General and storm water rates	$77
Waste management service charge	$0
Landfill rehabilitation service charge	$0
Kerbside green waste collection service charge	$0
Fire protection service rate	$11
Total	$88

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.

A full revaluation which applied from 1 July 2015 saw 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 published adjustment factors to apply from 1 July 2017. 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 2017-18.

The Valuer-General recently published adjustment factors to apply from 1 July 2019. These will result in a minor shift in the rate burden from the residential sector to the non-residential sector. Residential properties will therefore experience slightly lower rate increases than non-residential properties in 2019-20.
After AAV indexation is applied, rate increases for most residential properties range between 3.1% and 3.6% and rate increases for non-residential properties range between 4.4% and 4.9%.

Increases for most residential properties range between $43 and $140. The *average* residential ratepayer experiences a rate increase of $85, comprised as follows: -

General and storm water rates	$74
Waste management service charge	$0
Landfill rehabilitation service charge	$0
Kerbside green waste collection service charge	$0
Fire protection service rate	$11
Total	$85

3.2.2 Parking Fines

Fines income is expected to increase by $1.4 million (20.0%) as a result of State Government penalty unit fee increases for both parking meter and traffic infringements, and the extension of operating hours and corresponding enforcement of city and suburban parking areas.

3.2.3 Grants

Operating grants are expected to decrease by $215 000 in 2019-20, mainly due to a decrease of $65 000 for fuel tax credits and a $150 000 reduction for Community and Cultural Program grant revenue. In 2018-19, the forecast for fuel tax credits was revised up to reflect a refund for prior year credits received. These are not expected in 2019-20. Community grants not expected in 2019-20 include forces of nature, resilience for children art project and Australian Red Cross training.

Recurring operating grants are mainly comprised of Commonwealth Government Financial Assistance Grants (FAGs) which will total $2.740 million in the 2019-20 year. However, the Federal Government Budget Papers indicate that 50 percent of this amount will be bought forward and paid in 2018-19. The Estimates therefore include a timing adjustment of $1.355 million between the two years.

Capital grants are comprised of $0.55 million for Roads to Recovery projects.

3.2.4 Distributions from TasWater

Council's ownership interest in TasWater entitles it to receive annual distributions of dividends, income tax equivalent payments and guarantee fees. The expected revenue will remain consistent with 2018-19 at $2.17 million.

3.2.5 Rents

Property rental income is expected to increase by $184 000 (5.2%) due to increased rental income from commercial properties and other rentals.

3.2.6 Interest

Interest income will increase by $208 000 (28.8%) due to higher forecast cash holdings.

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 $26 000 (6.1%) 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 $962 000 (9.4%) as a result of a slight increase in fees at Dunn Street Car Park, an anticipated increase in rental of Trafalgar Car Park and the introduction of Sunday parking at Salamanca Car Park.

3.2.9 Fees and Charges – On-Street Parking

On-street parking collections are expected to increase by $1.46 million (24.6%) due to higher occupancy periods, normal annual fees and charges increases and an extension of the operating hours of specific parking areas.

3.2.10 Fees and Charges – Other

Other fees and charges income will increase by $691 000 (4.7%) in 2019-20. Further detail is provided in Table 5 overleaf.

Table 5: Other Fees and Charges

Description	Ref.	2018-19 Forecast $'000	2019-20 Budget $'000	Change $'000
The Doone Kennedy Hobart Aquatic Centre	3.2.10.1	5,609	6,074	465
Landfill Charges		1,654	1,610	(44)
Plumbing Compliance fees	3.2.10.2	601	470	(131)
Tasmanian Travel & Information Centre		955	964	9
Taste of Tasmania	3.2.10.3	1,037	1,300	263
Customer Services		320	300	(20)
Sporting Facility hire		407	415	8
Public Health		352	367	15
Building Compliance fees		374	401	27
Roads Policy & Management		134	137	3
Salamanca Market		51	45	(6)
External Services revenue		365	415	50
Development Appraisal fees	3.2.10.4	955	1,040	85
Stormwater Maintenance		50	50	0
Traffic Strategy and Projects		198	234	36
Parental Leave Scheme reimbursements		150	100	(50)
Other		1,535	1,516	(19)
Total Fees & Charges		**14,747**	**15,438**	**691**

3.2.10.1 The Doone Kennedy Hobart Aquatic Centre

The Doone Kennedy Hobart Aquatic Centre fees and charges will increase by $465 000 (8.3%) mainly due to expected increases in the Café, Gym and Pool Operations.

3.2.10.2 Plumbing Compliance

Plumbing Compliance will decrease by $131,000 (21.8%). This decrease is inflated due to the 2018-19 forecast being revised up due to greater than expected applications received, without the forecast increase Plumbing Compliance would have increased by $71 500 from 2018-19.

3.2.10.3 Taste of Tasmania

The Taste of Tasmania fees and charges will increase by $263,000 (25.4%) due to an expected increase in sponsorship, glass levy and sale of goods.

3.2.10.4 Development Appraisal Fees

Development Appraisal fees have increased by $85 000 (8.9%) in 2019-20, primarily due to the increase in development activity within the city which has increased the number of development applications forecast and the introduction of new re-advertising fees.

3.2.11 Severe Weather Event 2018

Provision has been made in the budget for expenses and revenues resulting from the weather event of 10 May 2018. Costs will be incurred in relation to insurable losses, and in relation to both essential and non-essential infrastructure.

Council is tracking its costs, and these will continue to accumulate for some time. The final financial outcome is not possible to determine at this time. However, Council is confident that it will be able to accommodate any residual financial outcome given its strong financial position.

The 2019-20 operating budget includes a net cost of $85 000. These expenses and revenues are excluded from the underlying result.

4. Capital Budget

4.1 Overview

Capital expenditure will consist of the following six components: -

- Core Business Systems refer 4.2
- Brooker Bridge Pedestrian and Cycle Crossing refer 4.3
- DKHAC – Major refurbishment refer 4.4
- Infrastructure refer 4.5
- Plant and Equipment refer 4.6

The budget provides capital works funding of $37.44 million, as summarised in the following table.

Table 7: Capital Expenditure

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
New Assets / Upgrades				
- Core Business Systems	4.2	(2,961)	(420)	2,541
- Brooker Bridge Pedestrian and Cycle Crossing	4.3	(5,857)	-	5,857
- DKHAC - Major Refurbishment	4.4	(2,932)	(5,600)	(2,668)
- Infrastructure	4.5	(13,018)	(8,883)	4,135
- Property		(143)	-	143
- Plant and Equipment	4.6	(581)	(520)	61
Asset Renewal				
- Infrastructure	4.5	(25,232)	(17,794)	7,438
- Plant and Equipment	4.6	(4,674)	(4,220)	454
Total		**(55,398)**	**(37,437)**	**17,961**

Funding sources for this $37.44 million program comprise: -

- Capital Grants $0.55 million;
- Plant and Equipment sales $0.9 million;
- Borrowings of up to $20 million; and
- Funds from operations and cash reserves $15.99 million.

A list of approved projects is included in chapter 8.

4.2 Core Business Systems

The fourth allocation of $0.42 million of the approved project budget is included in the 2019-20 budget for the replacement of Council's core business systems.

4.3 Brooker Bridge Pedestrian and Cycle Crossing

The Brooker Bridge Pedestrian and Cycle Crossing is expected to be completed in 2019-20. Funding will be from an expected carry forward from 2018-19.

4.4 The Doone Kennedy Hobart Aquatic Centre – Major Refurbishment

An additional allocation of $5.6 million is included in the 2019-20 budget for the DKHAC – Major Refurbishment and Upgrade Works.

Expected expenditure includes the demolition of the entry building and construction of a new two story building, a new staircase and lift, a new indoor/outdoor café, increased sizes to gym facilities, improved change facilities and improved car parking facilities.

4.5 Infrastructure

Capital expenditure on infrastructure will be $26.7 million in 2019-20.

Some significant projects and programs proposed include: -

	$'000
Records and Information Management System	630
Salamanca Pedestrian Works	1,000
Elizabeth Street Bus Mall - Construction	1,000
New Town Retail Precinct Upgrade	1,250
Collins Street / Hobart Rivulet Linear Park Connection	500
North Hobart Parking Expansion	600
Fire Trail Upgrades	500
Lower Sandy Bay Playground Toilet Renewal	600
Fern Tree Footpath Upgrade	625
Crowded Space Response	500
Flood Recovery Annual Allocation	800
Building renewals	1,700
Road overlays	2,100
Footpath renewals	1,420
Sporting Facilities	1,902
Stormwater renewals	1,980

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

4.6 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 $4.74 million in 2019-20, comprised as follows: -

Table 8: Plant and Equipment

	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Vehicle fleet, major and minor plant	(3,037)	(2,495)	542
Information technology	(1,033)	(996)	37
Parking	(369)	(100)	269
General plant including office equipment	(816)	(1,149)	(333)
Total	**(5,255)**	**(4,740)**	**515**

The vehicle fleet and major plant budget for 2019-20 will be $2.195 million and the budget for minor plant purchases will be $300 000.

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

The parking budget includes $100 000 for the purchase of additional colour screens for parking meters.

The General plant budget includes: -

- Divisional allocations for minor equipment purchases; and
- Allocations for Salamanca Market, Christmas Decorations, Public Art and Taste of Tasmania.

5. Financing

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

30 June 2018	$20.21M
30 June 2019	$38.13M
30 June 2020	$54.94M

Council's expanded capital works program will require significant borrowings, which commenced 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 2019-20, and retire $3.19 million of existing debt.

The above are forecasts. Council's annual borrowing need will be determined by the delivery of the capital works program and the consequent cash position of Council.

6. Commercial-Like Undertakings

6.1 Off-Street Parking

Table 9: Off-Street Parking

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Expenses				
Labour	6.1.1	(1,226)	(1,235)	(9)
Energy costs		(152)	(156)	(4)
Materials and services	6.1.2	(2,711)	(2,731)	(20)
Rates and Charges		(447)	(452)	(5)
Land Tax		(332)	(374)	(42)
Overheads		(813)	(813)	-
Depreciation		(715)	(736)	(21)
		(6,396)	**(6,497)**	**(101)**
Revenues				
Fees and Charges	6.1.3	10,257	11,219	962
Rents		401	459	58
		10,658	**11,678**	**1,020**
Surplus		**4,262**	**5,181**	**919**

6.1.1 Labour

Labour will increase by $9 000 (0.7%) over the revised 2018-19 forecast due to increased wages cost due to extended opening hours at the Hobart Central Car park.

6.1.2 Materials and Services

Materials and Services are expected to increase by $20 000 (0.7%) due to increases in credit card fees, body corporate legal fees and electronic equipment maintenance contractors.

6.1.3 Fees and Charges

Fees and charges revenue will increase by $962 000 (9.4%) as a result of:-

- A $1 per hour increase for the 5th, 6th and 7th hours and all-day parking in the Argyle Street, Hobart Central and Centrepoint carparks.
- The monthly rental for spaces in Trafalgar, Elizabeth Street, Liverpool-Barrack, Lefroy Street, Argyle Street and Hunter Street will increase by an average of $5.00 - $10.00 per month.
- The operational hours of four off-street car parks including Dunn Place, Salamanca Square, Condell and Lefroy Street Car Parks to be extended.
- Increases in Condell Place and Lefroy Street Car Parks of $1.00 per hour, Dunn Place of $0.30c per hour and Salamanca Square Car Park of $0.60c per hour.

6.2 On-Street Parking

Table 10: On-Street Parking

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Expenses				
Labour	6.2.1	(3,550)	(3,802)	(252)
Materials and services	6.2.2	(1,517)	(2,339)	(822)
Bad Debts		(350)	(350)	-
Overheads		(703)	(703)	-
Depreciation		(189)	(195)	(6)
		(6,309)	**(7,389)**	**(1,080)**
Revenues				
Fees and Charges	6.2.3	5,929	7,389	1,460
Fines	6.2.4	7,059	8,463	1,404
		12,988	**15,852**	**2,864**
Surplus		**6,679**	**8,463**	**1,784**

6.2.1 Labour

Labour will increase by $252 000 (7.1%) over the revised 2018-19 forecast due to expected Enterprise Bargaining increases and an anticipated return to a full contingent in city parking staffing levels. The labour budgets have been revised down during 2018-19 due to decreased staffing and increases in 2019-20 contribute to the increase in fees and charges.

6.2.2 Materials and Services

Materials and Services will increase by $822 000 (54.2%) due to increases in credit card fees as a result of the removal of the $3.00 minimum payment for credit and debit card payments. There is also an increase in ICT licence fees for meters, sensors, PDA's and monitoring software.

6.2.3 Fees and Charges

Parking fees and charges, predominantly meter collections, will increase by $1.46 million (24.6%). Using data form Council's parking systems, an extensive review of commuter usage patterns across the city has been undertaken. As a result, the fees on 1728 out of 2088 parking spaces will increase in 2019-20. Meter fees will increase on average, by $0.30 per hour. There are also some fee increases for the use of parking meter hood permits, annual parking meter exemption permits and for the towing and storage of illegally parked and/or abandoned vehicles.

6.2.4 Fines

Fines income is expected to increase by $1.40 million (19.9%) as a result of an increase in the penalty unit fees set by the State Government (an average of $1.25 for lower value fines such as expired meters and $3.00-$5.00 for more serious offenses such as illegally parking in a disabled zone, no stopping zone or on yellow lines). The number of infringements issued is expected to increase in accordance with corresponding higher usage rates of the city's on-street parking assets.

6.3 The Doone Kennedy Hobart Aquatic Centre

Table 11: The Doone Kennedy Hobart Aquatic Centre

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Expenses				
Labour	6.3.1	(3,390)	(3,946)	(556)
Energy costs		(510)	(470)	40
Materials and services		(1,641)	(1,650)	(9)
Depreciation		(861)	(887)	(26)
		(6,402)	**(6,953)**	**(551)**
Revenues				
Fees and Charges	6.3.2	5,609	6,074	465
Other		14	2	(12)
		5,623	**6,076**	**453**
Surplus/(Deficit)		**(779)**	**(877)**	**(98)**

6.3.1 Labour Costs

Labour costs will increase by $556 000 (16.4%) however this is offset by increases in revenue. The key reason for the increase in labour costs is a staff restructure which will provide for higher quality customer experience and management of the facility. This increase is offset by increases in revenue.

6.3.2 Fees and Charges

Fees and charges revenue will increase by $465 000 (8.3%) in 2019-20. This is a result of membership revenue continuing to increase due to targeted work in attracting new members; setting of clear targets for memberships and program revenue and a staff restructure with key performance indicators for achieving revenue growth and improving retention of members.

The 2019-20 budget forecasts a small surplus of $10 000 (before depreciation) with expenditure set at $6.07M and revenue at $6.08 million.

6.4 Tasmanian Travel and Information Centre

Table 12: Tasmanian Travel and Information Centre (TTIC)

	Ref.	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	Change ($'000)
Expenses				
Labour	6.4.1	(1,086)	(1,024)	62
Materials and services		(348)	(320)	28
Depreciation		(8)	(9)	(1)
Other		(2)	(2)	
		(1,444)	**(1,355)**	**89**
Revenues				
Commission		462	442	(20)
Other fees and charges	6.4.2	539	588	49
Grants		150	150	-
Interest		20	20	-
		1,171	**1,200**	**29**
Surplus / (Deficit)		**(273)**	**(155)**	**118**

6.4.1 Labour Costs

Labour costs will decrease by $62 000 (5.7%) due to back pay of prior year salaries occurring in 2018-19. This is not expected to occur in 2019-20.

6.4.2 Fees and Charges

Fees and charges revenue will increase by $49 000 (9.1%) in 2019-20. This is a result of expected increased advertising and brochure display income.

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

	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	2020-21 Budget ($'000)	2021-22 Budget ($'000)	2022-23 Budget ($'000)	2023-24 Budget ($'000)
Expenses						
Labour	(59,683)	(62,117)	(64,033)	(66,009)	(68,047)	(70,148)
Materials and services	(29,728)	(33,173)	(33,819)	(34,705)	(35,393)	(35,862)
Depreciation	(21,140)	(22,032)	(22,123)	(22,937)	(23,591)	(24,706)
Fire Levy	(10,741)	(11,388)	(12,072)	(12,796)	(13,564)	(14,378)
Energy costs	(2,367)	(2,318)	(2,376)	(2,435)	(2,496)	(2,559)
Bad Debts	(351)	(351)	(421)	(433)	(446)	(460)
Finance Costs	(1,265)	(2,334)	(2,635)	(3,280)	(3,616)	(3,670)
Asset write-offs	(2,100)	(2,202)	(2,432)	(2,386)	(2,362)	(2,444)
Other	(4,615)	(4,931)	(5,070)	(4,298)	(4,402)	(4,510)
	(131,990)	**(140,846)**	**(144,981)**	**(149,279)**	**(153,917)**	**(158,737)**
Revenues						
Rates and Charges	84,604	88,604	92,572	96,440	100,480	104,690
Parking Fines	7,059	8,463	8,717	8,978	9,248	9,525
Operating Grants	3,441	3,226	3,290	3,356	3,423	3,492
Distributions from TasWater	2,172	2,172	2,172	2,172	2,172	2,172
Rents	3,530	3,714	3,825	3,940	4,058	4,180
Interest	722	930	883	1,039	1,009	937
Fire Levy collection fee	429	455	482	511	543	575
Fees and Charges - car parks	10,257	11,219	11,555	11,902	12,259	12,627
Fees and Charges - on street parking	5,929	7,389	7,610	7,839	8,074	8,316
Fees and Charges - other	14,747	15,438	15,903	16,378	16,868	17,374
	132,890	**141,610**	**147,009**	**152,555**	**158,134**	**163,888**
Underlying Surplus	**900**	**764**	**2,028**	**3,276**	**4,217**	**5,151**
Capital items						
Capital Grants	2,318	550	550	550	550	550
Financial assistance grants in advance	(10)	(1,355)	-	-	-	-
2018 Storm Event	(724)	(85)	-	-	-	-
Surplus	**2,484**	**(126)**	**2,578**	**3,826**	**4,767**	**5,701**

Modest underlying surpluses (averaging less than 2% of revenue) are forecast for the ensuing 5 year period.

7.3 Cash Flow

Table 14: Cash Flow Forecasts

	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	2020-21 Budget ($'000)	2021-22 Budget ($'000)	2022-23 Budget ($'000)	2023-24 Budget ($'000)
Operating Activities						
Payments						
Employee Costs	(56,969)	(59,875)	(61,684)	(63,548)	(65,470)	(67,450)
Fire Levy	(10,741)	(11,388)	(12,072)	(12,796)	(13,564)	(14,378)
Interest	(1,262)	(2,247)	(2,552)	(3,198)	(3,537)	(3,593)
Other	(39,830)	(41,323)	(42,235)	(42,430)	(43,305)	(43,971)
	(108,802)	**(114,833)**	**(118,543)**	**(121,972)**	**(125,876)**	**(129,392)**
Receipts						
Rates and Charges	84,490	88,464	92,432	96,303	100,337	104,541
Grants	3,429	1,878	3,288	3,354	3,421	3,489
Fees and Charges	38,532	42,803	43,869	45,139	46,508	47,921
Rents	3,528	3,707	3,821	3,936	4,054	4,176
Interest	722	930	883	1,039	1,009	937
Other						
	130,701	**137,782**	**144,293**	**149,771**	**155,329**	**161,064**
Net Cash Flows from Operating Activities	**21,899**	**22,949**	**25,750**	**27,799**	**29,453**	**31,672**
Investing Activities						
Payments						
New Assets / Upgrades						
- Brooker Bridge Pedestrian and Cycle Crossing	(5,857)	-	-	-	-	-
- Core Business Systems	(2,961)	(420)	(250)	(330)	-	-
- DKHAC - Major Refurbishment	(2,932)	(5,600)	-	-	-	-
- Infrastructure	(13,018)	(8,883)	(9,816)	(9,632)	(7,022)	(5,421)
- Property	(143)	-	-	-	-	-
- Plant and Equipment	(581)	(520)	(589)	(692)	(781)	(640)
Asset Renewal						
- Infrastructure	(25,232)	(17,794)	(20,246)	(21,762)	(21,953)	(22,565)
- Plant and Equipment	(4,674)	(4,220)	(4,461)	(5,196)	(5,823)	(4,939)
	(55,398)	**(37,437)**	**(35,362)**	**(37,612)**	**(35,579)**	**(33,565)**
Receipts						
Grants	2,318	550	550	550	550	550
Distributions from TasWater	2,172	2,172	2,172	2,172	2,172	2,172
Plant and equipment sales	499	900	699	779	834	855
Property sales	-	-	-	-	-	-
	4,989	**3,622**	**3,421**	**3,501**	**3,556**	**3,577**
Net Cash Flows from Investing Activities	**(50,409)**	**(33,815)**	**(31,941)**	**(34,111)**	**(32,023)**	**(29,988)**
Financing Activities						
Payments						
Debt Repayment	(2,060)	(3,194)	(3,986)	(4,586)	(4,604)	(4,722)
Receipts						
Proceeds from Borrowings	20,000	20,000	15,000	10,000	5,000	5,000
Net Cash Flows from Financing Activities	**17,940**	**16,806**	**11,014**	**5,414**	**396**	**278**
Net Cash Surplus / (Deficit)	**(10,570)**	**5,940**	**4,823**	**(898)**	**(2,174)**	**1,962**
Opening Cash On Hand	**31,844**	**21,274**	**27,214**	**32,037**	**31,139**	**28,965**
Closing Cash On Hand	**21,274**	**27,214**	**32,037**	**31,139**	**28,965**	**30,927**

Cash balances will be maintained at between $27 million and $32 million (estimated required 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

	2018-19 ($'000)	2019-20 ($'000)	2020-21 ($'000)	2021-22 ($'000)	2022-23 ($'000)	2023-24 ($'000)
Closing Cash Balance ear-marked for (a): -						
Contributions in Lieu of Public Open Space	48	48	48	48	48	48
Contributions in Lieu of Parking	135	135	135	135	135	135
Heritage Account	1,553	1,507	1,507	1,507	1,508	1,508
Plant and equipment carry-forwards (b)	1,000	1,000	1,000	1,000	1,000	1,000
Bushland Fund	115	165	215	265	315	365
McRobies Gully Tip Site Rehabilitation	3,175	3,153	3,217	3,276	3,329	3,376
Other project carry-forwards (b)	18,144	18,144	18,144	18,144	18,144	18,144
Refundable Deposits	2,162	2,162	2,162	2,162	2,162	2,162
Future Asset Renewal Reserve (c)	(5,058)	900	5,609	4,602	2,324	4,189

(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) is negative during 2018-19. 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 in 2018-19. 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.

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, service charges to provide funding for rehabilitation of the McRobies Gully Landfill Site were introduced. Up until 2017-18, the annual rates income raised from this charge was $1.25 million. This reduced to approximately $0.25 million per annum from 2018-19.

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

	2018-19 Forecast ($'000)	2019-20 Budget ($'000)	2020-21 Budget ($'000)	2021-22 Budget ($'000)	2022-23 Budget ($'000)	2023-24 Budget ($'000)
Assets						
Current Assets						
Cash and cash equivalents	21,274	27,181	31,971	31,041	28,833	30,763
Inventories	331	331	331	331	331	331
Receivables	4,598	4,548	4,671	4,849	5,035	5,227
Other	22	22	22	22	22	22
	26,225	**32,082**	**36,995**	**36,243**	**34,221**	**36,343**
Non-Current Assets						
Receivables	226	226	226	226	226	226
Investment in TasWater	166,823	166,823	166,823	166,823	166,823	166,823
Property, plant and equipment	1,653,057	1,642,042	1,663,438	1,679,148	1,660,702	1,677,316
	1,820,106	**1,809,091**	**1,830,487**	**1,846,197**	**1,827,751**	**1,844,365**
Total Assets	**1,846,331**	**1,841,173**	**1,867,482**	**1,882,440**	**1,861,972**	**1,880,708**
Liabilities						
Current Liabilities						
Payables	(4,711)	(5,099)	(5,266)	(5,440)	(5,622)	(5,811)
Trust, Deposits, Retention	(2,890)	(2,890)	(2,890)	(2,890)	(2,890)	(2,890)
Employee benefits	(12,505)	(13,196)	(13,915)	(14,663)	(15,440)	(16,248)
Unearned Revenue	(446)	(446)	(446)	(446)	(446)	(446)
Loans	(3,194)	(3,986)	(4,586)	(4,604)	(4,722)	(4,872)
	(23,746)	**(25,617)**	**(27,103)**	**(28,043)**	**(29,120)**	**(30,267)**
Non-Current Liabilities						
Employee benefits	(3,527)	(3,722)	(3,925)	(4,136)	(4,355)	(4,583)
DB Superannuation Scheme	3,762	3,379	2,947	2,464	1,928	1,337
Loans	(34,937)	(50,950)	(61,364)	(66,760)	(67,038)	(67,167)
Other Provisions	(4,046)	(3,871)	(3,779)	(3,681)	(3,575)	(3,461)
	(38,748)	**(55,164)**	**(66,121)**	**(72,113)**	**(73,040)**	**(73,874)**
Total Liabilities	**(62,494)**	**(80,781)**	**(93,224)**	**(100,156)**	**(102,160)**	**(104,141)**
Net Assets	**1,783,837**	**1,760,392**	**1,774,258**	**1,782,284**	**1,759,812**	**1,776,567**

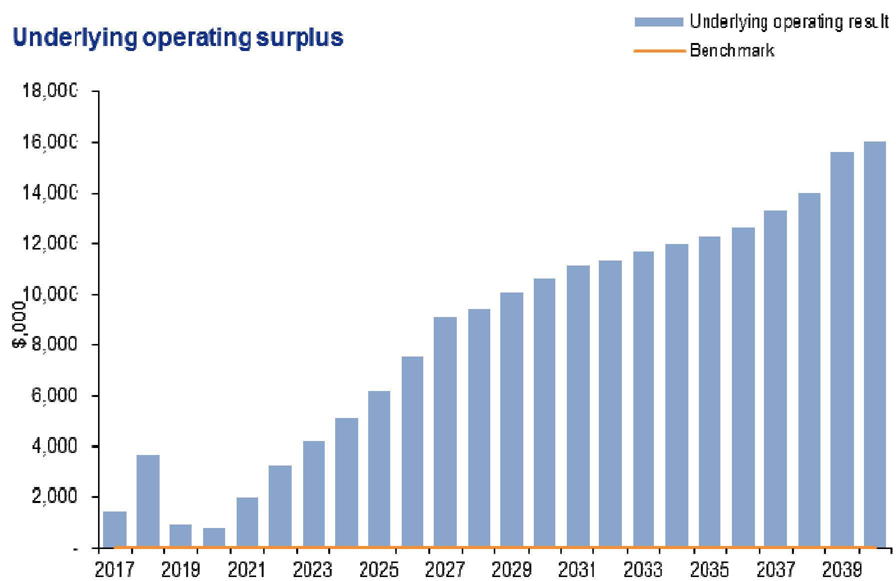
Council's balance sheet is expected to remain strong. Net assets (and equity) vary over the period reflecting expected asset revaluations.

7.5 Sustainability Indicators

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

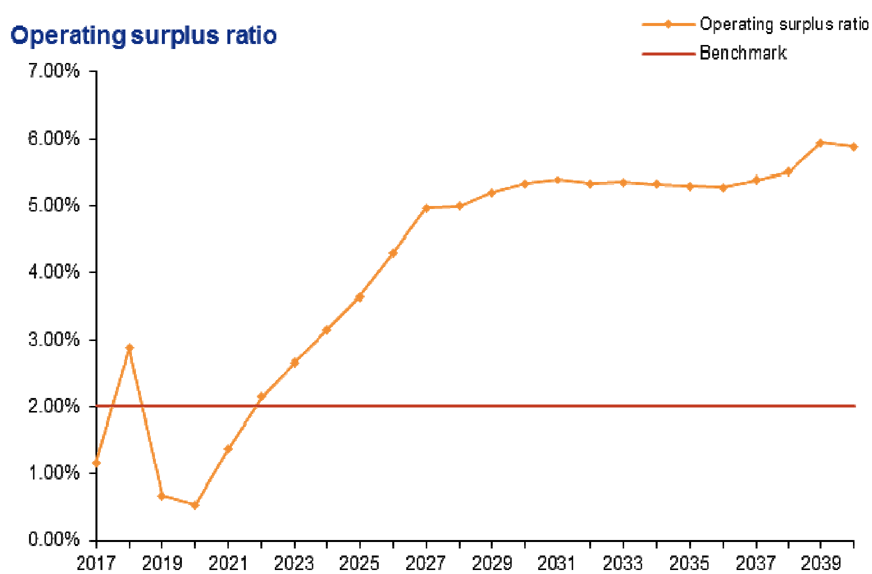
Indicator 1 – Underlying Operating Surplus

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.



Indicator 2 – Operating Surplus Ratio

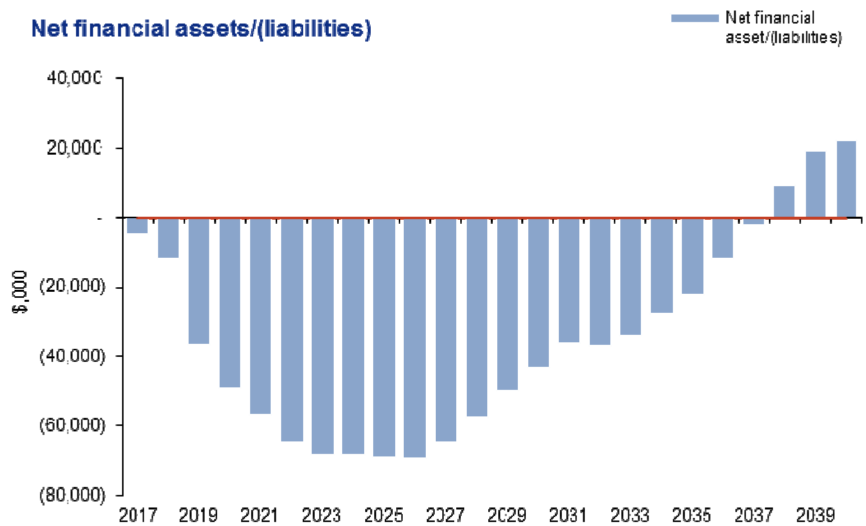
The operating surplus ratio is the operating surplus expressed as a percentage of underlying revenue (total revenue minus capital grants, contributed PP&E and asset revaluation increments/decrements).



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

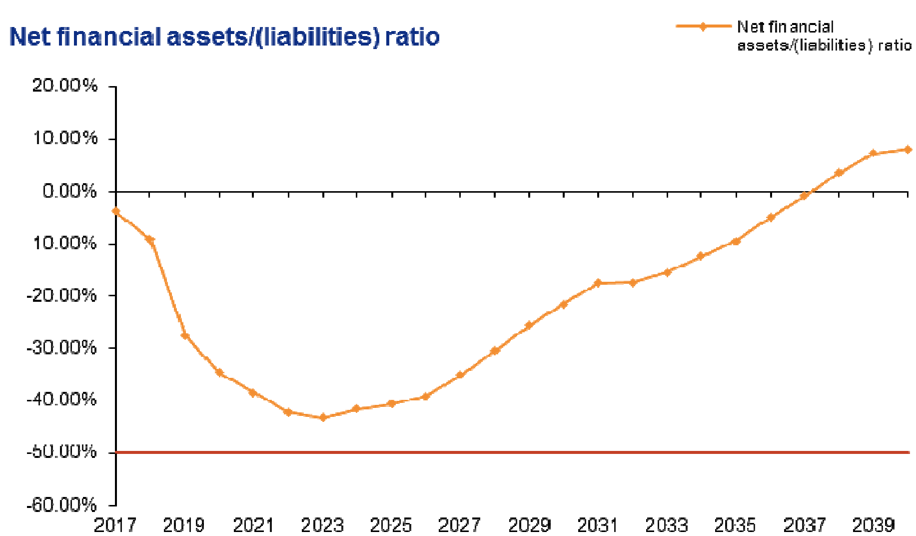
Indicator 3 – Net Financial Assets/ (Liabilities)

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.



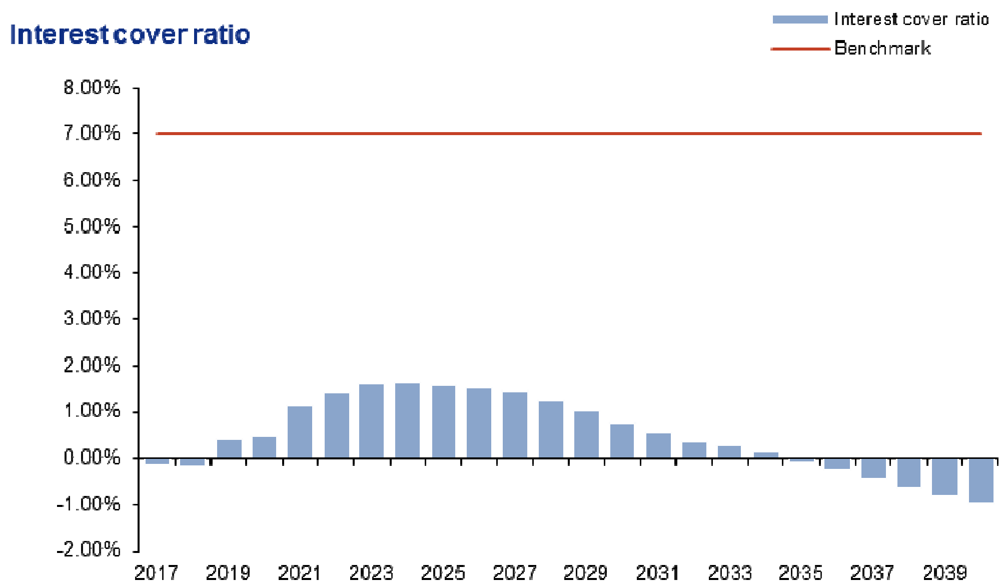
Indicator 4 – Net Financial Assets / (Liabilities) Ratio

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) will remain in the low risk range (less than 50% of revenue).



Indicator 5 – Interest Cover Ratio

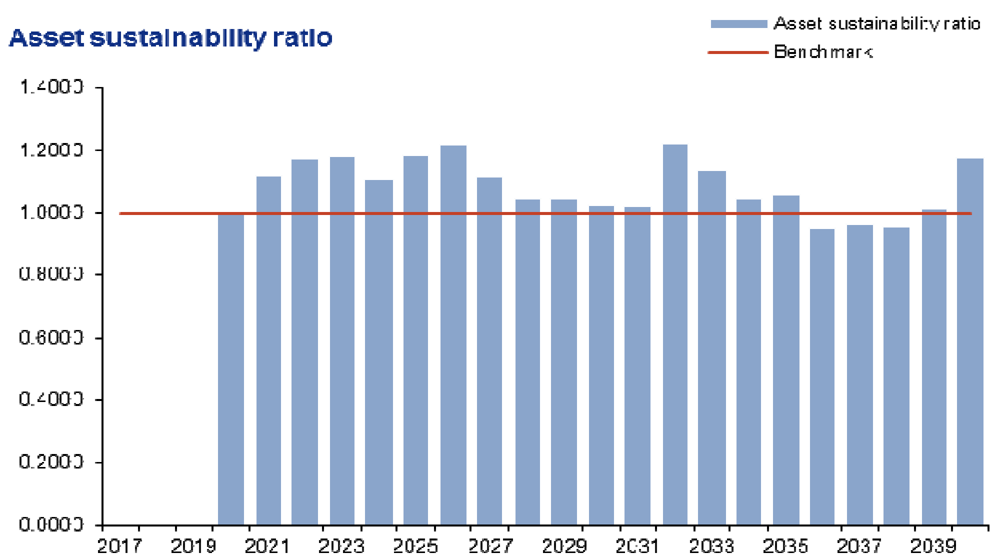
This ratio is interest expense less interest earned on investments, expressed as a percentage of income. It measures the proportion of income required to service interest costs.



Indicators 3, 4, and 5 show Council's level of indebtedness increasing over the next five years. This is due to borrowings required to fund Council's expanded capital works program.

Indicator 6 – Asset Sustainability Ratio

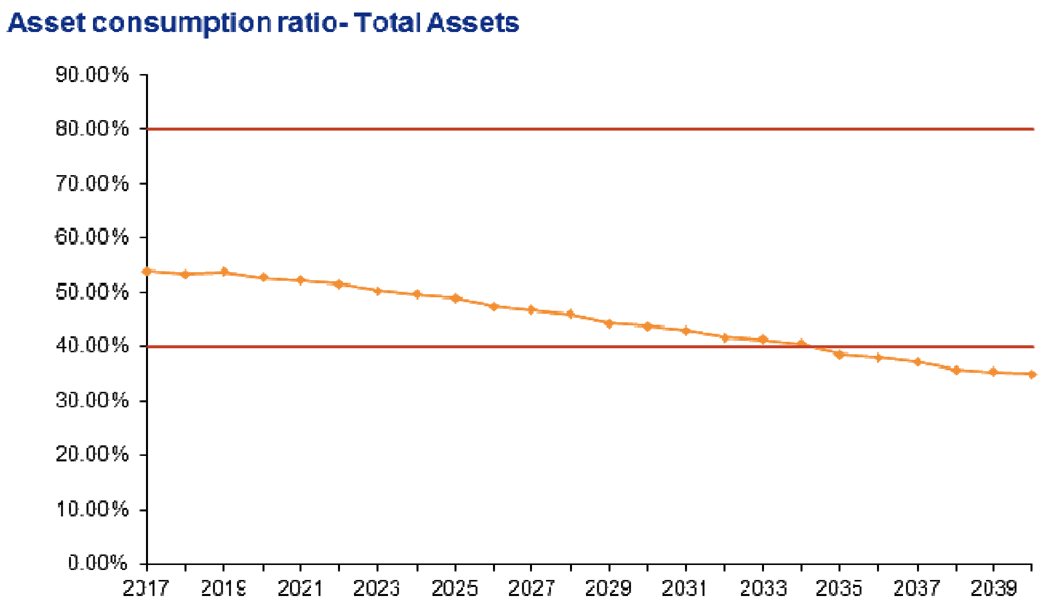
This ratio is asset renewal capital expenditure expressed as a percentage of depreciation expense. It measures whether assets are being renewed at the rate at which they are wearing out. With a young asset portfolio, the target may be quite low. If old, it may be greater than 100%. Over time, if it averages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

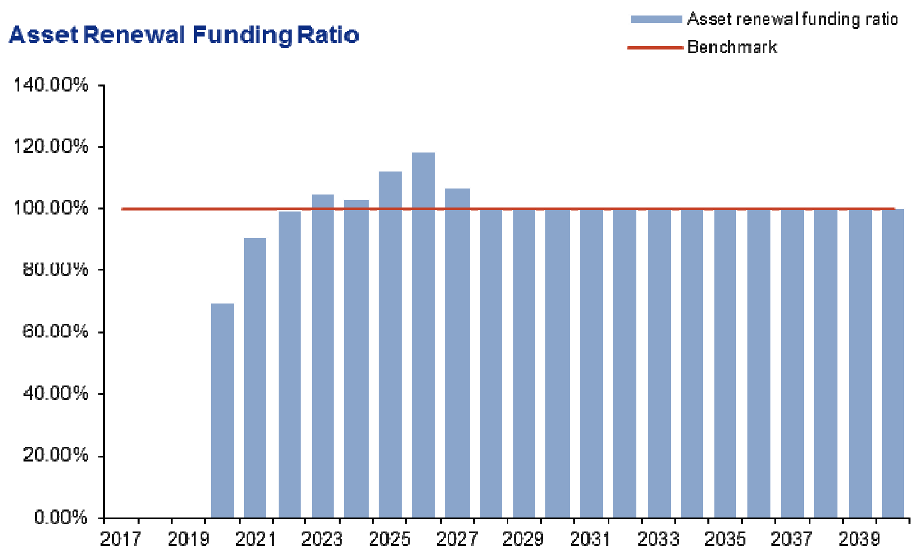
However, a low or declining ratio is not a concern provided assets are being maintained/replaced in accordance with well-prepared asset management plans and the organisation is operating sustainably i.e.: recording a breakeven or better underlying operating result. The cash generated by operating sustainably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



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



The above graph shows that during the next three years, asset renewal funding will be less than the asset renewal requirements identified for those years. The opposite is true for the following five year period. This situation arises because a number of "Transforming Hobart" projects will take precedence during the next three years, resulting in some asset renewal works being deferred to following years.

Across the entire period, known asset renewal requirements will be fully-funded. That is, 100% of known asset renewal needs, as identified in Council's asset management plans, will be funded.

Conclusions

Benchmarks are expected to be achieved for all financial sustainability indicators within the next four years.

Further detail is provided in Council's Long-Term Financial Management Plan 2020 – 2040.

8. Appendix - Capital Expenditure Program 2019-20

Project	Amount
Buildings	
Argyle St Carpark - traffic lights	$60,000
DKHAC - Major Refurbishment & Upgrade Works	$5,600,000
Energy Savings Action Plan Implementation - Buildings	$100,000
South Hobart Community Centre	$100,000
Bushland Infrastructure	
Bushland Fund - Yearly Amount	$50,000
Fire Trail Upgrades	$500,000
Corporate Governance	
Phoenix - General Project - Non-OO Contracted Software / Development	$420,000
Records and Information Management System	$630,000
Enterprise Technology	
Automated Vehicle Trial	$100,000
Connected Precincts Infractructure	$200,000
Inner City Action Plan	
No 3 - Elizabeth Street Bus Mall - Construction	$1,000,000
Collins Street / Hobart Rivulet Linear Park Connection	$500,000
Campbell Street Upgrade (City Campus Project)	$100,000
Castray Esplanade Upgrade	$300,000
Salamanca Pedestrian Works Stage 3 - Morrison Castray Salamanca rationalisation	$1,000,000
Bridges Connection	$250,000
Local Retail Precinct Plan	
Elizabeth Street Retail Precinct Upgrade	$100,000
New Town Retail Precinct Upgrade and Renewal Works	$1,250,000
Miscellaneous Items	
North Hobart Parking Expansion	$600,000
Parks Infrastructure	
Hobart Rivulet Linear Park - Vicinity of Anglesea Street	$125,000
Parks Park & Street Trees - Yearly Amount	$50,000
Swan Street Reserve Refurbishment	$200,000
Public Toilet Strategy 2015-2025	
Domain Summit Public Convenience	$100,000
Fern Tree Park	$50,000
Hobart Central Car Park Public Convenience Internal Refurbishment	$200,000
Lower Sandy Bay Playground Toilet Renewal	$600,000
Swan St Public Convenience Building Renewal	$100,000
Tolmans Hill New Public Convenience	$50,000
Queens Domain Program	
Domain Summit Facilities	$250,000

Project	Amount
Road Infrastructure	
Caroline St to Woodcutters Rd - Pathway Upgrade	$75,000
City Laneways - Access and Lighting Upgrades	$100,000
Fern Tree Footpath Upgrade	$625,000
Huon Road Uphill Widening for Cyclists	$475,000
Implementation Of Transport Strategy	$250,000
Roads and Environmental Infrastructure	
Crowded Spaces Response	$500,000
Stormwater Reticulation & Rivulets	
Flood recovery Annual Alocation	$800,000
Implementation of Stormwater Strategy	$200,000
Traffic Engineering Projects	
Lenah Valley Rd - Creek Rd - Left Slip Lane	$140,000
Traffic Project Annual Allocaton - Cycling Infrastructure	$100,000
Wellington Park - One Mountain	
Pipeline Trail - Fern Tree Park Master Plan	$250,000
Buildings Renewal	$1,700,000
Bushland Infrastructure Renewal	$509,000
Parks Infrastructure Renewal	$812,137
Road Infrastructure - ASU Civil Works	$4,382,857
Road Infrastructure - ASU Footpaths	$1,420,000
Road Infrastructure - ASU Minor Works	$510,000
Road Infrastructure - ASU Overlay	$2,100,000
Road Infrastructure - ASU Pavements	$150,000
Road Infrastructure - ASU Reseal Preparation / Heavy Patching	$70,000
Road Infrastructure - Traffic Projects	$200,000
Solid Waste Management Renewal	$408,000
Sporting Facilities Renewal	$1,902,379
Stormwater Reticulation & Rivulets Renewal	$1,980,000
Plant & Equipment	$3,999,627
	$38,244,000
add back proceeds from sale of plant and equipment	$900,000
	$39,144,000
less estimated amount not to be capitalised	-$1,706,901
	$37,437,099