SPECIAL COUNCIL AGENDA
MONDAY, 19 JUNE 2017

GLENORCHY CITY COUNCIL

* *The General Manager certifies that the reports contained in this Agenda have been written by qualified persons under Section 65 of the Local Government Act 1993.*

Hour: 1.00 p.m.

Present:

In attendance:

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1. APOLOGIES

2. PECUNIARY INTEREST NOTIFICATION

GOVERNANCE

3. GLENORCHY CITY COUNCIL ANNUAL PLAN 2017/18 TO 2020/21

Author:	Acting Manager, City Strategy and Economic Development (Erin McGoldrick)
Qualified Person:	Acting Director, Community, Economic Development and Business (David Ronaldson)
ECM File Reference:	Annual Plan 2017/18 to 2020/21

Community Plan Reference:

City of Glenorchy Community Plan 2015-2040

Leading Our Community

The Community looks to Council to advocate for its needs and lead it into a preferred future.

Strategic or Annual Plan Reference:

Glenorchy City Council Strategic Plan 2016-2025

Leading Our Community

Objective 4.1	Govern in the best interests of our community.
Strategy 4.1.1	Manage Council for maximum efficiency, accountability and transparency
Objective 4.2	Prioritise resources to achieve our communities' goals.
Strategy 4.2.1	Deploy the Council's resources effectively to deliver value.

Reporting Brief:

To seek Council's adoption of the *Glenorchy City Council Annual Plan 2017/18 to 2020/21*.

Proposal in Detail:

Annual Plan 2016/17 to 2019/20.

The draft *Glenorchy City Council Annual Plan 2017/18 to 2020/21* (**Annual Plan**) is Attachment 1 to this report.

Statutory requirements

Under section 71 of the *Local Government Act 1993*, Council is required to have an annual plan, as follows:

1. *A council is to prepare an annual plan for the municipal area for each financial year.*
2. *An annual plan is to –*
   - *(a) be consistent with the strategic plan; and*
   - *(b) include a statement of the manner in which the council is to meet the goals and objectives of the strategic plan; and*
   - *(c) include a summary of the estimates adopted under section 82; and*
   - *(d) include a summary of the major strategies to be used in relation to the council's public health goals and objectives.*

Characteristics of the Annual Plan 2017/18 to 2020/21

The *Glenorchy Community Plan 2015-2040* identifies the following Community Goals:

- Making Lives Better
- Open for Business
- Valuing Our Environment
- Leading Our Community, and
- Building Image and Pride.

The *Glenorchy City Council Strategic Plan 2016-2025* was endorsed by Council on 19 December 2016. The Strategic Plan aims to deliver on the Goals in the Community Plan through ten objectives and twenty one strategies.

The Annual Plan aligns to those strategies and identifies actions to be undertaken by Council over the next four years to deliver on the Community's Goals and Vision.

The Annual Plan is coupled to the budget development process, in recognition that Council's forward planning drives the budget. The Annual Plan has 92 actions of which 83 are planned to be actioned during the 2017/18 year. Each action is mapped to the relevant Council strategy, objective and goal.

Once the Annual Plan is adopted by Council, individual actions are translated down to more detailed operational planning at departmental level, work unit level and individual position level.

Annual Plan Priorities

The Management Team has prioritised the actions in the Annual Plan based on the community priorities in the Community Plan and the headline risks for the organisation.

Council's high priority actions include:

- Development of a Masterplan for Tolosa Park
- Development and implementation of a communications strategy
- Fostering and supporting community events
- Maintenance and review of Emergency Management strategies & bushfire risks
- Management of the City's transport network, and
- Continuing to operate Council's child care centres.

Development of the Annual Plan 2017/18 to 2020/21.

The process for preparing this year's Annual Plan involved the following steps:

Draft	Process
Draft Annual Plan Version 1	Acting Manager City Strategy (A/MCS) prepares first draft Annual Plan; remapped to Community Plan Goals and new Strategic Plan Objectives & Strategies
	Review each Action, Measure, Target, Responsibility and Action out-year for each Directorate with Senior Managers, Directors and General Manager (GM)
Draft Annual Plan Version 2	Headline Risk and Community Plan priority rating applied as a priority score for each Action
	GM and Directors consider budget business cases
	A/MCS meets with individual Managers and Departments to review Action detail consistency across Directorates
	A/MCS facilitates GM and Director's review of priority rating of each Action, consistency and reporting manager responsibility for each Action
Draft Annual Plan Version 3	Third draft Annual Plan circulated to GM and Directors; each action/target/measure finalised.
	Successful and unsuccessful Budget Business Case bids incorporated into Action statuses.
	Annual Plan and Budget briefing submitted to Commissioner for comment and review
Draft Annual Plan Version 3.1	Acting Coordinator Environmental Health Services assists A/MCS to draft Public Health Statement
	Acting Manager City Strategy facilitates General Manager and Director's review of draft APv3.1 incorporating Commissioner and A-GM feedback.
	A/MCS amends Third draft Annual Plan incorporating Commissioner and GM feedback.
Final Annual Plan	Finalised Actions, 2017/18 Budget summaries, Capital Works summary and Public Health Goals drafted into final Annual Plan document.

Draft	Process
19 June 2016	Council meeting to consider adoption of the Annual Plan 2017/18 to 2020/21.
Operational Target Finalised	Senior Managers, Directors and GM finalise operational target dates and measures based on Quarter 4 Annual Plan progress report statuses.

Reporting Annual Plan Progress

The progress of Annual Plan actions is monitored during the year through a quarterly report provided to Council from the Management Team.

Draft performance measures and targets have been identified for each action for the purposes of internal performance monitoring by management. These targets will be finalised concurrently with the adoption of budget carry-forwards in late August 2017.

Consultations:

Acting General Manager
Acting Directors
Managers
Commissioner Briefing

Human Resource / Financial and Risk Management Implications:

The Annual Plan actions identified are based on the capacity to deliver against Council's 2017/18 budget.

The Annual Plan adopts a four year time horizon to help Council's financial forward planning.

Community Consultation and Public Relations Implications:

Under section 71(3) of the *Local Government Act 1993*, the following steps must be taken to publicly notify an annual plan:

> *As soon as practicable after a council adopts an annual plan, the general manager is to:*
>
> *(a) make a copy of the annual plan available for public inspection at the public office during ordinary business hours; and*
>
> *(b) provide the Director* (of Local Government) *and the Director of Public Health with a copy of the annual plan.*

Once adopted, the Annual Plan 2017/18 to 2020/21 will be publicly notified in accordance with these statutory requirements and will be posted to Council's website.

Recommendation:

That Council:

ADOPT the *Glenorchy City Council Annual Plan 2017/18 to 2020/21*.

Attachments/Annexures

1 GCC Annual Plan 2017-18 to 2020-21

4. 2017/18 BUDGET ESTIMATES

Author:	Systems Management Accountant (Mark Patmore) Finance Reporting Officer (Allan Wise)
Qualified Person:	Acting General Manager (Tony McMullen)
ECM File Reference:	Annual Budget 2017/2018

Community Plan Reference:

City of Glenorchy Community Plan 2015-2040

Leading Our Community

We will be a progressive, positive community with strong council leadership, striving to make Our Community's Vision a reality.

Strategic or Annual Plan Reference:

Glenorchy City Council Strategic Plan 2016-25

Leading our community

Objective 4.2 Prioritise resources to achieve our communities' goals.

Strategy 4.2.1 Deploy the Council's resources effectively to deliver value.

Reporting Brief:

To recommend the 2017/18 Budget estimates and the 2017/18 Schedule of Fees and Charges for Council's approval.

Proposal in Detail:

Executive Summary

Section 82 of the *Local Government Act 1993* (**the Act**) requires the General Manager to prepare estimates of the Council's revenue and expenditure for each financial year. The Council's 2017/18 Budget estimates (refer to Attachment 1) have been prepared in accordance with the Act.

Section 70 of the Act requires Council to prepare a Long Term Financial Management Plan (LTFMP). Council approved the LTFMP for the period 2016/17 to 2025/26 on 20 June 2016. The 2017/18 Budget delivers a balanced outcome between the LTFMP and the services to be provided to the community.

Section 70A of the Act requires Council to prepare a financial management strategy. The Glenorchy City Council Financial Management Strategy 2017 was approved by Council on 15 May 2017.

Divisions 2 and 3 of the Act allow Council to levy general rates, service rates and service charges. The amounts to be levied are calculated in accordance with the rates and charges declaration in this report's recommendation.

Council declares a wide range of Fees and Charges which are detailed in the Schedule of Fees and Charges 2017/18 (refer to Attachment 2). The fees and charges are reviewed annually to ensure the following:

(a) minimum increase of CPI

(b) full cost recovery where possible, and

(c) statutory fees & charges compliance.

The key features of the 2017/18 Budget estimates are:

- total estimated operating revenue of $53.952 million
- total estimated operating expenditure of $41.123 million
- total estimated depreciation and asset write off of $14.539 million
- estimated net operating deficit of $1.710 million in contrast to a budgeted surplus of $186k in 2016/17
- total estimated capital expenditure of $12.983 million
- total estimated capital grant funding of $865k
- total estimated property sales of ($71k)
- no new borrowings, and
- increase in general rate income of $937k.

The net operating deficit is significantly affected by early receipt from the Federal Government in June 2017 of a $1.17 million 2017/18 FAGS grant payment – which was required to be recognised as 2016/17 revenue, thus reducing budgeted revenue in 2017/18.

The projected financial performance under the 2017/18 Budget does not yet reach Council's targets for four key financial ratios: underlying surplus; underlying surplus ratio; net financial liabilities; and asset sustainability ratio. Nevertheless, Council continues to manage its finances prudently towards financial sustainability including the continued pay down of Council debt.

However, the financial ratios around the operating result have been affected by unanticipated early payment by the Federal government of a FAGS grant instalment affecting revenue.

The financial ratios around asset sustainability and renewal have been affected by a focus on upgrade capital works in 2017/18 rather than renewal expenditure - involving major projects such as CBD Revitalisation, recycling bin replacement, lighting upgrade at Metro Claremont Soccer Ground and air conditioning works at the Council offices.

2017/18 Budget

Section 82 of the Act requires the General Manager to prepare estimates of the Council's revenue and expenditure for each financial year. Section 82 (2) and (3) read as follows:

"***82. Estimates***

…

(2) Estimates are to contain details of the following:

(a) the estimated revenue of the council;
(b) the estimated expenditure of the council;
(c) the estimated borrowings by the council;
(d) the estimated capital works of the council;
(e) any other detail required by the Minister.

(3) Estimates for a financial year must –

(a) be adopted by the council, with or without alteration, by absolute majority; and
(b) be adopted before 31 August in that financial year; and
(c) not be adopted more than one month before the start of that financial year."

Attachment 1 is the 2017/18 Budget Summary and includes the estimates required under the Act. Any variations in values between the 2017/18 Budget Summary and this report are solely due to rounding adjustments. Attachment 2 is the Schedule of Fees and Charges 2017/18.

Budget Preparation Timeline

Key dates and deliverables throughout the 2017/18 Budget preparation have been:

Date	Deliverable
October 2016	Identify Global Parameters and Assumptions
January 2016	Prepare revenue and expense budgets
March – May 2017	Review operational budgets and business case submissions
April 2017	Review capital works program
May 2017	Draft Budget finalised
June 2017	Draft Budget recommended for adoption

Key Assumptions

The assumptions underpinning the 2017/18 Budget were approved as part of the 10 Year Long Term Financial Management Plan (LTFMP) adopted by Council in June 2016. These assumptions are consistent with the approach in the GCC Financial Management Strategy 2017 (FMS).

Seven aspects of the 2017/18 Budget are analysed below:

1. Budgeted Operating Income and Expenditure
2. Projected Balance Sheet including Assets and Liabilities
3. Budgeted Capital Expenditure
4. Budgeted Cash Flow and Funding
5. Key Risks for the Budget
6. Sensitivity analysis, and
7. Long Term Financial Management Plan and Financial Management Strategy.

1. Budgeted Operating Income and Expenditure 2017/18

The net operating result is a deficit of $1.710 million exclusive of capital grant funding and net revenue from property sales. This compares to a $1.348 million surplus forecast result for 2016/17. This operating position has resulted primarily through:

- operating revenue to decrease by $983K
- operating expenditure to increase by $2.123 million, and
- interest expense to decrease by $48k.

Table 1.1 – 2017/18 Budget Income Statement

	2015/16 Actual ($'000)	2016/17 Forecast ($'000)	2017/18 Budget ($'000)
Revenue (Excluding Capital Grants and Property Sales)			
Rates	$27,961	$29,325	$30,222
State Fire Levy	$4,766	$5,140	$5,359
User Charges & Licences	$11,114	$11,100	$11,571
Operating Grant Income	$1,988	$4,247	$1,695
Investment Income	$3,899	$3,486	$3,653
Other Income	$940	$1,637	$1,452
TOTAL REVENUE	**$50,668**	**$54,935**	**$53,952**
Expenditure			
Employee Expenses	($19,728)	($19,992)	($21,428)
Materials, Contractors & Other	($14,935)	($14,258)	($14,112)
State Fire Levy	($4,719)	($5,056)	($5,332)
TOTAL EXPENDITURE	**($39,382)**	**($39,306)**	**($40,872)**
Surplus/(Deficit) Before Interest, Depreciation & Amortisation	**$11,286**	**$15,629**	**$13,080**
Depreciation Expense	($12,882)	($13,963)	($14,369)
Assets Written Off	($6,252)	($19)	($170)
Surplus/(Deficit) Before Interest	**($7,848)**	**$1,647**	**($1,459)**
Interest Expense	($484)	($299)	($251)
Operating Surplus/(Deficit)	**($8,332)**	**$1,348**	**($1,710)**
Add Capital Grant Funding	$1,759	$2,029	$865
Add/(Less) Net Property Sales	$555	$150	($71)
Surplus/(Deficit)	**($6,018)**	**$3,527**	**($916)**

Revenue

Rating Policy

The Rates Budget has been increased by 2.5%, in accordance with Council's long term financial management plan, generating an additional $937k to maintain services across the municipality.

The 2017/18 is a revaluation year where all rateable property is revalued by the Valuer-General in accordance with the six yearly revaluation cycle. In the intervening years of the six year cycle, the valuations are indexed biennially.

The revaluation, itself, does not contribute at all to the overall 2.5% increase in budgeted rate revenue for the whole City. The overall increase in budgeted rate revenue is based on the LTFMP percentage increase over the 2016/17 total budgeted rate revenue for the whole City. This amount is divided by the City's total assessed annual value (AAV) for all properties to determine the 'cents in the dollar' amount to be applied to individual properties.

However, a revaluation causes different changes in value from property to property. So when the 'cents in the dollar' rate is multiplied by the AAV to work out the rates bill for an individual property, there are differences in the change in rates payable from property to property. The rates bill for some properties may go up at a higher rate than 2.5%. The rates bill for other properties may go up at a lower rate than 2.5% (or even decrease).

As a general indication of the impact of the revaluation on the different property types, Table 1.2 below shows the average change to the Assessed Annual Value and General Rate for each property type between 2016/17 and 2017/18.

Table 1.2: Change in Assessed Annual Valuation and General Rate 2016/17 to 2017/18

Property Type	Avge AAV 2016/17	Avge AAV 2017/18	Change AAV	Avge GEN RATE 2016/17	Avge GEN RATE 2017/18	Change GEN RATE
Commercial	$100,757	$104,352	4%	$8,121	$8,290	2%
Industrial	$87,499	$85,591	-2%	$7,053	$6,800	-4%
Other	$31,639	$33,392	6%	$2,552	$2,654	4%
Primary Production	$11,985	$11,722	-2%	$967	$932	-4%
Public Benefit	$81,920	$83,708	2%	$6,662	$6,706	1%
Residential	$12,769	$13,429	5%	$1,029	$1,067	4%
Sport & Recreation	$43,417	$46,300	7%	$3,499	$3,678	5%
Vacant	$7,013	$7,678	9%	$570	$615	8%

Fees and Charges Register

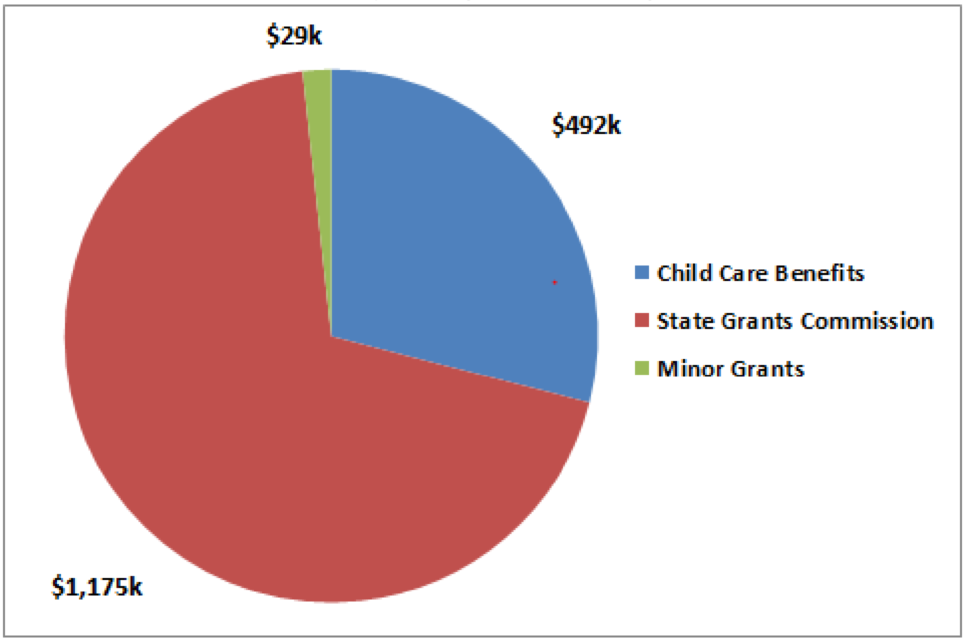
The Schedule of Fees and Charges 2017/18 in Attachment 2 provides details on the actual fees charged in 2016/17 and the proposed fees for 2017/18. A number of Fees and Charges are set outside of the Budget including:

- Fees and Charges set by Regulation
- Relevant amounts in the Rates & Charges declaration for 2017/18, and
- Landfill, dog registration and food business charges approved at the 19 April 2017 Council meeting

Operating Grant Subsidies (Excluding Capital Grants)

Budgeted Operating Grant Income at $1.695 million for 2017/18 is lower than the $4.247 million forecast for 2016/17 primarily due to the early part payment of the 2017/18 Financial Assistance Grant. Chart 1.3 below provides a breakup of the budgeted funding sources for 2017/18:

Chart 3.2 – Operating Grant Funding ($'000)



Investment Income

Budgeted investment income includes Tasmanian Water Corporation distributions and interest revenue on deposit and investment funds. Investment income is budgeted to decrease by $47k due to reduced interest rates. Distributions from Tasmanian Water Corporation are budgeted to remain steady at $3.258 million for the 2017/18 financial year.

Other Income

Other income is budgeted to increase by $86k primarily to fund the activities of the Waste Management Education Officer position.

Expenditure

Employee Expenses

Employee Expenses are budgeted to increase by $1.436 million primarily attributable to:

- salary increases flowing from the 2016 Enterprise Agreement, and
- the assumption that the higher than usual number of vacant positions in 2016/17 will be filled in 2017/18.

Materials, Contractors and Expenses

The budgeted amount of $14.049 million represents a small increase of $11k above the forecast 2016/17 result.

Maintenance Expenditure Summary

The level of maintenance spend is commensurate with the 2016/17 Budget with a $95k increase projected for 2017/18. Table 1.4 below provides a comparison to last year's Budget:

Table 1.4 – Summary of Maintenance Spend

Maintenance Spend	Budget 2017/18 $'000	Budget 2016/17 $'000	Increase /(Decrease) $'000
Parks and Recreation	$2,914	$2,905	$9
Roads Maintenance	$1,799	$1,770	$29
Stormwater Maintenance	$991	$988	$3
Facilities Maintenance	$1,116	$1,062	$54
Total	**$6,820**	**$6,725**	**$95**

Depreciation Expense

The net depreciation expense is due to decrease by $72k which reflects the increased depreciation from new assets being offset by the decreased depreciation of existing assets. The useful life of some infrastructure assets has been extended following an analysis by an independent consultant.

Interest Expenditure

The budgeted amount for Interest payable on Council's loan portfolio in 2017/18 is $251k representing a decrease of $48k over the forecast 2016/17 result. This decrease is due to loan reduction payments during the 2016/17 and 2017/18 financial years.

Capital Grant Funding

Council has budgeted to receive a "Roads to Recovery" Grant of $865k in 2017/18 which represents a decrease of $134k over the amount received in 2016/17. Black Spot funding is not budgeted in the 2017/18 budget, however $1.164 million was received in 2016/17.

Profit/ (Loss) on Disposal of Land

The decision to buy and sell properties is taken from a strategic perspective, identifying the need for property in the portfolio. Properties surplus to Council requirements are disposed at market value which may be different to the book value in our Asset Register. A small cost of $71k is budgeted for in 2017/18.

2. Projected Balance Sheet 2017/18

As outlined in Table 2.1 below, the budgeted Net Asset position for Council will be a strong $900.390 million representing a stable position carried forward from the 2016/17 Forecast.

Table 2.1– Projected Balance Sheet

	2015/16 Actual ($'000)	2016/17 Forecast ($'000)	2017/18 Budget ($'000)
Assets			
Current Assets			
Cash	$14,374	$12,837	$12,426
Other Current Assets	$3,274	$2,278	$2,289
Total Current Assets	**$17,648**	**$15,115**	**$14,715**
Non-Current Assets			
Property, Plant & Equipment	$683,624	$734,467	$733,081
Investment In Water Corporation	$163,928	$165,567	$168,878
Other Non-Current Assets	$30,509	$0	$0
Total Non-Current Assets	**$878,061**	**$900,034**	**$901,959**
Total Assets	**$895,709**	**$915,149**	**$916,674**
Liabilities			
Current Liabilities			
Borrowings	$852	$896	$942
Other Current Liabilities	$10,023	$6,449	$6,547
Total Current Liabilities	**$10,875**	**$7,345**	**$7,489**
Non-Current Liabilities			
Borrowings	$5,168	$4,272	$3,330
Other Non-Current Liabilities	$5,533	$5,533	$5,533
Total Non-Current Liabilities	**$10,701**	**$9,805**	**$8,863**
Total Liabilities	**$21,576**	**$17,150**	**$16,352**
Net Assets	**$874,133**	**$897,999**	**$900,322**
Equity			
Community Equity	$531,471	$535,845	$534,857
Reserves	$342,662	$362,154	$365,465
Total Equity	**$874,133**	**$897,999**	**$900,322**

Assets

The current assets balance is expected to decline during the 2017/18 financial year following the completion of a number of major capital projects that attracted grant funding and due to the part payment of the 2017/18 Financial Assistance Grant during the 2016/17 financial year.

Liabilities

Council liabilities continue to trend down primarily due to the retirement of debt as it becomes due.

Equity

Council equity and net assets continue to trend up reflecting improved asset and liability positions.

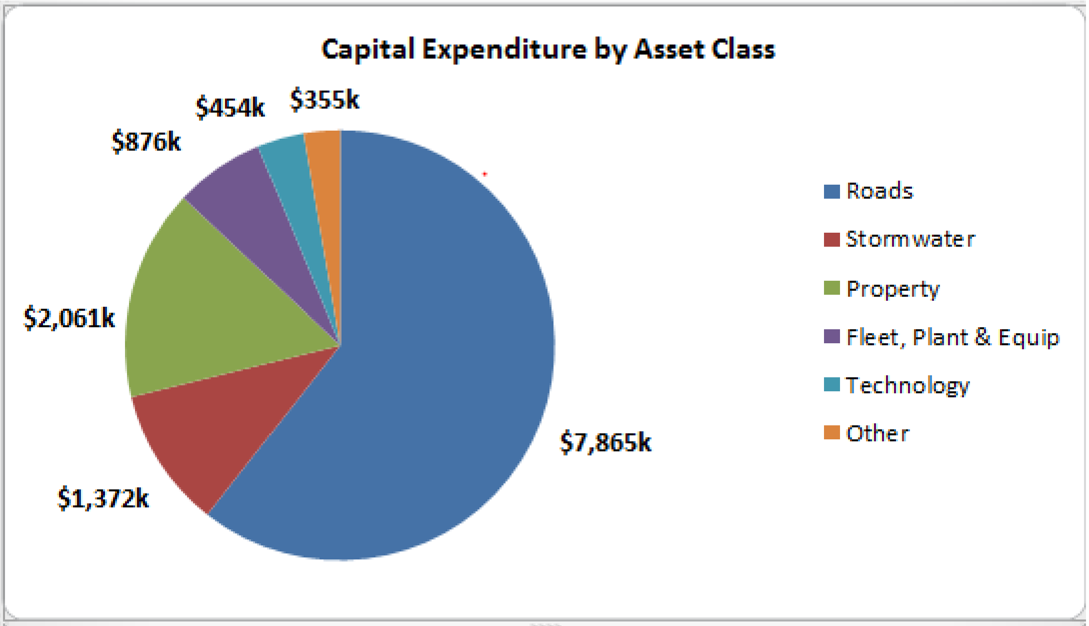
Borrowings

No new borrowings are proposed in the 2017/18 Budget.

3. Budgeted Capital Expenditure 2017/18

Capital investment of $12.983 million is budgeted across the six asset classes of Council. The chart below summarises the Budget for each asset class. Expenditure is across all suburbs of the municipality.

Chart 3.1 – 2017/18 Capital Expenditure Program



Council's budgeted capital expenditure for 2017/18 compared to the total depreciation expense for each category is:

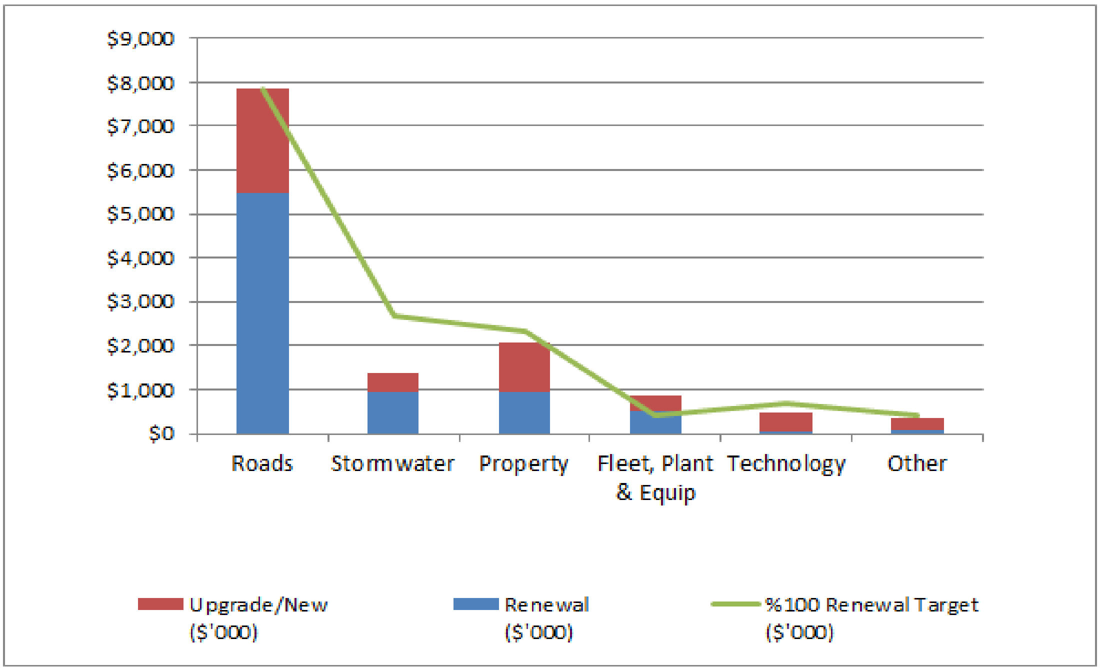
Table 3.2 – 2017/18 Capital Expenditure Program

	Renewal ($'000)	Upgrade/New ($'000)	2017/18 Budget ($'000)	100% Renewal Target ($'000)
Roads	$5,456	$2,409	$7,865	$7,834
Stormwater	$947	$425	$1,372	$2,674
Property	$951	$1,110	$2,061	$2,343
Fleet, Plant & Equipment	$523	$353	$876	$419
Technology	$29	$425	$454	$693
Other	$64	$291	$355	$403
Total	**$7,970**	**$5,013**	**$12,983**	**$14,366**

Renewal, Upgrade and New Investment

Council is committed to maintaining and renewing its existing infrastructure assets. In Chart 5.1, below, the green line indicates the level of investment required to meet renewal at 100% for each asset class based on depreciation levels.

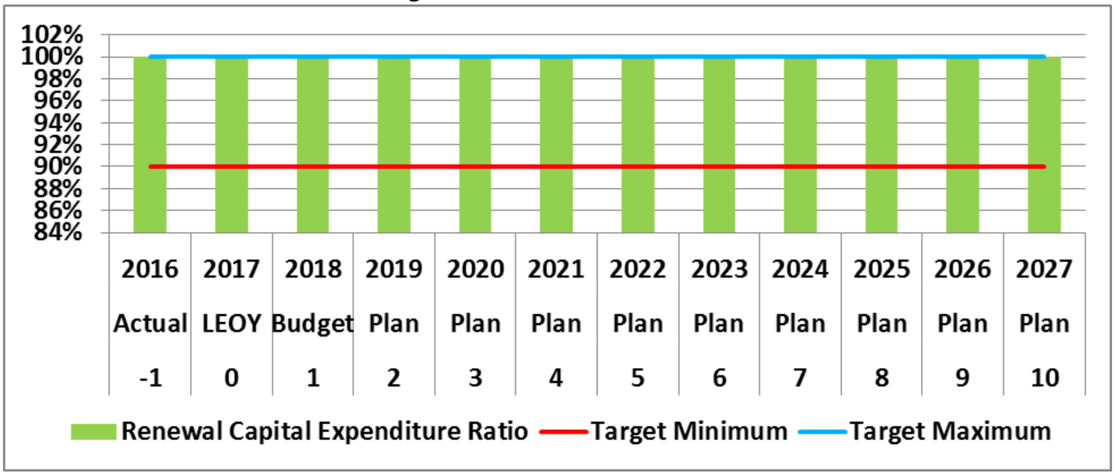
Chart 3.3 – 2017/18 Renewal, Upgrade and New Investment



Council acknowledges that depreciation is not the best gauge for infrastructure renewal demand because detailed knowledge of actual asset condition is a better indicator. To this end, Council has developed and implemented an Asset Management Strategy.

As indicated in Chart 3.4, below, capital expenditure is budgeted in the range of 90% - 100% of that required under asset class plan projections in the Long Term Financial Management Plan.

Chart 3.4 – Asset Renewal Funding Ratio*



** Capital Expenditure as a percentage of asset spend required by Council's Strategic Asset Management Strategy*

Investment by Asset Class

Roads

The Road capital works Budget for 2017/18 is $7.865 million which funds 100% of the depreciation expense of $7.834 million. Two of the biggest areas of focus are the deterioration of footpaths and road reseals. The proposed Budget continues to concentrate upon progressively addressing these areas with a 69:31 ratio between renewal and upgrade expenditure.

Major capital projects budgeted for in the Roads Program includes:

- Main Rd Glenorchy (Terry St to O'Brien's Bridge) - $1.4 million
- Moorina Crescent - $657k
- Maple Ave - Bayswater to No 21 - $400k
- Creek Rd Footpath - $365k
- Main Rd Granton Pathway Extension - Stage 2 - $295k, and
- Sunderland Street (Derwent Park Road To Lampton Avenue) - $292k.

Stormwater

Stormwater renewal based on the depreciation expense is approximately $2.674 million. However, expenditure on stormwater works in the 2017/18 capital works program is $1.372 million. Due to the long life nature of Council's stormwater assets, which are approximately half way through their useful life, depreciation is not currently reflective of renewal demand as the assets do not deteriorate at a uniform rate.

Major capital projects budgeted for in the Stormwater Program include:

- Barclay Street 15-19 Replacement - $154k
- O'Grady Avenue 11-23, Lutana Extension - $150k
- Cadbury Car Park Upgrade - $100k
- Rosetta Landslip Pipe Relining - $100k, and
- CBD Revitalisation Project - $100k.

Property
Council has a diverse portfolio of property and land across the municipality including the Council offices, the Derwent Entertainment Centre, the Works Centre, public toilet facilities, sports grounds facilities and other recreation facilities.

Based on the depreciation expense, $2.343 million of renewal expenditure is required for 2017/18. The capital works program provides for $2.061 million of Property expenditure.

Major property projects for 2017/18 are:

- Moonah public toilet replacement - $225k
- Tolosa Park remediation & landscaping - $165k
- Playground Equipment – Ongoing renewal & compliance - $140k, and
- KGV Sports & Community Precinct Project Community Hub - $101k.

Fleet
The 2017/18 Fleet Budget of $414k reflects the changeover of 13 Fleet vehicles.

Plant and Equipment
The largest single item for 2017/18 is the replacement program for the entire inventory of Kerbside Recycling Bins which will be funded across two (2) years. The remainder of the Plant and Equipment expenditure in 2017/18 is minor plant renewal as part of Council's replacement schedule.

Information, Communication & Technology (ICT)
Council's investment in technology for 2017/18 is supported by the ICT Strategy. The $454k budgeted in 2017/18, $281k will be invested in the essential upgrade of the Finance, Property Rating, and Payroll software, and $115k on replacing desktop PC units.

Unforeseen Works
Council establishes an Unforeseen Works Budget in the Capital Expenditure Program to provide flexibility for the management of the Infrastructure Budget. The Unforeseen Works Budget is used for funding unplanned/emergency projects that cannot be funded in any other way.

In the 2017/18 Budget there is a provision of $400k that will be used for all capital projects that arise during 2017/18 that are not identified in the Budget. The unforeseen works Budget is managed by the Infrastructure Management Group based on business case proposals to access the funds.

Reserves

Reserves Policy
A net total of $289k is budgeted to be transferred either in and/or out of reserve accounts including:

- Landfill Close Out increase - $260k
- City Revaluation increase - $50k
- Election Expense increase - $50k, and
- Land Sales decrease - ($71k).

Land Sales

Council policy is that net proceeds from the sale of Council property and land are placed in a reserve to fund future land and building purchases. The Land Sales reserve is budgeted to decrease by $71k due to close out costs.

Landfill Close Out
The Jackson Street Waste Management Site has a limited life as the municipal landfill and will require rehabilitation after its closure. The cost is likely to be significant and therefore Council has a policy of annually making further provision for the funding to meet the expenditure currently expected in 2023. The Landfill Close Out reserve is budgeted to increase by $260k.

City Revaluation
Council contributes to the City Revaluation Reserve annually to meet the significant cost of revaluing the city's assets every six years. The valuation information is necessary for Council to determine the level of rates applied to each property. The Valuer-General is providing new valuations in 2016/17 as this is year six of the cycle. The cost will be funded by the reserve so 2017/18 will be year one of the new cycle and $50k has been allocated.

Election Expenses
The next scheduled Local Government elections are due in 2018. To even out the election expenditure, a quarter of the forecast election expenses are set aside annually in a reserve. The Election Expense allocated for 2017/18 is $50k.

4. 2017/18 Budgeted Cash Flow and Funding

The 2017/18 Budget closing cash balance is estimated to be $12.426 million, subject to realising the forecast 2016/17 cash balance of $12.837 million and achieving the cash movements detailed in Table 4.1.

The projected net movement in cash for 2017/18 is a decrease of $411k compared to the 2016/17 Forecast of a $1.537 million decrease. The improvement is primarily the result of decreased payments for Property, Plant and Equipment.

Table 4.1 – Budget Cash Flow Statement

	2015/16 Actual ($'000)	2016/17 Forecast ($'000)	2017/18 Budget ($'000)
Operating Cash Flows			
Rates & State Fire Levy Revenue	$32,686	$34,466	$35,581
Other Revenue	$13,016	$17,213	$15,103
Employee Expenses	($20,212)	($19,992)	($21,428)
Materials and Contracted Services	($16,295)	($19,315)	($19,879)
Interest Expense	($340)	($299)	($251)
Net Movement in Operating Cash Flows	**$8,855**	**$12,073**	**$9,126**
Investing Cash Flows			
Proceeds from Sale of Non-Current Assets	$555	$303	$152
Distribution from Water Corporation	$3,295	$3,258	$3,258
Government Capital Grants	$1,759	$2,029	$865
Payments for Property, Plant and Equipment	($21,987)	($18,349)	($12,916)
Net Movement in Investing Cash Flows	**($16,378)**	**($12,759)**	**($8,641)**
Financing Cash Flows			
Repayment of Interest Bearing Loans and Borrowings	($795)	($851)	($896)
Net Movement in Financing Cash Flows	**($795)**	**($851)**	**($896)**
Projected Net Movement in Cash Flows	**($8,318)**	**($1,537)**	**($411)**
Projected Opening Cash Balance	**$22,692**	**$14,374**	**$12,837**
Projected Closing Cash Balance	**$14,374**	**$12,837**	**$12,426**

Operating Cash Flows

The net result of $9.126 million positive Operating cash flow is substantially down on the 2016/17 Forecast of $12.074 million primarily due to the early part payment of the 2017/18 Financial Assistance Grant but is a small improvement on the 2015/16 Actual result of $8.855 million.

Investing Cash Flows

The investment in Property, Plant and Equipment assets is projected to decline in 2017/18 due to substantially reduced Capital Funding Grants and completion of the Derwent Park Stormwater Reuse and King George V (KGV) projects.

The distribution from the Tasmanian Water Corporation at $3.258 million is reflected in the cash flows and remains unchanged from 2016/17.

Funding Cash Flows

The net movement in the Financing Cash Flows for 2017/18 reflects the scheduled debt repayment of $896k in accordance with Councils policy of repaying debt on review or maturity.

5. Key Risks for the 2017/18 Budget

Tasmanian Water Corporation Distribution

Distributions from the Tasmanian Water Corporation contribute approximately 6.0% of Council's total revenue. Since the level of distributions is not guaranteed, Council has the risk that distributions will be lower than the $3.258 million currently projected in the 2017/18 Budget. Any revenue reductions from the distribution will directly increase the 2017/18 operating deficit.

It is assumed that any balance sheet or income statement impacts from the proposed State Government takeover of TasWater would not be realised in the 2017/18 year.

Board of Inquiry

The Minister is empowered under the Act to levy Council for costs associated with the continuing Board of Inquiry process.

The ultimate amount and timing of any future demands are unknown at the time of compiling the budget.

Economic Conditions

User Charges by their nature are variable revenue items and dependent on services provided by Council generating the projected revenue. Approximately 21% of Council revenue is from User Charges, including building and planning application fees.

Over the past three (3) years, Council has experienced increased economic activity as revenue from user charges trends up in a number of areas including Planning, Building and Plumbing, Jackson Street Waste Management Centre, and Derwent Entertainment Centre. Council has taken this trend into account in developing the 2017/18 Budget and considers the anticipated revenue is conservatively stated, with expenses matched to the conservative revenue projections.

Interest Rate on Investment Funds

Council's cash reserves are invested to supplement operating revenue and are dependent on maximising returns on investment, while also weighing the risk/return trade-off. Reserve Bank of Australia recent decisions on the cash rate have interest rates continuing at record low levels which will require prudent management of funds to maximise returns during current economic conditions.

Payment for Materials, Contractors and Other Expenses

Over the past two years, this expense has been trending downwards from 38% to 36% of total operating expenditure as Council seeks value for money through its purchasing processes. In 2017/18, the downward trend continues to 34% of total operating expenditure. However we rely on our suppliers to be competitive and viable with their services in order to keep costs down. Any change in their ability to remain competitive and viable may impact on the cost to Council.

Infrastructure Damage

The risk of damage to Council infrastructure including road, stormwater and property from events such as extreme weather, earthquake, or acts of terrorism is not insured due to the prohibitive cost. Council is exposed to significant costs to repair or replace these infrastructure assets should such events occur.

Council accepts this risk because the cost of mitigating it through insuring these assets is too high. There are, however, potential sources of relief or partial relief available to Council in the event of major damage through the State Government Emergency and Disaster Relief Fund.

6. Sensitivity Analysis

Sensitivity analysis for the above risks, excluding infrastructure damage, is tabled below.

Table 6.1 – Sensitivity Analysis

Risk	**Change**	**Decrease/(Increase) in 2017/18 Budget Operating Deficit**
TasWater Corporation Distribution	1% Decrease in Distribution	($33k)
Economic Conditions (User Charges and Licences)	1% Decrease in Revenue	($116k)
Interest Rate on Investment Funds	0.5% Decrease in Cash Rate	($55k)
Materials, Contractors & Other	1% Increase in Expenditure	($141k)

7. Long Term Financial Management Plan & Financial Management Strategy

Due to the long life nature of Council's assets, which support many services, it is essential the Budget reflects the long term provision of services that meet community expectations. Council has developed a Long Term Financial Management Plan (**LTFMP**) and adopted a Financial Management Strategy (**FMS**) to provide a longer term context and to support decision making around the Budget development process.

The LTFMP includes a Statement of Profit or Loss and Other Comprehensive Income, a Statement of Financial Position and a Statement of Cash Flows for each year of the plan. Council refers to this model when considering financial decisions, such as new capital expenditure and borrowings. The LTFMP also:

- demonstrates Council's long- term financial sustainability
- allows early identification of financial issues, and
- shows linkages between strategies and plans.

The FMS provides Council with a strategic framework to guide the development of annual budgets and preparation of longer term financial planning. The FMS is required to:

- be consistent with Council's strategic plan
- refer to Council's long-term strategic asset management plan
- contain at least the items specified by ministerial order made under section 70F of the Act that are required to be included in a long-term financial management plan, and
- be reviewed at least every four years.

To measure the performance of the FMS against its key objectives, a number of Key Performance Indicators (**KPIs**) have been adopted. The KPIs measure sustainability as outlined in the *Local Government (Management Indicators) Order 2014*. The seven KPI's adopted are detailed in Table 7.1:

Table 7.1 Key Financial Indicators

Key Financial Indicator	Target Ranges	2017/18 Budget
Underlying surplus or deficit	>$0	($1,710K)
Underlying surplus ratio	2.5% to 5.0%	(3.2%)
Net financial liabilities	$0	($1,637K)
Net financial liabilities ratio	> (25%)	(3%)
Asset consumption ratio	40% to 60%	48%
Asset renewal funding ratio	90% to 100%	90%
Asset sustainability ratio	100%	55%

Improving the Financial Result

Over the past five years there were targeted initiatives to return the operating financial position to a surplus. A number of key initiatives to reduce expenditure were implemented over those years. Unfortunately, the reductions in employee costs flowing from service level renew initiatives and reflected in a productivity dividend of $1.049M in the 2016/17 budget were not realised as a result of a combination of delayed implementation and unrealistic savings projections. As a result, the employee cost structure reflected in the 2016/17 budget has been backed out of the 2017/18 budget.

Council will always seek to maximise grant revenue to fund opportunities that are of priority to all levels of government. Council is mindful of the potential for grants to create financial pressures through increased operating expenditure, maintenance, and depreciation, and/or direct effort away from strategic priorities, particularly where matching funds are required.

Other Improvement Initiatives

Whole of Council Customer Service Experience

Council initiated a customer service strategy project in 2016/17 which will be rolled out during 2017/18. Two projects of significance are the:

- Customer Charter – to make it easier for customers to do business with Council, and
- New GCC Website – to improve information accessibility for our community.

Asset Management Planning

Council's investment to upgrade its asset management system has already enabled significant gains in quality asset management planning. This, in turn, has facilitated greater understanding of asset lifecycles and enabled savings in depreciation expense.

Information Technology and Communication

Council continues to implement its Information and Communications Technology (ICT) Strategic Plan. Major projects in 2017/18 include reimplementation of the remaining modules of the core enterprise suite Technology 1.

Consultations:

Commissioner
Community Forum
Executive Leadership Team
Managers and Coordinators
Senior Finance staff

Human Resource / Financial and Risk Management Implications:

Human resource, financial and risk management implications relating to the approval of the 2017/18 Budget are set out in the body of this report and the attachments.

Key risks for the 2017/18 Budget are Tasmanian Water Corporation distributions, the impact of economic conditions on user charges, interest rates on invested cash and supplier competitiveness and viability.

Community Consultation and Public Relations Implications:

On 26 April 2017, a community forum on the draft capital Budget was held at the Moonah Arts Centre and the public were invited to provide comment.

The Budget contains many initiatives designed to benefit the community.

The approved Budget will be the subject of a Glenorchy Gazette article and will be publicly available via Council's website.

Recommendation:

That Council:

1. APPROVE the Glenorchy City Council 2017/18 Budget Estimates (Attachment 1)
2. APPROVE the Glenorchy City Council – Schedule of Fees and Charges 2017/18 (Attachment 2)
3. APPROVE the monthly financial performance reports continue to compare the budgeted revenue and expenditure to the actual revenue and expenditure at whole of organisation and directorate levels
4. RESOLVE that pursuant to section 89A of the *Local Government Act 1993* (**the Act**), values under the *Valuation of Land Act 2001* be used as a basis of rates
5. RESOLVE that pursuant to Section 90(1) of the Act, for the period of 12 months commencing on 1 July 2017 and ending on 30 June 2018 inclusive (**financial year**), the Council make a general rate of 7.944 cents in the dollar based on the assessed annual value (**AAV**) of all rateable land in the municipal area of Glenorchy
6. RESOLVE that pursuant to Section 90(4) of the Act, for the financial year the Council set the minimum amount payable in respect of the general rate at $166.04
7. RESOLVE that pursuant to Section 93A of the Act, Council make for the financial year the following service rate in respect of fire protection based on the assessed value of all rateable land shown on the valuation roll or assessment roll prepared under the *Valuation of Land Act 2001* as follows:

a. 1.4307 cents in the dollar for the Council's contribution to the State Fire Commission for land that is situated within the urban fire district subject to a minimum contribution for each parcel of land of $39.00, and

b. 0.2147 cents in the dollar for the Council's contribution to the State Fire Commission for land that is situated outside the urban fire district subject to a minimum contribution for each parcel of land of $39.00

8. RESOLVE that pursuant to Section 94(1) of the Act, Council make a waste management service charge for services provided by Council upon rateable land within the municipal area of Glenorchy for the financial year:

a. a service charge for waste management based on capacity provided and frequency of collection in relation to each property to which the Council provides a *mobile recycling bin* service as detailed below:

$164.40	140 litre weekly collection;
$164.40	240 litre weekly collection;
$82.20	140 litre fortnightly collection ; and
$82.20	240 litre fortnightly collection.

Pursuant to Goods and Services Tax Act 1999, a Goods and Service Tax does not apply on any of the above services.

and

b. a service charge for waste management based on capacity provided and frequency of collection in relation to each property to which the Council provides a *mobile garbage bin* service as detailed below:

$163.90	140 litre weekly collection;
$280.90	240 litre weekly collection;
$82.10	140 litre fortnightly collection; and
$140.60	240 litre fortnightly collection.

Pursuant to Goods and Services Tax Act 1999, a Goods and Service Tax does not apply on any of the above services.

and

c. for multiple dwellings within one property:

a service charge for waste management based on capacity provided and frequency of collection in relation to each dwelling located within a property to which the Council provides a *mobile bin* service as detailed below:

$82.20	shared recycling service; and
$82.10	shared garbage service;

Pursuant to Goods and Services Tax Act 1999, a Goods and Service Tax does not apply on any of the above services.

9. RESOLVE that pursuant to Section 94(3) of the Act, Council make a service charge for the financial year for any or all the services specified in section 93 of the Act of $216.44 for land used exclusively as a place of religion or worship

10. RESOLVE that a one-off penalty of 10% is to apply to unpaid instalments plus daily interest at the maximum prescribed percentage under Section 128 of the Act

11. RESOLVE that as permitted by section 129(4) of the Act*,* no penalty or interest is to apply during the period 1 August 2017 to 1 April 2018 where payment is made by Direct Debit and there are no arrears owing, and

12. RESOLVE that rates levied in accordance with this resolution are payable to the Council by two (2) equal instalments:

    (a) the first by 15 August 2017, and

    (b) the second by 1 February 2018.

Variations to Service Charges

13. RESOLVE that pursuant to Section 94(3) of the Act, Council make variations to the waste management service charge for the period of 12 months commencing on 1 July 2017 and ending on 30 June 2018 inclusive (**financial year**), within the municipal area of Glenorchy or within different parts of the municipal area of Glenorchy according to the use of land as follows:

    a. in respect to land used for commercial purposes or land used for industrial purposes (which means land used wholly or predominantly for commercial purposes or industrial purposes, and includes all land coded ‘C’ or ‘I’ in the valuation list), where a *mobile recycling bin* service has been provided by Council, the waste management service charge is varied to:

$294.40	140 litre weekly collection;
$294.40	240 litre weekly collection;
$147.40	140 litre fortnightly collection; and
$147.40	240 litre fortnightly collection.

Pursuant to Goods and Services Tax Act 1999, a Goods and Service Tax does not apply on any of the above services.

and

b. in respect to land used for commercial purposes or land used for industrial purposes, (which means land used wholly or predominantly for commercial purposes or industrial purposes, and includes all land coded ‘C’ or ‘I’ in the valuation list), where a *mobile garbage bin* service has been provided by Council, the waste management service charge is varied to:

$248.50	140 litre weekly collection;
$425.60	240 litre weekly collection;
$142.50	140 litre fortnightly collection; and
$244.60	240 litre fortnightly collection.

Pursuant to Goods and Services Tax Act 1999, a Goods and Service Tax does not apply on any of the above services.

(i) This service is not compulsory, and is assessed by Waste Management Section staff.

(ii) That the charges listed under 13.a. and 13.b. do not attract a Goods and Services Tax (GST) in 2017/18.

Attachments/Annexures

1 ⇨Budget Summary 2017 18

2 ⇨Schedule of Fees and Charges 2017 18