SPECIAL COUNCIL AGENDA

MONDAY, 20 JUNE 2016

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: 3:00 pm

Present:

In attendance:

Leave of Absence:

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1. APOLOGIES

2. PECUNIARY INTEREST NOTIFICATION

GOVERNANCE

3. GLENORCHY CITY COUNCIL ANNUAL PLAN 2016/17 TO 2019/20

Author:	Coordinator City Strategy (Erin McGoldrick)
Qualified Person:	Acting Director Community, Economic Development and Business (Tony McMullen)
ECM File Reference:	Annual Plan 2016/17 to 2019/20

Community Plan Reference:

City of Glenorchy Community Plan 2015-2040

We are a proud city; a city of arts; of opportunity; of partnerships; a city that makes exciting things happen.

The future of Glenorchy will be created through:

Building Image and pride

We will show our pride as a city and others will see it.

Making Lives Better

We continue to be a safe, inclusive, active and vibrant community. We will focus on developing a hub of multiculturalism, arts and culture.

Valuing Our Environment

We will value and enhance our natural and built environment. Our central business district (CBD) areas of Glenorchy, Moonah and Claremont will be revitalised, with a strong emphasis on great design, open spaces and public art.

Open for Business

We will create a strong economy and jobs for the future. We will encourage business diversity, innovation and new technologies to stimulate jobs, creativity and collaboration. We will be a place where business can establish, continue and flourish.

Leading Our Community

We are 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 2013-18 (Interim)

Intent:	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 2016/17 to 2019/20.

Proposal in Detail:

Annual Plan 2016/17 to 2019/20.

Please refer to the draft Annual Plan 2016/17 to 2019/20 at Attachment 1.

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* 2016/17 to 2019/20**.

Council adopted a new Community Plan, the City of Glenorchy Community Plan 2015-2040, on 19th January 2015. The following Community Goals were identified;

- Making Lives Better
- Open for Business
- Valuing Our Environment; and
- Leading Our Community

Council's *Glenorchy City Council Strategic Planning Framework 2016-2025* was endorsed by Council on 28 September 2015. The framework aims to deliver on the Goals of the Community Plan and identifies ten objectives;

- Know our communities and what they value.
- Support our communities to pursue and achieve their goals.
- Facilitate and/or deliver services to our communities.

- Stimulate a prosperous economy.
- Identify and support priority growth sectors.
- Create a liveable and desirable City.
- Manage our natural environments now and for the future.
- Govern in the best interests of our community.
- Prioritise resources to achieve our communities' goals.
- Build strong relationships to deliver our communities' goals.

The Annual Plan 2016/17 to 2019/20 identifies strategies and actions to be undertaken by Council to deliver on the objectives and goals identified in the Community Plan and the Strategic Planning Framework.

The Annual Plan has been very deliberatively coupled to the budget development process, with the firm ambition that Council's forward planning drives the budget. This year we have 119 actions of which 103 are planned to be actioned during the 2016/17 year. Each action is mapped to the relevant Council strategy, objective and goal.

Performance measures and targets have been identified for each action for the purposes of internal performance monitoring by management. As a result, the measures and targets do not appear in the public version of the Annual Plan.

Mechanisms are in place for individual actions to be translated down to more detailed operational planning at directorate level, work unit level and ultimately to position level.

Annual Plan Priorities

The priority areas (based on Council's strategic risk register) focus on:

- Development of a Corporate Risk Management Plan
- Development of a Human Resources Strategy
- Development of a Work, Health and Safety Strategy
- Implementation of an Information and Communication Technology Strategy
- Management of the City's transport network
- Continuing to ensure construction of safe and healthy buildings through planning, building standards and public health

Reporting Annual Plan Progress

Council uses Cambron software to track progress on Annual Plan task performance. Quarterly reports will be provided to Council and the Management Team on the progress of the Annual Plan 2016/17 – 2019/20.

Development of the Annual Plan 2016/17 to 2019/20

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

Date	Event
8 March 2016 – 18 March 2016	Coordinator City Strategy prepares 1st draft Annual Plan; remapped to Community Plan Goals & Strategic Planning Framework Objectives
23 March 2016 – 30 March 2016	Review each Action, Measure, Target, Responsibility & Action out-year with management and ELT
4 April 2016	Headline Risk & Improvement Plan reference combined to provide a priority score (begin development of 2ND draft)
5 April 2016 - 20 April 2016	Coordinator City Strategy meets with individual Managers and Departments to closely review 2ND draft Annual Plan
26 April 2016	Council workshop on 2ND draft Annual Plan
28 April 2016	ELT considers budget business cases against 2ND draft Annual Plan
29 April 2016	2ND draft Annual Plan circulated to Management Team and each action/target/measure finalised. (begin development of 3RD draft)
6 May 2016	Aldermen's questions and comments due
17 May 2016	Managers & Directors workshop to finalise actions/measures/targets in 3RD daft Annual Plan and refine strategies
18 May 2016	Coordinator City Strategy amends 3RD draft Annual Plan incorporating Aldermanic & staff feedback. (begin development of 4TH and final draft)
6 June 2016	Council workshop on 4TH draft Annual Plan.
20 June 2016	Council meeting to consider adoption of the Annual Plan 2016/17 to 2019/20

Consultations:

Executive Leadership Team
Management Team
Council workshops

Human Resource / Financial and Risk Management Implications:

The Annual Plan actions identified are based on the capacity to deliver against Council's 2016-17 budgets.

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

Community Consultation and Public Relations Implications:

Under section 71(3) of the *Local Government Act 1993*, there are the following statutory requirements for the public notification of 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 2016/17 to 2019/20 will be promulgated in accordance with these statutory requirements and will be posted to Council's website.

Recommendation:

That Council:

> ADOPT the Glenorchy City Council Annual Plan 2016/17 to 2019/20.

Attachments/Annexures

1 Annual Plan 2016/17 to 2019/20

4. 2016/17 BUDGET ESTIMATES AND 2016/17 ROLLING 10 YEAR LONG TERM FINANCIAL PLAN

Author:	Manager Business & Finance (Craig French)
Qualified Person:	General Manager (Peter Brooks)
ECM File Reference:	Annual Budget 2016/2017

Community Plan Reference:

City of Glenorchy Community Plan 2015-2040

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

The communities of Glenorchy will be confident that the Council manages the community’s assets soundly for the long term benefit of the community.

Strategic or Annual Plan Reference:

Glenorchy City Council Strategic Plan 2013-18 (Interim)

Objective 4.2	Manage our resources to achieve community outcomes.
Strategy 4.2.1	Deploy the Council’s resources in a way that maximises the effectiveness of the organisation and delivers value for money.
Strategy 4.2.2	Ensure long term financial capacity to deliver required services.

Reporting Brief:

To recommend to Council the 2016/17 Budget estimates, the 2016/17 Rolling 10 Year Long Term Financial Plan and the 2016/17 Schedule of Fees and Charges for 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 Councils 2016/17 Budget estimates are attached (Attachment 1).

Section 70 of the Act requires Council to prepare a long term financial management plan. The Council’s 2016/17 Budget and Rolling Long Term Financial Plan forecasting the financial position of Council over the period 2016/17 to 2025/26 is attached (Attachment 2).

Divisions 2 and 3 of the Act allow Council to levy general rates and service rates.

Division 3 of the Act allows Council to levy service charges. Council’s Schedule of Fees & Charges 2016/17 is attached (Attachment 3).

The key features of the 2016/17 budget estimates are:

- a $186,000 Operating Surplus in 2016/17, an improvement on the 2015/16 Budget Operating Deficit of $2.154 million
- budgeted total operating revenue of $53.948 million
- budgeted total operating expenditure of $39.151 million (excludes Depreciation and Asset Write Off)
- budgeted total capital expenditure of $12.662 million, and
- a budgeted general rate of 8.0600 cents in the dollar on the assessed annual value of all rateable land in the municipal area, resulting in a budgeted increase in general rate income of approximately $1.478 million.

The projected financial performance under the 2016/17 Budget does not yet reach Council's targets for three key financial ratios – underlying surplus ratio, current ratio and asset sustainability ratio. However, this year's budget achieves positive progress on the journey to financial sustainability.

This is described more fully in Council's long term financial management plan, which sets out the following key financial strategies:

- long term debt reduction
- improvement in liquidity
- achieving an operating surplus in the target range, and
- continuing a capital investment program focussed on replacement and renewal rather than new works.

The fees and charges for Council services are reviewed annually with the opportunity to assess the fees and charges against market rates. The update to the 2016/17 Fees and Charges Register has resulted in several fees increasing and the removal of some fees.

2016/17 Budget

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. 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."

Subsequently, the Council may then set the rates and charges to put in effect the estimates outlined above. Waste management charges and other fees and charges are established independently of the rates.

Detailed below are the estimates required under the Act, which have been developed using the Council Long Term Financial Plan (LTFP). There are six sections of analysis below:

1. Budgeted Operating Income and Expenditure
2. Budgeted Balance Sheet including Assets and Liabilities
3. Budgeted Capital Expenditure
4. Budgeted Cash Flow and Funding
5. Key Risks for the 2016/17 Budget
6. Sensitivities on the 2016/17 Budget

Attachment 1 is the 2016/17 Budget Summary and includes the estimates required under the Act. Any variation in values between the Council 2016/17 Budget Summary and this paper are solely due to rounding adjustments. Attachment 2 is the Glenorchy City Council 2016/17 Long Term Financial Plan, and Attachment 3 is the Schedule of Fees and Charges 2016/17.

The 2016/17 Budget meets or exceeds the target of two (marked*) of the five Key Financial Indicators for Council as set out below:

Key Financial Indicator	Target Ranges	2016/17 Budget
Underlying Surplus/(Deficit) Ratio	2.5% to 5.0%	0.3%
Current Ratio	1.5:1 to 2.0:1	1.0:1
Net Financial Liabilities to Operating Revenue*	> (25.0%)	(20.0%)
Asset Sustainability Ratio	100.0%	70.0%

Asset Renewal Funding Ratio*	90.0% to 100.0%	100.0%

The projected financial performance under the 2016/17 Budget does not yet reach Council's targets for three key financial ratios – underlying surplus ratio, current ratio and asset sustainability ratio. However, this year's budget achieves positive progress on the journey to financial sustainability. This is set out more fully in the section of this report dealing with the long term financial plan.

Consultation with the Council for the development of the 2016/17 Annual Budget included:

Date	Council Workshop or Meeting
21 March 2016	Asset Management Planning and 16/17 Capital Budget Formulation (W)
26 April 2016	2016/17 Operating Budget (W)
6 June 2016	Rolling 2016/17 Budget and Long Term Financial Plan (W)
6 June 2016	2016/17 Budget and Long Term Financial Plan Assumptions and Parameters (M)

Key Assumptions

At the Council Meeting on 6 June 2016 the Council were presented and accepted with the assumptions underpinning the 2016/17 Budget and 10 Year Long Term Financial Plan.

2016/17 Operating Income and Expenditure

As outlined in Table 3.1 below, the operating surplus budgeted for 2016/17 is $186k excluding capital grant funding and net revenue from property sales. The improved operating position has resulted primarily through:

- a net increase in rates revenue of $1,426k due to an increase in rates and rates growth in the number and value of rateable properties, offset by a decrease in interest and interest penalties
- savings in street lighting of $331k with the changeover to energy efficient globes
- savings in property rental with the expiry of the Civic Centre lease and other initiatives $338k, and
- net contribution from the Jackson Street Waste Management Centre improving $788k compared to the 2015/16 budget due to higher volumes, increased fees and reduced expenditure.

Table 3.1 – 2015/16 Budget Income Statement

	2014/15 Actual ($'000)	2015/16 Forecast ($'000)	2016/17 Budget ($'000)
Revenue (Excluding Capital Grants and Property Sales)			
Rates	$ 26,725	$ 27,906	$ 29,285
State Fire Levy	$ 4,428	$ 4,764	$ 5,056
User Charges & Licences	$ 10,942	$ 10,607	$ 11,616
Operating Grant Income	$ 4,408	$ 1,860	$ 3,027
Investment Income	$ 3,256	$ 3,258	$ 3,606
Other Income	$ 6,692	$ 2,544	$ 1,358
TOTAL REVENUE	**$ 56,451**	**$ 50,939**	**$ 53,948**
Expenditure			
Employee Expenses	($ 21,884)	($ 19,261)	($ 19,687)
Materials, Contractors & Other	($ 17,000)	($ 15,040)	($ 14,113)
State Fire Levy	($ 4,428)	($ 4,719)	($ 5,056)
TOTAL EXPENDITURE	**($43,312)**	**($39,020)**	**($38,856)**
Surplus/(Deficit) Before Interest, Depreciation & Amortisation	**$ 13,139**	**$ 11,919**	**$ 15,092**
Depreciation Expense	($ 15,250)	($ 14,395)	($ 14,441)
Assets Written Off	($ 2,017)	($ 170)	($ 170)
Surplus/(Deficit) Before Interest	**($ 4,128)**	**($ 2,646)**	**$ 481**
Interest Expense	($ 411)	($ 379)	($ 295)
Operating Surplus/(Deficit)	**($ 4,539)**	**($ 3,025)**	**$ 186**
Add Capital Grant Funding	$ 1,640	$ 1,590	$ 999
Add/(Less) Net Property Sales	($ 1,993)	$ 26	($ 581)
Surplus/(Deficit)	**($ 4,892)**	**($ 1,409)**	**$ 604**

Revenue

Rating Policy

The rates budget has increased to $29,285k to maintain services across the municipality. The result of the proposed increase in rates revenue is that the "average residential ratepayer" would pay an increase of approximately $0.90 per week.

Table 3.2 below provides an indication of the average properties and the dollar impact per week and per annum for each property class.

Table 3.2: Average Properties average weekly rate increase 2016/17

Property Type	$ Change per Week*	$ Change per Annum
Residential	$0.90	$ 46.96
Rural Residential	$0.94	$ 48.62
Vacant Land	$0.61	$ 31.88
Commercial	$3.17	$ 165.06
Industrial	$7.07	$ 367.41
Community	$1.74	$ 90.29
Farm	$1.39	$ 72.23

* *Note Change per Week is calculated by dividing Change per Annum by 52 and rounding to the nearest cent.*

Fees and Charges Register

The fees and charges for Council services are reviewed annually with the opportunity to assess the fees and charges against market rates. The update to the 2016/17 Fees and Charges Register has resulted in several fees increasing and the removal of some fees.

Attachment 3, the Schedule of Fees and Charges, provides details on the fees charged in 2015/16 and the proposed fees in 2016/17 (the far right section in orange). New fees are easily identified as no fee is listed for 2015/16. Within the Fees and Charges Register there are references to the following documents:

- Cash in lieu of public open space – reference to *Local Government (Building and Miscellaneous Provisions) Act 1993*; and
- Reference to Rates & Charges for 2016/17 (i.e. the rates resolution in this report).

Council approved the Landfill Operations charges in a report to the 9 May 2016 Council meeting. All the charges approved at that meeting are now reflected in the Schedule of Fees and Charges.

Building and plumbing fees were reviewed to reduce processing time and complexity for Council staff and to be more customer friendly. Fees for residential work have been consolidated and the structure has fewer ‘charge bands’ for commercial work.

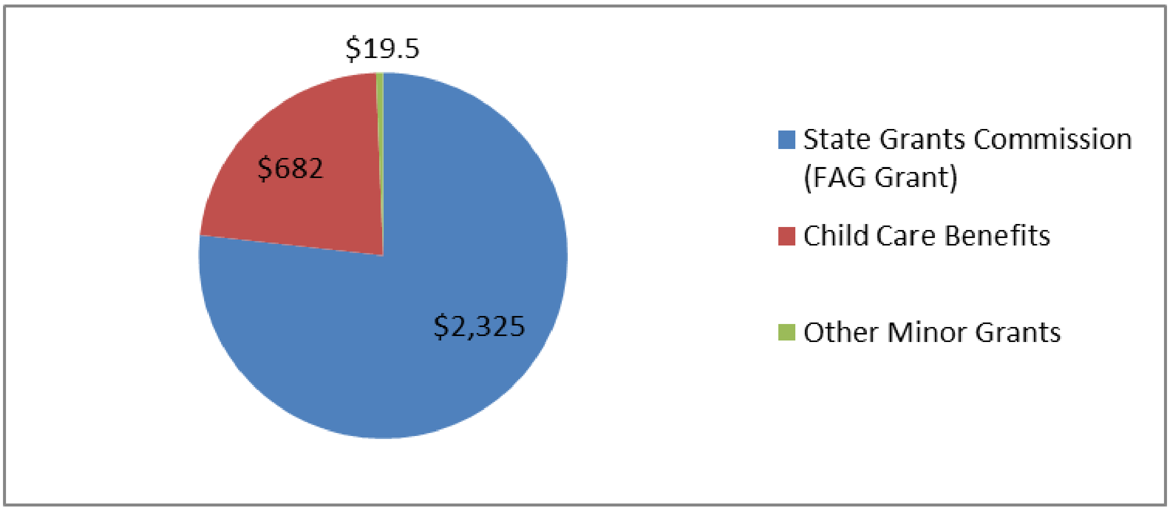
The increase in 2016/17 Budget User Charges and Licences Income is primarily due to KGV coming on line and greater utilisation of the Landfill.

Operating Grant Subsidies (Excluding Capital Grants)

Operating Grants are budgeted to decrease by $89k in 2016/17 primarily due to a decrease in budgeted utilisation from Childcare Centres.

Chart 3.2 below provides a breakup of the budgeted funding sources.

Chart 3.2 – Operating Grant Funding ($'000)



Investment Income

2016/17 budgeted investment income includes Tasmanian Water Corporation distributions and interest revenue on deposit and investment funds. Investment income is budgeted to decrease by $349k compared to the 2015/16 Budget, due to lower cash holdings and falling interest rates.

Distributions from Tasmanian Water Corporation are budgeted to remain steady for 2016/17 at $3.258 million.

Other Income

Other income is budgeted to increase by $110k compared to the 2015/16 Budget primarily due to the DEC contribution from Ticketmaster and anticipated sponsorship arrangements.

Expenditure

Employee Expenses

Employee Expenses are budgeted to increase by $717k in 2016/17 compared to the 2015/16 Budget, primarily resulting from salary increases and new positions.

Materials, Contractors and Expenses

At $14.408 million, expenses will decrease by $1.261 million in this area for 2016/17 ($15.669 million: 2015/16 Budget).

Contributing to the expenditure decrease are:

- street Lighting (more energy-efficient globes)
- reduced property rentals (non-renewal of the Civic Centre lease), and
- reduced use of contract labour.

Maintenance Expenditure Summary

A $283k decrease in maintenance expenditure is projected for 2016/17.
Table 3.3 below provides a comparison to last year's budget:

Table 3.3 – Summary of Maintenance Spend

Maintenance Spend	**Budget 2016/17 $'000**	**Budget 2015/16 $'000**	**Increase /(Decrease) $'000**
Parks and Recreation	2,905	3,029	(124)
Roads Maintenance	1,770	1,796	(26)
Stormwater Maintenance	988	1,003	(15)
Facilities Maintenance	1,062	1,180	(118)
Total	**6,725**	**7,008**	**(283)**

The key trends for the reduction in maintenance spend are:

- a reduction in salaried positions
- a reduction in renegotiated contractor rates, and
- cessation of maintenance services for Civic Centre.

Depreciation Expense

The net depreciation expense is due to decrease by $3k which reflects the increased depreciation from new assets being offset by the decreased depreciation of existing assets resulting from a projected increase in the useful life of infrastructure assets based on an independent consultancy report.

Interest Expenditure

Interest expenditure is budgeted to decrease by $67k on the 2015/16 Budget primarily due to the decision to retire debt. A total of $859k is forecast to be retired during 2016/17 and a further $904k is projected for 2017/18 with subsequent reductions in interest expenditure.

Capital Grant Funding

Council has budgeted to receive a "Roads to Recovery" Grant which includes an increase of $134k for 2016/17.

Profit/(Loss) on Disposal of Land

The budgeted loss on disposal of land is driven by disposals in Montrose and Glenorchy. The decision to buy and sell properties is taken from a strategic perspective, identifying the need for property in the portfolio. Properties surplus to need are disposed at market value.

2017 Budget Balance Sheet

As outlined in Table 4.1 below, the budgeted Net Asset position for Council will be a strong $677.440 million, following the completion of the major capital projects for Derwent Park Stormwater Reuse, Community Arts Centre and King George V (KGV), while at the same time reducing debt.

Table 4.1– Projected Balance Sheet

	2015 Actual ($'000)	2016 Forecast ($'000)	2017 Budget ($'000)
Assets			
Current Assets			
Cash	$ 22,692	$ 10,703	$ 11,681
Other Current Assets	$ 5,583	$ 2,808	$ 2,993
Total Current Assets	$ 28,275	$ 13,511	$ 14,674
Non Current Assets			
Property, Plant & Equipment	$ 496,997	$ 504,500	$ 506,000
Investment In Water Corporation	$ 161,184	$ 161,184	$ 161,184
Other Non Current Assets	$ 16,556	$ 24,076	$ 20,619
Total Non Current Assets	$ 674,737	$ 689,760	$ 687,803
Total Assets	**$ 703,012**	**$ 703,271**	**$ 702,477**
Liabilities			
Current Liabilities			
Borrowings	$ 779	$ 859	$ 445
Other Current Liabilities	$ 10,987	$ 13,206	$ 13,959
Total Current Liabilities	$ 11,676	$ 14,065	$ 14,404
Non Current Liabilities			
Borrowings	$ 6,036	$ 5,393	$ 4,948
Other Non Current Liabilities	$ 5,316	$ 5,500	$ 5,685
Total Non Current Liabilities	$ 11,352	$ 10,893	$ 10,633
Total Liabilities	**$ 23,028**	**$ 24,958**	**$ 25,037**

Net Assets	**$ 679,984**	**$ 678,313**	**$ 677,440**
Equity			
Community Equity	$ 378,479	$ 377,044	$ 378,229
Reserves	$ 301,505	$ 301,269	$ 299,211
Total Equity	**$ 679,984**	**$ 678,313**	**$ 677,440**

Assets

The current assets balance is expected to normalise during the 2016/17 financial year following the completion of a number of major capital projects that attracted grant funding. Surplus cash and investment funds have also been applied to reduce Council debt.

Liabilities

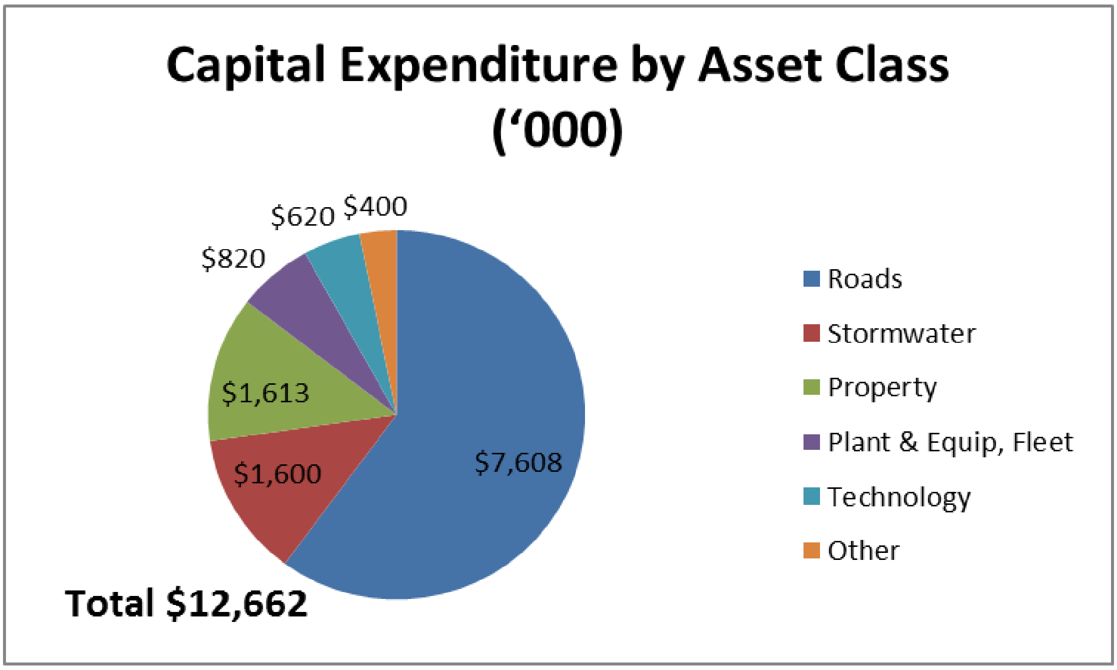
Council liabilities continue to trend down primarily due to the retirement of debt as it becomes due.

Equity

Council equity and net assets continue to trend up reflecting the recent investment in the major projects listed above and the decision to retire debt.

2016/17 Budgeted Capital Expenditure

Capital investment of $12.662 Million is budgeted across the six asset classes of Council. The chart below summarises the budget for each asset class. Expenditure is across several suburbs of the municipality.



Council's budgeted capital expenditure for 2016/17 is summarised below by asset category.

Table 5.1 – 2016/17 Capital Expenditure Program

Asset Class	Renewal ($'000)	Upgrade/New ($'000)	2016/17 Budget ($'000)	%100 Renewal Target ($'000)
Transport	$ 7,153	$ 455	$ 7,608	$ 7,837
Drainage	$ 873	$ 727	$ 1,600	$ 2,619
Buildings	$ 1,199	$ 414	$ 1,613	$ 2,628
Fleet, Plant & Equipment	$ 483	$ 337	$ 820	$ 409
Technology	$ 100	$ 520	$ 620	$ 631
Other	$ 300	$ 100	$ 400	$ 316
Total	**$ 10,109**	**$ 2,553**	**$ 12,662**	**$ 14,441**

On average, approximately 80% of capital investment in 2016/17 is renewal.

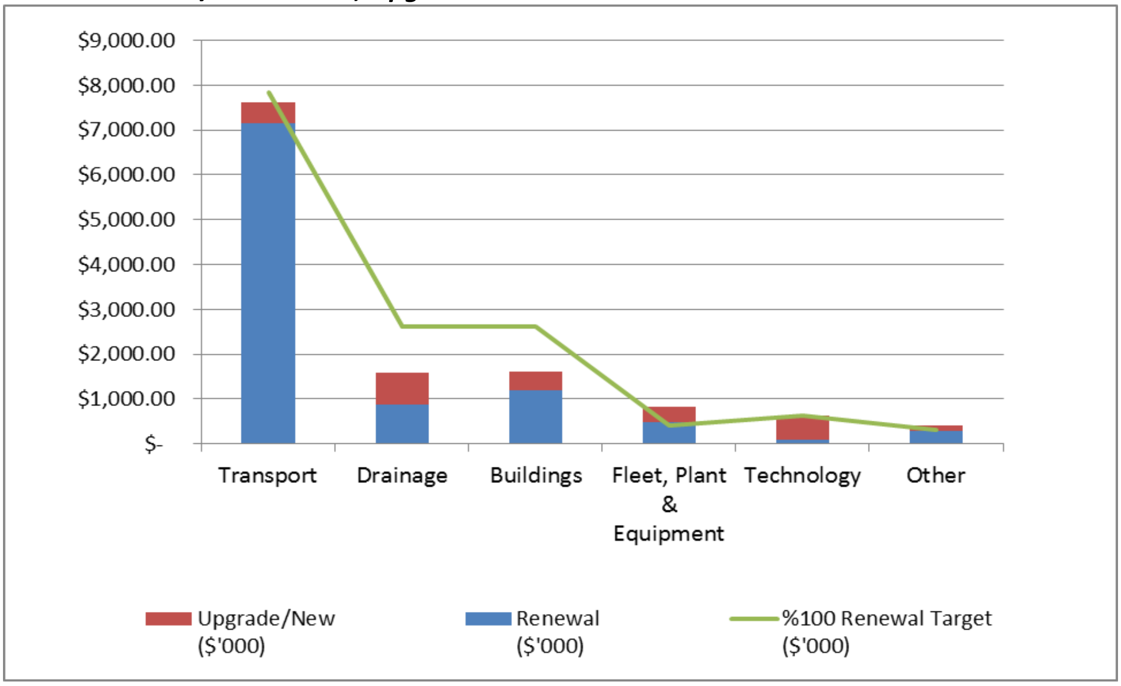
No borrowing is proposed in the 2016/17 Budget, as Council is proposing an operating surplus budget, and cash flow positive with net funds added to Council's cash at bank.

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. On average, 80% of Council's 2016/17 Capital Budget is of a renewal nature.

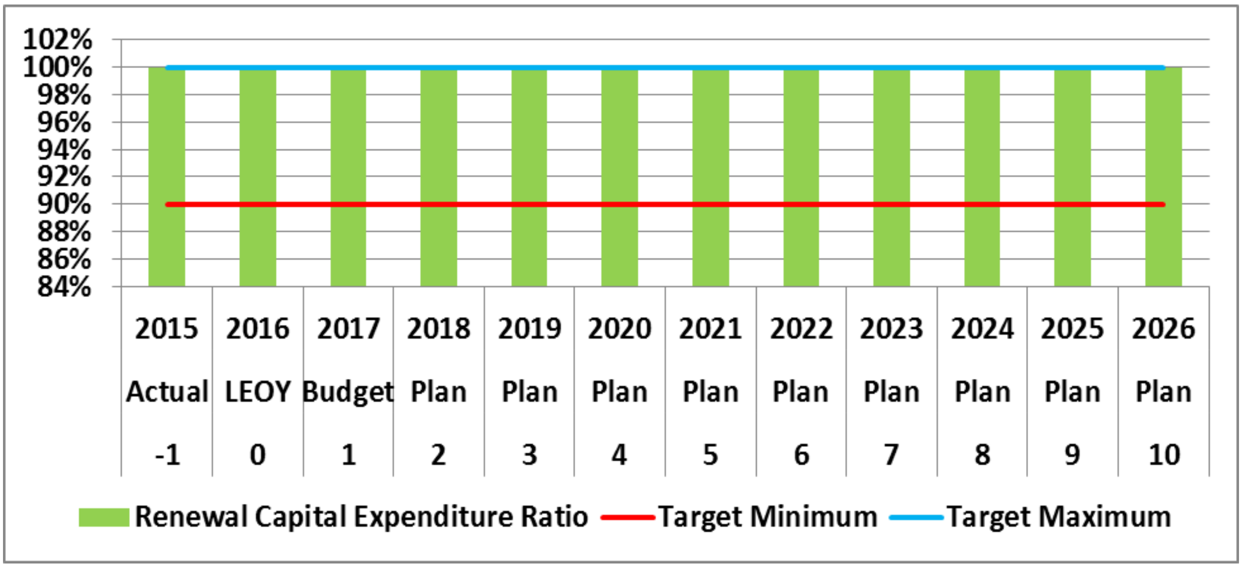
Chart 5.1 – 2016/17 Renewal, Upgrade and New Investment



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

Asset Management Co-ordinators for Roads, Stormwater, Property, ICT and Plant and Fleet provided 10 year capital expenditure forecasts during the budget process, which have been incorporated into the Long Term Financial Plan. As indicated in Chart 5.2 below, capital expenditure is budgeted at 100% of that required under asset class plan projections.

Chart 5.2 – 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

Based on depreciation expense levels, $7.837 million is required for Roads renewals in 2016/17 and approximately $7.608 million of projects have been funded in the 2016/17 Budget. As has been the case in previous years, two of the biggest issues of concern are the deterioration of footpaths and road reseals. The proposed budget continues the focus upon progressively addressing these areas.

The proposed spend on new and upgrade works for Roads in 2016/17 is $455k in comparison to the 2015/16 budgeted spend of $578k. All new projects have been carefully chosen based on community need.

Major projects in the Roads Program are:

- Continental Rd – Full road replacement (Galston to Hull) – $700k
- Moreton Cres - Full road replacement (Keynsham to Bournville) – $608k
- Amy St – Full road replacement includes school crossing & pedestrian upgrades $430k
- Howard Rd – Pedestrian improvements - $126k, and
- Seamew St – Full road replacement – $276k.

Stormwater

Stormwater renewal rates, based on depreciation expense, are approximately $2.619 million. However, renewal stormwater works in the 2016/17 Budget are approximately $880k. 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.

Priority is given to stormwater projects that relate to proposed road works to ensure that the maximum benefit is gained. New or upgrade works account for approximately $671k in response to a capacity analysis that was undertaken, which identified a large proportion of under-sized stormwater lines.

Major projects in the Stormwater Program are listed below:

- Peronne Ave – Renewal and upgrade of pipes - $153k
- Edinburgh Cres - Renewal and upgrade of pipes - $180k, and
- Goodwood Rd – Renewal of existing pipes - $150k.

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 sporting and recreation facilities.

Based on depreciation expense, approximately $2.627million of renewal expenditure is required for 2016/17. The 2016/17 renewal budget set at $1.199 million. Major property projects for 2016/17 are:

- Elwick/Montrose Bay Seawall – Replacement of existing infrastructure $200k
- Montrose Bay Jetty – Renewal and upgrade $180k
- Playground Equipment – Renewal and ensure compliance $150k, and
- Tolosa Park Hut Replacement – Ongoing replacement program $50k.

Fleet

Council made a past decision, following cost/benefit analysis, to change funding for the passenger fleet from operating leases to internal funding through the capital expenditure program. This change is now complete. However the decision to internally fund purchases has now been extended to some of the trade vehicles. The 2016/17 Fleet Budget reflects the purchase of 6 replacement vehicles and 1 additional vehicle.

Plant and Equipment

The majority of the Plant and Equipment expenditure in the 2016/17 budget is renewal as part of Council's replacement schedule, with $53k to upgrade kerbside waste and recycling bins and $238k to acquire new plant and equipment.

Information, Communication & Technology (ICT)

Council's investment in technology for 2016/17 is supported by the ICT Strategy. Of the $620k budgeted in 2016/17, $276k will be invested in the replacement of the Council telephone system necessitated by the switch to NBN technology, $100k on the redevelopment of the Council website and $92.5K on training and support.

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 2016/17 Budget there is a provision of $400k that will be used for all capital projects that arise during 2016/17 that are not identified in the budget. The budget is managed by the Infrastructure Management Group based on business case proposals to access the funds.

Reserves

Reserves Policy

Attachment 1 summarises the Council funds anticipated to be transferred to reserves in 2016/17. A net total of $114k is anticipated to be transferred to Reserves, including:

- Land Sales increase $124k
- Landfill Close Out increase $260k
- City Revaluation net decrease $320k, and
- Election Expense increase $50k.

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. Two properties are planned to be sold during 2016/17.

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.

City Revaluation
Council contributes to the City Revaluation Reserve annually to meet the significant cost of revaluing the city's assets every 6 years. The valuation information is necessary for Council to determine the level of rates applied to each property. The Valuer-General is undertaking a review during 2016/17, with the new values to apply from July 1 2017.

Election Expenses
Local Government reforms which commenced in October 2014 mean that elections are now held every 4 years on an "all in/all out" basis. To even out the election expenditure, a quarter of the forecast election expenses are set aside annually in a reserve.

2016/17 Budget Cash Flow and Funding

The 2015/16 Forecast closing cash balance is $10.703 million, subject to realising the forecast 2015/16 Deficit of $2.541 million and the forecast capital expenditure of $28.509 million for the period.

As detailed in Table 7.1 below, the projected net movement in cash for 2016/17 is an increase of $978k resulting from above average Cash Flows from Operating Activities, below average investment cash outflows out following the scheduled completion of the Derwent Park Stormwater Reuse and King George V (KGV) projects and repayment of maturing debt.

Table 7.1 – Budget Cash Flow Statement

	2014/15 Actual ($'000)	**2015/16 Forecast ($'000)**	**2016/17 Budget ($'000)**
Operating Cash Flows			
Rates & State Fire Levy Revenue	$ 31,124	$ 32,623	$ 34,205
Other Revenue	$ 17,153	$ 14,962	$ 15,031
Employee Expenses	($ 22,203)	($ 19,088)	($ 19,555)
Materials and Contracted Services	($ 22,337)	($ 19,700)	($ 19,182)
Interest Expense	($ 410)	($ 379)	($ 340)
Net Movement in Operating Cash Flows	**$ 3,327**	**$ 8,418**	**$ 10,159**

	2014/15 Actual ($'000)	2015/16 Forecast ($'000)	2016/17 Budget ($'000)
Investment Cash Flows			
Proceeds from Sale of Non Current Assets	$ 2,291	$ 696	$ 83
Distribution from Water Corporation	$ 3,256	$ 3,258	$ 3,258
Government Capital Grants	$ 1,640	$ 1,590	$ 999
Payments for Property, Plant and Equipment	($ 17,933)	($ 25,136)	($ 12,662)
Net Movement in Investment Cash Flows	**($ 10,746)**	**($ 19,592)**	**($ 8,322)**
Financing Cash Flows			
Repayment of Interest Bearing Loans and Borrowings	($ 1,356)	($ 815)	($ 859)
Net Movement in Financing Cash Flows	**($ 1,356)**	**($ 815)**	**($ 859)**
Projected Net Movement in Cash Flows	**($ 8,775)**	**($ 11,989)**	**$ 978**
Projected Opening Cash Balance	**$ 31,467**	**$ 22,692**	**$ 10,703**
Projected Closing Cash Balance	**$ 22,692**	**$ 10,703**	**$ 11,681**

Operating Cash Flows

The improvement in net movement for Operating Cash Flows is primarily driven by the increase in Rates and Waste Collection Revenue, and reductions in expenditure from Materials and Contracted Services.

The reduction in the 2016/17 Budgeted Materials and Contracted Services expenditure when compared to the prior year reflects the full year effect of improvements undertaken during the year including reductions in Street Lighting expenditure.

Investment Cash Flows

The investment in infrastructure assets continues to be the primary driver for the net cash movement in Investment Cash Flows, as Council continues to invest in its infrastructure assets, and completes the Derwent Park Stormwater Reuse and King George V (KGV) projects.

The distribution from the Tasmanian Water Corporation ($3.258 million) is reflected in the cash flows and remains unchanged from 2015/16.

Funding Cash Flows

The net movement in the Financing Cash Flows reflects the decision to repay debt of $859k in 2016/17.

Key Risks for 2016/17 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 2016/17 Budget. Any revenue reductions from the distribution will directly decrease the 2016/17 Operating Surplus.

Economic Conditions
User Charges by their nature are variable revenue items and dependent on services provided by Council generating the projected revenue. Approximately 18% of Council revenue is from User Charges, including building and planning application fees.

Over the past three years, Council has experienced increased economic activity as revenue from user charges trends up in a number of areas including Planning, Building & Plumbing, Jackson Street Waste Management Centre, and Derwent Entertainment Centre. Council has taken this trend into account in developing the 2016/17 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 tradeoff. Recent Reserve Bank of Australia decisions on the cash rate have interest rates trending down and will require prudent management of funds to maximise returns during current economic conditions.

Employee Benefits
Council is currently engaged in enterprise agreement negotiations with employees. There is a risk that negotiated outcomes exceed those provided for within the underlying assumptions. Management is seeking to mitigate this risk by undertaking good faith negotiating within agreed parameters and by working with the parties to identify offsetting cost-saving opportunities through the process.

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.

Sensitivity Analysis

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

Table 8.1 – Sensitivity Analysis

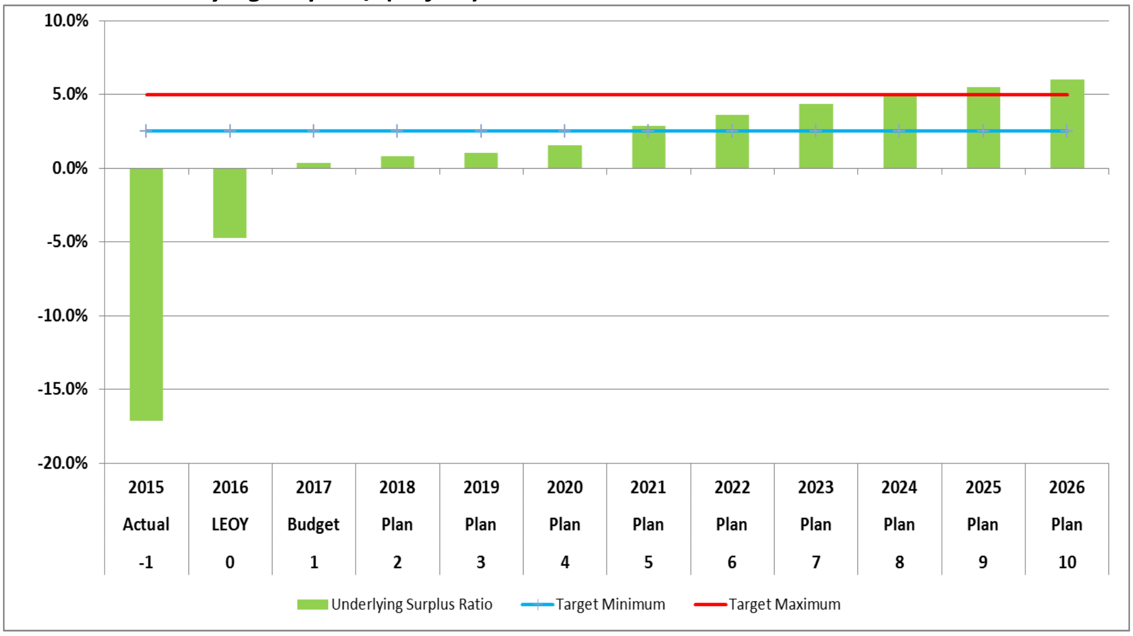
Risk	Change	Decrease/(Increase) in 2016/17 Budget Operating Deficit
Water Corporation Distribution	1% Decrease in Distribution	($33k)
Economic Conditions (User Charges and Licences)	1% Decrease in Revenue	($116k)
Interest Rate on Investment Funds	0.5% Decrease in Cash Rate	($55k)
Enterprise Agreement	1% Increase in Employee Salaries	($190k)

Long Term Financial Plan

Due to the long life nature of Council's assets, which support many services, it is essential that the 2016/17 Budget supports the long term provision of services in accordance with community expectations. Council has developed a Long Term Financial Plan (LTFP), refer to **Attachment 2**, to provide a longer term context to support decision-making around the budget development process.

This LTFP relies upon a prudent and structured cost control program to maintain the trend, including the key assumption that new investment should include savings and/or additional revenue to counter any operating expenditure increase resulting from the new investment beyond the budget year.

Chart 9.1- Underlying Surplus / (Deficit) Ratio



Council projects to maintain an improving cash position that throughout the life of the LTFP. This is summarised below in Chart 9.2.

As Chart 9.2 highlights, the cash position falls to approximately $10 million before increasing to approximately $26 million by 2021/22 as a result of operating surpluses that begin from 2016/17. Along with this, it is planned to pay down approximately $4.8 million of debt.

Chart 9.2 – Funding Analysis

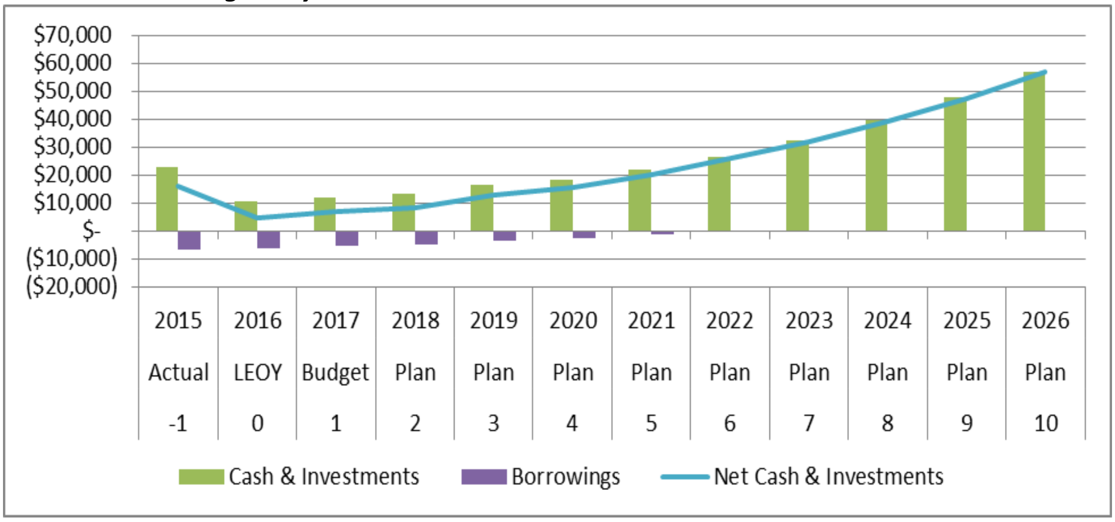


Chart 9.3 below highlights that capital expenditure will continue to be invested into renewing Council's existing asset base during the period.

Chart 9.3 – Asset Sustainability Ratio*

**Capital expenditure as a percentage of annual depreciation expense*

Improving the Financial Result

Over the past 4 years there were targeted initiatives to return the operating financial position to a surplus. A number of key initiatives to reduce expenditure were implemented during the 2015/16 financial year and are budgeted to continue in 2016/17. Further detail on the initiatives is provided below:

Operational Efficiencies

$1.6 million in annual operating expenditure savings is forecast in the LTFP from 2016/17, which is expected to come from improvements in resourcing, better scheduling and process improvements across Council, especially at the Works and Services Centre as a result of the service level review which is currently underway.

Infrastructure Useful Life

The 2016/17 and out-years budgets reflect a reduction in depreciation expense following a detailed review of the useful life of Road assets. This resulted in a significant reduction in depreciation from 2015/16. The 2016/17 depreciation budgets continue to reflect these savings partially off-set by the depreciation of new assets coming on stream. A similar review of Drainage assets was undertaken and a reduction in depreciation expense of approximately $0.4 million was identified and is reflected in the 2016/17 Budget.

Street Lighting

During 2015/16, a program was implemented to replace existing Mercury Vapour street lighting with Light-Emitting Diode (LED) street lighting. As a result, it is expected there will be both energy and maintenance savings for Council. Approximately $300k is included in the 2016/17 Budget as a conservative saving from the replacement program.

Centralised Procurement

Annual savings of approximately $200k is incorporated in the 2016/17 Budget based on a centrally organised procurement system, which will arise from more strategic purchasing and improved monitoring controls.

Revenue Generating Improvement Initiatives

In addition to the key expenditure saving initiatives outlined above there are several potential revenue generating options that are being pursued by Council. The key strategies currently identified are outlined below:

Grant Revenue

Council will be seeking to maximise grant revenue to fund opportunities that are of priority to all levels of government. Council remains aware 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.

Property Strategy

Council owns a number of revenue generating and non-revenue generating tourism, historic and recreational properties across the city. In the short term, Council will undertake a review of pricing structures with the objective of generating appropriate future revenue from the properties.

Council proposes to develop and commence implementation of a property strategy during 2016/17. This will evaluate the use of Council property portfolio to ensure that they are meeting Council's strategic objectives. As has been the case in the recent past, surplus or underperforming properties will be disposed of and funding placed in a reserve to enable property acquisition that supports Council's strategic objectives. Future property investment decisions will take into account the likely whole of life cost of new acquisitions.

User Fees and Charges Review

Increased revenue may be generated by reviewing user fees and charges or finding new charge points. This will include an annual strategic review of comparative fees and charges imposed by neighbouring Councils to ensure anomalies are reviewed and the relevance to GCC is assessed.

Other Improvement Initiatives

Service Level Review

A major focus for Council is a review of its services to ensure sustainability into the future. In 2015/16 priority service level reviews commenced for the Works Centre, Finance and Governance. It is anticipated that this program will be extended to the remainder of Council during the forthcoming year.

Customer Strategy

Council has initiated a customer service strategy project with the objective of making it easier for customers to do business with Council.

A review of Council's website is currently underway to improve information provision for our customers and citizens.

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 2015/16 included progress on migration to the Cloud and a major reimplementation of Councils core enterprise suit (Technology 1) is underway. This will streamline Council's business processes and provide the capacity for future mobility. These projects will continue to be progressed in 2016/17.

Consultations:

Aldermen (3 budget workshops and 1 Council Meeting)
Executive Leadership Team
Managers and Co-ordinators
Senior Finance staff

Human Resource / Financial and Risk Management Implications:

Human resource, financial and risk management implications relating to the approval of the 2016/17 Budget and Long Term Financial Plan are set out in the body of this report and the attachments.

Key risks for the 2016/17 Budget are Tasmanian Water Corporation distributions, the impact of economic conditions on user charges, interest rates and the outcome of current Enterprise Agreement negotiations.

Community Consultation and Public Relations Implications:

A community forum on the draft budget attended by 50 people was held at the Moonah Arts Centre on 19 May 2016. This was followed by a one week period in which members of the public were invited to provide comment to aldermen on the draft budget.

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 ADOPT the following:

1. The Glenorchy City Council 2016/17 Budget (**Attachment 1)**; and

2. The Glenorchy City Council 2016/17 Rolling 10 Year Long Term Financial Plan (**Attachment 2**); and

3. The Glenorchy City Council – Schedule of Fees and Charges 2016/2017 (**Attachment 3**); and

4. The monthly financial performance reports continue to compare the budgeted revenue and expenditure to the actual revenue and expenditure at the directorate level; and

5. That pursuant to section 89A of the *Local Government Act 1993* (here referred to as the "Act"), values under the *Valuation of Land Act 2001* be used as a basis of rates; and

6. That pursuant to Section 90(1) of the Act, for the period of 12 months commencing on 1 July 2016 and ending on 30 June 2017 inclusive (here referred to as the "financial year"), the Council make a general rate of 8.0600 cents in the dollar based on the assessed annual value (here referred to as the "AAV") of all rateable land in the municipal area of Glenorchy; and

7. 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 $161.99; and

8. 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. 1.43910 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 $38.00; and

b. 0.2598 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 $38.00; and

9. 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:

$160.40	140 litre weekly collection;
$160.40	240 litre weekly collection;
$80.20	140 litre fortnightly collection ; and
$80.20	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:

$159.90	140 litre weekly collection;
$274.00	240 litre weekly collection;
$ 80.10	140 litre fortnightly collection; and
$137.20	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

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:

$80.20	shared recycling service; and
$80.10	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.

10. That pursuant to Section 94(3) of the *Local Government Act 1993*, make a service charge for the financial year for any or all the services specified in section 93 of the Act of **$211.16** for land used exclusively as a place of religion or worship.

11. 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 *Local Government Act 1993*.

12. As permitted by section 129(4) of the *Local Government Act 1993,* no penalty or interest is to apply during the period 1 August 2016 to 1 April 2017 where payment is made by Direct Debit and there are no arrears owing.

13. Rates levied in accordance with this resolution are payable to the Council by two (2) equal instalments,

    (a) the first by 15th August 2016, and

    (b) the second by 1st February 2017.

Variations to Service Charges

14. 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 2016 and ending on 30 June 2017 inclusive (here referred to as the "**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:

$287.20	140 litre weekly collection;
$287.20	240 litre weekly collection;
$143.80	140 litre fortnightly collection; and
$143.80	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:

$242.40	140 litre weekly collection;
$415.20	240 litre weekly collection;
$139.00	140 litre fortnightly collection; and
$238.60	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 14.a. and 14.b. do not attract a Goods and Services Tax (GST) in 2016/17.

Attachments/Annexures

1 2016-17 Budget Summary

2 Rolling 2016/17 Budget and Long Term Financial Plan

3 Schedule of Fees and Charges