SPECIAL COUNCIL MEETING
AGENDA
MONDAY, 20 JUNE 2022

GLENORCHY CITY COUNCIL

QUALIFIED PERSON CERTIFICATION

The General Manager certifies that, in accordance with section 65 of the *Local Government Act 1993*, any advice, information and recommendations contained in the reports related to this agenda have been prepared by persons who have the qualifications or experience necessary to give such advice, information and recommendations.

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Tony McMullen
General Manager

15 June 2022

Hour:	6.00pm
Present (in Chambers):	
In attendance (in Chambers):	
In attendance (by video link):	
Leave of Absence:	

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1. APOLOGIES

2. PECUNIARY INTEREST NOTIFICATION

3. PUBLIC QUESTION TIME (15 MINUTES)

Please note:

- the Council Meeting is a formal meeting of the Aldermen elected by the Glenorchy community. It is chaired by the Mayor
- public question time is an opportunity in the formal meeting for the public to ask questions of their elected Council representatives about the matters that affect ratepayers and citizens
- question time is for asking questions and not making statements (brief explanations of the background to questions may be given for context but comments or statements about Council's activities are otherwise not permitted)
- the Chair may permit follow-up questions at the Chair's discretion, however answers to questions are not to be debated with Council
- the Chair may refuse to answer a question, or may direct a person to stop speaking if the Chair decides that the question is not appropriate or not in accordance with the above rules
- the Chair has the discretion to extend public question time if necessary.

GOVERNANCE

Community goal: "Leading our Community"

4. 2022/23 BUDGET ESTIMATES

Author: Chief Financial Officer (Tina House)

Qualified Person: Director Corporate Services (Jenny Richardson)

ECM File Reference: 2022/23 Annual Budget

Community Plan Reference:

Leading Our Community

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:

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 present the proposed 2022/23 Budget Estimates and Long-Term Financial Management Plan 2022/23 to 2031/32 to Council for adoption.

Proposal in Detail:

Executive Summary

This report presents Council's recommended 2022/23 annual budget estimates and Long-Term Financial Management Plan 2022/23 to 2031/32 to Council for adoption.

Council's focus in setting the 2022/23 budget is a back-to-basics approach, focussing on affordability and responsibility. Council, like our community is facing cost of living pressures with the availability and cost of goods and services rising sharply during the past 12-months.

To continue to provide services to the community and maintain our extensive infrastructure asset portfolio, Council must be financially sustainable. Despite a significant deficit forecast for the coming financial year, rate increases for 2022/23 are recommended to remain at 3.5%, which is in line with Council's Long-Term Financial Management Plan.

Council's budget for next year forecasts an underlying deficit of $4.5m.

With the key focus areas of affordability and responsibility in mind, the objectives of this year's budget are:

- improving council's ongoing financial sustainability
- identifying areas of cost control, and
- increasing expenditure on capital works

The budget and Long-Term Financial Management Plan will be reviewed again in January 2023 and may be adjusted, if necessary.

Background

Council is responsible for delivering services to a population of just under 50,000 with a diverse mix of cultural and socio-economic backgrounds, including the management of approximately $1 billion of assets.

The cost of delivering core services to Council's community continues to increase with demand for services experiencing significant growth. The City continues to expand with ongoing population and housing growth due to several significant developments occurring over recent months and planned for the coming year.

Council has been the beneficiary of a number of State and Federal Government Grants for the upgrade and construction of community infrastructure. While this funding enables significant investment in facilities for the community, ongoing operational costs will be incurred in maintaining and managing these facilities.

The Long-Term Financial Management Plan forecasts ongoing deficits for the short-term until a projected return to surplus in the 2026/27 financial year. Future rate increases are predicted at 3.5% per annum as Council manages its ongoing sustainability, by modelling the expenditure impacts of the substantial investment in new assets and ongoing cost increases of services and materials.

The key features of the proposed 2022/23 Budget estimates are:

- estimated Underlying Operating Deficit - $4.5m
- Operating Revenue - $66.0m
- Operating Expenditure - $67.6m
- Depreciation and asset write off - $17.8m
- Capital expenditure - $31.5m
- Cash Balance at 30 June 2023 - $15.1m, and

The focus for the 2022/23 budget is the delivery of essential services, progressing existing Annual Plan priorities, enhancing Community safety and asset maintenance.

Key operational activities for 2022/23 include to:

- undertake a review of the Community Engagement Framework
- plan and support the delivery of community events and awards programs
- provide and maintain a range of community and recreation facilities
- identify and progress amendments required to Glenorchy's planning scheme to facilitate growth
- undertake structure planning for the future release of residential land in Granton
- deliver, partner and advocate for the implementation of the Berriedale Peninsula Masterplan
- implement Stage 1 of the Tolosa Park Master Plan with TasWater
- manage and maintain a road network that meets the transport needs of the community
- provide a network of shared paths, footpaths and trails that is safe and provides access to all abilities.
- renew Council infrastructure through delivery of the capital works programs
- complete a targeted review of Council services.
- sustainably manage Council's property, parks and recreation infrastructure and facilities
- deliver the Australian Government funded recreation projects
- facilitate and engage with partners to advocate for the development of safe, liveable, affordable housing options in our City
- implement the Communications Strategy
- investigate a sustainable Multicultural Hub model
- engage with the Aboriginal Community to develop a Reconciliation Action Plan

Capital works priorities for the 2022/23 budget are focused on the renewal and maintenance of existing community assets and the delivery of grant funded facilities. Key capital works projects for the 2022/23 financial year include:

- delivering on the Australian Government Grants Program and commencing works on new sporting and play facilities
- road resurfacing
- footpath renewal
- road pavement rehabilitation, and
- stormwater asset renewal and flood mitigation

2022/23 Budget

Section 82 of the *Local Government Act 1993* requires the General Manager to prepare estimates of Council's revenue and expenditure for each financial year.

Section 82 (2) and (3) read as follows:

(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*."

The 2022/23 Budget Summary, which includes the estimates required under the Act, is Attachment 1 to this report.

Council's Long-Term Financial Management Plan 2022/23 to 2031/32 (updated to reflect the results of this year's budget) is Attachment 2.

The assumptions which underpin the 2022/23 Budget are contained in the Long-Term Financial Management Plan (**LTFMP**) and are consistent with Council's Financial Management Strategy 2019-2028 (**FMS**).

The major elements of the 2022/23 Budget are:

1. Statement of Comprehensive Income
2. Statement of Financial Position
3. Capital Expenditure
4. Cash Flow and Funding
5. Risks, and
6. Long-Term Financial Management Plan and Financial Management Strategy

Key information about each of these is provided below.

1. STATEMENT OF COMPREHENSIVE INCOME 2022/23

Table 1.1 shows Council's budgeted Statement of Comprehensive Income for 2022/23.

GLENORCHY CITY COUNCIL			
FORECAST STATEMENT OF COMPREHENSIVE INCOME			
	Budget 2022/2023 $'000	**Budget 2021/2022 $'000**	**Movement $'000**
Operating Revenue			
Rates	39,424	37,625	1,799
State Fire Commission Income	6,338	6,054	284
Statutory Charges	2,203	2,247	(44)
User Charges	11,264	10,349	915
Grants and Subsidies	4,056	5,036	(980)
TasWater Investment Income	2,172	2,172	-
Investment Income	51	50	1
Other Income	514	497	17
Total Operating Revenue	**66,022**	**64,030**	**1,992**
Operating Expenditure			
Finance Charges	235	261	(26)
Employee Benefits	27,296	26,056	1,240
Materials, Services and Contractors	15,861	14,437	1,424
State Fire Commission Contribution	6,338	6,054	284
Depreciation and Amortisation	15,229	14,811	418
Lease Amortisation	1,565	1,477	88
Other Expenses	1,058	609	449
Total Operating Expenditure	**67,582**	**63,705**	**3,877**
Operating Surplus / (Deficit)	**(1,560)**	**325**	**(1,885)**
Non Operating Income / Expenses			
Asset Write Off	(2,564)	(1,100)	(1,464)
Asset Disposal	(402)	(647)	245
	(2,966)	(1,747)	(1,219)
Underlying Surplus / (Deficit)	**(4,526)**	**(1,422)**	**(3,104)**
Non Operating Income			
Capital Grants	7,848	2,178	5,670
Donated Assets	5,300	2,100	3,200
Total Non Operating Income	**13,148**	**4,278**	**8,870**
Total Comprehensive Surplus / (Deficit)	**8,622**	**2,856**	**5,766**

Table 1.1 – Statement of Forecast Comprehensive Income 2022/23

An underlying operating deficit of $4.5m (exclusive of capital income and expenditure) has been forecast for the forthcoming financial year. This compares to a forecast 2021/22 underlying operating deficit of $1.4m.

1.1 Rates revenue

The rates revenue budget has been prepared based on a general rate increase of 3.5%, together with a growth factor of 1.0% in accordance with Council's Long-Term Financial Management Plan.

Three-years ago, Council implemented differential rating for all properties to ensure each category (residential and non-residential) contributed to Council's revenue consistently. The differential rating model will be continued for the 2022/23 financial year.

The City was due a valuation adjustment factor 12 months ago, however the Office of the Valuer General delayed this review until the forthcoming financial year. Figures provided by the Office of the Valuer General reflect an average Assessed Annual Value adjustment for residential properties in the City of 1.45. These new property values will be in place from 1 July 2022.

1.2 User Charges

User charges revenue is budgeted in-line with approved fees and charges, taking into consideration expected activity levels during the forthcoming year and the cost of providing the associated Council service.

Fees and charges have been increased by a minimum of 3.5% for the 2022/23 financial year as approved by Council at the General Council Meeting on 30th May 2022.

1.3 Operating Grant Subsidies

Council's budgeted operating grant income for the current year, $4.056m, is materially decreased from the 2021/22 forecast of $5.036m. The major impactors on this movement are the advance payment of Financial Assistance Grants from 2022/23 of $0.656m and a reduction in Jobs Hub Operating Grant (Grant expenditure is tied to the revenue received so there is no impact on the net position of the Jobs Hub)

The Australian Government has advised that Financial Assistance Grants to local government will continue to be paid, with the 75% of the 2022/23 allocation paid in May 2022.

This is inconsistent with prior year allocations and payment timings as Council budgets each year for an advance payment of 50%. Hence the difference in the advance payment is expected to result in a net reduction in cash received in the 2022/23 financial year.

1.4 Investment Income

Council's largest investment income stream is as an owner and shareholder in TasWater.

TasWater has advised that there has been a return to normal distributions, with Council's ownership share resulting in an expected distribution of $2.1m in 2022/23.

Council's remaining investment income stream is derived from interest earned on cash balances. Record low deposit interest rates coupled with a reduced cash balance are expected to result in minimal income from interest received by Council for the financial year.

1.5 Finance Charges

In December 2020 Council drew down the loan funds secured as part of the Tasmanian Government's interest-free Local Government Loan Program. Council's borrowings for this program totalled $5m at that time.

One project within this portfolio did not proceed in the 2021/22 financial year, with the associated loan funds of $1.8m repaid in early 2021/22.

Interest payable on the remaining loan balance will be partially offset by a grant, resulting in what is effectively an interest free loan for three of the five-year loan term.

1.6 Employee Benefits

Council's largest expenditure category (making up 40% of total expenditure) relates to employee costs.

The main impactors on the total employee benefits budget increase of $1.24m are:

- in May 2021, Council staff voted to accept a new four-year Enterprise Agreement that incorporates, among other minor changes, a 2.1% per annum salary increase for the first three years of the agreement
- The Superannuation Guarantee Charge increase of 0.5%
- new positions added to Council's roster to enable the completion of capital works and grant funded programs of work
- The 2021/22 budget included a salary savings target of $600k which has not been replicated for the forthcoming financial year.

1.7 Materials, Services and Contractors

The budget has increased compared to the prior year by $1.42m, which represents cost increases in the price of services and materials together with allocations for new initiatives and unavoidable cost pressures.

The contributing increases include:

- Contribution to the State Government Waste Levy (offset by revenue increases) of $732k
- Election Expenses for the 2022 Local Government Elections of $225k
- Removal of dangerous trees at Wellington Park of $230k
- Additional monitoring and compliance fees for the Jackson Street Landfill of $121k
- Consultants fees for a Pool Futures Report of $100k
- Additional property maintenance of $80k

- Contribution to the new Southern Tasmanian Waste Authority of $55k

1.8 Depreciation and Amortisation

This non-cash category of expenditure has risen by $0.42m between financial years.

The main contributors to this movement are the construction of new assets during 2021/22 and impacts of the revaluation of transport assets.

1.9 Lease Amortisation

The movement in this category ($0.08m) is immaterial.

1.10 Other Expenses

The increase in this category of expenditure from the current 2021/22 financial year of $0.45m is due to a grant to Sorell Council of $0.434m to enable the construction of a BMX track. Glenorchy City Council borrowed this money as part of the Economic Recovery Program $5m loan in 2020. As Council is not proceeding with the track construction, the money is being provided to Sorell Council to enable this work to be done at a more suitable location.

1.11 Asset Write-off

As Council's assets are renewed and replaced in-line with our Asset Management Strategy, the residual value of the replaced assets is required to be written off.

This results in operating expenditure each year that has traditionally been difficult to forecast accurately.

To ensure that write-offs do not exceed budget, a cap is applied to the business as usual capital works program of $1.1m per annum. The increase to a budget of $2.56m is as a result of the estimated assets to be written off as part of the construction of the major grant funded projects

1.12 Capital grants

Only capital grants which Council is relatively certain to receive are included in the budget forecasts.

The budget for 2022/23 reflects expected grant receipts for:

- Roads to Recovery Grant funding of $0.58m
- Local Road and Community Infrastructure Program Phase 2 and Phase 3 grants totalling $1.09m
- Federally funded grants for Montrose and Giblins Playspaces of $1.7m
- Federally funded grant for KGV of $2.94m.

Though already approved, Australian Government Grants for new sporting and play facilities are only paid to Council after work milestones are completed. Accordingly, cash receipts expected during 2022/23 will not fully cover the expenditure expected to be incurred during the financial year.

1.13 Donated assets

As a result of ongoing developments within the municipality (particularly subdivisions), Council is given ownership of infrastructure assets during each financial year.

These assets are primarily roads, stormwater and footpaths. Council is required to include the value of these assets in its asset register and record the donation of them as non-operating revenue. The total value of these assets is forecast to be $2.2m.

In addition in the 2022/23 financial year TasWater will be undertaking rectification works on the Tolosa Dam site to the value of $3.2m. As Council is the owner of this asset, the effective receipt of these works will be reflected as a donated assets in Council's financial statements.

1.14 Profit / (Loss) on disposal of assets

Council has embarked on a program of surplus land disposal that will generate an inflow of cash, as well as accounting (non-cash) surpluses and deficits.

Australian Accounting standards applicable to government require asset values to be recorded at market value rather than historical cost price. As a result, sales may appear to have generated a loss because of the costs associated with the disposal type. However, there is a positive impact on the Council's cash balance from actual proceeds of each sale.

Disposals of Plant and Equipment also occur during the year, predominantly for fleet vehicles.

2. STATEMENT OF FINANCIAL POSITION

Table 2.1, below, shows the budgeted Statement of Financial Position as at 30 June 2023. The Statement shows that the budgeted Net Asset position of Council will not materially change from the current financial year.

GLENORCHY CITY COUNCIL			
FORECAST STATEMENT OF FINANCIAL POSITION			
	Budget 2022/2023 $'000	Budget 2021/2022 $'000	Movement $'000
Assets			
Current Assets			
Cash and Cash Equivalents	15,096	22,567	(7,472)
Trade and Other Receivables	1,850	1,850	-
Inventories	86	86	-
Other Assets	3,387	3,387	-
Total Current Assets	**20,419**	**27,890**	**(7,472)**
Non Current Assets			
Investment in TasWater	158,717	158,717	-
Property, Plant and Euqipment	764,071	748,523	15,549
Intangible Assets	-	4	(4)
Other Non Current Assets	697	697	-
Total Non Current Assets	**923,485**	**907,941**	**15,545**
Total Assets	**943,904**	**935,831**	**8,073**
Liabilities			
Current Liabilities			
Trade and Other Payables	3,500	3,500	-
Borrowings	555	549	6
Provisions	4,964	4,964	-
Other Current Liabilities	4,385	4,385	-
Total Current Liabilities	**13,404**	**13,398**	**6**
Non Current Liabilities			
Borrowings	843	1,398	(555)
Provisions	3,564	3,564	0
Other Non Current Liabilities	205	205	-
Total Non Current Liabilities	**4,612**	**5,167**	**(555)**
Total Liabilities	**18,016**	**18,565**	**(549)**
Net Assets	**925,888**	**917,266**	**8,622**
Equity			
Accumulated Surpluses	538,825	530,203	8,622
Reserves	387,063	387,063	-
Total Equity	**925,888**	**917,266**	**8,622**

Table 2.1 – Forecast Statement of Financial Position

Council should note that the figures for 2021/22 are as adopted in the mid-year budget review, passed by Council in January 2022, not the original budget as approved by Council in June 2021.

2.1 Assets

During the 2022/23 financial year, the total value of Council's assets is expected to increase by $8m. The main contributors to this increase is a capital works program totalling $31.5m, offset by depreciation and amortisation of $15.2m and a reduction in cash holdings of $7.5m. Part of the capital works program is funded by grants and the balance is self-funded by Council.

The Long-Term Financial Management Plan forecast indicates Council's cash position will progressively improve over the life of the ten-year plan, subject to ongoing new asset expenditure.

2.2 Liabilities

It is not expected that Council's liabilities will materially change during the forthcoming financial year with the exception of loan repayments reducing Council's liabilities by a total of $0.55m.

2.3 Equity

Council's equity will only move by expected increases in surpluses, as discussed above.

3. CAPITAL EXPENDITURE

Chart 3.1 (below), shows the proposed Capital Expenditure Program for 2022/23. Capital investment of $31.5m is proposed across Council.

The program represents a substantial increase on prior years' program of $19.2m with the major contributors of the increase being significant State and Federal Government Grants.

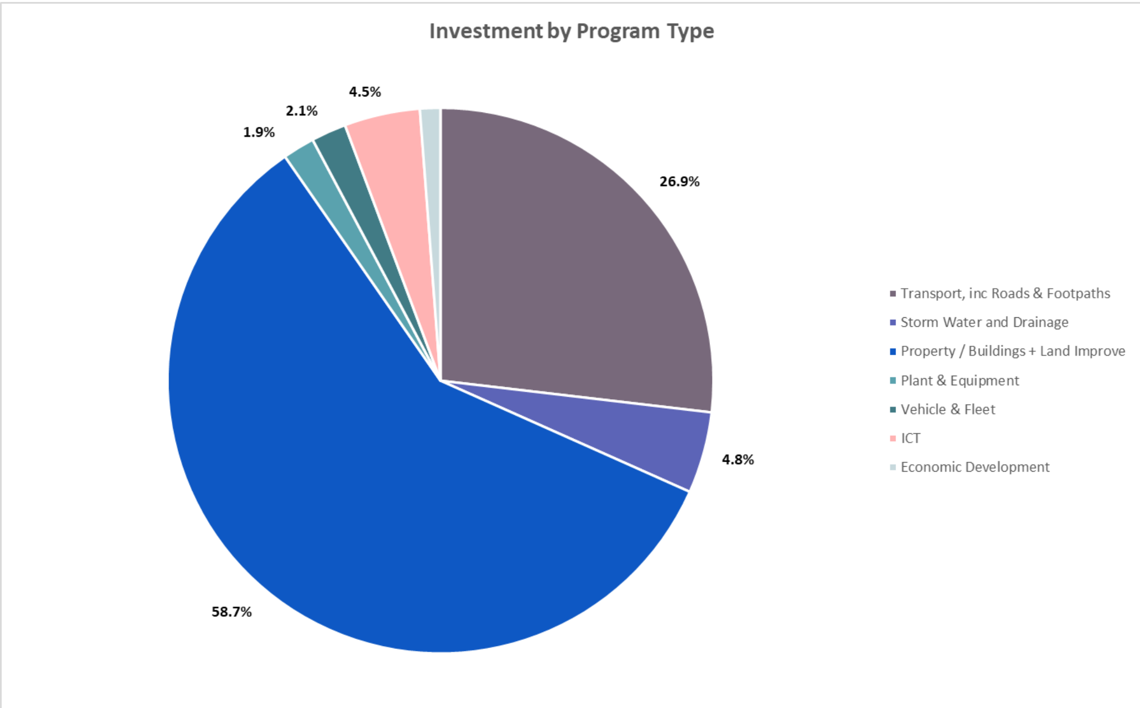

Chart 3.1 – Capital Expenditure by Class 2022/23

Investment by Asset Class

3.1 Transport infrastructure

Council's transport infrastructure capital works budget for 2022/23 is $8.46m, of which $0.48m is for new and/or upgraded assets and $7.98m for renewal and replacement of existing assets.

Major capital works budgeted for in the Transport Infrastructure Program include:

- Road resurfacing - $3.1m
- Footpath renewal - $1.9m
- Pavement Rehabilitation - $2.4m, and
- Road Safety - $0.43m.

3.2 Stormwater

The stormwater capital works budget for 2022/23 is $1.5m, of which $0.7m is for new and/or upgraded assets and $0.8m is for renewal and replacement of existing assets.

Due to the long-life nature of Council's stormwater assets, which are approximately halfway through their useful lives, renewal demand is not high as the assets do not deteriorate at a uniform rate.

3.3 Property and Environment program

The Property and Environment capital works budget for 2022/23 is $18.5m, of which $9.7m is for new and/or upgraded assets and $8.7m is for replacement and renewal of existing assets.

This program includes the extensive works program to be undertaken as a result of receiving State and Federal Government grants for sporting and community facilities.

Major capital projects budgeted for in the Property and Environment program include:

- KGV Soccer - $4.2m
- North Chigwell - $5.4m
- Giblins and Montrose Play Spaces - $3.2m
- Public toilet upgrades - $0.4m, and
- Parks and reserves - $0.5m

3.4 Vehicle fleet

The 2022/23 vehicle fleet budget of $0.6m enables the timely replacement of Council vehicles.

The majority of light vehicles are commercial and are replaced on a like-for-like basis. Options are being investigated to implement smaller, more fuel-efficient vehicles where possible and consider alternatives to owning fleet vehicles (e.g. public transport).

3.5 Plant and Equipment

Replacement of minor and mobile equipment has been budgeted at $0.6m for the 2022/23 financial year. The largest project within this category is for the replacement of an Excavator of $0.27m.

3.6 Information Communication and Technology (ICT) program

Council continues its investment in technology for 2022/23 allocating a budget of $1.4m for the financial year. A total of $1.2m will be invested in new and upgraded technologies of software and hardware. Software upgrades will enhance Council's information security framework, GIS and application software, while hardware investment will see new and upgraded mobile devices and desktop equipment.

The above figure also includes an allocation of $1.0m for the commencement of the replacement of Councils core technology system.

$0.24m will be invested in renewal and replacement of existing hardware, being mobile and desktop equipment.

4. CASH FLOW AND FUNDING

4.1 Cash

Council's cash position is expected to decrease by $7.5m as a result of the increased capital works program. Whilst a proportion of the program is funded through grants, only $7.8m is expected to be received during the financial year against forecast major projects expenditure of $18.1m.

Further detail is included in section 2.1 Assets (above).

4.2 Borrowings

As noted above, Council will repay borrowings of $0.5m during 2022/23.

5. RISKS

5.1 Contingency

No contingency has been included in the current operational forecasts. A contingency allocation will be considered again when there are sufficient improvements to the forecast position.

5.2 Economic conditions

User charges, by their nature, are variable revenue items and are dependent on services provided by Council generating the projected revenue. Approximately 20% of Council revenue comes from user charges, including building and planning application fees.

Over the past three years, Council had experienced increased economic activity, resulting in revenue from user charges trending upwards in a number of areas including planning, building and plumbing and the Jackson Street Waste Management Centre.

While these trends were impacted by the COVID-19 pandemic during the 2020 calendar year, Council has taken previous trends and the current environment into account in developing the 2022/23 budget and has conservatively stated anticipated revenue projections, against which expenses have been matched.

5.3 Interest rates 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.

Recent decisions by the Reserve Bank of Australia on the cash rate see interest rates marginally increasing with the first interest rate increases in almost three years. Whilst economists are expecting rates to continue on an upward trend for the rest of the calendar year, rates are still very low which will require prudent management of funds to maximise returns during current volatile monetary conditions.

5.4 Payments for Materials, Services and Contractors

Over the past three years, this expense category has remained steady at approximately 22% of total operating expenditure as Council pursues value for money through its purchasing processes.

We rely on competitive procurement processes and for our suppliers to be competitive and remain viable in provision of their services in order to keep costs down.

The post pandemic economic environment has driven up the cost of services and materials as supply chains are placed under increasing pressure. Council continues to monitor these impacts and review service provision accordingly.

5.5 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 are 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 mitigation by insurance coverage for the infrastructure 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. LONG TERM FINANCIAL MANAGEMENT PLAN AND FINANCIAL MANAGEMENT STRATEGY

The long-life nature of Council's assets which support the many Council services necessitates that Council's budget reflects the long-term provision of services that meet community expectations while ensuring ongoing financial sustainability.

In line with the requirements of the *Local Government Act 1993*, Council has developed a Long-Term Financial Management Plan and Financial Management Strategy (FMS) to provide a longer-term context and to support decision making particularly during the budget development process.

The *Local Government (Management Indicators) Order 2014* provides for seven measures that Council is assessed against for financial sustainability.

Table 6.1, below, provides a summary of these indicators for the forthcoming year.

Indicator	Target Range	2022/2023 Revised Budget
Underlying Surplus / (Deficit)	> $0	($4,526)
Underlying Surplus / (Deficit) Ratio	> 0%	(6.86%)
Net financial liabilities	> $0	($1,070)
Net financial liabilities ratio	> 0%	-1.6%
Asset consumption ratio	> 60%	63%
Asset renewal funding ratio	> 90%	147%
Asset sustainability ratio	100%	125%

Table 6.1 – Forecast Management Indicators 2022/23

In framing the budget for 2022/23, Council has looked to rein in cost increases and has limited new initiatives to those necessary for community safety or improving Council efficiency.

Asset renewal funding and consumption ratios are in line with targets, while the asset sustainability ratio is above target range for 2022/23 as a result of major projects. Whilst these ratios are reported annually, the impact is considered on a multi-year rolling average.

As Council manages long-term assets, it is expected that over the life of the asset, the average of these ratios will be 100%. This will ensure Council is maintaining and renewing its existing assets before expenditure on growing the asset base.

SUMMARY

The 2022/23 Budget achieves Council's aim of demonstrating ongoing financial responsibility, expenditure control and revenue enhancement, whilst continuing to enhance the community with new and improved infrastructure assets.

This has been achieved with only a nominal 3.5% general rate increase for 2022/23 which is well below current consumer price indices, and controlled expenditure with only new costs assigned to those areas that enhance community safety and provide efficiency across council.

Consultations:

Aldermen
Executive Leadership Team
Managers and Coordinators
Finance Department Staff

Human Resource / Financial and Risk Management Implications:

Human resources

Officers have prepared and will implement the budget as part of their ordinary duties. The budget forecasts employee benefit expenses of $27.2m next financial year, representing an increase of $1.24m over the budget for the current year.

The budget incorporates the projected impact of the Enterprise Agreement voted on in May 2021.

Risk management

Risk Identification	Consequence	Likelihood	Rating	Risk Mitigation Treatment
Adopt the recommendation				
Ongoing substantial budget deficits leading to depleted cash reserves as a result of changes to economic conditions or other unforeseen events, leads to a loss of financial sustainability or the need to borrow or increase rates above community expectations.	Severe (C5)	Unlikely (L1)	Medium	Budget and LTFMP to be formally reviewed during the year. Prudent debt management and consistent monitoring of financial conditions enabling an appropriate response. LTFMP reviewed annually and adjustments made in future budgets to account for any unforeseen events.
Economic changes result in estimates that are not materially accurate, leading to a need to revise estimates either up or down during the year	Minor (C2)	Possible (L3)	Medium	Commitment to Council that an updated 2022/23 budget and estimates will be provided for the January 2023 Council meeting.
Suppliers, contractors and service providers are unable to provide goods and services at all or provide them at competitive prices.	Minor (C2)	Possible (L3)	Medium	Robust procurements to engage with a broad range of potential suppliers and service providers to minimise dependencies.
Damage to Council infrastructure from unpredictable events resulting in significant costs to repair or replace.	Major (C4)	Unlikely (L2)	Medium	Limited insurance coverage in place for some events with Council accepting risk of a significant event where other financial support is not made available (e.g. State Government).
Do not adopt the recommendation				
An alternative or updated version of the Annual Budget would need to be developed and endorsed, resulting in delayed implementation of revenue raising in the 2022/23 year and financial uncertainty.	Major (C4)	Likely (L4)	High	Consultation and integration of feedback received is part of the Annual Budget drafting process to make sure the final draft meets Aldermanic expectations.

Community Consultation and Public Relations Implications:

Community consultation

Council undertakes frequent community consultation on a range of projects and programs which helps inform its organisational priorities for the year. These are then incorporated into the Annual Plan and Budget.

Council has undertaken a range of mediums to engage with the community for the 2022/23 budget, including a community survey, social media posts, website updates and a public information session on 16 June 2022.

Public relations

Council will communicate the key information about this year's budget through its Facebook page, website and media articles.

Recommendation:

That Council:

1. APPROVE the Glenorchy City Council 2022/23 Budget Estimates as set out in Attachment 1
2. APPROVE the Glenorchy City Council Long-Term Financial Management Plan 2022/23 to 2031/2032 as set out in Attachment 2
3. RESOLVE that pursuant to section 90 of the *Local Government Act 1993* (**the Act**), for the period commencing on 1 July 2022 and ending on 30 June 2023 inclusive (**the financial year**), Council makes a general rate of 7.378 cents in the dollar based on the assessed annual value (**AAV**) of all rateable land in the municipal area of Glenorchy
4. RESOLVE that pursuant to section 107(1)(a) of the Act, for the financial year, Council varies the general rate down to 6.870 cents in the dollar based on the AAV, for all rateable land in the municipal area of Glenorchy used for residential purposes
5. RESOLVE that pursuant to section 90(4) of the Act, for the financial year, Council sets the minimum amount payable in respect of the general rate at $208.25
6. RESOLVE that pursuant to section 93A of the Act, for the financial year, Council makes the following service rates in respect of fire protection based on the AAV of all rateable land on the valuation roll or assessment roll prepared under the *Valuation of Land Act 2001* as follows:
    a) 1.149 cents in the dollar for Council's contribution to the State Fire Commission for land that is situated within the Hobart Permanent Brigade Rating District, with a minimum contribution for each parcel of land of $44.00 applying, and
    b) 0.10 cents in the dollar for Council's contribution to the State Fire Commission for land that is situated outside the Hobart Permanent

Brigade Rating District with a minimum contribution for each parcel of land of $44.00 applying

7. RESOLVE that a penalty of 10% is to apply to the amount of any instalment not paid by the due date

8. RESOLVE that interest at a rate of 8.125% per annum is to apply to the amount of any instalment not paid by the due date in accordance with section 128 of the Act, and

9. RESOLVE that rates levied in accordance with this resolution are payable to the Council by four (4) equal instalments:

   a) the first notice on or before the 31st day after the issue of the rates notice;

   b) the second instalment on or before 17 October 2022

   c) the third instalment on or before 17 January 2023, and

   d) the fourth instalment on or before 17 March 2023

Attachments/Annexures

1 Budget Estimates 2022/23

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2 Long-Term Financial Management Plan 2022/23 to 2031/32

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5. GLENORCHY CITY COUNCIL ANNUAL PLAN 2022/23 - 2025/26

Author:	Manager City Strategy and Economic Development (Erin McGoldrick)
Qualified Person:	Director Strategy and Development (Samantha Fox)
ECM File Reference:	Annual Plan 2022/23 - 2025/26

Community Plan Reference:

Leading our community

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

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

Strategic or Annual Plan Reference:

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:

The requirement for Council to adopt an Annual Plan is set out in section 71 of the *Local Government Act 1993* (**the Act**), which provides:

(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.*

The draft *Glenorchy City Council Annual Plan 2022/23 to 2025/26* is Attachment 1 to this report.

Proposal in Detail:

How the Annual Plan fits into Council's strategic planning

The *Glenorchy City Council Strategic Plan 2016-2025* was re-confirmed by Council on 26 November 2018. It identifies the following community goals:

- Making lives better
- Open for business
- Valuing our environment
- Leading our community, and
- Building image and pride.

The Strategic Plan aims to deliver on the goals in the Community Plan through 10 objectives and 21 strategies.

The draft 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.

Annual Plan actions are developed by Council managers and coordinators and were presented to, and reviewed by, the Executive Leadership Team, General Manager and Aldermen.

The Annual Plan and Budget development processes are aligned and interlinked to ensure Council has the financial capacity and resources to efficiently deliver the actions planned for the coming year, within a balanced and realistic Budget.

In recent years, the format of the Annual Plan has been updated with the intention of making the key focus areas of Council clearer for our community. Against each of the five community goals, the Annual Plan identifies a small number of key focus actions for 2022/23 that reflect Council's primary focus. The Annual Plan also identifies supporting actions, which include service delivery and actions to be executed over the next four years. These are included in the appendix at the end of the document.

How the Annual Plan is developed

Each year, the Annual Plan is developed in alignment with the Budget for the coming year. Council staff are required to forecast which of the current Annual Plan actions are likely to be completed, continue into the next planning period or are ongoing.

New actions are proposed, and, if additional financial resources are required, a Point of Entry proposal is submitted to the Executive Leadership Team for consideration against budgetary constraints or opportunities.

Each action approved for inclusion is then updated and refined to include a start date, end date, suggested Key Performance Indicator (KPI), lead officer and checked for strategic alignment against the contribution to the Glenorchy Strategic Plan's strategies and objectives.

Aldermen identify the key focus areas under each Community Plan goal for the year, as these actions are reported in greater detail to Council and the community each quarter.

Annual Plan Key Focus areas for 2022/23

Council's proposed Annual Plan incorporates 17 key focus areas.

For 2022/23, the priority actions are as follows:

<u>Making Lives Better</u>

- undertake a review of the Community Engagement Framework
- plan and support the delivery of community events and awards programs
- provide and maintain a range of community and recreation facilities

<u>Open for Business</u>

- identify and progress amendments required to Glenorchy's planning scheme to facilitate growth
- undertake structure planning for the future release of residential land in Granton
- deliver, partner and advocate for the implementation of the Berriedale Peninsula Masterplan

<u>Valuing our Environment</u>

- implement Stage One of the Tolosa Park Master Plan with TasWater
- manage and maintain a road network that meets the transport needs of the community
- provide a network of shared paths, footpaths and trails that is safe and provides access to all abilities
- renew Council infrastructure through delivery of the capital works program

<u>Leading our Community</u>

- complete a targeted review of Council services
- sustainably manage Council's property, parks and recreation infrastructure and facilities
- deliver the Australian Government funded recreation projects
- facilitate and engage with partners to advocate for the development of safe, liveable, affordable housing options in our City

<u>Building Image and Pride</u>

- implementation of the Communications Strategy
- investigate the Multicultural Hub model

- engage with Aboriginal Community to develop a Reconciliation Action Plan.

Delivering the Annual Plan

If the Annual Plan is adopted by Council, individual actions will be translated down to more detailed business plans at departmental, work unit and individual position levels. Actions will be delivered in accordance with endorsed strategies of Council, regulatory responsibilities, agreed levels of service and major projects or programs.

Examples of actions included in the Annual Plan that are directly aligned with the endorsed strategies of Council include:

- the Community Strategy 2020 – 2040 sets out four priority outcome areas, goals and objectives for how a welcoming, safe, healthy and learning community will be achieved, implementation for each year is outlined through action plans, under the 'Building Image and Pride' community goal, and
- the Glenorchy Economic Development Strategy 2020-25 provides fifty short, medium and long-term actions, which become the direct deliverables through the Annual Plan each year under the 'Open for Business' community goal.

Examples of actions delivered through the Annual Plan incorporating regulatory or compliance services are:

- under the *Land Use Planning and Approvals Act 1993*, Council has a statutory obligation regarding the time taken for assessments under the Planning Scheme. This is included in the Annual Plan under the 'Leading our Community' community goal, and
- the *Dog Control Act 2000* provides the legislative framework for the management of dogs. It is the responsibility of Council to ensure residents comply with these dog management regulations. This is incorporated as an action under the 'Leading our Community' community goal.

An example of the delivery of levels of service is the action that references Council's Customer Service Charter and delivery against the commitments of that charter each year.

Major projects and programs often take multiple years to develop and implement. An example of how this is captured in the Annual Plan is 'Deliver the Australian Government funded recreation projects' under 'Leading our Community'.

Monitoring and reporting on progress

KPIs and quarterly indicators have been identified for each goal in the Annual Plan to enable performance monitoring by Council and management.

KPIs and indicators do not summarise the entire activity or output of an action, however they signal movement or changes in the underlying activity.

Quarterly indicators are those metrics that can be measured and monitored using the same data and parameters every three months. This consistent approach assists in the communication of changes of volume, throughput, engagement, or activities throughout the year at each quarter and enables detection of trends over time.

Many activities and actions of Council are difficult to measure within one year, so project or program milestones are monitored as KPIs to ensure outputs are delivered in an efficient and appropriate manner.

KPIs are milestones or deliverables that generally occur once during the year at a specified date. The KPI is generally a discrete, one-off target that is due for completion by a specific time or to a specific quality.

All the metrics consist of qualitative indicators, quantitative indicators, and milestones.

Across all actions included in the Annual Plan, there are approximately two hundred and forty sub-actions monitored. Each of these sub-actions have multiple measures, milestones and KPIs that contribute to the overall progress of an Annual Plan action.

An example of a qualitative measure is the positive feedback from developers and investors of major projects that have client managers assigned. By collecting this qualitative feedback, Council officers can update or augment the developer support provided to better suit the needs of the client.

An example of a quantitative indicator is annual gross regional product growth across the Glenorchy economy. This KPI is a targeted outcome of the Economic Development Strategy and remains consistent for the life of the strategy with the data available on an annual basis.

Another example of a quantitative indicator is Council's website engagements and visits. These metrics are standard KPIs for the quality and appropriateness of online content across many industries.

The implementation of Annual Plan actions is monitored during the year, with a quarterly report provided to Council, as a key part of the suite of reports that constitute the Council's Corporate Reporting Framework.

Human Resource / Financial and Risk Management Implications:

<u>Financial</u>

The development of the Annual Plan was coupled to the Budget development process. The actions identified in the Annual Plan can be delivered within the Council's proposed 2022/23 budget. The Annual Plan includes a four-year outlook to assist with Council's financial forward planning.

<u>Human resources</u>

When the Annual Plan is adopted by Council, individual actions will be translated down to more detailed business plans at departmental level, work unit level and individual position level. To ensure delivery against the agreed action in the Annual Plan within existing human resource capacity, individual Performance Review objectives form part of this strategic line of sight.

Risk management

Risk Identification	Consequence	Likelihood	Rating	Risk Mitigation Treatment
Adopt the recommendation Annual plan priorities and actions do not allow Council to achieve its goals and are not in line with community expectations.	Moderate (C3)	Unlikely (L2)	Medium	The Annual Plan is monitored continuously and reported on quarterly, which enables the identification of deficiencies and shifts in priorities.
Do not adopt the recommendation If the Annual Plan is not adopted, Council will be in breach of its statutory obligations under s. 71 of the *Local Government Act 1993.*	Moderate (C3)	Almost certain (L5)	High	Prepare an alternative Annual Plan for adoption with consequent duplication of resources.
An alternative or updated version of the Annual Plan would need to be developed and endorsed, resulting in delayed implementation and reporting for the 2022/23 year.	Major (C4)	Almost certain (L5)	Extreme	Consultation and integration of feedback received is part of the Annual Plan drafting process to make sure the final draft meets Aldermanic expectations.

Community Consultation and Public Relations Implications:

Under section 71(3) of the Act, 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, public notification about the Annual Plan will occur in accordance with these statutory requirements and the Plan will be posted to Council's website.

The Annual Plan of Council outlines the key actions and priorities guiding operations for the upcoming 2022/23 year. The core activities of Council are summarised in the document. Key focus areas identified may illicit interest from the public and/or media.

Recommendation:

That Council:

1. ADOPT the Glenorchy City Council Annual Plan 2022/23 to 2025/26, in the form at Attachment 1.

Attachments/Annexures

1 Glenorchy City Council Annual Plan 2022-23 to 2025-26

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6. 2022/23 CAPITAL WORKS PROGRAM AND BUDGET

Author:	Manager Infrastructure, Engineering and Design (Patrick Marshall)
Qualified Person:	Director Infrastructure and Works (Emilio Reale)
ECM File Reference:	2022/23 Annual Budget

Community Plan Reference:

Leading our Community

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:

Leading our Community

Objective 3.1	Create a liveable and desirable City
Strategy 3.1.4	Deliver new and existing services to improve the City's liveability
Objective 4.1	Govern in the best interests of our community
Strategy 4.1.2	Manage the City's assets soundly for the long-term benefit of the 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 present the proposed 2022/23 financial year capital works program to Council and seek Council's approval for the $31.511 million program.

Proposal in Detail:

Background

Council is responsible for the acquisition, operation, maintenance, renewal and disposal of an extensive range of physical assets, including roads, footpaths, drainage networks, bridges, public buildings, parks, recreation facilities, fleet, ICT and other equipment.

Council owns these assets, currently valued at over $1 billion (total replacement cost), which provide essential services to the Glenorchy community.

From a replacement value perspective, the top four asset classes are Transport Assets, Drainage Assets, Building Assets and Parks and Recreation Assets, with an estimated total replacement value of $940 million in the 2021/22 financial year (FY2021/22).

The importance of these assets to the community and their significance for the budget means that asset management is a critical part of the Council's long-term planning and service delivery and these assets must be maintained and replaced accordingly.

As required under the *Local Government Act 1993*, Council develops and maintains a set of crucial asset management documents, including its Asset Management Policy (AMP) and Strategic Asset Management Plan (SAMP). Each of the four major asset classes also has their class-specific Asset Management Plan (AMP) developed to ensure they are managed in-line with the goals and objectives set out in the Asset Management Strategy (AMS) and SAMP.

The AMS, SAMP and individual AMPs identify the community's need and demand for these assets and provides long-term projections of the renewal, upgrade and new asset acquisitions required, based on the adopted levels of service.

To deliver the objectives and goals in the SAMP and individual AMPs, Council develops and maintains a 10-year capital works program.

In addition to the projects from the four major asset classes, there are several minor asset classes, including Plant and Equipment, Vehicles and Fleet, and Information Communication and Technology (ICT) assets. Assets in these classes are also included in Council's annual capital works program to ensure Council's overall asset base is sufficiently renewed and reflects the emerging needs within the community.

This report is to present Council with the proposed 2022-23 financial year (FY2022/23) capital works program and seeks Council's approval of the capital expenditure associated with the program.

How the capital works program is developed

Council is required to maintain a 10-year capital works program and have the expenditure of the program projected in Council's Long-Term Financial Management Plan (LTFMP).

The development of the 10-year capital works program considers community objectives, affordability, and levels of service.

In general, the projects listed in the first year (Yr. 1) of the capital works program are used for budgeting and project programming purposes and give the most certainty in-terms of costs and timing. The Yr. 1 program is the FY2022/23 capital works program which is presented to Council for endorsement as part of this report.

Subsequent years (Yr. 2 to Yr. 10) in the capital works program have been nominated and prioritised but are not confirmed until adopted for the budget year they are scheduled to commence.

The projects included in the capital works program are generated from several sources, including asset condition assessment and analysis, risk ratings, necessity, requests from the public and initiatives from community groups. These projects are further explored and prioritised by asset managers before being included in the capital works program.

For any external-facing projects, such as transport, stormwater, property and environmental projects, community consultation and engagement forms a vital part of the projects and program development process. Guided by Council's community engagement framework, suitable levels of engagement (e.g. 'inform', 'consult' or 'empower') were used further to refine the scope and outcomes of the projects.

This process ensures the outcomes of these projects are aligned with the Council's strategic direction and asset management goals, and that the benefits outweigh the expenditure over the whole lifespan of the assets.

FY2022/23 capital works program summary

For FY2022/23, Council officers have proposed a capital works program valued at $31.51m for asset renewal, upgrade and acquisition.

The program consists of infrastructure projects from the four major asset classes as well as minor asset classes (e.g. ICT and vehicles and equipment) to ensure all the high-priority asset renewals, upgrades, and acquisitions are captured and budgeted for.

The program consists of seven (7) sub-programs, mainly based on asset classes, and results in a total proposed capital expenditure of $31.51m that Council is required to fund.

The table below presents the names of these seven capital sub-programs and their capital expenditures:

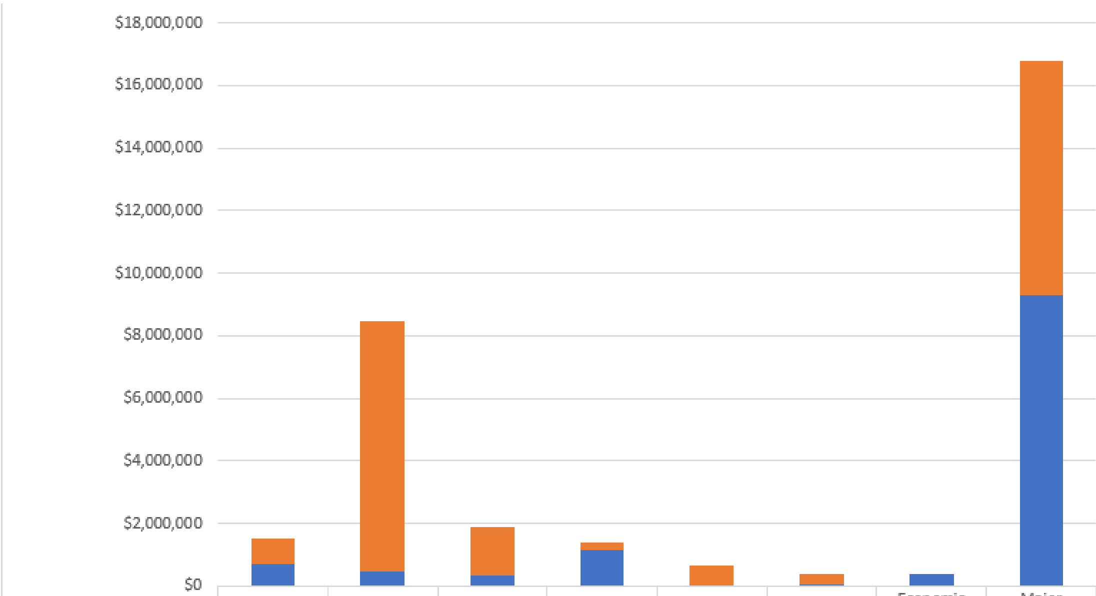
No.	Sub-Programs	Expenditure ($)
1	Stormwater	$1.52m
2	Transport	$8.46m
3	Property and Environment	$1.91m
4	Major Projects / Grants	$16.77m
5	Economic Development	$0.38m
6	Information, Communication and Technology (ICT)	$1.41m
7	Fleet and Plant	$1.05m
Total Capital Budget Required:		**$31.51m**

A copy of the FY2022/23 capital works program summary is included in Attachment 1 to this report.

Of the $31.51m Capital Works Program proposed, $19.07m would be spent on asset renewal works, such as road resurfacing, footpath replacement and sports facility renewal, to provide a safe and fit-for-purpose environment for the residents and the wider community to use. The remainder ($12.44m) would be spent on upgrading existing assets or acquiring new assets to improve levels of service.

The overall FY2022/23 capital works program represents a significant increase on prior years' commitments, with State and Federal Government grant funded projects that are included in the Major Projects / Grants capital works program being significant contributors to the increase.

The breakdowns between renewal and new/upgrade amounts for each sub-program are presented in the table below (Figure 1).



	Stormwater	Transport	Property	ICT	Fleet	Plant	Economic Development	Major Projects
Renewal Budget	$825,000	$7,983,645	$1,562,375	$242,000	$652,500	$336,000	$0	$7,466,826
Upgrade/New Budget	$695,000	$480,000	$350,000	$1,170,000	0	$60,000	$381,137	$9,307,249

Figure 1: FY22/23 Capital Works Program Renewal and Upgrade/New Expenditure

The diagram above shows that the 'Transport' and 'Major Projects' capital works programs are the two most extensive capital programs in terms of their overall expenditures, around $8.46m and $16.77m respectively in FY2022-23.

It is noted that the majority (approximately 94%) of the Transport capital works program is made of renewal projects. A significant amount of upgrade and new expenditure ($9.31m) has been included in the Major Projects works program. This is mainly comprised of projects funded by State and Federal Government, with over $16m in works planned in FY2022/23 to renew and construct new facilities and playgrounds (e.g. North Chigwell and KGV Soccer projects, a new playground at Giblins and the Tolosa Dam Reintegration project).

FY2022/23 capital works programs in detail

The FY2022/23 Capital Works Program consists of projects and assets from seven (7) sub-programs and results in capital expenditure of $31.51m that Council is required to fund.

Key information about each of the sub-capital works programs are:

1. Major Projects / Grants capital works program and budget

This program consists of the significant sporting and community infrastructure projects funded by State and Federal Government grants.

These State and Federal Government grant projects are the main drivers of a significant amount of new and upgraded asset spending ($9m+) planned in the FY2022/23.

The State and Federal Government grants funded projects, with a total budget of about $16.77m, are:

- Giblins Reserve Playspace - $3.26m
- Montrose Foreshore Skatepark - $0.64m
- KGV Football (Soccer) Facility - $4.20m
- North Chigwell Football (Soccer) Facility - $5.43m

The program also includes $3.46m towards the Tolosa Park Dam Reintegration Project, co-funded with TasWater.

The preparation works for these projects has commenced during FY2021/22, focusing on project initiation, design and tendering.

In FY2022/23, many of these grant projects will come to fruition, with construction works expected to commence on the ground. Some of these projects span over multiple financial years. Council should note that under the terms and conditions of the funding agreements, Council must first undertake the works and then seek milestone reimbursements. This results in timing delays between completing works and receiving payment of grant funds.

With the amount of new and upgraded assets, as detailed above, coming to Council's Property and Environment asset portfolio at the end of the financial year, a significant increase in depreciation and maintenance costs is expected, estimated over $0.7m is (this is equivalent to a rate increase of 2.5%).

This cost increase needs to be catered for when in the development of next and future years' operational budgets and reflected in Council's LTFMP.

2. Transport Capital Works Program and Budget

The Transport Capital Works Program is traditionally the most prominent capital works program in Council given the value (over $550m) of Council owned transport assets and the critical service they provide to the community.

Transport capital project types can vary from large-scale civil construction works, such as full road segment reconstruction, to minor upgrades, such as adding a pair of kerb ramps to an existing intersection.

Council's proposed transport capital works budget for FY2022/23 is valued at $8.46m, of which $0.48m is for new and/or upgraded assets and $7.98m is for renewal and replacement of existing assets.

Comparing this with the FY2021/22 budget, the capital amount for new and upgraded transport assets has been significantly reduced, moving from approximately $1.4m to $0.48m. Meanwhile, Council has increased its spend on transport asset renewal, with an increase of over $0.9m planned in FY2022/23. This was a deliberate measure to focus on renewing the existing asset base and improving the condition of Glenorchy's roads and footpaths, which have been underfunded in previous years.

Based on prudent asset management principles, it is recommended that Council should continue to increase its renewal spending on transport assets over the next few years until the optimal renewal goal is reached ($9m per year is required against the $8m which is budgeted in FY2022/23).

Major capital works budgeted for in the Transport Capital Works Program include:

- resurfacing up to 13km of roads, including Main Road, Claremont and Charles Street, Moonah
- replacing up to 3km of footpaths, including Bowen Road, Hopkins Street and Sinclair Avenue and target trip hazards in high usage areas
- reconstructing Burton Street, Atherton Avenue and Arncliffe Road Jackson Street
- installing safety barriers at Glenlusk Road, Molesworth Road and Collinsvale Road.

3. <u>Property and Environment capital works program and budget</u>

The total property and environment capital works budget for the 2022/23 financial year is $1.9m, of which $0.35m is for new and/or upgraded assets and $1.56m is for the replacement and renewal of existing assets.

The Council-initiated capital projects budgeted in the Property and Environment Program include:

- Collinsvale Playspace renewal - $0.25
- Booth Playspace renewal - $0.10m
- Additional Playspace renewals (to be allocated as per Playspace Strategy)- $0.3m
- Replacement of the Abloy lock system $0.2m
- Public Toilet Upgrade at Giblins Reserve - $0.46m
- Minor commercial building renewals and upgrades - $0.23m
- Minor facilities and sports grounds renewals and upgrades - $0.38m

4. Stormwater Capital Works Program and Budget

The proposed stormwater capital works program (also known as the drainage program), focuses on the renewal, upgrade and extension of Council's stormwater system. It deals with stormwater-related issues, such as soakage and flooding, across the municipal area. Its purpose is to ensure sufficient drainage services are provided to the residents living in the urban area.

Council's proposed stormwater capital works budget for FY2022/23 is $1.52m, with almost $0.7m to be spent on network upgrades and extensions to improve this service to the community. This is consistent with the amount projected in the Drainage Asset Management Plan and previous years' spending.

Due to the long-life nature of Council's stormwater assets, which are approximately halfway through their useful lives, renewal demand is not high as these assets do not deteriorate at a uniform rate.

The Stormwater Capital Works Program proposed for FY2022/23 includes projects to mitigate flooding to private properties and the public, including:

- Chapel Street to O'Brien Street major drainage upgrade - $0.22m
- Glenlusk Road flood mitigation - $0.10
- Stafford Court upgrade - $0.07m

The program also includes renewal through relining a number of stormwater pipes, including:

- Lampton Avenue - $0.09m
- Newton Court - $0.05m
- Fowler Street - $0.06m
- Kenmere Place - $0.05m

The stormwater capital works program also has some recurring projects, such as $50,000 per year, allocated to stormwater pit replacement and $20,000 per year, allocated to patching repairs to ensure a functional underground drainage network is maintained.

5. Economic Recovery Program and Budget

In FY2020/21, Council initiated a $5m Economic Recovery Program funded by an interest-free loan from the Tasmanian Government. The purpose of the program was to assist the community and local businesses to recover from the economic impacts of the pandemic. Projects, such as the Greater Glenorchy Plan, Activity City, Marine and Innovation Master Plan project, Corridor of Modern Art (COMA) and Showcase Moonah have either been successfully delivered or are well underway.

Following the decision to not continue with the Cityscape Phase One project, the overall Economic Recovery Program was reduced to $3.2m. Council will continue to deliver the remaining part of the Economic Recovery Program ($0.38m) in FY2022/23, including:

- Green-shoots - $0.32m
- Greater Glenorchy Precinct Plan - $0.03m
- Cityscape Phase Two – sub-precinct masterplan - $0.03m.

6. <u>Information Communication and Technology (ICT) program and budget</u>

Council continues its investment in technology for FY2022/23, allocating a budget of $0.36m in its hardware and software replacement and upgrades as well as $0.05m for our Information Security Framework.

$1m has currently been allocated for Council's Core Technology Review, for which the procurement process is currently underway. It is noted that there remains some uncertainty as to whether this capital allocation will be required. Should the allocation not be required following the procurement process, then the allocation would be removed from the capital budget and confirmed in a further report to Council.

We will see the replacement and upgrade of Council's mobile devices (e.g. laptops) and hardware (e.g. uninterruptible power supply unit, switches) to enable mobility and ensure business continuity, particularly during an emergency such as the COVID-19 lock-down scenario of 2020.

7. <u>Fleet and Plant program and budget</u>

In FY2022/23, Council is planning to replace 17 vehicles, valued at $0.65m, as part of its rolling fleet replacement program. Council's fleet has been managed based on a 3-year to 5-year replacement cycle, depending on the type of vehicles and the optimum point between resale value and holding cost.

Most of these vehicles are commercial vehicles (e.g. utility vehicles) and are replaced on a like-for-like basis. Options are being investigated to implement smaller, more fuel-efficient vehicles where possible and consider alternatives to owning or leasing fleet vehicles.

The overall plant and equipment budget for FY2022/32 is $0.40m, including the replacement of several items of equipment and plant that service Council's day-to-day construction and maintenance activities.

These plant and equipment items range from small items, such as mowers, to large machines, such as an excavator.

In addition, kerbside and recycling bin replacements are forecast to be $0.075m, given the fact that every year a small number of these bins are damaged and are required to be reissued to residents.

Conclusion:

In summary, the FY2022/23 capital works program has a total value of $31.51m, made of seven sub-programs based on asset classes. The capital works program allocates $19.01m for asset renewal and $12.44m for upgraded and/or new assets.

A copy of the Capital works program from the 2022/23 financial year is included in Attachment 1 for information.

Consultations:

Aldermen
Executive Leadership Team
Managers and Coordinators
Finance staff

Human Resource / Financial and Risk Management Implications:

Benchmarking SAMP and LTFMP with Budget

The long-life nature of Council's assets, which supports many Council services, necessitates Council's budget commitment, and reflects the long-term provision of services that meets community expectations whilst ensuring ongoing financial sustainability.

In line with the requirements of the *Local Government Act 1993*, Council has developed its SAMP and AMPs for major asset classes. The capital expenditure projected in the SAMP and AMPs, reflects the renewal and upgrade demands from an asset management perspective, matching the levels of service that the community needs.

Under the *Local Government Act 1993* (the Act), Council is also required to develop and maintain its LTFMP and Financial Management Strategy to provide a longer-term context in managing its financial performance.

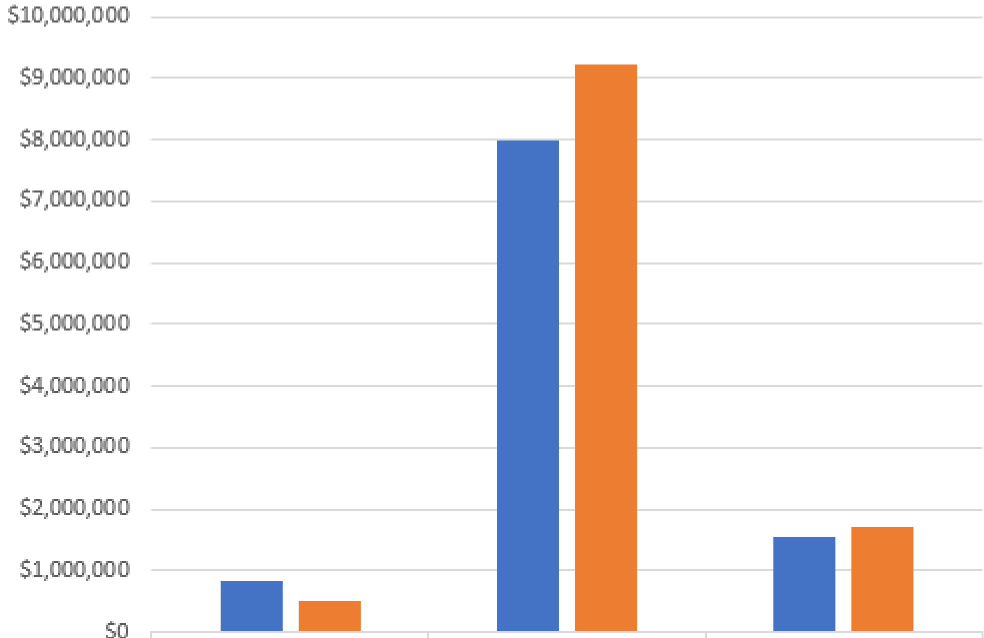
The LTFMP takes the capital expenditures projected in the SAMP and AMPs and adjusts them in the context of Council's long-term financial sustainability. The capital expenditures included in the LTFMP reflects what the community can afford in realistic terms.

The SAMP, AMPs and LTFMP are critical documents to support decision making, particularly during the budget development process. The funding gaps between AMPs, LTFMP and the annual capital budget need to be highlighted and their impacts need to be appropriately managed due to the long-term implications on Council's financial sustainability and asset performance.

Some comparisons between the renewal and upgrade/new amounts suggested in the AMPs, LTFMP and the proposed budget are illustrated below:

1. Budget vs. AMP Renewal Demand

Figure 2, below, presents the budget amounts proposed for the three major capital works programs, namely Transport, Stormwater and Property and Environment, compared with the renewal demand which is forecast in the relevant AMPs.



	Stormwater	Transport	Property
Renewal Budget	$825,000	$7,983,645	$1,562,375
AMP Renewal	$522,750	$9,225,000	$1,716,875

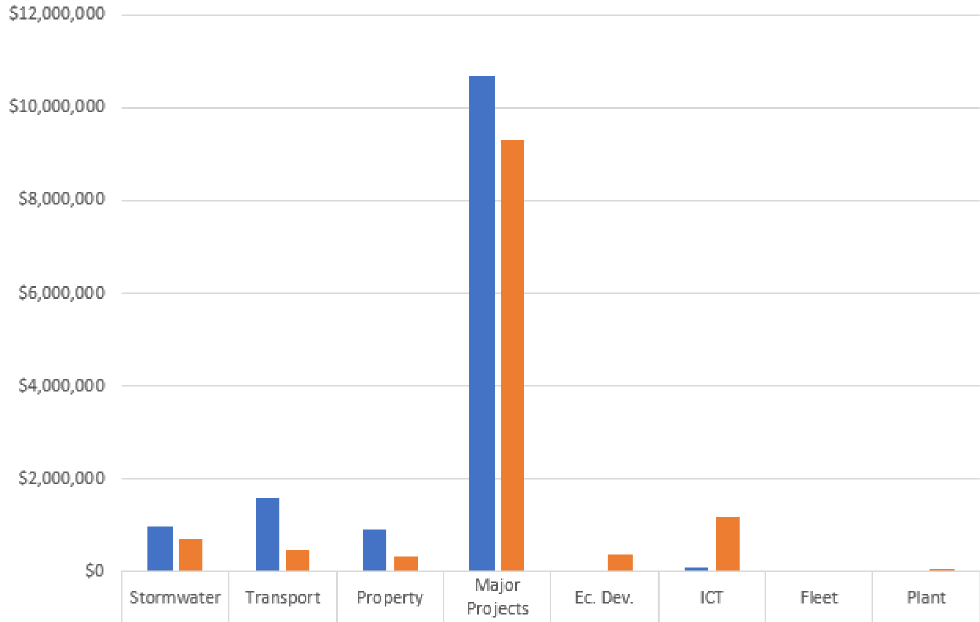
Figure 2: Budget vs. AMP Renewal Demand

The diagram above shows that both Stormwater and Property and Environment Capital Programs are funding near to or beyond their renewal demand in FY2022/23. However, the budgeted renewal amount for transport assets in FY2022/23 is about $1.2m lower than the renewal demand forecast in the Transport AMP.

As Council manages long-life assets, it is expected that the renewal funding would match the renewal demand over the life of the asset. This means, in the following years, Council will need to increase its funding level in transport asset renewals to catch up with the backlog created by this underfunded renewal situation. Alternatively, the community may choose to accept a lower level of service (i.e. more potholes or cracks on our roads) if it determines that this is what it is willing to accept and pay for.

2. Budget vs. LTFMP Upgrade/New Forecast

Figure 3, below, presents the upgrade/new budget amounts proposed for all the capital works sub-programs and the amounts forecasted in the LTFMP.



	Stormwater	Transport	Property	Major Projects	Ec. Dev.	ICT	Fleet	Plant
LTFMP Upgrade/New	$980,000	$1,592,000	$900,000	$10,700,000	$0	$114,000	$0	$45,000
Budget Upgrade/New	$695,000	$480,000	$350,000	$9,307,249	$381,137	$1,170,000	0	$60,000

Figure 3: Budget vs LTFMP Upgrade / New Forecast

In the preparation of its LTFMP, Council recognised that there would be a significant amount of the State and Federal Government grants being injected into the Capital Works Program in FY2022/23.

Comparing the upgrade/new amount ($12.442m) for the proposed FY2022/23 budget and the amount forecast in the LTFMP (14.33m), Council has actual managed to reduce the amount of spend on new and upgraded assets and focus the funding on renewal of existing assets where possible.

It is recommended that Council recognise the impacts from increasing its investment on upgrade/new assets and revises its LTFMP to cater for these long-term impacts.

Gifted assets

As part of urban expansion, Council receives a significant amount of assets, such as roads, footpaths and drainage, for 'free' after subdivision works are carried out by developers in the city.

Although in most cases there is no upfront cost to Council to acquire the assets, they become part of our public transport and drainage networks serving the community and need to be maintained and replaced by Council for the rest of their asset lives.

It is expected that in FY2022/23, approximately $1.0m transport and $1.5m stormwater assets will be handed over to Council from individual developments. This additional $2.5m in assets would enlarges Council's asset base and increase the total asset replacement value.

Note that gifted assets have no material impact on the proposed FY2022/23 capital works budget. However, the depreciation and maintenance costs associated with taking over gifted assets will have an ongoing impact on Council's operating expenditure and needs to be reflected in the LTFMP and funded accordingly.

The forecast $2.5m in gifted transport and drainage assets would result in a total asset value increase to $34.01m ($31.51m capital works program and $2.5m gifted assets).

Infrastructure Damage

The risk of damage to Council infrastructure, including road, stormwater, and property from extreme weather, earthquakes, 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 extreme events occur.

Council accepts this risk because the cost of mitigation by insurance coverage for the infrastructure 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.

Human resources

Council has a number of departments involved in the planning, scoping, design and delivery of the annual capital works program and sourced its staff accordingly. It is confident that officers are prepared for the FY2022/23 capital works program and will implement the capital works program.

Council has four internal construction crews skilled and equipped to deliver some of the infrastructure projects proposed in the transport and stormwater capital works program. For projects outside of Council's current internal construction capacity or skill sets, the projects would go through the appropriate procurement processes (tenders, RFQs etc) and will be awarded to external contractors for design and/or construction.

Due to the unprecedented amount of capital budget proposed for FY2022/23, it is understandable that Council would be facing human resource constraints when delivering these projects. The current construction market boom and potential skill shortage in the next 12 months may also hinder Council's ability to source contractors at a reasonable price.

Council officers are aware of the human resource risk associated with the proposed annual capital works program. Council's internal capital program governance group (the Infrastructure Management Group) and individual project managers will monitor the risk periodically and react to any risk related changes. Any major variations to the budget will be reported back to Council accordingly as either part of the quarterly financial report or on an as required basis.

Risk management

Risk Identification	Consequence	Likelihood	Rating	Risk Mitigation Treatment
Adopt the recommendation Further economic changes result in estimates that are not materially accurate, leading to a need to revise estimates either up or down during the year	Minor (C2)	Possible (L3)	Medium	Updated 2022/23 budget and estimates will be presented at the January 2023 Council meeting.
The budget amount in one particular year is different from the capital expenditure projected in the Strategic Asset Management Plan and the Long-Term Financial Management Plan, causing adverse impacts on Council's long-term financial sustainability and asset performance.	Major (C4)	Likely (L4)	High	Monitoring the performance of Council's assets on an ongoing basis and revising the projection in both the Strategic Asset Management Plan and the Long-term Financial Management Plan to ensure Council's elected members and Management can make an informed decision should Council wish to underfund its capital renewal expenditure or overfund new/upgrade assets.
Suppliers, contractors, and service providers are unable to provide goods and services or at competitive prices.	Minor (C2)	Possible (L3)	Medium	Robust procurements to engage with a broad range of potential suppliers and service providers to minimise dependencies.
Damage to Council infrastructure from unpredictable events resulting in significant costs to repair or replace.	Major (C4)	Unlikely (L2)	Medium	Limited insurance coverage in place for some events with Council accepting risk of a significant event where other financial support is not made available (e.g. State Government).
Do not adopt the recommendation An alternative or updated version of the Annual Budget would need to be developed and endorsed, resulting in delayed implementation of the capital works program in the 2022/23 financial year and adding financial uncertainty to Council.	Major (C4)	Likely (L4)	High	Consultation and integration of feedback received is part of the Annual Budget drafting process to make sure the final draft meets Aldermanic expectations.

Community Consultation and Public Relations Implications:

Council officers have carried out extensive consultation with the key stakeholders who would be affected by the capital works program and its projects, including residents, community groups, utilities, and the wider community.

For instance, during the scoping and concept design phase of the stormwater network extension projects where machinery accesses to private properties are required, affected residents have been approached by Council officers and relevant consents were obtained when Council has no easement or existing assets within the properties.

For other projects, such as the Giblins Playspace, key community groups have been involved in the development and have provided their valuable input in finalising the options.

Consultation with key stakeholders has been recognised as one of the critical success factors in the successful delivery of the FY2022/23 Capital Works Program and will be continually carried out through the whole lifespan of the capital works program.

A community forum was also hosted on 16 June 2022 to brief the community on the annual plan and budget, including proposed capital works.

Council will communicate the key information about this year's budget through face-to-face discussion and online platforms (e.g. Facebook and Council website), to explain the key aspects of the budget in a clear and accessible way.

Council will also periodically report the progress of its capital works program through a variety of channels including quarterly reporting to Council as well as website and social media updates.

Recommendation:

That Council:

1. ENDORSE the Glenorchy City Council 2022/23 financial year Capital Works Program presented in Attachment 1, and
2. AUTHORISE the $31.511 million capital expenditure associated with Council's Capital Works Program for the 2022/23 financial year from 1 July 2021.

Attachments/Annexures

1 Attachment 1 - Capital Budget Summary
⇨

7. ADDITION TO FEES AND CHARGES SCHEDULE 2022/23

Author:	Manager Customer Services (Robbie Shafe)
Qualified Person:	Director Community and Customer Services (David Ronaldson)
ECM File Reference:	

Community Plan Reference:

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:

<u>Leading our Community</u>

Objective 4.1	Govern in the best interests of our community
Objective 4.1.1	Manage Council for maximum efficiency, accountability and transparency
Objective 4.1.3	Maximise regulatory compliance in Council and the community through our systems and processes

Reporting Brief:

To recommend that Council includes a 'Dangerous Dog Registration Fee' of $200 in the Glenorchy City Council Fees and Charges Schedule 2022/23.

Proposal in Detail:

At the May 2022 Council meeting, Council adopted its fees and charges for the 2022/23 financial year. Subsequently, it was identified that a proposed new fee of $200 per annum for the registration of a declared dangerous dog had not been included in the Schedule.

During Council's recent review of the Glenorchy City Council Dog Management Policy, the Targeted Reference Group recommended the introduction of a new fee to better reflect the increased resources required to administer dogs which have been declared as dangerous dogs under sections 29 or 29A of the *Dog Control Act 2000* (the Act).

Under the Act, there are strict requirements for keeping and exercising declared dangerous dogs. It is Council's responsibility administer these requirements and ensure ongoing compliance with them. This requires regular spot checks, which use more Council resources than dogs which are not dangerous dogs.

There are currently 10 registered dogs in the council area that are declared dangerous dogs, and would attract the $200 fee if Council adopts it.

Consultations:

Chief Financial Officer
Public Compliance Coordinator
Executive Officer

Human Resource / Financial and Risk Management Implications:

Financial

Other Tasmanian councils, as well as others across Australia, already have a separate category for dangerous dogs in their fees and charges schedules.

Other Southern Tasmanian City councils' fees in this category range from $300 to $1,191.

Currently, declared dangerous dogs are charged their corresponding fee, based on their category; entire (non-desexed), desexed and whether the owner is entitled to a concession or not. These range from $35 to $115.

The new Dangerous Dog Registration Fee of $200 would result in Council receiving approximately $1,600 more in dog registration revenue in the 2022/23 financial year (over and above the "standard" dog registration fees already paid for those animals).

Human resources

Nil.

Risk management

Risk Identification	Consequence	Likelihood	Rating	Risk Mitigation Treatment
Adopt the recommendation				
Discontent from declared dangerous dog owners for having to pay a higher registration fee.	Insignificant (C1)	Possible (L3)	Low	Contact the owners before issue of renewal notices to alert them to the change and explain the reason for it.
Do not adopt the recommendation				
Council's dog registration revenue in next financial year's operational budget would be reduced by approximately $1,600.	Insignificant (C1)	Almost Certain (L5)	Medium	Nil.
Council will not be seen to encourage responsible dog ownership through fee deterrence.	Moderate (C3)	Possible (L3)	Medium	Continue to publish education pieces about responsible dog management.

Community Consultation and Public Relations Implications:

Community consultation

This proposal was discussed with the members of the TRG for Council's recent Dog Management Policy review and was positively received, with the TRG recommending a fee be introduced.

Public relations

Due to the response from the TRG, as well as anecdotal commentary we have received throughout our operations, we expect an overall net effect on public relations to be positive, with the number of community members in favour of the recommendation outweighing the owners of the ten declared dangerous dogs.

The requirement for such fees is also normal practice for many Councils across both Tasmania, and nationally.

Recommendation:

That Council:

> APPROVE the inclusion of a 'Dangerous Dog' category for dog registration with a fee $200 per dog in Council's fees and charges for the 2022-23 financial year and note that the Schedule of Fees and Charges adopted at the 30 May 2022 Council meeting will be updated to include the new fee.

Attachments/Annexures

Nil.