

Proposed 2018/2019 Budget Overview

Explanatory Note: In an effort to improve the readability of the numbers in the tables the following convention has been adopted.

- a) *Increased revenue and decreased expenses - favourable changes or variances are shown as a positive number and percentage.*
- b) *Decreased revenue and increased expenses - unfavourable changes or variances are shown as a negative (in brackets) number and percentages.*

Introduction

The past year has been a dynamic period for our City and our organisation. The City of Launceston welcomed a new General Manager, Michael Stretton and had significant change in the membership of the executive management team.

We continued to deliver incredibly exciting projects, some of which promise to be truly transformational. The Launceston City Deal agreement, the Greater Launceston Transformation Project (Smart Cities), the First Tasmanians Exhibition, Tamar River Heath Action Plan, CH Smith redevelopment, City Heart projects, the UTAS relocation, continuation of the Northern Suburbs project and the development of a Cultural Strategy for our City to name a few.

At the same time the City has continued to deal with our business as usual and worked to conclude long running matters such as the combined drainage dispute, Boral relocation, North Bank and Macquarie House.

The opportunity that these projects provide is extremely important for the City and region; the benefits from economic activity create the potential for improved social outcomes.

Delivering on these opportunities does not come without financial and resourcing challenges as the organisation continues to deliver ongoing services whilst also making space to capitalise on these projects. The municipal area is not experiencing significant economic or population growth, indeed a number of these projects in particular the City Deal, have come about to stimulate economic activity and population growth. This means that there needs to be a reprioritisation of elements of the Council's budget in the short term with the expectation that the resultant growth will provide an economic return in the medium term.

This budget has been prepared in the context of these opportunities and the challenges faced by the community. The public expectation of the Council is that it plays a significant role in addressing the challenges and facilitates the realisation of the potential benefits that these opportunities present.

Balancing the competing needs of maintaining facilities and services, supporting important economic development and social inclusion programs and capitalising on the potentially dramatic changes to the City and the natural and built environment is an ongoing challenge, indeed it is the role of the Council. The organisation has prepared this budget cognisant of these challenges and opportunities and the need for continuous improvement in the way services are provided to our community.

There is a focus on revision of our key planning documents in 2018 - the Strategic Plan, the Long term Financial Plan and Strategic Asset Management Plan. Development of a draft four year resourcing and delivery plan by October 2018 will see the Council well placed to deliver for our community into the future, in a sustainable and focussed way.

Investment in organisational culture and continuous improvement programs (LEAN) will be an internal priority in 2018/2019 - as we focus on providing a safe and productive work environment where we are all engaged in providing services to our community in an efficient manner.

Key Strategic Objectives

It is critical that the organisation remains focussed on leveraging the opportunities that currently exist, both externally for our community and internally, for our employees.

It is in this context that the key strategic (financial) objectives remain appropriate:

- a) aligning the budget to a Long Term Financial Plan;
- b) a deliverable and appropriately prioritised capital improvement program;
- c) maintaining an underlying operating surplus; and
- d) responsible increases in rates and charges that position the Council for the future and are affordable for the community.

Overview

The Council's statutory estimates comprise:

- a) an operating or recurrent budget;
- b) a capital budget; and
- c) a combined funds or cash budget.

The 2018/2019 operating budget has an underlying operating surplus of \$188,000 from revenue of more than \$107m. The 2018/2019 budget formation has been particularly challenging due to a number of factors including:

- a) constrained revenues;
- b) loss of the TasWater distribution
- c) increase in contribution to TasWater for capital projects for the combined system
- d) Northbank maintenance and depreciation
- e) Recognition of loss on disposals of assets for projects including Civic Square;

- f) Roles to support delivery of City Deal commitments
- g) Enterprise Agreement outcomes;
- h) targeted additional operating expenditure;
- i) limiting the major operating projects; and
- j) a modest increase in rates, aligned with cost indexes.

The capital budget includes a \$20.75m capital works program after including \$0.575m in capital grant funding, net Council funding of \$20.175m (\$44.64m in 2017/2018). \$4m has been set aside for the Boral Relocation project relating to civil works exceeding the available budget.

In 2016/2017 the Council borrowed \$9m for the CH Smith carpark project, as part of the State Government Accelerated Loan Program. In 2017/2018 the intent was to borrow an additional \$10.5m for City Heart and Reimagining the Gorge - this has not being necessary at this stage. In 2018/2019 the Council is budgeting to borrow the \$10.5m as we continue the City Heart investment and commence Reimagining the Gorge.

The Accelerated Loan Program provides interest free loans and the borrowed funds will be repaid in full from existing funds when they are due to be repaid.

The 2018/2019 budget is based on these assumptions and estimates:

- Increased revenue from rates (excluding Residential) 2.80%
- Increased revenue from Residential rates (2.8% + \$4 per household for tip ticket) 3.24%
- Increased revenue from Primary Production rates 1.20%
- Increased revenue from Waste Charges 2.90%
- Changes in key indices
 - Local Govt Cost Index 2018/19 estimate 2.42%
 - Local Govt Cost index 2017/18 1.5%
 - Consumer Price Index (Dec 2017 / Dec 2016) 2.1%
- Fire Service Rates assumed increase 2.0%

Advice has not as yet been received from the State Fire Commission. The increase is the initial parameter from the Strategic Financial Plan.
- CBD Promotional Rate has a nominal increase 2.8%
- Capital Grant funding \$0.575m is Roads to Recovery Funding
- The budget includes the effect of the recent loan borrowing of \$9.0m relating to CH Smith Car Park as well as \$10.5m that will be borrowed in 2018/19 for City Heart and Reimagining the Gorge as a result of the State Government's Accelerated Local Government Capital Program. The budget does not include any other borrowings.