Long Term Financial Plan

2019 - 2029

City of LAUNCESTON

About this document

This document represents a key element of the City of Launceston's Strategic Planning Framework. The Long Term Financial Plan sets out Council's objectives, goals, and operating requirements in financial terms.

The provision of the necessary financial resources, in a sustainable and affordable manner, underpins the delivery of quality services to our Community.

The Long Term Financial Plan models the financial needs of the organisation over the medium term against forecast revenue, including reinvestment in our community's assets as set out in the Strategic Asset Management Plan.

Cover Image: Hollybank Forest Reserve, Tourism Tasmania Jason Charles-Hill.

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1 Executive Summary

The City of Launceston Long Term Financial Plan 2019-2029 (LTFP) is a strategic planning document informed by a series of financial models, strategies and performance indicators, which establish the strategic financial framework within which sound financial decisions will be made.

The LTFP is a framework based on a range of assumptions that assesses the financial requirements to achieve our strategic objectives. It demonstrates the Council's obligation and commitment to sound financial planning to ensure the future prosperity of the City.

The LTFP does not assume that all desired projects will automatically be funded, particularly those requiring external grant funding. Projects are only included in the LTFP when funding is reasonably assured and committed to by the Council. This establishes a picture of what the Council can currently afford and deliver with reasonable certainty over the forecast period.

The LTFP illustrates that overall, the Council is in a sound financial position. This is based on strong liquidity and cash reserves, and very low levels of debt. Council has strong capacity to fund its short term obligations in terms of asset renewal and core operations, as well as consider appropriate future investment opportunities to support the ongoing economic prosperity of our Municipal Area and region.

From these underpinnings, the LTFP projects modest underlying surpluses across the life of the plan which represents a basic indicator of Council's underlying financial sustainability. The aim is an annual $1 million underlying surplus after the identified improvement actions have been undertaken.

Revenue growth requirements, averaged across the life of the plan, are forecast to be below the Council Cost Index (CCI) forecasts:

- Average revenue growth requirements of 3.04% per annum;
- CCI forecast to increase by 3.48% per annum (average over 10yrs);
- CPI forecast to increase by 3.00% per annum (average over 10yrs).

Council has a large asset base valued in excess of $2.03 billion dollars, and the LTFP in conjunction with the Strategic Asset Management Plan demonstrate that Council has the capacity to fund asset renewal liabilities as they fall due. Our challenge is in managing the additional operational costs arising from new and upgraded assets, both Council and grant funded.

The LTFP considers a comprehensive range of factors that influence the financial sustainability of our organisation. Given the likely changing nature of many of these factors, the LTFP is updated annually, and is subject to major review every four years, in line with the electoral cycle. As and when funding is secured for desired projects, the Plan is amended to include the changing circumstances.

Michael Stretton

GENERAL MANAGER

2 Current Financial Situation

The City of Launceston is currently in a solid financial position having achieved a sound operating result in recent years, based on strong liquidity and cash flow, and satisfactory funding provision for asset renewal and investment activities. Recent challenges have included changes in the accounting treatment of assets, dividend restructuring and the cost of operating regional assets.

Council has low levels of underlying debt. The largest current loan is associated with the CH Smith carpark development project ($9 million with five year term) that was entered into as part of the State Government's *Northern Economic Stimulus Package* funding program.

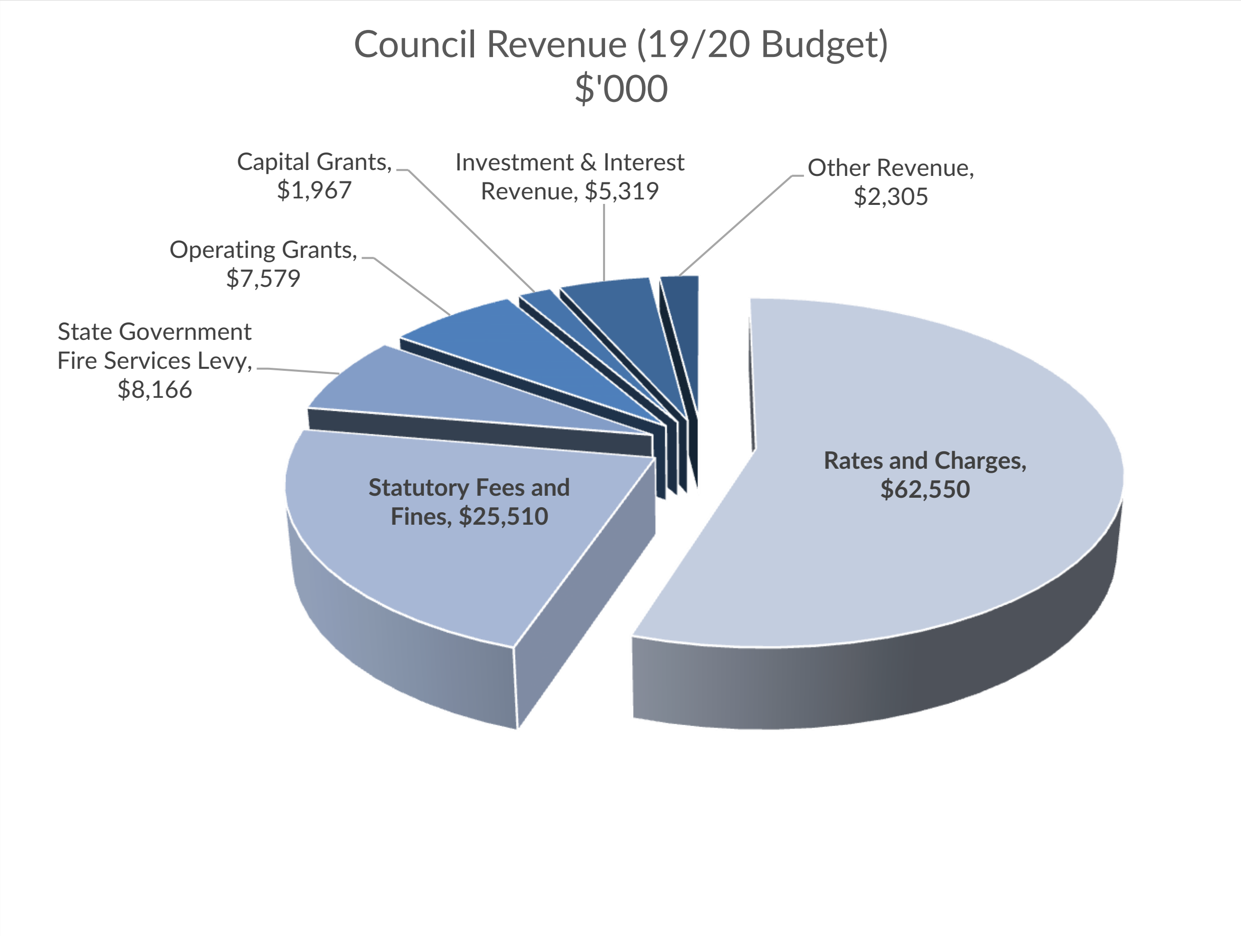

Figure 1: Whole of Council Revenue Breakdown

Several major capital projects, including the construction of the Riverbend Park Precinct, the redevelopment of both Macquarie House and Civic Square and the Brisbane Street Mall, have associated ongoing operational and maintenance costs which Council is required to fund. Although these projects have been primarily funded through the assistance of Federal and State grants, the ongoing operational and maintenance costs are the responsibility of Council to fund annually.

For the last five years rate increases have been below the Council Cost Index (CCI) published by the Local Government Association of Tasmania (LGAT). Council has managed internal costs to maintain rate increases below CCI, but this is not an appropriate long term strategy if applied in isolation. Reviewing our Levels of Service is key. The shortfall in CCI and actual rate increases since 2013/14 equates to over $490,000 annually.

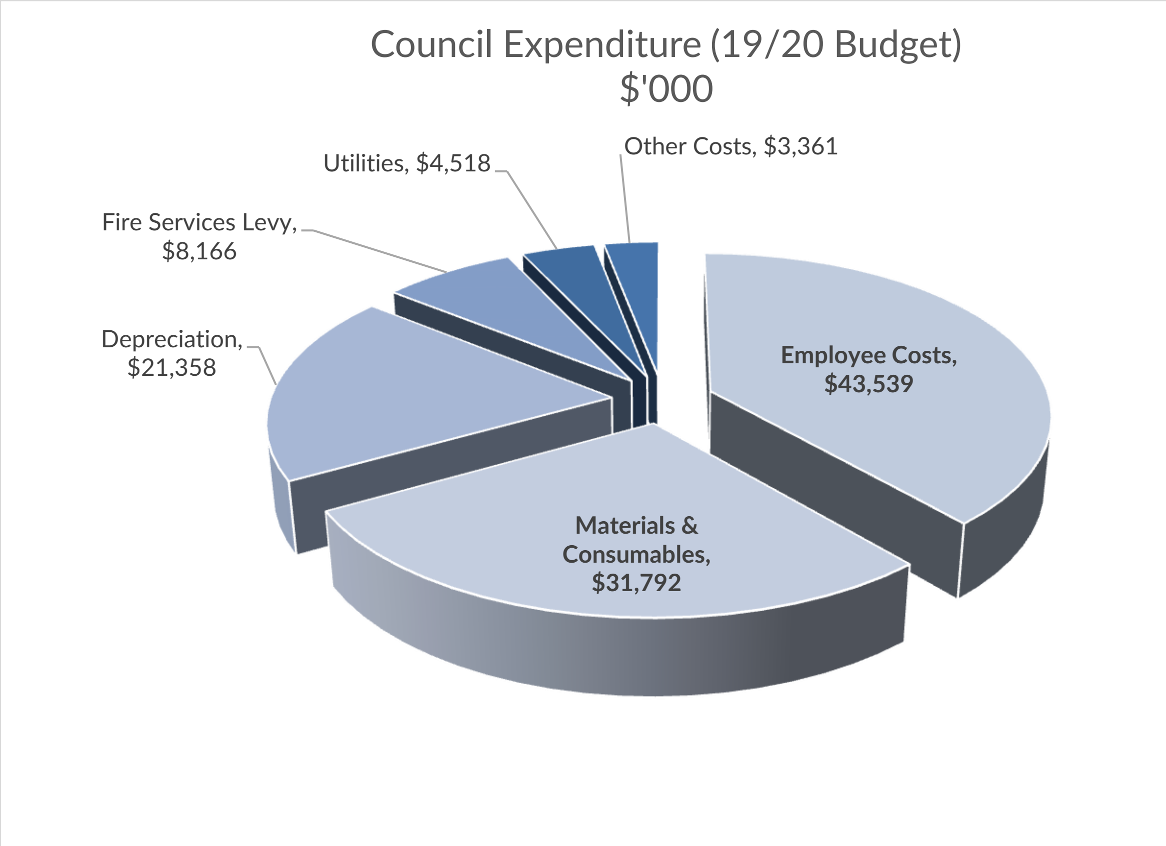

Figure 2: Whole of Council Expenditure Breakdown

Council faces several significant operating pressures into the near future. Commitments to various major Capital projects, the Launceston City Deal, the Northern Suburbs revitalisation, and changes to the financial distributions received from TasWater, will make maintaining an underlying surplus a challenge.

2.1 Financial Sustainability

Within the Local Government sector in Australia, there is not a universally accepted definition (or set of metrics) that specify what financial sustainability is. As a public service entity with the core responsibility of serving our community over the long-term, achieving intergenerational equity should be the ultimate measure of financial sustainability. It should not be left for one generation to "pay the way" for another.

While this outcome is difficult to quantify at any point in time, adopting an underlying mindset that Council should provide quality and efficient service delivery to the community both now and into the future, while ensuring that each generation is responsible for the cost of services and resources they consume, provides the foundation to achieve this long-term outcome.

2.2 Financial Sustainability Indicators

The Local Government Sustainability Objectives and Indicators report presented by the Department of Premier and Cabinet (DPac) prescribes seven indicators that can be used to measure financial sustainability. Council reports its performance against these indicators in its Annual Report, and has adopted these as the principle indicators for the purposes of measuring our financial sustainability in the LTFP:

- Underlying Surplus or Deficit
- Underlying Surplus Ratio
- Net Financial Liabilities
- Net Financial Liabilities Ratio
- Asset Consumption Ratio
- Asset Renewal Funding Ratio
- Asset Sustainability Ratio

Adopted benchmarks have been based on a combination of Council's desired outcomes and guidelines provided by DPac.

Table 1: Adopted Financial Performance Indicators

INDICATOR	DEFINITION	BENCHMARK	2019/20 Budget
Underlying Surplus or Deficit	The recurrent income (not including income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature) of Council for the financial year less the recurrent expenses of Council for the financial year. Serves as an overall measure of financial operating effectiveness.	Between $0 and $1m *Note: future projections show Council achieving this benchmark*	$(1,305,000)
Underlying Surplus Ratio	The underlying surplus or deficit divided by the recurrent income (not including income received specifically for new or upgraded assets, physical resources received free of charge or other income of a capital nature) for the financial year. Serves as an overall measure of financial operating effectiveness.	Greater than 0% *Note: future projections show Council achieving this benchmark*	(1.2%)
Net Financial	Liquid financial assets (cash and cash equivalents plus trade and other	Greater than	$66.6m

INDICATOR	DEFINITION	BENCHMARK	2019/20 Budget
Liabilities	receivables plus other financial assets) less total liabilities. Indicates what is owed to others less money held, invested or owed to Council.	$0	
Net Financial Liabilities Ratio	Net financial liabilities divided by recurrent income. Indicates the extent to which net financial liabilities could be met by operating income.	0% to 50%	60%
Asset Consumption Ratio	The depreciated replacement cost of plant, equipment and infrastructure assets divided by the current replacement cost of depreciable assets. Indicates the level of remaining service potential in the Council's existing asset base.	Greater than 60%	73%
Asset Renewal Funding Ratio	The current value of projected capital funding outlays for an asset class identified in the long-term financial plan divided by the value of projected capital expenditure funding for an asset class identified in the long-term strategic asset management plan of Council. Indicates the Council's asset renewal and replacement performance.	90% to 100%	91%
Asset Sustainability Ratio	The amount of capital expenditure by Council in a financial year on the replacement and renewal of existing assets divided by Council's annual depreciation expense for the financial year. Indicates Council's capacity to fund future asset replacement requirements.	100%	82%
Debt Service Ratio	Total Principal repayments and interest expense divided by operating revenue (excl. Capital Grants). Indicates the amount of recurrent	0% to 20%	0.3%

INDICATOR	DEFINITION	BENCHMARK	2019/20 Budget
	income that is used to repay debt and interest charges.		

3 Planning Framework

This Long Term Financial Plan (LTFP) sets out CoL's strategy to deliver our organisational plans and objectives in financial terms. This is the CoL's first LTFP produced as part of an integrated approach to defining our organisational resource capacity and needs, and is reliant on data from its partner document, the Strategic Asset Management Plan (SAMP)

This analysis, and tools created in developing this plan, will be used to guide the CoL on its journey towards better service provision to our community, and long term financial sustainability.

Financial planning and management is one of the many factors influencing strategic planning at the CoL, as shown in

Figure 3. There are many spheres of influence - near and far. The CoL recognises its role as a key stakeholder, along with the other Local Government municipalities, in greater Launceston and the wider northern Tasmania region and as such recognise that their success is our success and vice versa. Working together as a Council, a city and a region is fundamental to a sustainable future for all of our communities.

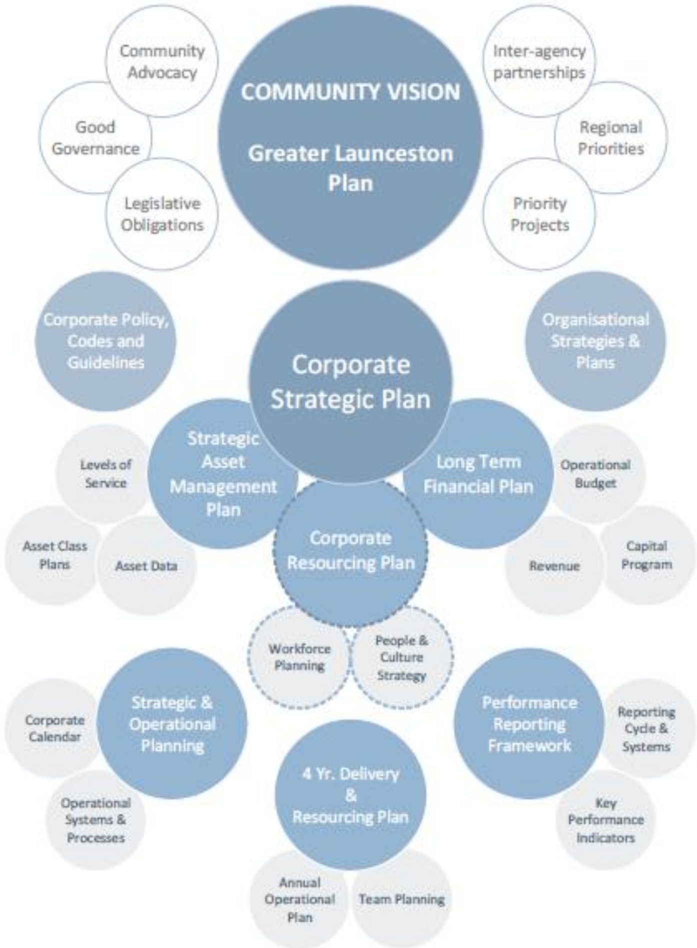

Figure 3: Financial Management within the wider strategic environment

The Long Term Financial Plan along with the Strategic Asset Management Plan and the (proposed) Corporate Resourcing Plan become major iterative influences in terms of inputs to and outputs of the central corporate planning document, the Corporate Strategic Plan.

Figure 4 shows the hierarchy that becomes the framework for the CoL's strategic planning through to service delivery activities and operations. The framework demonstrates the clear alignment towards achievement of corporate objectives from the Community Vision through the Corporate Strategic Plan down to activity planning and individual job planning.

Note that not all of the below elements have been enacted, but form part of the broader framework. This is factored into the Improvement Plan.

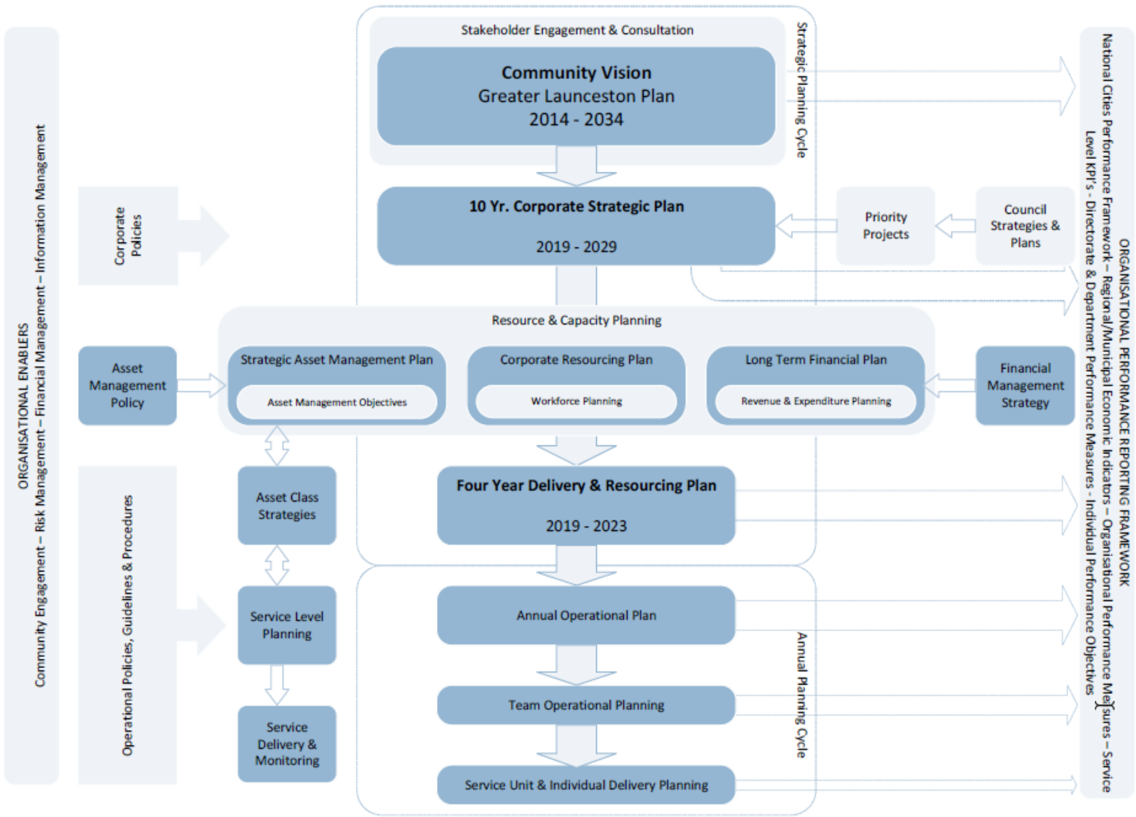

Figure 4: Financial Management within the Integrated Corporate Planning Framework

The Resource and Capacity Planning layer demonstrates the interaction of the strategic asset management and long term financial plans to understand the "what, when and how much" of assets need resourcing and the organisation's ability to fund the services into a 10 year forward horizon.

The framework would not function without the inputs and outputs to and from supporting systems which are identified as "Organisational Enablers". Enablers include Community Engagement, Risk Management, Information Management and Financial Management systems.

Our LTFP is an overarching document, supported by our Financial Management Strategy, organisational policies, operational systems and processes that form the basis of our financial management system.

The CoL primary purpose is to serve our community. When providing services, it is guided by performance reporting and feedback from the stakeholders whether they are fee paying or not. All CoL activities are underpinned by philosophies of stakeholder and community engagement, consultation and continuous improvement.

3.1 Legislative Context

CoL operates within a broad framework of Acts, regulations and orders.

The principal legislation that prescribes our powers and functions is the *Local Government Act 1993 (Tas)*. This Act establishes us as a corporate body, and obligates us to:

- provide for the health, safety and welfare of the community;
- to represent the interests of the community; and
- to provide for the peace, order and good government of the municipal area.

We demonstrate a commitment to these roles in our day to day activities, guided by our strategic plan, long-term financial management plan, financial management strategy, long-term strategic asset management plan, and asset management policy and strategy.

Section 70 of the *Local Government Act* 1993 (Tas) requires CoL to prepare a long-term financial management plan for the municipal area. At CoL, we call this document our Long Term Financial Plan (LTFP).

Amongst other things, our Long Term Financial Plan estimates the future operating revenues and expenses associated with operating requirements, capital expenditure and asset management renewal, in support of the deliverables in the organisations Strategic Plan.

It also provides a mechanism for CoL to deliver asset renewal requirements as determined in the Strategic Asset Management Plan, by making provision for the estimated costs associated with our management of the assets that are considered in that plan.

4 LTFP Objectives & Outcomes

The LTFP reflects in financial terms how Council proposes to deliver on its intended objectives, goals and desired outcomes for the next 10 years. Fundamentally, the goal of the LTFP is to ensure City of Launceston remains a financially sustainable organisation.

The LTFP forms a key part of Council's strategic planning framework. In concert with the SAMP (and proposed Corporate Resourcing Plan) it forms the basis of Council's resource and capacity planning tools to inform our decision making processes. It provides a "point in time" indication of Council's financial sustainability, along with facilitating early identification of financial challenges and the impacts of decisions taken, and enhances the transparency and accountability of the Council to the community.

The LTFP has been formulated within the parameters of Council's *Financial Management Strategy.*

In addition to outlining the adopted financial model, a range of scenario analysis has been completed to assist with understanding the potential implications of future decisions and external factors, and a suite of tools developed to assist with identifying the financial implications of organisational decisions moving forward.

5 Financial Plan Inputs & Assumptions

The LTFP Financial Model has been formulated based on a range of assumptions in order to establish a baseline data set to facilitate discussion and review of the overall LTFP content, and our organisational capacity to deliver services to our community.

5.1 Primary Assumptions

The primary underlying assumptions contained in the adopted LTFP Scenario are summarised below:

1) Consumer Price Index (CPI) being set at 3.0% across the life of the Plan, this will be reviewed annually.
    a) There has been some historical volatility in actual CPI data over recent years however, trend projections are relatively stable (at moderate to low growth levels), and a median position of the likely band has been adopted. The Reserve Bank Australia has published a goal CPI target of 2% - 3%, which has been used as a basis for the adoption of this. Hobart CPI to December 2018 showed a 3.00% increase from December 2017.
2) Council Cost Index (CCI) is forecast to exceed CPI throughout the Plan.
    a) CCI for 2019/20 is 3.38%. This figure was provided by LGAT in March 2019.
    b) This is due to key inputs into CCI such as construction and specific Local Government sector material cost increases. This assumption is supported by recent historical trend data.
    c) Historical trend analysis indicates that CCI exceeds CPI. This is expected to continue throughout the life of the plan.
3) The adopted Depreciation Expense used in the current model is set to increase by 3.0% annually.

   a) This recognises that Council conducts a periodic revaluation of major asset classes, the construction of new assets during the Capital Works program and the identification of newly found assets adding to the overall replacement cost of the depreciable asset base.

4) Financial Assistance Grants funding to increase slightly below CPI only (no major increase to FAG funding has been incorporated) in order to be conservative and acknowledge the difficulty in obtaining increased FAG funding.
   a) Council is currently advocating for a greater share of funding given our role as a regional hub and the associated cost of owning and operating facilities involved in such a role. This will be monitored through the life of the Plan.
   b) It is noted that increases in FAGs at the currently forecast levels have not been achievable in recent history.
   c) Modelling does not include an increase in QVMAG operating grants other than for indexation. Council plans to petition for an increased share of funding for regional assets. The result of this request is expected to be known later in 2019.
5) Distributions received from TasWater are included in both scenarios as revenue items.
   a) It is noted that the nature/form of dividend distributions from TasWater are not expected to change across the life of the plan. This is consistent with advice received from TasWater and the Tasmanian Government.
   b) The ongoing contribution to renewal works is included in the LTFP model however, there is ongoing engagement with TasWater on this matter to ensure the forecast contribution levels are robust and reliable.
6) The overall rate base is expected to increase by an average of 0.5% to 0.75% annually through growth and development in the municipality.
   a) This position is in line with the forecast 2018/19 result, and supported by long-term historical averages.
   b) It is likely that growth projections will form a significant part of future scenario modelling, particularly with significant development projects (such as the Strathroy and St Leonards residential growth proposals).
7) An organisation Efficiency Dividend on materials and services has been included as a budget-savings measure. It is in envisioned that in conjunction with the LEAN Program, this will see Materials & Services increase at a rate below CCI.

5.2 Projected Revenue Requirements

The assumptions in the adopted financial model have been based on best available information, professional judgement and experience, and developed in discussions with Council officers. The revenue growth requirements used in the financial model are based on achieving a balanced operating result or small underlying surplus across the life of the plan, from 2020/21 onwards.

Rate increases to achieve a small underlying surplus were calculated after all other assumptions and information was entered into the financial model, including the adoption of a balanced capital works program (see Table 6). Projected financial statements, which include the adopted capital works program and all other assumptions, have been included in this document from items 10 through to 12.

Table 2: Rate Increase Requirements

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Rate Increases (%)	**2.8**	**4.5**	**4.5**	**4.0**	**3.0**	**3.0**	**2.5**	**2.5**	**2.5**	**2.5**
Plus Growth (%)	0.5	0.5	0.5	0.5	0.75	0.75	0.75	0.75	0.75	0.75
CPI (%)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Rate Increase above/ (below) CPI	(0.2)	1.5	1.5	1.0	0	0	(0.5)	(0.5)	(0.5)	(0.5)

5.3 Adopted Indexation Factors

The Table below summarises the Indexation factors that have been adopted in developing the initial LTFP model:

Table 3: Adopted Indexation Factors

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28
Consumer Price Index (CPI)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Council Cost Index (CCI)	3.38%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Fire Service Levy (%)	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%

5.4 Adopted Revenue Inputs

The Table below summarises the revenue inputs that have been adopted in developing the 10yr LTFP model:

Table 4: LTFP Revenue Inputs

			(% Change from Previous Year)	
Revenue Component	Basis of Assumption	Proportion of Total Revenue	20/21 to 22/23	23/24 to 28/29
Rate Revenue	Financial modelling to achieve a small underlying surplus across the life of the LTFP	54%	Variable across each year of the plan. Refer Table 2: *Rate Increase Requirements*	
Rate Base (Growth)	Historic trends and predicted growth		0.5%	0.75%
Fees & Charges Revenue	CPI	22%	3.0%	3.0%
Operating Grants	Under CPI based on historical trends	7%	2.75%	2.75%
Fire Service Levy	Tas. Fire Commission Forecast	7%	2.6%	2.6%
Interest Revenue	Forecast RBA Cash Rate + 1.0 - 2.0%	2%	3.5%	3.5%
Tas Water Distributions	Annual Forecast	3%	0%	0%
Other Revenue	CPI	2%	3.0%	3.0%

Note that the balance of total revenue is made of Capital Grants.

5.5 Adopted Expense Inputs

The Table below summarises the assumptions that have been adopted in the 10yr LTFP model, including data on the relevant proportion of each expense section to the overall total:

Table 5: LTFP Expense Inputs

			(% Change from Previous Year)	
Expense Component	Basis of Assumption	Proportion of Total Expenses	20/21 to 22/23	23/24 to 28/29
Employee Costs	CPI	38%	3.0%	3.0%
Materials & Services	CCI *less* organisational savings such as LEAN & efficiency dividend.	28%	2.5%	2.75%
Depreciation	Asset Data Projections	19%	3.0%	3.0%
Utilities	Electricity & Gas Market Projections	3%	1.0%-2.5%	2.5%-2.75%
Fire Service Levy	Tas. Fire Commission Forecast	7%	2.6%	2.6%
Other Expenses	CPI & projections	3%	2.5%-3.0%	2.5%-3.0%
Combined System Contribution	Annual forecast provided by TasWater	2%	3.0%	3.0%

5.6 Capital Works Program

The Strategic Asset Management Plan sets out the proposed 10 year capital works program which has been adopted as a principle input into the LTFP.

Table 6 below sets out the proposed capital works program by expenditure type and includes both Council and grant funded projects. It needs to be noted that while a detailed program has been prepared as part of the SAMP development process, the inputs into the LTFP are only concerned with the quantum of funding forecast across each expenditure type; new, upgrade or renewal. Individual capital projects will continue to be assessed for approval annually during Council's capital budgeting process.

Table 6: Annualised Capital Works Program Inputs

	19/20 Budget	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Renewal Works ($'000)	17,427	16,423	17,201	16,727	17,861	19,910	19,221	21,483	21,201	23,356
New & Upgrade Works ($'000)	4,987	15,487	14,086	8,247	7,782	5,628	5,315	8,610	5,481	10,293
Total Capital Program ($'000)	22,414	31,910	31,287	24,975	25,642	25,178	24,536	30,093	26,682	33,650
Annual Depreciation Charge ($'000)	21,358	22,203	23,004	23,767	24,545	25,318	26,114	26,965	27,808	28,723

Based on the SAMP inputs, all renewal commitments will be fully funded for the length of the LTFP. A theoretical backlog of renewal works valued at $43m has been identified in the SAMP. Analysis suggests this work will be made of a combination of required renewal works, along with assets that remain in suitable condition and will exceed their originally forecast useful lives. The LTFP includes an annual allocation of $2m across the 10-year life of the plan to address required backlog works. The balance of capital funding remaining, for new and upgrade projects, will be allocated as part of Council's annual budgeting process.

Not all proposed capital projects have been included in Table 6. Council has a list of Holding Projects that are not in a position to be approved for inclusion in the SAMP or LTFP. This list will be reviewed at least annually in accordance with the LTFP and SAMP.

The forecast Capital Works expenditure (both Council and external funding contributions) has been used to model the additional operational and maintenance costs and additional depreciation expense associated with each new and upgrade project. These additional costs have been included in the adopted financial model.

5.7 Depreciation Expense Modelling

Table 7 shows the budgeted depreciation by the major asset classes. Detailed annual depreciation budgets are prepared for each asset class.

The table included in Section 14 details the useful lives applied to each asset group. Along with underlying asset valuation data, the useful life is used to calculate the annual depreciation expense on assets, and used in conjunction with the SAMP. Asset lives are consistent with Council's Asset Capitalisation Framework which is reviewed annually.

Table 7: Depreciation by Asset Class

Asset Class	Budgeted Depreciation Expense 19/20 ($)
Roads	10,937,860
Buildings	3,356,901
Plant & Equipment	2,819,982
Stormwater	1,654,691
Parks	1,009,994
Data Systems	619,852
Flood Protection	498,757
Waste Centres	459,924
Total	**21,357,961**

5.8 Additional LTFP Inputs

In addition to the primary assumptions underpinning the LTFP Financial Model outlined in section 7.1, an additional range of assumptions also inform the plan. These are summarised below:

1) Existing municipal boundaries remain unchanged, with no significant change to underlying rate or asset base.
   a) Although there is current active discussion of amalgamation/boundary adjustment in the Local Government Sector generally, no change has been factored into the current LTFP model.
2) Levels of service will be maintained at existing levels.
   a) The LTFP and the aligned SAMP process identify Level of Service Planning as a key improvement action for the organisation to undertake. While adjustment to levels of service and rationalisation is hoped to be achieved via this process, no change has been factored into the current LTFP model.
3) The proposed budget for 2019/20 has been included in the Plan.
4) Indexation Factors will be reviewed annually as the Plan and accompanying model are updated.
   a) Historical trends, and likely future projections have been analysed in setting the current indexation factors, as discussed later in this report.
5) Overall staffing levels across the organisation remain constant.
   a) There may be future FTE changes across Directorates and/or Departments however; there is no current forecast data available organisationally to justify a significant change from the projection adopted for this version of the LTFP model.

6) The recommended implementation of a Workforce/Corporate Resourcing Plan (positioned alongside the LTFP and SAMP as our principal Resource & Capacity Planning tools) would provide high level forecasting of workforce planning and cost modelling into the future.
7) Employee costs to are in line with anticipated CPI, to factor in a competitive labour market and potential labour shortages.
    a) Historically low wage market growth trends are the subject of broad commentary in the Australian labour market currently. Combined with the forecast skills shortages in some sectors, it is likely that there will be continuing upward pressure on labour costs organisationally.
    b) The recommended implementation of a Workforce/Corporate Resourcing Plan (positioned alongside the LTFP and SAMP as our principal Resource & Capacity Planning tools) would provide high level forecasting of workforce planning and cost modelling into the future.
    c) Given the proportionally significant impact (currently 38%) of employee costs on the overall organisational expenses, these items should be subject to specific analysis and scenario modelling moving forward.
    d) Within the Local Government sector, this percentage of employee costs on overall organisation expenses is at the lower end of the scale.
8) Utilities expense have been modelled on market projections.
    a) Given the volatility involved in the energy market pricing across the National Energy Market (NEM), this expense category will be reviewed in detail during each iteration of the LTFP.
    b) The Australian Energy Market Operator (AEMO) publishes energy market price forecasting across the NEM, and is currently suggesting national energy pricing will fall slightly below underlying inflation figures.
    c) It is expected that future scenario modelling could include targets for energy reduction initiatives at a Council-wide level.
    d) It is noted that utilities costs represent only ~3% of the total organisational expense.
9) Fire Service Levy has been indexed at 2.6% for the life of the plan.
    a) This will be reviewed annually based on updates provided by the State Fire Commission. Council acts as a collection agent for this levy, which is then paid to the State Fire Commission. Council receives a 4% commission for the collection of this levy.
    b) It is noted that other Councils have adopted a significantly higher forecast percentage increase in the Fire Service Levy.

6 Sensitivity Analysis

The purpose of scenario modelling is to demonstrate the robustness of the adopted financial model, and the effect on CoL's financial position should there be a deviation to the assumptions made in the adopted model. Given the range of inputs to the model, some variation to the adopted inputs is inevitable however, ensuring the LTFP is reviewed on an annual basis will enable currency of input forecasts.

The change in the tables below represents the modified assumptions used for each revenue or expense item. The assumptions used in the adopted model have been outlined in Section 5 of this plan.

The movement is calculated annualising average increase or decrease across the life of the LTFP.

Change in Rates, Fees & Charges relates to the underlying growth or decline, as opposed to an increase in the cost of rates or services charges.

Table 8: Optimistic Scenario Inputs

Revenue/Expense Item	Change from Adopted LTFP Model (%)	Average Annualised Movement ($'000)
Rate Revenue	Additional 0.5% growth	$1,771 increase
Fees & Charges Revenue	Additional 0.5% growth	$682 increase
Employee Costs	Growth capped to CPI (-0.5%)	$1,134 decrease
Materials & Services	Growth 0.5% less than current assumption	$811 decrease

Table 9: Pessimistic Scenario Inputs

Revenue/Expense Item	Change from Adopted LTFP Model (%)	Average Annualised Movement ($'000)
Rate Revenue	Decrease of 0.5% growth	$1,725 decrease
Fees & Charges Revenue	Decrease of 0.5% growth	$665 decrease
Employee Costs	Growth 0.5% greater than CPI	$1,165 increase
Materials & Services	Growth 0.5% greater than current assumption	$833 increase

6.1 Impact on Underlying Surplus

Figure 5 below represents the adopted financial model (blue line) plotted against the Optimistic and Pessimistic scenario factors detailed in Table 8 and Table 9, and the potential cumulative impact across the 10 years of the LTFP - should no action be taken to correct and adjust the underlying financial model as changes materialise.

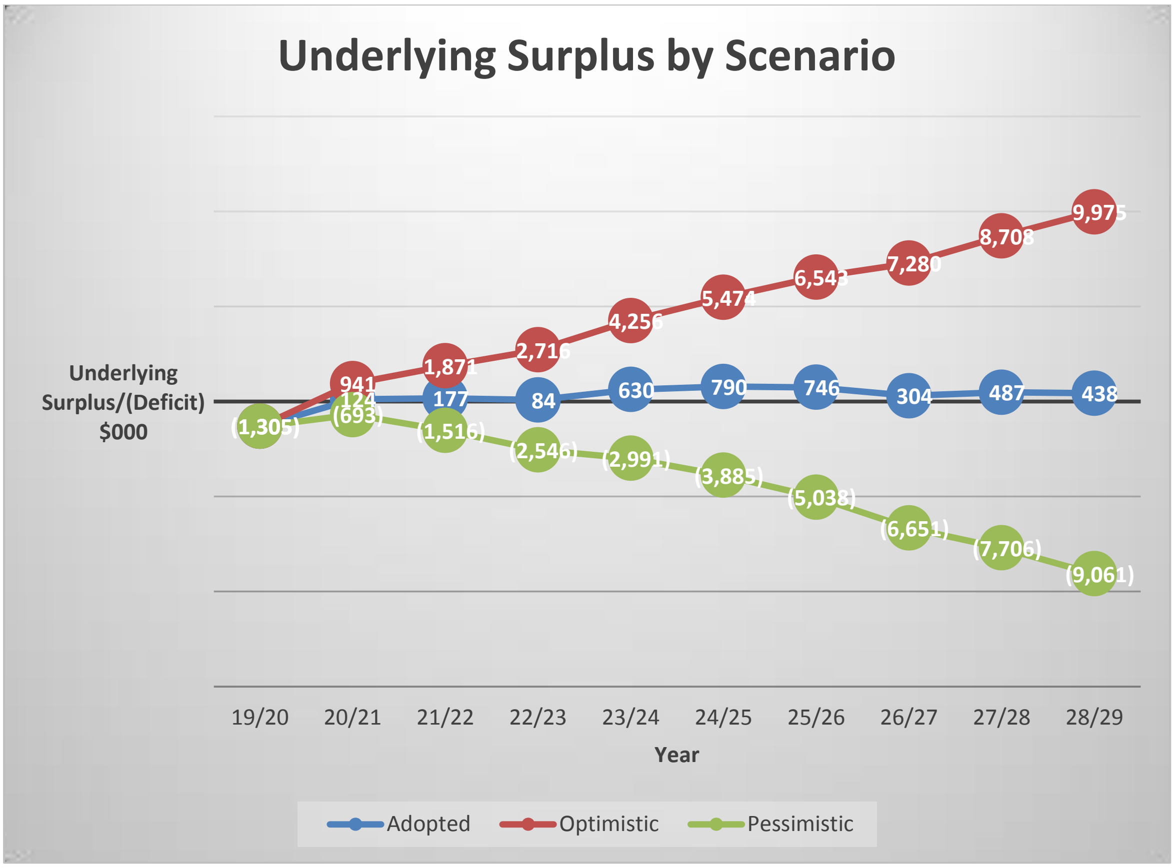

Figure 5: Financial Scenario Modelling Comparative Table

While the early years of this scenario projection represent a manageable variation in either direction of the adopted model, sustained variation without adjustments result in significant cumulative variations from the target operating result. This underlines the necessity to undertake an annual review of the LTFP as part of the budget preparation and consideration process.

7 Financial Benchmarking

In developing the LTFP, published financial data from the 2016/17 Annual Reports of the Council areas listed in Table 10 below has been compiled to facilitate benchmarking analysis.

Table 10: Benchmarking Comparator Councils

Council	Relevance as a Comparator
City of Hobart	Similar population base. Best local comparator for overall revenue & expense values. Similar structural hierarchy as CoL, being urban centre of local area.
City of Devonport	State-based urban council comparator. Some similarities to CoL as structural centre of a broader region.
City of Burnie	State-based urban council comparator. Some similarities to CoL as structural centre of a broader region.
City of Clarence	Similar population-base. Similar urban/rural Council area make-up.
City of Maitland (NSW)	Consistent overall comparator with CoL. Similar council-area makeup (urban and rural areas). Some similarities to CoL as structural centre of a broader region.
City of Maribyrnong (Vic)	Consistent overall comparator with CoL. Population and financial metrics.
City of Darwin (NT)	Consistent overall comparator with CoL. Population and financial metrics. Similar structural hierarchy as CoL, being urban centre of local area, although a large number of community assets owned by Territory Administration.
City of Greater Bendigo (Vic)	Used as an historic benchmark council by CoL. Growth of region has seen relevance as comparator diminish.
City of Ballart (Vic)	Used as an historic benchmark council by CoL. Growth of region has seen relevance as comparator diminish.

Detailed financial data for each Council noted above is included in Section 15 of the LTFP.

The compiled financial data facilitated the calculation of a range of metrics against which the relative performance of the City of Launceston has been considered. Updating of this benchmarking data as part of the annual review of the LTFP is an important exercise to inform future versions of the LTFP, and ensure Council's overall performance (in a financial sense) is considered with respect to the broader Tasmanian and interstate-based Local Government sector.

Overall, the benchmarking data reflects favourably on CoL's financial performance. A number of key metrics require monitoring in future versions of the LTFP, and some opportunities for reconsideration of the relative balance of some other revenue and expense factors has also been identified. Table 11 sets out the key metrics identified for specific monitoring in future versions of the LTFP.

Table 11: Benchmarking Analysis

Note that the below benchmarks have been used internally as measures of performance, separate to those prescribed by DPac in Table 1.

Metric	Current Measure	Benchmarking Notes
Rate revenue as a % of total revenue (excl. Capital Grants)	65.7%	Below the state-based council average, and significantly below some comparators (City of Clarence), indicating a more diversified revenue base.
Fee revenue as a % of total revenue (excl. Capital Grants)	23.2%	Below the state-based average, and significantly below some comparators (City of Hobart). Growth of fee-based (or "user pays") revenue may be a consideration for future versions of the LTFP, enabling reduction in other revenue areas, such as rating revenue. A holistic review of fees and charges is recommended as an improvement action in this version of the LTFP.
Operating grant revenue as a % of total revenue (excl. Capital Grants)	11%	Above the state-based average however, below the interstate comparator average. Additional operational funding support for the QVMAG operations is desired, in recognition of the regional service provision offered by this Council-owned institution. Any relative increase in operational grant funding may also facilitate reduction in other revenue areas, such as rating revenue.
Annual depreciation expense as a % of Asset Value	1.59%	On-par with the state-based average. An improvement action to review the approach to depreciation modelling is included in the LTFP.
Rate revenue per capita	$951	Below the state-based average, and significantly below most comparator Councils. This indicates a need to review rates which have historically been below CCI.
Rate revenue per rateable property	$2,031	Below the state-based average, and significantly below most comparator Councils. This indicates a need to review rates which have historically been below CCI.
Resident population per employee (FTE's)	152	Slightly higher than the state-based average. Representational of employee-intensive nature of core service provision, including provision of some significant regional leisure and recreation services. In this context, employee numbers benchmark favourably.
Employee costs as a % of total OPEX	38%	On-par with the state-based average. As per item above, this figure benchmarks favourably given the relative service provision offered on a regional basis.

8 Risk Management

The LTFP adopts a range of assumptions to develop the 10 year financial forecast. There are various external factors over which Council has no control over that have the potential to have a major impact on future financial projections. To mitigate the risk associated with these assumptions, the LTFP will be reviewed and updated annually, before being presented to Council for adoption.

A more detailed risk assessment has also been prepared in accordance with Council's Corporate Risk Management Framework, and is included in Section 8.6. The commentary below provides an overview of risks associated with key LTFP inputs.

8.1 Significant Risks

8.1.1 Employee Entitlements

Salary and wage increases have been set to increase 2.3% for 2019/20 based on the current City of Launceston Enterprise Agreement. Should CPI exceed these benchmarks, salaries will increase by CPI. Beyond 2019/20, a new Enterprise Agreement is due to be negotiated. Given wages and salaries comprise 38% of Council's total expenses; any increase in excess of the current Enterprise Agreement will have a significant effect on Council's ability to achieve an underlying surplus.

8.1.2 Price Indices

The LTFP model relies on a number of forecasting measures and assumptions. Any major discrepancy with the below price indices will impact future modelling projections. This risk is mitigated by the fact that the LTFP is updated annually and indices will be changed in line with the annual update.

8.1.3 Consumer Price Index (CPI)

CPI is a key measure of household inflation published quarterly to reflect the movement in prices on a wide range of goods and services. The Reserve Bank Australia has published a goal CPI target of 2% - 3%.

Should CPI increase significantly, employee entitlements will increase in line with this. For modelling purposes, CPI has been projected to be 3.0% across the life of the plan.

8.1.4 Council Cost Index (CCI)

The Local Government Association of Tasmania (LGAT) publishes an annual index, which reflects cost increases directly associated to services provided by and the cost of running Local Government. This index recognises that CPI does not fully encapsulate cost increases in the Local Government sector. CCI has been projected to be 3.38% for 2019/20.

8.1.5 Utilities Prices

There is significant volatility with the price of gas in Tasmania. Launceston Aquatic Centre (LAC) in particular is a heavy user of gas, having spent over $634,000 on gas in 2017/18. Any change in the price of gas would significantly affect the operating result of LAC and presents a challenge when budgeting for the long term.

Budgeted electricity costs increased by 30% for the 2019/20 budget, as a renewed electricity contract has been entered into. It is expected that these costs will plateau in the coming years.

8.1.6 TasWater Distribution

Financial Distributions from the Tasmanian Water Corporation (TasWater) are budgeted to contribute 3% of Council's budgeted revenue in 2019/20. Any future decrease in dividend from TasWater will directly impact Council's operating surplus. Significant capital expenditure is required to upgrade and maintain existing stormwater infrastructure to meet community expectations. Council relies on TasWater to provide a future 10 year Capital Works program as an input into the LTFP. Any inaccuracies in the figures provided will impact on future financial forecasts.

8.1.7 Damage to Infrastructure

Council is exposed to the risk that damage will occur to infrastructure such as roads, bridges, stormwater, parks and buildings though events such as the 2016 floods, natural disasters, acts of vandalism, and acts of terrorism. Such damage requires the redirection of capital and/or operational budgets, changes to levels of service and increased insurance premiums.

8.1.8 Loss on Disposal of Assets

When an asset is disposed of before the full term of its useful life, unless consideration is received, there will be a loss on disposal recorded as the asset will not be fully depreciated.

The recent redevelopment of Civic Square is one such project that will result in a loss on disposal, given several assets in the existing area have not been fully depreciated before being disposed of (renewed).

Council will consider the impact of loss on disposal of existing assets, in conjunction with the SAMP, in the planning process for capital projects. The risk can be mitigated by accelerating the depreciation of any identified affected assets.

Additionally, to mitigate this risk an annual provision of $200,000 for loss on disposal of assets has been made in the adopted financial model.

8.1.9 Grant Funding

Financial Assistance Grants and operating grants have been indexed to increase in line with CPI. There is inherent uncertainty regarding the distribution of grant funding due to a number of factors. To mitigate this uncertainty, budgeted grant funding will be updated annually for use in the LTFP.

Council continues to lobby for a greater share of funding to reflect our role as a regional hub and the associated cost of owning and operating facilities involved in such a role. This will be monitored through the life of the Plan.

Long term capital grant funding forecasts have been sourced from the SAMP. Each year capital grant funding will be updated based on the proposed capital works program for the following year.

8.2 Corporate Risk Management Framework

The CoL has reviewed its Risk Management Framework to provide contemporary foundations and organisational arrangements for effectively and efficiently managed risk across what is a diverse business.

Council is committed to implementing a strategic, consistent and structured corporate-wide approach to risk management in order to achieve an appropriate balance between realising opportunities for gains and minimising losses. Council's commitment to managing risk within its operations and ensuring that Council makes informed decisions with respect to the activities that it undertakes by appropriately considering both risks and opportunities is outlined in the Risk Management Policy 30-PI-004.

The risk management process is:

- integral to effective organisational management and decision making,
- allows the CoL to make risk informed decisions,
- embedded in the culture and the everyday practices of the CoL, and
- tailored to the business processes of the CoL.

The reviewed framework is aligned to the requirements of AS/NZS ISO 31000[1] and illustrates how risk management will be embedded in CoL systems to ensure it is integrated at all levels and for all work contexts.

8.3 Principles of Risk Management

ISO 31000 is recognised as the leading standard relating to risk management and is produced by the International Organisation for Standardisation. The purpose of ISO 31000 is to provide principles and generic guidelines on risk management. ISO 31000 emphasises that for risk management to be effective, organisations must comply with the principles outlined below:

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[1] AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines

- **Creates Value** - Risk management contributes to the achievement of objectives. Protects value - minimise downside risk, protects people, systems and processes
- **Integral Part of Organisational Processes** - Risk management is not a stand-alone activity from the management system of the organisation. It is part of the process - not an 'additional' compliance task
- **Part of Decision Making** - Risk management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action. Helps allocate scarce resources
- **Explicitly Addresses Uncertainty** - Risk management explicitly takes account of uncertainty, the nature of that uncertainty, and how it can be addressed
- **Systematic, Structured and Timely** - A systematic, timely and structured approach to the management of risk contributes to efficiency and to consistent, comparable and reliable results. The more aligned - the more effective and efficient
- **Based on Best Available Information** - The inputs to the process of managing risk are based on information sources such as historical data, experience, stakeholder feedback, observation, forecasts and expert judgement. As perfect information is not usually available, start with resources/expertise you have or gain easily. Increase information as the level of risk increases
- **Tailored** - Risk management is aligned with the organisations external and internal context and risk profile. Different risk appetites and different measurements are used for different risk types
- **Takes Human and Cultural Factors into Account** - The management of risk recognises the capabilities, perceptions and intentions of people that make every organisation different
- **Transparent and Inclusive** - Appropriate and timely involvement of stakeholders at all levels of the organisation ensures that management of risk remains relevant and up to date. The management of risk must be clearly set out in job profiles/employment contracts and annual appraisals
- **Dynamic, Repetitive and Responsive to Change** - External and internal events happen, context and knowledge change, monitoring and review take place, new risks emerge, some change, and others disappear. A relevant and accurate system should support decisions and strategies. There should be regular reviews of the Risk Register(s) and Framework, in particular the Register(s) by the areas of the business that identified and are managing the risks
- **Facilitates continual improvement and enhancement of the organisation -** development and implementation of strategies to improve risk management maturity alongside all other aspects of the organization

8.4 Risk Tolerance

The CoL has considered the level of risk it is prepared to accept, take action to mitigate in the pursuit of its public service obligations. If the assessed risk level is above the acceptable/tolerable level for that category of risk then treatment may be required. If the risk is equal to or less that the acceptable/tolerable level for that category of risk then that risk can be accepted.

Table 12 summarises the level of residual risk we are willing to retain in the pursuit of our objectives:

Table 12: Level of Residual Risk

	Level of risk (after treatment) we are willing to retain in the pursuit of our objectives ✓			
Critical Success Factor	**Low**	**Medium**	**High**	**Extreme**
Reputation and Public Image	✓			
Public Safety / Staff WHS	✓			
Financial / Business Interruption		✓		
Legal / Regulatory		✓		
Environment		✓		

While Table 12 indicates the acceptable/tolerable levels of risk we are willing accept it is an unrealistic expectation that the CoL would have all risks sitting below these levels.

By introducing treatments and control measures we can minimise our residual risk to the acceptable target level in many circumstances. However, where this is not possible Table 13 identifies those with the authority to accept risks that exceed our acceptable target level.

Table 13: Authority for Acceptance above Risk Targets

	Authority for the acceptance of risk above the target level			
Critical Success Factor	**Low**	**Medium**	**High**	**Extreme**
Reputation and Public Image	✓	Department Manager	Director	General Manager
Public Safety / Staff WHS	✓	Department Manager	Director	General Manager
Financial / Business Interruption		✓	Director	General Manager
Legal / Regulatory		✓	Director	General Manager
Environment		✓	Director	General Manager

8.5 Management of Risk and Financial Management

The CoL Risk Management Framework operates to enhance the financial management of Council by ensuring that effective processes are in place to manage risks. The framework is currently under review and will be implemented across all Directorates once completed.

A risk assessment is to be undertaken as part of any project. Departmental and Project Managers are accountable for identifying and assessing any risks emerging as a result of projects. These risks are to be included on the project plan which is reviewed and maintained throughout the life of the project. Capital project risks are to be managed using the Tech1 Capital Planning and Delivery module. Any risks which eventuate as a result of the project, and are of an ongoing nature, should be recorded in the Corporate Risk Register.

8.6 Risks to Financial Management

Risk Management is a structured way to identify and analyse potential risk, and devise and implement appropriate responses according to the level of those risks. The process includes identifying and assessing risks to enable well informed decisions about risk management and treatment plans. The table below lists risks that have been identified with regard to Financial Management at the CoL. It will require review on a regular basis to ensure currency and to capture emerging risks.

Table 14: Financial Management Risks

Risk	Likelihood	Consequence	Risk Rating	Risk Priority
Potential for rate capping to be introduced	Unlikely	Major	High	1
Lack of integration with council planning and budget processes including links to decision making	Possible	Moderate	High	2
Incompleteness of financial data	Likely	Moderate	High	3
Volatile macro-economic conditions	Likely	Major	High	4
Lack of skills and capacity of staff	Possible	Major	High	5
Failing to appropriately respond to or prepare for the impacts of climate change	Possible	Major	High	6
Public expectation - demand for increased levels of service	Likely	Moderate	High	7
Changing technological landscape	Almost Certain	Moderate	High	8
Freeze on Financial Assistance Grants	Possible	Major	High	9
Not linked to Strategic Asset Management Plan	Unlikely	Moderate	Medium	10
Changing demographic shifting infrastructure requirements	Possible	Minor	Medium	11
Inability to meet stakeholder requirements into the future	Unlikely	Moderate	Medium	12

The Risk Matrix, Likelihood and Consequence Tables included in Section 13 will be used to rate each risk against the Critical Success Factors below:

- Reputation and Public Image
- Public Safety/Staff WHS
- Financial/Business Interruption
- Legal/Regulatory
- Environment.

Please note the highest risk rating against the Critical Success Factors for any risk will be the overall risk rating.

9 LTFP Improvement Activities

A suite of financial management improvement initiatives have been identified during the preparation of this Long Term Financial Plan. The improvement initiatives are prioritised in the below table.

Table 15: LTFP Improvement Actions

LTFP Improvement Actions	Priority	Responsibility
Review approach to aligning all decision making to the LTFP	1	Chief Financial Officer
Embed an organisational process to align the annual review of the SAMP and LTFP.	2	Director Corporate Services
Advocate for an increased percentage of grant funding to recognise the CoL provision of regional assets, including renegotiating the QVMAG operating grant from the State Government.	3	General Manager
Conduct a review of current Levels of Service. a) Document current Levels of Service. b) Develop financial model for current Levels of Service. c) Clarify the services Council subsidise as compared to services which are provided at full cost.	4	Director of Corporate Services
Review, and confirm, current approach to depreciation modelling, particularly for atypical classes of assets.	5	Chief Financial Officer
Review approach to user fee and charges revenue, including benchmarking against other like Council financial data.	6	Chief Financial Officer
Review Council's asset ownership, in light of and following completion of Level of Service review.	7	Manager Finance
Implementation of annual efficiency dividend targets into operational budgeting process.	8	Manager Finance
Initiate the Development of a Corporate Resourcing Plan to enhance workforce-planning inputs into future versions of the LTFP.	9	Director of Corporate Services

Additional information on each action from the above table is outlined below:

9.1.1 Align decision making process to LTFP

Council recognises the need to align its decision making process to the LTFP. This will ensure the financial implications of any future decisions are able to be recognised and discussed as part of the planning process, and are viewed through the organisation's strategic lens.

This alignment will apply at all levels of the organisation, from decisions made at Councillor level, to decisions made by Council Officers.

9.1.2 Embed an annual review process

It is critical that the organisation develops and implements an annual review process that sees the data in the SAMP updated annually which then links to the annual review of the LTFP.

9.1.3 Advocate for increased funding to recognise provision of regional services

The City of Launceston owns and manages a number of assets that provide services to a broader population than our municipality.

The provision of these services is key to the health and prosperity of the region but is currently funded by CoL ratepayers. Advocacy will continue for regional service provision to be recognised in the context of grant distribution models.

For example, the Queen Victoria Museum and Art Gallery is a regional scale facility not replicated in adjoining municipalities. The current operating grant provided by the State Government has not been reviewed for an extended period. The intent is to advocate for a review of this operating grant to increase the annual amount provided by the State Government.

9.1.4 Levels of Service Review

An ongoing review into service levels will be commenced shortly with a dedicated resource. Council faces community expectations to maintain and increase existing service levels, while keeping rate rises to a minimum.

It is likely that any changes to service levels will have a financial impact that is required to be reflected in the LTFP, and will require ongoing analysis and modelling to support community engagement and decision making processes with regard to any proposed change in service levels. It is envisioned that there is the potential for long term savings as a result of this review.

9.1.5 Depreciation Review

Council is in the process of conducting an in-depth review into the calculation of its depreciation expense across major asset classes. The review will consider the useful lives, potential asset disposals and ongoing checks of existing asset data to ensure accuracy.

Given its status as a heritage city, Launceston holds a significant number of high value heritage assets (primarily buildings). Further advice will be sought with regards to the depreciation treatment of these heritage assets, which are currently depreciated using the same methodology as non-heritage assets.

Budgeted depreciation expense is $21.3M in 2019/20 which represents 19% of Council's overall operating costs.

9.1.6 Fees and Charges

A more substantive review and approach towards modelling fees and charges will be undertaken in future versions of the LTFP. This will require significant input from operational departments to provide guidance, and will assist in providing a more accurate future forecast financial position.

Benchmarking data against other like Council financial data suggests that CoL's overall fee revenue is lower as a ratio to rating revenue. Further analysis and benchmarking of this ratio is required to determine the appropriate fee and rate revenue model for CoL.

The fees and charges review will include a component of reviewing services we provide that are currently not separately charged or rated - for example, stormwater services.

9.1.7 Asset Ownership

Council currently has a very diverse and large array of assets, with significant associated operating costs. Following the Level of Service review, Council plans to review its asset base for any assets that may be surplus to requirements, based on the recommendations of the review.

Review of the asset base will include consideration of ownership models for asset such as University of Tasmania Stadium.

9.1.8 Efficiency Dividend

As part of the LEAN program, Council will seek to drive an annual Efficiency Dividend in materials and services. Efficiency targets will be reviewed annually during the budgeting process, and changes included in the LTFP modelling.

Efficiency targets for respective Directorate and Department budget sections need to be incorporated into the annual operational budgeting processes.

9.1.9 Corporate Resourcing Plan

It is proposed that Council develop a Corporate Resourcing Plan over the forward planning period. This plan would form part of the 10 Year Resource & Capacity Plan suite of documents, sitting alongside the LTFP and the SAMP, providing enhanced planning and forecasting inputs to both the SAMP and LTFP.

Specifically, enhanced forecast workforce requirements into the future would be of particular value to future versions of the LTFP given the significance of employee expenses proportional to Council's overall expense budget (38%).

10 Statement of Comprehensive Income

Period start		1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28
Period end		30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29
Revenue from Operating Activities											
Rates and Charges	$'000	62,550	65,678	68,961	72,065	74,767	77,571	80,092	82,695	85,382	88,157
Financial Assistance Grants	$'000	4,337	4,456	4,579	4,705	4,834	4,967	5,104	5,244	5,388	5,536
Grants - Operating (Recurrent)	$'000	1,771	1,820	1,870	1,921	1,974	2,028	2,084	2,141	2,200	2,261
Grants - Capital (Non-recurrent)	$'000	1,967	743	1,913	1,975	1,805	1,865	1,924	1,667	1,721	1,721
Statutory Fees and Fines	$'000	25,510	26,275	27,064	27,875	28,712	29,573	30,460	31,374	32,315	33,285
QVMAG Bequests	$'000	187	192	197	203	208	214	220	226	232	239
Investment Revenue	$'000	3,224	3,460	3,460	3,460	3,460	3,460	3,460	3,460	3,460	3,460
State Government Fire Services Levy	$'000	8,166	8,378	8,596	8,820	9,049	9,284	9,526	9,773	10,027	10,288
QVMAG Operating Grant	$'000	1,471	1,508	1,545	1,584	1,624	1,664	1,706	1,749	1,792	1,837
Total Revenue from Operating Activities	$'000	109,183	112,510	118,186	122,608	126,433	130,627	134,575	138,329	142,519	146,784
Revenue from Outside of Operating Activities											
Interest Revenue	$'000	2,095	2,168	2,244	2,323	2,404	2,488	2,575	2,665	2,759	2,855
Other Revenue Outside of Operating Activities	$'000	2,118	2,176	2,236	2,298	2,361	2,426	2,492	2,561	2,631	2,704
Total Revenue from Outside Operating Activities	$'000	4,213	4,345	4,480	4,620	4,765	4,914	5,068	5,226	5,390	5,559
Total Revenue	$'000	113,396	116,855	122,666	127,228	131,198	135,541	139,643	143,556	147,909	152,343
Operating Expenses from Ordinary Activities	$'000										
Employee Costs	$'000	(43,539)	(44,845)	(46,191)	(47,576)	(49,004)	(50,474)	(51,988)	(53,547)	(55,154)	(56,809)
Materials & Consumables	$'000	(31,792)	(32,587)	(33,401)	(34,237)	(35,092)	(36,057)	(37,049)	(38,068)	(39,115)	(40,190)
Utilities	$'000	(4,518)	(4,563)	(4,609)	(4,724)	(4,842)	(4,975)	(5,112)	(5,253)	(5,397)	(5,546)
Bad and Doubtful Debts	$'000	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
Depreciation	$'000	(21,358)	(22,203)	(23,004)	(23,767)	(24,545)	(25,318)	(26,114)	(26,965)	(27,808)	(28,723)
Interest on Borrowings (Finance Costs)	$'000	(304)	-	-	-	-	-	-	-	-	-
Interest on Unwinding of Discount on Provisions	$'000	(318)	(326)	(334)	(342)	(351)	(361)	(371)	(381)	(391)	(402)
Election Related Expenses	$'000	-	-	-	(380)	-	-	-	(380)	-	-
State Government Fire Services Levy	$'000	(8,166)	(8,378)	(8,596)	(8,820)	(9,049)	(9,284)	(9,526)	(9,773)	(10,027)	(10,288)
Rate Remissions and Abatements	$'000	(1,004)	(1,032)	(1,060)	(1,089)	(1,119)	(1,153)	(1,187)	(1,223)	(1,260)	(1,297)
Combined System Contribution - Operating	$'000	(934)	(962)	(991)	(1,021)	(1,051)	(1,083)	(1,115)	(1,149)	(1,183)	(1,219)
Combined System Contribution - Capital	$'000	(575)	(575)	(1,000)	(1,030)	(1,061)	(1,093)	(1,126)	(1,159)	(1,194)	(1,230)
Additional Ops & Maintenance Costs - Capital New/Upgrade	$'000	-	(289)	(1,161)	(1,954)	(2,419)	(2,857)	(3,153)	(3,453)	(3,937)	(4,246)
Total Operating Expenses	$'000	(112,534)	(115,788)	(120,375)	(124,969)	(128,563)	(132,686)	(136,773)	(141,384)	(145,501)	(149,985)
Net Surplus/(Deficit) from Operations	$'000	862	1,067	2,290	2,259	2,635	2,855	2,870	2,171	2,408	2,359
Adjustments - Net Gain/(Loss) on Disposal of Property Plant & Equipment	$'000	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Total Adjustments	$'000	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Operating Surplus/(Deficit) after Adjustments	$'000	662	867	2,090	2,059	2,435	2,655	2,670	1,971	2,208	2,159
Adjusted Underlying Surplus (Deficit)	$'000	(1,305)	124	177	84	630	790	746	304	487	438

11 Statement of Financial Position

Period start		1 Jul 19	1 Jul 20	1 Jul 21	1 Jul 22	1 Jul 23	1 Jul 24	1 Jul 25	1 Jul 26	1 Jul 27	1 Jul 28
Period end		30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26	30 Jun 27	30 Jun 28	30 Jun 29
Current Assets											
Cash and Cash Equivalents	$'000	90,893	82,153	62,859	63,972	65,502	68,483	72,958	72,038	75,634	73,030
Trade and Other Receivables	$'000	9,466	9,781	10,262	10,639	10,938	11,329	11,669	11,994	12,321	12,723
GST Receivable	$'000	205	284	289	246	252	252	250	303	276	338
Inventories	$'000	622	628	635	641	647	654	660	667	674	680
Total Current Assets	$'000	101,186	92,847	74,044	75,497	77,340	80,718	85,538	85,002	88,905	86,771
Non Current Assets											
Land Under Roads	$'000	126,942	126,942	126,942	126,942	126,942	126,942	126,942	126,942	126,942	126,942
Property Plant and Equipment	$'000	237,491	237,491	237,491	237,491	237,491	237,491	237,491	237,491	237,491	237,491
Infrastructure Assets	$'000	1,241,912	1,288,204	1,333,510	1,375,294	1,417,525	1,459,075	1,499,737	1,545,649	1,587,844	1,636,621
Intangible Asset	$'000	4,334	4,334	4,334	4,334	4,334	4,334	4,334	4,334	4,334	4,334
Landfill Rehabilitation Intangible Asset	$'000	709	1,076	1,453	1,841	2,239	2,647	3,068	3,499	3,943	3,943
Investment in Associates and Joint Ventures	$'000	234,923	234,923	234,923	234,923	234,923	234,923	234,923	234,923	234,923	234,923
Trade and Other Receivables (Long Term)	$'000	258	258	258	258	258	258	258	258	258	258
Total Non Current Assets	$'000	1,846,569	1,893,228	1,938,912	1,981,083	2,023,712	2,065,671	2,106,752	2,153,096	2,195,735	2,244,512
Total Assets	$'000	1,947,756	1,986,075	2,012,956	2,056,580	2,101,052	2,146,389	2,192,290	2,238,098	2,284,639	2,331,283
Current Liabilities											
Trade and Other Payables	$'000	4,373	4,523	4,756	4,989	5,113	5,306	5,476	5,684	5,829	6,029
Trust Funds and Deposits	$'000	965	989	1,013	1,041	1,070	1,099	1,130	1,161	1,192	1,225
Current Employee Benefits	$'000	6,373	6,373	6,373	6,373	6,373	6,373	6,373	6,373	6,373	6,373
Total Current Liabilities		11,711	11,885	12,142	12,403	12,556	12,778	12,978	13,218	13,395	13,627
Non Current Liabilities											
Non Current Employee benefits	$'000	989	989	989	989	989	989	989	989	989	989
Non Current Provisions	$'000	1,091	1,417	1,751	2,093	2,445	2,805	3,176	3,557	3,948	4,350
Non Current Landfill Rehabilitation Provision	$'000	6,740	7,107	7,484	7,872	8,270	8,678	9,099	9,530	9,974	9,974
Non Current Non-Interest Bearing Loans and Borrowings	$'000	13,200	13,200	-	-	-	-	-	-	-	-
Total Non Current Liabilities	$'000	22,020	22,713	10,224	10,954	11,703	12,473	13,263	14,076	14,911	15,313
Total Liabilities	$'000	33,731	34,598	22,366	23,357	24,259	25,251	26,241	27,294	28,305	28,940
Net Assets	$'000	1,914,025	1,951,477	1,990,589	2,033,223	2,076,793	2,121,138	2,166,049	2,210,805	2,256,334	2,302,343
Equity											
Accumulated Surplus	$'000	(4,146)	(6,308)	(6,714)	(6,867)	(6,522)	(5,864)	(5,330)	(5,065)	(4,624)	(2,465)
Capital Reserves	$'000	185,016	185,016	185,016	185,016	185,016	185,016	185,016	185,016	185,016	185,016
Revenue Reserves	$'000	1,056,394	1,059,423	1,061,920	1,064,132	1,066,222	1,068,219	1,070,355	1,072,061	1,073,828	1,073,828
Investment Reserves	$'000	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)	(18,188)
Trusts and Bequests	$'000	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953	1,953
Asset Revaluation Reserve	$'000	692,995	729,580	766,603	807,178	848,312	890,003	932,243	975,028	1,018,349	1,062,199
Total Equity	**$'000**	**1,914,025**	**1,951,477**	**1,990,589**	**2,033,223**	**2,076,793**	**2,121,138**	**2,166,049**	**2,210,805**	**2,256,334**	**2,302,343**

12 Cash Flow Statement

Period start Period end		1 Jul 19 30 Jun 20	1 Jul 20 30 Jun 21	1 Jul 21 30 Jun 22	1 Jul 22 30 Jun 23	1 Jul 23 30 Jun 24	1 Jul 24 30 Jun 25	1 Jul 25 30 Jun 26	1 Jul 26 30 Jun 27	1 Jul 27 30 Jun 28	1 Jul 28 30 Jun 29
Cash flows from Operating Activities											
Rates and Charges Received	$'000	69,267	72,765	76,141	79,528	82,503	85,477	88,256	91,110	94,037	97,014
Grants - Operational Received	$'000	1,834	1,888	1,936	1,990	2,046	2,100	2,159	2,219	2,279	2,341
Grants - Capital Received	$'000	2,037	771	1,981	2,046	1,871	1,931	1,993	1,727	1,783	1,782
Interest Received	$'000	2,095	2,168	2,244	2,323	2,404	2,488	2,575	2,665	2,759	2,855
Statutory Fees and Fines Received	$'000	26,418	27,261	28,021	28,877	29,758	30,626	31,555	32,505	33,478	34,464
Other Revenue Received	$'000	15,706	16,304	16,602	16,952	17,311	17,655	18,029	18,410	18,796	19,184
Employee Costs Paid	$'000	(45,641)	(47,100)	(48,500)	(49,979)	(51,528)	(53,049)	(54,655)	(56,289)	(58,007)	(59,725)
Materials and Consumables Paid	$'000	(33,333)	(34,232)	(35,078)	(35,972)	(36,907)	(37,903)	(38,956)	(40,024)	(41,145)	(42,260)
Utilities Paid	$'000	(4,736)	(4,793)	(4,839)	(4,963)	(5,092)	(5,229)	(5,374)	(5,522)	(5,676)	(5,830)
GST Received / (Paid)	$'000	2,490	3,326	3,458	2,991	3,017	3,029	3,006	3,584	3,342	3,990
Trust Funds and Deposits	$'000	24	24	25	28	29	29	30	31	32	33
Other Expenses Paid	$'000	(11,195)	(11,801)	(13,449)	(15,016)	(15,456)	(16,258)	(16,933)	(18,014)	(18,512)	(19,218)
Net Cash flows from Operating Activities	$'000	24,964	26,582	28,543	28,806	29,956	30,897	31,684	32,402	33,165	34,631
Cash flows from Investing Activities											
Payment for Property Plant and Equipment and Infrastructure	$'000	(24,655)	(35,101)	(34,417)	(27,474)	(28,205)	(27,696)	(26,989)	(33,102)	(29,350)	(37,015)
Proceeds from Property Plant and Equipment and Infrastructure	$'000	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)	(220)
Net Cash flows from Investing Activities	$'000	(24,875)	(35,321)	(34,637)	(27,694)	(28,425)	(27,916)	(27,209)	(33,322)	(29,570)	(37,235)
Cash flows from Financing Activities											
Proceeds from Interest Bearing Loans and Borrowings	$'000	4,200	-	-	-	-	-	-	-	-	-
Repayments of Interest Bearing Loans and Borrowings	$'000	-	-	(13,200)	-	-	-	-	-	-	-
Finance Costs	$'000	(304)	-	-	-	-	-	-	-	-	-
Net Cash flows from Financing Activities	$'000	3,896	-	(13,200)	-	-	-	-	-	-	-
Net Change in Cash Held	$'000	3,985	(8,739)	(19,294)	1,112	1,531	2,981	4,475	(920)	3,595	(2,604)
Cash at Beginning of the Financial Year	$'000	86,908	90,893	82,153	62,859	63,972	65,502	68,483	72,958	72,038	75,634
Cash at End of the Financial Year	$'000	90,893	82,153	62,859	63,972	65,502	68,483	72,958	72,038	75,634	73,030
Cash and Cash Equivalents											
Unrestricted Cash	$'000	84,902	73,133	51,342	50,243	49,683	50,667	53,006	50,380	52,209	49,605
Restricted Cash (due to reserves)	$'000	5,991	9,020	11,517	13,729	15,819	17,816	19,952	21,658	23,425	23,425
Cash and Cash Equivalents	$'000	90,893	82,153	62,859	63,972	65,502	68,483	72,958	72,038	75,634	73,030

13 Risk Matrix, Likelihood and Consequence Tables

Table 16: Risk Scoring Matrix - Likelihood x Consequence

	Consequence				
Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Low	Medium	High	Extreme	Extreme
Likely	Low	Medium	High	High	Extreme
Possible	Low	Medium	High	High	Extreme
Unlikely	Low	Low	Medium	High	Extreme
Rare	Low	Low	Medium	Medium	High

Table 17: Likelihood Descriptors

Rating		Descriptors	Average Recurrence Interval (ARI) - indicative
A	Almost Certain	• Expected to occur in most circumstances. • There is a constant exposure to risk. • Weak and/or non-existent controls	Less than 1 year
B	Likely	• Will probably occur in most circumstances • There is frequent exposure to risk. • Majority of controls are weak	1 to <10 years
C	Possible	• Might occur at some time • Some controls need improvement, however there is no guarantee that the risk will eventuate without additional controls.	10 to <100 years
D	Unlikely	• Not expected but could occur at some time • There is infrequent exposure to risk. • Majority of controls are strong with no gaps	100 to <1,000 years
E	Rare	• May occur only in exceptional circumstances • There is rare exposure to risk. • All controls are strong with no gaps	1,000+ years

Table 18: Risk Consequence Descriptors

Impact Scale		Reputation and Public Image	Financial and Business/ Service Interruption	Public and Staff Safety	Legal/Regulatory	Environment
5	Catastrophic	• Censure/ Inquiry • Community outrage • Widespread social impact	• >$5M loss • Service disruption for more than 7 days • Critical or irreversible loss or damage to property or infrastructure	• Fatality(ies) • Multiple permanent disability or ill-health	• Critical legal, regulatory or internal policy failure • Intervention from governments • Major breaches of regulation, major litigation	• Irreversible long-term damage • Toxic release offsite with detrimental effect
4	Major	• National or international coverage • Significant level of community concern	• $1M - $5M loss • Disruption to services and routine needs for 4-7 days • Serious structural damage to property/ infrastructure	• Single death &/or long-term illness or multiple serious injuries	• Major legal, regulatory or internal policy failure • Enforcement action by regulators • Breach of regulation with prosecution and/or moderate fine	• Widespread long-term damage • Contamination – offsite release, no detrimental effect
3	Moderate	• Local media coverage • Moderate level of community concern	• $500k - $1M loss • Capability or services impaired 1-4 days • Moderate loss or infrastructure damage	• Injury requiring treatment • Possible hospitalisation • Numerous days lost	• Moderate legal, regulatory or internal policy failure • Regulatory compliance issue without high severity level consequence	• Widespread short term damage • Contamination – offsite release contained with outside assistance
2	Minor	• Short-term local media coverage • Minor level of community concern	• $50k - $500k loss • Minor delays in undertaking routine needs and tasks <24 hours • Loss or damage to property <$50k	• Minor injury requiring First Aid • Few days lost	• Minor legal, regulatory or internal policy failure • Minor legal issue, non-compliance and breaches of legislation	• Minor short term damage • Contamination – onsite release contained within 8 hours
1	Insignificant	• Little or no effect on public image • Insignificant level of community concern	• < $50k • Small delays in routine tasks < 1/2 day • Negligible loss or damage to infrastructure	• No personal injury • No First Aid needed • No days lost	• Minor encroachment on legislation/standard	• Minimal damage • Contamination – onsite release contained immediately

14 Asset Useful Lives

The below table details the useful lives applied to each asset group. The useful life is used to calculate depreciation expense on assets, and used in conjunction with the SAMP. Asset lives are consistent with Council's Asset Capitalisation Framework which is reviewed annually.

Asset Class	Asset Category/Group	Basis for Depn	Useful Life (Years)
Roads	Pavement Base	Straight Line	100-150
Roads	Pavement Sub Base	Straight Line	300
Roads	Compacted Sub-Grade	N/A	unlimited
Roads	Sealed Surfaces	Straight Line	20-35
Roads	Unsealed Surfaces	Straight Line	10
Roads	Kerb and Channel	Straight Line	100
Roads	Footpaths	Straight Line	30-50
Roads	Street Lighting	Straight Line	55
Roads	Safety Barriers	Straight Line	30-100
Roads	Culverts	Straight Line	100
Bridges	Bridge Abutments	Straight Line	25-100
Bridges	Bridge Decks	Straight Line	25-100
Stormwater	Pipes	Straight Line	80-150
Stormwater	Pump Stations Civil	Straight Line	50
Stormwater	Pump Stations Electrical	Straight Line	20
Stormwater	Pump Stations Mechanical	Straight Line	30
Stormwater	Pump Stations Instrumentation	Straight Line	10
Stormwater	Detention Basin/Other	Straight Line	100-150
Flood Protection	Levees	Straight Line	100-200
Flood Protection	Gates	Straight Line	100
Facilities	Fencing Systems	Straight Line	30-150
Facilities	Irrigation Systems	Straight Line	40
Facilities	Lighting Structures	Straight Line	50
Facilities	Power	Straight Line	30
Facilities	Playgrounds	Straight Line	10-15
Facilities	Structures/Other	Straight Line	60-100
Facilities	Sporting Surfaces	Straight Line	10 - Unlimited
Buildings	Structures	Straight Line	30-250
Buildings	Mechanical Services	Straight Line	5-40
Buildings	Electrical	Straight Line	20-30
Fleet	Light Vehicles	Straight Line	4-5
Fleet	Major Plant	Straight Line	5-30

Fleet	Minor Plant	Straight Line	3-20
IT	General IT Equipment	Straight Line	3-10
IT	Software	Straight Line	3-10
Waste Management	Clay Liner	Straight Line	60-100
Waste Management	Rehabilitation Assets	Straight Line	3-30
Waste Management	Other	Straight Line	10-30

15 Benchmarking Data

Metric Name (2016/17 Annual Report Data)	Tasmanian Council Comparators						Interstate Council Comparators				
	City of Launceston	City of Hobart	City of Devonport	City of Burnie	City of Clarence	*Average of Tasmanian Comparators*	City of Maitland	City of Maribyrnong	City of Darwin	City of Greater Bendigo	City of Ballarat
Population	66,864	51,750	27101	19,779	55,085	*38,429*	79,340	89,517	84,486	113,783	103,964
Local Government Area (km^2)	1,414	78	116	618	386	*271*	396	31.2	112	3000	740
Rateable properties	31,298	21,051	12295	9,764	25270	*14,370*	31,605	35,595	35,024	56,391	49,997
Total revenue ($'000)	$114,312	$133,387	$40,094	$34,617	$74,197	*$69,366*	$148,267	$141,596	$103,968	$246,598	$231,084
Total expenses ($'000)	$103,105	$124,208	$38,043	$33,234	$57,416	*$65,162*	$97,326	$122,318	$105,626	$169,552	$179,884
Underlying result ($'000)	$1,261	$1,137	$1,225.00	$241	$6,795	*$868*	-$1,645	$10,961	-$2,454	$50,181	$51,200
Operating surplus ratio	1.30%	0.94%	3.40%	0.70%	12.02%	*1.36%*	-1.84%	8.63%	-2.53%	29.86%	31.02%
Rates Revenue ($'000)	$63,568	$78,459	$27,334	$22,563	$46,251	*$42,785*	$66,155	$92,476	$67,428	$106,143	$105,194
Fee revenue ($'000)	$22,452	$36,673	$5,324	$7,882	$5,054	*$16,626*	$7,756	$24,820	$19,690	$29,116	$28,598
Operating Grants ($'000)	$10,734	$5,363	$3,405	$3,972	$5,237	*$4,247*	$15,411	$9,674	$9,945	$32,784	$31,264
Capital Grants ($'000)	$7,785	$4,016	$4,031	$6,732	$8,291	*$4,926*	$52,586	$1,887	$2,970	$14,125	$36,733
Total Revenue (Excl CAP Grants) ($'000)	$96,754	$120,495	$36,063	$34,417	$56,542	*$63,658*	$89,322	$126,970	$97,063	$168,043	$165,056
Rates as % of Total Revenue (Excl. Capital Grants)	65.70%	65.11%	75.80%	65.56%	81.80%	*67.21%*	74.06%	72.83%	69.47%	63.16%	63.73%
Fees as % of Total Revenue (Excl. Capital Grants)	23.21%	30.44%	14.76%	22.90%	8.94%	*26.12%*	8.68%	19.55%	20.29%	17.33%	17.33%
OPEX Grants as % of Total Revenue (Excl. Capital Grants)	11.09%	4.45%	9.44%	11.54%	9.26%	*6.67%*	17.25%	7.62%	10.25%	19.51%	18.94%
Non Currant Assets ($'000)	$1,258,583	$1,487,857	$543,717	$391,600	$704,750	*$781,981*	$978,567	$1,070,905	$953,325	1428320	$1,467,484
Annual Depreciation ($'000)	$20,007	$19,228	$8,393	$8,636	$12,674	*$12,233*	$19,708	$17,902	$24,351	$31,230	$31,806
Annual Dep. As % of asset value	1.59%	1.29%	1.54%	2.21%	1.80%	*1.56%*	2.01%	1.67%	2.55%	2.19%	2.17%

Metric Name (2016/17 Annual Report Data)	Tasmanian Council Comparators						Interstate Council Comparators				
	City of Launceston	City of Hobart	City of Devonport	City of Burnie	City of Clarence	*Average of Tasmanian Comparators*	City of Maitland	City of Maribyrnong	City of Darwin	City of Greater Bendigo	City of Ballarat
Annual Dep. As % of total expenses	19%	15%	22%	26%	22%	*19%*	20%	15%	23%	18%	18%
Annual Dep. As % of total revenue	18%	14%	21%	25%	17%	*18%*	13%	13%	23%	13%	14%
Annual Dep as % of operating revenue	21%	16%	23%	25%	22%	*19%*	22%	14%	25%	19%	19%
Assets base per capita ($'000)	$19	$29	$20	$20	$13	*$20*	$12	$12	$11	$13	$14
Rates per rateable property	$2,031	$3,727	$2,223	$2,311	$1,830	*$2,754*	$2,093	$2,598	$1,925	$1,882	$2,104
Rates per capita	$951	$1,516	$1,009	$1,141	$840	*$1,113*	$834	$1,033	$798	$933	$1,012
Operating Grants per rateable property	$343	$255	$277	$407	$207	*$296*	$488	$272	$284	$581	$625
Operating Grants per capita	$161	$104	$126	$201	$95	*$111*	$194	$108	$118	$288	$301
Operating cost per rateable property	$3,294	$5,900	$3,094	$3,404	$2,272	*$4,535*	$3,079	$3,436	$3,016	$3,007	$3,598
Total OPEX per capita	$1,542	$2,400	$1,404	$1,680	$1,042	*$1,696*	$1,227	$1,366	$1,250	$1,490	$1,730
Total OPEX less depreciation per capita	$1,243	$2,029	$1,094	$1,244	$812	*$1,377*	$978	$1,166	$962	$1,216	$1,424
Employee Resources (FTE)	441	595	123	145	234	*288*	379.3	493	349	699	662.1
Total Employee Expense ($'000)	$40,063	$52,753	$11,441	$12,597	$16,624	*$25,597*	$32,471	$51,554	$31,499	$58,302	$58,224
Employee cost as a % of OPEX	39%	42%	30%	38%	29%	*39%*	33%	42%	30%	34%	32%
Employee costs as a % of total revenues	41%	44%	32%	37%	29%	*40%*	36%	41%	32%	35%	35%
Population per FTE	152	87	220	136	235	*134*	209	182	242	163	157
Average cost per FTE ($'000)	$91	$89	$93	$87	$71	*$89*	$86	$105	$90	$83	$88