

CITY of LAUNCESTON

Proposed 2020/2021 Budget Overview

Key Strategic Objectives

The City of Launceston has a number of key documents to guide our strategic direction from a planning and financial perspective. These include the Strategic Plan, the Strategic Asset Management Plan and Long Term Financial Plan.

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 informed by a comprehensive Strategic Asset Management Plan;
- (c) attempting to achieve 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;
- (c) a major operations budget; and
- (d) a combined funds or cash budget.

The Council is in a strong cash position and is budgeting for a comprehensive surplus of \$9.677m in 2020/2021. Council is, however, budgeting for a \$1.983 million operating deficit in 2020/21 from revenue of \$114.8 million (excluding Capital Grants).

The 2020/2021 operating budget formation has been particularly challenging due to a number of factors including:

- (a) constrained revenues;
- (b) reduction of the TasWater distribution by \$1.36m per annum;
- (c) several major new facilities requiring ongoing maintenance and operational funding, including Riverbend Park, CH Smith Car Park and Macquarie House;
- (d) roles to support delivery of City Deal commitments;
- (e) Council ownership and associated maintenance of various Federal and State funded assets;
- (f) industry forces having an adverse effect on costs including garbage and recycling collection and insurance;
- (g) potential Enterprise Agreement outcomes;
- (h) targeted additional operating expenditure;
- (i) limiting the major operating projects; and
- (j) an increase in rates below that which was adopted in the Long Term Financial Plan.

The capital budget includes a \$35.4m capital works program after including \$11.7m in capital grant funding, net Council funding of \$23.8m (\$20.4m in 2019/2020).

The 2020/2021 budget is based on the following assumptions and estimates:

- Increased revenue from rates - 3.9%
- Rate growth estimate - 0.5%
- The cost of waste collection will be passed on through an 8.7% increase in waste charges
- CBD Promotional Rate - 2.7%
- Changes in key indices
 - Local Government Cost Index 2019/2020 - 3.38%
 - Consumer Price Index (December 2019/December 2018) - 2.7%
- Fire Service Rates assumed increase 4.0%

Advice has not yet been received from the State Fire Commission. The increase is the initial parameter from the Long Term Financial Plan.

- Capital Grant funding totals \$11.7m. This is comprised of Albert Hall Refurbishment (\$7m), UTAS Stadium Upgrade and Sports Facility (\$1.5m), QVMAG Inveresk/Royal Park Redevelopment (\$1.5m), Roads to Recovery Funding (\$1.41m) and recreation grant funding (\$0.25m)
- Borrowings in 2020/2021 are 100% interest free as the State Government reimburses the Council for the interest charged on these loans.