FINANCIAL MANAGEMENT STRATEGY

2024 - 2033

DEVONPORT

Financial Management Strategy – 2033

Contents

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Financial Management Strategy – 2033

Overview

The Financial Management Strategy (FMS) has been prepared to provide Council with a strategic framework to guide the development of annual budgets and preparation of longer term financial planning. The key objective of the Strategy is to ensure that Council can sustainably fund the ongoing delivery of services whilst implementing the objectives identified in the Strategic Plan.

The FMS is based on the following key financial principles:

- achievement of a balanced underlying result;
- prudent management of assets and liabilities, including debt and cash reserves; and
- timely and accurate disclosure of financial information.

To remain financially sustainable, Council must continue to raise revenue and provide services within the context of a balanced budget. In order to achieve this, Council must ensure all aspects of its operations are adequately funded, including current service delivery and planning for future service delivery, in an affordable and stable environment. As depicted, ongoing financial sustainability is only achieved when the interdependency of all financial aspects of Council are recognised and planned for today and into the future. The FMS takes into account the concept of intergenerational equity, with the aim that each generation is responsible for the costs of the resources that they consume.

Financial Management Strategy – 2033

A key component of the Strategy is the Long-Term Financial Plan (LTFP) shown at Appendix A. The LTFP is Council's ten-year financial forecast which includes a statement of comprehensive income, a statement of financial position and a cash flow statement for each year of the plan. Council refers to this model when considering financial decisions, for example new capital expenditure and borrowings. The LTFP is considered as part of the budget process and is reviewed annually.

Council's ability to remain financially sustainable can be measured using the Key Performance Indicators as outlined in the *Local Government (Management Indicators) Order 2014*. In addition to the statutory indicators, Council will calculate the net interest cost ratio to assist the measurement of sustainability.

The indicators, relevant benchmarks and targets are shown below.

Indicator	**Benchmark**	**Council Target**
Operating Surplus Ratio	Between 0% and 15%	Between 0% and 15%
Asset Sustainability Ratio	100% of depreciation expense	Between 60% and 100% of depreciation expense
Asset Consumption Ratio	Between 40% and 60%	Between 40% and 60%
Asset Renewal Funding Ratio	Between 90% and 100%	Between 90% and 100%
Net Financial Liabilities Ratio	Between 0 and -50%	Between 0% and -50%
Net Interest Cost Ratio	7% of recurrent revenue	5% of recurrent revenue

In addition to the ratios listed above, Council has a target to maintain a minimum cash balance of $9,000,000, representing approximately 3 months of operating expenses. The minimum cash balance is based on guidance released by the Tasmanian Audit Office.

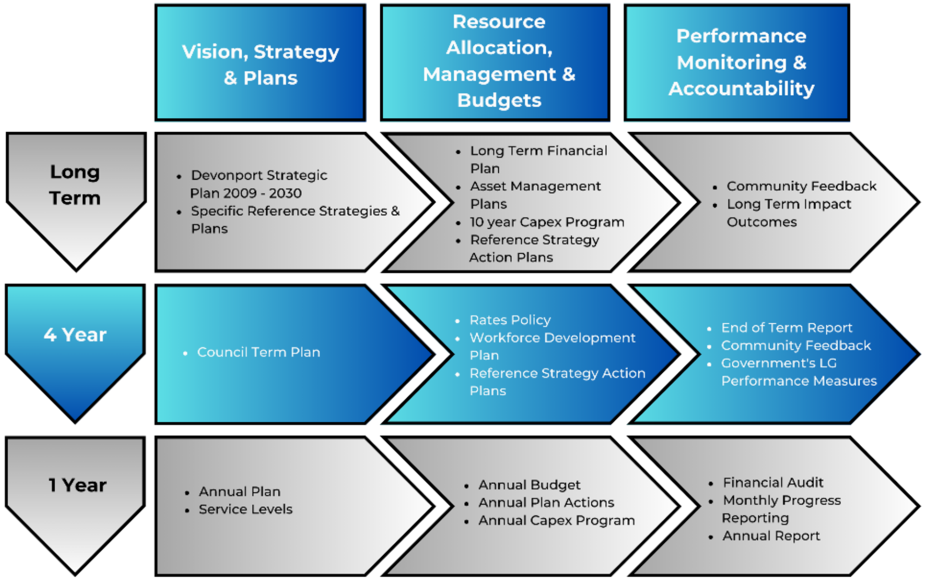
Each year, the office of the Auditor-General assesses every Tasmanian Council against the key performance indicators noted above, as well as other ratios and statistics relevant to local government. Commentary on the assessment is included in the annual report to Parliament which is accessible to the public.

Strategic Context

Link with the Strategic Plan

Council has a robust planning framework which focuses on short and mid-term objectives to deliver on priorities in Council's Strategic Plan 2009-2030.

The following figure illustrates the integration of Council's planning framework.



This Strategy is aligned with the following goal and priorities set out in the Strategic Plan:

Outcome 5.3 - Council looks to employ best practice governance, risk, and financial management.

Legislative Requirements

The Local Government (Miscellaneous Amendments) Act 2013 received Royal Ascent on 19 November 2013 making it compulsory for Tasmanian Councils to maintain a long-term financial management plan and Strategy. The following sections set out the requirements under the Act:

70. Long-term financial management plans

(1) A council is to prepare a long-term financial management plan for the municipal area.

(2) A long-term financial management plan is to be in respect of at least a 10-year period.

(3) A long-term financial management plan for a municipal area is to –

(a) be consistent with the strategic plan for the municipal area; and

(b) refer to the long-term strategic asset management plan for the municipal area; and

(c) contain at least the matters that are specified in an order made under section 70F as required to be included in a long-term financial management plan.

70A. Financial management strategies

(1) a council is to prepare a financial management strategy for the municipal area.
(2) A financial management strategy for a municipal area is to –
(a) Be consistent with the strategic plan for the municipal area; and
(b) Contain at least the matters that are specified in an order made under section 70F as required to be included in a financial management strategy.

Financial Management Strategy – 2033

The Minister for Local Government issued a *Local Government (Contents of Plans and Strategies) Order 2014* under Section 70F of the Act outlining the minimum requirements of long-term financial management plans and strategies. This Strategy complies with the disclosure requirements of the Order.

Financial Management Principles

Achievement of a balanced underlying result

Council is committed to the equitable and consistent generation of revenue and the effective delivery of services that are appropriate to the community. To remain financially sustainable, this must be achieved within the context of a balanced budget, but preferably the generation of small underlying surpluses. The generation of underlying surpluses indicates that Council can continue to adequately fund existing services into the future. It also assists Council to meet future debt repayments and to fund infrastructure asset renewal projects and investment in new assets.

Revenue Strategies

Rating Strategy

Rates revenue represents the largest share of total income that Council generates each year and therefore is an important component of the financial planning process. Council aims to balance its service levels considering the needs and expectations of the community and by setting appropriate levels of tax to adequately fulfil its obligations. Each year, Council will consider the following factors when setting the level of rates and charges:

- level of State and Commonwealth government funding;
- current economic climate;
- level of services to be delivered;
- impact of CPI increases and the Local Government Cost Index; and
- the capacity of the community to pay for those services.

Council aims to spread the rate burden across the community with those having the greatest capacity to pay, paying more than those with a lesser capacity. Council must balance this principle with the benefit principle acknowledging that some groups of the community have a greater impact on services and derive a greater benefit from some services provided.

Council maintains a Rates & Charges Policy which sets out the property valuation basis adopted by Council, the general rate applied to that base and any variations to the general rate. Council will review the Rates & Charges Policy as well as the property valuation base on a regular basis to ensure the most appropriate base is adopted. If Council determines to change the property valuation base, an appropriate community engagement process will be undertaken.

Fees & Charges Strategy

Council will review fees and charges each year with a view to balancing the community need for the service provided and the capacity of the community to pay for that service. Council adopts the general philosophy that users should pay for the service provided but recognises that full cost recovery is not possible in all situations.

Where Council enters into commercial lease arrangements, it is essential that sound commercial principles are applied to the transactions as set out in the Commercial Lease Policy. These include:

- a market appraisal of rental return;
- assessment of the required rate of return on assets; and
- application of consistent, contemporary lease terms and conditions.

All property leases with community and sporting groups will comply with Council's adopted Lease Policy.

Other Revenue Strategy

Other significant revenue streams include investment income from dividends and grant revenue. Council holds a 5.02% equity investment in Tasmanian Water Corporation and a 43.45% share in Dulverton Regional Waste Management Authority. As part owners of these enterprises Council aims to ensure that future entitlements are maintained.

Grant revenue represents a small percentage of overall operating income, however Council will continue to review all funding opportunities and identify and apply for appropriate grant funding. The main source of grant income is the Financial Assistance

Grant, administered by the State Grants Commission on behalf of the Federal Government. Council will continue to participate in the review of this grant and provide information to the State Grants Commission to assist it in determining the most equitable distribution of the funds.

Council will also continue to pursue grant funding for new capital projects identified.

Expenditure & Service Delivery Strategies

Service Delivery and Cost Management Strategy

Council will continually review service levels and delivery to ensure they are provided as efficiently as possible and continue to meet the needs of the community. Council is focussed on developing a cost management culture across the organisation, encouraging all managers to be involved in minimising costs by accountability through the budget process, involvement with ongoing monitoring, reporting and forecasting processes.

At each budget cycle, Council will consider the feedback received from the community through the various engagement opportunities to assess any potential changes to services.

Additional expenditure highlighted in new strategies developed through the year will be considered through the budget process.

Procurement Strategy

Council will comply with its Purchasing Policy and Code for Tenders and Contracts to ensure that expenditure is subject to the appropriate controls and represents the best value available.

Prudent management of assets and liabilities, including debt and cash reserves

Council aims to maintain community wealth by ensuring that assets and liabilities are managed to provide sustainable service delivery, that is, ensuring that the assets used to support the service delivery continue to function to the determined level of service.

Asset Management Strategy

The key objective of Council's asset management processes is to maintain Council's existing assets at desired condition levels. The appropriate management of assets should ensure that they continue to deliver services into the future. To remain sustainable, Council must maintain its ability to meet the asset renewal requirements as outlined in its Strategic Asset Management Plan (SAMP) and 10 year Forward Works Program.

Council has an Asset Management Policy supported by a Strategic Asset Management Plan which together form the framework for the asset management process. This documentation will be reviewed regularly to ensure compliance with relevant legislative requirements and contemporary asset management practices.

The Asset Management Policy aims to ensure adequate provision is made for the long-term replacement of major assets by:

- ensuring that Council's services and infrastructure are provided in a sustainable manner, with the appropriate levels of service for residents, visitors and the environment;
- safeguarding Council by implementing appropriate asset management strategies and appropriate financial resources for those assets;
- creating an environment where all Council employees take an integral part in overall management of Council's assets by creating and sustaining asset management awareness throughout the organisation via training and development;
- meeting legislative requirements for asset management;
- ensuring resources and operational capabilities are identified and responsibility for asset management is allocated;
- reporting on asset management performance; and
- demonstrating transparent and responsible asset management processes that align with demonstrated best practice.

The LTFP integrates the financial resources identified in the SAMP and latest 10-year capital works program with the overall financial operations of Council. To adequately plan delivery of services, capital expenditure requirements as well as ongoing maintenance expenditure must be funded in the LTFP. When these elements are combined with the cost of providing other Council services, the complete funding requirements can be identified and planned for in a sustainable manner. It is critical for Council to understand the inter-relationship of the asset management framework and the financial management framework and to constantly work towards improving the quality of data contained within each and the level of understanding of both frameworks across the entire organisation. Actions to improve and refine the asset management framework are included in the SAMP.

Investment Strategy

Cash reserves will be managed to achieve optimum investment returns and to ensure that cash is available when needed for planned expenditures.

Council will utilise the Cash Flow Projections contained in the LTFP to assist in the management of cash and investments and to maintain the minimum cash target.

Council has an Investment Policy to set parameters for investments which helps to ensure maximum return on the investment portfolio while managing the risk associated with this activity.

Debt Strategy

Council will consider the use of debt facilities to fund major new capital expenditure which provides benefits to ratepayers into the future. Where possible, Council will assess the term of the debt in relation to the life of the asset. The use of debt in this manner attempts to address the issue of inter-generational equity.

When considering new debt, Council will evaluate the impact of borrowing costs on the sustainability of current and future budgets and its capacity to repay the debt. The target interest coverage ratio will be used as part of this assessment.

Council will utilise the Cash Flow Projections contained in the LTFP to assist in the management of debt and cash reserves.

When borrowing, Council will raise all external debt at the most competitive rates and from sources available as defined by legislation.

Timely and accurate disclosure of financial information

In accordance with the Strategic Plan, Council will “practice excellence in governance”.

Council will prepare regular management reports that will be available to the public. The reports will contain a Summary Statement of Comprehensive Income, Statement of Financial Position, Capital Expenditure Report and other relevant financial data and commentary. Council will also prepare an Annual Plan and Estimates document that will set out the budget information for the next financial year and the goals and actions for that period.

Council will comply with all statutory requirements in relation to the preparation of its Annual Financial Statement and external audit and will maintain an Audit Panel to provide oversight of risk management and financial performance.

Key Financial Indicators and Targets

To remain financially sustainable, Council must have sufficient capacity to be able to manage future financial risks. To enable Council to measure performance in this area, the State Government identified a number of ratios and indicators that can be applied to all local government entities. These indicators are contained in the *Local Government (Management Indicators) Order 2014* and are included in Council's Annual Report. The indicators are also scrutinised by the Audit Office and may be subject to commentary in the Report of the Auditor-General presented each year to State Parliament. The indicators can be summarised into three groups:

- financial operating performance;
- asset management; and
- liquidity.

The performance indicators and the relevant benchmarks and targets are noted in the overview section above and are discussed in more detail below.

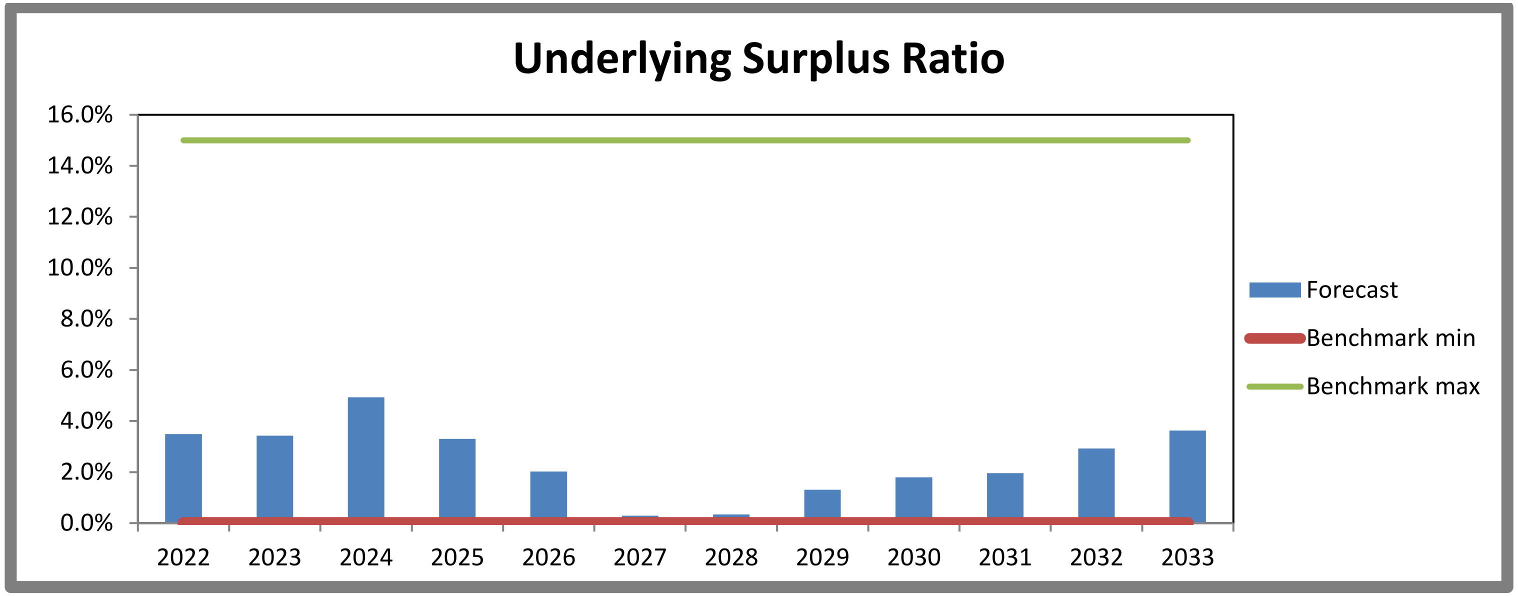
Financial Operating Performance

Underlying Surplus Ratio

Benchmark – Between 0% and 15%	**Target** – Between 0% and 15%	**Result** - Achieved

This ratio serves as an overall measure of financial operating effectiveness. To assure long-term financial sustainability Council should budget and operate to break even, thereby avoiding underlying deficits. Achieving a break-even position indicates Council is able to generate sufficient revenue to fulfil the operating requirements including coverage of the depreciation expense. Breaking even is represented by an operating surplus ratio of zero.

The ratio decreases as forecast operating expenses for borrowing costs increase when loans are refinanced and maintenance and depreciation costs associated with major capital projects are realised.



Asset Management Performance

Asset Sustainability Ratio

Benchmark – 100% of Depreciation	**Target** – Between 60% and 100% of Depreciation	**Result** - Achieved

The Asset Sustainability Indicator compares the rate of capital spending through renewing, restoring and replacing existing assets, with the value of depreciation. The benchmark assumes that if capital expenditure on renewing or replacing existing assets is at least equal to depreciation on average over time then Council is ensuring the value of existing stock of physical assets is maintained. This assumption is relevant to a stable level of assets with minimal additional new assets.

Council maintains asset management plans for all major classes of assets. These Plans include estimates of capital expenditure and maintenance required to responsibly manage asset stocks for the next 10 years and are based on expert technical considerations and applicable industry standards. The information contained in these Plans feeds into the ten-year capital program used in the LTFP. Council believes these Plans provide a sound basis for calculating the actual level of capital expenditure on renewal and replacement of assets into the future.

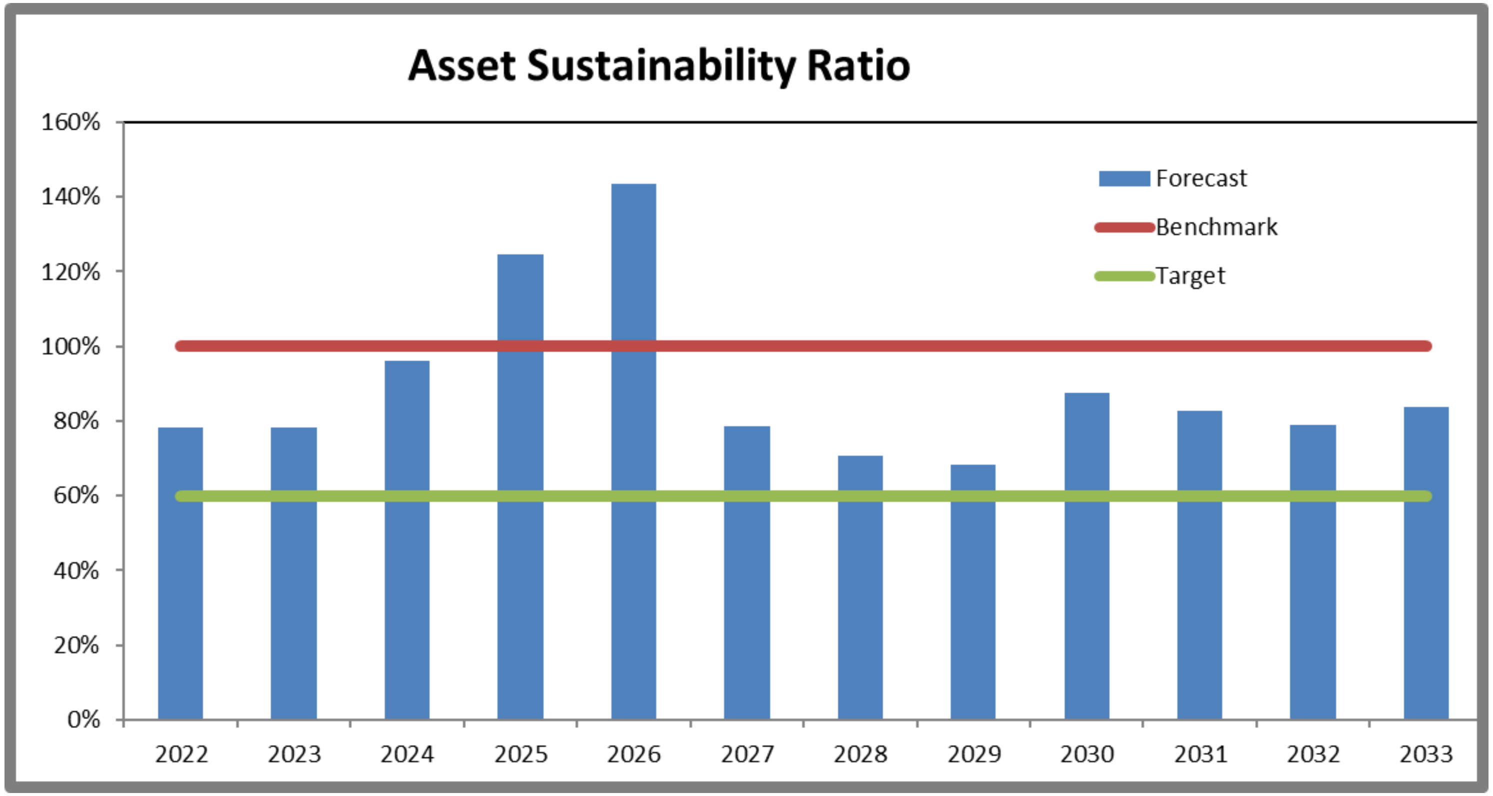
Council has implemented a substantial capital expenditure program to progress LIVING CITY initiatives with a significant investment in new capital projects. Council is also committed to the progression of the sports infrastructure masterplan which involves substantial capital investment in new assets. Increased spending on new assets, increases the level of depreciation and maintenance expenditure. Council has recognised this increased expenditure in the LTFP.

Additional assets increase depreciation expense, however, new assets require less renewal expenditure in the early years of the assets life, therefore a lower asset sustainability ratio is considered to be acceptable in this scenario.

Council has set a target range lower than the benchmark for the reasons outlined above. Council also acknowledges that according to the criteria established by the Auditor-General, a ratio that is at the lower end of the target range indicates a medium financial sustainability risk.

Financial Management Strategy – 2033

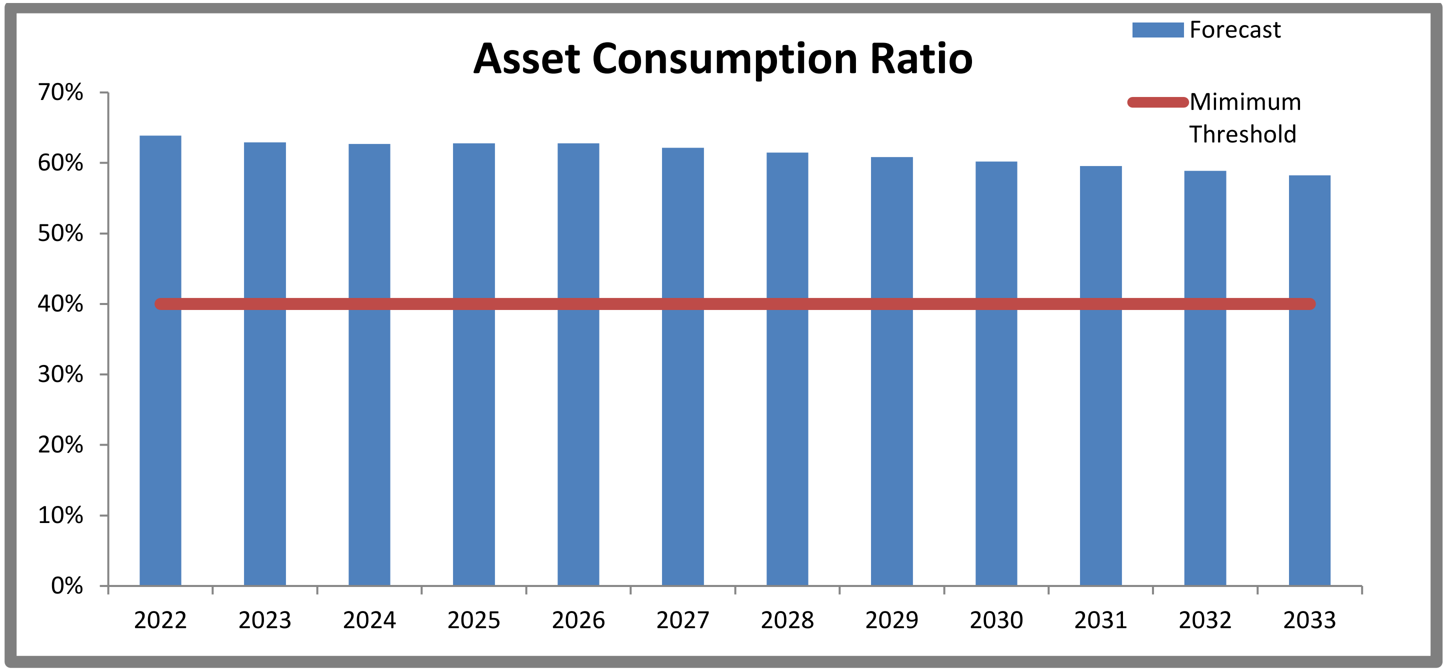
The table below demonstrates that forecast renewal expenditure meets the target renewal level throughout the period of the Plan. The benchmark is exceeded in 2025 and 2026 due to the construction of sporting infrastructure including renewal of the outdoor pool.



Asset Consumption Ratio

Benchmark – Between 40% and 60%	**Target** – Between 40% and 60%	**Result** - Exceeded

This ratio indicates the average percentage of remaining useful life of Council's assets, or, the average proportion of new condition left in assets. The higher the percentage, the greater future service potential is available to provide services to ratepayers. The ratio provides a guide or indicator of future renewal requirements.



This ratio is impacted by several factors including:

- capital expenditure, both renewal and new;
- componentisation of complex assets and subsequent adjustment to useful lives;
- reliance on financial and asset management plans; and

- growth periods in the City's history.

As part of the annual review process, Council considers the adequacy of the useful lives attributed to each asset class. There is increased focus at present on breaking down, or componentising, complex assets. This allows Council to attribute varying useful lives to individual components of the one asset, better reflecting the actual renewal cycle.

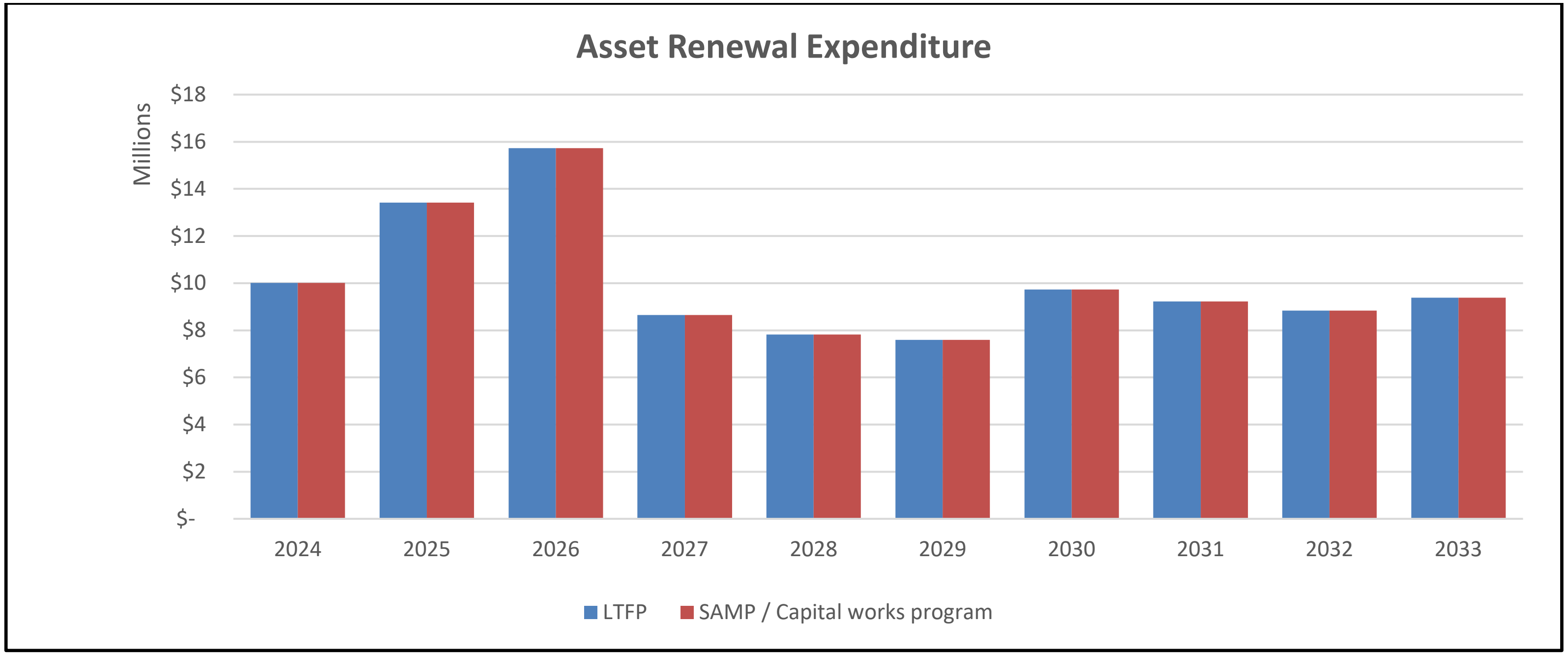
Council will continue to review asset lives and investigate further componentisation of assets as part of its regular annual review process. Council will also continue to refer to Asset Management Plans to responsibly manage assets in the future.

Asset Renewal Funding Ratio

Benchmark – Between 90% and 100%	**Target** – Between 90% and 100%	**Result** - Achieved

This ratio measures Council's capacity to fund future asset replacements requirements. An inability to fund future requirements will result in revenue, expenditure or debt consequences, or a reduction in service levels.

This ratio links the planned asset replacement requirements contained in the SAMP and 10 year forward capital works program with the planned asset replacement expenditure contained in the LTFP. The LTFP mirrors the asset data, demonstrating that Council will meet the benchmark for this ratio over the life of the Plan.



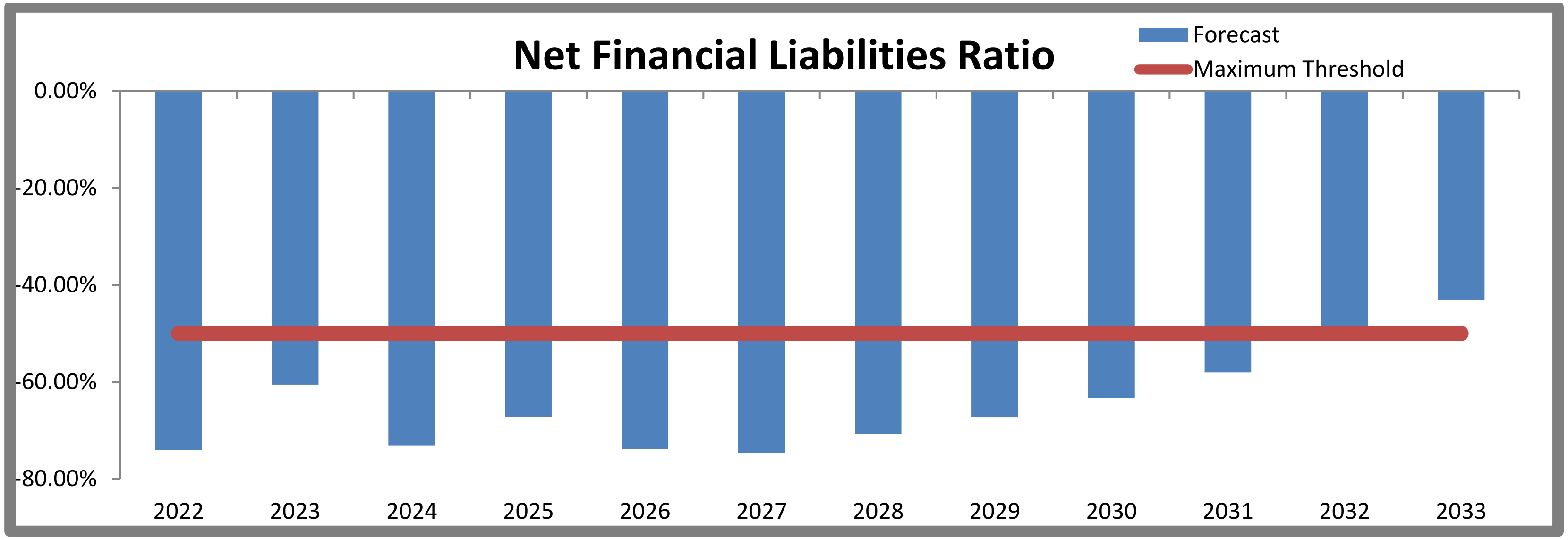
Liquidity Ratios

Net Financial Liabilities Ratio

Benchmark – between 0% and -50%	**Target** – Between 0% and -50%	**Result** – Not Achieved

This ratio indicates the net financial obligations of Council compared to the operating income in any one year. Where the ratio is positive, it indicates that liquid assets (cash and receivables) exceed total liabilities. Conversely a negative ratio indicates an excess of total liabilities over liquid assets, meaning that, if all liabilities fell due at once, additional operating revenue would be needed to fund the shortfall in liquid assets.

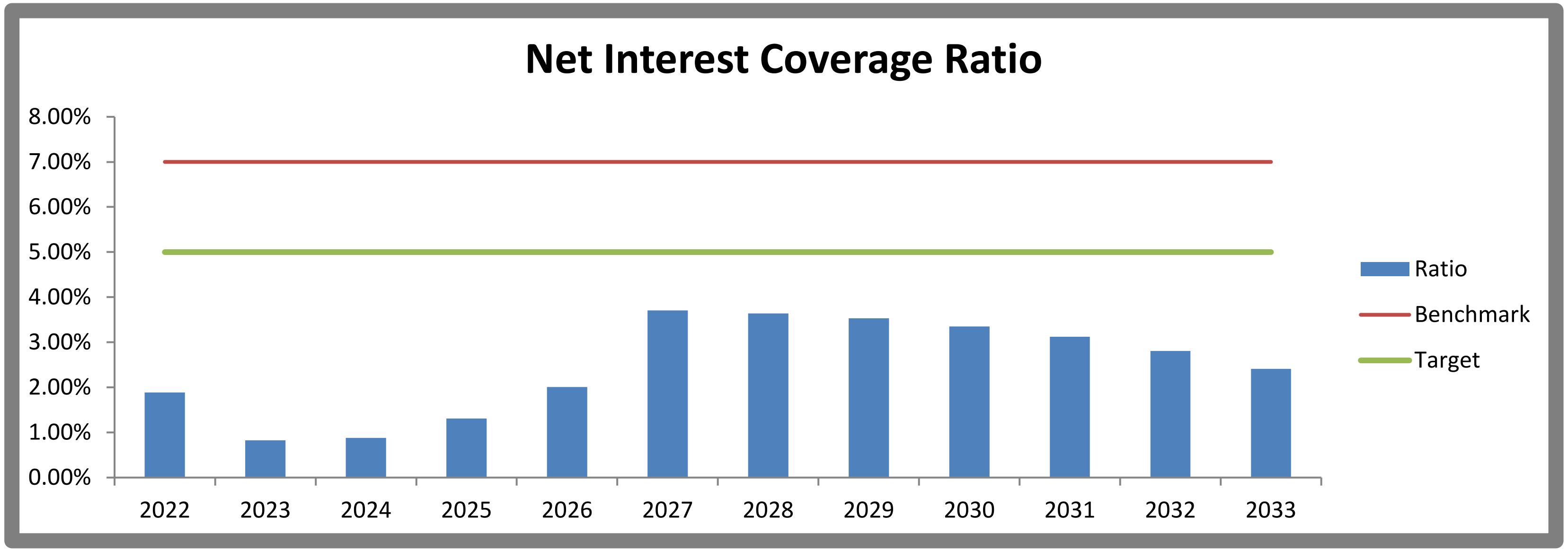
Council has traditionally recorded a ratio within the target range, however the investment in new assets and the additional borrowings required to progress LIVING CITY have been factored into the Long-Term Financial Plan. Council will exceed the benchmark for this ratio for the majority of the life of the Plan, however prudent cash management and regular principal repayments will see the result gradually improve from 2027 onwards, coming under the maximum benchmark by the end of the period.



Net Interest Cost Ratio

Benchmark – 7%	**Target** – 5%	**Result** - Achieved

This ratio measures the ability of Council to meet its net interest obligations from its operating revenue. Treasury use this measurement when assessing loan requests and set the benchmark at net interest cost of 7% of recurrent revenue or less. Council refinanced its debt in 2021 into traditional variable or fixed rate longer term loans and this ratio is below the target set by Council over the next ten years.



Appendix A – Long Term Financial Plan (LTFP)

Introduction

Long term financial planning is a key element of the integrated planning and reporting framework. The LTFP demonstrates Council's medium to long term financial sustainability, allows early identification of financial issues, shows the linkages between specific plans and strategies and enhances transparency and accountability to the community.

The Plan includes operational and capital expenditure to progress initiatives in the sports infrastructure master plan including a new sports stadium development.

The Plan has been determined with reference to documentation released by the Auditor-General, the Institute of Public Works Engineering Australia and the working group established by the Local Government Financial and Asset Reform Project.

Overview of the Long-Term Financial Plan

	2021/22 Actual	2022/23 Actual	2023/24 Plan	2024/25 Plan	2025/26 Plan	2026/27 Plan	2027/28 Plan	2028/29 Plan	2029/30 Plan	2030/31 Plan	2031/32 Plan	2032/33 Plan
	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M	$M
Recurrent Revenue	45.07	48.85	49.05	49.24	48.73	48.92	49.10	49.34	49.58	49.85	50.15	50.49
Recurrent Expenses	41.34	44.16	46.03	47.62	48.24	48.77	48.89	48.70	48.69	48.87	48.69	48.66
Operating Result	3.72	4.70	3.02	1.63	0.48	0.14	0.21	0.64	0.89	0.97	1.47	1.83
Underlying Surplus/(Deficit)*	1.55	1.63	2.42	1.63	0.98	0.14	0.17	0.64	0.89	0.97	1.47	1.83
Capital Expenditure:												
Carry forwards	0.00	0.00	10.28	-0.72	0.05	1.91	0.14	0.03	0.04	0.00	0.06	-0.01
Renewal	6.70	7.79	10.01	13.42	15.73	8.66	7.83	7.60	9.74	9.22	8.84	9.39
New	5.95	6.62	3.83	17.87	14.30	2.31	3.69	3.73	1.19	1.73	1.48	1.11
Total Capex	12.65	14.41	24.12	30.57	30.09	12.88	11.65	11.36	10.97	10.95	10.38	10.49
Cash Balance	18.94	21.50	12.75	14.34	10.34	9.03	9.93	10.62	11.53	13.03	15.54	18.24

The above summary highlights the annual operating result, the underlying surplus/(deficit), the total estimated capital expenditure, split between renewal and new, and the anticipated cash balance at the end of each financial year. The summary includes the actual results for the 2021/22 and 2022/23 financial years, and projections for the following ten years.

The Plan identifies that Council will return an operating surplus and a small underlying surplus in all years of the Plan depicted.

Capital expenditure is in accordance with the current 10 year forward capital works program and Strategic Asset Management Plan.

The Long-Term Financial Plan considers the financial impact of the following services/commitments:

- operation of the paranaple centre, including the convention centre;
- progression of the Retail Stage of the LIVING CITY project;
- completion of the Devonport indoor sports stadium project; and
- ongoing maintenance and additional depreciation on all new capital expenditure.

Financial Projections

The financial statements included in the Plan reflect the projected financial position of the Council over the next ten years

The Plan includes:

- Estimated Statement of Comprehensive Income
- Estimated Statement of Cash Flow
- Estimated Statement of Financial Position

Opportunities/Challenges

The financial projections are based on current knowledge and may be impacted by future changes to operating conditions and Council decisions. The current economic outlook is of tightening financial conditions and subdued household consumption as higher interest rates and cost of living pressures weigh on real disposable incomes. It is important for Council to exercise cost control, plan carefully and to be agile enough to react to opportunities and impacts. By committing to meeting or exceeding the targets set in the FMS, Council should be in a position to continue to deliver services and to raise revenue in a consistent and equitable manner. Some of the other potential impacts on delivering on these financial targets are noted below.

Population

The Plan assumes the City's population will continue to grow through to 2033. Council released its Residential Growth Strategy in 2022 which set an ambitious population target of 31,851 by 2033. This target has been supported by detailed analysis and planning to increase the available residential development opportunities, including re-zoning parcels of land ear marked for future development. The Actions in the Residential Growth Strategy provides the community with a means of increasing housing stock at a time when there is a shortage of housing on the northwest coast.

As a result of future development, rate revenue is predicted to grow each year, however the assumptions of increased revenue are deliberately conservative and based on actual growth in the past. Council will continue to take on gifted assets such as roads and stormwater from developments and subdivisions, which add to the maintenance and operational expenditure of Council as a whole. The growth in rate revenue and the increased costs associated with gifted assets has been factored into the Plan.

Changing Demographics

The population mix has changed considerably over the last 30 years with the trend towards an aging population set to continue. This may impact on the services and programs offered and the facilities provided by Council. The general focus on health and wellbeing of the entire population, and not just the older members of the community, is creating demand for increased provision of walking/cycling tracks and sporting and recreational facilities.

The Plan does not include a change to the service levels and programs currently offered to take account of potential changing demographics.

Government Policy

Council is currently reliant on both the Federal and State Governments for external grants. The amount of funding and the timing of funding is dependent on budget decisions at both the Federal and State level. Changes in government policy and the impact of cost shifting from one level of government to another can have major implications on the future financial sustainability of Council. It has been assumed that current government policy will remain constant over the life of the Plan.

Climate Change

Council is facing potential impacts from climate change across several aspects of its operations which may impact on the Plan. These include:

- changes to the coastal environment and therefore appropriate development of these areas;
- changes to the size and use of parks and reserves surrounding vulnerable areas;
- lifestyle decisions by ratepayers, increased use of water tanks and the ability to reuse water and the potential related positive impact on the stormwater system;
- increased number and intensity of natural disasters such as storms and fires.

Impact of COVID-19 Pandemic

As the management of COVID-19 is now being treated in a similar way to other respiratory viruses, the operational and financial impact on Council and the Community is limited.

Additional funding available from the federal government during the pandemic to stimulate the economy resulted in the completion of several construction-ready projects. The additional operational expenditure associated with these new assets has been allowed for in this plan.

Indexation

All figures are expressed in current values. Revenue and expenses have not been indexed for CPI. Any increases in revenue or expenses are the result of a change in operations or service levels. It is acknowledged that some revenues and expenses will increase by more than CPI, however it has been assumed that other expenses will increase at a lower rate and these will offset over the term of the Plan.

Estimated Statement of Comprehensive Income

	2022 Actual	2023 Actual	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan
	'$000	'$000	'$000	'$000	'$000	'$000	'$000	'$000	$000	$000	$000	$000
Recurrent income												
Rates and service charges	30,310	31,714	33,614	33,814	34,014	34,214	34,414	34,614	34,814	35,014	35,214	35,414
Fees and charges	6,785	7,631	7,387	7,727	7,727	8,067	8,067	8,067	8,067	8,067	8,067	8,067
Government Grants	3,504	4,387	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325
Contributions	63	168	51	30	30	30	30	30	30	30	30	30
Investment revenue	3,075	3,769	3,709	3,377	2,665	2,362	2,299	2,337	2,378	2,442	2,549	2,689
Other revenue	1,330	1,183	968	968	968	968	968	968	968	968	968	968
Total recurrent income	**45,067**	**48,852**	**49,055**	**49,241**	**48,729**	**48,966**	**49,103**	**49,341**	**49,582**	**49,846**	**50,153**	**50,493**
Recurrent expenses												
Employee costs	13,354	13,931	14,800	14,889	14,961	14,973	14,991	15,010	15,016	15,025	15,032	15,038
Materials and services	12,535	13,918	14,368	14,457	14,529	14,541	14,809	14,578	14,584	14,593	14,600	14,606
Depreciation	9,969	9,940	10,441	10,764	10,981	11,018	11,073	11,098	11,116	11,142	11,165	11,182
Finance costs	917	1,253	1,323	1,313	1,581	2,277	2,237	2,231	2,191	2,149	2,107	2,056
Levies & taxes	4,000	4,412	4,559	4,898	4,898	5,238	5,238	5,238	5,238	5,238	5,238	5,238
Other expenses	1,047	1,341	1,253	2,003	2,003	1,433	1,253	1,253	1,253	1,433	1,253	1,253
Internal charges	(478)	(639)	(709)	(709)	(709)	(709)	(709)	(709)	(709)	(709)	(709)	(709)
Total expenses	**41,345**	**44,156**	**46,035**	**47,615**	**48,244**	**48,771**	**48,892**	**48,699**	**48,689**	**48,871**	**48,686**	**48,664**
Surplus/(Deficit) before Capital Items	**3,722**	**4,696**	**3,020**	**1,626**	**485**	**194**	**211**	**642**	**893**	**975**	**1,467**	**1,829**
Capital Items												
Net Gain/(Loss) on disposal of assets	(2,068)	(2,258)	(600)	-	500	-	(45)	-	-	-	-	-
Capital Grants & Contributions	8,877	6,731	3,726	21,516	14,661	1,111	1,055	1,105	705	1,205	1,180	1,180
Change in Value - Investments	2,325	2,679	-	-	-	-	-	-	-	-	-	-
Net Surplus/(Deficit)	**12,856**	**11,848**	**6,146**	**23,142**	**15,646**	**1,305**	**1,221**	**1,747**	**1,598**	**2,180**	**2,647**	**3,009**

General Assumptions

Indexation

All data is expressed at current value, that is, data relating to prior years is as stated in the Annual Report for that year and all projections are expressed in 2023/24 values. Revenue and expenses have not been indexed for CPI. Any changes in revenue or expenses in excess of or below CPI are explained below.

Rounding

All amounts in the Plan are rounded to the nearest $1,000. Any rounding errors have been corrected in the Plan.

Specific Assumptions

Rate & Service Charges

Council currently has two rating categories – general and service rates.

General rates are levied based on the Annual Assessed Value of properties, as determined by the Valuer General. Council adopts differential rating based on the use of the property/land.

The service rates cover waste management.

Devonport was subject to a municipal wide revaluation during the 2021/22 financial year, by the Valuer-General. This data was used when applying rates for the 2022/23 year and will be used in subsequent years until the next municipal wide revaluation. The change in values across property classes has led Council to introduce change caps for residential, primary production and vacant land asset classifications. These caps will be reviewed each year as part of the annual budget process.

Supplementary rates are included in each year and take into account both historical trends, predictions for future population growth and construction in the CBD in relation to LIVING CITY. The Plan includes additional rate revenue in 2023/24 in relation to the completion of the waterfront hotel development.

The State Government Waste Levy was introduced in July 2022, starting at $20 per tonne and increasing over 5 years to $60 per tonne. Council incurs this levy on each tonne of landfill waste, whether it be collected at kerbside or from Waste Transfer Station deliveries. As a result, this levy plus annual cost increases will be reflected in annual increases to the residential waste management charge and through increases to gate fees at the transfer station.

Fees and Charges

This category covers a wide range of Council services including revenue from:

- planning and development applications;
- transfer station fees;
- animal registrations;
- parking fees and fines;
- revenue from the paranaple convention centre;
- rental revenue; and
- admission fees relating to various Council owned facilities, e.g., Devonport Recreation Centre and the paranaple Arts Centre, etc.

All changes to rental income from commercial properties have been factored into the Plan.

Other levels of fees and charges are anticipated to remain constant over the Plan.

Increases to gate fees at the Waste Transfer Station have been factored into annual budgets In line with increases to the Waste Levy by the state government.

Grant Income

Operating grants are received from both the State and Federal Government for the purpose of delivering Council services.

The main source of grant revenue is from the State Grants Commission (SGC) in the form of Financial Assistance Grants (FAG).

From the 2023/24 year onwards, the level of FAG revenue has been maintained at the 2023/24 forecast level, that is, no increase has been factored into the Plan for this item of revenue.

Investment Revenue

Interest Income

Interest on investments has been calculated on the estimated average cash balance. Historically, cash levels are higher in the first half of the financial year than in the second, due to the timing of rate receipts and Council's capital expenditure program. Interest Income fluctuates over the term of the Plan due to changing investment balances and interest rates applied.

Dividends Received

Dividends from TasWater are based on the entities' forward estimates. The annual dividend from TasWater is estimated to be $1,092,000 , with a special dividend of $218,400 forecast to be paid annually until 2025/26

Distribution from Dulverton Regional Waste Management Authority based on the latest advice received from the entity.

Other Revenue

This category includes commission received through operations of the paranaple Arts Centre, recoveries from the Monetary Penalties Enforcement Service, and minor sundry income.

Service Levels and New Developments

The Plan assumes existing service levels will remain constant throughout the period. As stated in the Introduction, expenditure on new capital will result in increased operational expenditure in the future. Allowance has been made for the additional operating, maintenance and depreciation costs associated with capital expenditure on new assets.

Maintenance costs on these developments and any other new capital expenditure has been allowed for at the following rates:

- Roads & Stormwater 1.0% of new capital expenditure; and
- Facilities and Open Space 1.0% of new capital expenditure.

The additional maintenance costs have been allocated evenly across employee benefits and general materials. This allows for a real increase in the number of employees and an increase in the cost of materials due to additional materials being required to undertake this additional work.

Council is consistently focused on ensuring services are delivered as efficiently and effectively as possible. This involves regular reviews of service levels and the method of delivery to ensure costs are kept at sustainable levels.

Employee Benefits

Employee benefits include salaries and wages and all employment related expenses including payroll tax, employer superannuation, leave entitlements, fringe benefits tax, workers compensation insurance and professional development.

Employee benefits increase annually over the duration of the Plan and represent the increased maintenance required on new capital expenditure. The additional employee numbers to perform these maintenance tasks have not been quantified, however the costs are relative to historical data.

Materials and Services

This category of expenditure covers a wide range of costs and represents the majority of Council's day to day operational expenditure. Despite constant cost increases, the cost management culture evolving throughout Council aims to maintain the level of expenditure in materials and services costs in line with CPI, with adjustments only being made for known variances. These include:

- timing of expenditure for increased valuation costs;
- expenditure in relation to local government elections.

This category also includes the additional cost of materials associated with maintenance of new capital expenditure.

Depreciation

Depreciation expense is based on the current written down value of property, plant and equipment, increased for new capital additions. The asset base has not been indexed or revalued in this Plan so as to remain consistent in the presentation of figures in real dollar terms.

The amount of depreciation is expected to increase at a rate of approximately 1.5% of the value of the related year's capital expenditure estimates, and as such depreciation costs will continually increase over the life of the Plan.

Depreciation is expected to increase as a result of new buildings and infrastructure.

Finance Costs

Finance costs include interest expense on borrowings and general bank charges across Council accounts. Interest expense over the period of the Plan is based on existing debt requirements. Current borrowings of $45.5M include a fixed rate loan of $15M that matures in 2041, a fixed rate loan with a current balance of $18.9M and a variable rate loan of $11.6M. The forecast principal that will require refinancing in 2026 is $27.7M. The plan assumes that Council will be able to refinance this portion of debt at a rate of 6.43% and that the refinanced loan will be paid over a 30 year period.

Levies and Taxes

Council rates, land taxes and fire service levies are included in this category of expenditure. Council rates are shown on Council owned properties to reflect the total cost of operating these facilities. Land tax and fire service levies are based on the assessment received from the State Government.

While Council is planning to dispose of surplus properties, it is not anticipated that the sales will have a material impact on the level of rates or land tax.

The state government has introduced a waste levy in Tasmania, effective from 1 July 2022. The levy commenced at $20 per tonne of waste to landfill and increases to $60 per tonne after 5 years. Council has determined to increase the waste management charge imposed on ratepayers and increase fees at the Waste Transfer Station to cover the levy. These increases are included in the LTFP. Council will also offer ratepayers alternative services to decrease the amount of waste delivered to landfill each year such as the introduction of a Food Organics and Garden Organics collection from 2024.

Other Expenses

This category includes expenses relating to elected members, donations and sponsorships payable to community organisations and rate remissions.

It is expected that these costs will remain constant over the life of the Plan except for additional costs to cover the holding of Council elections.

Council has made an in-principal and conditional commitment to provide a $1.5m contribution towards the upgrade of facilities at the Valley Road sporting complex. This plan includes the contribution in the 2024/25 and 2025/26 financial years.

Internal Charges

The balance shown in this category represents internal charges for plant hire, allocation of employee on-costs and distribution of overheads for the Infrastructure and Works Department applicable to capital jobs.

The dollar amount recharged to capital jobs is directly related to the amount of time Council staff spend on capital jobs.

Capital Grants

The plan includes capital grants associated with capital expenditure as contained in the 10 year capital works program and assumes that this capital funding will be secured.

LIVING CITY Project

Council is committed to progressing the LIVING CITY Masterplan and this Strategy reflects the estimated income and expenditure for the project as is known at the time of writing.

Revenue includes all current rental income in relation to the strategic properties purchased and/or constructed as part of the project and all holding costs. Assets and borrowings in relation to the project are reflected in the Estimated Statement of Financial Position.

The following assumptions relate specifically to LIVING CITY:

- It is assumed that Council will dispose of property for $565,000 in 2023/24; $1,000,000 in 2025/26 and $1,000,000 in 2027/28

Sporting Infrastructure Investment

Council is committed to progressing the high-priority initiatives contained in the Sports Infrastructure Masterplan, including the construction of a new, multi-court indoor Sports Stadium facility to support growth in community participation and demand, and the co-location of Basketball and Netball into a shared facility.

Council has received $26.2m in funding commitments from the Federal Government towards the delivery of priority projects, including the Stadium project which is estimated to commence construction during the 2024 calendar year. Additional funding commitments are being sought from the State Government to support the integration of high-performance and regional facility provisions into the project scope.

- In addition to the Capital investment noted above, Council has made an in-principal and conditional commitment to provide a $1.5m contribution towards the upgrade of facilities at the Valley Road complex.
- The Council is yet to determine the future of existing assets and land that may become surplus to requirements as part of the Stadium co-location project.
- This plan allows for a 2% increase in operating expenses and a 1.5% increase in depreciation, based on new asset expenditure estimates.

Estimated Statement of Cash Flows

	2022 Actual	2023 Actual	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan
Cash Flows from Operating Activities		**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**$000**	**$000**	**$000**	**$000**
Receipts												
Rates and user charges	36,957	39,931	40,492	41,032	41,232	41,772	41,972	42,172	42,372	42,572	42,772	42,972
Government grants	3,667	4,302	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325	3,325
Refund of GST tax credits	1,772	-	-	-	-	-	-	-	-	-	-	-
Interest	24	857	900	677	616	531	468	506	547	611	718	858
Contributions	63	178	51	30	30	30	30	30	30	30	30	30
Other receipts	1,353	3,145	968	968	968	968	968	968	968	968	968	968
Total Receipts	**43,836**	**48,413**	**45,736**	**46,032**	**46,171**	**46,626**	**46,763**	**47,001**	**47,242**	**47,506**	**47,813**	**48,153**
Payments												
Employee & supplier costs	31,433	33,994	32,509	33,026	33,170	33,534	33,820	33,608	33,620	33,638	33,652	33,664
Borrowing costs	910	1,253	1,323	1,303	1,573	2,271	2,231	2,194	2,154	2,112	2,071	2,020
Other expenses	905	1,710	1,253	2,003	2,003	1,433	1,253	1,253	1,253	1,433	1,253	1,253
Total Payments	**33,248**	**36,957**	**35,085**	**36,332**	**36,746**	**37,238**	**37,304**	**37,055**	**37,027**	**37,183**	**36,976**	**36,937**
Net Cash from operating activities	**10,588**	**11,456**	**10,651**	**9,700**	**9,425**	**9,388**	**9,459**	**9,946**	**10,215**	**10,323**	**10,837**	**11,216**
Cash Flows from Investing Activities												
Receipts												
Proceeds from sale of non current assets	350	220	257	200	1,200	200	1,200	200	200	200	200	200
Capital grants	5,860	4,423	3,726	21,516	14,661	1,111	1,055	1,105	705	1,205	1,180	1,180
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-
Investment revenue from TasWater	1,310	1,310	1,310	1,310	1,310	1,092	1,092	1,092	1,092	1,092	1,092	1,092
Dividend revenue	287	287	302	300	300	300	300	300	300	300	300	300
Other Investments	524	372	269	269	269	269	269	269	269	269	269	269
Loans to community organisations	26	28	23	40	26	31	30	31	32	34	35	-
Payments												
Carry forwards	-	-	(10,275)	717	(53)	(1,912)	(136)	(32)	(44)	(2)	(63)	12
Asset renewals	(6,700)	(7,790)	(10,014)	(13,415)	(15,734)	(8,655)	(7,826)	(7,596)	(9,735)	(9,217)	(8,841)	(9,388)
New assets	(5,947)	(6,622)	(3,826)	(17,870)	(14,303)	(2,311)	(3,688)	(3,734)	(1,191)	(1,728)	(1,481)	(1,114)
Net Cash used in investing activities	**(4,290)**	**(7,772)**	**(18,228)**	**(6,933)**	**(12,324)**	**(9,876)**	**(7,704)**	**(8,365)**	**(8,372)**	**(7,847)**	**(7,309)**	**(7,449)**
Cash Flows from Financing Activities												
Receipts												
New loans	-	-	-	-	-	-	-	-	-	-	-	-
Payments												
Lease repayments	-	(41)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)	(65)
Loan principal repayments	(1,073)	(1,088)	(1,103)	(1,120)	(1,033)	(751)	(792)	(828)	(868)	(910)	(951)	(1,002)
Net Cash from (or used in) financing activities	**(1,073)**	**(1,129)**	**(1,168)**	**(1,185)**	**(1,098)**	**(816)**	**(857)**	**(893)**	**(933)**	**(975)**	**(1,016)**	**(1,067)**
Net Increase/(Decrease) in cash held	**5,225**	**2,555**	**(8,746)**	**1,581**	**(3,997)**	**(1,304)**	**898**	**688**	**910**	**1,500**	**2,512**	**2,699**
Cash at beginning of reporting period	13,720	18,945	21,500	12,754	14,335	10,338	9,034	9,932	10,619	11,529	13,029	15,541
Cash at end of reporting period	**18,945**	**21,500**	**12,754**	**14,335**	**10,338**	**9,034**	**9,932**	**10,619**	**11,529**	**13,029**	**15,541**	**18,241**

Sale of Assets

The statement includes proceeds of $4,565,000 over 10 years from sale of assets and plant and equipment.

Capital Works

The capital expenditure shown in the statement is split between expenditure on renewals and new capital projects as per the 10 year capital works program.

Borrowings

In accordance with its debt management strategy, Council has secured fixed payment terms out to 20 years, with Council's net finance costs well below the target set for Net Interest Cost Ratio. There are no new borrowings proposed as part of the 2023/24 budget.

Financial Management Strategy – 2033

Estimated Statement of Financial Position

`	2022 Actual	2023 Actual	2024 Plan	2025 Plan	2026 Plan	2027 Plan	2028 Plan	2029 Plan	2030 Plan	2031 Plan	2032 Plan	2033 Plan
Assets		**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**'$000**	**$000**	**$000**	**$000**	**$000**
Current Assets												
Cash and cash equivalents	18,945	21,500	12,754	14,335	10,338	9,034	9,932	10,620	11,530	13,030	15,542	18,241
Receivables	4,346	4,416	3,688	3,689	3,689	3,688	3,687	3,688	3,689	3,690	3,688	3,691
Other Assets	416	504	175	175	176	177	179	178	176	176	177	177
Leasehold Improvements												
Available for Sale Assets	897	270	-	-	-	-	-	-	-	-	-	-
Total Current Assets	**24,604**	**26,690**	**16,617**	**18,199**	**14,203**	**12,899**	**13,798**	**14,486**	**15,395**	**16,896**	**19,407**	**22,109**
Non-current Assets												
Capital works in progress	-	-	-	-	-	-	-	-	-	-	-	-
Right-of-use-assets	727	770	805	750	693	634	575	547	519	491	462	433
Receivables	288	282	259	219	193	162	132	101	69	35	-	-
Investment in associates	11,235	12,584	14,945	15,766	15,936	16,106	16,276	16,446	16,616	16,786	16,956	17,126
Investment in TasWater	85,293	87,972	87,972	87,972	87,972	87,972	87,972	87,972	87,972	87,972	87,972	87,972
Property, plant and equipment	551,697	583,221	596,039	615,697	634,162	635,881	635,271	635,363	635,045	634,678	633,727	632,863
Total Non-current Assets	**649,240**	**684,829**	**700,020**	**720,404**	**738,956**	**740,755**	**740,226**	**740,429**	**740,221**	**739,962**	**739,117**	**738,394**
Total Assets	**673,844**	**711,519**	**716,637**	**738,603**	**753,159**	**753,654**	**754,024**	**754,915**	**755,616**	**756,858**	**758,524**	**760,503**
Liabilities												
Current Liabilities												
Payables	4,014	3,322	3,322	3,322	3,322	3,322	3,322	3,322	3,322	3,322	3,322	3,322
Provisions	2,637	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552	2,552
Lease liabilities	26	48	57	57	57	57	29	29	29	29	29	29
Contract liabilities	1,621	1,901	600	600	600	600	600	600	600	600	600	600
Financial liabilities	1,089	1,103	1,120	1,033	751	792	828	868	910	951	1,002	1,038
Total Current Liabilities	**9,387**	**8,926**	**7,651**	**7,564**	**7,282**	**7,323**	**7,331**	**7,371**	**7,413**	**7,454**	**7,505**	**7,541**
Non-current Liabilities												
Provisions	336	394	325	325	325	325	325	325	325	325	325	325
Income Received in Advance		-	-	-	-	-	-	-	-	-	-	-
Lease liabilities	710	745	748	693	636	577	546	518	490	462	433	404
Other financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Financial liabilities	45,774	44,672	43,552	42,518	41,767	40,975	40,147	39,279	38,369	37,418	36,415	35,378
Total Non-current Liabilities	**46,820**	**45,811**	**44,625**	**43,536**	**42,728**	**41,877**	**41,018**	**40,122**	**39,184**	**38,205**	**37,173**	**36,107**
Total Liabilities	**56,207**	**54,737**	**52,276**	**51,100**	**50,010**	**49,200**	**48,349**	**47,493**	**46,597**	**45,659**	**44,678**	**43,648**
Net Assets	**617,637**	**656,782**	**664,361**	**687,503**	**703,149**	**704,454**	**705,675**	**707,422**	**709,019**	**711,199**	**713,846**	**716,855**
Equity												
Accumulated Surplus	236,422	245,591	251,737	274,879	290,525	291,830	293,051	294,798	296,395	298,575	301,222	304,231
Asset Revaluation Reserves	372,319	399,616	401,049	401,049	401,049	401,049	401,049	401,049	401,049	401,049	401,049	401,049
Other Reserves	8,896	11,575	11,575	11,575	11,575	11,575	11,575	11,575	11,575	11,575	11,575	11,575
Total Equity	**617,637**	**656,782**	**664,361**	**687,503**	**703,149**	**704,454**	**705,675**	**707,422**	**709,019**	**711,199**	**713,846**	**716,855**

Cash & Cash Equivalents

The cash balance has been derived from the Estimated Statement of Cash Flow. The cash balance has not been discounted for the effect of inflation and is shown in today's dollars. The level of cash considered adequate to cover 3-6 months of operating and financing payments is a cash balance of between $9M and $18M. The cash balance over the period of the plan is estimated to be within the target range.

Capital Work in Progress

This balance relates to capital projects that span more than one financial year.

Investment in Associates and TasWater

A small increase in the value of investment in Dulverton Regional Waste Management Authority has been factored into the Plan. This assumption is based on the forecast Statement of Financial Position as advised. It is assumed that the investment in TasWater will remain constant.

Property, Plant & Equipment

Capital expenditure on new assets and on renewal of existing assets is in accordance with the 10 year capital works program

The balance takes into account any disposals of assets, contributed assets and depreciation of the existing asset base as well as additions.

Financial Liabilities

The actual debt balance following the completion of LIVING CITY Stage 1 has been included in the Plan. It is not anticipated that Council will borrow any further over the term of the Plan. All scheduled principal repayments have been included in the Plan.