



Kingborough

2018/19 Draft Budget

1. Analysis of Operating Estimates

1.1 Operating Budget Summary

The budget reflects Council's priorities for the operating, capital and maintenance programs in the 2018/19 financial year.

Council is faced with balancing its service levels, the needs and expectations of the community and setting appropriate rating levels to adequately resource and fulfill its roles and responsibilities. In developing the 2018/19 budget Council gave primary consideration to:

- Council's Strategic Plan;
- Council's Long Term Financial Plan;
- The *Local Government Act 1993*;
- Current economic climate; and
- Likely impacts on the community.

Council's 2018/19 budgeted net operating surplus before depreciation expense, capital related income, and interest and dividend income, is estimated to be \$8.06M, an improvement of \$0.92M on the 2017/18 forecast. The overall net result for 2018/19 is an expected surplus of \$1.00M, which is below the expected \$1.19M forecast result for 2017/18.

The underlying financial result for Council is a net deficit of \$0.60M, due to the deduction of capital grants and contributions. This result does not allow Council to fully fund the replacement of infrastructure assets in line with the depreciation of the assets.

Council reviewed its *Long Term Financial Plan* (LTFP) and a *Long Term Asset Management Plan* (LTAMP) in 2016. The LTFP covers a 10 year planning horizon from 2015/16 to 2024/25, and is an important part of Council's overall financial management framework.

The LTFP aims to improve Council's overall financial sustainability into the future. The key principles underpinning the LTFP are:

- Maintaining a fair and equitable rating structure;
- Maintaining current service levels;

- Continuous improvement in Council's financial performance, so as to achieve operating surpluses;
- Produce positive cash flows from operations that allow a progressive increase in funding for asset maintenance and renewal; and
- Continuous improvement in Council's financial position.

The LTFP and LTAMP can be downloaded from www.kingborough.tas.gov.au or a hard copy obtained from Customer Services at the Civic Centre. Both plans will be updated in June 2018.

Council set up an incorporated entity Kingborough Waste Services Pty Ltd (KWS) to operate the Barretta Waste Transfer Station on 1 July 2011. Council has provided a financial guarantee to KWS to discharge any debt that it owes. KWS has four Directors, two independent and two Council employees.

KWS for 2018/19 is expected to generate \$2.18M in revenue and incur \$2.08M in expenses resulting in a surplus of around \$0.10M for the year. Due to the minor nature of the KWS financials, they are not included in the annual plan financial forecasts.

The 2018/19 capital works program is again primarily focused on asset renewal and replacement actions rather than the funding of new assets.

The total capital works budget for 2018/19 is \$14.42M, which includes \$5.75M for the Kingston Park project.

Excluding works on the Kingston Park project, approximately 68 per cent of the remaining capital budget will be spent on the renewal of footpaths, bridges, roads and stormwater infrastructure. The remaining balance will be on new or upgrading infrastructure.

1.2 Estimated Operating Statement

STATEMENT OF COMPREHENSIVE INCOME		
Year ended 30 June 2019		
	Budget	Forecast
	2018/19	2017/18
	\$'000	\$'000
Total Revenue*	37,368	35,501
Total Expenses	29,308	27,359
Net Operating Surplus (Deficit) before Dep'n and Finance	8,061	8,142
Depreciation	9,766	9,644
Carrying Amount of Assets Retired	500	940
Net Operating Surplus (Deficit) before :	(2,206)	(2,442)
Interest	168	184
Dividends	1,240	1,848
Profit in Associates	200	200
Net Underlying Surplus (Deficit)	(598)	(210)
Capital Grants	1,400	2,200
Contributions	200	200
Grants in Advance	0	(1,000)
Net Surplus (Deficit)	1,002	1,190
* Revenue has been adjusted for rates received in advance in 2016/17.		

1.2.1 Underlying Result

When evaluating an entities financial performance it is important to distinguish between operating, non-operating, and capital items as well as non-recurring one-off items. The above table breaks down Council's overall result to assist in assessing Council's underlying financial performance. It also adjusts the revenue result to include grants received in 2016/17 that relate to the 2017/18 year.

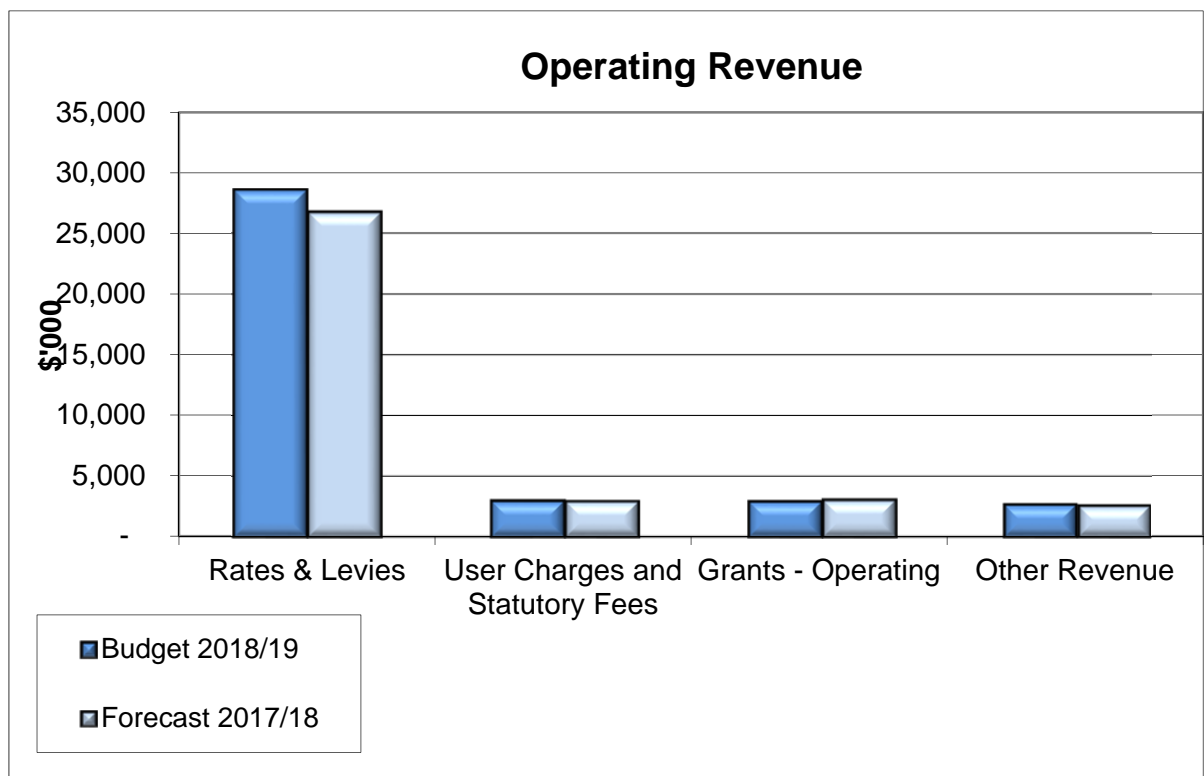
The 2018/19 underlying deficit is \$0.60M compared to a forecasted deficit result for 2017/18 of \$0.21M. The Main reason for the increase in the deficit is the loss of one third of the TasWater dividend in 2018/19. The result means that Council is not able to spend the equivalent of the depreciation expense on the renewal of infrastructure assets.

Best practice dictates that net deficits, while they are acceptable in the short term, cannot be sustained over the long term. Council's *Long Term Financial Plan* is aimed at continually improving Council's financial results to produce an operating surplus in the medium term.

1.3 Revenue

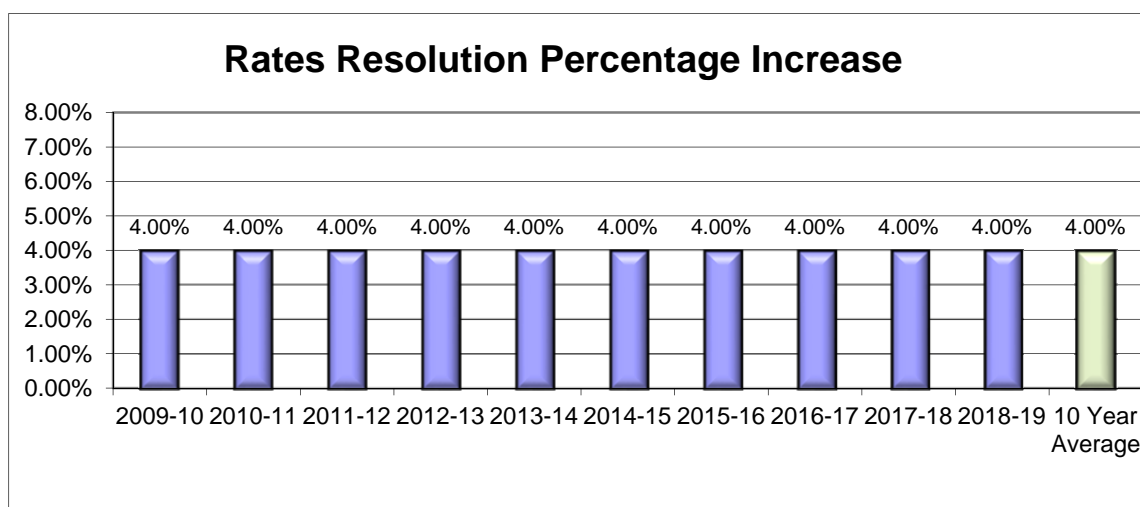
This section analyses the expected revenues of Council for 2018/19. The table and graph below detail Council's key revenue streams over a two year period.

Revenue Type	Ref	Budget 2018/19 \$'000	Forecast 2017/18 \$'000	Variance \$'000
Rates & Levies	1.4	28,640	26,798	1,842
User Charges and Statutory Fees	1.5	3,026	2,985	41
Grants - Operating	1.6	2,974	3,107	(133)
Other Revenue	1.7	2,728	2,611	117
Total Operating Revenue		37,368	35,501	1,867
Interest & Dividends	1.8	1,408	2,032	(624)
Grants - Capital	1.9	1,400	2,200	(800)
Contributions - Capital	1.1	200	200	-
Profit in Associates	1.1	200	200	-
Total Revenue		40,576	40,133	443



1.4 Rates and Levies

The graph below details Council's general rate percentage increase over a ten year period and illustrates the average percentage increase over that period.



The draft budget would result in a general rate increase for 2018/19 of 4.0 per cent, raising total general rates of \$23.20M. This increase is in line with previous years and takes into account Council's declining cash reserves and the *Access Economics Report on the Financial Sustainability of Tasmanian Councils*.

Council has developed a Rates and Charges Policy in accordance with Section 86B of the *Local Government Act 1993*. The Rates and Charges Policy outlines Council's approach to determining and collecting rates from its community.

Rating for 2018/19 will be based on the 2014/15 revaluation of all properties in the municipality, and the 2017/18 property value adjustment factor as determined by the Valuer General. Council in 2015 agreed to base rates on the Capital Value (CV) of the property.

The draft budget sets the industrial rate at 0.555972 cents in the dollar of the capital value. The commercial rate is set at 0.488552 cent and the rate for all other properties is 0.279246 cents. The minimum general rate will be \$348. These rates have been set to produce a 4.0 per cent increase in revenue.

The 2018/19 rates and levies income estimate includes additional income from new supplementary rates expected to be raised in the financial year as a result of growth in the municipality.

The total number of rateable assessments increased by 100 to 17,175. There are a number of properties which are public, religious or charitable in use or ownership which are in part or fully exempt from general rates.

The draft budget provides for Council's Stormwater Removal Rate to increase to 0.006057 cents in the dollar, with a minimum of \$60, to be paid by all ratepayers in the municipality. This rate will generate \$1.07M to fund the critical upgrade of the stormwater infrastructure throughout the municipality to reduce the risk of substantial flooding due to undersized stormwater infrastructure.

Council is anticipating a substantial increase in costs associated with the collection and disposal of household waste and recycling in 2018/19. Garbage collection charges will increase by 4 per cent plus \$40 to cover the increased costs. This means an 80 litre waste bin will increase by \$44 to \$142, a 120 litre waste bin will cost \$198 and a 240 litre bin will cost \$302 per annum.

The recycling collection charge will increase by \$2 to \$56 for a 140 litre bin and \$4 to \$92 for a 240 litre bin per annum.

The three fire rate levies that Council collects on behalf of the Tasmanian Fire Commission (the *Permanent Fire Levy*, the *Fire Volunteer levy* and the *Fire General Levy*) have also increased around 5 per cent. Council has no control of the amount required to be collected on behalf of the Tasmanian Fire Commission and is merely the collection agent on behalf of the State Government.

1.5 User Charges and Statutory Fees

User charges relate to the recovery of service delivery costs through the charging of fees to users of Council's services. These include the hire of halls and sporting grounds, Kingborough Sports Centre fees, family day care fees, and private works recoveries.

Statutory fees and fines relate mainly to those levied in accordance with legislative requirements. They include, building fees, planning fees, health related fees, parking fines, and animal registrations

Council is currently considering the 2018/19 user charges and statutory fees, which will be released in June 2018.

1.6 Grants – Operating

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

A breakdown of the 2018/19 grants is shown in the below table.

Grant Funding Types	Estimate 2018/19 \$'000
Financial Assistance Grant (Grants Commission)	2,230
Manor Gardens Grants	444
NRM Regional Cat Management	120
NRM Cat Project Grant	180
Total Grants	2,974

Financial assistance grants are allocated by the Tasmanian Grants Commission and are used to fund Council operations.

Total grants for 2018/19 are estimated to increase by \$0.12M from the grant income received in 2017/18 due to the return to indexation of the financial assistance grants.

Grants will also be received to fund work on regional cat management as well as the cat control project amounting to \$0.3M in total.

1.7 Other Revenue

Other estimated Council revenue for 2018/19 of \$2.73M comprises:

- Government rates remission reimbursements (\$1.12M);
- Contributions (\$0.36M);
- Reimbursement for State Government works (\$0.26M);
- Private works income (\$0.10M);
- Motor tax reimbursement (\$0.13M);
- Interest on overdue accounts (\$0.07M); and
- Other sundry receipts (\$0.69M).

Other revenue for 2018/19 will increase \$0.12M compared to the 2017/18 forecast primarily due to the estimated increase in sundry receipts.

1.8 Interest and Dividends

Estimated interest income for 2018/19 of \$0.17M is derived from Council's investment portfolio at market rates. Council's expected cash position throughout 2018/19 is used to estimate the interest income for the coming year. The key factors influencing the level of interest income include the level of unspent capital and reserve funds and the interest rate. The level of 2018/19 interest income is estimated to be below the 2017/18 forecast due to the reduction in available funds for investment over the twelve months.

As part owner of the Tasmanian Water and Sewerage Corporation (TasWater), Council is entitled to dividend payments. The 2018/19 estimated dividend income of \$1.24M is a reduction of \$0.61M on the 2017/18 dividend due to the decision by the TasWater Board to reduce dividends by one third.

1.9 Grants – Capital

Capital grants include all monies received from State, Federal and community sources for the purposes of funding the capital works program. For 2018/19 capital grants of \$1.4M relate to funds received for the building of the Community Hub at Kingston Park. There will be no Commonwealth *Roads to Recover* funds received in 2018/19.

1.10 Contributions, Net Gain from Sale of Assets and Non-Cash Contributions

The revenue reported under contributions relate to external funds received from developers under the Public Open Space and Tree Preservation policies, or other contributions received from the public for capital works. The 2018/19 estimate amounts are shown below.

- Contributions, Public Open Space (\$360,000); and
- Contributions, Tree Preservation (\$150,000).

The estimate for contributions in 2018/19 is consistent with revenue received in 2017/18.

Non cash contributions are made up of assets donated to Council from property developers in the form of infrastructure (roads and stormwater etc) where at the completion of the development Council assumes responsibility for maintaining and replacing the infrastructure. As developer contributions are non-cash and capital in nature they do not affect the underlying operating result. The budget for this item for 2018/19 is \$200,000.

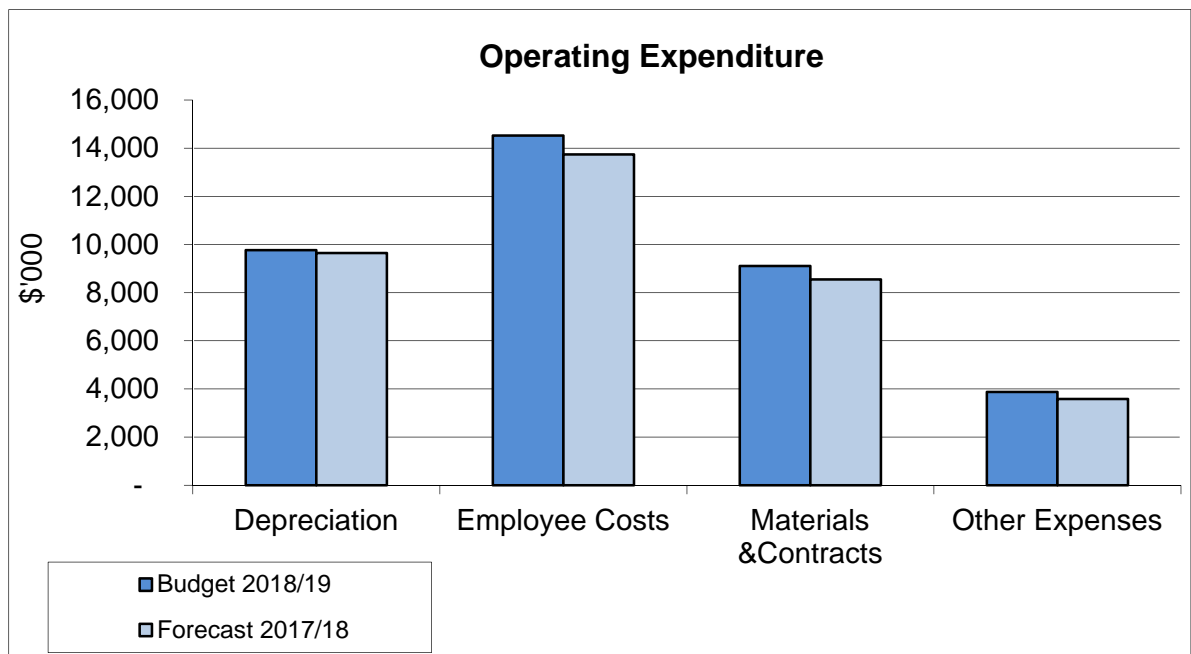
1.11 Profit in Associate

The revenue recorded under Profit in Associate of \$200,000 represents the expected return from the investment in the Copping Refuse Disposal Site Joint Authority and Kingborough Waste Management Services. The revenue in 2018/19 is expected to be the same as in 2017/18.

1.12 Expenditure

This section analyses the expected expenditure of Council for 2018/19. The table and graph below detail Council's key expenditure items over a two year period.

Expenditure Type	Ref	Budget 2018/19 \$'000	Forecast 2017/18 \$'000	Variance \$'000
Depreciation	1.13	9,766	9,644	122
Employee Costs	1.14	14,521	13,737	784
Materials & Contracts	1.15	9,108	8,550	558
Other Expenses	1.15	3,874	3,586	288
Levies to State Government	1.16	1,605	1,485	120
Borrowing Costs	1.17	200	40	160
Carrying Amount of Assets Retired	1.18	500	940	(440)
Total Expenditure		39,574	37,982	1,592



1.13 Depreciation

Depreciation is an accounting measure and allocates the value of assets over their useful lives.

Council's infrastructure assets are held at depreciated replacement cost to ensure adequate provision for renewal of existing infrastructure through depreciation expense. The amount spent on asset renewal in any given year is determined by Council's long term capital works program.

Depreciation is estimated to be \$9.76M in 2018/19, an increase of \$0.12M compared to 2017/18 primarily due to the expected 3.0% escalation in the value of infrastructure assets offset by the additional depreciation of \$0.3M in 2017/18, resulting from the catch-up in capitalizing infrastructure assets requiring depreciation to be back-dated to previous years.

1.14 Employee costs

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

Estimated Council employee costs for 2018/19 are \$14.52M, being \$0.78M higher compared to the 2017/18 forecast. The primary reason for this increase in the budget is increases in staff salaries as negotiated under the Council's Enterprise Agreement and the need to resource the new Community Hub building.

1.15 Materials, Contracts and Other Expenses

Materials and contracts include the purchase of consumables, payments to contractors for the provision of services, insurances and utility costs. Utility costs relate to telecommunications, water, sewerage and electricity.

Despite significant cost pressures, Council aims to minimise the increase in materials and contracts expenditure and other expenses from the 2017/18 forecast levels. Budgeted materials and contracts spend for 2018/19 is \$9.11M and other expenses spend is budgeted at \$3.87M. As part of the drive to control expenditure throughout Council many costs included in these areas have had only minor increases.

1.16 Levies to State Government

Levies to State Government include land tax and state fire levies. State fire levies budget for 2018/19 is \$1.61M. State fire levies are collected on behalf of the State Fire Commission. These funds are passed directly to the State Fire Commission and Council has no control over the levies.

1.17 Borrowing Costs

Council expects to borrow an additional \$10.0M in 2018/19 to fund the purchase of the land and for infrastructure expenditure at the Kingston Park site. Interest payments of \$0.20M are expected in 2018/19.

1.18 Kingborough Waste Services

Kingborough Waste Services Pty Ltd (KWS) is an incorporated entity that has been established by Kingborough Council to operate the waste transfer station at Barretta and on Bruny Island. Council has

provided a financial guarantee to discharge any debt that KWS owes, where KWS is unable to pay the debt itself. KWS aims to deliver a small operating surplus for the year.

2. Analysis of Estimated Cash Position

2.1 Estimated Cash Flow Statement

This section analyses the expected cash flows from the operating, investing and financing activities of Council for the 2018/19 year. The cash flow from operating activities is a key factor in determining the level of capital expenditure that can be sustained without using existing cash reserves.

The analysis is based on three main categories of cash flows:

1. Operating activities

Refers to the cash generated or used in the normal service delivery functions of Council. Cash remaining after paying for the provision of services to the community may be available for investment in capital works or repayment of debt.

2. Investing activities

Refers to cash generated or used in the enhancement or creation of infrastructure and other assets. These activities also include the acquisition and sale of other assets such as vehicles, property and equipment.

3. Financing activities

Refers to cash generated or used in the financing of Council functions and include borrowings from financial institutions and advancing of repayable loans to other organisations. These activities also include repayment of the principal component of loan repayments for the year.

STATEMENT OF CASH FLOWS		
Year ended 30th June 2019		
	Budget 2018/19	Forecast
	Inflows	2017/18
	(Outflows)	Inflows
	\$'000	(Outflows)
	\$'000	\$'000
Net Cash Flow from Operating Activities	8,833	8,572
Net Cash Flow used in Investing Activities	(20,915)	(18,597)
Net Cash Flow from Financing Activities	11,430	9,740
NET (DECREASE)/INCREASE IN CASH HELD	(652)	(285)
Cash at the Beginning of the Year	10,272	10,557
CASH AT THE END OF THE YEAR	9,620	10,272

2.2 Cash Flows from Operating Activities

The net cash flow from operating activities is estimated at \$8.83M, an increase of \$0.26M compared to the forecasted 2017/18 result. The increase comprises receipts from ratepayers and users of \$1.88M, an increase in grant income of \$0.86M, offset by an increase in payments to suppliers and staff of \$1.67M and an increase in payments to Government \$0.12M.

2.3 Cash Flows from Investing Activities

The 2018/19 capital works cash flow for infrastructure assets is \$21.80M, which includes carried forward amounts from 2017/18. The expenditure is funded by the cash from operating activities \$8.83M, proceeds from assets sales of \$0.25M and borrowings of \$10.0M.

2.4 Cash Flows from Financing Activities

Council has budgeted to borrow external funds of \$10.0M to fund the development of the Kingston Park project. Details on the developments are contained in section 8 Analysis of Capital Estimates.

2.5 Cash at End of Year

Overall the total cash and investments are forecast to decrease by \$0.65M, due to the significant capital expenditure on capital works at Kingston Park.

2.6 Restricted and Unrestricted Cash and Investments

Cash and cash equivalents held by Council are restricted in part, and not fully available for Council's operations. The forecasted unrestricted cash balances for the two financial years are shown in the following table:

	Estimate 2018/19	Forecast 2017/18
Restricted & Unrestricted Cash and Investments	\$'000	\$'000
Total cash at year end	9,619	10,272
Restricted cash and investments		
- Statutory reserves	500	500
- Carried forward capital funds	2,000	2,000
- Discretionary reserves	2,345	2,557
- Other commitments	400	400
Unrestricted cash at year end	4,374	4,815

2.7 Statutory Reserves

Statutory reserves are funds that must be used in accordance with legislative and contractual obligations. These funds are not available for any other purpose. It is estimated that Council will have subdivision infrastructure related deposits of \$0.50M as at 30 June 2019.

2.8 Discretionary Reserves

Discretionary funds are set aside by Council for a specific purpose and unless there is a Council resolution these funds should only be used for those purposes. The estimated discretionary reserve balances for the two financial years are shown below.

RESERVE	Estimate 30-Jun-19 \$'000	Forecast 30 June 2018 \$'000
Public Open Space	1200	1,300
Car Parking	50	50
Boronia Hill Reserve	10	10
Plant Replacement	100	190
Office Equipment Replacement	100	90
Hall Equipment Replacement	70	70
Sports Centre Equipment Replacement	80	100
Emergency Reserve	0	0
Emergency Services Reserve	5	7
Tree Preservation Reserve	550	600
IT Reserve	80	40
Administration Reserve	100	100
TOTAL	2,345	2,557

In relation to plant replacements/purchases in 2018/19 the following outlines the expected expenditure to be allocated to the *Plant and Equipment Reserve Account*:

Item	Budget
Replacements	
Tip Truck – Bruny Island	230,000
Grader – Bruny Island	440,000
Spray Unit – Twin Ovals	105,000
Heavy Vehicles	152,000
Light Vehicles	350,000
Small Plant Replacement	31,000
Total Expenditure	1,308,000

Summary:

Light Fleet	\$ 350,000
Roads (truck replacements)	\$ 927,000
Small Plant	\$ 31,000
TOTAL	\$1,308,000

The expected cash flow from the sale of used plant is \$330,000.

Estimated Plant Replacement Reserve Reconciliation:

Opening Balance 1 July 2017	\$ 193,000
Add Depreciation 2016/17	\$ 795,000
Less Net Purchases	\$ 850,000
Forecast Balance 30 June 2017	\$ 138,000
Add Depreciation 2018/19	\$ 820,000
Less Net Purchases proposed	\$ 910,000
Estimated Balance 30 June 2018	\$ 48,000

In 2018/19, Council will finish the upgrade program for major equipment and it is expected that net purchases after 2019 will be below the depreciation allowance.

3. Analysis of Estimated Financial Position

This section analyses the movements in assets, liabilities and equity between 2017/18 and 2018/19.

3.1 Estimated Financial Position

STATEMENT OF FINANCIAL POSITION		
As at 30 June 2019		
	Budget 2018/19 \$'000	Forecast 2017/18 \$'000
Total Current Assets	10,720	11,371
Total Non-Current Assets	632,970	612,804
TOTAL ASSETS	643,690	624,175
Total Current Liabilities	24,550	14,250
Total Non-Current Liabilities	750	730
TOTAL LIABILITIES	25,300	14,980
NET ASSETS	618,390	609,195
TOTAL COMMUNITY EQUITY	618,390	609,196

3.1 Current Assets and Non-Current Assets

Current assets as at 30 June 2019 are estimated to comprise cash and investments of \$9.62M and receivables of \$1.10M.

Current assets are forecast to decrease by \$0.65M primarily due to the decrease in cash and investments as a result of cash outflows during 2018/19.

The estimated value of non-current assets as at 30 June 2019 comprises property, infrastructure, plant and equipment, \$536.94M, investment in TasWater, \$94.80M, and investment in the Copping Waste Authority, \$1.06M.

Non-current assets are estimated to increase by \$20.17M primarily due to capital revaluations and capital expenditure during 2018/19.

3.3 Current Liabilities and Non-Current Liabilities

Forecasted current liabilities as at 30 June 2019 include creditors, \$3.60M, employee provisions \$2.05M, \$17.50M in borrowings and other liabilities of \$1.00M.

Non-current liabilities of \$0.75M as at 30 June 2019 relate to employees' long service leave provisions.

4. Key Financial Indicators

4.1 Key Indicators and Financial Sustainability Benchmarks

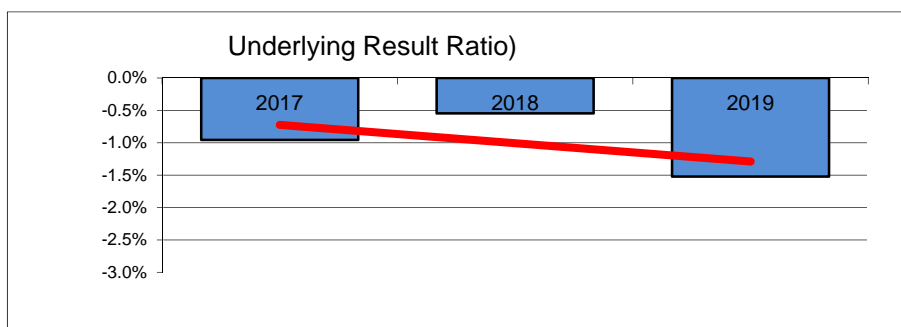
The following graphs illustrate the key financial indicators in the budget estimates.

It is important to note that the ratios are only indicators of financial performance and should not be considered in isolation when determining financial sustainability. It is also important to consider the ratios over time to consider trends. The results taken together over time indicate good or poor performance.

The Auditor General compares the financial sustainability of Councils by using generally accepted key financial ratios. The Auditor General uses ratios to measure the sustainability of a local government entity which are interrelated and enable both self-analysis and comparative analysis with other local government entities. Key ratios used are below.

The budget estimates show that the benchmarks have improved over the three year period.

4.2 Underlying Result Ratio



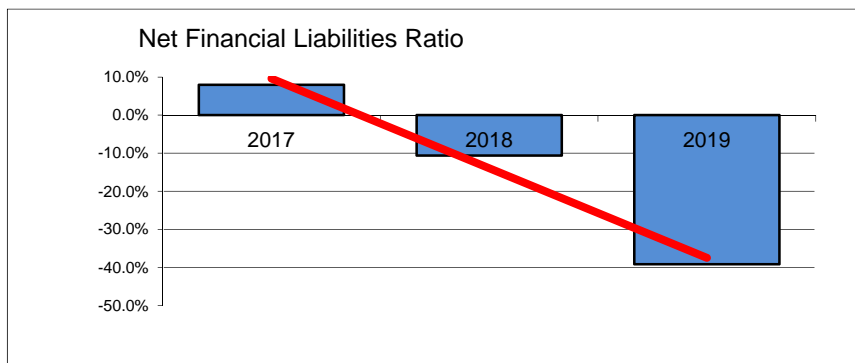
The underlying result ratio expresses operating revenue over operating expenditure as a percentage.

A result greater than zero indicates a surplus. The larger the surplus the stronger the result and therefore stronger assessment of sustainability. A negative result indicates a deficit which cannot be sustained in the long term.

The underlying result ratio is calculated from using revenue from the comprehensive income statement adjusted for capital grants income, developer contributions and any other material one-off (non-recurring) items of revenue.

The average underlying result ratio for the three year period is below the Benchmark of 0.0%. While the trend is down, this reflects the loss of one third of the TasWater dividend. The ratio indicates Council in 2018/19 is unable to fully fund its depreciation expense. Council's LTFP aims to continue the improvement in Council's overall financial sustainability into the future by returning to an underlying surplus in the medium term.

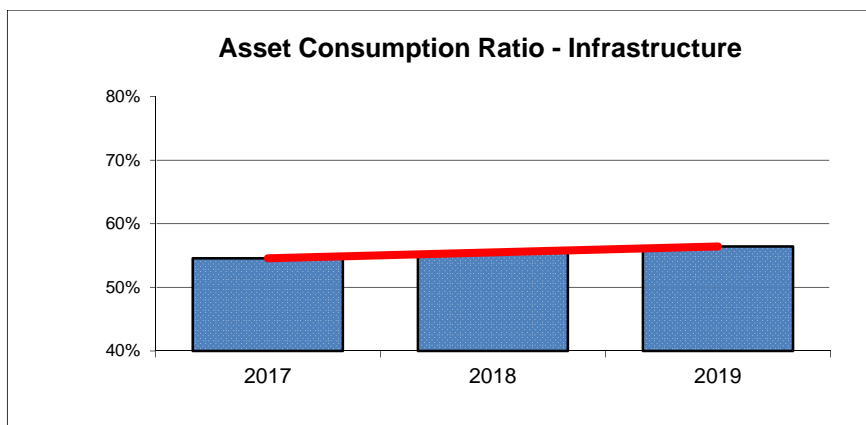
4.3 Net Financial Liability Ratio



This measure shows whether Council's total liabilities can be met by its liquid assets. An excess of total liabilities over liquid assets means that, if all the liabilities fell due at once, additional revenue would be needed to fund the shortfall.

Council's percentage in 2018/19 is at the lower end of the 0.0% to -50.0% range due to the borrowings associated with the construction at the Kingston Park site. Once the loan is repaid through proceeds from land sales, the ratio will move back towards zero.

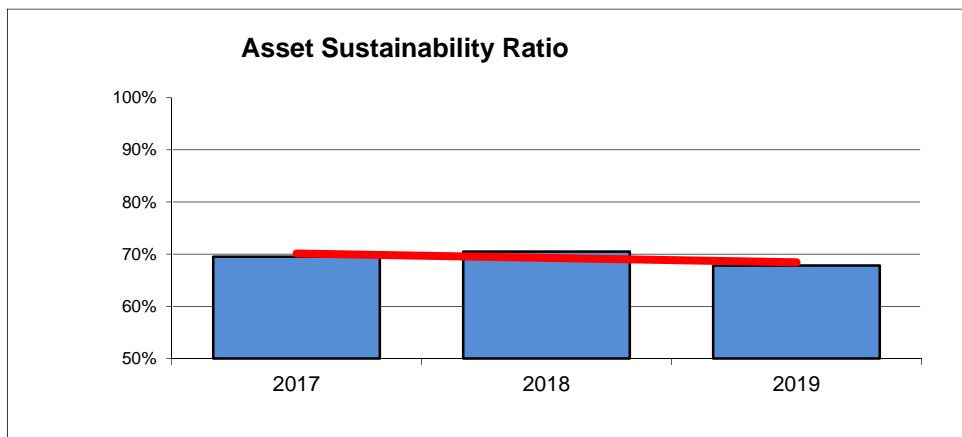
4.4 Asset Consumption Ratio – Roads



The asset consumption ratio indicates the level of service potential available in Council's existing asset base. The ratio is calculated by dividing the depreciated replacement cost over the current replacement cost and is an indicator of the remaining useful life of the infrastructure asset. The benchmark for this ratio is between 50% and 80%.

The above ratio for Council's infrastructure, indicate that there is an adequate and increasing level of service potential available within the existing asset base. The trend line indicates that Council will need to allocate more funds to infrastructure replacement in the future if it wants to increase the ratio towards the top of the range.

4.5 Asset Sustainability Ratio



The asset sustainability ratio indicates whether a Council has been maintaining existing assets at a consistent rate. The ratio is calculated as the total capital renewal expenditure divided by depreciation expense. A result of greater than 100% indicates that spending on existing assets is greater than the rate of depreciation base. The benchmark result is 100%.

The above graph shows that Council is struggling to meet the 100% benchmark for capital expenditure on asset renewal. While this shortfall is sustainable in the short term, it would be of a concern if the trend continued over an extended period.

This ratio highlights the need for Council to continue to build cash reserves, through the generation of an operating surplus, to allow increased expenditure on asset infrastructure. Once this is achieved, an asset sustainability ratio above 100% will be delivered.

5. Analysis of Capital Estimates

5.1 Capital Works Budget

This section analyses the planned capital expenditure estimates for the 2018/19 year and the sources of funding for the capital estimates.

The 2018/19 capital works program is again primarily focused on asset renewal and replacement and upgrades to assets where additional capacity is needed. The exception to this is work on the Kingston Park (former Kingston high school) site where new assets will be developed. Asset renewal is expenditure on an existing asset which reinstates the existing service potential or the life of an asset up to that which it had been originally, and may reduce future operating and maintenance expenditure if completed at the optimum time. Asset upgrade work relates to activity designed to enhance an existing asset to provide a higher level of service or to increase the life of the asset.

Asset renewal or replacement actions are driven by asset management processes that identify deficiencies in current service levels, increased maintenance requirements or works required to meet new standards or statutory requirements.

Asset upgrades are required for stormwater assets where it has been identified that there is significant risk of failure due to limited capacity in the current stormwater system. This upgrade work will take an extended period of time to complete due to the amount of capital works necessary to fix the issues.

Capital works at the Kingston Park site will be focused on the creation of new assets and will be funded through external borrowings and Government grants.

A summary of the budget allocations for the respective functional areas is shown below.

SUMMARY	2018/19
FUNCTIONAL AREA:	\$'000
Roads, Bridges & Jetties	4,643
Plant and Equipment	1,308
Property	1,143
Stormwater	1,081
Other	495
Kingston Park	5,750
TOTAL PROPOSED CAPITAL WORKS	14,420

There is expected to be approximately \$7.4M of carried forward expenditure from the 2017/18 financial year. The majority of this relates to the Community Hub construction which commenced in April 2018 and will continue until December 2018.

Capital works expenditure for the year of \$21.8M is funded from a number of sources which are identified in the table and graph below.

Capital Works Funded By	\$'000
Operational Funds (from reserves)	70
Operational Funds Generated (from cash flows)	8,833
Borrowings	10,000
Other Funds (Grants, contributions, etc)	2,897
TOTAL	19,040

5.1.1 Roads, Bridges and Jetties (\$4.643M)

Roads include local roads, car parks, footpaths, traffic devices, traffic signs, street lighting and traffic signals.

Bridges and jetties include bridges, major road culverts, boat ramps, jetties and other marine structures such as pontoons.

Projects are identified through various internal and external inspections and auditing processes, risk management analysis and prioritisation processes.

Council has a rolling program of infrastructure upgrades for these facilities based on independent risk assessments. Other projects may be derived through community need or identification of infrastructure deficiencies.

Major projects for 2018/19 include:

- \$180,000 upgrade to Parish Lane;
- \$500,000 Brightwater Road renewal and stormwater;
- \$120,000 Tinderbox Road carpark upgrade;
- \$1,059,000 Resealing program;
- \$900,000 Resheeting Program;
- \$1,310,000 Channel Highway, Kingston reconstruction; and
- \$250,000 continue the upgrade to Pelverata Road.

5.1.2 Property (\$1.143M)

Property includes sporting facilities, playgrounds, halls, public toilets and recreational facilities.

The works identified come from safety inspections, external audits and planned asset renewal and replacement programs. All works are renewal actions or replacement of existing assets to comply with current standards.

Major projects include:

- \$250,000 to support the full extension of the Margate to Snug shared path;
- \$80,000 to improve sections of the mountain bike path;
- \$470,000 Osborne Esplanade toilet block replacement; and
- \$150,000 contribution towards the upgrade of the Kolverdon Park changerooms/clubrooms.

5.1.3 Stormwater (\$1.081M)

Stormwater includes piped stormwater systems, waterways, treatment systems and open drainage systems.

Projects are identified through investigation programs, event reporting from operational staff and the community and planned asset renewal and replacement planning.

It has been identified that substantial upgrade work is required on the stormwater network due to significant capacity constraints resulting from new developments. A study is underway to review the stormwater system and determine the priority areas for upgrade.

Major projects include:

- \$141,000 Beach Road, Kingston stormwater upgrade;
- \$99,000 Woodbridge Hill Road stormwater upgrade;
- \$160,000 Kingston Wetlands gross pollutant trap replacement;
- \$100,000 Stormwater master drainage scheme study; and
- \$94,000 Channel Highway, Kingston (vic 157).

5.1.4 Plant and Equipment (\$1.244M)

Plant and equipment includes heavy vehicles, light vehicles and small plant.

Vehicles replacement is covered by policy. Small plant replacement is determined by adequacy of equipment.

Major replacements include:

- \$230,000 replacement of the tip truck at Bruny Is;
- \$440,000 replacement of the grader on Bruny Is;
- \$105,000 replacement of the spray unit at Twin Ovals;

5.1.5 Other (\$0.495M)

Other infrastructure includes waste management and projects related to internal improvements to Council owned infrastructure and assets.

Major projects include:

- \$300,000 to replace the entry to the Depot resulting from increased traffic on Spring Farm Road; and

- \$100,000 Design/Survey for future works.

5.1.6 Kingston Park (\$5.750M)

Expenditure on the Kingston Park project will be primarily focused on the construction of the pedestrian walkway, the second stage of Goshawk Way through to the roundabout and work on the public open space. It is also expected that the purchase of the land will be settled in the first half of the year.