



**The Lord Mayor presents the
2020/2021 Budget Estimates
Monday 22 June 2020 at 5pm
The Council Chamber, Hobart Town Hall**

Introduction

On behalf of the elected members of the City of Hobart, I present the budget estimates for the 2020/21 year.

The budget we are delivering this year has been prepared in the face of the most significant challenge the City of Hobart has encountered, in living memory.

The current coronavirus pandemic sees us in uncharted waters, but a commitment to being there for residents and ratepayers in a difficult time, has been top of mind in formulating this challenging, but responsible budget.

While we are adopting a \$135.5 million operating budget and a \$34.1 million capital works program, 2020/21 will be a year that we focus on delivering essential services, maintain our existing assets and provide programs that contribute to getting the Hobart community through the other side of this pandemic.

The City of Hobart delivers more than 300 services to a population of more than 50,000 residents and countless more who work, study, visit and do business here every day.

Our services range from essential services such as waste management, public health, planning and maintaining our streets and parks. We also manage sporting facilities, public art and community programs.

We maintain 130 parks and reserves, including 48 playgrounds and 4,500 hectares of bushland to a high-standard that makes Hobart really special.

The road and footpath network comprises:

- More than 280 kilometres of sealed roads
- More than 5 kilometres of unsealed roads
- More than 425 kilometres of footpaths; and
- 67 bridges

We also own or manage more than 339 kilometres of stormwater mains, more than 550 stormwater assets such as kerb and gutter and 60 kilometres of rivulets and creeks.

In 2020/21, we will do everything we can to maintain our essential services – things like making sure our fire breaks work continues, our stormwater networks are operating properly, rubbish and recycling is being collected – all the things that keep the City operating well.

Rates

Historically, Council rates increase each year to fund the unavoidable increases in the costs of maintenance and delivering services, however this year, with our priority to support struggling ratepayers, there will be no rise in rates – we are freezing rates with a zero percent rate increase. This is the first time in 22 years that a rates freeze has been implemented in Hobart.

We are also freezing the waste collection charge, the landfill rehabilitation service charge, the green waste service charge and all other fees and charges.

The only exception is the addition of \$10 per property to fund the new FOGO waste collection service that was introduced in November but had the charge waived for the first eight months.

This rates freeze is in contrast to a 2.75 per cent increase and is valued at \$2.4 million. It is a significant contribution of this organisation to assisting the wider community at this time.

Community Support Package

We've made a commitment to support our community through the impacts of COVID-19. At the height of the pandemic in April, the Council developed a \$3.5 million Community Support Package designed to assist ratepayers and businesses experiencing hardship due to the pandemic.

In 2020/21 we have allocated further funds to community support measures, including:

- \$4.6 million in assistance for ratepayers experiencing extreme financial hardship and guided by a new and rigorous hardship policy;
- A community, creative and business support grants program of \$1.167 million, which will see us investing in the good ideas and initiatives of the community;
- The continuation of rent relief for tenants of city-owned properties experiencing financial hardship.

This support is in addition to the rates freeze and the freeze on fees and charges, which will go some way to helping household and business budgets in Hobart.

Capital Works

Our \$34.1 million capital works program will focus on maintaining assets and completing major projects that are already underway.

More than two-thirds of our capital budget will be spent on existing assets, remembering this year is about maintaining what we already have, rather than investing in new infrastructure.

Some of the key upgrade projects include:

- \$10 million for roads infrastructure
- \$3.6 million for stormwater infrastructure
- \$1.8 million for parks infrastructure
- \$600,000 for upgrading of fire trails.

These are all projects that have been identified as priorities for upgrading in 2020/21. With more than \$2 billion worth of assets, it is important that we do the necessary maintenance on them when it becomes due, so they are serviceable for a longer term.

The multi-stage Salamanca improvement project will continue with \$2.3 million allocated to complete stages 2 and 3 with stage 2 expected to be finished by November 2020 and stage 3 by August 2021.

New borrowings of \$15 million will fund our capital works program and existing debt of \$4.43 million will be repaid.

We have also prepared a package of shovel-ready infrastructure projects that we have provided to the State and Federal Governments and our local State and Federal MPs in an effort to increase the level of grant funding as a percentage of our budget, which has been sitting at around 3 per cent for several years, and is less than it should be.

Operating Result

This is the first time in some years that we find ourselves budgeting for a deficit. In 2020/21 the underlying operating result is a forecast deficit of \$11.8 million from a \$135.5 million budget.

This deficit is solely due to COVID-related economic impacts on our income. The sectors most affected by COVID-19 are those that are central to Hobart's economy – arts and events, tourism and hospitality, education and retail.

We are anticipating a \$17.7 million loss of income but are doing our own heavy-lifting by cutting our spending across programs and activities by \$5.3 million compared to last year.

This has been a difficult budget to formulate and we have had to make some very hard decisions. Unfortunately, many of the initiatives that are important for the City, but which aren't critical to our operations, have been removed for this year. Things like our Sister Cities program and our sponsorship of Dark Mofo.

What we have come up with is a budget that takes some hits to our financial position in order to support the needs of our community during a time of significant uncertainty.

We know that it will take several years for the Council to recover from the hit that COVID-19 has had on its financial position. This budget starts the budget repair process but it will require us to develop a three-to-five-year repair and recovery plan.

We will be looking at our financial position again once the full extent of the pandemic becomes clearer by updating our budget outlook and releasing a mid-year, revised budget in December.

Conclusion

There is no doubt that 2020/21 will be a tough year. When we commenced our budget process early this year, no-one could have foreseen the challenges we were to face in the months ahead.

While this COVID-related economic crisis will have an enormous impact on our budget, we are confident that with sensible financial management, including disciplined spending and good planning going forward, we will be in a much more positive position this time next year and beyond.

I commend my elected member colleagues, the General Manager and his team who have worked very hard to ensure the best outcomes possible in the current circumstances in presenting this budget for 2020/21.

I now invite a motion to adopt the recommendation of the Finance and Governance Committee in respect to the 2020/21 Budget Estimates.