NOTICE OF COUNCIL MEETING

Pursuant to the provisions of section 84 (1) of the
Local Government Act 1999

The Special Meeting of the

Adelaide Plains Council

will be held in the

Council Chamber
Redbanks Road
Mallala

on

Monday 1 May 2023 at 5.00pm

James Miller
CHIEF EXECUTIVE OFFICER

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4.1 DRAFT 2023/2024 ANNUAL BUSINESS PLAN, BUDGET AND REVISED LONG TERM FINANCIAL PLAN 2024-2033 - PUBLIC CONSULTATION

Record Number: **D23/15619**

Author: **Director Finance**

Authoriser: **Chief Executive Officer**

Attachments:
1. **Draft 2023/2024 Annual Business Plan and Budget** ⇩
2. **Revised Long Term Financial Plan 2024 - 2033** ⇩

EXECUTIVE SUMMARY

- The purpose of this report is to provide for Council's consideration and endorsement of following documents for public consultation:
  - 2023/2024 Draft Annual Business Plan (the ABP), Budget (the Draft Budget); and
  - revised (10-year) Long-Term Financial Plan for the period 2024-2033 (the revised LTFP).
- Work towards the adoption of the Draft Budget has been occurring since January 2023. two (2) workshops with Elected Members, two (2) Audit Committee meetings, one (1) Infrastructure Committee meeting and a separate workshop with Council's Executive Management Team have occurred to date. These workshops have focused on:
  - Identifying and mitigating cost pressures on Council operations due to high inflation;
  - Continuing to invest in renewing/upgrading community infrastructure in line with the Infrastructure and Assets Management Plans (I&AMP);
  - Continuing to invest in growth across the Council district, particularly in Two Wells;
  - Allocating additional resources to meet demand for Council services driven by growth;
  - Continuing to deliver Council's services and programs to ensure implementation of priorities and strategies identified in the Strategic Plan 2021-2024;
  - Improving operating performance and long-term financial sustainability; and
  - Reviewing Council operations to find savings without impacting services.
- The Draft Budget estimates a deficit of $1.200m (**Table 1**) which consists of: -
  - Recurrent budget deficit of $0.429m; and
  - Operating project budget of $0.771m (**Table 4**).
- The estimated Operating Deficit of $1.200m takes into account an average rate increase of 7% and growth of 2.55%.
- It is also proposed to increase the fixed charge by 50% to $185.
- The proposed capital expenditure program (**Table 5**) is estimated to be $4.827m of which $3.693m (77%) would be spent on assets renewals in line with I&A Management Plan (IAMP).
- The remaining capital expenditure of $1.134m (23%) is proposed to be spent on new and upgraded assets (**Table 6**).

- New loan borrowings (**Table 10**) are proposed to be around $2.229m.
- Kerbside waste collection levy is expected to increase by 20%, mainly due to increase in collection and disposal costs.
- Annual CWMS charges have been estimated based on a 7% increase for Mallala and Middle Beach respectively.

RECOMMENDATION 1

"that the Council, having considered Item 4.1 – *Draft 2023/2024 Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 - Public Consultation*, dated 1 May 2023, receives and notes the report."

RECOMMENDATION 2 - 2023/2024 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

"that the Council, having considered Item 4.1 – *Draft 2023/2024 Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 - Public Consultation*, dated 1 May 2023, endorses Audit Committee resolutions 2023/019 and 2023/020 and in doing so determines that the Option 3 of the rate modelling will provide the most appropriate basis for the 2023/2024 Draft Annual Business Plan and Budget, noting that this will be the subject of public consultation in accordance with the *Local Government Act 1999*."

RECOMMENDATION 3 – LONG TERM FINANCIAL PLAN 2024-2033

"that the Council, having considered Item 4.1 – *Draft 2023/2024 Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 - Public Consultation*, dated 1 May 2023, endorses Audit Committee resolution 2023/021 and in doing so acknowledge that the revised Long Term Financial Plan presented as Attachment 2 to this report anticipates that the Council will return to operating surplus in year 5, noting that this will be the subject of public consultation in accordance with the *Local Government Act 1999*."

RECOMMENDATION 4 – PUBLIC CONSULTATION

"that the Audit Committee, having considered Item 4.1 – *Draft 2023/2024 Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 - Public Consultation*, dated 1 May 2023:

a) Instructs the Chief Executive Officer to undertake public consultation in relation to the 2023/2024 Draft Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 (presented as Attachment 1 and 2 to this Report and subject to Recommendation 2 and Recommendation 3 above), in accordance with section 123 of the *Local Government Act 1999* and Council's Public Consultation Policy; and

b) **Instructs the Chief Executive Officer to bring back a report on the outcome of public consultation for Council's consideration."**

BUDGET IMPACT

Estimated Cost:	$ 1.200m (operating deficit)
Future ongoing operating costs:	Interest expenses associated with new borrowings to finance capital expenditure
Is this Budgeted?	Yes (In the draft budget estimates)

RISK ASSESSMENT

Financing Risk

Council's current borrowing capacity with the Local Government Finance Association (LGFA) is $14.9m. Therefore, proposed borrowings identified in this report will reduce the ability to borrow more funds for future activities of the Council. An approach to the LGFA to review Council's capacity would be required before Council could approve new borrowings as part of future budget revisions/discussions.

LGFA has indicated recently that with the rapid population growth, a period of higher than 100% Non-Financial Liability Ratio may be acceptable as long as Council's long term financial planning justifies that it can handle the extra debt.

However, given the potential high debt level of the council, and projected operating deficits until 2027/2028, LGFA may place financial covenants on any new loans that aligns with projections in the LTFP to ensure that the Council commit to the LTFP projections.

Liquidity Risk

Overdue rates have increased significantly over the last few years. Council's current overdue rates balance is $1.057m as of 24 April 2023, an increase of 15% when compared to the overdue rates balance of $0.922m as of 30 June 2022. Therefore, increase in overdue rates poses a considerable liquidity risk for the Council which may need to be funded via short-term borrowings in addition to the new borrowings estimated in this report.

Council already has commenced process under Section 184 of the *Local Government Act 1999*, to recover rates overdue for more than three (3) years. The total outstanding from these properties is $0.208m recovery of this amount will provide a significant reduction in overdue rates.

DETAILED REPORT

Purpose

The purpose of this report is to provide for Council's consideration the following documents: -

- 2023/2024 Draft Annual Business Plan (the ABP), Budget (the Draft Budget); and
- updated (10-year) Long-Term Financial Plan for the period 2024-2033 (the revised LTFP).

and seek Council's endorsement to commence the public consultation process in relation to the aforementioned draft documents as required by Section 123 of the *Local Government Act 1999*.

Background

The legislative background to the annual budget process, outlined in Section 123 of the *Local Government Act 1999* is as follows:

- There must be an annual business plan and budget for each financial year;
- The annual business plan must include a summary of the council's objectives, activities and performance measures set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; the rates structure and policies for the financial year;
- The annual business plan and budget must undergo a period of public consultation in accordance with the Council's *Public Consultation Policy*, and Council must make copies of the plan available for the information of the members of the public, who may then lodge submissions to the council about its plans;
- The council must conduct a public hearing or meeting to allow those members of the public the opportunity to present their submission in relation to Council's proposed annual program to the Council;
- Council may then decide whether or not any submission will be taken into account in adopting or amending its proposed annual business plan and budget;
- An annual business plan and a budget must be adopted by a council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 15 August in the year to which it relates.

In practical terms however, the Local Government Act requires that a ratepayer must receive at least 30 days' notice of the amount of council rates that they are being requested to pay. Under the terms of the Act, council rates instalments fall due in the months of September, December, March and June of each year.

Operationally administration must undertake certain processes coinciding with the declaration of the rate by Council, including scheduling rate notice printing with an offsite contractor. These activities in effect decrease the time available for a council to adopt budgets and declare rates while maintaining an adherence to compliancy timeframes stipulated by the Act.

<u>Public Consultation</u>

For the 2023/2024 Financial Year, the 21 day public consultation period is proposed to commence on Wednesday, 10 May 2023 and conclude on Tuesday 30 May 2023 at 5.00pm. Public Notices will appear on Council's website www.apc.sa.gov.au from that date, with notices to appear in the newspapers generally circulating within Council's region on the Wednesday, 10 May 2023 editions.

Special Council meeting to receive verbal budget submissions

Section 123(4) (a) (i) of the *Local Government Act* requires Council to have a;

a) a public meeting in relation to the matter to be held on a date (which must be at least 21 days after the publication of the notice) stated in the notice; or

b) a meeting of the council to be held on a date stated in the notice at which members of the public may ask questions, and make submissions, in relation to the matter for a period of at least 1 hour.

It is anticipated that a Special Council Meeting will be held at the Mallala Council Chamber on Monday 22 May 2023 for the purpose of Council to receive verbal submissions and questions from the community in relation to the 2023/2024 Draft Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033 proposals.

Following the conclusion of the public consultation period, a report will be presented to the Ordinary Council Meeting to be held on Monday, 26 June 2023 in order for matters arising out of the public consultation period to be reviewed and considered by the Council before adopting the Annual Business Plan and Budget shortly thereafter.

Discussion

Budget Workshops/Meetings

Preparatory work for the 2023/2024 Budget has been occurring since January 2023 and includes the following workshops/meetings:

- 13 February 2023: Audit Committee endorsement of the budget parameters and assumptions;
- 27 February 2023: Budget process, parameters and objectives endorsed by the Council;
- 6 March 2023: Information Briefing Session (Presentation on draft Recurrent budget, Operating Project and four (4) Year Capital Program); and
- 16 March 2023: Infrastructure and Environment Committee endorsed draft four (4) Year Capital Program.
- 3 April 2023: Audit Committee reviewed the ABP, draft budget and the revised LTFP.
- 17 April 2023: Information Briefing Session on the draft budget, revised LTFP and options for rates modelling.

The Audit Committee at its meeting held on 3 April 2023 resolved as follows:

COMMITTEE RESOLUTION 2023/001
Moved: Mayor Wasley Seconded: Councillor Panella
"that the Audit Committee, having considered Item 6.1 – 2023/2024 Draft Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033, dated 3 April 2023, receives and notes the report and in doing so acknowledges that the draft operating deficit of $1.923m as presented in this report is higher than anticipated in the current Long-Term Financial Plan due to the following:

1. ***Increase in operating costs as a result of high inflation;***
2. ***Additional depreciation associated with growth (donated assets) and high inflation;***
3. ***Increase in interest expenses as a result of higher interest rates; and***
4. ***Conscious decisions taken by the Council to invest in growth-related initiatives which have been funded by short-term borrowings."***

CARRIED

COMMITTEE RESOLUTION 2023/002
Moved: Deputy Mayor Strudwicke Seconded: Mr Fairlie-Jones
"that the Audit Committee, having considered Item 6.1 – 2023/2024 Draft Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033, dated 3 April 2023, recommends to the Council that consideration is given to the following items in future drafts of the 2023/2024 Annual Business Plan and Budget:-

- ***Allocation of funding based on the timing of the employment of new staff;***
- ***Reviewing increase of CWMS charges;***
- ***Apply rates income received through property growth to reduce deficit;***
- ***Flexible application of rating principles to achieve a more consistent rate increase across differentials ;***
- ***Increasing fixed-charge;***
- ***Identifying additional savings; and***
- ***Review of the wage increase for staff costs following the March quarter CPI figure."***

CARRIED

COMMITTEE RESOLUTION 2023/003
Moved: Mayor Wasley Seconded: Mr Fairlie-Jones
"that the Audit Committee, having considered Item 6.1 – 2023/2024 Draft Annual Business Plan, Budget and Revised Long Term Financial Plan 2024-2033, dated 3 April 2023, and specifically, the Long-Term Financial Plan projections updated for the period 2024-2033, notes the significant deficits forecast over the 10-year period and recommends to Council the development of strategies to eliminate the deficit within four (4) years."

CARRIED

<u>2023/2024 Draft Budget</u>

The Draft Budget has two components:

i. Statement of Comprehensive Income (Profit & Loss Statement) which includes: -

   a) Recurrent Budget covering income and expenses with regard to running day to day Council operations on a "business as usual basis";

b) Operating Projects Budget (one off service initiatives and programs that support strategic objectives of the Council);

ii. Capital Projects Budget (Income and expenses with regard to renewal/replacement of existing Council assets or creating new/upgraded assets).

Statement of Comprehensive Income (Profit & Loss Statement)

As shown in **Table 1** below, based on a 7% increase in average rates (Option 3 in the rate model), it is estimated that for 2023/2024 Financial Year, there will be an Operating Deficit of $1.200m from recurrent and operating project activities (*based on property valuation data as of 8 April 2023*).

Table 1: Draft Statement of Comprehensive Income ($'000)

Description	2022/2023 Adopted Budget ($)	2023/2024 Draft Budget ($)	2023/2024 Draft Budget (%)	Budget Movement $	Budget Movement %
RECURRENT INCOME					
Rates					
- General Rates - Existing Assessments	10,820	12,160	72	1,340	12
- General Rates - New Assessments	179	138	1	(41)	
- Rate Rebates	(107)	(123)	(1)	(16)	15
- Waste Levy	710	880	5	170	24
- Regional Landscape Levy	197	319	2	122	62
- Other Rates Income	84	105	1	21	25
- CWMS Charges	262	281	2	18	7
Statutory charges	589	520	3	(69)	(12)
User charges	193	223	1	30	16
Grants, subsidies & contributions	1,955	2,106	13	151	8
Interest Income	3	3	0	(0)	(6)
Reimbursements	123	139	1	15	13
Other Income	48	48	0	(1)	(1)
TOTAL RECURRENT INCOME	**15,056**	**16,797**	**100**	**1,741**	**12**
RECURRENT EXPENSES					
Employee Costs	6,465	7,075	41	(610)	(9)
Materials, contracts and other	5,191	5,736	33	(545)	(10)
Including legal expenditure	*200*	*150*	*1*	*50*	*25*
Depreciation	3,144	3,517	20	(373)	(12)
Interest Expenses	272	820	5	(548)	(201)
Share of loss from GRFMA	79	79	0	-	-
TOTAL RECURRENT EXPENSES	**15,151**	17,226	100	(2,075)	(14)
RECURRENT DEFICIT	(95)	(429)	(2)	(334)	352
Cost of growth initiatives (Operating Projects)	(934)	(771)	(4)	163	(17)
OPERATING DEFICIT	**(1,029)**	**(1,200)**		(172)	

It should be noted that the employee costs have been estimated based on 7.7% increase from 1 July this year as per current EBA. However, it will need to be updated/confirmed once Adelaide annual CPI for March 2023 quarter is known which is expected occur in late April.

Major changes in the draft 2023/2024 budget (in comparison to 2022/2023 Adopted Budget)'$000

Statutory Charges	
Reduction in income from planning applications	*(75)*
Reduction in income from waste water applications	*(10)*
Increase in income from dog registrations and infringements	*11*
User Charges	
Reduction in income from cemetery burials fees	*(11)*
Increase in rent income from Mallala Aged Units	*7*
Lease income from Thompson Beach NBN Tower	*9*
Higher income from Two Wells Waste Transfer Station	*25*
Grant Income	
Increase in Financial Assistance grant from Federal Government	*167*
Employee Costs	
EBA Increase (Assumed 7.7% increase)	*(387)*
2 X Administration resources approved in the 2022/2023 Budget	*(184)*
Increase in superannuation from 10.5% to 11%	*(28)*
Impact of other reclassifications and step increases	*(11)*
Materials, Contracts and Other Expenses	
Cost Increases in	
Fuel costs	*(213)*
Kerbside waste collection	*(146)*
Regional Landscape Levy	*(122)*
Contract and casual staff costs (reallocated from employee costs)	*(69)*
Electricity	*(67)*
Quarry rehabilitation	*(50)*
IT software licencing	*(48)*
Assets insurance	*(44)*
Fringe Benefit Tax	*(12)*
Reduction in service contracts costs (Mallala CWMS)	*50*
Reduction in legal costs	*50*

Depreciation

Due to combined impact of increase in Building Price Index (5.79% as of 30 June 2022) and additional depreciation associated with donated assets, budgeted depreciation expenses for 2023/2024 is expected to increase from $3.144m in 2022/2023 to $3.517m in 2023/2024, an increase of $0.373m or by 12% as explained below.

2021/2022	Actual Depreciation for 2021/2022		3,196,571	
2022/2023	Budgeted Depreciation for 2022/2023		3,143,581	
2022/2023	Expected Depreciation for 2022/2023			
	- Unit Rates Revaluation of donated assets (CPI)	80,040		(1.74% of $4.6m)
	- Other new/ existing assets	3,201,600	3,281,640	(1.74% of $184m)
2023/2024	Expected Depreciation for 2023/2024			
	- Unit Rates Revaluation of donated assets (CPI)	88,740		(1.74% of $5.1m)
	- Other new/ existing assets	3,427,800	3,516,540	(1.74% of $197m)

Interest Expenses

Council currently has a $10.5m Cash Advance Facility (CAD) from Local Government Finance Authority. Due to new borrowings approved for this financial year (as part of both Adopted and Revised Budgets), it is expected that Council's total CAD borrowings will increase to $12.611m by the end of this financial year.

The expected average interest rate for budget purpose is 5.88% for next financial year and therefore expected interest expense on CAD loan is $0.742m ($12.6m X 5.88%).

In addition, Council has one (1) long-term debenture borrowings for Mallala CWMS and the expected interest expense for this loan is $0.078m in the next year.

Therefore, interest expenses are expected to increase from $0.272m in this year to $0.820m next financial year.

LTFP and Updated Statement of Comprehensive Income comparison

Draft operating deficit of $1.200m forecast for 2023/2024 Financial Year is $1.127m higher than LTFP estimates for the same year adopted by the Council on 28 February 2022. **Table 2** below shows the comparison of draft budget against LTFP forecasts for next financial year.

Table 2: Draft Budget for 2023/2024 in comparison with LTFP Projections ($'000)

Description	LTFP	Draft Budget	Var ($)	Var (%)
RECURRENT INCOME				
Rates				
- General Rates Revenue	11,088	12,175	1,087	10
- Waste Levy	780	880	100	13
- Regional Landscape Levy	204	319	115	57
- Other Rates Income	87	105	18	21
- CWMS Charges	275	281	6	2
Statutory charges	714	520	(193)	(27)
User charges	194	223	29	15
Grants, subsidies and contributions	1,966	2,106	140	7
Investment Income	3	3	(0)	(6)
Reimbursements	123	139	15	12

Other Income	23	48	25	106
TOTAL RECURRENT INCOME	**15,456**	**16,797**	**1,341**	**9**
RECURRENT EXPENSES				
Employee Costs	6,212	7,075	(863)	(14)
Materials, contracts and other services	5,208	5,736	(528)	(10)
Depreciation	3,049	3,517	(468)	(15)
Interest Expenses	487	820	(333)	(68)
Share of loss from GRFMA	63	79	(15)	(24)
TOTAL RECURRENT EXPENSES	**15,020**	**17,226**	**(2,207)**	**(15)**
RECURRENT SURPLUS	436	(429)	(866)	(198)
Funding for growth initiatives (Operating Projects)	(509)	(771)	(262)	51
OPERATING DEFICIT	**(73)**	**(1,200)**	**(1,127)**	

Main reasons for increase in operating deficit over and above LTFP forecasts for 2023/2024 are summarised in **Table 3** below.

Description	LTFP	Draft Budget	Variance
RECURRENT INCOME			
Rates			
- General Rates Revenue	11,088	12,175	1,087
LTFP estimated an increase of 5.25% in rates income for 22/23 and 23/24. However, in 22/23, actual increase in rate income was 9% mainly due to growth. In addition, 7% increase in average rate is forecast for 23/24 plus a growth of 2.55%, resulting in rates income for 23/24 being higher than LTFP forecast.			
- Waste Levy	780	880	100
Cost of delivering Kerbside Waste Collection Service has been higher than LTFP forecast mainly due to higher inflation in South Australia. To cover higher costs, the waste levy income is required to be increased.			
- Regional Landscape Levy	204	319	115
Amount required to be collected on behalf of Northern and Yorke Landscape Board is expected to increase considerably in 23/24			
- Other Rates Income	87	105	18
- CWMS Charges	275	281	6
Statutory charges	**714**	**520**	**(193)**
Estimated income from development applications, dog registrations, waste water approval and dog infringements have been lower than LTFP forecasts.			
User charges	**194**	**223**	**29**
Income from Two Wells Waste Transfer Station has increased			*25*
Lease income from Thompson Beach NBN Tower was not included in the LTFP			*9*
Grants, subsidies and contributions	**1,966**	**2,106**	**140**
Income Financial Assistance Grant has been higher than LTFP estimates			
Investment Income	**3**	**3**	**(0)**
No significant variance in updated estimates for 2023/2024 and LTFP forecast			
Reimbursements	**123**	**139**	**15**
Reimbursement from Workcover and LGFA is estimated be higher than anticipated			*15*

Other Income	**23**	**48**	**25**
Lease income from campgrounds has not been included in the LTFP			*20*
TOTAL OPERATING INCOME	**15,456**	**16,797**	**1,341**
RECURRENT EXPENSES			
Employee Costs	**6,212**	**7,075**	**(863)**
Due to combined impact of higher than anticipated EBA increases and addition of two (2) new positions in 2023/2024 Financial Year have contributed to the increase in employee costs.			
Materials, contracts and other	**5,272**	**5,815**	**(543)**
Two (2) trainee positions added during 2022/2024 Financial Year			*(105)*
Increase in Regional Landscape Levy			*(115)*
Increase in costs of Kerbside Waste Collection Program			*(58)*
Increase in costs of diesel			*(200)*
Increase in costs associated with various IT Software & Licensing			*(93)*
Cost of rehabilitation quarries was not included in the LTFP			*(50)*
Increase in electricity costs			*(50)*
Reduction in contribution to TW Community Fund			*15*
Reduction in CWMS maintenance costs			*50*
Reduction in legal costs			*50*
Depreciation	**3,049**	**3,517**	**(468)**
Due to combined impact of increase in construction costs and the additional depreciation associated with donated and new/upgraded assets, the depreciation expense has been higher than what was anticipated in the LTFP.			
Interest Expenses	**487**	**820**	**(333)**
In the LTFP, interest rate of 2.8%% assumed for 2023/2024 whereas in the draft budget an interest rate of 6% has been applied			
TOTAL OPERATING EXPENSES	**15,020**	**17,226**	**(2,207)**
RECURRENT DEFICIT	**436**	**(429)**	**(866)**
Funding for growth initiatives (Operating Projects)	(509)	(771)	(262)
LTFP had funding allocations for two (2) new positions. However, in the draft Operating Project program three (3) new positions have been budgeted			*126*
Undergrounding of Power - Two Wells Main Street has been deferred from 2022/2023 to 2023/2024			*600*
Operating Deficit	**(73)**	**(1,200)**	**(1,127)**

Proposed Operating Project Program 2023/2024

The Operating Projects budget encompasses programs and activities that are outside the 'business as usual' services and are considered discretionary in nature, i.e. the Council is under no obligation to provide the services, activities or programs or if required to undertake the activity, are irregular in nature (For example, Local Government Elections). Operating Projects may be one off activities or programs, an expansion of an existing service or program or proposals to introduce a new service or program. Operating projects are funded via new borrowings. The cost of the draft Operating Project program as summarised in **Table 4** below is estimated to be $1.117m.

Table 4: Proposed Operating Projects Program for 2023/2024 ($'000)

Operating Project Name *(Including brief project description)*	Rationale	Cost
ENVIABLE LIFESTYLE		
1. Street/Verge Tree Planting *Continue to deliver street trees to local streets*	C	30
2. Two Wells Library - Salt damp treatment *Repair salt damp damage to the heritage listed building to reduce further damage. (Potential to reduce costs through a grant application).*	C	50
3. New Cemetery Management System *Introduction of new software to manage cemetery leases, burials, cremations records/certificates and management of plots.*	D	54
EMERGING ECONOMY		
4. Two Wells Land Development *Continue to engage consultants to develop two (2) land parcels in Two Wells purchased by the Council from State Government*	B	35
5. Additional Labour Resources *To address growth and current gaps to mitigate risk and improve business efficiency, productivity and service levels*	B	241
6. Undergrounding of Power - Two Wells Main Street (Stage 2) **	A/B/C	600
REMARKABLE LANDSCAPES		
7. GRFMA Business Case *Provision of financial contributions toward completion of the Department for Environment and Water, (Gawler River) Business Case.*	A	52
8. Two Wells Cemetery – landscaping *Replacement of the deteriorate Two Wells cemetery landscaping*	D	20
PROACTIVE LEADERSHIP		
9. Community and Civic Hub Investigation - Phase 2 *Develop a strategy/plan (including governance, risk management, procurement etc) based on information and feedback gathered from the community with regard to the next phase and direction of the Community and Civic Hub Investigation*	A/B	25
10. Donaldson Road - Design to include Water Sensitive Urban Design and open space elements *Investigations/design to address stormwater management issues identified within the Two Wells Stormwater Management Plan.*	C	10
Total Estimated Costs		**1,117**

Rationale

A. Previous Council resolutions/Elected Members' feedback;
B. Investment for growth/Economic Development;
C. Infrastructure and Assets Management Plans; and
D. Staff initiatives to reduce cost and improve productivity/service standard

** It is proposed that $0.345m that has been allocated to the Council under the round 4 of the Local Roads and Community Infrastructure Program be allocated to fund Undergrounding of Power in Two Wells.

Proposed Capital Project Program for 2023/2024

The Capital Works budget encompasses projects which renew, upgrade or create new infrastructure assets. Examples of projects are the Civil Infrastructure Whole-of-Life Program (renew), streetscape (New).

Renewal Capital Projects are funded through Rate Revenue, via the depreciation charge, with new or upgrade works being funded through borrowings.

Draft 2023/2024 capital programme is summarised below. The estimated cost of the capital works program is $4.827m of which $3.693m (77%) would be spent on assets renewals in line with Council's assets management plans. The remaining expenditure of $1.134m (23%) is proposed to be spent on new assets.

Table 5: Proposed Capital Works Program ($'000)

Capital Project Category	Estimated Costs
Plant, Fleet & Equipment	1,181
Street Scape	155
Site Improvements	695
Sealed Roads	901
Unsealed Roads	1,260
Car Parks & Traffic Control	195
Pram Ramps	10
Building	70
Kerbing	285
Stormwater	60
CWMS	15
Total Capital Expenditure	**4,827**

Capital Project Category	Estimated Costs
New/Upgrade	1,134
Renewal	3,693
Total Capital Expenditure	**4,827**

Required renewal expenditure as per I&AMP adopted on 25 October 2021 is as follows.

Capital Project Category	Estimated Costs
New/Upgrade	5,040
Renewal	3,091
Total Renewal Assets Renewal Funding Ratio	**8,131**

New Assets to be delivered in next year

Please refer to **Table 6** below for the reasons for Council's proposed these spending on new assets.

Table 6: Draft New Assets Program ($'000)

Description	Budget	Comment
Street Scape (Footpath, Kerbing and Street Trees)	416	As part of IAMP & LTFP
Stage 2 - Hart Reserve Development - Implementation	200	As part of IAMP & LTFP
Two Wells Mainstreet - Pedestrian Refuges/Crossing	195	As part of IAMP & & LTFP (differed from 22/23)
Township Entrance Signs	140	As part of IAMP & & LTFP
Mallala Oval Stormwater and Road Upgrade	60	Requests from the leasee (Mallala Football Club and RSL)
Streetscape and Water Sensitive Urban Design	50	As part of IAMP & & LTFP
IT Infrastructure Upgrade	33	To improve data security
Street & Reserves/Parks Furniture Program	20	As part of IAMP & & LTFP
Lewiston Dog Park Shelters	20	Funded from Dog rego fees
Total Expenditure on New/Upgraded Assets	**1,134**	

Total Proposed Budget for 2023/2024

Table 7 below shows the total budget proposed for next financial year including Recurrent, Operating and Capital projects.

Table 7 – Proposed Total Budget ($'000)

Description	Recurrent Budget	Operating Project	Capital Projects	Total Budget
Rates	13,760	-	-	13,760
Statutory charges	520	-		520
User charges	223	-	-	223
Grants, subsidies and contributions	2,106	345	-	2,451
Investment Income	3	-	-	3
Reimbursements	139	-	-	139
Other Income	48	-	-	48
TOTAL INCOME	**16,797**	**345**	**-**	**17,143**
Employee Costs	7,075	241	788	8,104
Materials, contracts and other services	5,815	876	4,039	10,730
Depreciation	3,517	-	-	3,517
Interest Expenses	820	-	-	820
TOTAL EXPENSES	**17,226**	**1,117**	**4,827**	**23,170**
Budget Deficit	**(429)**	**(771)**	**(4,827)**	**(6,027)**
No of FTEs	62.86	3.00	8.10	73.96

Rates Modelling – Property Valuation

An extract from the latest (8 April 2023) property valuation data available from Valuer-General (VG) is given below in **Table 8** in comparison to similar information for prior years. Additional rates income from the development growth is 2.55% whereas 2.75% was factored in the LTFP.

However, it is too early to exactly know the development growth rate for next year. From the experience of prior years, VG is expected to finalise development growth mid to late May 2023. Council expects a significant development growth this year, however, may not be as big as last year due to slowdown in new subdivisions.

Table 8: Valuation data from the VG (30 June)

Description	Apr 2023	2022	2021	2020
Increase in number of properties through sub-division	117	146	257	173
Sub-Division Growth (valuation increase) - $'Mn	24	29	39	24
Building Development Growth (valuation increase) - $'Mn	38	76	27	54
Total Development Growth - $'Mn	62	105	66	78
Total Development Growth - %	2.55	4.73	3.20	2.04
Increase in Rates income due to Sub-Division Growth - $'Mn	0.154	0.179	0.256	0.197
Increase in Rates income due to Sub-Division Growth - %	1.26	1.77	2.67	2.15
Natural Growth (valuation inc. due to reasons other than dev.) - %	16.69	5.04	4.46	1.86

Rates Modelling – Options to consider

Given a significant increase in 'Natural Growth', to achieve a 7% increase in average rate, a reduction in rate in the dollar will be applied in the rates modelling calculations. However, this will also benefit;

a) properties that have reported an increase in valuations due to 'Development Growth'; and
b) high value properties.

In addition, at the Audit Committee meeting held on 3 April, committee members recommended to the Council that consideration is given to the following items in rates modelling in future drafts of the 2023/2024 Annual Business Plan and Budget: -

a) Apply rates income received through property growth to reduce deficit;
b) Flexible application of rating principles to achieve a more consistent rate increase across differentials; and
c) Increasing fixed-charge;

Following table shows the impact of various rates modelling while maintaining 7% increase in average rate unchanged plus 2.55% growth. While Option 1 assumes no changes to the relativity between various land use categories (LUCs), all other options assume a *change in relativity to smooth out the impact of inconsistent valuation changes between LUCs*. Accordingly, Options 3 provides better results as it generates the highest percentage of ratepayers with a rate increase of less than 7%. Therefore, in line with Audit Committee resolution, Council management recommends Option 3 as the basis for generating rates for 2023/2024 financial year.

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 5	Option 6
Relativity between LUC							
Residential	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vacant Land	1.00	1.00	1.20	1.00	1.20	1.00	1.20
Commercial/Industry	1.30	1.45	1.45	1.45	1.45	1.45	1.45
Primary Production	0.91	0.98	0.98	0.98	0.98	0.98	0.98
Increase in Fixed Charge	50%	50%	50%	75%	75%	100%	100%
Reduction in Rate in the $	-8.50%	-11.10%	-11.80%	-12.40%	-13.10%	-13.65%	-14.35%
New Fixed Charge	185	185	185	216	216	246	246
Increase in average rate	%	%	%	%	%	%	%
Residential	12.60	9.69	8.86	9.90	9.07	10.07	9.28
Commercial	1.39	8.78	8.02	9.59	8.83	10.38	9.63
Commercial - Other	0.30	8.07	7.28	7.87	7.08	7.69	6.90
Industry - Light	0.56	7.89	7.14	8.70	7.95	9.48	8.74
Industry - Other	(4.58)	3.19	2.40	2.15	1.36	1.15	0.35
Primary Production	5.07	9.79	9.06	9.18	8.36	8.60	7.78
Vacant Land	11.46	8.83	25.94	10.69	27.05	12.66	28.62
Other	14.79	11.79	10.98	11.82	11.01	11.86	11.05
Total	9.56	9.56	9.58	9.56	9.55	9.56	9.55
Growth	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)
Average Rate Increase	7.01	7.01	7.03	7.01	7.00	7.01	7.00
General Rates Revenue							
Rates (existing properties)	12,158	12,159	12,146	12,157	12,142	12,156	12,140
Rates (new properties)	140	138	154	140	155	142	156
General Rates (Gross)	12,298	12,298	12,300	12,297	12,297	12,298	12,296
Breakdown of Increase of Percentage							
Decrease	5.23%	3.60%	3.48%	3.10%	3.11%	3.25%	3.29%
0.01% to 1.25%	1.26%	1.12%	0.73%	1.29%	1.35%	0.87%	0.89%
1.25% to 2.00%	1.05%	0.51%	0.73%	0.72%	0.66%	0.68%	1.03%
2.01% to 2.25%	0.87%	0.63%	0.56%	0.44%	0.82%	0.63%	1.47%
2.25% to 3.25%	0.93%	0.80%	1.43%	1.29%	1.80%	1.78%	2.45%
3.25% to 5%	2.34%	5.42%	8.73%	6.79%	8.80%	7.49%	8.47%
5.01% to 7%	4.53%	15.01%	16.21%	13.01%	14.29%	11.63%	12.47%
Less than 7%	16.21%	27.09%	31.89%	26.64%	30.84%	26.34%	30.07%
7.01% to 10%	21.08%	24.30%	19.14%	22.02%	18.84%	21.13%	18.93%
10.01% to 15%	31.94%	16.49%	13.07%	14.69%	11.00%	14.20%	10.43%
15.01% to 20%	12.44%	17.16%	15.71%	17.77%	16.98%	14.71%	15.34%
20.01% to 30%	10.84%	6.79%	11.47%	10.29%	11.16%	14.50%	12.45%
30.01% to 40.00%	0.86%	1.64%	1.70%	1.73%	3.92%	1.89%	4.81%
40.01% to 50.00%	0.54%	0.56%	0.77%	0.77%	0.86%	1.03%	1.33%
50.01% or more	3.01%	2.89%	3.18%	3.01%	3.32%	3.11%	3.57%
Change in Rates	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**
No Charge in Rates	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%
New Properties	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

<u>Why the Council is proposing to change the relativity between land use categories?</u>

For the current financial Year, the Council has determined that the following differential rates will be applied to all of its rateable assessments: -

a) Residential/Vacant Land/Other 1.00
b) Commercial/Industry 1.30
c) Primary Production 0.91

However, due to significant fluctuations in the properties values among different land use categories, following differential rates are proposed to be applied to all of its rateable assessments in 2023/2024 Financial Year. They are: -

a) Residential/Other 1.00
b) Vacant Land 1.20
c) Commercial/Industry 1.45
d) Primary Production 0.98

Above proposed changes to the differential rates will ensue: -

a) the impact of significant valuation fluctuations on rates is smoothed out. *(This will not generate additional rates income but will only change the % of rates being contributed by particular land use category);*
b) address ESCOSA comment in relation to Adelaide Plains Council having high residential rates;
c) discourage land holding/banking in relation to vacant land parcels;
d) reduce the time between development approval for land sub-divisions and issuing of land title;
e) encourage economic and residential activity through the development of vacant land; and
f) achieve a maximum number of ratepayers with a rate increase of less than 7%

<u>What 7% increase in average rates means on individual property based on Option3)?</u>

General Council rates of a property are determined by three (3) factors:

- valuation of a property as determined by the Valuer of General of South Australia;
- rates in the dollar specific to land use code (LUC) of the property which is determined by the Council; and
- annual fixed charge

Accordingly, Annual rates charge on a property is calculated as follows.

Rates Charge = (Property Value X Applicable Rate in the $) + Fixed Charge

Therefore, how 7% increase in average rate per property will impact on an individual property based on various property values under each differential rate is shown in the below table. Accordingly: -

a) as the property value increases, rates payable also increases;

b) as rate in the $ has reduced by 11.80% and fixed charge has increased by 50%, the percentage change in rates is determined by the changes in the property values;

c) if the property value has decreased, rates will also reduce by more than the reduction in property values.

	A		B		C		(A x B) + C		
Year	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	Change of
Land Use	Property Value ($'000)		Rate in the $		Fixed Charge		Rates Levy ($)		Rates in 23/24 (%)
Residential	190	200	0.00441	0.00389	123	185	961	963	0.21
	350	300	0.00441	0.00389	123	185	1,666	1,352	-18.88
	400	485	0.00441	0.00389	123	185	1,887	2,071	9.78
Commercial/ Industry	400	420	0.00573	0.00564	123	185	2,416	2,553	5.70
	800	700	0.00573	0.00564	123	185	4,708	4,132	-12.23
	1,000	1,200	0.00573	0.00564	123	185	5,855	6,952	18.74
Primary Production	100	121	0.00401	0.00381	123	185	524	646	23.35
	1,200	1,027	0.00401	0.00381	123	185	4,933	4,099	-16.91
	1,750	2,191	0.00401	0.00381	123	185	7,138	8,536	19.58
Vacant Land	100	105	0.00441	0.00467	123	185	564	675	19.70
	300	260	0.00441	0.00467	123	185	1,446	1,398	-3.28
	400	600	0.00441	0.00467	123	185	1,887	2,985	58.22
Total	**6,990**	**7,609**					**33,985**	**36,363**	

Average Rate *(Total Rates Income divided by number of properties)*	**2,832**	**3,030**	**7.00**

Kerbside Waste Collection Services

For 2023/2024 Financial Year, it is estimated that the total cost of the kerbside waste collection program is expected to be increased by 17.69% to $0.831m (inclusive of new services). In addition, due to high inflation, a deficit of $0.040m is expected in the current financial year. Therefore, to cover this year shortfall and next year expected costs, the annual waste collection service charge is expected to increase from $172 to $206, an increase of 20%.

CWMS Charges

CWMS charges for both Mallala and Middle Beach is proposed to increase by 7% and 7% to $740 and $488 respectively in order to cover the costs associated with operation of the scheme including maintenance and loan repayments. However, the income generated for Mallala CWMS is not sufficient to cover its operating expenses as shown below in **Table 9.**

Table 9: Budgeted CWMS Income and Expenses for 2023/2024 ($')

Description		Mallala	Middle Beach
Depreciation		144,200	7,519
Other operating costs		100,766	27,382
Total Operating Costs (Excluding Costs of Capital)	**- A**	**244,966**	**34,901**
Cost of Capital (CoC)			
Cost of capital - 3% real interest		54,150	8,421
Cost of capital - 0.70% for risk premium		87,664	4,491
Total Cost of Capital	**- B**	**141,814**	**12,912**
Total Operating Costs (Including Costs of Capital)	**- C**	**386,780**	**47,813**
No. of units serviced	**- D**	345	52
Cost per connection based on ESCOSA Pricing Requirement	*(C divided by D)*	1,120	871
Cost per connection based on ESCOSA Pricing Requirement (Ex. CoC)	*(A divided by D)*	709	671
Proposed CWMS Charge for 2023/2024		740	488

Financing the budget

At the end of the 2022/2023 Financial Year, Council is expected to have only one (1) outstanding fixed rate long-term borrowings with a value of $1.790m in relation to Council's investment in Mallala CWMS.

Council has already made several resolutions to borrow funds to deliver annual budgets and some of the capital programs being delivered in partnership with State/Federal Governments. However, in compliance with Council's Treasury Management Policy, so far Council has been able to meet those expenses with short-term borrowings which attract lower interest charge compared to fixed rate long-term borrowings. Based on Mid-Year Budget Review, the estimated short-term borrowings at the end of this financial year would be $12.611m.

An operating deficit means, Council is spending more than what it generates as income in delivering services to the community. In addition, Council has loan and interest obligations as well as the need to fund new assets. Therefore, if the Council decides to continue the same level of service and draft project program as included in this report with an average rate increase of 7%, it has to borrow $2.229m to deliver operating and capital projects identified above and meet its loan repayment obligations as summarised in the **Table 10** below. Out of the new borrowings;

- $0.176m will be allocated for assets renewal program;
- $1.134m will be spent on new assets across the Council district;

- $0.771m will be used to deliver operating project program proposed; and
- remaining $0.148m (approximately 1.2% of rates income) will be allocated for day-to-day Council's operations.

While the maximum amount to be borrowed is $2.229m, the timing of the actual borrowings would depend on the progress of the capital works program.

Table 10: Estimated Funding Shortfall for 2023/2024 ($'000)

Description	Amount
Cash shortfall due to Operating Deficit	(1,200)
Cash injection from sale of surplus/replaced assets	243
Share of operating loss from GRFMA (non-cash transactions)	63
To fund capital Program - Money available through depreciation	3,517
- Proposed assets renewal expenditure	(3,693)
- Proposed new capital expenditure	(1,134)
Grants specifically for new or upgraded assets	-
Loan Repayment	(24)
Total estimated funding shortfall for 2023/2024	**(2,229)**

2023/2024 Draft Annual Business Plan and the Budget is contained under **Attachment 1**.

➢ **Long Term Financial Plan 2023/2024 to 2032/2033**

Background

Section 122(1a) of the *Local Government Act 1999* requires councils to develop and adopt:

- a Long-Term Financial Plan (LTFP) for a period of at least 10 years; and
- an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years (and these plans will also be taken to form part of the council's strategic management plans).

Section 122 (4) the Act requires that the:

- LTFP be reviewed <u>on an annual basis</u>.
- Council must undertake a comprehensive review of its LTFP within two (2) years after each general election of the council.

The purpose of a Council's LTFP is to express, in financial terms, the activities that it proposes to undertake over the medium to longer term to achieve its stated objectives. It is similar to, but usually less detailed than, the annual budget.

Just like the budget, it is a guide for future action although its preparation requires the Council to think about not just one year but the longer-term impact of revenue and expenditure proposals. The aggregation of future strategic plans and business initiatives and their intended outlays and anticipated revenues, enables the accumulating overall financial and economic implications to be readily identified and, if warranted, proposed future activities to be revised. The LTFP should specify and take account of:

- Expected expenses and capital outlays for each year of the plan;
- Expected revenues for each year and their source;
- Any variations in net debt required as a result of expected cash flow needs;
- Performance measures to enable assessment of the Council's financial sustainability over the period of the plan.

Long Term Financial Objective of the Adelaide Plains Council

The Long Term Financial Objective of Adelaide Plains Council is to be "*a Council which delivers on its strategic Objectives by managing its financial resources in a sustainable and equitable manner by incremental growth and service cost containment to reduce the operating deficit over time; as opposed to burdening the ratepayers of the Council with short term excessive increases to their annual council rate bill*".

Financial sustainability means having a financial position capable of meeting long-term service and infrastructure levels and standards, acceptable to the community, without substantial increases in rates or cuts to services. The Long-Term Financial Plan has been developed based on following budget principles. They are;

Principle 1: Breakeven budget

Cost of annual Council's services and programs, including depreciation of assets, are fully funded by the current ratepayers being the consumers of those Council services, programs and assets.

Principle 2: Rate Stability

Annual rate collections are fair and equitable for the ratepayers with the aim to keep rate revenue increases stable over the medium term.

Principle 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council's Infrastructure Asset Management Plans.

Principle 4: Prudent Debt Management

Prudent use of debt to invest in new long-term assets to ensure intergenerational equity between current and future users.

The LTFP provides the financial projections and budget framework to guide the development of the detailed annul budget and provide a level of assurance to Elected Members and the community on the sustainability of Council operations.

A 10-year Long Term Financial Plan summarises the financial impacts of Council's strategic directions and provides an indication of the sustainability of these plans. By evaluating our financial strategies over a planning horizon of 10 years:-

a) Council can determine how decisions it makes now and for the Draft Budget will impact on the future; and

b) ensure that the impact of rates is spread equitably across generations of ratepayers,

so that planned service standards over the long term and infrastructure levels can be met without unplanned and disruptive increases in rates or cuts to services.

The LTFP is prospective information. Actual results are likely to vary from the information presented. Consequently, the information presented is prepared on the basis of best estimate assumptions as to future events which Council expects are likely to take place. These estimates arise from information known in April 2023.

The Long-Term Financial Plan has been developed as part of Council's ongoing financial planning to assist Council to plan within a longer-term strategic framework. Key inputs and influences on the Long-Term Financial Plan include:

- An assessment of Council's current financial position for achieving longer term financial sustainability;
- Alignment with the Strategic Plan;
- Consideration of Council's appropriate role and responsibilities;

- Alignment with Council Programs;
- Alignment with Corporate Programs and internal support strategies;
- Alignment with agreed service provision and delivery standards;
- Alignment with Infrastructure and Asset Management Plans.

Long-term borrowings

In addition to new borrowings of $2.229m in 2023/2024 (Year 1), further $2.399m is forecast to borrow in 2024/2025 (Year 2). No further borrowings are required after 2024/2025 based on current assumptions and draft projects budget.

Council will start repaying its loan in 2025/2026 (Year 3). All short-term borrowings will be paid in 2030/2031 (Year 8)

Do we have the capacity to borrow more money?

Due to current and proposed borrowings in the draft LTFP, Council's Net Financial Liability (NFL) Ratio is expected to exceed 100% in the short to medium terms. However, the Local Government Financing Authority (LGFA) has indicated that while it's Credit Policy has some guidelines around specific financial metrics, the 'borrowing capacity' discussion really is related to a variety of other factors such as: -

a) the ongoing financial viability of capacity to borrow and debt payback;
b) the stage that the council is in its lifecycle.

Therefore, for Adelaide Plains with the rapid population growth, a period of higher than 100% NFL may be acceptable, as long as Council's long term financial planning justify that it can also handle the extra debt.

Revised Long Term Financial Statements 2024-2033 and long-term financial indicators for the 10-year period are contained under **Attachment 2**.

Conclusion

The Draft Annual Business Plan and Budget and updated LTFP as presented in this report is based on the Council continuing to deliver its existing services, program and activities.

To ensure that a responsible budget is set, the Council has adopted at its February 2023 meeting a series of Budget Parameters, to guide Council Staff in preparing their respective budget estimates. As detailed in this report, the Draft Budget has been delivered with reference to these guidelines and where the parameters have not been achieved, the reasons have been provided.

2023/2024 will be particularly challenging year given the impacts that world events are having on the cost of delivering services with the Consumer Price Index (CPI) currently in excess of 8% for South Australia. Given the costs of delivering services in Local Government often exceed CPI, the focus of the draft budget has been to review expenditure to enable the impact on rates, which are Council's primary source of revenue, to be held below CPI in 2023/2024 while investing in the future.

Financial sustainability underpins the Council's Financial Goals and Outcomes, which are set out in the Long-Term Financial Plan. In general terms, financial sustainability is ensuring that the Council has the financial resources to meet the long-term service and infrastructure needs of the community, without any unexpected sharp increases in rate revenue or cuts in service provision and standards.

Decisions regarding the Draft Budget need to take into account the impact on the Council's ability to continue to meet its operational and financial outcomes and achieve objectives identified in Council's strategic documents.

References

Legislation

Regulation 9 of the Local Government (Financial Management) Regulations 2011

Section 123 (13) of the Local Government Act 1999

Council Policies/Plans

ESCOSA Local Government Advice (February 2023)

Budget Management Policy

Council Vehicle Policy

Rating Policy

Funding Policy

Treasury Management Policy

Strategic Plan 2021-2024 (Adopted on 27 January 2021)

Infrastructure and Asset Management Plan (Adopted on 25 October 2021)

Long Term Financial Plan 2023-2032 (Adopted on 28 February 2022)

DRAFT

Adelaide Plains Council

2023/24

ANNUAL BUSINESS PLAN AND BUDGET

FOR PUBLIC CONSULTATION

Contents

1. Preamble

Under section 123 of the *Local Government Act 1999* (the Local Government Act), a council must have a budget for each financial year. This budget must be considered in conjunction with the council's annual business plan (and be consistent with that plan) and must be adopted before 15 August for the financial year.

Adelaide Plains Council therefore prepares, as part of its budget development process, an Annual Business Plan. Section 123(2) of the Local Government Act provides that each annual business plan of a council must:

(a) include a summary of the council's long-term objectives (as set out in its strategic management plans);
(b) include an outline of:
   (i) the council's objectives for the financial year;
   (ii) the activities that the council intends to undertake to achieve those objectives; and
   (iii) the measures (financial and non-financial) that the council intends to use to assess the performance of the council against its objectives over the financial year;
(c) assess the financial requirements of the council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue;
(d) set out the rates structure and policies for the financial year;
(e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the council;
(f) take into account the council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the council; and
(g) address or include any other matter prescribed by the regulations.

Before a council adopts its annual business plan it must prepare an annual business plan and undertake a public consultation process that, as a minimum, meets the requirements of section 123(4) of the Local Government Act.

This document presents Adelaide Plains Council's draft 2023/2024 Annual Business Plan and Budget for public comment. This draft document has been developed in consultation with the Council Members, Infrastructure & Environment Committee, Audit Committee and the Council management, in the context of Council's Strategic Plan 2021-2024.

2. Foreword from the Mayor

Hello again everyone.

This time of the year finds the Adelaide Plains Council preparing the 2023/2024 Annual Business Plan and Budget. What does this mean? For Council to continue to provide existing services, improving and delivering new items across the district we must carefully look at the known costs and take into account the expected costs using the best information available.

Councils are not immune to rising costs like inflation, interest rates, fuel and materials. We feel the pinch like you do. Our goal is to reach a breakeven point that provides the services that the community needs without increasing rates unnecessarily. This is the balance Council must seek to achieve. We live in a user pays world whether we like it or not and like you at home Council has to make priorities on what is important and what gets trimmed.

Your newly elected Council has been carefully and responsibly putting this Annual Business Plan and Budget together to not only retain existing Council services for the community during tough economic times but to also start work in earnest for the coming challenges.

I am confident that as further residential/commercial/retail and tourism events begin to accelerate, your Council is well placed to be prepared and meet these tasks. Please consider your rates as your contribution to how our communities prosper and grow. Every day in one way or another, we all use Council infrastructure and facilities.

MARK WASLEY

MAYOR

3. Message from the Chief Executive Officer

Of the eight forewords I have penned in my time as Chief Executive Officer of Adelaide Plains Council, the preparation of the 2023/2024 Annual Business Plan (ABP) and Budget has been, by far, the most challenging.

Inflation, CPI, cost of living, access to and rising cost of materials, price of fuel; it all compounds making the preparation of this year's budget all the more difficult.

That said, the elected body and management has diligently taken all influencing factors into account in the preparation of the draft ABP and Budget.

The draft program for 2023/2024 will deliver $3.693m for asset renewals and $1.134m for new assets with said amounts to be primarily spent on roads, footpaths, stormwater management and open space improvements; all of which is in line with our Infrastructure and Asset Management Plan forecasts.

With Council's growth rate now the second fastest only behind Mt Barker District Council, we must continue to keep an eye on the future needs of the Council and work will continue to evolve in the following spaces: -

- Two Wells Main Street undergrounding of power and streetscape upgrade
- Two Wells Town Centre commercial and retail hub
- Civic and Community Centre investigations and community engagement

Being a growth council, staff numbers will of course need to grow to keep up with demand for services, however, Council has managed to plan for a moderate increase in staff numbers in line with LTFP projections and will account for 43% of operating income; a justifiable figure in the context of the lower percentage attributed to 'materials, contractors and other' expenses.

From a rating perspective, Council has elected to adopt Option 3 of our modelling which proposes an average rate increase across all land use categories of 7.03% plus growth of 2.55%.

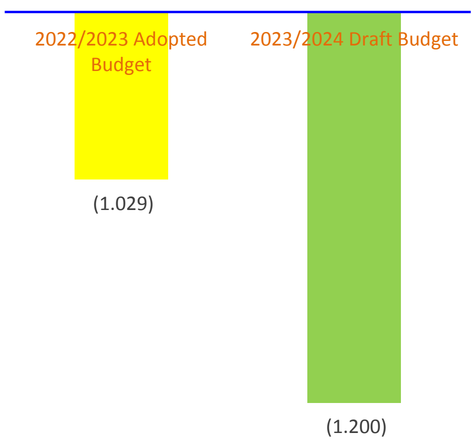
The elected body and I now look forward to community participation throughout the public consultation period as we continue to advance work on our 2023/2024 ABP and Budget.

JAMES MILLER

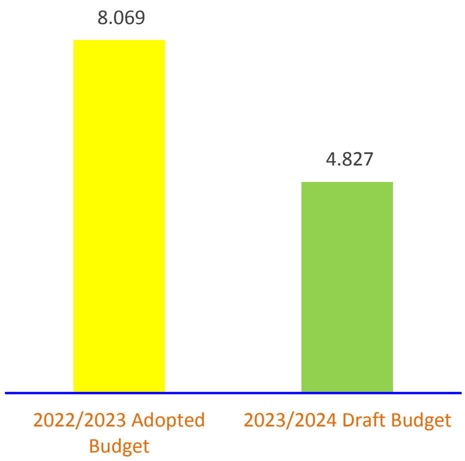
CHIEF EXECUTIVE OFFICER

4. Snapshot of 2023/2024 Budget

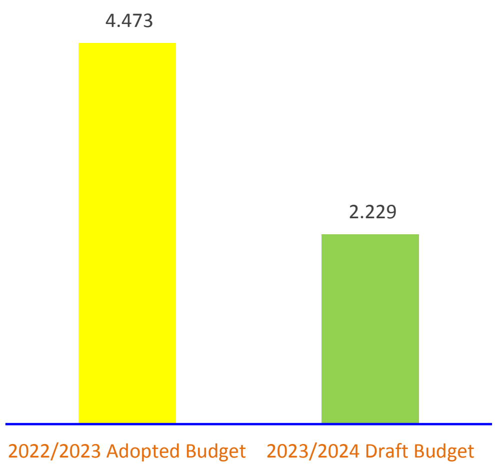
Operating Deficit ($'Mn)



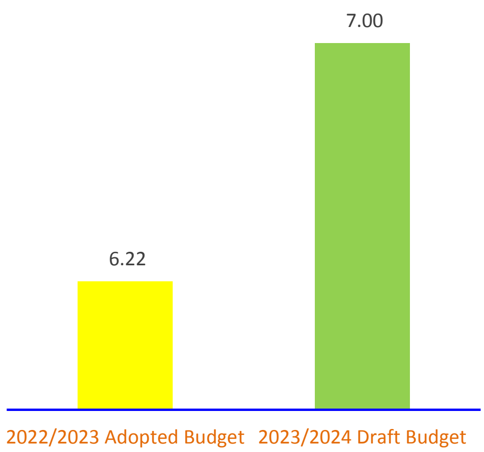
Investment in Infrastructure/assets ($'Mn)



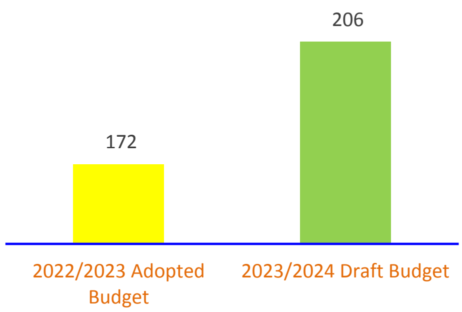
New Borrowings ($'Mn)



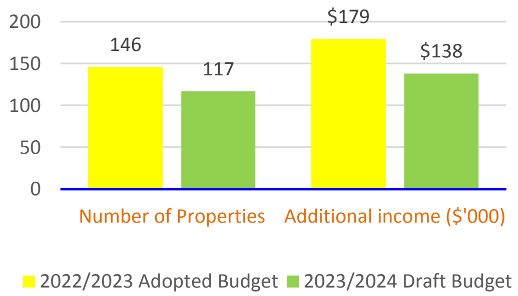
Average Rate Increase (%)



Waste Levy ($)



Growth from development



5. Strategic Plan 2021-2024

Adelaide Plains Council's strategic management plan, *'Strategic Plan 2021-2024'* provides Council with strategies, potential ideas for implementation, the relevant stakeholders/partners and indicators and measures to identify progress towards its vision for 2024. It also guides the Council's decision making towards achieving the overall aim of community wellbeing.

Council strategies are grouped under four (4) key themes that reflects the sentiment of Adelaide Plains community and identifies key issues and opportunities for Council. They are;

1) Enviable lifestyle;

   <u>Strategies</u>

   a. Manage growth to sustain and activate our townships;
   b. Provide, support and acquire facilities, assets, services and programs that build community capacity, health and connection; and
   c. Advocate for increased health, education, aged care and youth services, welfare and emergency facilities and services.

2) Emerging Economy;

   <u>Strategies</u>

   a. Support the growth of primary industries and the introduction of value-add employment generators;
   b. Facilitate greater access to local opportunities from public and private investment; and
   c. Reinforce Adelaide Plains Council as a place of choice for business, residents and visitors.

3) Remarkable landscapes;

   <u>Strategies</u>

   a. Protect and enhance our coastal and riverine landscapes, native vegetation and heritage;
   b. Mitigate the impacts of adverse natural events on the community;
   c. Improve resource recovery and carbon and waste management.

4) Proactive Leadership.

   <u>Strategies</u>

   a. Actively seek funding and partnerships to deliver Council initiatives;
   b. Actively engage with and inform our communities;
   c. Strategic and sustainable financial management; and
   d. Proactively engage in Local Government Reform and continuous improvement.

Council aims to deliver a budget that not only contributes to its strategic objectives, but is also financially sound and allows the Council to meet its financing commitments from cash derived from operating activities without placing:-

a) a burden on ratepayers through excessive and/or ad-hoc rate revenue increases; or
b) borrowing money to deliver current Council services that will create ***intergeneration inequality***.

Therefore, the focus in developing the draft 2023/2024 Budget has been on ensuring that the Council can maintain the service standards for its existing services (business as usual) and that those services receive appropriate funding, balanced with ensuring that the community does not face significant/ad-hoc increases in their annual rates contribution in next year or future years.

To achieve above objectives, Council has applied 'zero based budgeting' by reviewing its current actual level of income and expenditures and comparing it with proposed activities for the next financial year to estimate the appropriate level of income and expenditures.

At the Ordinary Council meeting held on 27 January 2021, Council adopted updated strategic plan for the period 2021–2024. In addition, Council adopted updated Infrastructure and Asset Management Plan (I&AMP) on 25 October 2021 and Long-Term Financial Plan 2023-2032 (LTFP) on 28 February 2022.

Accordingly, draft budget for next year has been prepared based on strategies and objectives of the updated 'Strategic Plan 2021-2024' and services levels in the I&AMP in line with updated LTFP.

6. Infrastructure and Asset Management Plan

One of the strategies under 'Proactive Leadership' is '*strategic and sustainable financial management*'. A key service that contributes to proactive leadership is long term asset management and financial planning.

According to sound asset management principles, Council should (on average) spend annually on assets renewal an amount equal to its annual depreciation expenses. Upon updates to Council's I&AMP, it has become evident the gap that previously existed between the annual capital works program and the LTFP, caused by asset renewal deferral and the compounding effect into future capital works programs, has now closed.

The assets renewal strategy/funding allocations outlined in this report attempts to undertake asset renewal close to their expiry date over a ten (10) year period, with consideration given to current internal resources capacity to deliver such program.

7. Assessment of the 2022/2023 Strategic Objectives

Following table shows Council's strategic objectives for 2022/2023 Financial Year and the assessment of whether the activities Council has undertaken as of 24 April 2023 have achieved those objectives.

Table 1: Assessment of Strategic Objectives for 2022/2023 Financial Year

Projects to achieve Council's Strategic Objectives	Progress Update
Remarkable landscapes	
1) Street/Verge Tree Planting	In progress*
2) Heritage Survey - Part 2	In progress*
3) Parham - Old Playground Block (Sell or Develop Site)	In progress*
4) Deliver an annual capital construction and renewal program	In progress*
5) Delivery of annual plant/fleet replacement program	In progress*
6) Sealing of Aerodrome Road	Completed
7) Sealing of Barabba Road	Completed
8) Sealing of Middle Beach	In progress*
Enviable lifestyle	
9) Open Space & Recreation Strategy	In progress*
10) Social & Community Infrastructure Plan	In progress*
11) Roadside Vegetation Management Plan	In progress*
12) Two Wells - Liberty and Eden Estates, Recycled Water Use for Parks/Reserves	In progress*
13) Donaldson Rd - Design to include Water Sensitive Urban Design and open space elements	In progress*
14) Mallala Stormwater Flood Plain Management Plan	In progress*
Emerging Economy	
15) Parham Campground - Formalise Land	In progress*
16) Two Wells Oval - Master Plan - Design/Costing/Consultation (Stage 1)	In progress*
17) Dublin - Township Growth & Tourism Master Plan	In progress*
18) Thompson Beach Esplanade and Webb Beach Road - Detailed design and cost estimates for sealing	In progress*
19) Economic Zones	Discontinued
Proactive Leadership	
20) Council Election – November 2022	Completed
21) Grant Writer to apply for government grants	Discontinued
22) Labour resources (Outside staff)	Completed
23) Upgrade to Council's Electronic Records Management System	In progress*
24) Network Shared Drive Migration Strategy (Shared Folders)	In progress*
25) Microfiche Records Digitisation Project	Completed
26) Redundancy and Backup Servers for Council's Information technology systems	In progress*
27) Council Member Computer Hardware Refresh following 2022 LG Elections	Completed

* Expected to be completed by 30 June 2023

* Expected to carry-over to 2023/2024 Financial Year

8. Significant Budget Influences and Assumptions

The Annual Business Plan is Council's key annual operational and financial planning document. It describes what services and projects Council plans to deliver to the community in the relevant financial year and how to finance those planned services and projects.

The Annual Business Plan has been developed in the context of delivering Council's long term strategic direction as set out in the *Strategic Plan 2021-2024* and *I&AMP,* and as required under the Local Government Act.

In this context, in preparing Draft ABP and Budget, Council has considered several significant factors/assumptions. These include:

- **External Budget Influences**
  - The Reserve Bank of Australia (RBA) has an inflationary target of between 2.00% and 3.00% per annum. The RBA has indicated that it will continue to increase cash rates until the inflation is within its target range.
  - The 2022-23 Federal Budget released in October 2022 predicts that the CPI for Australia would be 3.50% in 2023/2024 though the year to June 2024.
  - Australian unemployment is expected to remain under 5% in 2023 and 2024.
  - Deloitte Access Economics is predicting that the state's GDP growth will slow to 3.9% in 2022-23 before dropping to just 1% in 2023-24.
  - The CPI for South Australia in 2023/2024 is forecast to be 4%.
  - Increase in population due to new residents moving in to the Council district. For example, following new rateable properties were created by the Council in recent years: -
    - 2019/2020 Financial Year : 173 + donated assets of $5.3m
    - 2020/2021 Financial Year : 257 + donated assets of $5.4m
    - 2021/2022 Financial Year : 146 + donated assets of $4.7m
    - 2022/2023 Financial Year: 117 for the period July-April 2022. (Growth of 2.55%). Similar period last year, it was 83 properties.
  - Increased demand for updated IT infrastructure to ensure cyber security, connectivity, data integrity and facilitate work from home due to pandemic related precautions.
  - Increase in community demand for new assets such as sealing of unsealed roads and stormwater drainage. For example, following roads have been approved for sealing in recent years by the Council.

<table>
<tr><th>2019/2020</th><th>2020/2021</th><th>2021/2022</th><th>2022/2023</th></tr>
<tr><td colspan="2">Shannon Road</td><td>Coats Road</td><td>Middle Beach Road</td></tr>
<tr><td></td><td>Carslake Road</td><td>Wheller Road</td><td>Glover Road</td></tr>
<tr><td></td><td></td><td>Cheek Road</td><td>Buckland Park Road</td></tr>
<tr><td></td><td></td><td colspan="2">Aerodrome Road</td></tr>
<tr><td></td><td></td><td colspan="2">Barabba Road</td></tr>
</table>

- Adelaide Plains Council population had grown by nearly 5.5% from 2011 to 8,801 in 2016. It is projected to grow by 10,557 persons to a population of 19,358 by 2050 at 1.20% per annum compared to 0.90% for Greater Adelaide.
- The Estimated Resident Population within the district as per Australian Bureau of Statistics is 9,977 as of 30 June 2021;
- Commitments to projects and partnership initiatives continuing over more than one year e.g. Regional Procurement Group, Regional Development Australia Barossa Inc, Central Local Government Region of South Australia and Local Government Association of South Australia.
- Potential flood mitigation works by Gawler River Floodplain Management Authority that is expected to cost a significant amount of money, however the GRFMA's current policy position is such that no capital costs for the proposed Northern Floodway are borne by constituent councils.

➢ **Internal Budget Influences**

- Cost of maintaining infrastructure assets handed over to the Council from new housing development. Budget for next financial year will be developed on the assumption that the new infrastructure will have same service level as previously provided by the developer unless Council decides otherwise.
- Increase in overdue rates (as summarised below) which requires Council to rely on short-term borrowings to delivery its services to the community.
  - 30/06/2020 $0.810m
  - 30/06/2021 $1.050m
  - 30/06/2022 $0.922m
  - 18/04/2023 $1.094m
- Additional depreciation expenses associated with significant infrastructure spending in 2021/2022 and 2022/2023 Financial Years and significant increase in unit rates since 1 July 2022.
- Increase in salaries/wages as per enterprise bargaining agreement (EBA);
  - From the first full pay period following the 1 July 2023, both inside and outside staff are entitled to a 2% wage increase or a wage increase equal to Adelaide March 2023 Quarter CPI, whichever is the greater.
  - Adelaide CPI is 8.6% for the year ending 31 December 2022.
- Council's long-term financial objective of being financially sustainable by achieving an operating break-even position and the need to exercise prudent financial management practices to ensure financial sustainability.
- Requirements to maintain and improve infrastructure assets to acceptable standards including roads, kerbing, footpaths, Community Waste Management Scheme, storm water drainage, parks and gardens, Council's buildings, plants, machinery, equipment, furniture and fittings in consistent with the Infrastructure and Asset Management Plans.

Council is committed to ongoing reviews of its operations in order to provide optimum benefit to the community and also to ensure that Council delivers quality services in the most cost-effective and efficient manner. Therefore, Council will aim to:

- Continuously review, prioritise and validate current services and programs;
- Continuously review systems and procedures to ensure that internal operations are effective and efficient; and
- Empower community organisations with appropriate support to manage and maintain specific community assets by the community itself. It is believed that this will enhance the autonomy of these organisations through site ownership and control.

Figure 1 below shows the growth in Council's operating expenditure since the 2017/2018 Financial Year. While **Employee Costs** have remained consistent, around $4.800m from 2017/2018 to 2019/2020 Financial Years, it has increased since 2020/2021 to strengthen Council's internal capacity to respond to significant increases in economic development opportunities and residential growth within the district.

Material, Contracts and Other Expenses are showing an upward trend over the period mainly due to increased costs associated with high inflation in relation to contracting kerbside waste collection and disposal service, fuel, information technology, general maintenance, water, electricity, insurances, legal fees and the delivery of several new initiatives partially funded by the Federal/State Governments. A significant increase in material, contract and other expenses in 2022/2023 Financial Year is due to $1.650m to be spent on Two Wells Stormwater Levee which is 100% funded by grants.

Interest Expenses have decreased over the years mainly due to a reduction in Council's short-term (CAD) loan. In addition, new interest expense of $0.742m has been budgeted for 2023/2024 financial year based on estimated new borrowings shown in **Table 10**.

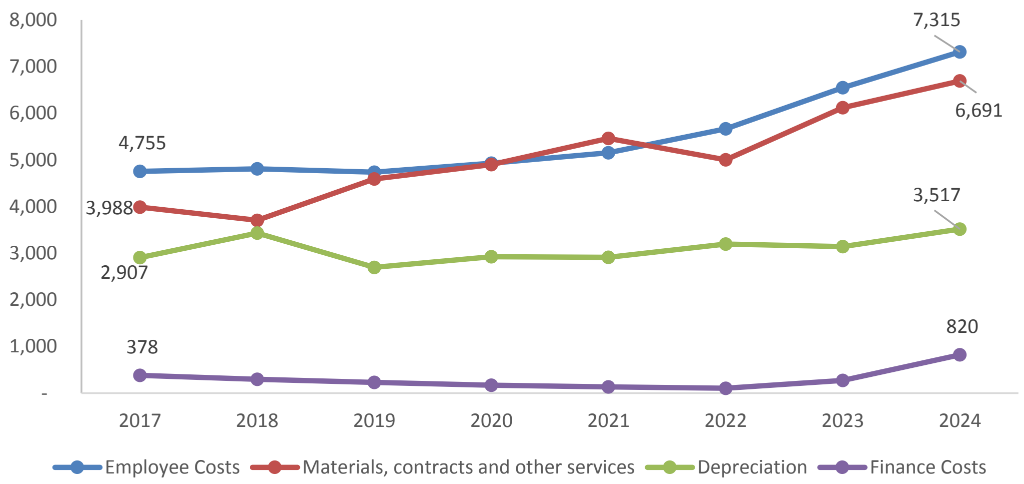


Figure 1: Growth in Council's Operating Expenses - $'000

Depreciation Expenses have increased by $0.373m or 12% in 2023/2024 when compared to 2022/2023 Financial Year mainly due to:

- increase in value of Council's infrastructure due to inflation;
- additional depreciation associated with new assets handed over to the Council by developers following the completion of initial maintenance obligations and the impact of higher inflation.

9. Review of Efficiency/Effectiveness of Council Operations

Ratepayers have expectations that Council delivers the best value for money and the *Local Government Act 1999* outlines Council's legislative responsibilities for effective and efficient service delivery. To this end, Council management and staff consistently endeavour to actively pursue more efficient and effective systems and processes and continuous improvement to address the ever-increasing needs and demands from the community.

There is always room for continuous improvement and benefit to be gained from: -

- group procurements;
- the use of renewable energy;
- better use of information technology;
- internal review of Council's operations, systems and procedures; and
- external reviews and comparison to similar local government authorities.

To achieve financial savings, and maintain existing levels of service to our community, Council will endeavour to continue to review its services, processes and systems. Recent productivity improvements achieved by the Adelaide Plains Council are provided below.

<u>Improvements achieved</u>

Following are the list of improvements that the Council has achieved in recent years. Noting that the Council don't have dedicated staff to manage business improvement or organisational developments, the staff have achieved all of the following improvements by working collaboratively across the organisation, sometimes in consultation with other Councils and external consultants.

1) Council had been successful in obtaining government grants of $11m since 2016 following a competitive application process without engaging any external grant writer consultants;
2) Outsourced Kerbside Waste Collection Service in 2018 delivering considerable savings to the community;
3) Insourced CWMS maintenance work;
4) Improved Council's internal financial controls;
5) Improved internal processes to strengthen budget management process (staff training and software upgrade)
6) Streamlined section 7 searches;
7) Engagement of Strategic Project Officer on a short-term contract to replace external consultants;
8) Centralised process to manage Council's procurements to ensure compliance and value for money;
9) Installation of solar panels on Council's admin buildings and at Mallala CWMS;
10) Cross training/upskilling Customer Service Officers and Admin Support Officers to back-fill short-term vacancies;
11) Staff training in different disciplines to undertake back up and higher duties
12) Online timesheet/leave system for inside staff and streamlined review and approval process;
13) Implementation of electronic signatures and associated process, saving time and costs of printing of documents;

14) Electronic invoice approval system across the Council;
15) Electronic purchase order system;
16) Installation of software for electronic assessment and signing tool for planning and building assessment;
17) Internal process improvements associated with electronic lodgement and management of Planning and Building Consent applications with the introduction of the SA Planning Portal.
18) Implementation of InfoCouncil software to centralise and streamline the agenda and minute preparation process for all Council and Committee Meetings
19) Streamlined the system that's being used to record water, fuel, plant and rubble usage by the depot staff for various projects;
20) Continued investment in new software and hardware to strength Council's cyber security and data integrity;
21) Centralised process to receive and capture legal advice for the Council;
22) Engagement of community organisations to manage Mallala and Parham camping sites
23) Signing of new contract with the SAPN to manage public lighting in new subdivisions;
24) Review of organisation structures including departmental and service reviews;
25) Team building exercises and all staff meetings to improve internal communication, resilience and motivation;
26) Substantial completion of digitising legacy records;
27) Substantial completion of recommendations from independent records management audit;
28) Introduction of Employee Core value award and other People and Culture initiatives intended to enhance employee involvement and performance;
29) Introduction of delegation software centralising storage and access to maintain Council delegations current in line with relevant legislation;
30) Upgraded Council's mapping system;
31) Reconciliation and physical stock take of Council's major and minor plants;
32) Review of Business Continuity Plan;
33) Recording of Council Meetings has resulted in a more efficient process for the review and distribution of meeting minutes
34) Review of staff working arrangements has resulted in decrease costs to Council (e.g. fuel and office running costs)

<u>Proposed improvements</u>

Council is planning to deliver following improvements in the 2023/2024 Financial Year subject to relevant budget approval by the Elected Members, in consultation with external software providers.

- Upgrading Council's main software system (Civica Authority);
- Ongoing cyber security training to Elected Members and staff;
- Digitising cemetery maps;
- Electronic Cemetery Management System;
- Online timesheet system for outside staff; and
- Electronic file sharing system.

10. 2023/2024 Recurrent and Project Budgets

Council's 2023/2024 Budget consists of Recurrent Budget, Operating Projects and Capital Projects Budgets.

Recurrent Budget

The Recurrent Budget includes the amount of operating income that Council will receive in 2023/2024 Financial Year from general rates, service charges, government grants, fees and charges and investment. It also includes operating expenditures to provide Council's day-to-day operations and services in the course of its normal operating activities (on a 'business as usual' basis) such as kerbside rubbish collection, street lighting, parks and ovals maintaining and issuing building consents. Recurrent budget also includes costs related to the capital expenditure program such as interest on loan obtained for capital program, maintenance of Council assets and depreciation.

Operating Projects

Some programs/activities of Council are categorised as Operating Projects rather than Recurrent Budget, where that program or activity does not make up part of Council's regular core services or there is a finite funding life required.

Capital Projects

The expenditure included in the Capital Projects category is the amount of money Council will invest in renewing and upgrading existing assets or in the creation of new assets in accordance with the Council's Strategic Plan objectives and Infrastructure and Asset Management Plans.

10.1 Sources of Council Revenue

In order to fund its operations and programs, Council collects revenue from sources such as general rates, fees and charges levied on Council services (Statutory Charges and User Charges), grants from State and Federal Governments, interest income from investing excess cash in short-term investments, reimbursements and other sundry revenue sources. **Figure 2** below illustrates the main sources of the estimated Council revenues in 2023/2024 Financial Year.

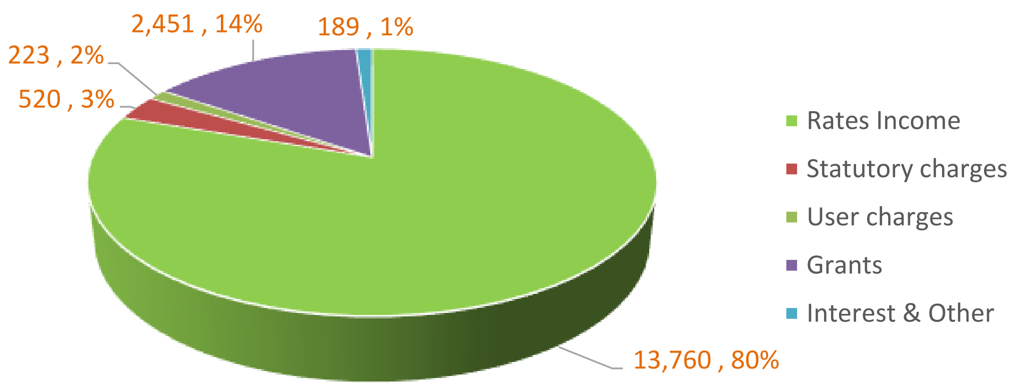


Figure 2: Distribution of 2023/2024 Draft Operating Income

Rates

Rates are the main sources of funding for the Council. A total of $13.760m ($12.145m in 2022/2023) are to be collected in 2023/2024 Financial Year, to help pay for essential, non-discretionary services such as roads maintenance, public lighting, kerbside waste collection and disposal, citizenship ceremonies, public health and safety as well as discretionary services such as Council libraries, parks and garden, outdoor cinemas, and assistance to community programs and events.

Statutory Charges

Statutory Charges relate mainly to fees and fines levied in accordance with legislation and include development application fees, animal registrations, health act registrations and parking fines. It is estimated that the Council will collect statutory charges of $0.520m in 2023/2024 Financial Year ($0.589m in 2022/2023).

User Charges

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include rent income from Mallala Aged Homes, charges for the use of Council facilities, library printing and photocopy charges, Section 7 property searches and burial fees. User charge income is expected to increase by 16% from $0.193m in 2022/2023 Financial Year to $0.223m in 2023/2024 Financial Year.

Grants, subsidies and contributions

Grants include monies received from State and Federal sources for the purposes of funding the delivery of Council's services to ratepayers. Grants income has been budgeted based on confirmed funding only. The main sources of grants to be received by the Council are;

Table 2: Estimated Operating Grants Income (S'000)

Grant Program	Amount
Financial Assistance grant (FAG) from Federal Government	1,705
Local Roads and Community Infrastructure (LRCI) Program	345
Roads to Recovery (R2R) grant from Federal Government *	263
Coastal Officer Grant (Green Adelaide formerly NRM Board) **	108
Library operating grant from State Government	30
Total Grants, subsidies and contributions Income	2,451

* *For accounting purpose R2R grant is recorded as operating income. However, as per R2R guidelines, grant should be spent on roads renewal/upgrades (Capital)*

**approximately 34% of the Regional Landscape Levy collected from Adelaide Plains Council is invested back in the region through this grant.

Reimbursement, Interest and Other Income

Council is estimated to receive reimbursements, interest and other income of $0.189m next year.

10.2 How Council's Revenue is spent

Employee Expenses

Employee expenses include all labour related expenditure such as salaries, wages, allowances and on-costs (Annual Leaves, Long Service Leaves, Superannuation, Workers Compensation Insurances etc.). For 2023/2024 Financial Year, employee costs are expected to increase to $7.075m compared to $6.465m in 2022/2023, an increase of 9%. This increase has been reported due to EBA/contract increases, reclassifications, growth planning and increase in superannuation contribution from 10.50% to 11.00% in 2023/2024.

Table 3: Estimated Employee Expenses for 2023/2024 Financial Year ($'000)

Description	Costs
Salaries & Wages	5,967
Long Service Leave	148
Superannuation	674
Workers Compensation Insurance	286
Total Employee Cost budget	7,075

Figure 3 below shows Council's staff levels at the end of each financial year from 30 June 2018 and the budgeted staff numbers on 30 June 2022 and 30 June 2023 on a full-time equivalent (FTEs) basis including temporary contract positions. Number of FTEs budgeted for next financial year is 74, an increase of 6 FTEs over current year due to following reasons.

- Council approved one (1) FTE as part of 2022/2023 budget;
- Further two (2) FTEs were approved as part of 2022/2023 quarterly budget revisions;
- Three (3) contract position (3 FTEs) were added to delivery strategic projects primarily funded by external grants;
- Contract library trainee position (0.88 FTE) was replaced with part-time employment with the Council;
- CWMS maintenance work that was outsourced in previous years has been in-sourced (1 FTE) to reduce CWMS operating costs;
- Further new three (3) FTEs are proposed as part of the draft Operating Project program for next year.

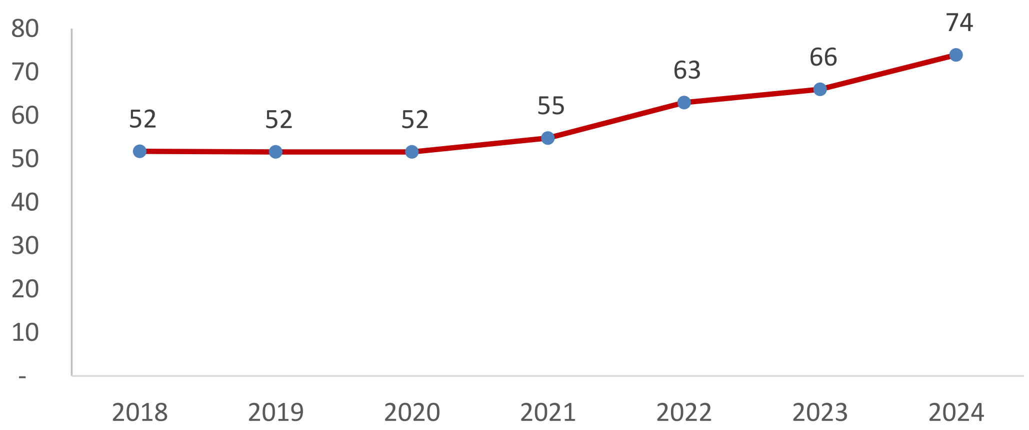


Figure 3: Adelaide Plains Council Workforce (FTEs) as at 30 June

Materials, Contracts and Other Expenses

Materials include items such as electricity, water, fuel, road products, library books, printing and stationery costs. Contracts relate to the provision of Council services by external providers and include items such as kerbside waste collection, street sweeping, security, leases and infrastructure repairs and maintenance.

Other Expenses relate to a range of unclassified items including staff training, postage, legal fees, bank charges, advertising, insurances, motor vehicle registrations, payment of the Regional Landscape levy and other miscellaneous expenditures.

It is estimated that the Council will spend $6.691m in 2023/2024 Financial Year on Materials, Contracts and Other Expenses, compared to $6.120m in 2022/2023 Financial Year, an increase of $0.570m or a 9% mainly due to increase in fuel, electricity, building, reserve & sealed road maintenance, regional Landscape Levy and kerbside waste collection and disposal costs.

Depreciation, Amortisation and Impairment

Depreciation is an accounting charge which measures the usage of Council's property, plant and equipment (including infrastructure assets such as roads and drains) over the estimated effective useful life of the assets. In 2023/2024 the forecast amount of depreciation is $3.517m compared to $3.144m for 2022/2023, an increase of $0.373m or 12% mainly due to new depreciation expenses associated with infrastructure assets handed over to the Council by developers after the initial maintenance period and increase in value of Council's infrastructure assets due to inflation.

Finance Charges

Finance charges relate to interest charged by the Local Government Financing Authority on funds that have been borrowed by Council. Interest costs have been estimated based on Council's loan portfolio as at June 2023 and expected new borrowings for the next year.

Interest costs are expected to increase by 201% from $0.272m in 2022/2023 Financial Year to $0.820m in 2023/2024, mainly due to the combined impact of;

- Increase in interest rates by RBA since May 2022;
- interest being paid reduced progressively when repaying loan instalments over time;
- additional interest expenses on new borrowings made in the current year and
- interest expenses associated with estimated new borrowings required for 2023/2024.

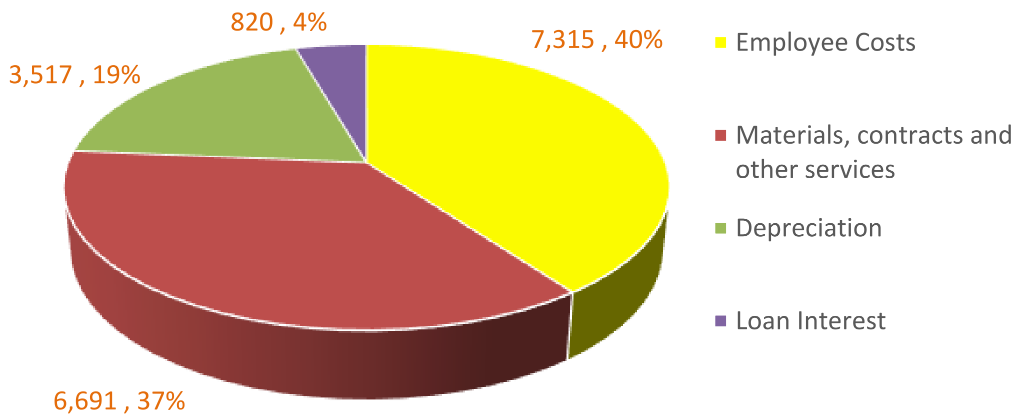


Figure 4: Distribution of 2023/2024 Draft Operating Expenses

10.3 Budgeted Statement of Comprehensive Income

For the 2023/2024 Financial Year, the estimated operating deficit is $1.200m from recurrent and operating project activities based on 7% increase in average rates. The estimated operating deficit consists of;

- Recurrent budget surplus of $0.685m; and
- Net Operating Project budget of $1.238m.

Table 4: Statement of Comprehensive Income ($'000)

Description	2022/2023 Adopted Budget ($)	2023/2024 Draft Budget ($)	2023/2024 Draft Budget (%)	Budget Movement $	Budget Movement %
RECURRENT INCOME					
Rates					
- General Rates - Existing Assessments	10,820	12,160	72	1,340	12
- General Rates - New Assessments	179	138	1	(41)	
- Rate Rebates	(107)	(123)	(1)	(16)	15
- Waste Levy	710	880	5	170	24
- Regional Landscape Levy	197	319	2	122	62
- Other Rates Income	84	105	1	21	25
- CWMS Charges	262	281	2	18	7
Statutory charges	589	520	3	(69)	(12)
User charges	193	223	1	30	16
Grants, subsidies & contributions	1,955	2,106	13	151	8
Interest Income	3	3	0	(0)	(6)
Reimbursements	123	139	1	15	13
Other Income	48	48	0	(1)	(1)
TOTAL RECURRENT INCOME	**15,056**	**16,797**	**100**	**1,741**	**12**
RECURRENT EXPENSES					
Employee Costs	6,465	7,075	41	(610)	(9)
Materials, contracts and other	5,191	5,736	33	(545)	(10)
Including legal expenditure	*200*	*150*	*1*	*50*	*25*
Depreciation	3,144	3,517	20	(373)	(12)
Interest Expenses	272	820	5	(548)	(201)
Share of loss from GRFMA	79	79	0	-	-
TOTAL RECURRENT EXPENSES	**15,151**	**17,226**	**100**	**(2,075)**	**(14)**
RECURRENT DEFICIT	(95)	(429)	(2)	(334)	352
Cost of growth initiatives (Operating Projects)	(934)	(771)	(4)	163	(17)
OPERATING DEFICIT	**(1,029)**	**(1,200)**		**(172)**	

10.4 Operating Income and Expenditure by Council Functions/Services

The following table shows operating income and expenditure for the 2023/2024 Financial Year by the Council functions/service *including* operating projects.

Table 5: Operating Income and Expenditure by Council Functions/Services ($'000)

Nature of Service	Council Services/Functions	Income	Expenses	Net Costs
Discretionary	Volunteer Administration	-	5	5
Discretionary	Economic Development	(20)	366	346
Discretionary	Children & Youth Services	-	11	11
Discretionary	Community Events/Bus/Donations	(1)	81	80
Statutory	Bridges and culverts Maintenance	(4)	25	21
Statutory	Illegal Roadside Dumping	(1)	40	40
Statutory	Heritage	(1)	23	22
Discretionary	Cemeteries	(40)	126	86
Discretionary	Mallala Aged Units	(67)	53	(14)
Discretionary	Street Lighting	-	100	100
Statutory	Emergency Services and fire prevention	(9)	92	83
Statutory	Community Safety	(3)	91	88
Statutory	Street Cleaning	-	90	90
Discretionary	Public Conveniences	-	70	70
Statutory	Resource Recovery Centre	(78)	102	24
Discretionary	Ovals, Playgrounds & Other Sporting Facilities	-	77	77
Discretionary	Community Services	-	157	157
Statutory	Stormwater Management	-	180	180
Discretionary	Coastal Conservation	(108)	130	22
Discretionary	Flood Prevention	-	134	134
Statutory	Environmental Health	(79)	210	131
Statutory	Dog & Cat Control	(226)	174	(53)
Statutory	Elected Members	-	-	-
Discretionary	Building Maintenance	-	324	324
Statutory	Footpaths & kerbing Maintenance	-	202	202
Discretionary	Libraries	(31)	525	495
Discretionary	Community Wastewater Management	(280)	358	78
Discretionary	Parks, Gardens & Reserve Maintenance	-	775	775
Statutory	Depot operation	(12)	716	704
Statutory	Kerbside Waste Collection	(880)	873	(6)
Statutory	Plant Maintenance	-	773	773
Statutory	Planning & Compliance	(202)	1,442	1,240
Statutory	Roads Maintenance	(1)	3,139	3,139
Statutory	Government Grants	(1,967)	-	(1,967)
Statutory	Governance	-	772	772
Statutory	Council Administration*	(12,788)	5,762	(7,026)
Total Income and Expenses		**(16,797)**	**17,998**	**1,200**
Discretionary		(547)	3,292	2,745
Statutory		(16,250)	14,706	(1,544)
Total Income and Expenses		**(16,797)**	**17,998**	**1,200**

*Council administration covers functions such as financial management, Chief Executive Officer, Council offices and chambers maintenance, customer service, human resources management, communications & public relations, payroll management, information technology, rates administration, governance, Work, Health and Safety & Risk management, records management and Council's assets management.

10.5 2023/2024 Operating Project Program

The Operating Projects budget encompasses programs and activities that are outside the 'business as usual' services and are considered discretionary in nature. i.e. the Council is under no obligation to provide the services, activities or programs or if required to undertake the activity, are irregular in nature (For example, Local Government Elections). Operating Projects may be one off activities or programs, an expansion of an existing service or program or proposals to introduce a new service or program.

Operating projects are funded via rate revenue or a fee for service charge. The cost of the draft Operating Project program as summarised in **Table 6** below is estimated to be $1.117m.

Table 6: Operating Projects Program ($'000)

Operating Project Name *(Including brief project description)*	Rationale	Estimated Cost
ENVIABLE LIFESTYLE		
1. Street/Verge Tree Planting *Continue to deliver street trees to local streets*	C	30
2. Two Wells Library - Salt damp treatment *Repair salt damp damage to Two Well Library (Heritage listed building) to reduce further damage.*	C	50
3. New Cemetery Management System *Introduction of new software to manage cemetery leases, burials, cremations records/certificates and management of plots.*	D	54
EMERGING ECONOMY		
4. Two Wells Land Development *Continue to engage consultants to develop two (2) land parcels in Two Wells purchased by the Council from State Government*	B	35
5. Additional Labour Resources *To address growth and current gaps to mitigate risk and improve business efficiency, productivity and service levels*	B	241
6. Undergrounding of Power - Two Wells Main Street (Stage 2) **	A/B/C	600
REMARKABLE LANDSCAPES		
7. GRFMA Business Case *Provision of financial contributions toward completion of the Department for Environment and Water, (Gawler River) Business Case.*	A	52
8. Two Wells Cemetery – landscaping *Replacement of the deteriorate Two Wells cemetery landscaping*	D	20
PROACTIVE LEADERSHIP		

9. Community and Civic Hub Investigation - Phase 2 *Develop a strategy/plan (including governance, risk management, procurement etc) based on information and feedback gathered from the community with regard to the next phase and direction of the Community and Civic Hub Investigation.*	A/B	25
10. Donaldson Road - Design to include Water Sensitive Urban Design and open space elements *Investigations/design to address stormwater management issues identified within the Two Wells Stormwater Management Plan.*	C	10
Total Estimated Costs		**1,117**

Rationale

A. Previous Council resolutions/Elected Members' feedback;

B. Investment for growth/Economic Development;

C. Infrastructure and Assets Management Plans; and

D. Staff initiatives to reduce cost and improve productivity/service standard

** It is proposed that $0.345m that has been allocated to the Council under the round 4 of the Local Roads and Community Infrastructure Program be allocated to fund Undergrounding of Power in Two Wells.

10.6 2023/2024 Capital Projects Program

Adelaide Plains Council is responsible for a large portfolio of assets with a value of $184m as of 30 June 2022 and an estimated depreciation expense of $3.517m in 2023/2024 Financial Year. It is therefore critical for the long term sustainability of assets that the Council engages in practises that optimise assets useful lives for the benefit of the community.

The Capital Works budget encompasses projects which renew, upgrade or create new infrastructure assets. Examples of projects are the civil infrastructure whole-of-life program (renew), streetscape (New) etc. Capital expenditures are funded through: -

- Rate Revenue; and/or
- the depreciation charge; and/or
- new or upgrade works being funded through borrowings.

Draft 2023/2024 capital program is summarised below. The estimated cost of the capital works program is $4.827m of which $3.693m (77%) would be spent on assets renewals in line with Council's Infrastructure. and Assets Management Plans (I&AMP) adopted on 25 October 2021. The remaining capital expenditure of $1.134m (23%) is proposed to be spent on new assets.

Next year capital program is planned to deliver;

a) 32 km of road resheeting;
b) 9.5 km of road resealing;
c) 1 km of new footpath, kerbing and street trees

Table 7: Draft Capital Works Program ($'000)

Capital Project Category	Estimated Costs
Plant, Fleet & Equipment	1,181
Street Scape	155
Site Improvements	695
Sealed Roads	901
Unsealed Roads	1,260
Car Parks & Traffic Control	195
Pram Ramps	10
Building	70
Kerbing	285
Stormwater	60
CWMS	15
Total Capital Expenditure	**4,827**

Capital Project Category	**Estimated Costs**
New/Upgrade	1,134
Renewal	3,693
Total Capital Expenditure	**4,827**

Required renewal expenditure as per I&AMP adopted on 25 October 2021 is as follows.

Capital Project Category	**Estimated Costs**
New/Upgrade	5,040
Renewal	3,091
Total Renewal Assets Renewal Funding Ratio	**8,131**

New Assets to be delivered in next year

New assets to the value of $1.134m will be funded from a combination of new borrowings. Please refer to **Table 8** below for the reasons for these spending on new assets.

Table 8: Draft New Assets Program ($'000)

Description	Budget	Comment
Street Scape (Footpath, Kerbing and Street Trees)	416	To provide 1 footpath in the Townships of Two Wells, Mallala & Dublin over a 10 year period. Program is within I&AMP.
Stage 2 - Hart Reserve Development - Implementation	200	As part of IAMP & LTFP
Two Wells Mainstreet - Pedestrian Refuges/Crossing	195	As part of IAMP & & LTFP (differed from 22/23)
Township Entrance Signs	140	As part of IAMP & & LTFP
Mallala Oval Stormwater and Road Upgrade	60	Requests from the leasee (Mallala Football Club and RSL)
Streetscape/Water Sensitive Urban Design	50	As part of IAMP & & LTFP

IT Infrastructure Upgrade	33	To improve data security
Street & Reserves/Parks Furniture Program	20	As part of IAMP & & LTFP
Lewiston Dog Park Shelters	20	Funded from dog registration fees
Total Expenditure on New/Upgraded Assets	**1,134**	

10.7 2023/2024 Capital Program in Details

Table 9 below provides details of the capital program endorsed for 2023/2024 Financial Year.

Table 9: Draft Capital Project Budget in Details ($'000)

Capital Project to achieve Council's Strategic Objective	Type	Costs
Plant and Equipment Replacement	Renewal	900
Fleet Replacement	Renewal	248
IT Infrastructure Upgrade	New/Upgrade	33
Investment in Plant & Equipment Program		1,181
Intersection upgrade - Gawler River Rd (Germantown Rd and Bethesda Rd)	Renewal	100
Dublin Road - Hill Road to Earl Road - Pavement Rehabilitation	Renewal	80
Bailey Road East - Old Port Wakefield Road to End	Renewal	91
Baker Road – Gawler River Road to River	Renewal	87
Boundary Road - Hayman Road to Dawkins Road	Renewal	65
Garden Avenue - Artesian Road to Southern End	Renewal	85
Germantown Road – Gawler Road to Dawkins	Renewal	142
Jenkin Court - Butler Road to End	Renewal	77
Seventh Street – South Terrance to Fifth Street	Renewal	69
Third Street (Dublin) - Sixth Street to End of Seal	Renewal	23
Williams Road – Dawkins Road to Hayman Road	Renewal	82
Investment in Road Resealing		901
Streetscape - South Terrace (Dublin) - Old Port Wakefield Rd to Seventh St	New/Upgrade	46
Streetscape - Irish Street - Butler Street to Redbanks Road	New/Upgrade	31
Streetscape - Rowe Crescent - Drew Street to Applebee Road	New/Upgrade	16
Streetscape - Chivell Street - Mary Street to End	New/Upgrade	38
Keerbing - Sth Terrace (Dublin) - Old Port Wakefield Road to Seventh Street	New/Upgrade	285
Tangari Reserve - Footpath	Renewal	24
Investment in Street Scape (Footpath, Kerbing and St Trees)		440
Bakers Road - Slant Road to Ridley Road	Renewal	104
Gallipoli Road - Curnow Road to Jarmyn Road	Renewal	78
Germantown Road - Verner Road to Seal	Renewal	134
Harris Road - Schlodder Road to Bubner Road	Renewal	19
Hart Road - Port Wakefield Road to Smith Road	Renewal	140
North Parham Road - Lowey Road to Gilberts Road	Renewal	75
Owen Road - March Road to Woods Road	Renewal	121
Paddys Bridge Road - Mallala - Two Wells Road to Germantown Road	Renewal	287
Schlodder Road - Clonan Road to Schutt Road	Renewal	39

Wasleys Road - Cheek Road to Woolsheds Road	Renewal	263
Investment in Unsealed Rd Program		1,260
Street & Reserves/Parks Furniture Program	Renewal	20
Site Improvements Renewal	Renewal	200
Fuel supply upgrade	Renewal	45
Street & Reserves/Parks Furniture Program	New/Upgrade	20
Streetscape and Water Sensitive Urban Design	New/Upgrade	50
Township Entrance Signs - Allocation	New/Upgrade	140
Lewiston Dog Park Shelters	New/Upgrade	20
Stage 2 - Hart Reserve Development - Implementation	New/Upgrade	200
Investment in Site Improvements Program		695
Mallala - Replacement of Property Pumps	Renewal	15
Investment in Community Waste Management Schemes		15
Mallala Oval stormwater and road upgrade	New/Upgrade	60
Investment in Stormwater		60
Two Wells Mainstreet - Pedestrian Refuges/Crossing	New/Upgrade	195
Investment in Car Parks & Traffic Control		195
Pram Ramp renewal to comply with *Disability Discrimination Act 1992*	Renewal	10
Investment in Pram Ramp		10
Dublin Oval - Toilet Block	Renewal	70
Investment in Buildings		70
Total Council Investment in Infrastructure and Assets in 2022/2023 Financial Year		4,827

Renewal of existing assets as per Assets Management Plans	Renewal	3,693
New assets	New/Upgrade	1,134
Total Council Investment in Infrastructure and Assets in 2022/2023 Financial Year		4,827

11. Loan Borrowings

In developing the Long Term Financial Plan, borrowing was identified as an important funding source, particularly for bridging short-term cash flow gaps. Borrowings are undertaken in accordance with Council's *Treasury Management Policy* which underpins Council's decision-making, financing its operations in the context of cash flow, budgeting, borrowings and investments.

As borrowing is an important financial management tool in the overall context of funding Council's expenditures, Council's *Treasury Management Policy* links closely to the overall strategic management plans in the context of:

- Strategic planning for the future of the Council, covering short, medium- and long-term spending and investment issues;
- Current and estimated future revenues and the ability to increase the revenue stream through council rates, user charges or additional grant funds;
- Inter-generational equity considerations in terms of the ratepayers who benefit from the expenditure and therefore on a user pay basis who should pay for the costs associated with such expenditure;
- Current and future funding needs for both operating and capital expenditures;
- Potential movements in interest rates; and

- Any other strategic imperative such as development of local economy that is linked to revenue and expenditure capacities (for example, sealing of major freight routes servicing commercial sector).

11.1 Current Short and Long-Term Borrowings

At the end of 2022/2023 Financial Year, Council is expected to have only one (1) outstanding fixed rate long-term borrowings with a value of $1.790m in relation to Council's investment in Mallala CWMS.

Council has already made several resolutions to borrow funds to deliver annual budgets and some of the capital programs being delivered in partnership with State/Federal Governments. However, in compliance with Council's Treasury Management Policy, so far Council has been able to meet those expenses with short-term borrowings which attract lower interest charge compared to fixed rate long-term borrowings. Based on Mid-Year Budget Review, the estimated short-term borrowings at the end of this financial year would be $12.611m.

The expected average interest rate for budget purpose is 5.88% for next financial year and therefore expected interest expense on CAD loan is $0.742m ($12.6m X 5.88%).

In addition, Council has one (1) long-term debenture borrowings for Mallala CWMS and the expected interest expense for this loan is $0.078m in the next year.

Therefore, interest expenses are expected to increase from $0.272m in this year to $0.820m next financial year.

11.2 New borrowings for 2023/2024 Financial Year

An operating deficit means Council is spending more than it generates as income in delivering services to the community. In addition, Council has loan and interest obligations to pay as well as the need to fund new assets. Therefore, if the Council decides to continue the same level of service and draft operating project program as included in this report with an average rate increase of 7%, it has to borrow $2.229m to deliver operating and capital projects identified above and meet its loan repayment obligations as summarised in the **Table 10** below. Out of the new borrowings;

- $0.176m will be allocated for assets renewal program;
- $1.134m will be spent on new assets across the Council district;
- $0.771m will be used to deliver operating project program proposed; and
- remaining $0.148m (approximately 1.2% of rates income) will be allocated for day-to-day Council's operations.

While the maximum amount to be borrowed is $2.229m, the timing of the actual borrowings would depend on the progress of the capital works program.

Table 10: Funding Shortfall for 2023/2024 ($'000)

Description	Amount
Cash shortfall due to Operating Deficit	(1,200)
Cash injection from sale of surplus/replaced assets	243
Share of operating loss from GRFMA (non-cash transactions)	63
To fund capital Program - Money available through depreciation	3,517
- Proposed assets renewal expenditure	(3,693)
- Proposed new capital expenditure	(1,134)
Grants specifically for new or upgraded assets	-
Loan Repayment	(24)
Total estimated funding shortfall for 2023/2024	**(2,229)**

12. Rating Structure and Policy

12.1 What are Rates?

Rates are levied as a tax on property in accordance with the provisions of the Local Government Act. Rates are not a service or user charge. For example, some property owners may choose to not use the library, but nevertheless make a contribution to the service through their rates. Because rates are levied on the value of property, those in higher valued properties pay more in rates than those in lower valued properties.

General Rates are the principal source of funding for Council services representing approximately 80% of total operating income in 2023/2024.

12.2 Strategic Focus

In estimating rates for the 2023/2024 Financial Year, Council will consider its *Strategic Plan 2021-2024*, the current economic climate, specific issues faced by the community and the budgetary requirements for the financial year.

Land use categories as provided in the *Local Government (General) Regulations 1999* are used as the basis of Council's general rate calculation.

12.3 Method Used to Value Land

All land within a council area is rateable, except for land specifically exempt e.g. Crown land, council occupied land. Council continues to use capital value as the basis for valuing land within the council area. Council considers that this method of valuing land provides the fairest method of distributing the rates across all ratepayers because:

- Property value is a relatively good indicator of market value of a property, providing the fairest method of calculating rates and therefore, it is the most appropriate measure of relative wealth in the community;
- As a measure of wealth it most closely reflects property owners' capacity to pay; and

- It accords with the taxation principle, that people should contribute to the community social and physical infrastructure, in accord with their capacity to pay, as measured by property wealth.

Other valuation methods available are site value (value of land only) and annual value (value of rental potential of property). These are not considered appropriate with regard to Adelaide Plains Council.

Council will be adopting the valuations made by the Valuer-General and which are applicable for the financial year commencing 1 July 2023. If a property owner is dissatisfied with a property valuation, then an objection may be made to the Valuer-General in writing, within 60 days of receiving notice of the valuation, explaining the basis for the objection. Further contact details can be obtained from Council's Rates Officer on (08) 8527 0200. *It is important to note that Council has no role in the valuation process.*

12.4 Impact of Rates

General Council rates of a property are determined by three (3) factors:

- valuation of a property as determined by the Valuer of General of South Australia;
- rates in the dollar specific to land use code (LUC) of the property which is determined by the Council; and
- annual fixed charge

Rates Modelling – Property Valuation

An extract from the latest (8 April 2023) property valuation data available from Valuer-General (VG) is given below in **Table 11** in comparison to similar information for prior years. Additional rates income from the development growth is 2.55% whereas 2.75% was factored in the LTFP.

However, it is too early to exactly know the development growth rate for next year. From the experience of prior years, VG is expected to finalise development growth mid to late May 2023. Council expects a significant development growth this year, however, may not be as big as last year due to slowdown in new subdivisions.

Table 11: An Extract from latest valuation data from the VG

Description	8/04/23	22/23	21/22	20/21
Increase in number of properties through sub-division	117	146	257	173
Sub-Division Growth (valuation increase) - $'Mn	24	29	39	24
Building Development Growth (valuation increase) - $'Mn	38	76	27	54
Total Development Growth - $'Mn	62	105	66	78
Total Development Growth - %	2.55	4.73	3.20	2.04
Increase in Rates income due to Sub-Division Growth - $'Mn	0.154	0.179	0.256	0.197
Increase in Rates income due to Sub-Division Growth - %	1.26	1.77	2.67	2.15
Natural Growth (valuation inc. due to reasons other than dev.) - %	16.69	5.04	4.46	1.86

Rates Modelling – Options to consider

Given a significant increase in 'Natural Growth', to achieve a 7% increase in average rate, a reduction in rate in the dollar will be applied in the rates modelling calculations. However, this will also benefit properties;

a) that have reported an increase in valuations due to 'Development Growth'; and
b) high value properties.

Following table shows the impact of various rates modelling while maintaining 7% increase in average rate unchanged plus 2.55% growth. While Option 1 assumes no changes to the relativity between various land use categories (LUCs), all other options assume a change in relativity to smooth out the impact of inconsistent valuation changes between LUCs. Accordingly, Options 3 provides better results as it generates the highest percentage of ratepayers with a rate increase of less than 7%.

Table 12: Options for Rates Modelling

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 5	Option 6
Relativity between LUC							
Residential	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vacant Land	1.00	1.00	1.20	1.00	1.20	1.00	1.20
Commercial/Industry	1.30	1.45	1.45	1.45	1.45	1.45	1.45
Primary Production	0.91	0.98	0.98	0.98	0.98	0.98	0.98
Increase in Fixed Charge	50%	50%	50%	75%	75%	100%	100%
Reduction in Rate in the $	-8.50%	-11.10%	-11.80%	-12.40%	-13.10%	-13.65%	-14.35%
New Fixed Charge	185	185	185	216	216	246	246
Increase in average rate	%	%	%	%	%	%	%
Residential	12.60	9.69	8.86	9.90	9.07	10.07	9.28
Commercial	1.39	8.78	8.02	9.59	8.83	10.38	9.63
Commercial - Other	0.30	8.07	7.28	7.87	7.08	7.69	6.90
Industry - Light	0.56	7.89	7.14	8.70	7.95	9.48	8.74
Industry - Other	(4.58)	3.19	2.40	2.15	1.36	1.15	0.35
Primary Production	5.07	9.79	9.06	9.18	8.36	8.60	7.78
Vacant Land	11.46	8.83	25.94	10.69	27.05	12.66	28.62
Other	14.79	11.79	10.98	11.82	11.01	11.86	11.05
Total	9.56	9.56	9.58	9.56	9.55	9.56	9.55
Growth	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)	(2.55)
Average Rate Increase	7.01	7.01	7.03	7.01	7.00	7.01	7.00
General Rates Revenue							
Existing Properties	12,158	12,159	12,146	12,157	12,142	12,156	12,140
New Properties	140	138	154	140	155	142	156
General Rates (Gross)	12,298	12,298	12,300	12,297	12,297	12,298	12,296
Breakdown of Increase of Percentage							
Decrease	5.23%	3.60%	3.48%	3.10%	3.11%	3.25%	3.29%
0.01% to 1.25%	1.26%	1.12%	0.73%	1.29%	1.35%	0.87%	0.89%
1.25% to 2.00%	1.05%	0.51%	0.73%	0.72%	0.66%	0.68%	1.03%
2.01% to 2.25%	0.87%	0.63%	0.56%	0.44%	0.82%	0.63%	1.47%
2.25% to 3.25%	0.93%	0.80%	1.43%	1.29%	1.80%	1.78%	2.45%

3.25% to 5%	2.34%	5.42%	8.73%	6.79%	8.80%	7.49%	8.47%
5.01% to 7%	4.53%	15.01%	16.21%	13.01%	14.29%	11.63%	12.47%
Less than 7%	16.21%	27.09%	31.89%	26.64%	30.84%	26.34%	30.07%
7.01% to 10%	21.08%	24.30%	19.14%	22.02%	18.84%	21.13%	18.93%
10.01% to 15%	31.94%	16.49%	13.07%	14.69%	11.00%	14.20%	10.43%
15.01% to 20%	12.44%	17.16%	15.71%	17.77%	16.98%	14.71%	15.34%
20.01% to 30%	10.84%	6.79%	11.47%	10.29%	11.16%	14.50%	12.45%
30.01% to 40.00%	0.86%	1.64%	1.70%	1.73%	3.92%	1.89%	4.81%
40.01% to 50.00%	0.54%	0.56%	0.77%	0.77%	0.86%	1.03%	1.33%
50.01% or more	3.01%	2.89%	3.18%	3.01%	3.32%	3.11%	3.57%
Change in Rates	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**	**96.92%**
No Charge in Rates	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%	1.03%
New Properties	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%	2.05%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Why the Council is proposing to change the relativity between land use categories?

For the current financial Year, the Council has determined that the following differential rates will be applied to all of its rateable assessments: -

a) Residential/Vacant Land/Other 1.00
b) Commercial/Industry 1.30
c) Primary Production 0.91

However, due to significant fluctuations in the properties values among different land use categories, following differential rates are proposed to be applied to all of its rateable assessments in 2023/2024 Financial Year. They are: -

a) Residential/Other 1.00
b) Vacant Land 1.20
c) Commercial/Industry 1.45
d) Primary Production 0.98

Above proposed changes to the differential rates will ensue;

a) the impact of significant valuation fluctuations on rates is smoothed out. (This will not generate additional rates income but will only change the % of rates being contributed by particular land use category);
b) address ESCOSA comment in relation to Adelaide Plains Council having high residential rates;
c) discourage land holding/banking in relation to vacant land parcels;
d) reduce the time between development approval for land sub-divisions and issuing of land title;
e) encourage economic and residential activity through the development of vacant land; and
f) achieve a maximum number of ratepayers with a rate increase of less than 7%

What 7% increase in average rates means on individual property based on Option3)?

Annual rates charge on a property is calculated as follows.

Rates Charge = (Property Value X Applicable Rate in the $) + Fixed Charge

Therefore, how 7% increase in average rates will impact on an individual property based on various property values under each differential rate is shown in the below table. Accordingly:-

a) as the property value increases, rates payable also increases;
b) as rate in the $ has reduced by 11.80% and fixed charge has increased by 50%, the percentage change in rates is determined by the changes in the property values;
c) if the property value has decreased, rates will also reduce by more than the reduction in property values.

Table 13: Example of Changes to Average Rates and Rates on Individual Property

	A		B		C		(A x B) + C		
Year	22/23	23/24	22/23	23/24	22/23	23/24	22/23	23/24	Change of
Land Use	Property Value ($'000)		Rate in the $		Fixed Charge		Rates Levy ($)		Rates in 23/24 (%)
Residential	190	200	0.00441	0.00389	123	185	961	963	0.21
	350	300	0.00441	0.00389	123	185	1,666	1,352	-18.88
	400	485	0.00441	0.00389	123	185	1,887	2,071	9.78
Commercial/ Industry	400	420	0.00573	0.00564	123	185	2,416	2,553	5.70
	800	700	0.00573	0.00564	123	185	4,708	4,132	-12.23
	1,000	1,200	0.00573	0.00564	123	185	5,855	6,952	18.74
Primary Production	100	121	0.00401	0.00381	123	185	524	646	23.35
	1,200	1,027	0.00401	0.00381	123	185	4,933	4,099	-16.91
	1,750	2,191	0.00401	0.00381	123	185	7,138	8,536	19.58
Vacant Land	100	105	0.00441	0.00467	123	185	564	675	19.70
	300	260	0.00441	0.00467	123	185	1,446	1,398	-3.28
	400	600	0.00441	0.00467	123	185	1,887	2,985	58.22
Total	**6,990**	**7,609**					**33,985**	**36,363**	
Average Rate							**2,832**	**3,030**	**7.00**

12.5 Uniform Presentation of Expected Rates Revenue

Following information has been provided as required under Local Government (Financial Management) Regulations 2011 (the Regulations), Regulation 6 as a result of Local Government Reform changes.

Table 14: Uniform Presentation of Expected Rates Revenue

	2022/23 (As adopted)	2023/24 (estimated)		Change	Comments
General Rates Revenue					
General Rates (existing properties)	$10,820,189	$12,145,875	*(a)*		For 2023/24, an expecte increase in total Genera Rates revenue of aroun 11.83% is projecte inclusive of estimate growth *(refer n)* of 2.05% from new properties tha have been created ove the last year.
General Rates (new properties)	$178,776	$154,066	*(b)*		
General Rates (GROSS)	$10,998,965	$12,299,941	*(c)*		
Less: Mandatory Rebates	($69,220)	($76,803)	*(d)*		
General Rates (NET)	$10,929,745	$12,223,138	*(e)*	11.83%	
	(e)=(c)+(d)				
Other Rates (including service charges)					
Regional Landscape Levy (RLL)	$196,863	$319,213	*(f)*		The RLL is **not retained** by council.
Waste collection	$701,937	$882,958	*(g)*		$206 for standard 3 or 2 bin service.
CWMS	$262,452	$280,676	*(h)*		$740 and $488 for each property unit at Mallala and Middle Beach.
	$12,090,997	$13,705,984			
Less: Discretionary Rebates	($37,819)	($37,586)	*(i)*		
Expected Total Rates Revenue	$11,856,315	$13,349,186	*(j)*	12.59%	Excluding the RLL an minus Mandatory & Discretionary Rebates.
	(j)=(e)+(g)+(h)+(i)				
Growth in number of rateable properties					
Number of rateable properties	**5,602** Actual	**5,717** Estimated	*(k)*	**2.05%**	Growth' is expected t account for around 1.40% of the estimated increas in General Rates to b collected *(refer b)*.

'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.

Average General Rates per rateable property *(n)=(c)/(k)*

Average per rateable property	**$1,963**	**$2,151**	*(l)*	**9.58%**	These 'averages' are base on the **total of all rateabl properties** and ar therefore not necessaril indicative of either th rate or change in rate that all ratepayers wi experience.

Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total rates paid by all rateable properties will equal the amount adopted in the budget.

Notes

(d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:

Health Services -100%	Religious purposes - 100%	Educational purposes - 75%
	Public Cemeteries - 100%	Community Services - 75%

The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(e) Presented as required by Regulation 6(1)(ea) of the *Local Government (Financial Management) Regulations 2011.*
Please Note: The percentage figure in *(e)* relates to the change in the total amount of General Rates revenue to be collected from <u>all</u> rateable properties, not from <u>individual</u> rateable properties (ie. individual rates will not necessarily change by this figure).

(f) Councils are required under the *Landscape South Australia Act 2019* to collect the levy on all rateable properties on behalf of the State Government. The Regional Landscape Levy is **not retained by council**.

(h) Community Wastewater Management Systems

(i) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(j) Expected Total Rates Revenue excludes other charges such as penalties & interest for late payment and legal and other costs recovered.

(k) 'Growth' as defined in Regulation 6(2) of the *Local Government (Financial Management) Regulations 2011.*

Please note that these figures represent a considered estimate of Expected Rate Revenue based on the most current information available as at 8 April 2023. This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the 2023/2024 Annual Business Plan & Budget which is expected to occur in early July 2023.

Differential Rates

	Total expected revenue ($)			No. of rateable properties		Average per rateable property ($)				Rate i the $
	2023/24	2023/24	Change	2022/23	2023/24	2022/23	2023/24		Change	2023/2
Land Use (General Rates - GROSS)										
Residential	6,288,002	**7,032,830**	11.85%	3,424	**3,518**	1,836	1,999	*(m)*	**163**	**0.00388**
Commercial	39,283	**42,434**	8.02%	28	**28**	1,403	1,516	*(m)*	**113**	**0.00563**
Commercial - Other	177,868	**193,322**	8.69%	76	**77**	2,340	2,511	*(m)*	**170**	**0.00563**
Industry - Light	9,899	**10,606**	7.14%	7	**7**	1,414	1,515	*(m)*	**101**	**0.00563**
Industry - Other	94,477	**96,746**	2.40%	15	**15**	6,298	6,450	*(m)*	**151**	**0.00563**
Primary Prod.	3,769,346	**4,153,901**	10.20%	1,430	**1,445**	2,636	2,875	*(m)*	**239**	**0.00381**
Vacant Land	521,174	**664,467**	27.49%	569	**576**	916	1,154	*(m)*	**238**	**0.00466**
Other	98,917	**105,634**	6.80%	53	**51**	1,866	2,071	*(m)*	**205**	**0.00388**
GRAND TOTAL (GROSS)	10,998,965	**12,299,941**	**11.83%**	5,602	**5,717**	1,963	**2,151**	*(m)*	**188**	

Fixed Charge

	Total expected revenue			Charge			
	2022/23	2023/24	Change	2022/23	2023/24		Change
Fixed Charge	$640,640	**$983,830**	**54%**	$123	**$185**	*(n)*	**$62**

A Fixed Charge ensures all rateable properties pay a base amount to the cost of administering council activities and maintaining the services and infrastructure that supports each property. Rates based on values are then applied in addition to the fixed charge. Council i limited to the amount that can be raised by the fixed charge in that it cannot raise more than 50% of its general rate revenue from the fixed charge component. In 2023/24 council proposes to raise 8% of its general rate revenue by way of the fixed charge.
This revenue amount is **included** in the General Rates GROSS figure at *(c).*

Adopted valuation method

Capital Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:
Capital Value – the value of the land and all improvements on the land;
Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or
Annual Value – a valuation of the rental potential of the property.

Council continues to use **Capital Value** as the basis for valuing land within the Council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:
- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property a provides the best indicator of overall property value.

Notes

(m) Average per rateable property calculated as General Rates for category, including any fixed charge but excluding any separate rat *divided* by number of rateable properties within that category in the relevant financial year.

(n) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixe charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. Also if two or more pieces of rateable land within the area of the council constit a single farm enterprise, only one fixed charge may be imposed against the whole of the land.

Actual rate rises

As Council rate is determined by multiplying capital value of the property (decided by the VG) by the rate in the dollar (decided by the Council) applicable to the property, average rate calculated above does not show the actual general rate rises. Actual rate rises is also determined by a combination of other factors such as;

a) development/improvement on the land resulting value of the property being increased,
b) general valuation increase/decrease by VG due to market conditions.

For example, **Figure 5** below shows that with 7% average rate increase;

a) 3.48% of the properties will have their rates being reduced next year;
b) 1.03% of the properties will have their rates remained unchanged;
c) 12.19% of the properties will have their rates increased by less than 5%;
d) 16.21% of the properties, will have their rate increase would be between 5% and 7%;
e) 19.14% of the properties, will have their rate increase would be between 7% and 10%;
f) 45.90% of the properties will have their rates gone up by more than 10.00%.; and
g) 117 new assessments have been created which is 2.05% of the total assessments.

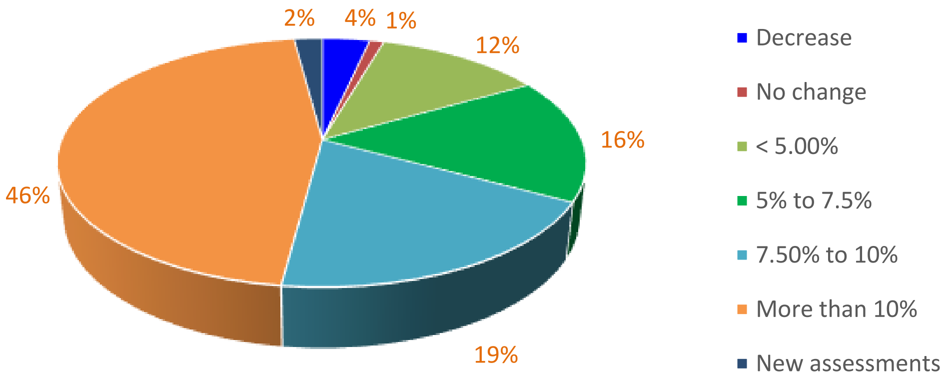


Figure 5: Breakdown of General Rates Increase by Percentage (incl. development growth)

12.6 Differential General Rates

Every resident will benefit from the general amenity of the Council area in some way, whether that is at the present time or in the future. The amenity includes the local economy, general Council operations and the option to use Council facilities.

It is acknowledged that the system of council rates is in essence a system of taxation against property prescribed through the provisions of the Local Government Act. However, Council has assessed that the level of differential rating imposed is governed in part by the ability to pay, the potential for income tax deductions and the perception of accessibility or useability of council services by the residents and consumers. To this end, Council has determined the following.

Commercial Properties

Commercial properties generally have available to them, their employees and customers the same services as other ratepayers. However, in most cases commercial users have a greater impact on the main services such as road maintenance and generally derive a greater benefit from the services provided. In addition, commercial properties have potential taxation benefits.

Industrial Properties

Industrial properties generally have available to them, their employees and customers the same services as other ratepayers. However, in most cases industrial users have a greater impact on the main services such as road maintenance and generally derive a greater benefit from the services provided, particularly where, for example, large amounts of raw or unrefined product is delivered to site for processing utilising Council's infrastructure. Similar to commercial properties, industrial properties have potential taxation benefits.

Primary Production Properties

Primary Production properties tend to be more remote from some of the services provided by Council. In terms of infrastructure adjacent to their properties, they may not have sealed or formed roads, footpaths or street lighting. However, they do have capacity to enjoy the formed roads, footpaths or street lighting and enjoy the same level of amenity as other residents of the Council area. Primary production properties also have potential taxation benefits.

Vacant Land

Council is proposing to increase differential rate on vacant land in the 2023/2024 Financial Year. Whilst, there have been considerable changes within the Adelaide Plains landscape, there is also recognition that capital valuations alone do not always produce equitable results in all communities. By increasing the differential rates on vacant land, Council is planning to encourage development in the Council area and achieve a more equitable distribution of the rates distribution.

Increasing vacant land differential rate would only mean that the proportion of rates contributed by the vacant land category increases while the rates contribution across the other land categories reduces, with the total rates revenue remaining the same.

12.7 Regional Landscape Levy

The whole of the Council area is located within the boundaries of the Northern & Yorke Natural Resource Management Board. An estimated contributions of $0.319m are sought for 2023/2024 Financial Year ($0.197m in 2022/2023). Council is operating as a revenue collector for the Northern & Yorke Natural Resource Management Board in this regard. It does not retain this revenue or determine how the revenue is spent.

12.8 Service Charges

Community Wastewater Management System (CWMS)

CWMS charges for both Mallala and Middle Beach is proposed to increase by 7% to $740 and $488 respectively in order to cover the costs associated with full operation of the scheme including maintenance and loan repayments.

Notwithstanding the above service fee increase, the income generated for Mallala CWMS is not sufficient to cover its operating expenses as shown below in **Table 15** and not compliant with National Water Initiative Pricing Principles and Essential Services Commission's (ESCOSA) price determination that is applicable to CWMS.

Table 15: CWMS Budget for 2023/2024 ($'000)

Description		**Mallala**	**Middle Beach**
Depreciation		144,200	7,519
Other operating costs		100,766	27,382
Total Operating Costs (Excluding Costs of Capital)	**- A**	**244,966**	**34,901**
Cost of Capital (CoC)			
Cost of capital – 3.00% real interest		54,150	8,421
Cost of capital – 1.60% for risk premium		87,664	4,491
Total Cost of Capital	**- B**	**141,814**	**12,912**
Total Operating Costs (Including Costs of Capital)	**- C**	**386,780**	**47,813**
No. of units serviced	**- D**	345	52
Cost per connection as per ESCOSA Pricing Requirement	*(C divided by D)*	1,121	919
Cost per connection as per on ESCOSA Pricing Requirement (Ex. CoC)	*(A divided by D)*	710	671
Proposed CWMS Charge for 2023/2024		740	488

<u>Kerbside Waste Collection Charges</u>

For 2023/2024 Financial Year, it is estimated that the total cost of the kerbside waste collection program is expected to be increased by 17.69% to $0.831m (inclusive of new services). In addition, due to high inflation, a deficit of $0.040m is expected in the current financial year. Therefore, to cover this year shortfall and next year expected costs, the annual waste collection service charge is expected to increase from $172 to $206, an increase of 20%. Accordingly, following waste collection charges are applicable to 2023/2024 Financial Year.

Table 16: Waste Collection Service Charge for 2023/2024 ($'000)

Waste Service Description	Annual Waste Levy ($)
Standard 3-bin or 2-bin waste Service	206
Additional Organic Bin	87
Additional Recycle Bin	64
Additional General Waste Bin	100
Waste Service 1 (distance to pick up point) - 25% discount	155
Waste Service 2 (distance to pick up point) - 50% discount	103

Where the service is provided to rebated land, a service charge is still levied against the land.

Some residents may have to utilise one of 21 collection points to have their bin emptied as the waste collection truck does not traverse all roads in the district. Those residents are entitled to the following waste levy reductions if the resident's collection point is greater than 500 metres from the access point to their land:-

1. If greater than 500 metres but no more than 2 kilometres from the resident's access point to their land, 75% of the annual levy is charged;
2. If greater than 2 kilometres but less than 5 kilometres, 50% of the annual levy is charged;
3. If 5 kilometres or more from the resident's access point to their land, no annual levy is charged.

12.9 Mandatory Township Kerbside Waste Collection Charges

The waste levy is mandatory for properties located within the townships of Mallala, Two Wells and Dublin.

12.10 Payment of Rates

Under section 181 of the Local Government Act, Council must provide the opportunity for all ratepayers to pay rates by quarterly instalments. Council payment dates for the 2023/2024 Financial Year will be 1 September 2023, 1 December 2023, 1 March 2024 and 7 June 2024.

Late Payment of Rates

The Local Government Act provides that Council may impose an initial penalty of 2% on any payment for rates, whether by instalment or otherwise, that is received late. A payment that continues to be late is then charged an interest rate, set each year according to a formula in the Act, for each month it continues to be late. Council allows a further three working days after the due date for payment as a grace period. Thereafter late payment penalties are applied in accordance with the Local Government Act.

Council issues a final notice for payment of rates when rates are overdue i.e. unpaid by the due date. Should rates remain unpaid more than 28 days after the issue of the final notice, then Council will refer the debt to their debt collection agency for collection. All Court costs incurred by Council in the recovery of outstanding rates and fines are payable by the ratepayer. When Council receives a payment in respect of overdue rates, Council applies the money received as follows:

i. firstly – in payment of any costs awarded to, or recoverable by, the Council in any court proceedings undertaken by the Council for the recovery of the rates;
ii. secondly – in satisfaction for any liability for interest;
iii. thirdly – in payment of any fine;
iv. fourthly – in satisfaction of liabilities for rates in the order in which those liabilities arose in payment of rates, in date order of their imposition (starting with the oldest account first).

12.11 Remission and Postponement of Rates

Postponement of Rates - Hardship

Section 182 of the Local Government Act permits Council, on the application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship. Where a ratepayer is suffering hardship in paying rates, they are invited to contact Council's Rates Officer, on (08) 8527 0200 to discuss the matter. Such enquiries are treated confidentially by Council.

Seniors Rate Postponement

Section 182A of the Local Government Act provides the option for State Senior Card holders to apply to postpone part of their council rates on a long term basis. The deferred amount is subject to a monthly interest charge, with the accrued debt being payable on the disposal or sale of the property. Postponement is similar to a reverse mortgage by relying on the equity in the property. A ratepayer who has a State Seniors Card may apply for postponement of a portion of the council rates payable on property they own if it is their principal place of residence and if no other person other than their spouse has an interest as owner of the property and there is appropriate equity in the property. Further information can be obtained from Council's Rates Officer on (08) 8527 0200.

12.12 Rebate of Rates

The Local Government Act requires councils to rebate the rates payable for certain land uses. This includes a 100% rate rebate granted on places of worship, public cemeteries, hospitals and land occupied by universities, and 75% rate rebates have been granted on educational facilities (subject to some qualifications).

Discretionary rebates may be applied by the Council under section 166 of the Local Government Act. Council annually considers many applications for rate rebates and has in the past, and is again for the 2023/2024 Financial Year intend to rebate rates charged to various district community and sporting organisations.

12.13 Sale of Land for Non-Payment of Council Rates

The Local Government Act provides that a council may sell any property where the rates have been in arrears for three years or more. The Council is required to provide one (1) months' notice to the principal ratepayer and the owner (if not the same person) of the land of its intention to sell the land and provide the owner with details of the outstanding amounts. If payment of the outstanding amount is not received within one month the property may be sold. Except in extraordinary circumstances, Council enforces the sale of land for arrears of rates, in accordance with the Local Government Act.

13. Budgeted Financial Statements

Budgeted financial statements for the 2023/2024 Financial Year are given below.

Adelaide Plains Council

Draft Statement of Comprehensive Income for 2023/2024

INCOME	$'000
Rates	13,760
Statutory charges	520
User charges	223
Grants, subsidies and contributions	2,106
Investment Income	3
Reimbursements	139
Other Income	48
TOTAL INCOME	**16,797**
EXPENSES	
Employee Costs	7,075
Materials, contracts and other services	5,752
Depreciation, Amortisation & Impairment	3,517
Finance Costs	820
Share of loss - joint ventures & associates	63
TOTAL EXPENSES	**17,226**
OPERATING SURPLUS / (DEFICIT)	**(429)**
Net Operating Project Expenses	(771)
OPERATING SURPLUS / (DEFICIT)	**(1,200)**
Asset Disposal & Fair Value Adjustments	243
Amounts specifically for new or upgraded assets	-
Physical resources received free of charge	5,000
NET SURPLUS (DEFICIT)	**4,043**
OTHER COMPREHENSIVE INCOME	
Changes in assets revaluation surplus	2,500
Share of other comprehensive income - GRFMA	(55)
TOTAL COMPREHENSIVE INCOME	**6,488**

Adelaide Plains Council

Draft Statement of Financial Position as at 30 June 2024

	$'000
ASSETS	
Current Assets	
Cash and cash equivalents	416
Trade & other receivables	1,031
Inventories	154
Total Current Assets	**1,601**
Non-Current Assets	
Financial Assets (Investment in GRFMA)	5,677
Infrastructure, Property, Plant and Equipment	158,571
Other Non-current Assets	15
Total Non -Current Assets	**164,263**
Total Assets	**165,864**
LIABILITIES	
Current Liabilities	
Trade & Other Payables	1,353
Borrowings	14,865
Provisions	1,009
Total Current Liabilities	**17,227**
Non-current Liabilities	
Borrowings	1,718
Provisions	220
Total Non-current Liabilities	**1,938**
Total Liabilities	**19,165**
NET ASSETS	**146,699**
EQUITY	
Accumulated Surplus	58,283
Asset Revaluation Reserve	86,410
Other Reserves	2,006
TOTAL EQUITY	**146,699**

Adelaide Plains Council

Draft Statement of Cash Flows for 2023/2024

	$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	
Rates - general & other	13,760
Fees & other charges	520
User charges	223
Investment receipts	3
Grants utilised for operating purposes	2,106
Reimbursements	139
Other revenues	48
Payments	
Employee costs	(7,075)
Materials, contracts & other expenses	(6,523)
Finance payments	(820)
Net Cash provided by (or used in) Operating Activities	**2,379**
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts	
Grants specifically for new or upgraded assets	-
Sale of replaced assets	243
Payments	
Expenditure on renewal/replacement of assets	(3,693)
Expenditure on new/upgraded assets	(1,134)
Net Cash provided by (or used in) Investing Activities	**(4,584)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts	
Proceeds from New Borrowings	2,229
Payments	
Repayments of Borrowings	(24)
Net Cash provided by (or used in) Financing Activities	**2,205**
Net Increase (Decrease) in cash held	**-**
Cash & cash equivalents at beginning of period	416
Cash & cash equivalents at end of period	**416**

Adelaide Plains Council
Draft Statement of Changes in Equity as at 30 June 2024

	$'000
ACCUMULATED SURPLUS	
Balance at end of previous reporting period	54,241
Net Result for Year	4,043
Balance at end of period	**58,283**
ASSET REVALUATION RESERVE	
Balance at end of previous reporting period	83,910
Gain on revaluation of infrastructure, property, plant & equipment	2,500
Balance at end of period	**86,410**
OTHER RESERVES	
Balance at end of previous reporting period	2,061
Share of other comprehensive income - GRFMA	(55)
Balance at end of period	**2,006**
TOTAL EQUITY AT END OF REPORTING PERIOD	**146,699**

Adelaide Plains Council
Draft Uniform Presentation of Finances for 2023/2024

	$'000
Operating Revenues	17,143
less Operating Expenses	(18,343)
Operating Surplus / (Deficit) before Capital Amounts	(1,200)
***less* Net Outlays on Existing Assets**	
Capital Expenditure on renewal and replacement of Existing Assets	3,693
less Depreciation, Amortisation and Impairment	(3,517)
less Proceeds from Sale of Replaced Assets	(243)
	(67)
***less* Net Outlays on New and Upgraded Assets**	
Capital Expenditure on New and Upgraded Assets	1,134
less Amounts received specifically for New and Upgraded Assets	-
	1,134
Net Lending / (Borrowing) for Financial Year	**(2,268)**

14. How to Measure Council Performance

Council's success is measured by the achievement of the strategic objectives outlined in the *Strategic Plan 2021-2024*, which also identifies the desired outcomes expected from the strategic objectives.

The Council measures its achievements and financial performance through the following processes:

- Regular financial reporting to Council and Audit Committee;
- Annual review and public consultation of the Long-Term Financial Plan;
- Production of the Annual Report with audited Financial Statements;
- Quarterly budget reviews in accordance with legislation;
- Monthly project progress reports to the Council;
- Monthly outstanding resolutions report to the Council;
- Annual Audit Committee works program endorsed by the Council and the Audit Committee
- Outstanding resolution report to the Audit Committee
- Annual Progress reports against the Annual Business Plan;
- Regular Community Survey;
- Customer request and complaint systems;
- Annual Business Plan and Budget consultation; and
- Financial Sustainability oversight by Essential Services Commission of South Australia every four (4) year

In addition to the strategic outcomes, Council also measures its achievements through the following financial Indicators.

Financial Indicators

When evaluating activities undertaken during any given financial year, Council considers a number of factors, one being its future financial sustainability.

A series of financial indicators have been developed by the local government sector to assist in determining whether a council is financially sustainable or moving to a position of financial sustainability.

Financial indicators which are used by the Council to measure performance and financial sustainability as recommended by the Model Financial Statements approved by the Minister for Local Governments and Local Government Association of South Australia are:-

1. Operating Surplus Ratio - Desired level is 0% and 10% on average over long term;
2. Asset Sustainability Ratio - Desired level is greater than 90% but less than 110% on average over long term; or
3. Net Financial Liabilities Ratio- Desired level is greater than 0% but no more than 100% on average over long term.

The following graph shows, Council's draft financial indicators for 2023/2024 Financial Year in comparisons to:-

- actual financial indicators since 2016/2017 Financial Year; and
- budgeted the financial indicators for 2022/2023 and 2023/2024 Financial Years.

Operating Surplus/ (Deficit) Ratio

Council's long term financial sustainability is dependent upon ensuring that, on average over time, its operating income is higher than operating expenses (i.e. an operating surplus).

The operating surplus ratio is the operating surplus (deficit) expressed as a percentage of operating income. A positive ratio indicates the percentage of operating income available to help fund planned capital expenditure. A negative ratio indicates the percentage increase in operating income or the approximate decrease in operating expenses required to achieve a break-even operating result. Council has reported an actual operating surplus throughout the period, except for in 2017/2018 Financial Year.

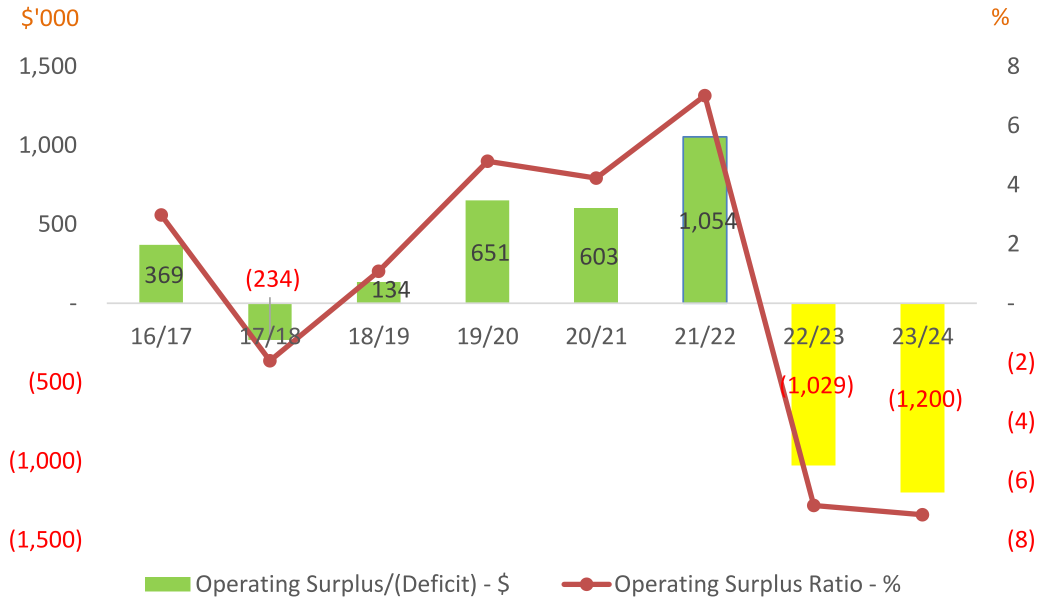


Figure 6: Operating Surplus/ (Deficit) Ratio

For 2023/2024 Financial Year, Council is forecasting an operating defecit ratio of 7% which is higher than LTFP forecast of 0%. This is mainly due to some of the operating projects identified in the LTFP being deferred to 2023/2024 Financial Year due to operational reasons (For example, Two Wells, Main street - Underground Powerlines) and increase in operating expenses due to high inflation.

Asset Sustainability Ratio

Asset Sustainability Ratio measures whether Council is renewing or replacing existing physical assets (roads, footpaths, stormwater drainage, buildings, plant and equipment and furniture and fittings etc.) at the same rate the stock of these assets is wearing out. The ratio is calculated by measuring actual capital expenditure on renewal or replacement of assets, relative to the expenditure on renewal or replacement of assets as per Council's Infrastructure and Asset Management Plan.

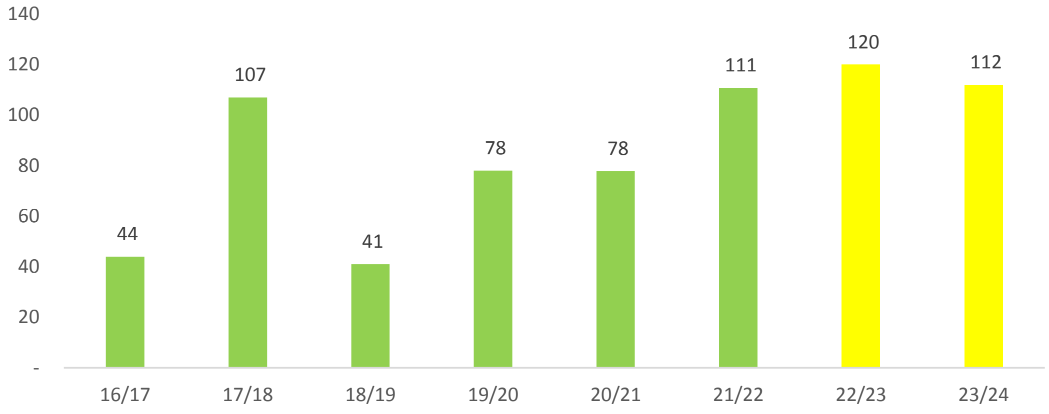


Figure 7: Asset Sustainability Ratio (%)

Net Financial Liabilities Ratio

This ratio indicates the extent to which the net financial liabilities of Council or its total indebtedness can be met by Council's total operating revenue. Net financial liabilities measure a council's indebtedness. It is a broader measure than net debt as it includes all of a council's obligations including provisions for employee entitlements and creditors.

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. Net financial liabilities equals total liabilities less financial assets where financial assets include cash, investments, and loans to community groups, receivables and prepayments. Where the ratio is increasing, it indicates a greater amount of a council's operating revenues is required to service its financial obligations.

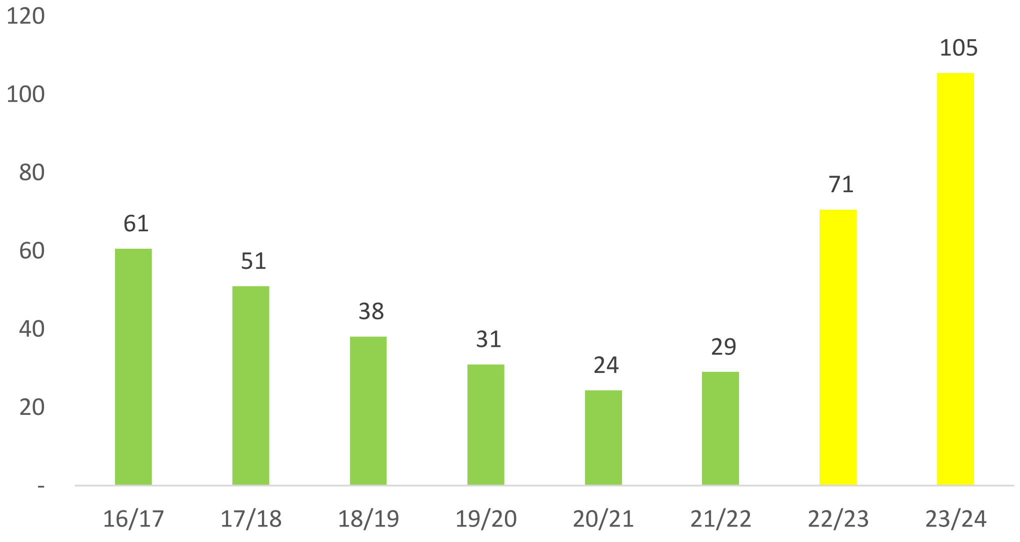
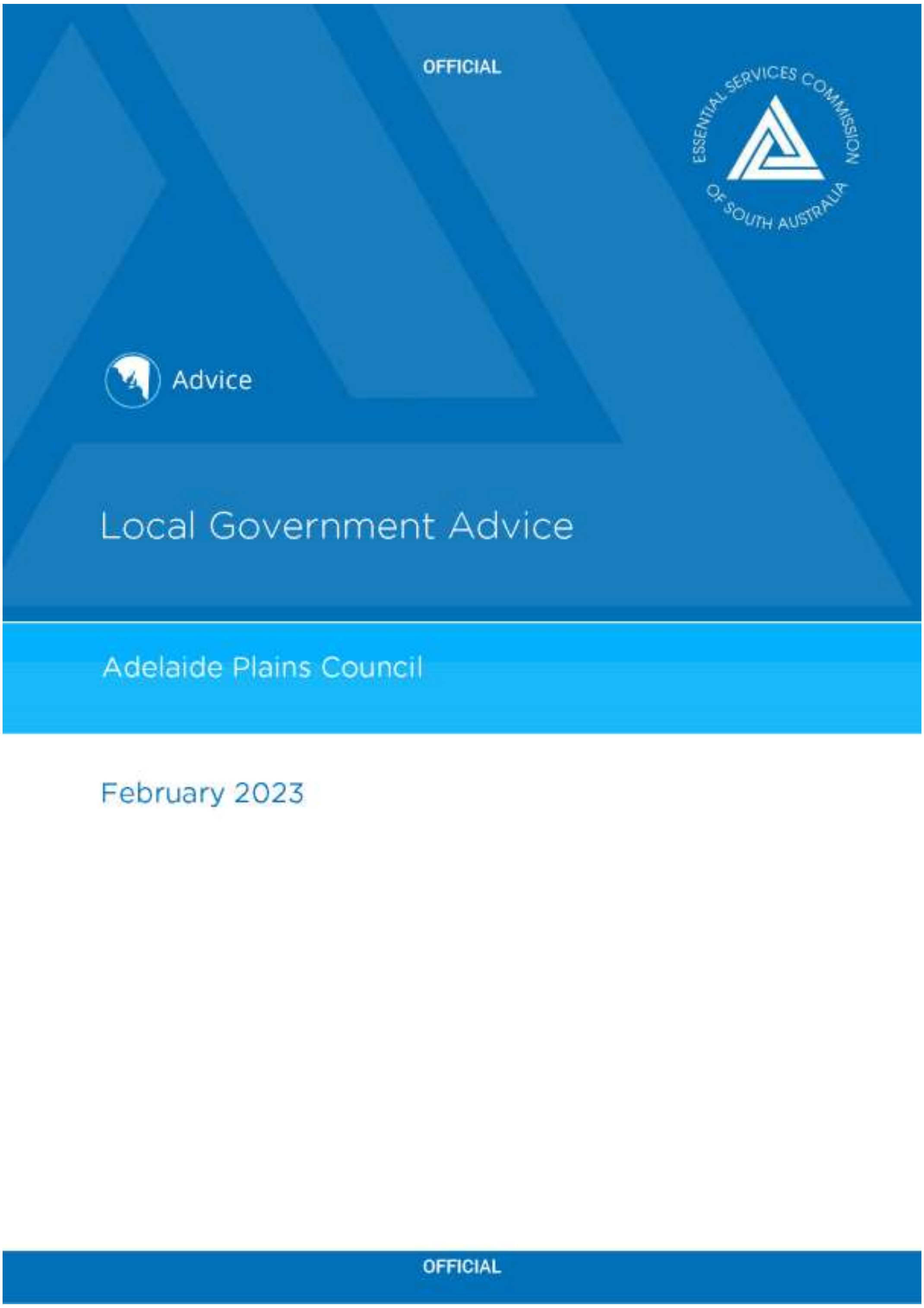


Figure 8: Net Financial Liabilities Ratio (%)

15. Local Government Advice by Essential Services Commission of South Australia



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ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

Advice

Local Government Advice

Adelaide Plains Council

February 2023

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Enquiries concerning this advice should be addressed to:

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The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

Table of contents

Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Adelaide Plains Council
CWMS	Community Wastewater Management System
ESC Act	*Essential Services Commission Act 2002*
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	*Local Government Act 1999*
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	*Local Government (Financial Management) Regulations 2011*
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the Adelaide Plains Council

The Essential Services Commission (**Commission**) finds the Adelaide Plains Council's (**Council's**) current financial position sustainable with a small operating surplus achieved historically and growing surpluses forecast. The Council's projected improvement to its financial performance is reliant on a period of service consolidation, at a minimum, and continued rate increases above inflation.

The Commission suggests the following steps to ensure that the Adelaide Plains Council annually reviews its long-term financial plan, manages its costs and growth profile efficiently, renews its asset base to meet sustainable service levels, and ultimately, constrains the extent of further rate increases:

Governance considerations

1. **Review** its long-term financial plan annually (including its 10-year projections and all relevant assumptions (including for inflation)) to better inform its decision-making and any relevant consultation processes.

Budgeting considerations

2. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Improve** the transparency and consistency of borrowing assumptions in its long-term financial plan, particularly in the calculation of 'net lending/borrowing' as per the Uniform Presentation of Finances.

Refinements to asset management planning

5. **Consider** including bridges, and plant and equipment assets in new or existing asset management plans to support the prioritisation of renewal expenditure in its long-term financial plan.
6. **Review** the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

Containing rate levels

7. **Review** and consider limiting future increases above inflation on its average residential rates (for which average rate levels are high) to help reduce any emerging affordability risk in the community.
8. **Consult** directly with its community about future rate increases and service levels (for example through a community survey or discussion forum).

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.[1]

One of the main purposes of the Local Government Advice Scheme (**advice** or **the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)[2] – both required as part of a council's SMP.[3] Financial sustainability is considered to encompass intergenerational equity,[4] as well as program (service level) and rates stability in this context.[5] The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.[6] In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.[7]

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Adelaide Plains Council (**Council**).

This report provides the Local Government Advice for the Adelaide Plains Council in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.[8] It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website[9]), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Adelaide Plains Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

Historically, the Adelaide Plains Council's community has had strong rateable property growth accompanied by strong infrastructure growth and increasing contributions from ratepayers and government grants. In general, the Commission finds the Council's current financial position sustainable, on balance, with a small operating surplus achieved historically and growing surpluses forecast. However, there are some significant risks to the income and expense forecasts.

The Adelaide Plains Council cost base is expected to rise rapidly in the short term, driven by further growth projections, with the Council anticipating an average of 150 new properties each year to

1 Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).
2 Commonly referred to as asset management plans.
3 The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.
4 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.
5 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.
6 LG Act s122(1f)(a) and (1g)(a)(ii).
7 LG Act s122(1f)(b) and (1g)(b).
8 LG Act s122(1h).
9 The Commission must publish its advice under LG Act s122(1i)(a).

2031-32. This cost growth will become embedded into the underlying cost base of the Council. In addition, the Council has factored this growth into its additional rate revenue estimates. Therefore, the future sustainability of the Council is strongly linked to its expectations regarding the further development of the community.

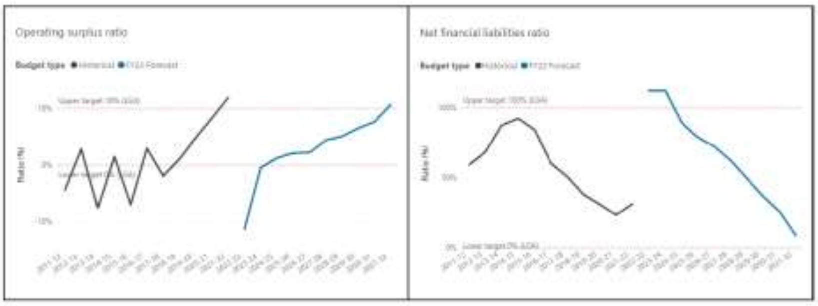
In the short term (to 2023-24), the Adelaide Plains Council is estimating that its capital expenditure will significantly increase with annual operating deficits accordingly. The Council's longer-term projections from 2024-25, comprise a decline in capital expenditure from these levels and an improving financial sustainability outlook, because operating revenue growth outpaces expense growth, with:

- continued rate increases on the community, above the rate of forecast inflation
- lower longer-term average cost growth than it has experienced over the past 10 years, and
- a moderate level of new borrowings of $4.5 million in the 2022-23 adopted budget.

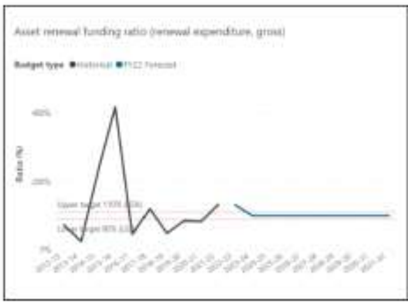
The Commission considers that there may be opportunities to achieve greater savings and efficiencies in the Council's recurrent budget and encourages it to review and report on this. This includes a review of the asset-related assumptions feeding into its estimated depreciation expenses. In general, a focus on managing its growth-related assumptions and consulting with its community about rate contributions and service levels, should help the Council to identify and act upon opportunities to reduce affordability risk to the community.

The charts below of the Adelaide Plains Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio, and average rate revenue per property, together support these findings.

The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (**LGA**) target ranges for the three main financial sustainability indicators[10] and the level of cost control and affordability risk identified for the Council over time.



[10] The suggested LGA target range for the ratios are discussed in more detail in the attachment.



Summary of the Adelaide Plains Council's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)		2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)	
Operating surplus ratio (target 0-10%)	Operating deficits ——>	Improved performance ——>		Operating deficits	Surpluses projected from 2024-25 ——>
Net financial liabilities ratio (target 0-100%)	Ratio met historically ——>			Exceeds target	Ratio projected within target from 2024-25 ——>
Asset renewal funding ratio (target 90-110%)	Volatility in renewal works spending & some years below target range ——>	Ratio below target range	Higher renewal works spending in 2021-22 and 2022-23 and ratio within target range for remaining projections ——>		
Identified Risks:					
Cost control risk	Operating expenses per property average growth 3.1% p.a. to 2021-22 (CPI 2.0%) ——>			Budget pressures (2022-23)	On average, operating expenses growth in line with forecast CPI ——>
Affordability risk	High rates revenue per property average growth of 4.4% p.a. to 2021-22 (CPI 2.0%) ——>			Projected rate revenue per property average growth above forecast CPI (CPI 2.8%) ——>	

- Red: Ratio outside suggested LGA target range or higher risk
- Yellow: Ratio close to suggested LGA target range or medium risk
- Green: Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Adelaide Plains Council's material changes to its 2022-23 plans, its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**). The attachment explores these matters further.[11]

[11] The attachment will be available on the Commission's website with the Advice.

2.2.1 Advice on material plan amendments in 2022-23

The Adelaide Plains Council has not proposed any amendments to the forward projections in its 2022-23 LTFP, nor is there an updated 2021-22 LTFP to use as a basis of comparison. The Council's Audit Committee considered updating the previous LTFP at its meeting on 12 April 2021, however the Council choose to defer this until various strategic documents were updated and initiatives costed, such as the IAMPs and Tourism and Economic Development Strategy.[12]

As such, the Commission provides commentary on the most recent material changes (identified by the Commission) arising from the 2022-23 budget,[13] as follows:

- Reduction in 'project operating expenses' by $1.0 million due to the deferral of some projects to 2023-24, for example the Two Wells Main Street – Underground Powerlines, and the Relocation of the Two Wells Waste Transfer Station.[14]
- Reduction in total capital expenditure by 9.5 percent to $8.1 million. The changes in the budget reflect an increase in asset renewals expenditure of $0.4 million to $4.6 million; offset by a decrease in new asset expenditure of $1.3 million, to $3.5 million.
- Reduction in new borrowings to $4.5 million, compared to $10.3 million proposed in the LTFP.

The Commission also notes significant cost increases in the 2022-23 budget (compared to the 2021-22 unaudited estimates) for 'employee' expenses and 'materials, contracts and other' expenses, by 18.1 percent and 24.0 percent, respectively.

The Council states this is to strengthen its internal capacity to respond to significant increases in economic development opportunities and residential growth within the district. The Commission notes that the Council experienced growth of 4.9 percent in rateable property numbers in 2021-22 (with 254 more properties), following 1.2 percent average annual growth in the preceding 9 years.[15] Further, the Council noted how it has been accumulating significant new assets which must be managed, including $5 million per annum in donated assets over the last three years.[16]

Additionally, as there was a period where the Council's LTFP was not updated, it is not clear whether the community understands the potential implications of the LTFP, the importance of the Adelaide Plains Council's forecasts of rateable property growth and economic activity in supporting the outcomes of LTFP, or the risks to ratepayers and the Council if these forecasts do not occur. An annual review of the LTFP should cover the Council's assumptions concerning growth as well as inflation and other relevant factors.

Therefore, the Commission would encourage the Council to:

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12 Adelaide Plains Council, *Ordinary Council Meeting Agenda – 27 April 2021, Item 14.1 Draft 2021/2022 Annual Business Plan and Budget for Public Consultation*, p. 76, available at https://www.apc.sa.gov.au/__data/assets/pdf_file/0024/883014/Agenda-Ordinary-Council-Meeting-27-April-2021.pdf.

13 Adopted by the Council in July 2022. The Commission has taken this approach as the Council's prior LTFP (the pre-2022-23 LTFP) was not updated since the 2018-19 LTFP was adopted on 9 July 2018.

14 Adelaide Plains Council, *2022/2023 Annual Business Plan and Budget*, July 2022, p. 73, available at https://www.apc.sa.gov.au/__data/assets/pdf_file/0021/931511/2022-2023-Annual-Business-Plan-and-Budget.pdf.

15 Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

16 Adelaide Plains Council, *2022/2023 Annual Business Plan and Budget*, July 2022, p. 9.

1. **Review** its long-term financial plan annually (including its 10-year projections and all relevant assumptions (including for inflation)) to better inform its decision-making and any relevant consultation processes.

2.2.2 Advice on financial sustainability

Operating performance

The Adelaide Plains Council has run a mix of operating surpluses and operating deficits[17] historically but the average from 2011-12 to 2020-21 is a small surplus of 0.1 percent. Growth in the average expenses per property has been 3.1 percent per annum over this period, higher than average Consumer Price Index (**CPI**) growth (of 1.7 percent per annum),[18] and led by growth of 5.8 percent per annum, on average, in 'materials, contracts and other' expenses.

In the last four years, the operating surplus ratio has averaged 6.9 percent per annum.[19] The ratio is not forecast to meet the suggested LGA target range (with a surplus) until 2024-25 (when it will be 1.5 percent), and then it progressively trends towards the upper level of the suggested LGA target range by 2031-32 (then reaching 10.7 percent).[20]

Looking forward to 2031-32, following the step change in costs in 2022-23, the Council has estimated a reduction in the rate of growth in operating expenses (to average 2.5 percent per annum, which is lower than the Reserve Bank of Australia (**RBA**)-based forecast inflation of 2.8 percent[21]). In combination with higher rate increases (which are discussed more in section 2.2.3 below), the Council's operating performance gradually improves, resulting in a positive operating surplus ratio from 2024-25. In future years, this might provide an opportunity for the Council to restrict further rate increases to reduce the extent of the surpluses forecast.

Average operating expenses per rateable property are projected to be stable in nominal terms, therefore declining in real terms by the amount of inflation. At the same time, average operating income per property is forecast to increase by 2.5 percent (nominally), still below the impact of forecast inflation. These projections indicate the importance of the forecast growth in rateable properties in minimising the impact of rising costs on households. The reduced costs and revenue per property in real terms is reliant on the Council's assumed average growth of 2.4 percent per annum (to 2031-32) in rateable properties, which is notably higher than historical growth of 1.5 percent per annum (10 years to 2021-22).

If this forecast growth does not occur, the operating expenses per rateable property will rise, if the Council cannot reverse the increases in costs in the short-term (if contracts are locked in), and this could place further pressure on rate levels. Also, the Commission notes the LTFP was last updated 12 months ago (in February 2022) and the economic environment facing the Adelaide Plains Council

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[17] This means the Council's operating expenses (including depreciation) have exceeded operating income (including rates and other revenue sources but excluding capital grants, subsidies, and contributions).

[18] CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index.

[19] The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

[20] Adelaide Plains Council, *2023-2032 Long Term Financial Plan*, February 2022, p. 20, available at https://www.apc.sa.gov.au/__data/assets/pdf_file/0029/1113995/Long-Term-Financial-Plan-2023-2032.pdf.

[21] The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

may have become less favourable since then. This further emphasises the value of the Council being flexible and responsive in managing its growth-related costs. Therefore, the Commission has found that it would be appropriate for the Council to:

2. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

The Adelaide Plains Council has consistently used borrowing and other financing options to supplement any annual shortfall of funds, and over time, this has been within the suggested LGA target range for the net financial liabilities ratio.[22] The Council's net debt has historically averaged $4.5 million annually, or 72.6 percent of its net financial liabilities. On 30 June 2022, net debt was $2.6 million, or 53.5 percent of net financial liabilities.

In its 2022-23 LTFP, the Council is projecting to initially increase borrowings, in part to fund its relatively large capital expenditure programme in 2022-23. The projections show that the ratio will decrease from a peak of 112.2 percent (exceeding the suggested LGA target) in 2022-23 to 8.9 percent to 2031-32. The reduction is projected to come from a progressive repayment of borrowings financed via higher operating income.

As noted in section 2.2.1 (above) the Council's 2022-23 budget materially reduces its borrowing requirements to $4.5 million (compared to $10.3 million in the LTFP). This appears to be related to cash flow inconsistencies identified in the Council's Uniform Presentation of Finances (included in the LTFP).

To address this, the Commission has found it would be appropriate for the Council to:

4. **Improve** the transparency and consistency of borrowing assumptions in its long-term financial plan, particularly in the calculation of 'net lending/borrowing' as per the Uniform Presentation of Finances.

Asset renewals expenditure

In 2021-22, the Adelaide Plains Council spent more on new and upgraded assets than on the renewal and rehabilitation of its existing stock. Between 2011-12 and 2020-21, its spending on new or upgraded assets averaged $1.9 million per annum, compared with $1.7 million on the renewal of its asset base.

Historically, the Adelaide Plains Council's expenditure on asset renewals has been highly volatile but on average, higher than the level recommended by its AMPs. Between 2011-12 and 2020-21, the average asset renewal funding ratio (IAMP-based) was 125 percent which is above the suggested LGA target range of 90 percent to 110 percent.[23]

[22] The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

[23] The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

In 2021-22 and 2022-23, the ratio is estimated to be high (around 130 percent) before returning to 100 percent consistently from 2023-24 (with asset renewal expenditure then projected to align with the AMP-recommended expenditure). The Council's spending on renewal assets is projected to average $2.9 million per annum to 2031-32 (in nominal terms).

In the short term, one of the reasons the Council is spending more on the renewal of its assets, is that expenditure has been added to the LTFP that is outside of the AMPs. For example, the Council has advised that AMPs have not been prepared for bridge assets ($1 million renewal in LTFP; 80 percent being grant funded), and plant and fleet assets ($0.7 million renewals in LTFP). For this reason, the Commission would encourage the Council to:

5. **Consider** including bridges, and plant and equipment assets in new or existing asset management plans to support the prioritisation of renewal expenditure in its long-term financial plan.

Even with the projected spending on asset renewals aligned with its AMP requirements from 2023-24, the Council's depreciation expenses, which represent the rate of asset consumption, are projected to continue to exceed its renewal spending. Renewal spending is forecast to account for 82 percent of depreciation expenses on average to 2031-32.[24] One area that might be leading to higher depreciation expense forecasts, relative to annual asset renewal expenditure needs, is the Council's recent accumulation of new assets. Another risk that arises when depreciation expenses exceed spending on asset renewals is that the asset lives are assumed to be shorter (in the depreciation calculation) than occurs in practice. The implication of projecting higher than necessary depreciation expenses is that higher operating income (and potentially higher rates revenue) is required to generate an operating surplus for the Council.

Therefore, it would be appropriate for the Council to:

6. **Review** the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

Further, the Council is budgeting for higher capital expenditure on new or upgraded works that is larger than the $3.8 million per annum average over the last 10 years. Practically and logistically, this maybe challenging to achieve.

2.2.3 Advice on current and projected rate levels

The Adelaide Plains Council has a history of high rate rises with average annual growth of 4.4 percent in rate revenue per property between 2011-12 and 2021-22. As a result, its residential rates are relatively high.[25] The Council implemented a 6.2 percent increase to its rates in 2022-23, higher than previously consulted upon (3.25 percent).[26] And the 2022-23 LTFP forecasts an average increase of $655 to

24 The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses) is forecast to average 87 percent to 2031-32. This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

25 Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/adelaide_plains_council. The Commission is not relying on these rate comparisons for its advice; the data source provides just one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

26 Adelaide Plains Council, *2022/2023 Annual Business Plan and Budget*, July 2022, p. 49.

existing rates by 2031-32 (to $2,758), which represents an increase of approximately $200 above the Council's assumed inflation growth.[27]

Residential ratepayers (contributing approximately 57 percent of general rates revenue) are estimated to pay an average increase of 5.5 percent. Lower increases were levied on primary production ratepayers (4.0 percent), which account for approximately 34 percent of general rates revenue.

The Council has forecast average rate revenue per property growth of 3.1 percent to 2031-32, which is higher than RBA-based average forecast inflation growth (2.8 percent). Given that the Council has assumed high growth in rateable properties over this period, the total rates revenue growth will be higher – averaging 5.6 percent per annum. As stated, this revenue estimate relies on growth of 150 properties per annum being achieved.

Affordability risk for the increases currently appears moderate. The Commission notes that the Adelaide Plains Council area has a high Socio-Economic Indexes for Areas (**SEIFA**) ranking with relativity strong access to economic resources and higher capacity to pay for higher rate levels than some other areas.[28] However, the current economic environment is putting more pressure on most communities' capacity to pay for further rate increases, including Adelaide Plains. Further, it is not evident that the Council has tested the support for the rate increases through community consultation (for example, with a survey or discussion forum about rate increases and service levels). Given that residential rates are already comparatively high in the Council area,[29] the Commission considers that it would be appropriate for the Adelaide Plains Council to:

7. **Review** and consider limiting future increases above inflation on its average residential rates (for which average rate levels are high) to help reduce affordability risk in the community.
8. **Consult** directly with its community about future rate increases and service levels (for example, through a community survey or discussion forum).

2.3 The Commission's next advice and focus areas

In the next cycle of the Scheme, the Commission will review and report upon the Adelaide Plains Council's:

- ongoing performance against its LTFP estimates (including review of growth assumptions)
- progress in improving the accuracy and consistency in its LTFP, and alignment of capital expenditure estimates included in its plans,
- actions to address any misalignment between the capital expenditure and depreciation estimates in its LTFP and various AMPs, and
- how it has sought to reduce any affordability risks.

[27] The Council's projected CPI inflation is 2.25 percent plus an allowance of 0.25 percent to fund new assets/programs (Adelaide Plains Council, *2022-23 to 2031-32 Long Term Financial Plan*, February 2022, p. 6). This is different to the CPI line in charts throughout this Advice which are based on RBA forecasts and then, a return to long run averages from 2025-26 (with growth of 2.5 percent per annum).

[28] The Adelaide Plains Council area is ranked 65 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest.

[29] See footnote 25.

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16. Adelaide Plains Council's response to the Local Government Advice by Essential Services Commission of South Australia

Adelaide Plains Council's response to the SMP Advice

Adelaide Plains Council (the Council) acknowledges the receipt of Essential Services Commission of South Australia's (ESCOSA) strategic management plans (SMP) Advice dated 28 February 2023.

The Council has reviewed the advice provided by ESCOSA and makes the following response/commentary for the Advice.

ESCOSA Advice	Council Comment	Implementation Timeframe
Governance considerations		
1. **Review** its long-term financial plan annually (including its 10-year projections and all relevant assumptions (including for inflation)) to better inform its decision-making and any relevant consultation processes.	Due to uncertainties surrounding the impact of COVID-19, Council deferred updating LTFP in 2020. It was deferred again in 2021 until various strategic documents were updated and costed.	LTFP is currently being updated as part of 2023/2024 budget process. Expected to be completed by July 2023.
Budgeting considerations		
2. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.	As part of developing 2023/2024 budget, rateable property growth is being reviewed. If the projected growth does not occur, Council will adjust growth related expenditure specially in the area of new labour resources.	As part of 2023/2024 budget process and ongoing every year.
3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.	Past and future cost savings will be reported in the 2023/2024 Annual Business Plan and Budget as recommended.	As part of 2023/2024 budget process and ongoing every year.
4. **Improve** the transparency and consistency of borrowing assumptions in its long-term financial plan, particularly in the calculation of 'net lending/borrowing' as per the Uniform Presentation of Finances.	Uniform Presentation of Finances will be updated to ensure transparency in the calculation of net lending/borrowing.	As part of 2023/2024 budget process and ongoing every year.
Refinements to asset management planning		
5. **Consider** including bridges, and plant and equipment assets in new or existing asset management plans to support the prioritisation of renewal expenditure in its long-term financial plan.	Transport - Infrastructure Asset Management Plan updated in 2021 has already covered bridges. Assets management plan will be updated to include all major plant and equipment assets when next comprehensive review of Council's assets management	As part of next update to the Council's assets management plan. Expect to occur in 2024.

	plans occurs following the review of strategic plan.	
6. **Review** the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.	Assumptions will be reviewed as part of the next review of Council's asset management plans	In 2024.
Containing rate levels		
7. **Review** and consider limiting future increases above inflation on its average residential rates (for which average rate levels are high) to help reduce any emerging affordability risk in the community.	Some of the Council's expenses have increased by more than inflation in recent years (For example, fuel, electricity, insurance, road construction/maintenance). In addition, APC is a growth Council, resulting more and more high value new houses being built every year. Therefore, average residential rate could be increased above inflation, however, this will mostly impact residential properties with increased value. For example, although average residential rates were increased by 5.46% in 2022/2023, 34% of the residential rate payers had their rates increased by less than 5.46%. (The inflation in the December 2022 quarter is 8.6% in Adelaide).	As part of 2023/2024 budget process and ongoing every year.
8. **Consult** directly with its community about future rate increases and service levels (for example through a community survey or discussion forum).	With a dedicated Marketing and Communications Officer on board, Council will explore options/avenues to directly engage with the community about future rate increases and service levels.	In 2024 as part of 2024/2025 budget process.

DRAFT

2024 - 2033 LONG TERM FINANCIAL PLAN

For public consultation

Adelaide Plains Council

Contents

1. Introduction

Background

Section 122(1a) of the Local Government Act requires councils to develop and adopt:

- a Long Term Financial Plan (LTFP) for a period of at least 10 years; and
- an infrastructure and asset management plan, relating to the management and development of infrastructure and major assets by the council for a period of at least 10 years.

Section 122(4) (a) the Local Government Act requires that the LTFP should be reviewed on an annual basis. However, section 122(4)(b) of the Local Government Act specifies that the Council must undertake a comprehensive review of its Long Term Financial Plans within two (2) years after each general election of the council.

Purpose of LTFP

The purpose of a Council's LTFP is to express, in financial terms, the activities that it proposes to undertake over the medium to longer term to achieve objectives stated in its strategic documents. It is similar to, but usually less detailed than the annual budget. Just like the budget, it is a guide for future actions, although its preparation requires the Council to think about not just one year but the longer-term impact of revenue and expenditure proposals/decisions.

LTFP also provide a level of assurance to Elected Members and the community on the sustainability of Council's operations. The aggregation of future strategic plans, programs & initiatives, their intended costs and anticipated revenues, enables the accumulation of overall financial and economic implications to be readily identified and, if warranted, future activities to be revised/deferred.

LTFP as a decision-making tool

A 10 year LTFP summarises the financial impacts of Council's strategic directions and provides an indication of the sustainability of these plans. By evaluating Council's financial strategies over a planning horizon of 10 years, Council can determine how decisions that it makes now will impact on future and ensure the impact of rates is spread equitably across generations of ratepayers so that planned service standards and infrastructure levels can be met over the long term without unplanned and disruptive increases in rates or cuts to services.

LTFP is a fluid document

The LTFP presents prospective information which will be updated and amended over time as circumstances change. Actual results are likely to vary from the information presented. Consequently, the information in this LTFP is prepared based on best estimate assumptions as to future events which Council expects are likely to take place. Therefore, LTFP will be annually reviewed, modified and refined as new information is discovered, usually as part of the adoption of the annual budget.

2. Chief Executive Officer Statement on Financial Sustainability

Adelaide Plains Council (APC) is one of the fastest growing local government areas in South Australia, second only to Mount Barker, and this trend is anticipated to accelerate over the next ten year period.

With residential land releases well underway at Two Wells, we are seeing upwards of 500 new residents moving to our region each year. Growth projections indicate that by the year 2032, our Council will have grown by approximately 5,000 people to a population of 15,000.

Strategically positioning APC to be ‘growth ready’ has been front of mind in 2021 and we have progressed a number of key blueprints which now inform the draft Long Term Financial Plan (LTFP). Our 2021-2024 Strategic Plan is now endorsed as is our Infrastructure and Asset Management Plan. Both documents shape the draft LTFP now before you as does our recently adopted Rating Review which saw no change to Council’s rating structure.

The review of the Infrastructure and Asset Management Plan and its subsequent adoption on 25 October 2021 now guides much of the draft LTFP. With our asset base valued at $184m and with $5m worth of donated assets coming into our ownership each and every year from the new residential growth at Two Wells, the allocation of funds to our various infrastructure categories becomes all the more important.

APC’s draft LTFP foreshadows that we will be able to sufficiently maintain and/or replace/renew our ever expanding suite of assets over the life of the Plan while still maintaining current service levels with no adverse impact surrounding rate hikes. In recognition of this, it is our intent to implement a rating strategy that seeks to achieve a reasonable degree of stability and predictability in the overall rates burden over the life of the Plan.

Financial sustainability is key to ensuring APC is able to continue to effectively manage current and projected growth for the benefit of both present and future generations. Financial sustainability means having a financial position capable of meeting long-term service and infrastructure levels and standards, acceptable to the community, without substantial increases in rates or cuts to services.

The key financial indicators used by the Council in this draft LTFP to assess Council’s long-term financial sustainability include:

- Operating Surplus/(Deficit) Ratio
- Asset Renewal Funding Ratio
- Net Financial Liabilities Ratio

Over the next ten year period, APC is proposing to invest $56.210m in operating and capital projects while maintaining current Council services in order to achieve the objectives of the Infrastructure & Assets Management Plans and Strategic Plan 2021-2024.

Out of total project budget of $56.210m, $6.020m (11%) would be spent on new and upgraded assets, $19.523m (35%) will be spent on new initiatives or programs in line with growth projections and $30.666m (54%) will be spent on asset renewals.

As a result, Council is forecasting operating deficits from Year 1 to 4 of the draft LTFP and a surplus budget thereafter. New borrowings of $4.628m is forecast in the first two (2) years with repayments to start from Year 3 (i.e. 2025/2026).

This draft LTFP is perhaps the most important of any delivered by this Council, particularly with the unprecedented level of activity and growth on our doorstep. Prudent financial management remains at the forefront of all that we do here at APC and this is no better evidenced than through the delivery of this draft LTFP.

I commend the draft 2024-2033 Long Term Financial Plan to you and look forward to receiving constructive feedback ahead of Council formally considering same for adoption.

James Miller

Chief Executive Officer

3. Long Term Financial Objective of the Adelaide Plains Council

The Long Term Financial Objective of Adelaide Plains Council is to be:-

"a Council which delivers on its strategic objectives by managing its financial resources in a sustainable and equitable manner by incremental growth and service cost containment to reduce the operating deficit over time; as opposed to burdening the ratepayers of the Council with short term excessive increases to their annual council rate bill".

Financial sustainability means having a financial position capable of meeting long-term service and infrastructure levels and standards, acceptable to the community, without substantial increases in rates or cuts to services. Therefore, LTFP has been developed based on following budget principles.

Principle 1: Breakeven Budget

Annual cost of Council's services and programs, including depreciation of assets, are fully funded by the current ratepayers being the consumers of those services, programs and assets.

Principle 2: Rate Stability

Annual rate collection is fair and equitable for the ratepayers with the aim to keep rate revenue increases stable over the medium term.

Principle 3: Infrastructure and Asset Management

Maintain infrastructure and assets in line with the Council's Infrastructure Asset Management Plans.

Principle 4: Prudent Debt Management

Prudent and strategic use of debt to invest in new long term assets to ensure intergenerational equity between current and future users.

4. Key Influences and Risks

This Long Term Financial Plan generates information that is used to guide decisions about Council operations into the future. However as with any long-term plan, the accuracy of this LTFP is subject to many inherent influences. These variables and risks can be divided into three main groups:

4.1 External Influences – items outside of Council's control

- Unforeseen economic changes or circumstances such as:
  - interest rates fluctuations (For example, Reserve Bank of Australia (RBA) forecast up to early 2022 that the cash rate would not be increased until inflation is within the 2% to 3% target range which was then not expected to occur until 2024. However, since May 2022, Australia has seen 10 consecutive rate rises by the RBA);
  - localised economic growth – residential and commercial development;
  - Adelaide Consumer Price Index (CPI), Local Government Price Index (LGPI); and,
  - changes in specific grant programs such as Financial Assistance Grants, Special Local Roads Grant, Roads to Recovery Grant etc.
- Unforeseen political changes or circumstances such as:
  - changes to levies and their conditions (e.g. EPA Solid Waste Levy, Regional Landscape Levy);
  - cost of natural resources such as electricity, fuel and water;

  - a change in the level of legislative compliance; and,
  - cost-shifting (e.g. Increase in Emergency Services Levy).
- Variable climatic conditions such as flooding, bushfire and drought and the resulting impact on insurance.
- Others
  - ESCOSA full cost recovery requirement for CWMS service charges;
  - ESCOSA Local Government Advice; and
  - Infrastructure assets donated by developers ($5m per year).

4.2 Internal Influences – items that Council can control

- Strategic Plan 2021-2024;
- Infrastructure & Asset Management Plans and service levels;
- Additional labour resources (outside and inside staff) needed commensurate with growth;
- depreciation (although valuations can be considered an external influence);
- rate increases and other financial influences;
- performance management;
- productivity and efficiencies in service delivery;
- Enterprise Bargaining Agreements (EBA) and associated employee costs; and
- Council investment in IT infrastructure and data security.

4.3 Community Drivers

- Community needs, expectations and the outcome of community survey.

To minimise the inherent risks of long term financial planning, the Council will review and update its Long Term Financial Plan regularly and ensures that the most recent economic data and forecasts are being used as the basis for developing and updating the Council's Long Term Financial Plan.

5. Basis of Preparation

The LTFP consolidates the funding requirements from Council's Infrastructure and Asset Management Plan and provides a holistic view which helps ensure Council operates sustainably over the 10 year period. It enables Council to effectively and equitably manage service levels, asset funding and revenue-raising decisions, balanced with achieving its financial strategy and key performance indicators.

In developing the LTFP, key financial principles have been established that underpins Council's forecast financial performance and position over a 10-year time frame. The LTFP incorporates a number of statutory and discretionary reports and assumptions as part of a statutory requirement (within the *Local Government Act 1999*). Due to the variable nature of these assumptions and changes in the economy, an annual review of the LTFP will provide the Council with the opportunity to review the financial principles to easily adapt to these external influences, changes in proposed service levels or projects. This involves concerted input from the Elected Members, Audit Committee and the community.

The financial projections and targets contained within this LTFP, indicate Council's direction and financial capacity into the future and are intended to be viewed as a guide to future actions or opportunities. This in turn encourages Council to analyse the future effects and impacts of current decisions made by Council.

For this LTFP, 2023/2024 budgeted financial statements forms the basis for year 1. Years 2 to 10 present nine (9) inclusive years of financial projections underpinned by the base data.

5.1 LTFP Framework

The LTFP has been prepared within the following framework:

- Maintaining existing Council services at current service levels.
- Continue to invest in growth to ensure future financial sustainability of the Council;
- Support the achievement of the Strategic Plan 2021-2024 objectives.
- Maintains, on average, a break-even or positive funding (cash) position over the LTFP.
- Achieve long term financial sustainability.
- Maintain intergenerational equity.
- Continues to improve the maintenance of assets in accordance with Council's Infrastructure and Asset Management Plans, with a priority on;
  - maintenance before renewal, and
  - renewal before new when it is cost effective to do so.
- Council only approves new major projects where it has identified funding capacity to do so including Prudential Review where required.
- Council continues to fund the full life-cycle costs of any new or enhanced services or construction of new assets through savings, rate increases, grant funding or new borrowings.
- Review existing services and assets to ensure they meet prioritised community needs.
- Responsible changes in rating policy while maintaining regulatory compliance.

5.2 LTFP Inputs

The LTFP has various inputs, including:

- Audited financial statement for 2022/2023 Financial Year.
- Budget adopted by the Council for 2022/2023 Financial Year and quarterly budget revisions.
- Assumptions on the inflation of various revenue and expenses.
- Relevant Enterprise Bargaining Agreement.
- Strategic Plan 2021-2024 and Infrastructure and Asset Management Plans.
- Feedback from the Audit Committee, Elected Members and the community.
- ESCOSA Local Government Advice

5.3 Key Drivers and Assumptions

It is important that Council's LTFP reflects the most recent economic data and forecasts available. Therefore, LTFP has been developed based on a number of assumptions and any shift in the actual results compared to the assumptions will cause variations to the LTFP forecast. Further, material variations between the assumptions and actuals over several years would have a very significant impact on the LTFP forecast results due to the compounding effect year on year into the future. A number of underlying key assumptions used in the LTFP have been listed in **Table 1.**

<u>Adelaide Consumer Price Index (CPI) / Local Government Price Index (LGPI)</u>

The average operating cost increases for local government materials, contracts and other service costs are estimated using the LGPI as prices of these items move in different ways to how average household prices move. The LGPI is similar to CPI but represents the movements of prices associated with goods and services consumed by local government in South Australia. It is prepared and updated on a quarterly basis by the South Australian Centre for Economic Studies.

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum for Australia. While Adelaide CPI and LGPI through the year to June 2022 have increased by 4.20% and 4.10% respectively, it is expected that the both price indices would stay higher in the short to medium term due to cost pressures as a result of pandemic recovery, low unemployment, and flow-on effect of high inflation on salary and wages. Therefore, for this LTFP, an annual CPI/LGPI of 6% has been factored when estimating income and expenses for Year 1 (2023/2024) and 4% thereafter.

However, it should be noted that on average for the period 2014/2015 to 2019/2020 (2020/2021 is excluded as the inflation for 2020/2021 is considerably lower due to COVID-19 related restrictions and government assistance to households and business), LGPI has been 0.23% higher than CPI as shown below.

Annual Inflation Changes

Year	LGPI	CPI (Adelaide)	LGPI vs CPI
June 2015	1.70%	1.60%	0.10%
June 2016	0.90%	0.90%	0.00%
June 2017	1.80%	1.50%	0.30%
June 2018	2.90%	2.30%	0.60%
June 2019	2.60%	1.50%	1.10%
June 2020	1.40%	1.80%	(0.40%)
June 2021		Excluded	
June 2022	4.10%	4.20%	(0.10%)
Average	2.20%	1.97%	0.23%

The key economic indicators and drivers used in this LTFP are summarised in **Table 1** below based on best available information as March 2023.

Table 1: Key Drivers and Assumptions used in the LTFP

Description	Assumptions
CPI/LGPI	6% in Year 1 and 4% thereafter over the next 9 years
General Rates Income	Increase in existing rates - Year 1 – 7.00% and 4.00% thereafter Growth - Year 1 - 2.55% and 2.75% thereafter
CWMS Charge	7% Year 1 and 4% thereafter over the next 9 years to comply with ESCOSA requirement for CWMS pricing.
Waste Charge	20% in Year 1 and 10.00% increase thereafter inclusive of growth.
Regional Landscape Levy	Year 1 - As advised by the Landscape Board. Thereafter, 3% increase.
Statutory charges	Income from planning applications, waste water applications and dog registration is estimated based on expected growth within Council district for the next 10 years. (2.9% on average)
User charges	3%% increase from year 1 to 10.
Grants	Estimates are based on confirmed grant programs such as Financial Assistance Grants, Special Local Roads Grant, Roads to Recovery Grant, Library Operating Grant etc. on the assumption that these grants program will continue during the 10 year period.
Employee Costs	Year 1 increase is to be confirmed in late April 2023 when March 2023 quarter Adelaide CPI is published. 4% increase from Year 2 to 10.

Materials, contracts and other	3% to 4% on average over the 10 year period (excluding additional expenses associated with growth which are captured under Operating Projects).
Depreciation	5.00% per annual from Year 1 to 10.
Finance Costs	Based on current and estimated new borrowings required.
Receivable, trade payables and provisions	No significant increase in overdue rates, trade receivable, trade payables and provisions.
Donated Assets	Council is expected to receive donated assets of $5m on average over the 10 year period from developers.

5.4 Growth Projections

Growth over the life of the LTFP has been estimated at 2.75% which is based on the expected addition of 250 new properties across the Council district through sub-divisions. The population is expected to increase by 500 persons every year throughout the 10 year period. Following table shows the expected change within Council district with regard to population, number of rateable properties, infrastructure assets and development applications in 2023 and 2033.

Table 2: Growth Projections

Description	2023	2033	Increase
Population	10,500	15,000	43%
No of Rateable Properties	5,700	8,450	48%
Value of Infrastructure Assets ($Mn)	172	307	78%
No of Development Applications per year	600	800	33%

While growth brings in additional income in the form of;

- Rates, development application fees;
- dog registration fees;
- waste water application fees;

it also adds cost pressures such as;

- additional electricity costs on public lighting;
- sealed roads maintenance, footpath maintenance, street sweeping;
- stormwater maintenance, reserve and parks maintenance;
- road signs and line-marking, weed spraying; and
- additional labour resources.

Accordingly, Council has factored in additional income and expenses in to the LTFP to account for the growth based on current service standards for infrastructure maintenance costs and current income levels.

6. 10 Year Capital and Operating Project Program

6.1 Operating Project Program

In order to achieve the objectives of the Strategic Plan 2021-2024 and the Infrastructure & Assets Management Plans, Council is planning to undertake following 19 programs and initiatives with an estimated costs of $19.523m over the 10 year period. (Final budgets and the timing of these programs will be confirmed as part of future annual budget deliberations).

Table 3: Operating Project Program ($'000)

Project Name	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	Total
ENVIABLE LIFESTYLE											
1. Roadside Vegetation Management Plan		-	-	-	-	50	-	-	-	-	50
2. New Cemetery Management System	54	-	-	-	-	-	-	-	-	-	54
3. Two Wells Library - Salt damp treatment	50	-	-	-	-	-	-	-	-	-	50
4. Open Space & Recreation Strategy		-	-	-	-	50	-	-	-	-	50
5. New Residents Kits and Business & Community Directory	-	23	-	23	-	-	23	-	-	-	69
6. Street/Verge Tree Planting	30	30	30	30	30	30	30	30	30	30	300
EMERGING ECONOMY											
7. Two Wells Land Development	35	-	-	-	-	-	-	-	-	-	35
8. Additional labour resources commensurate with growth*	241	626	911	1,218	1,548	1,903	2,283	2,691	2,799	2,911	17,131
9. Undergrounding of Power - Two Wells Main Street	600	-	-	-	-	-	-	-	-	-	600
REMARKABLE LANDSCAPES											
10. Levee, Hickinbotham Development in Two Wells	-	269	23	-	-	-	-	-	-	-	292
11. GRFMA Business Case	52	-	-	-	-	-	-	-	-	-	52
12. Two Wells Cemetery - landscaping	20	-	-	-	-	-	-	-	-	-	20
13. Two Wells - Recycled Water Use	-	40	70	75	55	85	90	70	-	-	485
PROACTIVE LEADERSHIP											
14. Bridges - Condition Assessments		-	-	-	50	-	-	-	-	-	50
15. Community Hub Investigation - Phase 2	25	-	-	-	-	-	-	-	-	-	25
16. Community Survey	-	-	-	20	-	-	20	-	-	-	40
17. Council Elections	-	-	-	50	-	-	-	50	-	-	100
18. Donaldson Rd - Design to include WSUD and open space elements	10	50	-	-	-	-	-	-	-	-	60
19. Review of Strategic Plan	-	-	-	-	30	-	-	-	30	-	60
Total Estimated Costs	**1,117**	**1,038**	**1,034**	**1,416**	**1,713**	**2,118**	**2,446**	**2,841**	**2,859**	**2,941**	**19,523**

* As additional labour resources are needed commensurate with growth, if the rate of actual growth is lower what has been factored in the LTFP, provision of additional resources will be adjusted accordingly.

6.2 Capital Works Program

Capital Works Program for the next 10 years is summarised in the **Table 4** below. It includes budgetary allocations of $36.686m across the 10-year period as follows;

- Renewal and Replacement of existing assets totalling $30.666m which is higher than the renewal/replacement expenditure required under the Council's assets management plan for next 10 years; and
- $6.020m on New and Upgraded assets (**Table 5**).

Table 4: Capital Project Program ($'000)

Expenditure Category	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Plant, Fleet & Equipment	1,181	1,300	1,015	236	1,015	1,015	1,015	1,015	1,015	1,015
Street Scape	155	100	100	100	100	100	100	100	100	100
Site Improvements	695	1,430	1,580	440	340	340	340	340	340	340
Sealed Roads	901	700	1,296	700	700	700	700	700	700	700
Unsealed Roads	1,260	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Car Parks & Traffic Control	195	60	45	-	-	-	-	-	-	-
Pram Ramps	10	10	10	10	10	10	10	10	10	10
Building	70	-	-	-	-	-	-	-	-	-
Kerbing	285	280	-	-	-	-	-	-	-	-
Stormwater	60	210	55	-	-	-	-	-	-	-
CWMS	15	25	27	20	20	20	20	20	20	20
Total Expenditure	**4,827**	**5,115**	**5,128**	**2,506**	**3,185**	**3,185**	**3,185**	**3,185**	**3,185**	**3,185**

Expenditure Category	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	31/32
New/Upgrade	1,134	1,280	1,966	320	220	220	220	220	220	220
Renewal	3,693	3,835	3,162	2,186	2,965	2,965	2,965	2,965	2,965	2,965
Total Expenditure	**4,827**	**5,115**	**5,128**	**2,506**	**3,185**	**3,185**	**3,185**	**3,185**	**3,185**	**3,185**

An Extract from the I&AMP – 10 Year Capital Expenditure Forecast

Expenditure Category	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
New/Upgrade	5,040	6,585	5,433	227	445	190	290	165	500	500
Renewal	3,091	3,390	2,461	2,661	2,493	2,486	3,102	3,650	2,691	3,069
Total Expenditure	**8,131**	**9,975**	**7,894**	**2,888**	**2,938**	**2,676**	**3,392**	**3,815**	**3,191**	**3,569**

6.3 New Capital Assets in Detail

Table 5 on the next two (2) pages provides the details of 10 year new capital program. These new projects have been included in the LTFP due to following reasons;

- New footpath – Existing townships don't have footpaths and therefore to providing standard level of service.
- New kerbing – To improve drainage in townships and to provide standard level of service
- New car parks – To improve safety and cater for growth & tourism related demand.
- New Openspace – To provide level of service outlines in the assets management plan.

Table 5: Capital Project Program in Detail ($'000) *

Project Description	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
PLANT AND EQUIPMENT										
IT Infrastructure Upgrade	33	-	-	-	-	-	-	-	-	-
STREETSCAPE										
South Terrace (Dublin) - Old Port Wakefield Road to Seventh Street	46	-	-	-	-	-	-	-	-	-
Irish Street - Butler Street to Redbanks Road	31	-	-	-	-	-	-	-	-	-
Rowe Crescent - Drew Street to Applebee Road	16	-	-	-	-	-	-	-	-	-
Chivell Street - Mary Street to End	38	-	-	-	-	-	-	-	-	-
Future Street Scape Program Allocation	-	100	100	100	100	100	100	100	100	100
KERBING										
South Terrace (Dublin) - Old Port Wakefield Road to Seventh Street	285	-	-	-	-	-	-	-	-	-
SEALING OF UNSEALED ROADS										
Sealing of Wasleys Road (Cheek Rd To Boundary Rd - Special Local Rd)	-	-	596	-	-	-	-	-	-	-
CAR PARKS & TRAFFIC CONTROL										
Two Wells Mainstreet - Pedestrian Refuges/Crossing	195	-	-	-	-	-	-	-	-	-
Ruskin Road (Thompson Beach) - Car Parking	-	60	-	-	-	-	-	-	-	-
Coastal Carpark Formalise, Adelaide International Bird Sanctuary	-	-	45	-	-	-	-	-	-	-
SITE IMPROVEMENTS										
Lewiston Dog Park Shelters	20	-	-	-	-	-	-	-	-	-
Street & Reserves/Parks Furniture Program	20	20	20	20	20	20	20	20	20	20
Streetscape and WSUD	50	50	50	50	50	50	50	50	50	50
Lewiston Wetland Trails - Seating, paths, signage	-	50	-	-	-	-	-	-	-	-
Bakers Wetland - Seating, paths, signage	-	-	50	-	-	-	-	-	-	-
Middle Beach - Foreshore upgrade	-	300	-	-	-	-	-	-	-	-
Open Space & Recreation Strategy Outcomes (Allocation)	-	50	50	-	50	50	50	50	50	50
Trail Strategy Outcomes (Allocation)	-	-	100	-	-	-	-	-	-	-
Township Entrance Signs - Allocation	140	-	-	-	-	-	-	-	-	-

Stage 2 - Hart Reserve Development - Implementation	200	-	-	-	-	-	-	-	-	-
Stage 2 - Two Wells/Mallala Ovals - Implementation	-	500	-	-	-	-	-	-	-	-
Stage 2A - Two Wells/Mallala Ovals - Implementation	-	-	500	-	-	-	-	-	-	-
Stage 3 - Two Wells Oval - Additions, Support to Area	-	-	350	-	-	-	-	-	-	-
Stage 1 - Police Block - Shelter, Skate Park, Masterplan/Concepts	-	-	50	-	-	-	-	-	-	-
Stage 2 - Police Block - Shelter, Skate Park, Masterplan/Concepts	-	-	-	150	-	-	-	-	-	-
STORMWATER										
Redbanks Road from Mallala - Two Wells Road to Irish Street	-	100	-	-	-	-	-	-	-	-
Mallala Stormwater Urban Management Plan Outcomes	-	50	55	-	-	-	-	-	-	-
Mallala Oval stormwater and road upgrade	60	-	-	-	-	-	-	-	-	-
Total New Project Budget	**1,134**	**1,280**	**1,966**	**320**	**220**	**220**	**220**	**220**	**220**	**220**

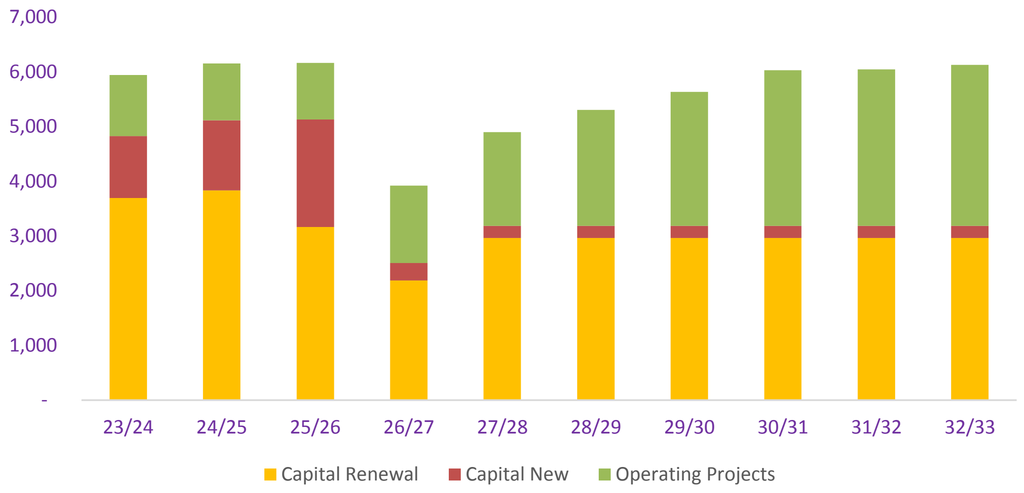
*While the estimates given above are based on best available information in April 2023, exact budgets allocation and the timing of the delivery of these capital program will be confirmed as part of future annual budget deliberations.

Total Projects Budget for Next 10 Financial Years

Graph below shows budgeted total capital and operating project program for next 10.

Proposed budget in **Table 3** and **Table 4** would result in a significant increase of project expenditures, with a considerable spike first three (3) years. The total project budget over the 10-year period is $56.210m.

Figure 1: Total Capital and Operating Project Expenses ($'000)



6.4 Projects excluded from the LTFP

Financial implications of following projects have not been factored in the LTFP pending further information, prudential reviews and formal Council resolutions although these initiatives have been identified in the Council's Strategic Plan 2021-2024. These two (2) projects are expected to cost $14.500m approximately should the Council decide to proceeds without any government grants.

- Office accommodation review outcome;
- Two Wells Community Waster Management System.

In addition, Council contribution towards potential flood mitigation works by Gawler River Floodplain Management Authority (GRFMA) has also not been included in the LTFP although these works are expected to cost a significant amount of money. This is because of GRFMA's current policy position that no capital costs for the proposed Northern Floodway are borne by constituent councils.

6.5 Long term Financing Strategy

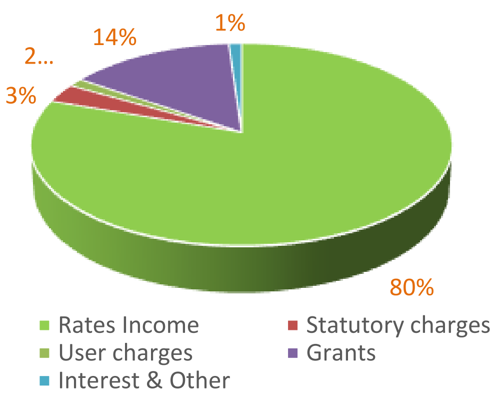
In order to delivery current range of Council services at current level as well as fund project programs identified in **Table 3** and **Table 4**, Council is planning to utilise following revenue sources as well as new borrowings in line with its Long term financial planning objectives.

- Rates income
- Statutory Charges, User Charges
- Grants, Subsidies and contributions
- Interest and other income

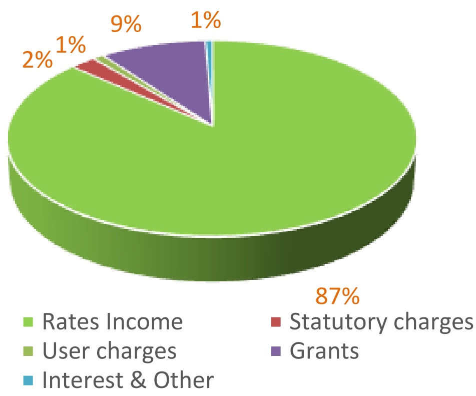
Following pie chart shows the changes in the mix of various funding sources in the financing strategy in 2023/2024 and 2032/2033 Financial Years. Accordingly, rates income contributes more than other income sources and plays very important role going forward in the delivery of Council's services, programs and projects.

Figure 2: Distribution of Operating Income based on LTFP Estimates

2023/2024



2032/2033



6.6 Projected Debt Levels

A major component of services Council provides are asset intensive which often requires a large investment, initially for the acquisition of assets and ongoing as a result of maintenance and renewal of those assets. Without the use of debt, it is very difficult for Council to finance the acquisition/construction of new assets, while at the same time finance asset renewals.

In the absence of adequate debt, Council either need to seek grant funding and/or charge higher rates against current ratepayers. Other options available for the Council is simply to defer the acquisition/construction of new assets until Council's financial position improves.

Charging higher rates against current ratepayers to fund new assets would also lead to issues with intergenerational equity while future ratepayers would continue to derive the benefit of the new assets. Therefore, using debt when done equitably and responsibly, will help alleviate the issues of intergenerational equity.

LTFP shows that the Council is required to borrow $2.229m and $2.399m respectively in Year 1 and Year 2 and no further borrowings thereafter. From Year 3 onwards, Council will be in a position to commence repaying its borrowings.

Assuming that the Council will initially borrow short-term cash advance (CAD) loans from Local Government Financing Authority (LGFA) as it is flexible and the interest rate is lower than long term debentures rates, following table shows estimated debt level at the end of relevant financial year and the associated interest expense.

Table 6: Summary of Forecast Debt Level at the end of Financial Year ($'000)

Description	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
Debenture Loans	1,718	1,691	1,664	1,635	1,604	1,573	1,540	1,505	1,469	1,431
Short-term Loans	14,865	17,265	15,127	9,843	4,451	2,609	323	33	34	36
Total Borrowings	16,583	18,957	16,791	11,478	6,056	4,182	1,863	1,538	1,504	1,467
Expected ST rates	5.88%	5.38%	4.88%	4.38%	3.88%	3.38%	2.88%	2.88%	2.88%	2.88%
ST Interest expense	743	800	843	663	382	150	75	9	1	1

It should be noted that Council's future borrowings will be made in accordance with its Treasury Management Policy which states that *'To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, of not less than 30% of its gross debt in the form of fixed interest rate borrowings.'*.

Therefore, any decisions to borrow short-term or long term funds will be made after taking in to consideration;

- Prevailing interest rates;
- Whether Council is successful in securing grants for some of the projects;
- Progress of the Council's annual project budget; and
- When rates instalments are due etc.

Indicative interest rates with LGFA as of 18 April 2023 are:

- Short-term Cash Advance 5.55%
- 5 yrs 4.89%
- 10 yrs 5.09%
- 15 yrs 5.28%

7. Long Term Financial Statements

The following pages shows Council's Long Term Financial Plan for the 10 year period.

ADELAIDE PLAINS COUNCIL

LONG TERM STATEMENT OF COMPREHENSIVE INCOME

$'000

	23/24 Year 1	24/25 Year 2	25/26 Year 3	26/27 Year 4	27/28 Year 5	28/29 Year 6	29/30 Year 7	30/31 Year 8	31/32 Year 9	32/33 Year 10
INCOME										
Rates	13,760	14,699	15,699	16,770	18,100	19,350	20,688	22,099	23,619	25,236
Statutory charges	520	535	550	566	582	599	616	634	652	671
User charges	223	230	237	244	251	259	267	275	284	293
Grants, subsidies and contributions	2,106	2,169	2,234	2,301	2,370	2,441	2,514	2,590	2,667	2,748
Investment Income	3	3	3	3	3	3	3	3	3	3
Reimbursements	139	139	139	139	139	139	139	139	139	139
Other Income	48	48	48	48	48	48	49	49	49	49
TOTAL INCOME	**16,797**	**17,822**	**18,910**	**20,070**	**21,493**	**22,839**	**24,275**	**25,788**	**27,412**	**29,138**
EXPENSES										
Employee Costs	7,075	7,358	7,652	7,958	8,276	8,607	8,952	9,310	9,682	10,069
Materials, contracts and other services	5,752	5,876	6,090	6,318	6,560	6,918	7,293	7,586	7,907	8,308
Depreciation	3,517	3,692	3,877	4,071	4,274	4,488	4,713	4,948	5,196	5,455
Finance Costs	820	908	939	660	437	236	181	148	126	67
Share of loss - joint ventures & associates	63	63	63	63	63	63	63	63	63	63
TOTAL EXPENSES	**17,226**	**17,898**	**18,621**	**19,070**	**19,610**	**20,313**	**21,201**	**22,055**	**22,974**	**23,963**
RECURRENT SURPLUS / (DEFICIT)	(429)	(76)	288	1,001	1,883	2,526	3,074	3,733	4,439	5,175
Net Operating Project Expenses	(771)	(1,038)	(1,034)	(1,416)	(1,713)	(2,118)	(2,446)	(2,841)	(2,859)	(2,941)
OPERATING SURPLUS / (DEFICIT)	(1,200)	(1,114)	(746)	(416)	170	408	628	892	1,580	2,234
Asset Disposal & Fair Value Adjustments	243	100	100	4,100	4,100	100	100	100	100	100
Amounts received for new/upgraded assets	-	-	-	-	-	-	-	-	-	-
Physical resources received free of charge	5,000	5,000	5,000	5,000	5,000	7,000	5,000	5,000	5,000	5,000
NET SURPLUS (DEFICIT)	**4,043**	**3,986**	**4,354**	**8,684**	**9,270**	**7,508**	**5,728**	**5,992**	**6,680**	**7,334**
OTHER COMPREHENSIVE INCOME										
Changes in assets revaluation surplus	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Share of Operating loss at GRFMA	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
TOTAL COMPREHENSIVE INCOME	**6,488**	**5,931**	**6,299**	**10,629**	**11,215**	**9,453**	**7,673**	**7,937**	**8,625**	**9,279**

ADELAIDE PLAINS COUNCIL
LONG TERM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

$'000

	23/24 Year 1	24/25 Year 2	25/26 Year 3	26/27 Year 4	27/28 Year 5	28/29 Year 6	29/30 Year 7	30/31 Year 8	31/32 Year 9	32/33 Year 10
ASSETS										
Current Assets										
Cash and cash equivalents	416	417	416	416	416	416	414	2,907	6,626	11,257
Trade & other receivables	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031
Inventories	154	154	154	154	154	154	154	154	154	154
Total Current Assets	**1,601**	**1,602**	**1,601**	**1,601**	**1,601**	**1,601**	**1,599**	**4,092**	**7,811**	**12,442**
Non-Current Assets										
Financial Assets (Investment in GRFMA)	5,677	5,559	5,441	5,323	5,205	5,087	4,969	4,851	4,733	4,615
Infrastructure, Property, Plant and Equipmer	158,571	166,993	171,244	176,680	182,591	190,287	195,760	200,997	205,986	210,716
Other Non-current Assets	15	15	15	15	15	15	15	15	15	15
Total Non -Current Assets	164,263	172,567	176,700	182,018	187,811	195,389	200,744	205,863	210,734	215,346
Total Assets	**165,863**	**174,170**	**178,302**	**183,619**	**189,411**	**196,990**	**202,343**	**209,955**	**218,545**	**227,788**
LIABILITIES										
Current Liabilities										
Trade & Other Payables	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353
Borrowings	14,865	17,265	15,127	9,843	4,450	2,608	324	32	33	35
Provisions	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,007	1,005
Total Current Liabilities	**17,227**	**19,627**	**17,489**	**12,205**	**6,812**	**4,970**	**2,686**	**2,394**	**2,393**	**2,393**
Non-current Liabilities										
Borrowings	1,718	1,691	1,664	1,635	1,604	1,573	1,540	1,505	1,469	1,431
Provisions	220	220	220	220	220	220	218	220	220	220
Total Non-current Liabilities	1,938	1,911	1,884	1,855	1,824	1,793	1,758	1,725	1,689	1,651
Total Liabilities	19,165	21,539	19,373	14,060	8,637	6,763	4,444	4,119	4,083	4,044
NET ASSETS	**146,699**	**152,631**	**158,929**	**169,559**	**180,775**	**190,228**	**197,899**	**205,836**	**214,462**	**223,744**
EQUITY										
Accumulated Surplus	58,283	62,270	66,624	75,308	84,578	92,086	97,814	103,806	110,485	117,819
Asset Revaluation Reserve	86,410	88,410	90,410	92,410	94,410	96,410	98,410	100,410	102,410	104,410
Other Reserves	2,006	1,951	1,896	1,841	1,787	1,732	1,676	1,621	1,566	1,511
TOTAL EQUITY	**146,699**	**152,631**	**158,929**	**169,559**	**180,775**	**190,228**	**197,899**	**205,836**	**214,462**	**223,744**

ADELAIDE PLAINS COUNCIL
LONG TERM STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE

$'000

	23/24 Year 1	24/25 Year 2	25/26 Year 3	26/27 Year 4	27/28 Year 5	28/29 Year 6	29/30 Year 7	30/31 Year 8	31/32 Year 9	32/33 Year 10
ACCUMULATED SURPLUS										
Balance at end of previous reporting period	54,241	58,283	62,270	66,624	75,308	84,578	92,086	97,814	103,806	110,485
Net Result for Year	4,043	3,986	4,354	8,684	9,270	7,508	5,728	5,992	6,680	7,334
Balance at end of period	**58,283**	**62,270**	**66,624**	**75,308**	**84,578**	**92,086**	**97,814**	**103,806**	**110,485**	**117,819**
ASSET REVALUATION RESERVE										
Balance at end of previous reporting period	83,910	86,410	88,410	90,410	92,410	94,410	96,410	98,410	100,410	102,410
Gain on revaluation of infrastructure, property	2,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Balance at end of period	**86,410**	**88,410**	**90,410**	**92,410**	**94,410**	**96,410**	**98,410**	**100,410**	**102,410**	**104,410**
OTHER RESERVES										
Balance at end of previous reporting period	2,061	2,006	1,951	1,896	1,841	1,786	1,731	1,676	1,621	1,566
Share of other comprehensive income - GRFMA	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
Balance at end of period	**2,006**	**1,951**	**1,896**	**1,841**	**1,786**	**1,731**	**1,676**	**1,621**	**1,566**	**1,511**
TOTAL EQUITY AT END OF REPORTING PERIOD	**146,698**	**152,631**	**158,929**	**169,559**	**180,774**	**190,227**	**197,899**	**205,836**	**214,462**	**223,743**

ADELAIDE PLAINS COUNCIL
LONG TERM STATEMENT OF CASH FLOWS FOR THE YEAR

$'000

	23/24 Year 1	24/25 Year 2	25/26 Year 3	26/27 Year 4	27/28 Year 5	28/29 Year 6	29/30 Year 7	30/31 Year 8	31/32 Year 9	32/33 Year 10
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts										
Rates - general & other	13,760	14,699	15,699	16,770	18,100	19,350	20,688	22,099	23,619	25,236
Fees & other charges	520	535	550	566	582	599	616	634	652	671
User charges	223	230	237	244	251	259	267	275	284	293
Investment receipts	3	3	3	3	3	3	3	3	3	3
Grants utilised for operating purposes	2,106	2,169	2,234	2,301	2,370	2,441	2,514	2,590	2,667	2,748
Reimbursements	139	139	139	139	139	139	139	139	139	139
Other revenues	48	48	48	48	48	48	49	49	49	49
Payments										
Employee costs	(7,075)	(7,358)	(7,652)	(7,958)	(8,276)	(8,607)	(8,952)	(9,310)	(9,682)	(10,069)
Materials, contracts & other expenses	(6,523)	(6,914)	(7,124)	(7,734)	(8,273)	(9,036)	(9,739)	(10,428)	(10,766)	(11,249)
Finance payments	(820)	(908)	(939)	(660)	(437)	(236)	(181)	(148)	(126)	(67)
Net Cash provided by (or used in) Opera	**2,379**	**2,642**	**3,194**	**3,718**	**4,507**	**4,959**	**5,403**	**5,903**	**6,838**	**7,753**
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Grants specifically for new or upgraded as	-	-	-	-	-	-	-	-	-	-
Sale of surplus assets	-	-	4,000	4,000	4,000	-	-	-	-	-
Sale of replaced assets	243	100	100	100	100	100	100	100	100	100
Payments										
Expenditure on renewal/replacement of as	(3,693)	(3,835)	(3,162)	(2,186)	(2,965)	(2,965)	(2,965)	(2,965)	(2,965)	(2,965)
Expenditure on new/upgraded assets	(1,134)	(1,280)	(1,966)	(320)	(220)	(220)	(220)	(220)	(220)	(220)
Net Cash provided by (or used in) Investi	**(4,584)**	**(5,015)**	**(1,028)**	**1,594**	**915**	**(3,085)**	**(3,085)**	**(3,085)**	**(3,085)**	**(3,085)**
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Proceeds from New Borrowings	2,229	2,399	-	-	-	-	-	-	-	-
Payments										
Repayments of Borrowings	(24)	(25)	(2,166)	(5,313)	(5,422)	(1,874)	(2,319)	(325)	(35)	(36)
Net Cash provided by (or used in) Financing Activities	**2,205**	**2,374**	**(2,166)**	**(5,313)**	**(5,422)**	**(1,874)**	**(2,319)**	**(325)**	**(35)**	**(36)**
Net Increase (Decrease) in cash held	**(0)**	**0**	**0**	**(1)**	**(0)**	**0**	**(0)**	**2,493**	**3,719**	**4,631**
Cash & cash equivalents at beginning of per	416	416	417	416	416	416	416	414	2,907	6,626
Cash & cash equivalents at end of perio	**416**	**417**	**416**	**416**	**416**	**416**	**414**	**2,907**	**6,626**	**11,257**

ADELAIDE PLAINS COUNCIL
LONG TERM UNIFORM PRESENTATION OF FINANCES FOR THE YEAR

$'000

	23/24 Year 1	24/25 Year 2	25/26 Year 3	26/27 Year 4	27/28 Year 5	28/29 Year 6	29/30 Year 7	30/31 Year 8	31/32 Year 9	32/33 Year 10
Operating Revenues	17,143	17,822	18,910	20,070	21,493	22,839	24,275	25,788	27,412	29,138
less Operating Expenses	(18,343)	(18,935)	(19,655)	(20,486)	(21,324)	(22,431)	(23,648)	(24,896)	(25,833)	(26,904)
Operating Surplus / (Deficit) before Capital Amounts	**(1,200)**	**(1,114)**	**(746)**	**(416)**	**170**	**408**	**628**	**892**	**1,580**	**2,234**
***less* Net Outlays on Existing Assets**										
Capital Expenditure on renewal and replacement of Existing Assets	3,693	3,835	3,162	2,186	2,965	2,965	2,965	2,965	2,965	2,965
less Depreciation, Amortisation and Impairment	(3,517)	(3,692)	(3,877)	(4,071)	(4,274)	(4,488)	(4,713)	(4,948)	(5,196)	(5,455)
less Proceeds from Sale of Replaced Assets	(243)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	(67)	**43**	**(815)**	**(1,985)**	**(1,409)**	**(1,623)**	**(1,848)**	**(2,083)**	**(2,331)**	**(2,590)**
***less* Net Outlays on New and Upgraded Assets**										
Capital Expenditure on New and Upgraded Assets	1,134	1,280	1,966	320	220	220	220	220	220	220
less Amounts received specifically for New and Upgraded Assets	-	-	-	-	-	-	-	-	-	-
	1,134	**1,280**	**1,966**	**320**	**220**	**220**	**220**	**220**	**220**	**220**
Net Lending / (Borrowing) for Financial Year	**(2,268)**	**(2,436)**	**(1,897)**	**1,249**	**1,359**	**1,811**	**2,255**	**2,755**	**3,690**	**4,605**

7.1 Long Term Financial Indicators

Council's Key Financial Indicators are primarily based on those included in the Model Financial Statements and recommended by the Local Government Association of South Australia (LGA) as appropriate for measuring financial sustainability in Local Government. These ratios provide the Local Government sector accepted approach to analysing and comparing Council's performance from year to year.

The following graphs provide a summary of Council's long term financial indicators in comparison to actual ratio for 2021/2022 and 2022/2023 budgeted ratios.

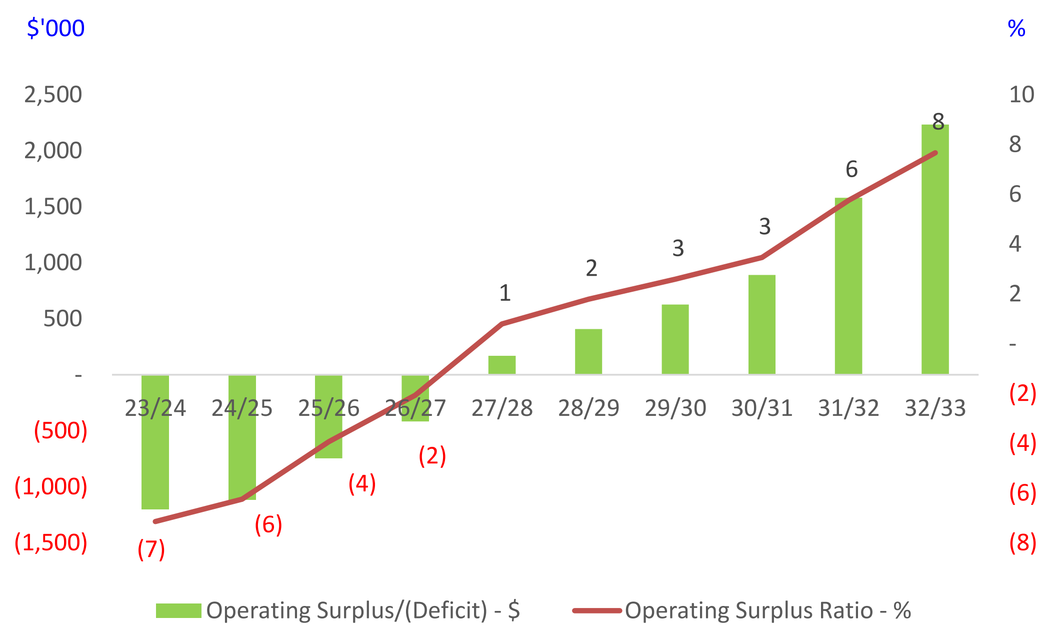
- **Operating Surplus/ (Deficit) Ratio**

The Operating Surplus/ (Deficit) ratio expresses the operating results as a percentage of total operating income. Therefore, the Operating Surplus/(Deficit) Ratio indicates the extent to which operating revenue is sufficient to meet all operating expenses and whether current ratepayers are paying for their consumption of resources.

A negative ratio indicates the percentage increase in total operating income required to achieve a break-even operating result. A positive ratio indicates the percentage of total operating income available to fund capital expenditure over and above the level of depreciation expense without increasing council's level of net financial liabilities.

LGA Recommended Target Range	: Surplus ranging from 0% to 10% on average over long term
10 Year LTFP Forecast Range	: Range of negative 7% to positive 8%

Figure 3: Operating Surplus/Deficit Ratio



LTFP forecasts an operating deficits from Years 1 to 4 and an operating surpluses from 2027/2028.

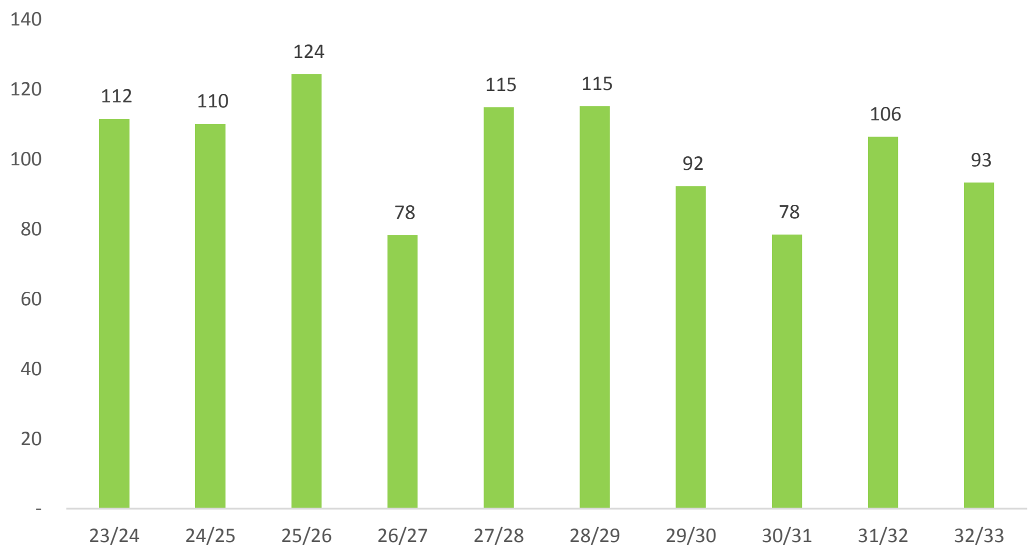
➢ Asset Renewal Funding Ratio (%)

This is a measure of the extent to which Council is renewing or replacing existing infrastructure assets that ensures consistent service delivery as determined by the Infrastructure & Asset Management Plans (I&AMPs). This ratio simply measures if Council is performing the required work to replace/renew assets and maintain the level of service.

Council's I&AMPs determine, for the given level of service, when assets need to be replaced to ensure that level of service is maintained. If Council is achieving close to 100% for this measure, then it is maintaining the current service levels delivered by assets and Council is not having assets renewal backlog.

LGA Recommended Target Range : 90% to 110% on average over long term
10 Year LTFP Forecast Range : 78% to 124%

Figure 4: Asset Renewal Funding Ratio (%)



Appropriate funding allocations has been made in the LTFP to ensure Council infrastructure assets are maintained in line with I&AMP which will ensure that there won't be any significant infrastructure renewal backlog in to the future.

➢ Net Financial Liabilities Ratio (%)

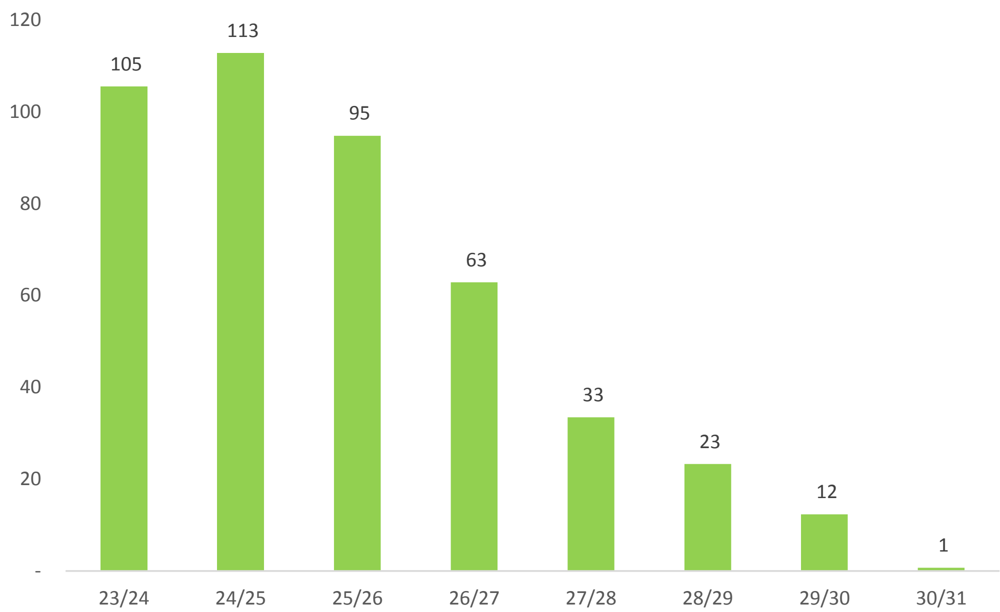
Net Financial Liabilities (NFL) is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

This ratio measures the extent to which Council is managing its debt. It's a broader measure of debt than simply looking at borrowing levels. It highlights those borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income. The ratio expresses Council's NFL as a percentage of Council's total operating income.

A steady ratio means council is balancing the need to borrow against the affordability of debt. An excessive ratio means Council is borrowing beyond their means and can't generate the income required to service assets and operations. The level of debt affects the amount of interest that Council pays which in turns affects the operating results of the Council.

LGA Recommended Target Range : 0% to 100% on average over long term
10 Year LTFP Forecast Range : 9% to 113%

Figure 5: Net Financial Liabilities Ratio (%)



Why Council is forecasting a higher NFL Ratio?

NFL ratio should be analysed against what Council is planning to do with the borrowed funds. In other words, to ensure that NFL forecasts are meaningful and sustainable, NFL ratio should be considered in the context of strategic direction of the Council. As Adelaide Plains Council is in a significant development stage, a temporary increase in NFL ratio in Year 1 and Year 2 may be acceptable as financial strategy, programs and projects have been developed based on;

a) Current service levels and range;
b) Council's assets management plans; and
c) Strategic Plan 2021-2024 objectives.

5 CLOSURE