

NOTICE OF MEETING

Pursuant to the provisions of section 88(1) of the
Local Government Act 1999

Audit Committee Meeting of the



**Adelaide
Plains
Council**

will be held

by electronic means

on

Tuesday 2 February 2021 at 4.00pm

A handwritten signature in black ink, appearing to be 'J. Miller'.

James Miller
CHIEF EXECUTIVE OFFICER

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**Adelaide
Plains
Council**

2. Confirmation of Minutes

Tuesday 2 February 2021

- 2.1 “that the minutes of the Audit Committee Meeting held on Monday 16 November 2020 (MB Folios 160 to 165, inclusive), be accepted as read and confirmed.”

MINUTES

of the

Audit Committee Meeting

of the



**Adelaide
Plains
Council**

Pursuant to the provisions of section 88 (1) of the
Local Government Act 1999

HELD

by electronic means

on

Monday 16 November at 4.30pm

The Chairperson formally declared the meeting open at 4.31pm.

1. ATTENDANCE AND WELCOME

1.1 Present

Mr Alan Rushbrook (Chairperson)	<i>By audio-visual link</i>
Mr Peter Fairlie-Jones	<i>By audio-visual link</i>
Mayor Mark Wasley	<i>By audio-visual link</i>
Deputy Mayor Marcus Strudwicke	<i>By audio-visual link</i>
Councillor Margherita Panella	<i>By audio-visual link</i>

Also in Attendance by audio-visual link

Chief Executive Officer	Mr James Miller
General Manager – Finance and Business	Mr Rajith Udugampola
General Manager – Infrastructure and Environment	Mr Thomas Jones
Manager Governance and Administration	Ms Alyssa Denicola
Administration and Executive Support Officer/Minute Taker	Ms Stacie Shrubsole
IT Support Officer	Mr Sean Murphy
External Auditor, Bentleys SA Pty Ltd	Mr David Papa
External Auditor, Bentleys SA Pty Ltd	Mr Jayson Palomaria

1.2 Apologies/Not Present:

Nil

2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes – Meeting held 17 September 2020

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley **2020/ 047**

“that the minutes of the Audit Committee Meeting held on Thursday 17 September 2020 (MB Folios 153 to 159, inclusive), be accepted as read and confirmed.”

CARRIED

3. BUSINESS ARISING

Council’s General Manager – Finance and Business provided an update in relation to Item 6.4 – Review of the Rating Strategy dated 17 September 2020 and in particular the progress of the tender process to engage a consultant to undertake the review of Council’s rating strategy.

4. DECLARATION OF MEMBERS’ INTERESTS

Nil

5. ADJOURNED BUSINESS

Nil

6. REPORTS FOR DECISION

The Chairperson sought leave of the meeting to bring forward Item 6.2 – Draft Audited Annual Financial Statements 2019/2020. Leave was granted.

6.2 Draft Audited Annual Financial Statements 2019/2020

Mr Papa, External Auditor, Bentleys SA Pty Ltd, addressed the Committee in relation to Item 6.2 – Draft Audited Annual Financial Statements 2019/2020.

Committee Resolution

Moved Councillor Panella Seconded Mayor Wasley **2020/ 048**

“that Audit Committee, having considered Item 6.2 – Draft Audited Annual Financial Statements 2019/2020, dated 16 November 2020, receives and notes the report and in doing so, receives and notes the Annual Financial Statements and notes forming part of the Annual Financial statements for the 2019/2020 Financial Year”.

CARRIED

6.2 **Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2020/ 049**

“that Audit Committee, having considered Item 6.2 – *Draft Audited Annual Financial Statements 2019/2020*, dated 16 November 2020, receives and notes the report and in doing so, acknowledges that it has reviewed the Annual Financial Statements for the year ended 30 June 2020 and formed the opinion that they present a true and fair view, and recommends to the Council that they be formally adopted and be certified on behalf of the Council by the Mayor and Chief Executive Officer.”

CARRIED

6.2 **Committee Resolution**

Moved Mr Fairlie-Jones Seconded Mayor Wasley **2020/ 050**

“that the Audit Committee, having considered Item 6.2 – *Draft Audited Financial Statements 2019/2020*, dated 16 November 2020, receives and notes the report and in doing so, authorises its Chairman to sign the *Certification of Auditor Independence*.”

CARRIED

6.2 **Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2020/ 051**

“that the Audit Committee, having considered Item 6.2 – *Draft Audited Financial Statements 2019/2020*, dated 16 November 2020, receives and notes the report and in doing so, acknowledges that Council’s independent Auditor Mr David Papa of Bentleys (SA) Pty Ltd intends to issue an unqualified opinion in relation to the Financial Statements and the Internal Financial Controls of the Council for the 2019/2020 Financial Year.”

CARRIED

6.2 **Committee Resolution**

Moved Mr Fairlie-Jones Seconded Councillor Panella **2020/ 052**

“that the Audit Committee requests the Chief Executive Officer to bring back a report to the next Audit Committee meeting in regards to internal auditing and in particular the issue of assurance in relation to asset valuations.”

CARRIED

Mr Papa and Mr Palomaria, External Auditors, Bentleys SA Pty Ltd, left the meeting at 5.09pm and did not return.

6.1 Update on Audit Committee Annual Work Program 2020-2021

Committee Resolution

Moved Mayor Wasley

Seconded Mr Fairlie-Jones

2020/ 053

“that the Audit Committee, having considered Item 6.1 – Update on Audit Committee Annual Work Program 2020-2021, dated 16 November 2020, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2020/2021 Financial Year to also include resolution number 2020/052.”

CARRIED**7. REPORTS FOR INFORMATION**

7.1 Committee Resolutions

Committee Resolution

Moved Mr Fairlie-Jones

Seconded Deputy Mayor Strudwicke

2020/ 054

“that the Audit Committee, having considered Item 7.1 – Committee Resolutions, dated 16 November 2020, receives and notes the report.”

CARRIED

7.2 Review of Audited Financial Results for 2019-2020

Committee Resolution

Moved Mr Fairlie-Jones

Seconded Mayor Wasley

2020/ 055

“that Audit Committee, having considered Item 7.2 – Review of Audited Financial Results for 2019-2020 against Adopted Budget, dated 16 November 2020, receives and notes the report.”

CARRIED**8. CONFIDENTIAL ITEMS**

Nil

9. GENERAL BUSINESS

Nil

10. NEXT MEETING

Monday 1 February 2021 at 4.30pm

11. CLOSURE


There being no further business, the Chairperson declared the meeting closed at 5.35pm.

Confirmed as a true record.

Chairperson:.....

Date: ___/___/___

Subject to Confirmation

 Adelaide Plains Council	6.1	Rates Review – Draft Discussion Paper
	Department: Report Author:	Finance and Business General Manager - Finance and Business
Date: 2 February 2021	Document Ref:	D21/3909

EXECUTIVE SUMMARY

- The purpose of this report is to seek feedback from the Members of the Audit Committee for the ‘Draft Rates Review Discussion Paper’ (**Attachment 1**) prepared by Corinne Garrett of UHY Haines Norton (the consultant).
- The main objective of the rates review is not to increase rates revenue rather it is about the distribution (fairness and equity) of rates between ratepayers (land use categories).
- However, in addition to the review of fairness and equity, rates review also provide the opportunity for the Council to improve its financial position/sustainability by addressing potential inefficiencies that may be present in the current rating methodology.
- Therefore, as with any change in the methodology of rating, there will be a number of ratepayers that receive a reduction of rates and others with an increase of rates.
- At an informal gathering held on 13 January, Elected Members received a presentation (**Attachment 2**) from the consultant.
- In line with the Council resolution on the rates review and the tender brief provided, the consultant discussed with the Elected Members:-
 - Current capital value based differential rating system and the fixed charge;
 - Comparison of Council’s rating system with that of two (2) neighbouring Councils similar to Adelaide Plains Council;
 - Community profile of the Council’s three (3) wards;
 - Socio-economic factors within wards of the Council in comparison with two (2) neighbouring Councils;
 - How rating strategy can be used to support Council’s strategic management plan objectives;
 - Should the Council change current rating methodology, if so what are the strategies available?
- If the feedback from the Audit Committee and the Council is to continue with the current rating methodology, draft discussion paper will be updated to reflect such feedback and public consultation is not required to continue with the current methodology under *the Local Government Act 1999*.

- Alternatively, if the Audit Committee and the Council wish provide feedback and also to seek public views on the alternatives proposed in the draft discussion paper, the consultant will prepare ‘Draft Consultation Paper’ which will be presented to the Council in March 2021.

RECOMMENDATION 1

“that the Audit Committee, having considered Item 6.1 – *Rates Review – Draft Discussion Paper*, dated 2 February 2021, receives and notes the report and in doing so Audit Committee has considered ‘Rates Review – Draft Discussion Paper’, presented as Attachment 1 to this Report and acknowledge that the Audit Committee members are satisfied with the current rating methodology of the Adelaide Plains Council due to following reasons:-

- a)
- b)
- c) “

OR

RECOMMENDATION 2

“that the Audit Committee, having considered Item 6.1 – *Rates Review – Draft Discussion Paper*, dated 2 February 2021, receives and notes the report and in doing so Audit Committee has considered ‘Rates Review – Draft Discussion Paper’, presented as Attachment 1 to this Report, and provide following feedback:-

- a)
- b)
- c) “

BUDGET IMPACT

Estimated Cost:	Not Applicable
Future ongoing operating costs:	Not Applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

Nil

Attachments

1. Rates Review – Draft Discussion Paper
2. PowerPoint presentation from Rates Review Workshop 1

DETAILED REPORT

Purpose

The purpose of this report is to seek feedback from Audit Committee Members for the 'Draft Rates Review Discussion Paper' (**Attachment 1**) prepared by Corinne Garrett of UHY Haines Norton (the consultant).

Background/History

There is a legal requirement for Councils to consult with their communities when considering changes to their rating methodology.

Section 151 of the Local Government Act 1999 states as follows;

(5) Before a council—

- (a) changes the basis of the rating of any land (including by imposing differential rates on land that has not been differentially rated in the preceding financial year, or by no longer imposing differential rates on land that has been differentially rated in the preceding financial year); or*
- (b) changes the basis on which land is valued for the purposes of rating; or*
- (c) changes the imposition of rates on land by declaring or imposing a separate rate, service rate or service charge on any land,*

the council must—

- (d) prepare a report on the proposed change; and*
- (e) follow the relevant steps set out in its public consultation policy.*

(6) A report prepared for the purposes of subsection (5)(d) must address the following:

- (a) the reasons for the proposed change;*
- (b) the relationship of the proposed change to the council's overall rates structure and policies;*
- (c) in so far as may be reasonably practicable, the likely impact of the proposed change on ratepayers (using such assumptions, rate modelling and levels of detail as the council thinks fit);*
- (d) issues concerning equity within the community,*

and may address other issues considered relevant by the council.

(7) A public consultation policy for the purposes of subsection (5)(e) must at least provide for—

- (a) the publication in a newspaper circulating within the area of the council a notice describing the proposed change, informing the public of the preparation of the report required under subsection (5)(d), and inviting interested persons—*
 - (i) to attend 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*
 - (ii) to make written submissions in relation to the matter within a period (which must be at least 21 days) stated in the notice; and*

(b) the council to organise the public meeting contemplated by paragraph (a)(i) and the consideration by the council of any submissions made at that meeting or in response to the invitation under paragraph (a)(ii).

At the Audit Committee meeting held on 17 September 2020, Audit Committee resolved as follows;

6.4 *Review of the Rating Strategy*

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2020/ 037**

“that the Audit Committee, having considered Item 6.4 – Review of the Rating Strategy, dated 17 September 2020, receives and notes the report and in doing so:

- 1. Recommends that Council instructs the Chief Executive Officer to commence a tender process to engage a suitably qualified consultant to undertake the review of Council’s rating strategy; and**
- 2. Recommends that the tender brief include, amongst other items, the following:**
 - a. Differential Rating Strategy**
 - b. Fixed Charge**
 - c. Community Wastewater Management System.”**

CARRIED

Councillor Panella left the meeting at 3.09pm and did not return.

At the Council meeting held on 28 September 2020, Council resolved as follows;

12.4 Moved Councillor Parker Seconded Councillor Daniele **2020/ 315**

“that Council endorses resolution 2020/037 of the Audit Committee and in doing so instructs the Chief Executive Officer to:

- 1. Commence a tender process to engage a suitably qualified consultant to undertake a review of Council’s rating strategy; and**
- 2. Include in the tender brief, amongst other items, the following:**
 - a. Differential Rating Strategy**
 - b. Fixed Charge.”**

CARRIED

Accordingly, following a competitive Request for Quote process, Council appointed Corinne Garrett, a Local Government Consultant from UHY Haines Norton to conduct the Rates Review.

Discussion

Why Council need a rating review?

A rating review should be undertaken periodically as the most appropriate rating system for a council may vary overtime as changes occur in its area, including as a result of:

- a) A change in the mix of properties, for example as a result of development;
- b) A change in the mix of council services; and
- c) Significant changes in relative value between different classes of property.

The Local Government Act 1999 allows considerable flexibility in rating methodology in order for councils to tailor their decisions to the overall circumstances of their area and its community. There is no single rating system that best suits or will be preferred by all ratepayers. Whatever the final decision there will be trade-off judgements that inevitably need to be made.

Equity considerations need to have regard to both the relative benefits received and relative capacity to pay of different classes of ratepayers. Taxation theory suggests that all other things being equal, a person who receives more benefits should pay a higher share of total council rates. Similarly a person who has less capacity to pay should pay less. Often though these factors are not complementary and weightings need to be given to the importance of each one; e. g. someone may receive more benefits but have less capacity to pay.

Draft Discussion Paper

With feedback and information from the Council, the consultant prepared 'Rates Review - Draft Discussion Paper' as contained in the **attachment 1**. Consultant also held a workshop with the Elected Members on 13 January 2021 and made a PowerPoint presentation as contained in the **Attachment 2**.

In line with the Council resolution and the tender brief provided, the consultant discussed with the Elected Members:-

- Current system of capital value based differential rating system and the fixed charge;
- Comparison of Council's rating system with that of two (2) neighbouring Councils similar to Adelaide Plains Council;
- Community profile of the Council's three (3) wards
- Socio-economic factors within wards of the Council in comparison with two (2) neighbouring Councils;
- How rating strategy can be used to support Council's strategic management plan objectives;
- Should the Council change current rating methodology, if so what are the strategies available?

Rating Structure – Is the current structure fair and an equitable?

Since last rates review conducted in 2013, Council management have not experienced any significant dissatisfaction among ratepayers regarding the current rating structure. Elected Members may wish to maintain current rating structure unchanged and given below are the possible justifications for such a decision.

- a) There is currently no strong agitation for change from any particular class of ratepayers;
- b) the current three (3) differentials rating system based on capital value of properties is a fair and an equitable system. It is also easy to administer;

by rating each individual property based on a land use system of differentiation, all properties which have a common land use council-wide (as determined by the independent Valuer General) would be charged the same rate in the dollar (of capital value).

- c) any reduction in rates for one land use category will result in an increase in rates for other land use categories;

Many councils offer lower differential rates to primary producers and charge higher differential rates to commercial and industrial property owners relative to residential properties. Presumably they believe that relative to the value of the property, primary producers have less capacity to pay taxes and commercial and industrial property owners more.

Evidence to substantiate such claims is likely to be difficult to find. Nevertheless the fact that such differential arrangements are commonplace and have not changed materially over time at least suggests that there is widespread community perception of such differences in capacity to pay. That is other ratepayers seem generally to accept primary producers often receiving more favourable rating treatment.

Similarly there is typically across different council areas little agitation from commercial and industrial ratepayers as a result of being charged a higher tax rate. It seems well accepted

Rating Structure - Potential Changes and the Impact

Usually, a rating review will considers the distribution of rates between different types of ratepayers and not an overall increase in rates as the Council can increase total rates raised as part of adopting annual business plan and budget each year. The potential changes put forward in the discussion paper **(Attachment 1)** are made on the assumption that it will redistribute the rating burden and not increase overall rates.

According to the discussion paper, Council could implement one (1) of three (3) strategies within the current rating structure as summarised in the following table.

Table 1: Potential Changes to the Current Rating Structure and their Impact

Strategy	Impact on the Council	Impact on the ratepayers
a) Increase fixed charge* and reduce rate in the \$.	No significant impact on overall general rates income.	Rates of low valued properties' would increase but the rates of higher valued properties would decrease .
b) Increase primary production (PP) differential and making the PP rate in the \$ the same as residential properties. Reduce rate in the \$ and/or fixed charge for all properties.	No significant impact on overall general rates income.	Rates payable by primary production properties will increase** and for all other ratepayers it will decrease** .

c) Making the commercial and Industrial rate in the \$ the same as residential properties***. Increase rate in the \$ and/or fixed charge for all properties.	No significant impact on overall general rates income.	Rates payable by commercial and Industrial properties will decrease** and for all other ratepayers it will increase** .
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- * Fixed charge is currently \$110 per property (one of the lowest in the State), however, applicable only once on contiguous properties or properties considered as part of 'single farm enterprises'
- ** Some commercial, industry, primary production ratepayers are able to claim tax deductions for the Council rates paid whereas Residential (except where rented) cannot take advantage of such benefit. Often councils implicitly factor this in when considering differentials.
- *** Discussion paper suggests that differential may be used to support a policy direction such as to encourage commercial or industrial development, or deterring a particular land use. There may be examples where this can be justified (e.g. a higher differential on vacation land to discourage land banking and speculation) but generally reducing differentials to attract commercial or industrial development is not effective and potentially costly. Rates are rarely considered in business investment/location decisions.

However, Council can give the perception of lower rates (and thereby being business friendly) to commercial and Industrial sector if same rate in the dollar as residential is applied.

Likely Impact on Ratepayers

Below is an extract from the Section 9.6.4 of the Draft Discussion Paper (**Attachment 1**) that explains likely impact on ratepayers under four (4) different scenarios.

The rateable properties within Adelaide Plains have the following characteristics; (the highest proportion in each range is highlighted)

Value Range	Residential	Commercial & Industry	Primary Production	Vacant Land	Other
Under \$200k	15%	45%	4%	70%	78%
\$200k to \$399k	48%	26%	44%	27%	11%
\$400k to \$599k	33%	12%	31%	1%	0%
\$600k to \$800k	3%	5%	10%	1%	11%
\$800k to \$1m		3%	4%		
\$1m to \$2m		10%	6%		
\$2m to \$4m			1.4%		
\$26m			1 property		

There are numerous scenarios that can be modelled when considering rating changes. No one model will favour all property types and values. The following models provide an understanding of changes that could be made and their effect on sample properties.

Along with individual properties, many primary producers will hold multiple land parcels that make up part of a whole farming enterprise. Where the properties are occupied by the same enterprise with the same names, the fixed charge is only allocated to one property for each enterprise.

To understand the effect on these large farming enterprises our modelling shows the effect of one sample group of properties that total \$10.8m in value over 15 properties with 5 fixed charges levied.

Model 1 *Leave Fixed Charge at \$110 (continue to increase each year by inflation)*
Decrease Commercial/Industrial to 100% of Residential Differential
Leave Primary Production at 91% of Residential Differential

Model 2 *Increase Fixed Charge to \$200*
Leave Commercial/Industrial at 130% of Differential
Leave Primary Production at 91% of Residential Differential

Model 3 *Increase Fixed Charge to \$200*
Decrease Commercial/Industrial to 100% of Residential Differential
Leave Primary Production at 91% of Residential Differential

Model 4 *Increase Fixed Charge to \$200*
Decrease Commercial/Industrial to 100% of Residential Differential
Increase Primary Production to 100% of Residential Differential

Proposed timetable for the Rates Review

Following tentative timeline has been developed for the completion of rates review. It should be noted that the length of the process depends on whether the Council intend to change the existing rating methodology which requires 21 days public consultation.

Table 2 : Proposed Timeline

Description	When
Seek feedback from the Audit Committee for the Draft Discussion Paper	2 February 2020
Seek feedback from the Elected Members for the Draft Discussion Paper	February Ordinary Council meeting on 22 February 2020
Draft Public Consultation Paper <i>(If the Elected Members wish to change current rating methodology, 'Draft Public Consultation Paper' is presented for Elected Members)</i>	Special Council meeting possibly on 8 March 2021 (Tentative)

Final Rates Review Discussion Paper <i>(If the Elected Members wish to continue with current rating methodology, public consultation is not required)</i>	March Ordinary Council meeting on 22 March 2021
Public Consultation / Public Meeting	11 March 2021 to 8 April 2021
Workshop 2 - Public Consultation Results <i>(A workshop will be held to discuss the outcomes of public consultation with Elected Members and key staff. The public consultation results and discussion will be used to inform the final report for Council consideration)</i>	Informal gathering 2 on 13 April 2021
Final Report for Council Consideration <i>(Preparation of report to finalise the rating review for final Council Endorsement)</i>	April Ordinary Council meeting on 27 April 2021

Conclusion

Through a formal resolution, members of the Audit Committee have the opportunity to provide feedback to the discussion paper so that the consultant can take in to consideration those feedback when finalising 'Rates Review – Public Consultation Paper'.

While the consultant has put forward four (4) scenarios, it should be noted that there will be a number of ratepayers that receive a reduction of rates and others with an increase of rates under each scenario and therefore it may be difficult get universal approval from the community to any of the options proposed by the consultant.

References

Legislation

Local Government Act 1999 Section 151 Basis of Rating

Council Policies/Plans

Council Policy Title

Rating Review – Discussion Paper

For Adelaide Plains Council

January 2021

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1. Introduction

Councils are responsible for the delivery of a broad range of services to their communities. Each community is unique and has different priorities. Councils receive income from several sources to pay for the services they provide, and the largest revenue source is rates.

The Local Government Act 1999 allows Councils to raise rates and provides a degree of flexibility in the options used by Councils to do this. Councils need to determine the best method for their communities and review this from time to time to ensure the system they use remains relevant.

Adelaide Plains (Council) is reviewing the current methods for setting rates and what alternative methods, if any, may be more appropriate for the community.

This process is known as a rating review and considers a Council's rating requirements and the best way for that Council to distribute the rate burden amongst their community. Each Council will have different communities, so the rating system used is unique for each Council.

2. The Purpose of this Discussion Paper

The purpose of this Discussion Paper is to consider the following;

- Why Councils collect rates.
- Legislative framework for setting Council rates.
- Rating Options available
- Council's current rating methodology
- Options that may be appropriate for Council
- Consultation Requirements.

The Local Government Act 1999 requires that before a Council can change the basis of their rating system, the Council must prepare a report on the proposed change setting out the;

- Reasons for the proposed change
- Relationship of the proposed change to the Council's overall rates structure and policies
- As far as practicable, the likely impact of the proposed change on ratepayers
- Issues concerning equity within the community.
- Any other issues that Council considers relevant.

This report must be provided to the community for public consultation.

The contents of this discussion paper will be the basis of a workshop with Elected Members. Feedback from the workshop will be used to produce a Consultation Report for the community.

3. Why Councils Collect Rates

Councils are responsible for the delivery of a broad range of services to the community. The range of services continues to grow.

To support the provision of services and to improve the quality of life for all the community, whether residential, business, or primary production, Councils provide significant levels of infrastructure in the form of roads, bridges, drainage, buildings, parks, and recreation facilities. This infrastructure needs to be maintained and replaced. Councils also provide a vast range of other services to their communities.

Each Council provides unique services for their own communities as different communities have different priorities. Councils are therefore faced with the challenge to:

- Establish an affordable and sustainable level of infrastructure and services for its community; and
- Equitably distribute revenue raising that provides funding for infrastructure and services.

As each Council faces different circumstances and provide a different mix of services to its community, it is likely that its revenue requirements are different from its neighbours. The capacity of each Council to raise revenue and the way that the ratepayers will share in providing the revenue will also be different in each Council.

5.1 Nature of Council Rates

Taxation is the major source of revenue for Governments. Councils are responsible for raising their own revenue by way of property taxation (Rates) and user charges as prescribed by legislation. Councils also receive Government funding.

Many ratepayers will question the value they individually receive from the rates they pay; however, rates are raised as a form of taxation for services for the whole community. Rates are a wealth tax, taxed against the value of property. The principle being that the more property, or the higher the value of the property, the more you should and are able to pay.

One problem with a wealth tax is that someone that owns a property that has a high value may not have the income to pay a higher level of tax. An example is a person, who has lived in an area their whole life, but the area has become popular and the value of the property has increased dramatically. That person may now be living in a very valuable property and rated as such but may not have the income to afford this level of rating.

5.2. Principles of Taxation

When setting taxes, Governments and Councils need to be mindful of the principles of taxation. The principles are:

- equity – taxpayers with the same income pay the same tax (horizontal equity), wealthier taxpayers pay more tax (vertical equity);
- benefit – taxpayers should receive some benefits from paying tax, but not necessarily to the extent of the tax paid;
- ability-to-pay – in levying taxes the ability of the taxpayer to pay the tax must be considered;
- efficiency – if a tax is designed to change consumers' behaviour and the behaviour changes, the tax is efficient (e.g., tobacco taxes), if a tax is designed to be neutral in its effect on taxpayers and it changes taxpayers' behaviour the tax is inefficient; and
- Simplicity – the tax must be understandable, hard to avoid and easy to collect.

To some extent these principles conflict with each other. Governments and Councils must balance the application of the principles, the policy objectives of taxation, the need to raise revenue and the effects of the tax on the community.

6. Legislative Framework for Setting Council Rates

The Local Government Act 1999 (The Act) sets out the framework of rating for Councils. The Act can be accessed at: <https://www.legislation.sa.gov.au/>.

The legislation outlines the following topics which are relevant for Council when considering changing its basis of rating.

Chapter 10 – Rates and Charges

- **Part 1 – Rates and charges on land**
 - Division 1 - Preliminary
 - Division 2 – Basis of rating
 - Division 3 – Specific characteristics of rates and charges
 - Division 4 – Differential rating and special adjustments
 - Division 5 – Rebates of rates
 - Division 6 – Valuation of land for the purpose of rating

7. Valuations

Rates are calculated against the valuation of a property. There are two valuation options available under the current legislation being Capital (improved value) of a property, i.e., land and house valued together, or Site where only the land value is used.

Site value is not used by many Councils in South Australia and the drafted Statutes Amendment (Local Government Review) Bill 2020 may remove this option in the future.

8. Rating Options Available

There are several alternative rating options available under the Local Government Act 1999. The options that can be considered are;

- A General Rate
- A Differential General Rate
- Fixed Charge
- Minimum Rate
- Tiered Rating
- Separate Rates

All rating options provide different ways for the cost of running the Council to be distributed amongst ratepayers. Councils need to consider the profile and issues of their communities and determine the method that distributes the rates tax burden in the most appropriate manner for their community.

7.1. A General Rate

All properties are charged the same 'rate in the dollar', regardless of land use or locality. This is very simple to administer.

7.2. A Differential Rate

This means there are different 'rates in the dollar' set for different categories of properties. Differentiating property based on Locality and Land Use are described below. A Council can use either Land Use or Locality or a combination of both.

A differential rate allows a Council to structure their rating strategy more closely with their community's needs and profile and to use rating as a tool to assist in achieving Council's strategic goals.

7.2.1. Locality

Rating according to where a property is. Some Councils set different 'rates in the dollar' for different townships, or whether a property is inside or outside a township(s). The locality is determined by development zone the property is in.

7.2.2. Land Use

This is where the 'rate in the dollar' is set depending upon what the property is used for. The Land Use types in accordance with the Local Government Regulations and as determined by the Valuer General are:

- Residential
- Commercial (Shop)
- Commercial (Office)
- Commercial (Other)
- Industrial (Light)
- Industrial (Other)
- Primary Production
- Vacant Land
- Other
- Marina Berth

The use of differential rates makes the rating system more complex, but not usually to the extent that it offends the simplicity principle. This is reflected by the fact that most South Australian Councils use this rating method. Differentials can also be used based on combinations of Locality and Land Use and Councils that use this combination can have quite complex rating structures.

Differential rates based on land use can allow a Council to set policy direction in regard to their rating, such as:

- Lower 'rate in the dollar' to assist or encourage a certain type of land use.
- Higher 'rate in the dollar' to deter a certain type of land use, or as an acknowledgement that a land use group needs to pay a higher contribution to the rates burden for the community.

7.3. Fixed Charge

Under this system a fixed amount is first applied evenly against all ratepayers. The remaining amount of rate revenue would be based on the valuation of the property.

The Act states that a Council must not seek to set a fixed charge at levels that will raise more than 50% of all general rate revenue.

The fixed charge is levied against a property first and then a Rate in the Dollar (RID) is charged against the valuation of the property and these amounts are combined to reach the rates that will be levied for this property. If a fixed charge is not levied, the RID will be higher to reach the same level of calculated rates.

The effect of a fixed charge is a lower rate in the dollar resulting in higher valued properties paying less than they would if there were no fixed charge.

This system would disadvantage owners of lower valued properties and could offend the 'ability to pay' principle.

Developers with several adjoining blocks will only pay one fixed charge and all the remaining properties will be charged at a lower rate in the dollar.

Contiguous Land provisions contained within the Act provide that only one fixed rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property).

Single Farm Enterprises are also only subject to one fixed rate (where applicable). In accordance with legislation, the fixed charge is not applicable to Marina Berths.

7.4. Minimum Rate

A minimum rate is only applied where the calculated rates (valuation x RID) are lower than a point that Council has set as a minimum to pay. This ensures that all ratepayers pay at least a certain amount.

Unlike a fixed charge, the higher valued properties do not gain an advantage. Care must be taken that the minimum is not set so high as to offend the 'ability to pay' principle. Legislation also sets that the total of properties on the minimum rate does not exceed 35%.

Contiguous Land provisions contained within the Act provide that only one minimum rate is payable across adjoining land owned and occupied by the same ratepayer (as if they were one property). Developers with adjoining blocks will have only one minimum applied.

Single Farm Enterprises are also only subject to one minimum rate (where applicable). In accordance with legislation, the minimum rate is not applicable to Marina Berths.

7.5. Tiered Rating

In some Council areas, there are many low valued residential properties with relatively few high valued properties. The rate in the dollar will be set to obtain a reasonable contribution from every property towards the cost of providing infrastructure and services. It may well be the case that the few high valued properties are paying disproportionately more as compared to the impact of services on their property values. The Local Government Act makes a provision which allows Councils to adjust the rate in the dollar applied to properties in a specified range of values, however no more than 35% of rateable properties in a Council's area are to be affected by this measure.

The effect of this provision in a Council with a wide range of property values is that a significant number of lower valued properties will attract an increase in rates, whilst higher valued properties receive a reduction.

This method offends the equity principle. It would also affect negatively the 'ability to pay' principle. However, in considering the benefit principle, there may be some justification for considering this method.

Tiered rating can also be applied in the opposite manner where properties in the lower value range may pay a lower rate in the dollar.

This method is rarely used in South Australia.

7.6. Separate Rates

A Council can set a separate rate for the whole or part of an area for the purpose of planning, carrying out, making available, supporting, maintaining, or improving an activity that is of particular benefit to the occupiers of the land within that area.

7.7. Service Rates & Charges

A service charge is raised where a service is provided. Councils often raise service charges for the:

- Treatment or provision of water i.e.; Community Wastewater Management System, (CWMS)
- Collection of domestic waste i.e.; Mobile Garbage Bin Collection
- Provision of Water

Legislation provides that Service Rates & Charges need to cover the costs of the services provided, including the cost of replacement infrastructure such as the replacement of pipes and pumps within a Community Wastewater Management System.

7.8. Non-Rateable Property

Section 147 of The Local Government Act sets out the land which is exempt from rates as being:

- Crown Land
- Land held by the Crown or an instrumentality of the Crown for a public purpose.
- Land occupied by a university.
- Land exempt from rates and taxes under the Recreation Grounds Rates and Taxes Exemption Act 1981
- Land occupied by the Council except where under a lease or licence.
- Land occupied by a subsidiary.
- Land occupied or held by an emergency service organisation.
- Land exempt from Council rates by another Act

Non-Rateable properties will still incur Service Rates and Charges.

7.9. Rate Concessions

Rate Concessions for Pensioners and Self-Funded Retirees were provided on Council rates until 1 July 2015. The State Government funded the concessions.

This scheme was replaced with a 'Cost of Living Concession' which is directly provided to recipients by the State government. Councils are no longer involved in this concession.

7.10. Rate Rebates and Remissions

The Local Government Act requires Councils to rebate the rates payable for certain land uses ('Mandatory' Rate Rebates):

- Section 160 – Health Services
- Section 161 – Community Services
- Section 162 - Religious Purposes
- Section 163 – Public Cemeteries
- Section 164 – Royal Zoological Society of SA
- Section 165 – Educational Purposes

Councils also have a general power to grant discretionary rebates and remissions in accordance with Section 166 & 182 of the Local Government Act 1999. The exercise of this power allows for:

- Local discretion;
- The pursuit of local policy objectives;
- Assistance to community organisations;
- Assistance to local businesses; and
- Assistance in the case of hardship.

Some Councils that have high levels of non-resident ratepayers offer Rates Remissions (Capping) to residents of the area. This type of remission reflects the taxation principle of 'ability to pay' and can relieve the higher burden of rates on properties that have been impacted by holiday popularity and consequently higher property values. The premise is that a 'holiday' home is likely to be an additional property for a ratepayer that lives elsewhere and therefore that ratepayer has more 'wealth' than a resident who only owns the property they live in.

A rate cap (remission) of this type is applied to ensure that the rates for resident ratepayers do not increase by more than x% as determined by the Council. Councils may offer different levels of capping for different types of resident ratepayers such as pensioners.

An example of this is where a Council sets the following remissions:

- Pensioners and other Centrelink supported residents at 5%. This means that if their rates increase by more than 5%, they will receive a remission to ensure they only pay a 5% increase.
- Other residents at 10%. This means that if their rates increase by more than 10%, they will receive a remission to ensure they only pay a 10% increase.

Conditions can be developed to ensure that the Council is helping the ratepayers they intend to assist.

Some Councils offer Rates Remissions (Capping) where valuations have increased unevenly through the district and some Land Use categories are affected much more than others. A capping can assist in relieving the pressure in this situation.

Council must be mindful of the following when considering this type of remission:

- Whenever a system is adopted to allow one section of ratepayers to pay less, the other ratepayers of the Council pay more rates to cover the shortfall.
- Depending on how the rate capping is calculated;
 - Rate Capping can have an escalating effect with the amount remitted each year potentially growing.
 - Rate Capping may only assist the ratepayer in the first year with the impact of increased valuations affecting them in the second year.

7.11. Postponement of Rates

7.11.1. Hardship

Councils can wholly or partially postpone rates based on hardship in accordance with Section 182 of the Local Government Act 1999.

7.11.2. Businesses

Councils can grant postponements of rates to assist or support a business in its area.

7.11.3. Valuation Anomalies

Councils can grant other postponements of rates to alleviate the effects of anomalies that have occurred in valuations, such as an unusual spike in valuations for a particular area. Councils may introduce capping to assist ratepayers affected in this manner.

7.11.4. Unusual Events

Councils may assist ratepayers who are affected by unusual events by postponing payments, not charging fines and interest, or offering rebates. Unusual events can include;

- Fires
- Floods
- Drought
- Covid-19

7.11.5. Seniors

Ratepayers who hold a Seniors Card can apply to Council to postpone payment of the portion of rates on their principal place of residence that exceeds \$500. Postponed rates remain a charge on the land and are not required to be repaid until the property is sold or disposed of. A Council may reject an application for postponement if the amount postponed would exceed 50% of the capital value of the land.

Interest accrues on the amount affected by the postponement in accordance with the prescribed interest rate.

8. Adelaide Plain’s Current Rating Methodology

This section discusses Adelaide Plains Council’s current rating system.

8.1. Previous Rating Review

Council undertook a Rating Structure Review in 2013. The result of the review and consultation at the time resulted in the basis of rating changing from locality to land use, the introduction of a waste charge and changing from a minimum to a fixed charge. The land uses were grouped as set out below with the corresponding differentials;

- | | |
|---------------------------------|------|
| • Residential, Vacant and Other | 100% |
| • Commercial and Industrial | 130% |
| • Primary Production | 91% |

8.2. Land Valuation

Council uses the **Capital Value** provided annually by the Valuer-General as the basis for rating property within its area. The Capital Value includes both the value of the land and any improvements to the land (such as housing). This method results in higher valued properties, (such as land with a larger more expensive house), being rated higher than lower valued properties (such as land with a small house).

The Valuer-General analyses the sales of all property types to determine market movements, if any. This analysis of sales happens continuously throughout the year. The Valuer-General advises that different market movements can occur amongst varying property types and localities.

Certain properties may be eligible for a notional (concessional) value under the Valuation of Land Act 1971. This can relate to certain primary production land or where there is a state heritage recognition.

A notional value is generally less than the capital value and therefore will result in reduced rates unless the minimum rate is applicable.

8.3. Differential Rates based on Land Use.

Council calculates its rates using different rates depending on the differentiating factors of land use. The categories are set out below showing the differential relationships with Residential Land use as the base.

Rating Category	Differential compared to Residential
Residential	100%
Commercial Shop	130%
Commercial Office	130%
Commercial Other	130%
Industry Light	130%
Industry Other	130%
Primary Production	91%
Vacant	100%
Other	100%

8.4. Fixed Charge

Council currently declares a Fixed Charge (\$110 for 2020/2021). Rates are calculated by levying the fixed charge and then adding an amount calculated as value x rate in the dollar.

The Rating Structure Review in 2013 resulted in Council changing from using a Minimum Rate to a Fixed Charge. The theory behind a Fixed Charge is that there is a relative uniform level of services that apply to all ratepayers which should be covered by a Fixed Charge with the balance of rates being covered by capital values x differential rates in the dollar.

8.5. Separate Rates

Council sets a separate rate for the Landscape South Australia Levy which is raised on behalf of the State Government.

Council currently does not set any other separate rates.

8.6. Service Rates & Charges

Council currently levies Service Charges for

- Waste Collection
- Community Wastewater Management charge (CWMS)

9. Comparison to Similar Councils

Exploring information about other similar councils can assist in understanding where Adelaide Plains Council is similar and different and can assist in determining what might work best for this council.

There are 68 Councils in South Australia and they vary considerably in geographic and population size, economic situation, services provided and challenges they face. It can therefore be quite difficult to draw comparisons between Councils. However, Councils are grouped together in several ways, and these groupings can be useful to identify Councils that have similar situations.

Australian Centre of Local Government Grouping

The Department of Regional Australia, Local Government, Arts and Sport, classifies Councils in groups known as the ACLG code (Australian Centre of Local Government). The ACLG code and description for the Councils in South Australia are listed in Appendix 1.

Adelaide Plains is classified as ‘Rural Agricultural Large’ (RAL). RAL Councils are rural Councils that have a population between 5,001 and 10,000 and have agriculture as their main economic activity.

South Australian Remuneration Tribunal Groupings

Councils in South Australia are grouped by the South Australian Remuneration Tribunal for the purposes of determining the level of allowances for Elected Members. The full list of groupings is listed in Appendix 2.

Adelaide Plains is classified in Group 4 of the Remuneration Tribunal Groupings.

LGA Region

South Australian Councils are grouped into regions based on locality. Adelaide Plains is in the Legatus Group LGA Region. The full list of groupings is listed in Appendix 3.

Neighbouring Councils

Ratepayers will often compare their rates to neighbouring Councils even when those Councils may be quite different in size, both geographically and in ratepayer numbers as well as services provided. Adelaide Plains neighbouring Councils have been included in the comparison discussions below.

Comparison Councils

Combining both the Australian Centre of Local Government Grouping and the South Australian Remuneration Tribunal Groupings, results in the following Councils potentially being useful for comparison to Adelaide Plains.

Council	ACLG Code: RAL	Remuneration Tribunal Group 4	LGA Region Legatus Group	Neighbours	Common Factors
Adelaide Plains	X	X	X	X	4
Barossa			X		1
Barunga West			X		1
Clare & Gilbert Valleys	X	X	X		3
Coorong	X	X			2
Copper Coast			X		1
Flinders Ranges			X		1
Grant	X	X			2
Goyder		X	X		2
Kangaroo Island		X			1
Light Regional			X	X	2
Lower Eyre	X	X			2
Mid Murray	X	X			2
Mount Remarkable			X		1
Naracoorte Lucindale	X	X			2
Northern Areas		X	X		2
Orroroo			X		1
Peterborough			X		1
Playford				X	1
Port Pirie			X		1
Renmark Paringa	X	X			2

Tatiara	X	X			2
Wakefield	X	X	X	X	4
Walkerville		X			1
Yankalilla		X			1
Yorke Peninsula			X		1

This is a large list to compare against in any meaningful way. The following have the most in common with Adelaide Plains from the table above.

- Wakefield
- Clare & Gilbert Valleys

These Councils will be used for comparison purposes in this report.

9.1. SA Local Government Grants Commission Database 2018/19

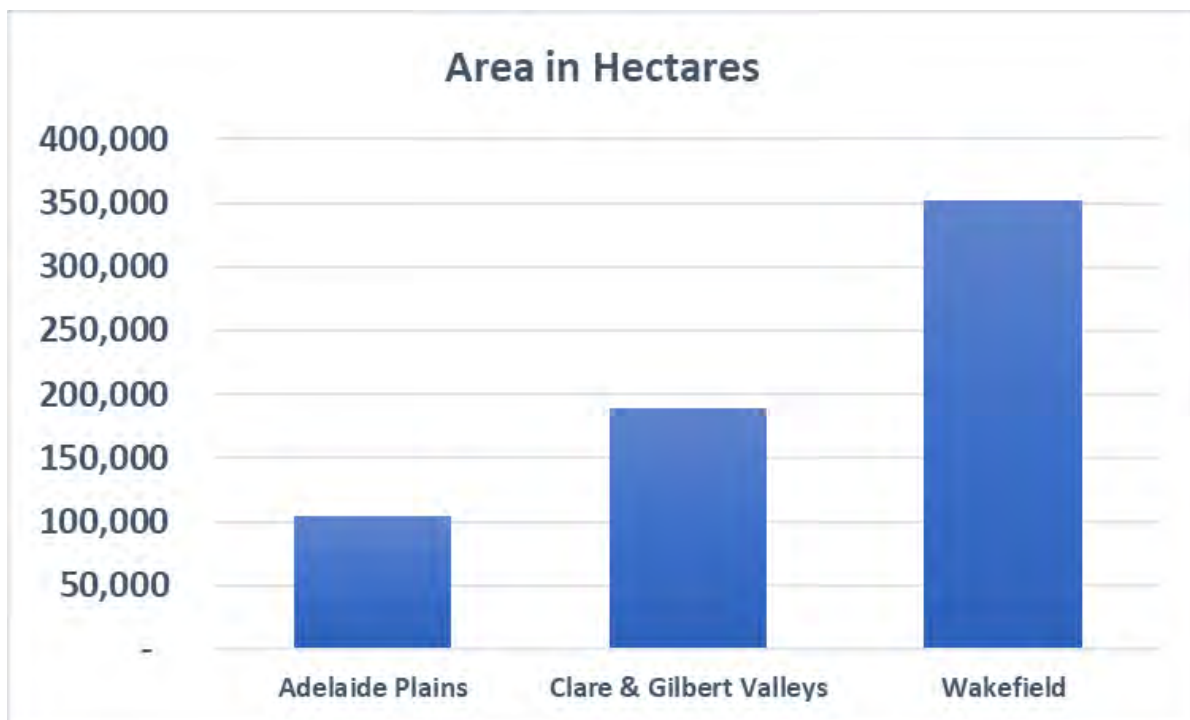
The South Australian Local Government Grants Commission Database is produced each year with the latest data available (being 2018/19 at the time of writing this paper).

This database has information collected from all South Australian Councils which can be useful when considering how a Council compares to others. Some useful comparisons are explored below.

9.1.1. Geographic Area

Councils vary widely in geographic size which can impact significantly on Council’s asset management costs. The average size of Councils in South Australia is 230,000 hectares, with Adelaide Plains Council being 104,813 hectares in size.

The graph below shows that Adelaide Plains has the smallest geographical area of the comparison councils.



9.1.2. Total Roads

Councils are responsible for asset management in their district, with the largest and most costly asset type being road infrastructure. The average length of roads that Councils in South Australia are responsible for is 1,102 Kms.

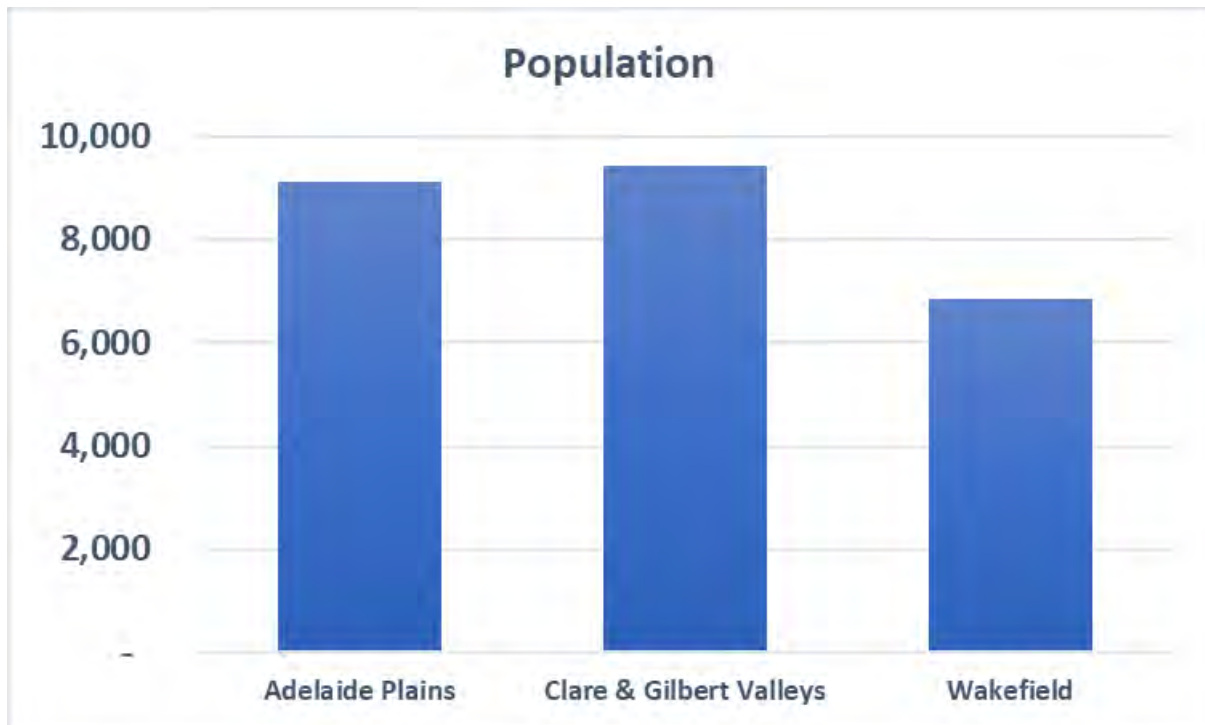
Adelaide Plains is responsible for 969 kms of Roads. This is the smallest road network of the comparison councils.



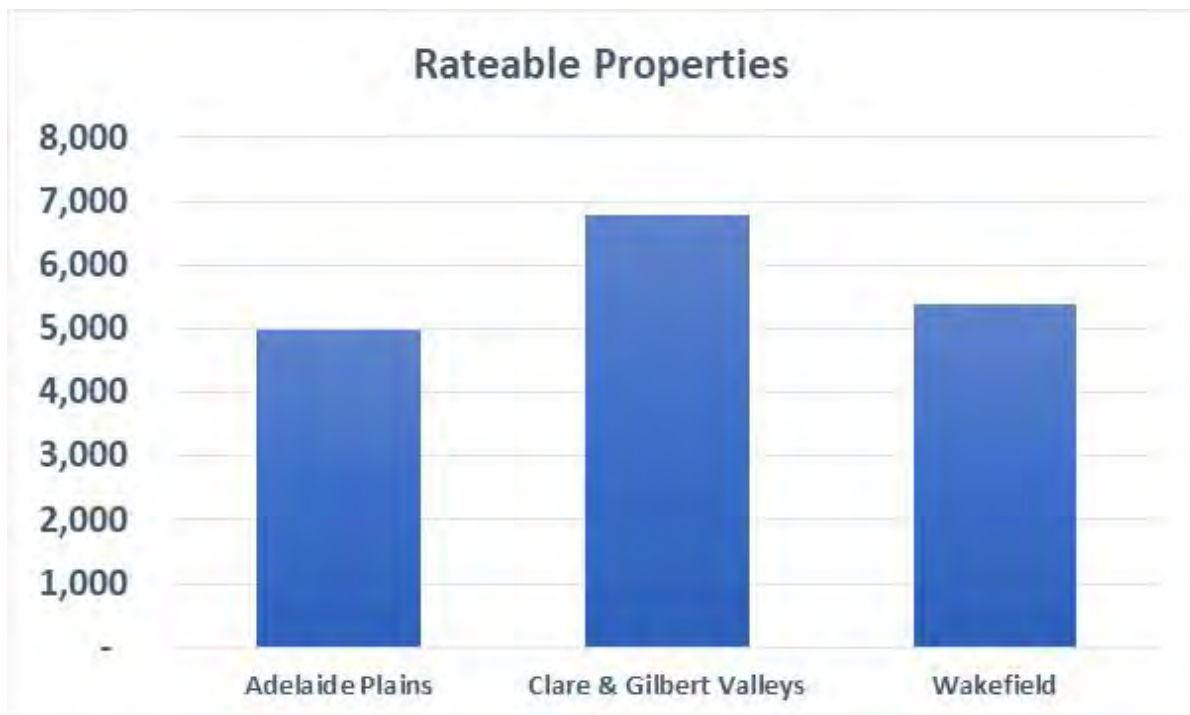
9.1.3. Number of Ratepayers and Population

A Council will have a community which is made up of ratepayers (people who own property) and non-ratepayers (such as renters and visitors/tourists). Ratepayers are made up of residents and non-residents. The size of the population determines many of the needs of a community. The population of the comparison Councils are listed in the Grants Commission Database, but this data does not reflect the extent that holiday visitors can expand the population.

Adelaide Plains is just below having the second highest population of the comparison councils and very similar to Clare & Gilbert Valleys.



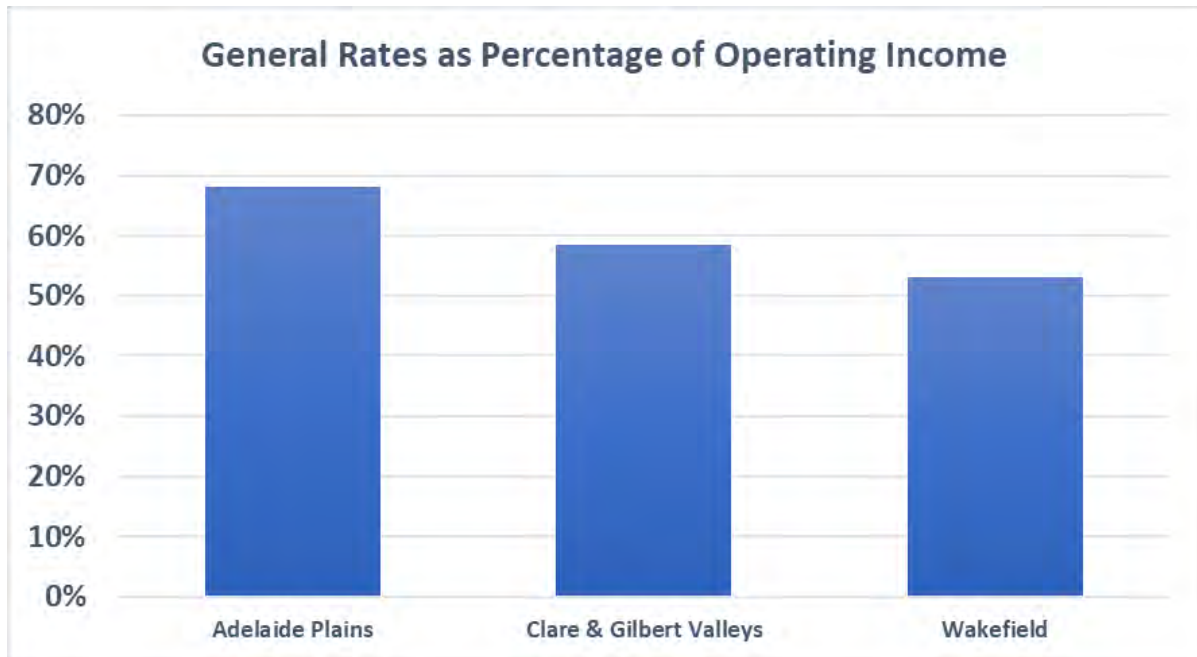
The ratepayers are the people who pay for the services that are available to the wider community. Adelaide Plains has the lowest number of rateable properties of the sample Councils.



9.1.4. Rates Revenue compared to Total Revenue.

Most Councils in South Australia rely heavily on rates as their revenue base. The average % of general rates income as a proportion of total operating revenue was 56% in 2018/19. Lower percentages are usually achieved where the Council receives higher grant income. However, some Councils, such as Adelaide City rely heavily on User Charges such as car parking. Rural Councils do not generally have high levels of User Charges and rely mostly on Rates and Grants.

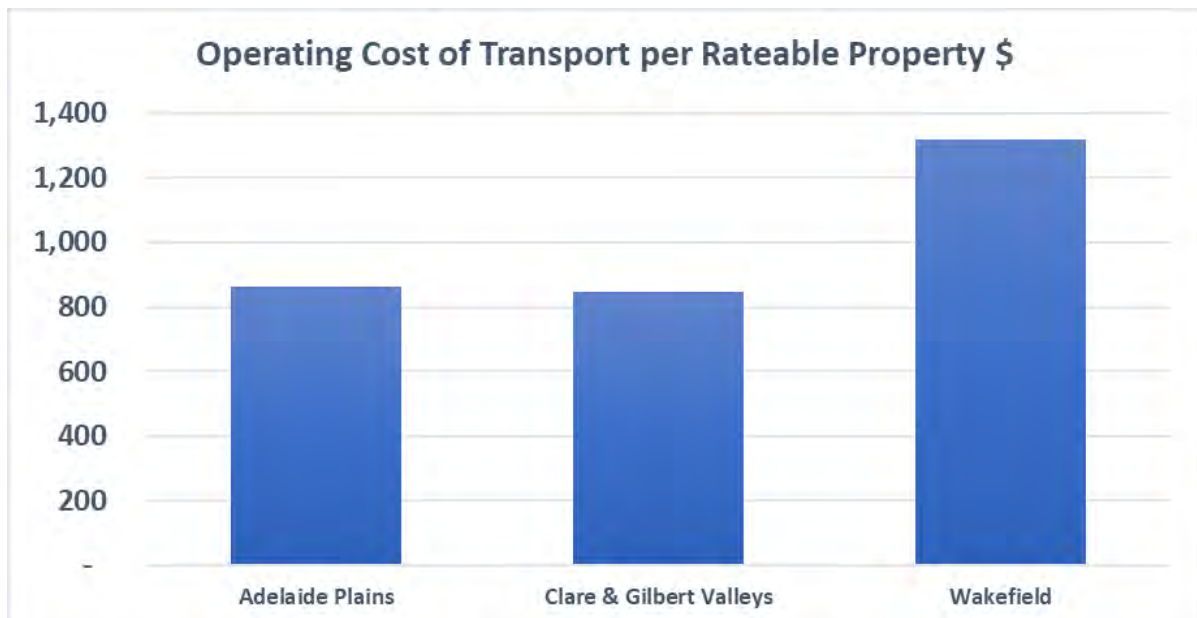
Adelaide Plains rates proportion is 68% which is the highest proportion of the sample councils.



9.1.5. Cost of Transport Assets per Ratepayer

As discussed earlier, transport assets, particularly roads are the largest cost area for rural Councils. When trying to understand the cost impacts on different Councils it can be useful to calculate the cost of this area of expenditure per ratepayer. The graphs below show the operating expenditure on transport assets (roads, bridges etc.) and the cost per rateable property for the comparison Councils. This cost does not include capital costs.

Adelaide Plains and Clare and Gilbert Valleys are similar and considerably lower than Wakefield.



A summary of data used in the graphs above is shown in the table below;

	Size in hectares	Roads (Kms)	Estimated Population	Rateable Properties	General Rates as % of Total Operating Income	Operating Costs of Transport per Rateable Property \$
State Average	230,633	1,102	25,674	13,367	56%	812
Adelaide Plains	104,813	969	9,137	4,988	68%	864
Clare & Gilbert Valleys	189,251	1,833	9,424	6,784	59%	848
Wakefield	352,162	2,686	6,838	5,386	53%	1,320

9.2. Comparison Rate Structures

9.2.1. Rating of Comparison Councils

All the comparison Councils have different issues and costs depending on their community. They also may have different rating systems. This means that comparing a Council's declared rate in the dollar does not actually compare what the ratepayers are paying. Additional charges for waste collection and CWMS will change the total rates payable.

It is more useful to compare the total rates payable for a particular value of land and land type.

The tables below show the different rating structures, differential and resulting rates charged for various properties for the comparison Councils.

Council Rating Structure	Capital / Site	Location / Land Use	Fixed/ Minimum	No. of Rating Categories	Waste	No. of CWMS Charges
Adelaide Plains	Capital	Land Use	Fixed \$110	9	Yes	2
Clare & Gilbert Valleys	Capital	Land Use	Minimum \$730	9	Yes	1
Wakefield	Capital	Land Use	Fixed \$320	9	Yes	2

Council Differential	Residential	Commercial Shop, Office & Other	Industry Light & Other	Primary Production	Vacant	Other
Adelaide Plains	100%	130%	130%	91%	100%	100%
Clare & Gilbert Valleys	100%	136%	136%	59%	100%	100%
Wakefield	100%	161%	157%	74%	392%	102%

Residential House valued at \$350,000	Rates	Waste Collection	CWMS	Total Rates
Adelaide Plains	\$1,714	\$160	\$640	\$2,514
Clare & Gilbert Valleys	\$1,766	\$211	\$390	\$2,367
Wakefield	\$1,703	\$246	\$557	\$2,506

Farm valued at \$600,000	Rates	Waste Collection	CWMS	Total Rates
Adelaide Plains	\$2,610	\$160	\$-	\$2,770
Clare & Gilbert Valleys	\$1,786	\$211	\$-	\$1,997
Wakefield	\$2,084	\$218	\$-	\$2,302

Waste collection and CWMS are charges that recoup the costs of those services. Waste Collection costs are affected by the distance trucks must cover to collect rubbish and how often collections are undertaken. CWMS costs are affected by the area serviced and the age and condition of the CWMS assets.

The following table shows the different waste collection services offered for the comparison councils. Adelaide Plains collects household refuse fortnightly where the other councils collect this weekly. A decreased service results in lower costs and therefore a lower charge to ratepayers.

Waste Collection	Household Refuse	Recycling
Adelaide Plains	Fortnightly	Fortnightly
Clare & Gilbert Valleys	Weekly	Fortnightly
Wakefield	Weekly	Fortnightly

9.3. Adelaide Plains Council Profile

9.3.1. Australian Bureau of Statistics

It is important to understand the profile of the community that a Council cares for prior to making decisions which may affect them. The Australian Bureau of Statistics (ABS) has considerable data that can be used. Adelaide Plains uses the services of .idcommunity, which is a service that provides community profiles for Councils extracted from ABS data.

Communities can vary over the whole Council. Information is shown where available for smaller areas within the Council area.

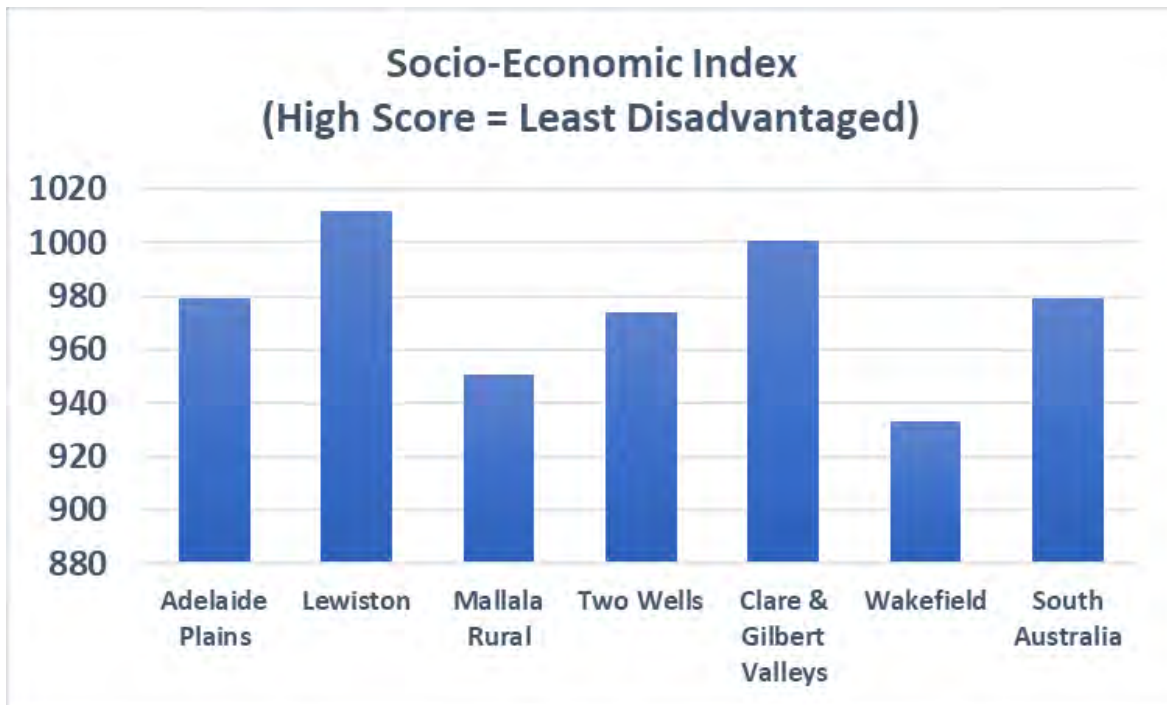
	Adelaide Plains Whole	Lewiston	Mallala – Rural Remainder	Two Wells	South Australia
Household Income (week) - Highest Proportion	\$2,000 to \$2,499	\$2,000 to \$2,499	\$1,000 to \$1,249	\$2,000 to \$2,499	\$2,000 to \$2,499
Unemployed	7%	7.6%	6.9%	6.6%	7.5%
Mortgage Repayments (month) – Highest Proportion	\$600 - \$999	\$600 - \$999	\$600 - \$999	\$600 - \$999	\$600 - \$999
Employment Industry - Highest Proportion	Construction	Construction	Agriculture, Forestry & Fishing	Manufacturing	Health Care & Social Services
Occupations - Highest Proportion	Technicians and Trades Workers	Technicians and Trades Workers	Managers	Technicians and Trades Workers	Professionals
Household type - Highest Proportion is Couples with Children	34.4%	42.5%	30.7%	36.3%	27.6%
Homes owned outright	28.1%	23.9%	34.2%	25.8%	31%
People older than 65	13.5%	10.2%	16.3%	12.8%	18.2%

9.3.2. Socio-economic Index

The Australian Bureau of Statistics produces a Socio-economic Disadvantage Index from census data. This index shows the socio-economic situation of each Council area. A low score indicates greater disadvantage. For example, an area could have a low score if there are (among other things), many households with low income, many people with no qualifications or many people in low skill occupations. A high score indicates a lack of disadvantage in general.

The graph below shows that Adelaide Plains as a whole is the same as South Australia, less disadvantaged than Wakefield but more disadvantaged than Clare & Gilbert Valleys.

Comparisons within the Council area show that Mallala Rural is the most disadvantaged area with Lewiston the least.



9.4. Adelaide Plains – Priorities and Challenges

9.4.1. Challenges and Opportunities

Adelaide Plains has significant growth occurring in some areas of the Council, 2.04% in Two Wells for 2020/2021. Growth results in additional rateable properties and increased income for Council but also additional demand for services, additional infrastructure requirements and therefore additional costs.

9.4.2. Strategic Priorities

Council’s current Strategic Plan 2017-2020 sets out the following priorities;

- Advocating for new retail, commercial and allied industrial development.
- Delivering the Northern Food Bowl Protection Areas Development Plan Amendment
- Increasing collaboration and funding through public private partnerships
- Increasing South Australian and Australian Government funding and collaboration
- Sound management of community assets
- Increasing community partnerships and volunteering as a means of delivering services to our region.

9.5. Rating as a Tool to Assist in Achieving Strategic Priorities

Rating could be used to assist in achieving some of the priorities listed above;

Strategic Priority	Rating Strategy
Advocating for new retail, commercial and allied industrial development	Currently commercial and industrial properties are rated 30% higher than residential properties. Decreasing this differential may assist in in this priority.
Delivering the Northern Food Bowl Protection Areas Development Plan Amendment	Rating cannot particularly assist in this priority however this priority indicates that primary production is important to the Council. Currently primary production properties are rated at 91% of the residential rate. Retaining this differential could

	indicate Council’s support of primary production properties.
Sound management of community assets	Setting a CWMS charge that covers all current and future costs of maintaining and renewing these systems ensures that funds are available to manage these assets appropriately
Increasing community partnerships and volunteering as a means of delivering services to our region	There are a number of rate rebate provisions within the legislation. Encouraging the application for these rebates could assist those organisations that deliver these services.

9.6. Rating Structure – Potential Changes and the Impact

Usually, a rating review will consider the distribution of rates between different types of ratepayers and not an overall increase in rates. Councils can increase total rates raised during their budget preparation each year.

The potential changes put forward in this paper are to distribute the rating burden and not to increase overall rates.

Council could address the following within the current rating structure;

- The fixed charge is currently \$110. If this were increased the rate in the dollar would decrease for all properties. Very low valued properties’ rates would increase but higher valued properties would decrease.
- The primary production differential is 91% of the residential rate in the dollar. Many councils are considering reviewing this differential and making the primary production rate in the dollar the same as residential properties.
- The commercial and Industrial differentials are 130% of the residential rate in the dollar. This current situation may deter businesses from moving to the area.

9.6.1. Increasing the Fixed Charge

The theory behind a Fixed Charge is that there is a relative uniform level of services that apply to all ratepayers which should be covered by a Fixed Charge with the balance of rates being covered by capital values x differential rates in the dollar.

Adelaide Plains has the lowest fixed charge in the state at \$110. In 2020/2021 the fixed charge will cover 4% of operational expenditure. There is no guidance as to the level of cost that the fixed charge should cover. Some Councils aim for this fee to cover 20% of expenditure. If Adelaide Plains were to cover this level of expenditure, the fixed charge would need to be \$549.

Of the 58 Councils that completed the LGA’s Rating Survey for 2020/2021, 27 levied a fixed charge ranging from \$110 in Adelaide Plains to \$1,018.29 in Playford. The average is \$450.

Increasing the fixed charge decreases the rate in the dollar with the effect of increasing the rates payable for lower valued properties and decreasing the rates payable from higher valued properties.

9.6.2. Changing Primary Production Differential

The market value of a property is affected by where a property is and access to that property. Many Councils have considered that primary production properties in rural areas receive less services than properties in urban areas and therefore should have a lower rate in the dollar. However, the value of a property is affected by having less services.

For example, two identical properties, one facing a sealed road and one facing a dirt road, will have different values. One hectare in a rural area will have a lower value than one hectare in an urban area.

This means that as a lower level of services is reflected in valuation of a property there is no reason to have a lower rate in the dollar for primary production properties.

Some Councils have determined that primary producers impact their road networks through the level of heavy vehicle activity that exists for that industry and these councils have a higher rate in the dollar for primary producers compared to residential properties.

There is only one differential for primary production. This means that primary producers cannot be differentiated by the type of farming that is occurring. Different types of farming can have different effects on infrastructure such as intensive feedlots with considerable heavy vehicle traffic compared to cropping with a lower level of such traffic.

Primary Production properties are businesses that are able to receive tax deductions. Consideration of this factor may mean that Councils determine that the Primary Production differential should be higher than residential properties which can't claim this deduction.

Some councils consider that there is value to the whole community in the industry of primary production and in retaining a rural aspect in the area and they set a lower rate in the dollar to reflect this. Adelaide Plains' strategic priorities reflect that primary production is important to Council and may therefore warrant a supportive lower rate in the dollar. However, if primary production properties were charged the same rate in the dollar then all other properties would receive a decrease in rates.

9.6.2.1. Changing the Commercial and Industrial Differentials

Currently commercial and industrial properties are charged a 30% higher rate in the dollar than residential properties.

At the time of the previous rate review, many Councils charged higher differentials for Commercial and Industrial properties with the understanding that they had increased capacity to pay. The Commercial and Industrial landscape is now considerably different with many businesses able to be located within residential properties, even quite large businesses. These businesses no longer have a physical shop front but a virtual one via the internet.

As many businesses are no longer based in commercial or industrial properties, it can be considered unfair that those that still have a physical presence are charged at a higher rate than those that have a virtual presence.

Decreasing the differential and charging commercial and industrial properties the same as residential properties would decrease rates for those properties but increase rates for others.

9.6.3. Setting a Separate Rate

Councils can consider the setting of a separate rate for something that advantages only a group of ratepayers that are usually identified by land use and locality.

The advantage needs to be clear for the affected group of ratepayers to understand the need for such a rate.

Setting multiple separate rates will make the rating system more complex to administer.

9.6.4. Likely Impact on Ratepayers

Changing the rating structure will affect ratepayers in different ways as whenever one group of ratepayers have lower rates, another group of ratepayers will have higher rates.

Rateable properties have different land uses and different values. It can be very difficult to arrive to a rating strategy that has a minimal effect on all properties.

The rateable properties within Adelaide Plains have the following characteristics; (the highest proportion in each range is highlighted)

Value Range	Residential	Commercial & Industry	Primary Production	Vacant Land	Other
Under \$200k	15%	45%	4%	70%	78%
\$200k to \$399k	48%	26%	44%	27%	11%
\$400k to \$599k	33%	12%	31%	1%	0%
\$600k to \$800k	3%	5%	10%	1%	11%
\$800k to \$1m		3%	4%		
\$1m to \$2m		10%	6%		
\$2m to \$4m			1.4%		
\$26m			1 property		

There are numerous scenarios that can be modelled when considering rating changes. No one model will favour all property types and values. The following models provide an understanding of changes that could be made and their effect on sample properties.

Along with individual properties, many primary producers will hold multiple land parcels that make up part of a whole farming enterprise. Where the properties are occupied by the same enterprise with the same names, the fixed charge is only allocated to one property for each enterprise.

To understand the effect on these large farming enterprises our modelling shows the effect of one sample group of properties that total \$10.8m in value over 15 properties with 5 fixed charges levied.

- Model 1 Leave Fixed Charge at \$110 (continue to increase each year by inflation)
 Decrease Commercial/Industrial to 100% of Residential Differential
 Leave Primary Production at 91% of Residential Differential

- Model 2 Increase Fixed Charge to \$200
 Leave Commercial/Industrial at 130% of Differential
 Leave Primary Production at 91% of Residential Differential

- Model 3 Increase Fixed Charge to \$200
 Decrease Commercial/Industrial to 100% of Residential Differential
 Leave Primary Production at 91% of Residential Differential

- Model 4 Increase Fixed Charge to \$200
 Decrease Commercial/Industrial to 100% of Residential Differential
 Increase Primary Production to 100% of Residential Differential

The following table shows properties and the effect of these potential rating structural changes compared to the rates levied for these properties in 2020/2021. (k=1000)(m=million)

Models	1	2	3	4
Fixed Charge \$	\$110	\$200	\$200	\$200
Differential – Commercial & Industrial	100%	130%	100%	100%
Differential Primary Production	91%	91%	91%	100%

Models		1		2		3		4	
\$ and % Change		\$	%	\$	%	\$	%	\$	%
Land Use	Value								
Residential	\$80k	3	0.6%	73	15.3%	76	15.9%	63	13.2%
Residential	\$200k	7	0.7%	48	4.7%	54	5.3%	22	2.2%
Residential	\$350k	12	0.7%	16	0.9%	27	1.6%	-29	-1.7%
Commercial & Industrial	\$200k	-268	-20%	35	2.7%	-221	-17%	-253	-19%
Commercial & Industrial	\$350k	-469	-21%	-6	-0.3%	-454	-20%	-510	-23%
Primary Production	\$350k	12	0.8%	23	1.5%	34	2.2%	117	7.5%
Primary Production	\$1.7m	60	0.8%	-236	-3.3%	-180	-2.5%	222	3.1%
Primary Production Group of 15 properties with 5 fixed charges	\$10.8m	-166	-0.3%	-2,632	-5.7%	-2,272	-4.9%	291	0.63%
Total Rates Revenue Raised		\$9.6m		\$9.6m		\$9.6m		\$9.6m	

All models deliver the same total rates.

Better off or less than 1% worse off	Worse off by more than 1%
--------------------------------------	---------------------------

Where the differential for the Commercial and Industrial properties are reduced to 100% of residential properties there are savings of approx. \$200 to \$500 depending on the fixed charge levied and the value of the property. It would be difficult to determine if this saving would factor into decisions by these property owners to locate into the Adelaide Plains area compared to other areas. However this boost would in line with Council’s Strategic objectives.

Model 1 improves the situation form Commercial and Industrial properties with less than a 1% increase for other properties.

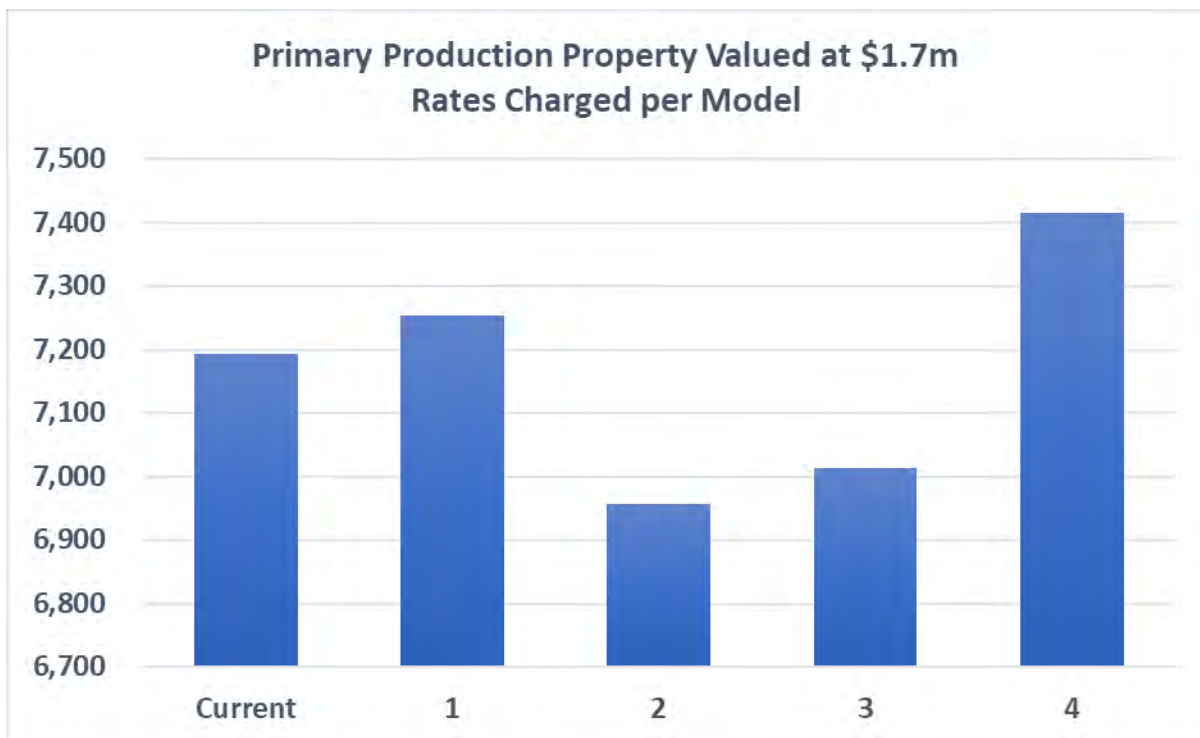
Where the fixed charge is increased, lower valued properties are worse off and higher valued properties are better off.

Model 4 improves the situation for Commercial and Industrial properties and higher valued residential properties but has a negative impact on individual Primary Production Properties. Grouped Primary Production properties where the fixed charge is not applied to all properties are less than 1% worse off.

The following graph shows the above information for the land uses for a value of \$350k. Model 4 is where the properties are treated most equitably, but Primary Production and Residential increase.



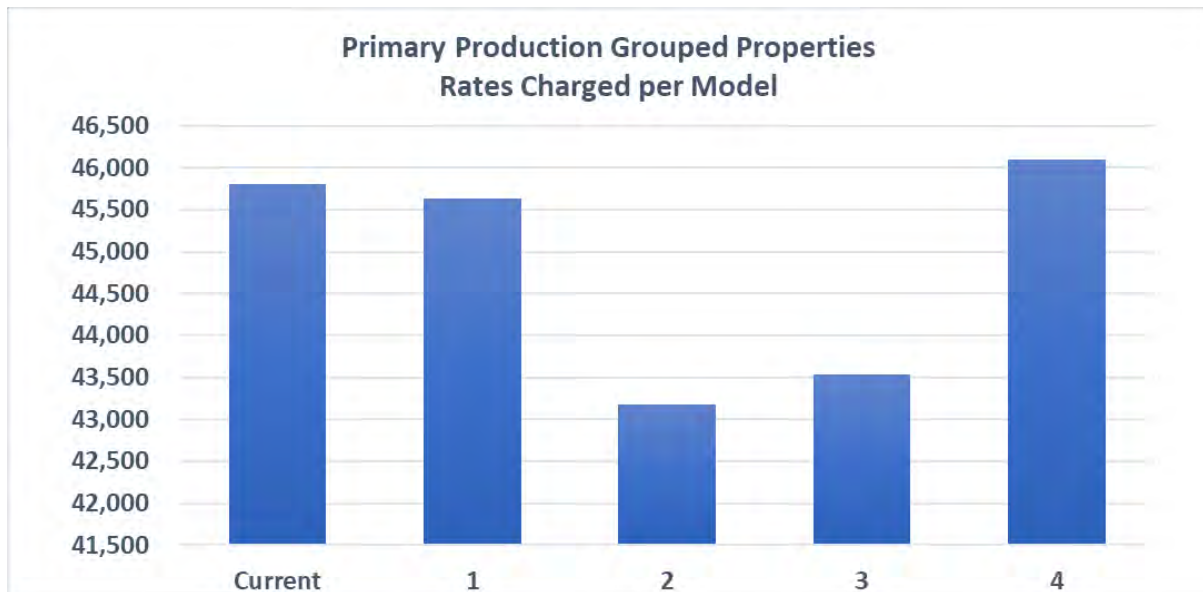
The following graph shows the modelling effect for a Primary Production Property valued at \$1.7m



Model 2 and 3 have a higher fixed charge resulting in a reduced rate in the dollar, which is an advantage for higher valued properties.

Model 4 results in higher rates due to the differential discount being removed.

The graph below shows the effect of the models on a group of primary production which total \$10.8m in value over 15 properties with only 5 fixed charges levied.



Model 4 with the higher differential is only marginally higher than current rates due to the fixed charge being higher and the rate in the dollar reducing.

9.7. Overview & Recommendation

There are some options that Council might find useful to consider. There are a number of factors to keep in mind when undertaking a review of rating;

- A rating review is an opportunity to review the current system used. Council may consider potential changes and determine to leave the system as it currently is.
- Rating is a tool that can be used by a council to assist in achieving its objectives.
- A key principle of rating is that it is fair and equitable, that those that can afford to pay more are not provided an advantage to the detriment of those that cannot afford to pay. Rates are a tax on the value of property owned.
- Any change that results in some properties being charged lower rates results in other properties being charged more.

9.7.1. Recommendation

That Council consider the information contained within this paper. Outcomes from a Council workshop will inform the drafting of a Consultation Paper for presentation to the community including proposed changes and their effect on ratepayers.

10. Consultation Requirements

10.1. Legislative Requirements for Consultation

There is a legal requirement for Councils to consult with their communities when considering changes to their rating methodology.

S151 (5) of the Local Government Act 1999, states that a Council must prepare a report before:

- changing the basis of rating of any land or

- changing the basis on which land is valued for rating purposes, or
- imposing separate rates, service rates or service charges,

S 151(7) of the Local Government Act 1999, states that the Council must follow the steps of its public consultation policy but must at least:

- publish a notice.
- describing the proposed change
- notifying that a Rate Review Report is being prepared.
- inviting interested person to
 - attend a public meeting.
 - make written submissions.
- Organise a public meeting which must be held at least 21 days after the publication of the notice.
- Ensure copies of the report are available.
 - at the meeting
 - during the consultation period
 - for inspection at Council's office for free or
 - for purchase for a fee set by Council

Council must consider any submissions made either in writing during the consultation period or at the public meeting.

The Statutes Amendment Local Government Review Bill 2020 is proposing to change some of the requirements around consultation, requiring Councils to have a Council Community Engagement Policy and the ability for the Minister to establish a Community Engagement Charter.

The proposed principles of the charter are that:

- *members of the community should have reasonable, timely, meaningful, and ongoing opportunities to gain access to information about proposed decisions, activities, and processes of councils and to participate in relevant processes.*
- *information about issues should be in plain language, readily accessible and in a form that facilitates community participation.*
- *participation methods should seek to foster and encourage constructive dialogue, discussion, and debate in relation to proposed decisions, activities, and processes of councils.*
- *participation methods should be appropriate having regard to the significance and likely impact of proposed decisions, activities, and processes.*
- *insofar as is reasonable, communities should be provided with information about how community views have been taken into account and reasons for decisions or actions of councils.*

Although the Bill is not yet enacted, the community engagement principles are sound and should inform Council's approach to community consultation on any rating changes.

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Appendix 1 – Australian Centre of Local Government Groupings

Codes

Clare And Gilbert Valleys	RAL	Adelaide City	UCC
Coorong	RAL	Charles Sturt	UDL
Grant	RAL	Marion	UDL
Lower Eyre Peninsula	RAL	Tea Tree Gully	UDL
Adelaide Plains	RAL	Burnside	UDM
Mid Murray	RAL	Campbelltown	UDM
Naracoorte Lucindale	RAL	Holdfast Bay City	UDM
Renmark Paringa	RAL	Mitcham	UDM
Tatiara	RAL	Norwood, Payneham & St. Peters	UDM
Wakefield	RAL	Unley City	UDM
Barunga West	RAM	West Torrens	UDM
Ceduna	RAM	Prospect	UDS
Goyder	RAM	Walkerville	UDS
Kangaroo Island	RAM	Port Adelaide Enfield	UDV
Kingston District	RAM	Salisbury	UDV
Mount Remarkable	RAM	Playford	UFL
Northern Areas	RAM	Adelaide Hills	UFM
Southern Mallee	RAM	Alexandrina	UFS
Streaky Bay	RAM	Barossa	UFS
Tumby Bay	RAM	Gawler	UFS
Yankalilla	RAM	Onkaparinga	UFV
Cleve District	RAS	Mount Barker	URM
Elliston	RAS	Cooper Pedy	URS
Flinders Ranges	RAS	Mount Gambier	URS
Franklin Harbour	RAS	Murray Bridge	URS
Kimba	RAS	Port Augusta	URS
Orroroo/Carrieton	RAS	Port Lincoln	URS
Peterborough	RAS	Roxby Downs	URS
Robe	RAS	Victor Harbor	URS
Wudinna District	RAS	Whyalla	URS
Berri Barmera	RAV		
Copper Coast	RAV		
Light Regional	RAV		
Loxton Waikerie	RAV		
Port Pirie	RAV		
Wattle Range	RAV		
Yorke Peninsula	RAV		

Descriptions

Type	Population	Code	
Capital City		UCC	Urban Capital City
Metropolitan	Up to 30,000	UDS	Urban Developed Small
	30,001 to 70,000	UDM	Urban Developed Medium
	70,001 to 120,000	UDL	Urban Developed Large
	More than 120,000	UDV	Urban Developed Very Large
Regional Towns/City	Up to 30,000	URS	Urban Regional Small
	30,001 to 70,000	URM	Urban Regional Medium
	70,001 to 120,000	URL	Urban Regional Large
	More than 120,000	URV	Urban Regional Very Large
Fringe	Up to 30,000	UFS	Urban Fringe Small
	30,001 to 70,000	UFM	Urban Fringe Medium
	70,001 to 120,000	UFL	Urban Fringe large
	More than 120,000	UFM	Urban Fringe Very Large
Rural	Significant Growth	RSG	Rural Significant Growth
Rural Agricultural	Up to 2,000	RAS	Rural Agricultural Small
	2,001 to 5,000	RAM	Rural Agricultural Medium
	5,001 to 10,000	RAL	Rural Agricultural Large
	10,001 to 20,000	RAV	Rural Agricultural Very Large
Rural Remote	Up to 400	RTX	Rural Remote Extra Small
	401 to 1000	RTS	Rural Remote Small
	1001 to 3000	RTM	Rural Remote Medium
	3001 to 20,000	RTL	Rural Remote large

Appendix 2 – South Australian Remuneration Tribunal Groupings.

Group 1	Group 2	Group 3	Group 4	Group 5
Adelaide	Adelaide Hills	Berri Barmera	Clare & Gilbert Valleys	Barunga West
Charles Sturt	Alexandrina	Port Lincoln	Walkerville	Ceduna
Marion	Campbelltown	Victor Harbor	Grant	Cleve
Mitcham	Holdfast Bay	Loxton Waikerie	Lower Eyre	Cooper Pedy
Onkaparinga	Mount Gambier	Copper Coast	Adelaide Plains	Elliston
Playford	Prospect	Yorke Peninsula	Yankalilla	Franklin Harbour
Port Adelaide Enfield	Unley	Light	Renmark Paringa	Karoonda East Murray
Salisbury	Mount Barker	Port Augusta	Kangaroo Island	Kimba
Tea Tree Gully	Barossa	Port Pirie	Mid Murray	Mount Remarkable
West Torrens	Burnside	Wattle Range	Naracoorte Lucindale	Orroroo Carrieton
	Norwood Payneham St Peters		Northern Areas	Peterborough
	Whyalla		Goyder	Robe
	Murray Bridge		Tatiara	Streaky
	Gawler		Coorong	Tumby Bay
			Wakefield	Kingston
				Southern Mallee
				Flinders Rangers
				Wudinna

LGA Regions in South Australia

LGA Region	Councils
Eyre Peninsula	Ceduna
	Streaky Bay
	Wudinna
	Elliston
	Kimba
	Cleve
	Franklin Harbour
	Whyalla
	Lower Eyre Peninsula
	Tumby Bay
	Port Lincoln
	Legatus Group
Orroroo	
Mount Remarkable	
Northern Areas	
Port Pirie	
Peterborough	
Goyder	
Barunga West	
Copper Coast	
Wakefield	
Clare & Gilbert Valleys	
Yorke Peninsula	
Adelaide Plains	
Light	
Barossa	
Limestone Coast	Grant
	Kingston
	Mount Gambier
	Naracoorte Lucindale
	Robe
	Tatiara
	Wattle Range
Murraylands and Riverland	Berri Barmera
	Coorong
	Karoonda East Murray
	Loxton Waikerie
	Mid Murray
	Murray Bridge
	Renmark Paringa
	Southern Mallee
Southern and Hills	Adelaide Hills
	Alexandrina
	Kangaroo Island
	Mount Barker
	Victor Harbor
	Yankalilla
Spencer Gulf Cities	Pt Augusta
	Whyalla
	Pt Pirie

RATING REVIEW– WORKSHOP 1

Corinne Garrett
Local Government Consulting



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RATES REVIEW TIMETABLE

Workshop 1	Rating, Rate Reviews & Potential Strategies Discussion Paper
Consultation Paper	to Council - January
Consultation	February
Workshop 2	Results of Consultation - March
Final Report to Council	March

Can add additional workshops with Council Members if required.

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WHY DO A RATE REVIEW?

Understand rating system

Consider Alternatives

Is system fair?

Is system helping achieve Strategic Objectives?

Not usually just to increase rates raised

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WHY COUNCILS COLLECT RATES

Local Government taxation

Wealth tax on value of property

Principles of Taxation

Equity

Benefit – generally to community

Ability to pay

Efficiency & Simplicity

Legislation

Chapter 10 of the *Local Government Act 1999*

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RATING SYSTEMS

Based on Valuation of Property - Capital / Improved

Value of Property x Rate in \$ = Rates Charged

Fixed or Minimum

General or Differential

Locality or Land-use or both

Separate Rates

Specific Purpose

Service Rates & Charges

Waste Collection / CWMS

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WHO DOESN'T PAY RATES (OR PAYS LESS)

Non Rateable

Crown land
University
Recreation Grounds (exemption act)
Council owned or occupied (except lease)
Subsidiary occupied
Emergency Services occupied
Exempt by any other Act

Rebates

100% or 75%
Health Services
Community Services
Religious Purposes
Public Cemeteries
Zoos
Education

Discretionary

- Council policy
- Local business
- Hardship
- Community

Postponement

- Seniors

ADELAIDE PLAINS RATING

Capital Value

Fixed Charge \$110

Differential by Land Use

Residential	100%
Commercial (Shop/Office/Other)	130%
Industry (Light/Other)	130%
Primary Production	91%
Vacant	100%
Other	100%

Fixed Charge + (Value of Property x Rate in Dollar)

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WHO COULD WE COMPARE AGAINST

Don't have to compare to anyone but;

Similar Councils

ACLG

RAL

SA Tribunal

Group 4

LGA Region

Legatus Group

Neighbours

Wakefield

RAL/Group 4/Legatus/Neighbour

Clare & Gilbert Valleys

RAL/Group 4/Legatus

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HOW DO WE COMPARE – ABOUT US

	Size in hectares	Roads (Kms)	Estimated Population	Rateable Properties	General Rates as % of Total Operating Income	Operating Costs of Transport per Rateable Property \$
State Average	230,633	1,102	25,674	13,367	56%	812
Adelaide Plains	104,813	969	9,137	4,988	68%	864
Clare & Gilbert Valleys	189,251	1,833	9,424	6,784	59%	848
Wakefield	352,162	2,686	6,838	5,386	53%	1,320

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HOW DO WE COMPARE - RATES

		Residential	Commercial	Industry	Primary Prod	Vacant	Other
Adelaide Plains	Fixed \$110	100%	130%	130%	91%	100%	100%
Clare	Min \$730	100%	136%	136%	59%	100%	100%
Wakefield	Fixed \$320	100%	161%	157%	74%	392%	102%

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HOW DO WE COMPARE - RATES

Residential House Value = \$350,000	Rates	Waste Charge	CWMS	Total Rates
Adelaide Plains	\$1,714	\$160	\$640	\$2,514
Clare & Gilbert	\$1,766	\$211	\$390	\$2,367
Wakefield	\$1,703	\$246	\$557	\$2,506

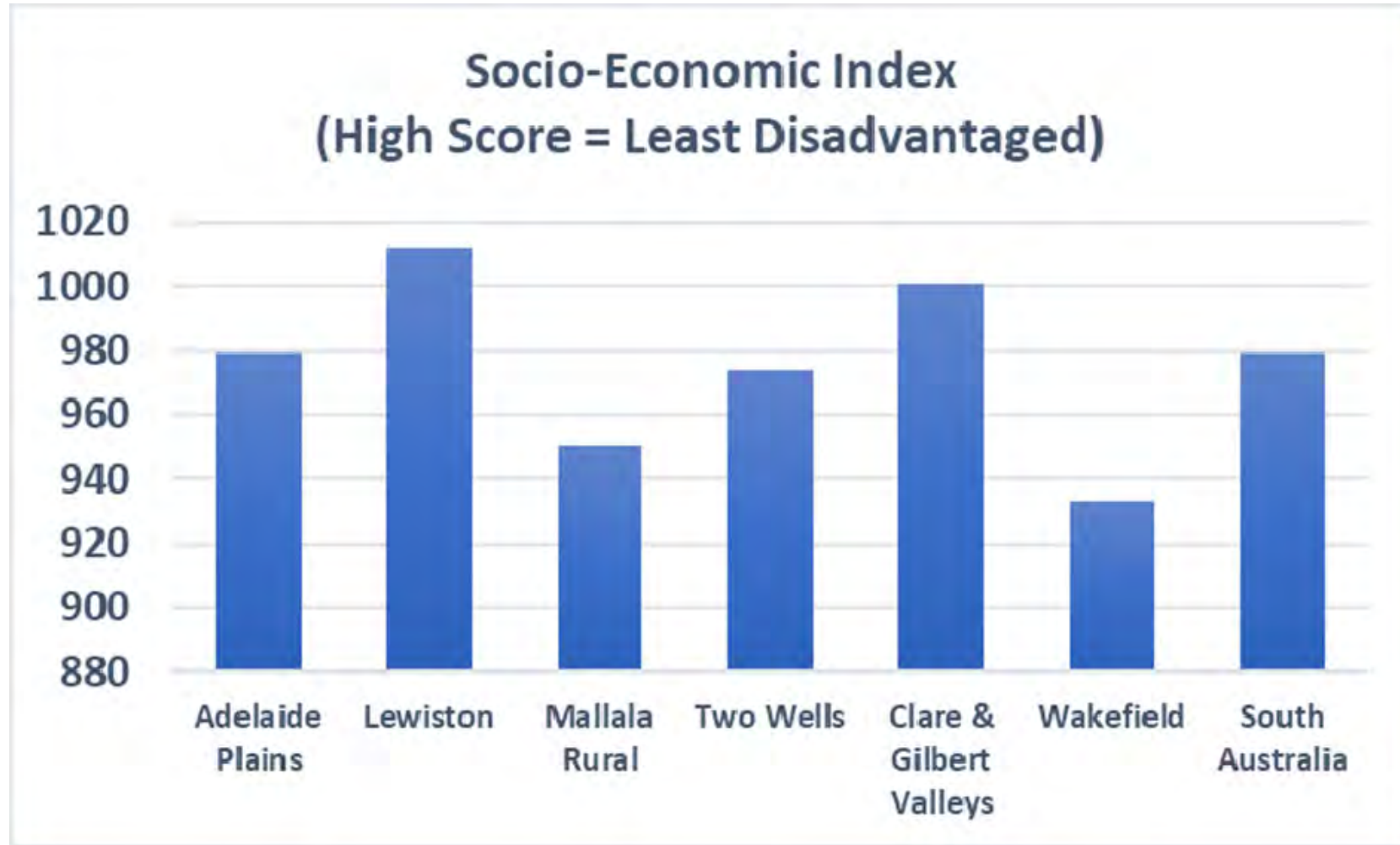
Primary Production Value = \$600,000	Rates	Waste Charge	CWMS	Total Rates
Adelaide Plains	\$2,610	\$160		\$2,770
Clare & Gilbert	\$1,786	\$211		\$1,997
Wakefield	\$2,084	\$218		\$2,302

Waste Collection	Household Refuse	Recycling
Adelaide Plains	Fortnightly	Fortnightly
Clare & Gilbert	Weekly	Fortnightly
Wakefield	Weekly	Fortnightly

ABOUT US

Highest proportions	Council (whole)	Lewiston	Mallala – Rural Remainder	Two Wells	South Aust
Household Income (wk.)	\$2,000 to \$2,499		\$1,000 to \$1,249	\$2,000 to \$2,499	
Unemployed	7%	7.6%	6.9%	6.6%	7.5%
Mortgage (month)	\$600 - \$999				
Employment Industry	Construction		Agriculture	Manufacture	Health Care & Social Serv.
Occupations	Technicians & Trades Workers		Managers	Technicians & Trade	Professionals
Couples with Children	34.4%	42.5%	30.7%	36.3%	27.6%
Homes owned	28.1%	23.9%	34.2%	25.8%	31%
Older than 65	13.5%	10.2%	16.3%	12.8%	18.2%

ABOUT US – SOCIO ECONOMIC INDEX



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RATING AS A TOOL FOR STRATEGIC GOALS



Strategic Priority	Rating Strategy
<p>Advocating for new retail, commercial and allied industrial development</p>	<p>Commercial/Industry 30% higher than residential properties.</p> <p>Decreasing this differential may assist in in this priority.</p>
<p>Delivering the Northern Food Bowl Protection Areas Development Plan Amendment</p>	<p>Indicates that primary production is important to the Council.</p> <p>Currently primary production properties are rated at 91% of the residential rate. Retaining this differential could indicate Council’s support of primary production properties.</p>
<p>Sound management of community assets</p>	<p>Cost recovery CWMS charges</p>
<p>Increasing community partnerships and volunteering as a means of delivering services to our region</p>	<p>Encourage application for rebates S166 of LG Act</p>

ISSUES

Current system

Issues?

- Fairness?
- Valuation increases for different types of properties
- Hardship – Covid-19

What issues do you see?

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WHAT COULD WE CONSIDER

Don't need to change anything but could look at

- Increasing fixed charge
 - Changing Primary Production differential
 - Changing Commercial and Industrial differentials
-
- Separate rates – for particular purpose
 - Careful doesn't make too complex

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SPREAD OF VALUES

Value Range	Residential	Commercial & Industry	Primary Production	Vacant Land	Other
Under \$200k	15%	45%	4%	70%	78%
\$200k to \$399k	48%	26%	44%	27%	11%
\$400k to \$599k	33%	12%	31%	1%	0%
\$600k to \$800k	3%	5%	10%	1%	11%
\$800k to \$1m		3%	4%		
\$1m to \$2m		10%	6%		
\$2m to \$4m			1.4%		
\$26m			1 property		

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MODELS

Models	1	2	3	4	5	6	7	8
Fixed Charge \$	150	200	110	150	200	110	150	200
Differential – Commercial & Industrial	130%	130%	100%	100%	100%	100%	100%	100%
Differential Primary Production	91%	91%	91%	91%	91%	100%	100%	100%

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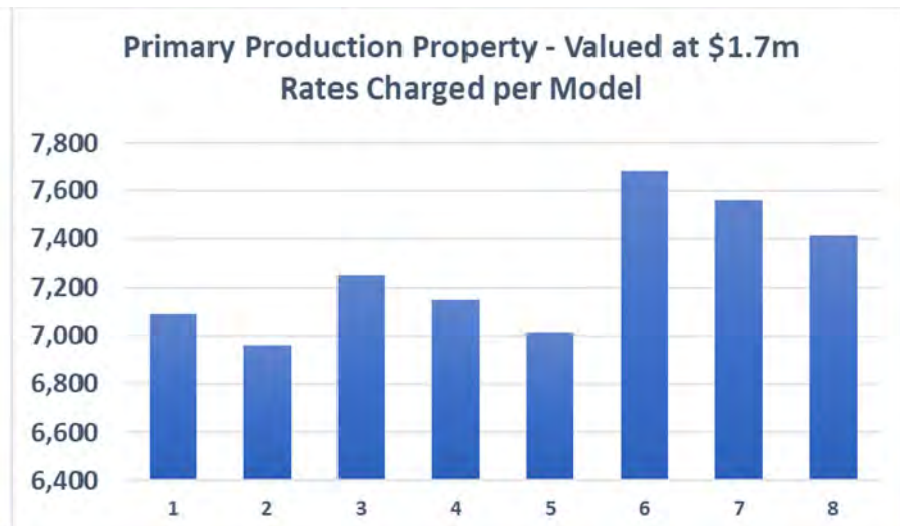
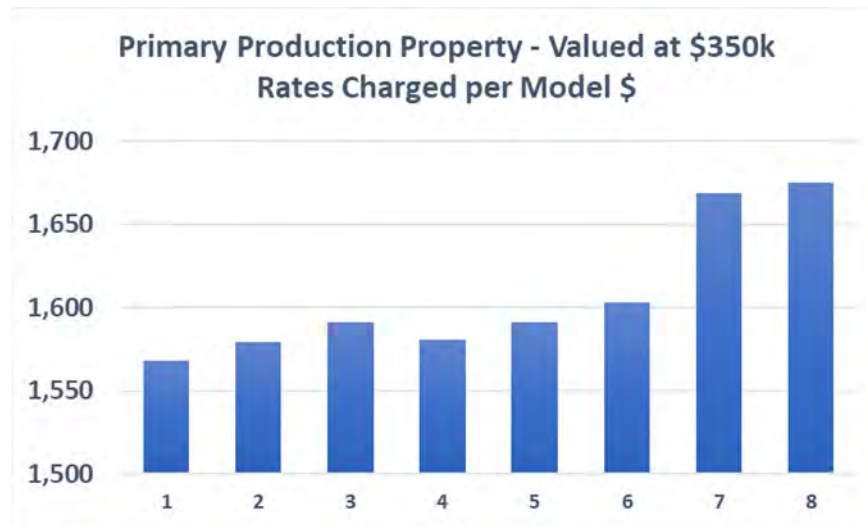


EFFECT OF CHANGES

Land Use	Value \$	\$ and % change compared to rates charged in 2020/21							
		1	2	3	4	5	6	7	8
Models		1	2	3	4	5	6	7	8
Residential	200k	1,048	1,074	1,034	1,055	1,081	1,001	1,022	1,049
		2.1%	4.7%	0.7%	2.7%	5.3%	-2.5%	-0.5%	2.2%
Residential	350k	1,722	1,730	1,726	1,733	1,742	1,669	1,675	1,685
		0.5%	0.9%	0.7%	1.1%	1.6%	-2.6%	-2.3%	-1.7%
Commercial & Industrial	200k	1,318	1,337	1,034	1,055	1,081	1,001	1,022	1,049
		1.2%	2.7%	-20.6%	-19.0%	-17.0%	-23.1%	-21.5%	-19.4%
Commercial & Industrial	350k	2,193	2,189	1,726	1,733	1,742	1,669	1,675	1,685
		-0.1%	-0.3%	-21.4%	-21.0%	-20.7%	-24.0%	-23.7%	-23.2%
Primary Production	350k	1,568	1,579	1,591	1,581	1,591	1,603	1,669	1,675
		0.7%	1.5%	0.8%	1.4%	2.2%	6.4%	6.8%	7.5%
Primary Production	1.7m	7,092	6,957	7,253	7,148	7,014	7,683	7,560	7,415
		-1.4%	-3.3%	0.8%	-0.6%	-2.5%	6.8%	5.1%	3.1%



EFFECT OF CHANGES



WHERE TO FROM HERE?

Do you want to change anything?

- Increase fixed?
- Differential Rates change?
 - Primary Production
 - Commercial/Industrial

Anything else

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QUESTIONS

What do you want to know about rates?

What do you get asked about rates?

What do you think is right for your community?



 Adelaide Plains Council	6.2	2021/2022 Annual Business Plan, Budget and 2022-2031 Long Term Financial Plan Development Framework
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 2 February 2021	Document Ref:	D21/4087

EXECUTIVE SUMMARY

- The purpose of this report is for Audit Committee to consider and endorse the framework to be adopted in compiling the 2021/2022 Annual Business Plan (ABP), 2021/2022 Annual Budget (the Budget) and updating 10-Year Long Term Financial Plan (LTFP).
- The development of the ABP and the Budget should continue to form the platform to position the Council to achieve “Financial Sustainability” that has been the fundamental focus during the preparation of budgets for the last four (4) financial years.
- Financial sustainability is not a number on the Council’s Profit & Loss Statement, it is a strategy.
- Therefore, sound financial and assets management strategies need to be developed and implemented over a period of time and future decisions should be consistent with and supporting the Council’s Strategic Plan 2017-2020 and updates thereof.
- With regard to 2021/2022 Financial Year, current Long-Term Financial Plan adopted on 27 June 2019 forecast:-
 - an estimated recurrent budget \$ 212,027 (surplus)
 - funding for operating projects \$ 300,000 (deficit)
 - funding for capital expenditures \$ 2,814,113
 - estimated borrowings \$ Nil
 - estimated rate increase 3.50% increase in average rate (applicable to existing ratepayers) and 1.00% growth from new development.
- The financial challenge for Council and the community is to manage such a significant capital expenditure budget and reduce the operating deficit, without leaving a financial burden for the future generation (intergenerational equity).
- Council should continue to review its internal operations to identify areas for improvement/productivity gain while addressing resourcing requirements to cater for the substantial developments occurring within the Council district.
- It is proposed to release the draft ABP, Budget and LTFP for public consultation on 5 May 2021 with the final adoption of the draft documents to occur at a Special Council Meeting on 8 July 2021.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.2 – 2021/2022 Annual Business Plan, Budget and 2022-2031 Long Term Financial Plan Development Framework, dated 2 February 2021, receives and notes the report and in doing so:

- 1. Endorses the schedule, set out in Table 2 within this Report, as the process to be undertaken in the preparation of the 2021/2022 Annual Business Plan, 2021/2022 Budget and the review of 10-Year Long Term Financial Plan subject to any date changes that the Chief Executive Officer determines necessary; and**
- 2. Endorse the following budget parameters and assumptions for the purpose of preparing the draft 2021/2022 Annual Business Plan and Budget.**
 - Rates modelling based on 1.25% increase in average existing rates (subject to the outcome of the Rates Review)**
 - The Recurrent Operating Budget be prepared based on “business as usual” basis;**
 - Maximum Material, Contracts and Other Expenses cost escalation be set at 1.25% in the absence of any other reliable way of estimating such expenses;**
 - Salaries and wages to be determined as per the outcome of the Enterprise Bargaining Agreement negotiations and additional budget bids for labour resourcing;**
 - Fees and charges not set by legislation and decided by the Council be increased by 1.25% as a minimum;**
 - New Capital Projects to be considered and approved within the constraints of the LTFP;**
 - New services and one off projects to be funded through Rate Revenue increases or by expenditure savings;**
 - New capital projects are funded through a mixture of rate increases, expenditure savings, new grant funding and long term borrowings; and**
 - Council will continue to review its operations to identify costs savings and productivity improvements.”**

BUDGET IMPACT

Estimated Cost:	\$87,973 budget deficit for 21/22 based on current LTFP
Future ongoing operating costs:	Yet to be determined
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

Intergenerational Inequity

Intergenerational Inequity refers to the concept that those ratepayers who are receiving the benefits of a service provided by Council should contribute proportionally to its cost. In terms of a service provided by long-lived assets such as buildings, roads & footpaths, this means that present and future users of the long-lived asset should pay for the service equally over the life of the asset.

Council carries the risk of Intergenerational Inequity, if it doesn't charge current users of Council services appropriately through Council rates and user charges and in turn not maintaining its long-lived infrastructure assets as per its assets management plans.

As a result, future generations would be compelled to "pick up the slack", potentially resulting in significant and unfair Council rate rises in the future to maintain Council's infrastructure. With a very significant investment in community infrastructure, Council has been able to reduce infrastructure back-log in the 2019/2020 Financial Year.

Structural budget deficit

For a considerable period of time Council had a deficit budget year after year. A significant ongoing operating deficit increases Council's reliance on borrowed funds to deliver essential community services. Therefore, it is vital to have a long-term plan to reduce Council's operating deficit over time, and as early as possible, by a combination of cost cutting and generating rate revenue commensurate with the cost of providing those services to the community.

Cyber security

In recent years, Council has made significant investment in upgrading its information technology infrastructure to keep up-to-date with technological advancements that will safeguard its information and systems from potential cyber-attacks. This should continue to be high priority for the Council given some cyber security breaches reported at Federal and other local government level in recent years.

Occupational Health and Safety

There can be heavy financial and prosecution penalties applied against Council, if Council has not complied with the requirements of the *Work, Health and Safety Act 2012* (WHS Act) and is found guilty as a result of an incident occurring. Maintenance and replacement of plants and equipment at the right time is crucial in ensuring the health and safety of workers (including contractors, volunteers etc.) and Council meets its due diligence obligations under the WHS Act. When maintenance is no longer effective, Council needs to replace equipment, and factor those costs into the operational budget to fulfil its WHS responsibilities.

Credit risk

The Council currently doesn't have any particular credit risks due to a relatively low level of debt compared to the rates revenue and assets base. Although Council can easily borrow money due to its creditworthiness, any new long-term borrowings should be restricted to financing new assets or to upgrading assets with a clear strategy in focus, and not to financing operating deficits.

Attachments

Nil

DETAILED REPORT

Purpose

The purpose of this report is for the Audit Committee to consider, and endorse, the framework to be adopted in compiling the 2021/2022 Annual Business Plan (ABP), 2021/2022 Annual Budget (the Budget) and updating 10-year Long Term Financial Plan (LTFP).

Background/History

Legislative Requirements

Pursuant to section 123 of the *Local Government Act 1999* (the Act), Council is required to prepare an Annual Business Plan and Annual Budget each financial year Council must adopt its Annual Business Plan and Annual Budget between 31 May and 31 August (except in a case involving extraordinary administrative difficulty).

Section 123(2) of the Act requires 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); and
- b) include an outline of-
 - i. the Council's objectives for the financial year; and
 - 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; and
- 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; and
- d) set out the rates structure and policies for the financial year; and
- 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; and
- 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.

Pursuant to Section 123(3) of the Act, prior to the adoption of the Annual Business Plan, a twenty-one (21) day public consultation period is required. During the public consultation period, the Council must make available copies of the draft Annual Business Plan at its principle place of business.

At the Council Meeting, post the conclusion of the public consultation period, members of the public can ask questions and make written submissions regarding the draft Annual Business Plan.

However, due to COVID-19, under the Public Access and Public Consultation Notice 2020 (Notice 2), Section 123(4)(i) of the Local Government Act 1999 has been suspended and there is currently no requirement for Council to hold either a public meeting or Special Council Meeting in relation to its draft annual business plan.

Discussion

Mid-Year Economic and Fiscal Outlook in 2021/2022

The Mid-Year Economic and Fiscal Outlook (MYEFO) up to 30 June 2022 released by the Federal Government in December 2020 states that *'Price pressures are expected to remain weak across the forecast period, reflecting the excess capacity in the economy. Consumer price inflation is forecast to increase to 2¼ per cent through the year to the June quarter 2021, driven by further unwinding of childcare policy changes and excise indexation. Consumer price inflation is forecast to be 1½ per cent through the year to the June quarter 2022, with measures of underlying inflation expected to remain near record lows over the first two years of the forecast period.'*

The 2020/2021 State budget estimates that for 2021/2022, the Adelaide Consumer Price Index (CPI) would be 1.25%. The CPI is projected to increase to 1.50% in 2022/2023 and to 1.75% in 2023/2024

Review of Strategic Plan 2017-2020

One of Council's five strategic focus areas in the *Strategic Plan 2017-2020* is "Accountable and Sustainable Governance" and under this focus area, the Council strives to "Strategically plan for and sustainably maintain Council's assets and finances". In this context, Council's Long Term Financial Plan, Asset Management Plans, Annual Business Plan and Budget play a pivotal role in achieving financial sustainability while delivering Council's services to the community.

Council has commenced the review of its current strategic management plan and the final outcome of this review will be presented to the January 2021 Council meeting. Once the updated strategic management plan is adopted by the Elected Members, Council management will be preparing a business/action plan (that includes estimated cost of those actions, resources required and the timeline) to be implemented to achieve the objectives of the updated strategic management plan.

Therefore, given the time constraints, draft 2021/2022 Annual Business Plan, Budget and the updated LTFP will not incorporate the outcomes/objectives from the updated strategic management plan.

Long-term Financial Plan

Pursuant to Section 122 (4) of the Act, a Council must undertake a comprehensive review of its Long Term Financial Plan (LTFP), within two (2) years after each Local Government General Election. Accordingly, Adelaide Plains Council conducted a comprehensive review of its LTFP in June 2019 and adopted the updated LTFP at its Special Council meeting held on 27 June 2019.

The financial projections contained within the LTFP provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council's long-term financial sustainability.

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 (financial sustainability) 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

A Council’s long-term financial performance and position is sustainable “*where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.*”. The key elements to the definition are:-

- Ensuring the maintenance of a Council’s high priority expenditure programs, both operating and capital (Service Element);
- Ensuring a reasonable degree of stability and predictability in the overall rate income; and
- Promoting a fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers (Impact on Future Generation Element).

Council will need to ensure that the annual business plan and annual budget contains objectives and financial parameters which will deliver a responsible budget and meeting the reasonable needs of the community on an equitable and value for money basis.

From an operational perspective, financial sustainability is being able to manage the conflict between keeping rate revenues increases to a reasonable level, maintaining existing service standards and spending on new services and major capital investments.

Intergenerational Inequity

The financial challenge for Council and the community is to deliver planned infrastructure renewals in accordance with Council’s Asset Management Plan (updated in 2017) to provide the level of service expected by the Adelaide Plains community. However, such a level of service comes at a cost and if the current generation of rate payers do not contribute sufficiently through rates, Council leaves a legacy of financial burden for the future generation.

The 2021/2022 Annual Business Plan

The Annual Business Plan is Council’s statement of its intended programs and objectives for a financial year. It will be developed based on the strategies set out in Council’s Strategic Plan 2017-2020.

Elements of an Annual Budget

The annual budget of a council incorporates three (3) components of the Council Operations. They are;

- a) Recurrent (day-today) Income and Expenditure (Recurrent Budget);
- b) One-off service initiatives (Operating Projects Budget); and
- c) Infrastructure renewal and new and upgraded assets (Capital Project Budget).

The 2021/2022 Annual Budget

In June 2019, Council adopted a 10 year Long Term Financial Plan for the period 2020-2029 which forecast for 2021/2022 an overall operating deficit of \$87,973 as shown below:-

- estimated recurrent budget \$ 212,027 (surplus)
- funding for Operating Projects \$ 300,000 (deficit)
- funding for Capital Expenditures \$ 2,814,113
- estimated borrowings \$ Nil
- estimated rate increase 3.50% increase in average rate (applicable to existing ratepayers) and 1.00% growth from new development.

Draft 2020/2021 Recurrent Budget will be prepared in isolation of the decision regarding Rates Revenue and the Projects and Capital Works component of the Annual Budget.

The preparation of the Recurrent Budget (mandatory budget items) in isolation of the Operating Projects (discretionary budget items), enables the value of funds available for Operating Project programs and services, to be quantified and a 'priority' list of these items to be established for inclusion in the Annual Budget, based on available funding, need and priority.

The financial projections in the current LTFP (which was developed before COVID-19) represent estimated future revenue and expenses based on a set of assumptions. Therefore, the assumptions used in the preparation of the current LTFP can significantly influence the outcome.

Given the uncertainty created by COVID-19, it is very important that the potential impact of COVID-19 on the Adelaide Plains community is factored in reviewing current LTFP. Therefore, in updating the financial forecasts, consideration will be given to the post-COVID economic drivers that will influence the future cost of providing infrastructure, facilities and services for the next ten (10) year period.

Key Budget Influences

➤ **External Budget Influences**

- The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum.
- The MYEFO released by the Federal Government in December 2020 predicts that the CPI for Australia would be 1.50% in 2021/2022.
- The CPI for South Australia in 2021/2022 is expected to be 1.25% as per 2020/2021 State Budget.
- Increase in population due to new residents moving in to the Eden housing development in Two Wells. For example, in 2019/2020 Financial Year, Council has added 173 new rateable properties whereas 141 new properties are already added in the first six (6) months of 2020/2021 Financial Year.
- Increase demand for updated IT infrastructure to ensure cyber security and data integrity.
- Increase in community demand for new assets such as sealing of unsealed roads and stormwater drainage.
- Assets rationalisation - Potential to engage community organisations and groups to manage community assets.
- 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 9,137 as of 30 June 2019;
- Commitments to projects and partnership initiatives continuing over more than one year e.g. Barossa 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 Eden housing development in Two Wells. 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.
- Demand for labour resources for project management as a result of;
 - Local Roads and Community Infrastructure funding
 - Bridges Renewal Program Round 5 - Wasleys Bridge Upgrade
 - New Two Wells Roundabout – Heavy Vehicle Safety and Productivity Program
 - Strategic project delivery
- Increase demand for labour resources for compliance and inspectoral activities due to significant growth in residential dwellings.
- Overdue Rates balance was \$1,065,683 as at 11/01/2021 (\$810,343 as at 30/06/2020 and \$692,311 as at 30/06/2019).
- Additional depreciation expenses associated with significant infrastructure spending in 2019/2020 and 2020/2021 financial years.
- Increase in salaries/wages as per enterprise bargaining agreement (to be negotiated);
- 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, and Council's buildings, plants, machinery, equipment, furniture and fittings, in consistent with the Infrastructure and Asset Management Plans.

Demand for Council resources

Following graph (**Figure 1**) shows the factors that drive the demand for Council resources from 2014/2015 Financial Year in terms of;

- a) Number of development applications lodged (scaled on right vertical axis); and

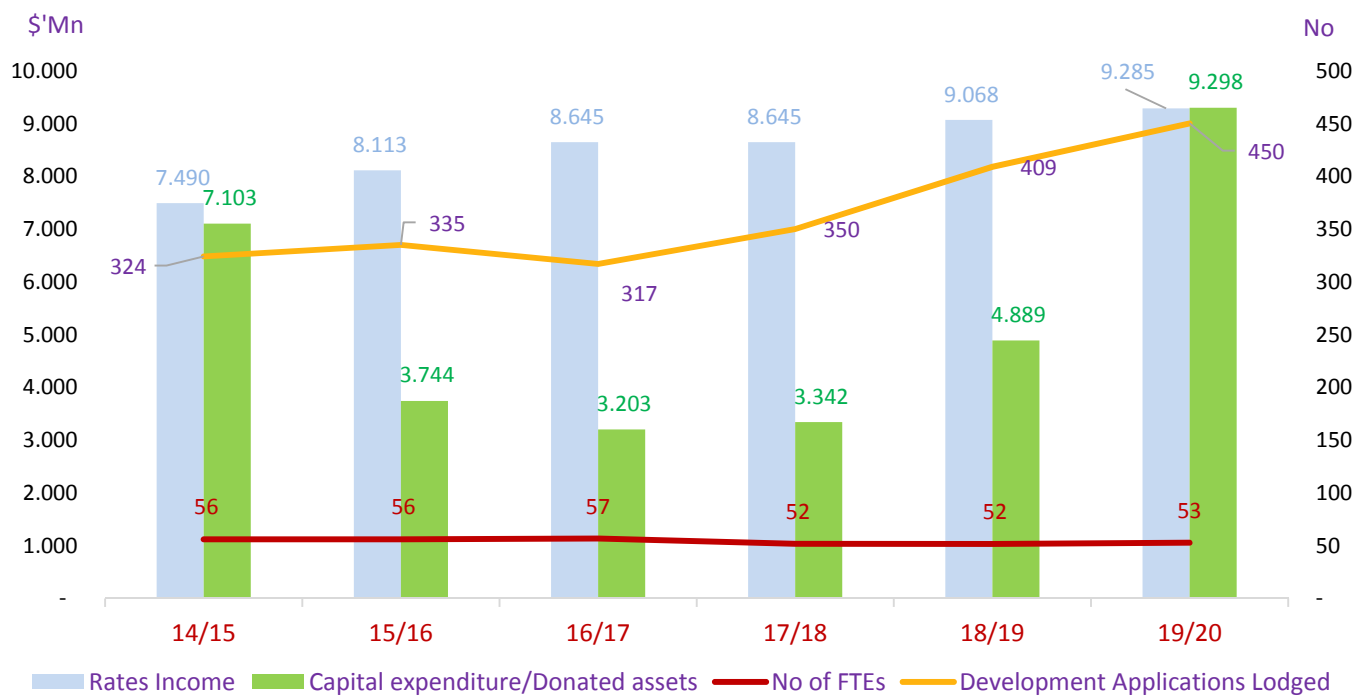
- b) Capital expenditure incurred by the Council and infrastructure assets donated by the developers (scaled on left vertical axis)

and resources available within the Council to support the demand in terms of;

- a) Number of FTE (scaled on right vertical axis); and
- b) The rates income received (scaled on left vertical axis)

Significant increase in development applications lodged over the years has resulted in the increase in rates income from growth associated with new properties. However, this in turn has resulted in an increase demand for Council resources to process those development applications and to provide Council services to new residents. While Council has been able to serve its community without significantly increasing staff numbers over the years, a critical review of labour resources may be needed to ensure Council has sufficient resources going forward to support forecast growth in residential housing and the population within the Council area.

Figure 1: Demand for Council Resources and Available Resources



Key Budget Assumptions and Parameters

1. Maintaining existing services at current service standards (business as usual)

The draft 2021/2022 Annual Budget will be prepared based on ‘business as usual’ assumption, which means that Council will continue to provide the existing services at the current service levels. This is not to say that the existing services that will be continued, will be delivered in the same way, as Council’s management is constantly looking for innovative and cost effective ways of delivering Council services. Accordingly, Council’s budget managers will adjust budgets for 2021/2022 based on the 2020/2021 budget and year-to-date January 2021 actual performance.

The “business as usual” assumption does not take into account any change in direction or service level in response to community expectations, legislative requirements, changing economic conditions or any changes that Council may wish to make, however the 2021/2022 Annual Budget will be adjusted for such changes that are known.

2. Income estimates

By exercising prudent financial management practices, Council will estimate its income with caution, based on approved or confirmed income sources. Whenever such definite details are not available, Council management will exercise professional judgement based on past experiences and events to estimate realistic income for 2021/2022 Financial Year.

- Rates
 - General Rates

Although the current LTFP estimates that for 2021/2022 Financial Year, the average existing rates would be increased by 3.50%, given the current economic uncertainty due to COVID-19, initial rate modelling will be based on 1.25% increase in average rates (assuming that there is no change to the existing rates structure following the Rates Review) which is the forecast CPI for South Australia by the State Government for 2021/2022 Financial Year.

Given the relatively a small rate base, 1.25% increase in average rate (excluding growth) is only expected to generate additional rate income of \$120,040 as shown in the following table

Table 1: Options for Rate Increases and Additional Income

Rate Revenue in 2020/2021 (\$)	Increase in average Rae (%)	Additional Income (\$)
9,603,228	1.50	144,048
9,603,228	1.25	120,040
9,603,228	1.00	96,032

Although the LTFP assumed 1% growth from development (new assessments), the growth is expected to be in the range of 2% - 4% in 2021/2022 Financial Year due to higher than expected new residential housing construction in Two Wells.

- Waste Levy

Waste levy in the current financial year is \$160. New waste levy will be determined based on the expected cost of the kerbside collection program as advised by the external contractor.

- Community Wastewater Management Scheme (CWMS) Charges

The current CWMS charges for Mallala is \$640 and for Middle Beach is \$430. The Mallala augmentation charge is \$4,500 per new connection. The new charges for 2021/2022 Financial Year will be determined based on the expected cost of operating CWMS schemes.

- Statutory charges

Statutory charges in 2021/2022 will be based on relevant legislation, which determines statutory charges, and on the expected volume of transaction.

- User charges

Fees and Charges not set by legislation (discretionary fees and charges) will be increased by 1.25%, equivalent to the expected CPI for 2021/2022 or the market price as determined by the Fees and Charges Review which will be undertaken in March 2021.

- Grants, subsidies and contributions

In 2021/2022, Council budget will only incorporate the approved or confirmed grants, subsidies and contributions. For example, the Federal Government has confirmed next round of Roads-to-Recovery (R2R) grant for the period from 1 July 2019 to 30 June 2024.

- Investment Income

The interest rate on short-term investment is forecast at 0.30% in 2021/2022 assuming that the Reserve Bank of Australia maintain cash rates at the current level of 0.10%.

- Other income and Reimbursements

Other income and reimbursements will be based on relevant tenancy agreements, past knowledge and experiences.

- Income estimates beyond 2021/2022

For the purpose of LTFP, average rate increase of 1.50% and 1.75% will be applied in year 2 and year 3 and 2.00% thereafter. In addition, a growth of 2% will be factored in over the 10 year period. Same indexation will be used in estimating other income such as waste levy, CWMS, statutory charges, user charges for the purpose of LTFP.

3. Cost estimates

- Employee Costs

Although the previous Enterprise Bargaining Agreements (EBA) expired as of 30 June 2020, due to COVID-19 Council staff agreed on 0% increase in salaries and wages for 2020/2021 Financial Year. Negotiations for new three (3) year EBA has already commenced and expected to be finalised before 30 June 2021. Therefore, for 2021/2022 Financial Year, increases in employee costs have three main elements, normally;

- a) increases contained in the Enterprise Agreements (to be negotiated);
- b) increases and movements of classification levels within the current workforce; and

- c) additional positions that are required to meet the strategic directions which are set by the Council.

With regard to Employee costs in the LTFP, it should be noted that the Enterprise Bargaining Agreements cover periods of up to 3 years. Therefore, these agreements will be renegotiated twice during the 10-year planning timeframe of the LTFP and financial projects made for the next 10 years could have unforeseen variations depending on the outcome of future EBA negotiations.

It is expected that Workers Compensation and Income Protection insurance premium rates will remain unchanged at 4.05% and 1.80% respectively in 2021/2022.

- **Materials, Contracts and Other Expenses**

In previous financial years, both historical CPI and Local Government Price Index (LGPI) was considered when estimating an indexation for 'material, contracts and other expenses'. However, due the impact of COVID-19 and the Federal and State governments' financial support packages to families and business impacted by COVID-19, the CPI and LGPI has been lower in the 2020 calendar year.

Adelaide Consumer Price Index (CPI)

The Federal Government has released its Midyear Economic and Fiscal Outlook which is forecasting a Consumer Price Index (CPI) of 1.5% through to the 2021-2022 June Quarter for Australia. The Adelaide CPI for the June 2020 quarter and September 2020 Quarter (against corresponding quarter of 2019) was 0.80% and 1.00% respectively.

Therefore, for indexation purpose, Council will be using a CPI of 1.25% for recurrent budget that is the forecast CPI for South Australian in 2021/2022 in the State Government's 2020/2021 budget.

Local Government Price Index (LGPI)

An alternative measure for cost escalation is the LGPI. As the nature of the price movement associated with goods and services consumed by Local Government is different to the goods and services consumed by the 'average household', the LGPI is a reliable and independent measure of the inflationary effect on price changes in the South Australian Local Government sector (*At present only historical LGPI is available and forecast LGPI is not available*).

The LGPI is similar in nature to the CPI, however it represents the movements of prices associated with the goods and services used by Local Government in South Australia (to deliver services to its community) as opposed to the goods and services consumed by the 'average metropolitan household'.

The LGPI considers both recurrent and capital expenditure. The recurrent component of the LGPI for South Australia to June 2020 is 1.20% and as at September 2020, 0.4%. (Against corresponding quarter of 2019)

It should be noted that the indexation of 1.25% will only be applied in estimating "Materials, Contracts and Other Expenses" in the absence of any other reliable way (such as existing contracts/agreements, publically available prices for 2021/2022) of estimating those expenses.

However, in some circumstances, there will be a cost increase in excess of the 1.25% target (e.g. water charges, Regional Landscape Levy (formerly NRM Levy)), however the expectation is that across the Council, the 'Materials, Contracts and Other Expenses' budget will be limited to a maximum 1.25% increase.

For long-term projections, indexation of 1.50% for 2022/2023 and 1.75% for 2023/2024 will be factored in and 2.00% will be applied after 2023/2024.

- Finance Costs

Council borrows funds on a short-term and long-term basis from Local Government Financing Authority (LGFA). Interest expenses on new short-term and long-term borrowings will be estimated based on current short-term borrowing rates and the need to borrow new short-term funds. Interest expense on existing fixed rates loans will be calculated based on actual interest rate applicable on current loans.

- Depreciation

Depreciation expenses for 2021/2022 on assets already in the Council's assets register by 30 June 2020 will be estimated from information available in the asset register. In relation to capital expenditures planned to be incurred in 2020/2021 Financial Year, depreciation will be estimated based on the nature of the assets to be created in 2020/2021.

Long-term depreciation expenses would be estimated based forecast capital expenditures for next 10 years.

4. Asset Renewal and Replacement

The Council has in place Infrastructure & Asset Management Plans (I&) that was last updated in 2017 for each major class of assets. The financial projections to be included in the draft 2021/2022 Budget and 10-year LTFP, will be based on the asset renewal and replacement programs as outlined in the I&.

Due to the unique nature of the Council's asset base, the input costs to renew and replace the existing asset base, can be subject to cost escalations which are greater than CPI.

5. New Operating and Capital Projects

New projects, both Operating and Capital, which are to be put forward for consideration by the Council staff and the Elected Members, should be aligned with:-

1. Council's Strategic Management Plan 2017-2020 and its updates; and
2. The approved Infrastructure and Asset Management Plans.

In addition, all new Operating and Capital Projects are to be considered and approved within the constraints of the Long Term Financial Plan. New services and one-off projects in excess of the LTFP are to be funded through rate increases, loan borrowings and grant income or by expenditure savings.

6. Carry Forward Projects

Where this financial year Operating Projects are not completed by 30 June 2021, future deficits can eventuate, as the Rate Revenue is raised in the year as the project is initially approved. As part of the draft Budget, the cost to complete the Operating Projects from prior financial years will be carried forward to the 2021/2022 financial year, however the estimate of carried forward projects will be excluded for rate modelling purposes.

Estimates will be based on the 2020/2021 actual results closer to the adoption of 2021/2021 budget, with the associated operational impacts being recognised separately in the 2021/2022 operating result.

Budget Timetable

As set out in **Table 2** below, a budget timetable has been developed to ensure that the Council is in a position to adopt 2021/2022 Annual Business Plan, Annual Budget and LTFP at a Special Council Meeting on 8 July 2021.

This timeline will allow Council to approve the budget well ahead of the legislated deadline of 31 August 2021. It will also assist the Council staff to carry out all end of year processing as at 30 June 2021 on time, and plan for the new financial year.

TABLE 2 - KEY BUDGET PROCESS ACTIVITIES 2021/2022

KEY STEPS	DATES	MEETING
Recurrent Budgets parameters and budget timetable is discussed with the Executive Management Team (EMT).	Monday, 11 January 2021	EMT meeting
Budget process, parameters and objectives presented to the Council for adoption.	Wednesday, 27 January 2021	January Council Meeting
Budget process, parameters and objectives presented to the Audit Committee.	Tuesday, 2 February 2021	Audit Committee meeting at 4.30pm
Bus tour of proposed infrastructure program for 2021/2022.	Wednesday, 10 February 2021	Budget workshop 1
Draft Recurrent Budget, 2022-2031 LTFP and Projects bids are considered and endorsed by EMT.	Friday, 12 February 2021	EMT meeting
Discuss four (4) Year Capital Program with Elected Members.	Monday, 1 March 2021	Budget workshop 2 - 6.00pm to 8.00pm (informal gathering)
Infrastructure Committee to consider four (4) year capital renewal program.	Wednesday, 10 March 2021	I&C Committee Meeting from 6.00pm to 8.00pm
Recurrent Budget, Operating and Capital Projects Workshop with Council Members.	Wednesday, 10 March 2021	Budget workshop 3 - 6.00pm to 8.00pm (informal gathering)
Draft ABP and LTFP presented to the Council.	Monday, 22 March 2021	March Council Meeting
2021/2022 Fees and Charges adopted.	Monday, 22 March 2021	March Council Meeting
Draft 2021/2022 ABP and 2022-2031 LTFP presented to the Audit Committee.	Monday, 5 April 2021	Audit Committee meeting at 4.30pm
Draft 2021/2022 ABP and 2022-2031 LTFP endorsed for public consultation.	Tuesday, 27 April 2021	April Council Meeting
21 Days public consultation period begins with advertisement in local newspapers.	Wednesday, 5 May 2021	Public consultation
21 Days public consultation period ends.	Tuesday, 25 May 2021	Public consultation
Consideration of public submissions by the Audit Committee.	Monday, 7 June 2021	Audit Committee meeting at 4.30pm
Draft ABP and LTFP Budget presented to the Audit Committee.	Monday, 7 June 2021	Audit Committee meeting at 4.30pm
Infrastructure Committee to reconsider four (4) year capital renewal program with feedbacks from the public.	Tuesday, 8 June 2021	Infrastructure and Environment Meeting at 6.00pm
Public submissions received on the draft 2021/2022 budget and updated LTFP is considered by the Council.	Monday, 28 June 2021	June Council Meeting
Adoption of 2021/2022 ABP, Budget and 2022-2031 LTFP.	Thursday, 8 July 2021	Special Council Meeting at 6.00pm

Conclusion

A well-developed budget framework and timetable will assist Council Members and the management to monitor the progress of the budget process, so that 2021/2022 Budget can be adopted as planned on 8 July 2021. In order to provide certainty to the community regarding the level and range of services provided by Council, the cost of providing those services, future Council borrowing requirements and general rate rises, Council should ensure that draft budget is compatible with the:-

1. Strategies of Council's Strategic Plan 2017-2020;
 2. 2020-2029 Long Term Financial Plan adopted on 27 June 2019; and
 3. Council's Infrastructure & Asset Management Plan adopted in 2017.
-

References

Legislation

Local Government Act 1999

Council Policies/Plans

Audit Committee Terms of Reference

Audit Committee Annual Work Program 2020-2021

Asset Financial Management Policy

Asset Management Plan

Asset Management Policy

Budget Management Policy

Council Vehicle Policy

Funding Policy

Prudential Management Policy


Rates Arrears and Debtor Management Policy

Treasury Management Policy

Long Term Financial Plan 2020-2029

Strategic Plan 2017 – 2020

Infrastructure & Asset Management Plans

 Adelaide Plains Council	6.3	Update on Audit Committee Annual Work Program 2020-2021
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 2 February 2021	Document Ref:	D21/3908

EXECUTIVE SUMMARY

- The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2020/2021 Financial Year.
- At its meeting held on 17 September 2020, the Audit Committee approved its 2020/2021 Works Program.
- The final audit for 2019/2020 was completed and draft audited financial statements, audit report on financial statements and internal controls were presented to the 16 November 2020 Audit Committee meeting.
- A report on the review of audited financial results of 2019/2020 against the adopted budget was also presented to the 16 November 2020 Audit Committee meeting.
- Report on the review of internal financial control policy and an update on the progress of Council’s risk management framework is presented to February 2021 meeting.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.3 – *Update on Audit Committee Annual Work Program 2020-2021*, dated 2 February 2021, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2020/2021 Financial Year.”

BUDGET IMPACT

Estimated Cost:	Not Applicable
Future ongoing operating costs:	Not Applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

The Audit Committee must ensure that the Annual Work Program addresses the statutory obligations and focuses on the adequacy of the Councils' systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems. The ongoing monitoring of the Annual Work Program aids minimisation of exposure to associated risks allowing for adequate resourcing of mitigation strategies by the Council.

Attachments

1. Audit Committee Annual Work Program 2020-2021 – February 2021 Update

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2020/2021 Financial Year.

Background/History

At its meeting on 17 September 2020, the Audit Committee approved the work program for 2020/2021 Financial Year.

Discussion

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference of the Audit Committee are fulfilled, the Audit Committee must develop a Work Program each year. A regular update on the 2020/2021 Work Program will assist the members of the committee to monitor their planned activities and accordingly the **Attachment 1** shows progress to date.

- The final audit for 2019/2020 was completed and draft audited financial statements, audit report on financial statements and internal controls were presented to the 16 November 2020 Audit Committee meeting.
- A report on the review of audited financial results of 2019/2020 against the adopted budget was also presented to the 16 November 2020 Audit Committee meeting.
- Report on the review of internal financial control policy and an update on the progress of Council's risk management framework is presented to February 2021 meeting.

Conclusion

Draft audited financial statements for 2019/2020 Financial year was presented to 16 November 2020 meeting for review by the Audit Committee. A report on the financial results comparing actual results for 2019/2020 with Adopted budget also presented to 16 November 2020 meeting.

Report on the review of internal financial control policy and risk management framework update is included in the agenda of the 2 February Audit Committee meeting.

References

Legislation

Section 126 of the Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Audit Committee Terms of Reference.

Audit Committee Annual Work Program 2020-2021 (February 2021 update)

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
1. Financial Reporting (LGA – Section 126(4)(a))				
1.1 Ensure that financial information included in following publications for external audiences accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators and provide commentary and or recommendation to Council: <ul style="list-style-type: none"> ▪ Annual Business Plan; ▪ Annual Financial Statements; 	April & June 2021 November 2020 and June 2021	Completed		16 Nov 2020
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2020	Completed		16 Nov 2020
2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> ▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan; ▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&AMP); ▪ soundness of the I&AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets; ▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans; ▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan. 	To be confirmed	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February. Council Management is planning to develop business/action plan to deliver objectives of the updated SMP and the draft		

Audit Committee Annual Work Program 2020-2021 (February 2021 update)


		business/action plan will be presented to the Audit Committee.		
3. Exercise of Powers under Section 130A (LGA – Section 126(4)(ac))				
3.1 Determine whether a recommendation to the Council is required to request its auditor or some other person to examine and report on any matter considered significant relating to financial management or the efficiency and economy of the management of Council’s resources that would not be addressed or included as part of the annual audit.	Ongoing			
4. Liaising with External Auditor (LGA – Section 126(4)(b))				
4.1 An in-camera meeting with Council’s external auditors during the 2020/2021 financial year to: <ul style="list-style-type: none"> ▪ discuss any points of concern raised by the External Auditor in their interim audit; ▪ assess the appropriateness of the Council’s response to matters raised in the interim audit; ▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; ▪ assess the appropriateness of the Council’s response to matters so raised. 	September 2020 September 2020 November 2020 November 2020	Completed		17 Sep 2020 17 Sep 2020 16 Nov 2020 16 Nov 2020
4.2 Ensure compliance with regulation 22 (1) of the Local Government (Financial Management) Regulations 2011 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Ongoing			
5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
5.1 Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council’s external	November 2020	Completed		16 Nov 2020

Audit Committee Annual Work Program 2020-2021 (February 2021 update)

<p>auditor, and if so whether action has been taken to have them addressed:</p> <ul style="list-style-type: none"> ▪ consider the range of documented internal control policies and procedures; and ▪ whether they are being followed. ▪ regular self-assessment of internal financial controls 	February 2021			
5.2 Review Business Continuity & Emergency Management Plan.	April 2021			
<p>5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:</p> <ul style="list-style-type: none"> ▪ whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect e.g. <ul style="list-style-type: none"> ✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets); ✓ whether there are significant risks that have been identified by Council’s insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; ✓ adequacy of insurance coverage. 	February 2021	An update on the progress of Council’s risk management framework is presented to February 2021 meeting		
<p>5.4 Review the appropriateness of the range and content of Council’s financial policies and practices. Policies due for review are;</p> <ul style="list-style-type: none"> • Credit Card Policy (Last reviewed in April 2018) • Internal Financial Controls Policy (Last reviewed in April 2018) • Land Under Roads Policy (Last reviewed in 2008) • Council Vehicle Policy (Last reviewed in July 2018) • Procurement Policy (Last reviewed in March 2019) 	<p>Ongoing</p> <p>April 2021 February 2021 April 2021 April 2021 April 2021</p>	Agenda 2/2/2020		

Audit Committee Annual Work Program 2020-2021 (February 2021 update)

<ul style="list-style-type: none"> • Risk Management Policy (Last reviewed in July 2019) 	June 2021			
6. Reporting				
6.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing	Update report is provided to 2 February meeting		
6.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
6.3 Report annually to the Council; <ul style="list-style-type: none"> ▪ outlining outputs relative to the audit committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; ▪ outlining any identified training needs; ▪ Audit Committee Self-Assessment Survey ▪ advise on future work program proposals; and invite comment from the Council on all of the above. 	To be confirmed To be confirmed To be confirmed To be confirmed			

	6.4	Review of Internal Financial Controls Policy
	Department: Report Author:	Finance and Business General Manager - Finance and Business
Date: 2 February 2021	Document Ref:	D21/3911

EXECUTIVE SUMMARY

- The purpose of this report is to provide the Audit Committee with an opportunity to review Council’s internal financial controls policy (the current policy) that was last updated in April 2018 following changes to the to the Better Practice Model – Internal Financial Controls for South Australian Councils.
- Following a review of the current policy, Council management is not recommending any changes except for minor editorial changes to reflect Council’s current organisational structure.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.4 – *Review of Internal Financial Controls Policy*, dated 2 February 2021, receives and notes the report and in doing so recommends to the Council that the Internal Financial Controls Policy reviewed in February 2021 as presented in Attachment 1 to this report, be adopted at its February 2021 ordinary meeting”

BUDGET IMPACT

Estimated Cost	Not applicable
Future ongoing operating costs:	Not applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

It is important that Council implement effective Internal Financial Controls and that they are managed effectively; ensuring Council has a focus on risk mitigation. The implementation of such controls will help Council identify areas for improvement and negate the need for a reactive approach in addition to minimising the risk associated with poor financial practices.

Attachments

1. Mark-up version of the Internal Financial Controls Policy Reviewed in February 2021.

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with an opportunity to review Council's internal financial controls policy that was last updated in April 2018.

Background/History

According to the Section 125 of the Local Government Act 1999, '*A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records*'.

Section 129(1) of the Local Government Act 1999, requires council's auditors to undertake an audit of;

- the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities (Section 129(1)(b)); and
- the auditor must provide to the council an audit opinion as to whether the controls audited under subsection (1)(b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law (Section 129(3)(b)).

Adelaide Plains Council adopted its Internal Control Policy in October 2015. Review of the policy was undertaken in April 2018 following changes made to the Better Practice Model – Internal Financial Controls for South Australian Councils.

Discussion

Council management is satisfied that the current policy assists Adelaide Plains Council in maintaining sound internal control practices and procedures to provide a reasonable assurance that Council's financial records are complete, accurate and reliable and were effective throughout the financial year.

Therefore, except for minor editorial changes to reflect Council organisation structure, management is not recommending any changes to the current policy.

Conclusion

Current Internal Financial Control Policy assists the Council in maintaining sound internal financial controls over the financial affairs of the Council as required by the Local Government Act and Local Government (Financial Management) Regulations 2011.

References

Legislation

Local Government Act 1999 - Sections 125, 126, 129 & 130

Local Government (Financial Management) Regulations 2011 - Regulation 14 (e)

LGA's Financial Sustainability Information Paper No. 21 – Internal Financial Controls


Better Practice Model – Internal Financial Controls for South Australian Councils – April 2017

Council Policies/Plans

Procurement Policy

Internal Financial Controls Policy

Audit Committee Annual Work Program 2020/2021

 Adelaide Plains Council	Internal Financial Controls Policy	
	Version Adoption by Council:	16 April 2018 <u>TBC</u>
	Current Version:	V2.0 <u>V3.0</u>
	Administered by: General Manager Finance and Economic Development <u>Business</u>	Last Review Date: 2018 <u>2021</u> Next Review Date: 2020 <u>2022</u>
TRIM REF: D18/12860 <u>D21/3912</u>	Strategic Outcome: 5.5 Effective financial management that ensures Council's financial sustainability	

➤ **Objective**

This Policy is made pursuant to *Section 125 of the Local Government Act 1999 (Act)* which provides:

A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.

Council's objectives of this Policy are:

- a) Risks relating to the stewardship of public resources are adequately managed through effective internal controls.
- b) A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the council and to all employees that they are responsible for adhering to those internal controls.
- c) To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

➤ **Scope**

This policy covers the internal financial controls and audit functions in place for the Adelaide Plains Council.

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3. Internal Financial Control

Internal Financial Controls, as a part of Council's broader internal control processes, is designed to assist the Council in addressing the risk of fraud and error, improving reliability of financial reporting and compliance with laws, regulations and policies. It focuses on Council's financial processes and functions that deal with, but are not limited to, budgeting, financial reporting, transaction processing, financial delegations and treasury management.

Internal control is part of Council's corporate governance framework and covers areas such as strategic management, business development, project management and finance. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and council policies/rulings are complied with and financial reporting is accurate and reliable.

As a first step towards developing a complete risk management and corporate governance framework, the financial component of internal controls will be addressed and these are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. Examples of the types of activities addressed are accounts payable, payroll, budgeting, management reporting, banking and contracting. Financial internal controls are critical to effective risk management of a Council's operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective Internal Control environment.

4. Risk Management Approach

Council will maintain an internal control framework, which will be based upon a pro-active risk management culture. The types of risks identified in the framework will be those which may prevent council from meeting its objectives or not maximising its opportunities. The first risk area covered by Council is financial management, for which internal controls will be identified, documented and managed. It is recognised that all risks cannot be eliminated, however the internal controls applied should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop and promote a culture that emphasises integrity, ethical values and competence.

5. Roles and Responsibilities

The Council is responsible for approval of the Internal Control Policy and the Chief Executive Officer for developing and maintaining an internal control framework, which ensures Council objectives are achieved efficiently and effectively. Updates on changes to the framework will be presented to the Audit Committee.

The Chief Executive Officer and presiding member of Council must also sign the financial statements in regard to internal controls as required by *Local Government (Financial Management) Regulations 2011* r14.

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The Council management must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with internal control policies procedures and practices of Council.

6. Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

- Structure and culture of Council;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;
- Information Technology controls;
- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment.

7. Better Practice Model

The Local Government (Financial Management) Regulations (2011) prescribe an internal controls framework customised for Council adoption and use. This has been developed and endorsed by South Australian peak local government finance and audit management bodies in conjunction with private sector risk management experts.

The Better Practice Model – Internal Financial Controls framework is a risk management tool that assists Council and its administration to assess mitigate against and employ processes to reduce risk in its day-to-day operations.

The model is underpinned by the “Three Lines of Defence” – functions that own and manage risk, functions that oversee risk (e.g. control self-assessment) and independent assurance (e.g. internal audit).

Diagram depicting the relationship between these planks and their relationship with Local Government Act and external auditors is provided below.



Responsibility for Control Environment

Council is statutorily responsible for maintaining financial controls aimed at preventing fraud and minimise the likelihood of error or misstatement.

As part of the delegated powers passed to the Council administration, the Chief Executive plays a key role in establishing and developing an effective internal control environment, through delegating functional control duties to management.

Administrative management is primarily responsible for overseeing and mitigating organisational risks on a day-to-day basis. Practically this means identifying risks, establishing and adhering to policies and procedures and undertaking control self-assessment in establishing the procedural framework by which all business operations will be transacted within.

The final line of defence specifically calls for internal audit function to perform objective tests on the performance and effectiveness of the first two lines.

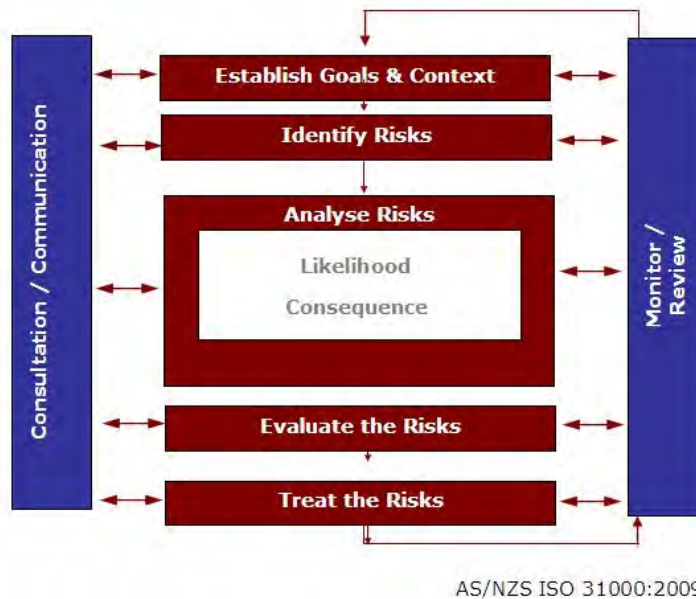
Further advice and assurance may be sought from the current external auditor if required, particularly leading up to and within the annual external audit engagement period.

8. The Risk Management Process

The process followed by Council in developing the framework appears below in diagrammatic form extracted from Australian/New Zealand Standard AS/NZS ISO 31000:2009

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The Risk Management Process



- Establish Goals & Context – Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.
- Identify Risks – Identify the risks most likely to impact on the achievement of Council's objectives.
- Analyse Risks – Assess effectiveness of risks in terms of likelihood and consequence to identify the current risk level.
- Evaluate Risks – Determine whether the risks are acceptable or unacceptable and document findings.
- Treat Risks – Treat risks by one of the following methods - discontinuing activity that generates it, reducing likelihood of occurrence, reducing consequence of occurrence, transfer the risk or retain the risk.
- Consultation/Communication – These are important elements to ensure that all stakeholders understand why actions are required. These stakeholders include all staff and elected members.
- Monitor/Review – Responsible officers must be identified for each internal control and provide feedback to managers on progress with controls. The Managers monitor the effectiveness of risk treatments and report progress to the Executive Leadership and the Audit Committee at regular intervals.

9. Review of Database of Internal Controls

The database of internal financial controls will be reviewed at least every twelve months to ensure all controls are current and appropriate and the Executive Leadership and the Audit Committee will be informed of the outcome of each review and updated regularly on progress with action plans identified during the reviews.

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10. Support with Development of a Risk Management System

To assist in the ongoing improvement of a risk management system the Local Government Association's *Better Practice Model – Internal Financial Controls* should be reviewed from time to time, to identify the current recommended risk management database of internal controls and supporting documentation.

11. Related Documents

Annual Business Plan

Long Term Financial Plan

Risk Management Policy and Framework

Strategic Plan 2017-2020

12. Records Management

All documents relating to this Policy will be registered in Council's Record Management System and remain confidential where identified.

13. Document Review

This Policy will be reviewed annually to ensure legislative compliance and that it continues to meet the requirements of Council its activities and programs.

14. References (Legislative and Standards Requirements)

Local Government Act 1999 - Sections 125, 126, 129 & 130

Local Government (Financial Management) Regulations 2011 – Regulation 14 (e)

Australian/New Zealand Standard AS/NZS ISO 31000:2009

LGA's Financial Sustainability Information Paper No. 21 – Internal Financial Controls

Better Practice Model – Internal Financial Controls for South Australian Councils – April 2017

15. Further Information


Members of the public may inspect this Policy free of charge on Council's website at www.apc.sa.gov.au or at Council's Principal Office at:

2a Wasleys Rd, Mallala SA 5502

A copy of this policy may be obtained on payment of a fee.

Any queries in relation to this Policy must be in writing and directed to the General Manager Finance and ~~Economic Development~~Business.

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 Adelaide Plains Council	6.5	Review of Land Under Roads Policy
	Department: Report Author:	Finance and Business General Manager - Finance and Business
Date: 2 February 2021	Document Ref:	D21/4089

EXECUTIVE SUMMARY

- The purpose of this report is to provide the Audit Committee with an opportunity to review Council’s Land Under Roads policy (the current policy) that was last approved by the Council in 2008 following the introduction of Australian Accounting Standard AASB 1051 – Land Under Roads.
- Following a review of the current policy, Council management is proposing several changes to:-
 - reflect Council’s current organisational structure;
 - add the definition of ‘Land Under Road’;
 - make reference to AASB 116 - Property Plant and Equipment, paragraph 7(b) regarding reliable measurement of fixed assets;
 - remove reference to Model Financial Statements;
 - reflect changes to Council’s other applicable policies/strategic documents since 2008

RECOMMENDATION

“that the Audit Committee, having considered Item 6.5– *Review of Land Under Roads Policy*, dated 2 February 2021, receives and notes the report and in doing so recommends to the Council that the Land Under Roads Policy reviewed in February 2021 as presented in Attachment 1 to this report, be adopted at its February 2021 ordinary meeting”

BUDGET IMPACT

Estimated Cost	Not applicable
Future ongoing operating costs:	Not applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

Nil

Attachments

1. Mark-up version of the Land Under Roads Policy - Reviewed in February 2021.

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with an opportunity to review Council's Land Under Roads policy (the current policy) that was last approved by the Council in 2008 following the introduction of Australian Accounting Standard AASB 1051 – Land Under Roads.

Background/History

Council's policy of accounting land under roads was last updated in 2008 following the introduction of Australian Accounting Standard (AASB) 1051 – Land Under Roads. As there has been no significant changes to the requirements under AASB 1051, Council has been applying current policy every year since 2008 when preparing annual financial statements.

Discussion

Following a review of the current policy, Council management is proposing several changes to the current policy to:-

- reflect Council's current organisational structure;
- add the definition of 'Land Under Road';
- make reference to AASB 116 - Property Plant and Equipment, paragraph 7(b) regarding reliable measurement of fixed assets;
- remove reference to Model Financial Statements;
- reflect changes to Council's other applicable policies/strategic documents since 2008

Conclusion

Land Under Roads policy that was approved by the Council in 2008 has been applied by the Council when preparing annual financial statements every year since 2008. Although there has been delays in reviewing this policy, there has been no significant changes the core elements of the current policy since 2008.

References

Legislation

Nil

Council Policies/Plans


Asset Management Policy

Fixed Assets Accounting Policy

Model Financial Statements 2020

Australian Accounting Standard AASB 1051 – Land Under Road

Australian Accounting Standard AASB 116 - Property Plant and Equipment

	Land Under Roads Policy	
	Version Adoption by Council:	<u>2008</u> TBC
	Resolution Number:	<u>2008/212</u> TBC
	Current Version:	<u>V1.2</u> V1.3
Administered by:	Last Review Date:	<u>2008</u> <u>2021</u>
General Manager Infrastructure <u>and</u> <u>Environment</u>	Next Review Date:	<u>2013</u> <u>2026</u>
Document No: <u>D21/4088</u> TRIM REF: <u>CON12/809</u>	Strategic Outcome:	
	<u>5.54.3</u> <u>Great Places & Infrastructure</u> Effective financial management that ensures Council's financial sustainability.	

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1. Objective

~~2. For reporting periods commencing on or after 1 July 2008, AASB 1051 – Land Under Roads came into effect, under which Council is required to state its accounting policy in relation to recognition of ‘land under roads’ assets. This Policy supports Council’s objective to develop and maintain long term financial planning, management and reporting to ensure resources are provided to deliver services and manage Councils assets.~~

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3.2. Scope

This Policy applies to all existing land under roads, within the Adelaide Plains Council, as well as land newly acquired for road purposes that adjoins land under an existing road as it then forms an integral part of the combined road reserve, setting guidelines for consistent treatment of land under roads, throughout the District and not to value land under roads.

4.3. Definitions

Public Road – as defined in the *Local Government Act 1999*:

- (a) any road or land that was, immediately before the commencement of this *Act*, a public street or road under the repealed *Act*; or
- (b) any road –
 - (i) that is vested in a council under this or another *Act*; or
 - (ii) that is placed under a council’s care, control and management as a public road after the commencement of this *Act*,
- (c) any road or land owned by council, or transferred or surrendered to a council, and which, subject to this *Act*, is declared by the council to be a public road; or

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- (d) and land shown as a street or road on a plan of division deposited in the Lands Titles Registration Office or the General Registry Office and which is declared by the council to be a public road; or
- (e) any land transferred or surrendered to the Crown for use as a public road that was, immediately before the transfer, held by a person in fee simple or under a lease granted by the Crown,

(and includes any such road that is within the boundaries of a public square).

Land under roads is defined as land under roadways, and road reserves, including land under footpaths, nature strips and median strips.

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5.4. Policy Statement

This Policy acknowledges the requirements set out in *“the definitive standard AASB 1051 Land Under Roads coming into effect for reporting periods commencing on or after 1 July 2008”* (South Australian Model Financial Statements 2008, Note 7 – Fixed Assets), and is for Council to value land under roads, in accordance with AASB 1051.8.

According to AASB 116 - Property Plant and Equipment, paragraph 7(b), reliable measurement is an essential component for the recognition of an asset. In the absence of the ability to reliably measure the value of land under roads, Council will not recognise existing land under roads as an asset.

Land acquired for road purposes will initially be recognised at cost in accordance with AASB 116 paragraph 7(b) however will subsequently be recognised at fair value. That is, the cost will be written off as a revaluation decrement at the end of the reporting period.

6.5. Specific Provisions / Responsibilities

It is Council’s opinion that it is not possible to reliably measure the fair value of land under roads previously acquired, further, newly acquired land that adjoins land under a road then forms an integral part of the pre-existing road reserve, such that the fair value of the combined area must be assessed as a unit and hence cannot be reliably measured. This also applies to roads in a subdivision transferred to Council without cost, in that such land forms an integral part of the road network and the contribution of value of the added land to the road network and of the road network to the added land, cannot be reliably measured (~~South Australian Model Financial Statements 2008, Note 7 – Fixed Assets~~).

Accordingly, in the absence of the ability to reliably measure the value of land under roads (AASB 116. 7(b)); it is of Council’s opinion that the asset cannot be recognised.

7.6. Related Documents

Asset Management Policy

Note: Electronic version in TRIM is the controlled version. Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.

Fixed Assets Accounting Policy~~Asset Financial Management Policy~~

8.7. Records Management

All documents relating to this Policy will be registered in Council's Record Management System and remain confidential where identified.

9.8. Document Review

This Policy will be reviewed periodically to ensure legislative compliance and that it continues to meet the requirements of Council its activities and programs.

10.9. References

Local Government Act 1999

~~Standard~~ AASB 1051 Land Under Roads

AASB 116 Property, Plant and Equipment

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11.10. Further Information


Members of the public may inspect this Policy free of charge on Council's website at www.apc.sa.gov.au or at Council's Principal Office at:

2a Wasleys Rd, Mallala SA 5502

On payment of a fee, a copy of this policy may be obtained.

Any queries in relation to this Policy must be in writing and directed to the General Manager Infrastructure and Environment.

Note: Electronic version in TRIM is the controlled version. Printed copies are considered uncontrolled.
Before using a printed copy, verify that it is the current version.

 Adelaide Plains Council	7.1	Committee Resolutions
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 2 February 2021	Document No:	D21/3906

OVERVIEW

The purpose of this report is to provide an update to the members of the Audit Committee on the outstanding Committee resolutions yet to action by the Council management.

Audit Committee resolutions that require actioning by Council Administration are captured in the Resolution Register and presented to each committee meeting for the information of the members of the Audit Committee.

This report contains a table of all the outstanding resolutions and accordingly:-

- one (1) resolution from June 2019 meeting;
- one (1) resolution from February 2020 meeting;
- one (1) resolutions from September 2020 meeting; and
- one (1) resolution November 2020 meeting are still outstanding.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 2 February 2021, receives and notes the report.”

Attachments

1. Resolution Register updated February 2021.

References

Legislation

N/A

Other

Audit Committee Annual Work Program 2019-2020

2019 Audit Committee Resolution Register


D20/6644

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
21-Jun-19	6.2	Committee Resolution	that, in consideration of the Long Term Financial Plan and forecast operating deficits, the Audit Committee recommends to Council that Council, as part of its strategic planning workshop earmarked for October 2019, prioritise a focus on reviewing the following:- 1. Long Term Financial Plan, with an emphasis on long term growth projections; 2. Infrastructure and Asset Management Plan; 3. Service levels; and 4. Rating strategy	2019/20	Finance and Business	Ongoing	Updated Strategic Management Plan 2021-2025 was approved by the Council on 27 January. Review of Rating Structure, LTFP and the I& has commenced in January 2021. Review of service levels has not yet commenced.	

2020 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
10-Feb-20	9.1	Committee Resolution	"that the Audit Committee, recommend to Council that a report be prepared reviewing the adequacy of current Council policies in light of the recent Ombudsman reports on credit card and travel expenditure."	2020/016	Finance and Business	Ongoing	To be addressed as part of the review of Council's <i>Credit Card Policy</i> . This review is due to take place in 2021 in accordance with Council's <i>Policy Review Schedule</i> .	
17-Sep-20	7.2	Interim Audit 2019/2020 – Management Report	"that the Audit Committee, having considered Item 7.2 – Interim Audit 2019/2020 – Management Report, dated 17 September 2020, receives and notes the report and in doing so requests that updates be brought back to the Audit Committee in relation to: 1. Segregation of Duties and 2. GRFMA Investment."	2020/033	Finance and Business	Ongoing		
16-Nov-20	6.2	Draft Audited Annual Financial Statement 2019/2020	"that the Audit Committee requests the Chief Executive Officer to bring back a report to the next Audit Committee meeting in regards to internal auditing and in particular the issue of assurance in relation to asset valuations."	2020/052	Finance and Business	Ongoing		

 Adelaide Plains Council	7.2	Risk Management Progress Update
	Department:	Governance and Executive Office
	Report Author:	WHS and Risk Officer
Date: 2 February 2021	Document Ref:	D20/49504

OVERVIEW

The purpose of this report is to provide the Audit Committee with an update on the progress of Council’s risk management framework. At the Audit Committee meeting held on the 6 April 2020, the following resolution was passed by the committee members.

7.2 Risk Management Progress Update

Moved Mr Peter Fairlie-Jones Seconded Deputy Mayor Strudewick 2020/023

“that Audit Committee, having considered Item 7.2 – Risk Management System Update, dated 6 April 2020, receives and notes the report.”:-

CARRIED

Council has a Risk Management Policy in place which was adopted on the 22 July 2019. The Risk Management Procedure is currently being reviewed and is out for consultation. Progress on the Risk Management Framework since the 6 April 2020 is as follows:

- An organisational risk assessment template is in place for strategic, operational and project risks and has been integrated with emergency management and procurement processes.
- Completion of risk assessments for strategic and operational risks have 75% been completed.
- Council has entered information from completed risk assessments into Councils Risk Register. Previously we planned to enter this information into an excel spreadsheet however Council decided to wait for the new Skytrust electronic system which was finalised early September 2020. This electronic system shall provide more efficient reporting and monitoring mechanisms to EMT and Council on organisational strategic and operational risks.
- The Governance and Executive Office team is in the process of introducing an electronic reporting template which shall include a revised risk assessment section within the report template. The timeframe for implementation is scheduled for February/ March 2021.
- The risk matrix within the Councils financial reporting system (Control Track) has been reviewed and updated to align with the risk matrix within the Risk Management Procedure.

The next steps in the process are as follows:

- Commencement of quarterly reporting to EMT and Council on progress of organisational strategic and operational risks within the risk register (commencing in March 2021).
- Train staff on the implementation of the Risk Management Procedure and reporting requirements.
- Meet with the Council Members to present the strategic and operational risks and workshop the risk tolerance and appetite of Council (May 2021).
- Review Risk Management Policy early 2021.

Please note there have been some delays with previous deadlines due to unprecedented circumstances such as loss of key staff, resourcing issues, more important work priorities and the COVID-19 implications on Council.

RECOMMENDATION 1

“that Audit Committee, having considered Item 7.2 – *Risk Management System Update*, dated 2 February 2021 , receives and notes the report.”

Attachments

Nil

References

Legislation


Local Government Act 1999.

Local Government (Financial Management) Regulations 2011.

ISO 31000:2018

Council Policies/Plans

Risk Management Policy and Procedure

 Adelaide Plains Council	7.3	Financial Performance for the period July-December 2020
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 2 February 2021	Document Ref:	D20/61461

OVERVIEW

Statement of Comprehensive Income 2020/2021

Council's *Statement of Comprehensive Income* or Profit & Loss account has two parts:

1. Recurrent Budget surplus of \$0.397m;
2. Operating Project Budget expenditure of \$0.314m (net of grants);

resulting, an operating surplus of \$0.083m. The adopted budget also included capital project budget of \$3.976m

First Budget Update

Following the First Budget Update in October 2020, it was estimated that an operating deficit of \$0.547m will be reported for 2020/2021 Financial Year which consists of:-

1. Recurrent Budget surplus of \$0.578m;
2. Operating Project Budget expenditure of \$1.125m (net of grants);

The total capital expenditure budget has also been increased by \$1.625m to \$5.601m due to carry over projects from 2019/2020 Financial Year. **Table 1** below shows the value of all the approved projects after First Budget Update.

Table 1: Value of Projects Approved for 2020/2021 Financial Year (\$'000)

Project Category	Adopted Budget	Carried Forward + New Projects	Q1 Approved Budget
Capital	2,930	1,452	4,382
Operating	314	1,216	1,530
Drought Communities Program 1 (DCP 1)	-	345	345
Drought Communities Program 2 (DCP 2)	1,000	-	1,000
Local Roads and Community Infrastructure Program (LRCI)	346	-	346
	4,590	3,013	7,603
Total Capital Project Program			5,601
Total Operating Project Program			2,002
Total Value of the Project Budget			7,603

As shown in **Table 2** below, the number of new projects approved for 2020/2021 was 52. However, following the First Budget Update, total number of projects earmarked for implementation by 30 June 2021 has been increased to 92.

Table 2: Number of Projects Approved for 2020/2021 Financial Year (\$'000)

Project Description	Adopted Budget	Carried Forward + New Projects	Q1 Approved Budget
Capital	30	10	40
Operating	11	17	28
Drought Communities Program 1 (DCP 1)	-	8	8
Drought Communities Program 2 (DCP 2)	10	-	10
Local Roads and Community Infrastructure Program (LRCI)	6	-	6
Total number of projects	57	35	92

July - December Financial Performance

Table 3 below shows the Profit and Loss account for the first six (6) months of the 2020/2021 Financial Year. Where there is a favourable budget variances between July-December actual (Column A) and July-December budget (Column B) and it is greater than \$5,000, it is highlighted in green and unfavourable budget variances of greater than \$5,000 are highlighted in red.

Table 3: Income Statement for the First Six Months (July 2020 to December 2020)

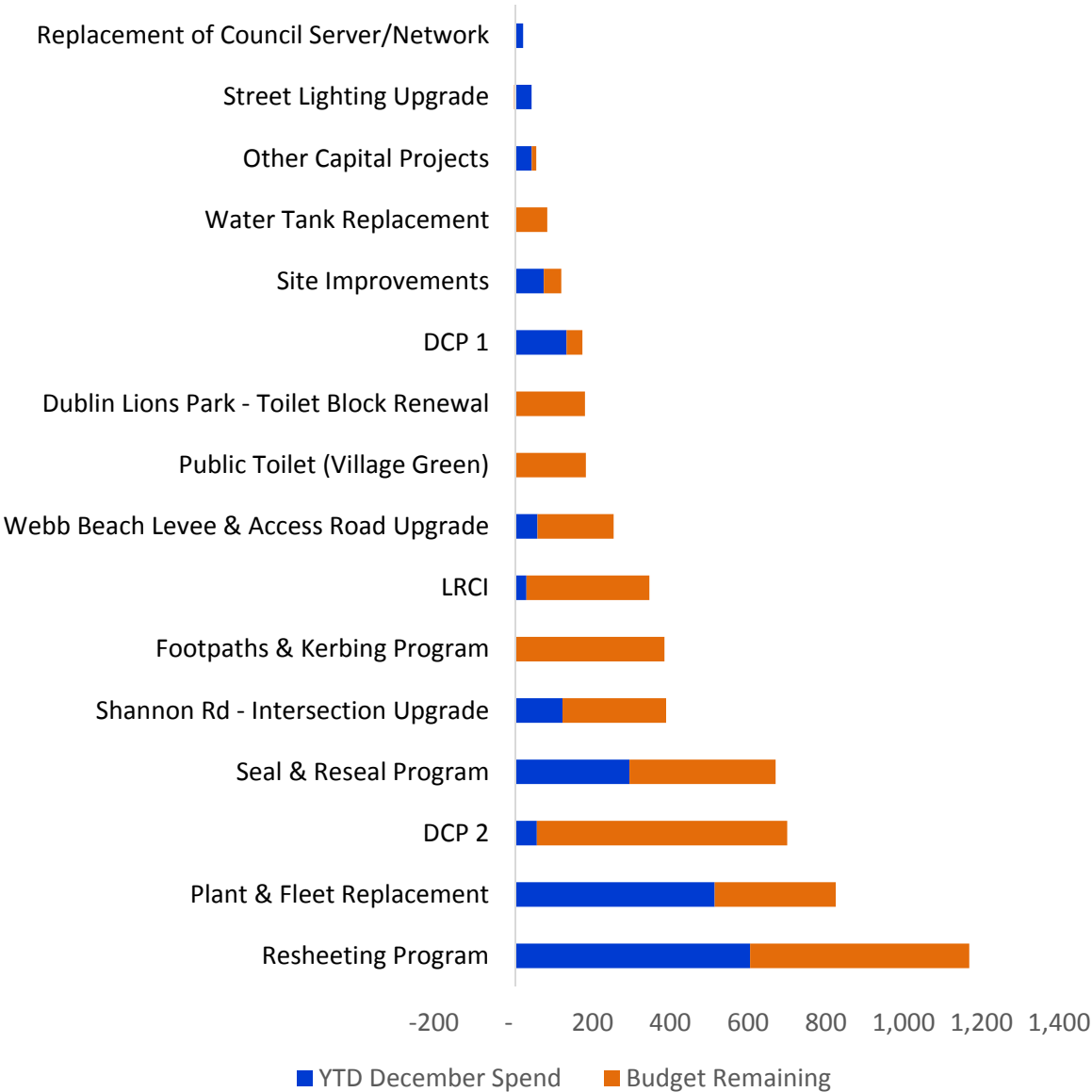
Description	A YTD December 2021 Actual	B YTD December 2021 Budget	C = A - B Variance	Q1 Revised Annual Budget
Income				
Rates Revenue	10,593,191	10,589,153	4,038	10,633,050
Statutory Charges	374,038	287,818	86,220	409,638
User Charges	77,998	78,928	(930)	167,393
Grants & Subsidies	1,398,817	965,852	432,965	2,901,674
Interest Income	608	1,326	(718)	2,652
Reimbursements	67,169	78,746	(11,577)	125,291
Other Income	36,858	21,640	15,218	23,734
Total Income	12,548,679	12,023,463	525,216	14,263,432
Expenses				
Employee Expenses	2,534,767	2,603,552	68,785	5,266,840
Material, Contracts & Other Expenses	2,427,706	2,821,162	393,456	6,579,125
Depreciation	1,349,922	1,349,922	-	2,781,422
Interest Expenses	56,661	91,296	34,635	182,597
Total Expenses	6,369,056	6,865,932	496,876	14,809,984
Operating Surplus/(Deficit)	6,179,624	5,157,531	(1,022,093)	(546,552)

The main reason for budget variances is the timing (i.e. actual income/expense occur not in line with timing assumed when preparing the budget) which will resolve itself as the financial year progresses. However, annual budget will be updated for permanent budget variances (i.e. budget variances that are not expected to resolve itself as the financial year progresses) as part of Second Budget Revision.

Capital Project Progress as at 31 December 2020

At the end of December, \$1.995m has been spent on 32 capital projects which is 36% of total Capital Project budget of \$5.601m. While some projects are to commence in early 2021, there are no expenses for some of the Capital Projects as those projects are currently either at planning or tendering stage. A detailed project progress report will be presented to the February 2021 Council meeting as part of Second Budget Revision. **Figure 1** below shows actual capital expenditure from July to December compared to the budget approved by the Council.

Figure 1: Capital Project Progress (YTD December) - \$'000

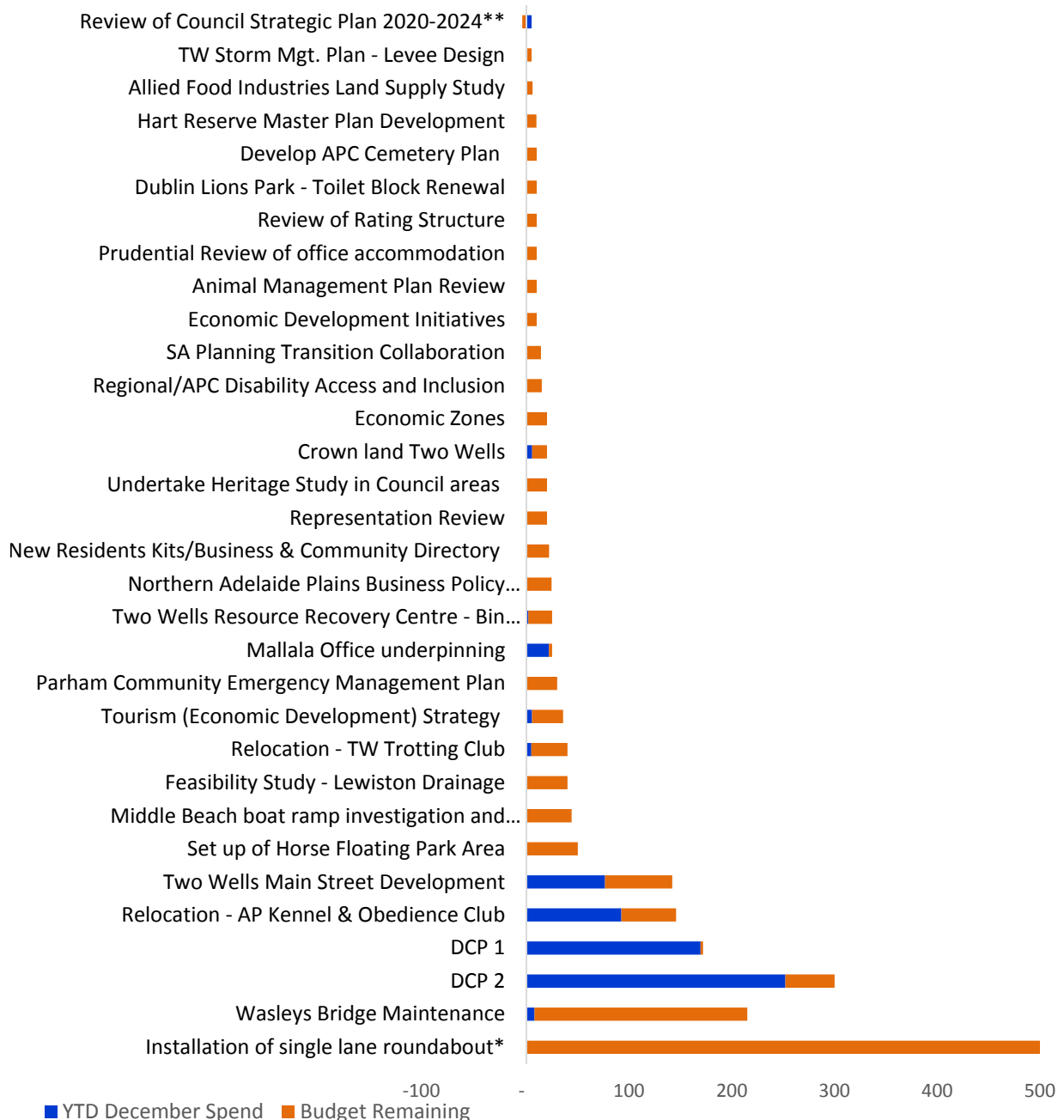


Operating Project Progress as at 31 December 2020

Figure 2 below shows the progress of the operating project program. At the end of December 2020, Council has spent 32% (\$0.645m) of the Operating Project budget of \$2m. While there are no expenses for number of the Operating Projects, those projects are currently underway and Council has not yet received invoices for the work completed.

Drought Communities Program round 1 and 2 is has been completed (awaiting invoices for one DCP 2 project and capital project under DCP 2 has a due date of 31 March 2021) by 31 December 2020. A detailed project progress report will be presented to the February 2021 Council meeting as part of Second Budget Update.

Figure 2: Operating Project Progress (YTD December) - \$'000



* Completion of roundabout is subject to relevant land acquisitions.

** Further work on the review of Strategic Plan was deferred due to COVID-19 by the Council at April 2020 Council meeting. Depending on the scope of works remaining, budget remaining (\$1,025) is not sufficient to complete the review of strategic plans. Appropriate budget adjustment will be proposed to the Council as part of Second Budget Revision.

Potential Carry Over Projects to 2021/2022 Financial Year

Table 3 below shows the summary of four (4) projects that could potentially be carry over to 2021/2022 Financial year. Final value of the carry over amount would be confirmed following the finalisation of the 2020/2021 Financial Year accounts.

Table 4: Projects Expected to be carry over to 2021/2022 Financial Year

Project Name	Amount budgeted in 2020/2021 (\$)	Comment
Sealing of Dawkins Road/Bethesda Road Intersection (Capital Project)	70,000	Grant application was submitted to Black Spot Program in October 2020, notification of successful projects will be in May/June 2021. If the application is unsuccessful, this project will not go ahead.
Resealing of Aerodrome Rd from Carmel Street to Mallala Raceway Gate (Capital Project)	58,962	Scope of work has changed due to a grain storage facility opening at the intersection of Owen Road and Farrelly Road. To comply with National Heavy Vehicle Regulator requirements additional work is required (widening of sealed road). Report is presented to the January 2021 Council meeting in relation to this project.
Installation of single lane roundabout in Two Wells (Operating Project)	500,000	Department for Infrastructure and Transport is negotiating land acquisition required to begin the project. This could be a short or very drawn out process. \$439,500 is funded under Heavy Vehicle Safety and Productivity Program.
Establish a horse float parking area in Parham (Operating Project)	50,000	Potential carry over due to land access and approval

Treasury Management

At the beginning of the 2020/2021 Financial Year, Council had a short-term deposit balance of \$0.684m with no outstanding short-term borrowings. The short-term deposit balance was increased to \$0.779m and also had no outstanding short-term borrowings as at 31 December 2020.

Interest expenses associated with short-term borrowings in July and December is \$2,865 (for the similar period last financial year, it was \$1,628)

RECOMMENDATION

“that Audit Committee, having considered Item 7.3 – *Financial Performance for the period July-December 2020*, dated 2 February 2021, receives and notes the report.”

Attachments

Nil

References

Legislation


Nil

Council Policies/Plans

Budget Management Policy

Treasury Management Policy

Audit Committee Annual Work Program 2020/2021

 Adelaide Plains Council	7.4	Update on Overdue Council Rates
	Department:	Finance and Business
	Report Author:	Rates Officer
Date: 2 February 2021	Document Ref:	D21/3754

OVERVIEW

The purpose of this report is to provide an update to the Audit Committee on the overdue Council rates. At the beginning of the 2021 financial year, the overdue Council rates balance was \$0.810m. As at 22 January 2021, Council's overdue rates has increased by \$0.204m to \$1.014m. Among the overdue rates are;

- a) \$0.766m being paid by 524 ratepayers under a payment plan.
- b) Out of the 524 ratepayers, there are 94 on 'COVID-19 Rate Relief' to the amount of \$165,261.
- c) The remaining \$0.248m is from property owners who are late payers, do not have a payment plan or have not paid their rates for some time.
- d) Among the properties without a payment plan, there are 20 ratepayers who have accumulated an excess of three years of outstanding rates totalling \$0.180m.

Table 1: Breakdown of Overdue Rates as at 22 January 2021

%	Range	Total Outstanding	No of Properties
(3.35)	Over Paid	(34,007)	118
0.00	\$0.1 to \$0.99	10	44
0.27	\$0.99 to \$50	2,705	228
0.31	\$51 to \$100	3,164	41
0.36	\$101 to \$150	3,695	31
0.42	\$151 to \$200	4,226	24
0.66	\$201 to \$250	6,675	29
7.22	\$251 to \$500	73,237	190
9.42	\$501 to \$750	95,575	159
5.34	\$751 to \$1000	54,113	64
7.72	\$1,001 to \$1,500	78,252	64
8.45	\$1,501 to \$2,000	85,724	49
10.76	\$2,001 to \$3,000	109,097	44
13.77	\$3,001 to \$4,000	139,649	40
6.86	\$4,001 to \$5,000	69,561	16
13.96	\$5,001 to \$7,500	141,626	24
8.42	\$7,500 to \$10,000	85,380	10
9.41	Over \$10,001	95,482	7
100.00		1,014,163	1,182

1. *Those impacted by COVID-19 (i.e. through becoming unemployed, underemployed or enduring business closure or financial hardship) may apply to Council for access to the following financial relief:*
 - *No fines or interest charged on overdue rates from the date of application until 1 May 2021*
 - *Ratepayers can arrange to pay their rates weekly, fortnightly or monthly, based on an amount that suits their budget*
 - *Ratepayers can postpone the second and third instalments of 2020/2021 rates up to 1 May 2021 without having to pay any fines or interest.*
2. *Access to the financial hardship relief due to COVID-19 will be granted upon application.*
3. *Extend the COVID-19 Rate Relief already approved to 1 May 2021."*

CARRIED

As current COVID-19 Rate Relief expires on 1 May 2021, Council management is intending to make a recommendation to the April 2021 Audit Committee meeting seeking guidance from the Audit Committee members whether to extend current rate relief. In making its recommendations, Council management would consider factors such as;

- a) success of Australia in particular the South Australia in eliminating/controlling COVID-19;
- b) potential impact of discontinuation of JobKeeper from the end of March 2021;
- c) long and short-term financial impact on the Council due to increase in overdue rates;
- d) whether a targeted approach is more suitable to provide relief to ratepayers who are directly impacted by COVID-19.

Forecast Rate Arrears for 2020/2021 Financial Year

As a result of COVID-19 and the rate relief provided by the Council to ratepayers impacted by pandemic, it is anticipated that overdue rates balances will increase further by 30 June 2021.

In previous year, Council has resolved that quarterly rates instalment would be due in the first week of September, December, March and June. However, for 2020/2021 Financial Year, Council resolved that the rates instalments would be due in the third week of respective quarters. This would also contribute to the increase in rate arrears toward 30 June 2021.

RECOMMENDATION

"that Audit Committee, having considered Item 7.4 – Update on Overdue Council Rates, dated 2 February 2021, receives and notes the report."

Attachments

Nil

References


Legislation

Local Government Act 1999.

- Section 181 - Payment of rates – general principles
- Section 182 - Remission and postponement of payment
- Section 182A - Postponement of rates – Seniors
- Section 184 - Sale of Land for non-payment of rates

Council Policies/Plans

Rates Arrears and Debtor Management Policy

 Adelaide Plains Council	8.1 Confidential Item
2 February 2021	

8.1 Appointment of External Auditor

RECOMMENDATION

“that:

- 1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Audit Committee orders that all members of the public, except Chief Executive Officer, General Manager - Finance and Business, Acting General Manager Governance and Executive Office, Administration and Executive Support Officer and Information Technology Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.1 – *Appointment of External Auditor*;**
- 2. Audit Committee is satisfied that, pursuant to section 90(3)(d) of the Local Government Act 1999, Item 8.1 – Appointment of External Auditor contains commercial information of a confidential nature (not being a trade secret), being proposals for service, the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party and disclosure would, on balance, be contrary to the public interest; and**
- 3. Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

RECOMMENDATION

“that the Audit Committee, having considered the matter of Item 8.1 – *Appointment of External Auditor* in confidence under sections 90(2) and 90(3)(d) of the *Local Government Act 1999*, resolves that:-

- 1. The agenda report and the minutes of this meeting pertaining to Agenda Item 8.1 – *Appointment of External Auditor* remain confidential and not available for public inspection until all consultants who submitted a proposal have been notified in writing of Council’s decision;**
- 2. Attachments 1 to 5 and any other associated information submitted to this meeting pertaining to Agenda Item 8.1 – *Appointment of External Auditor* remain confidential and not available for public inspection until further order of the Council;**
- 3. Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and**
- 4. Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Audit Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**