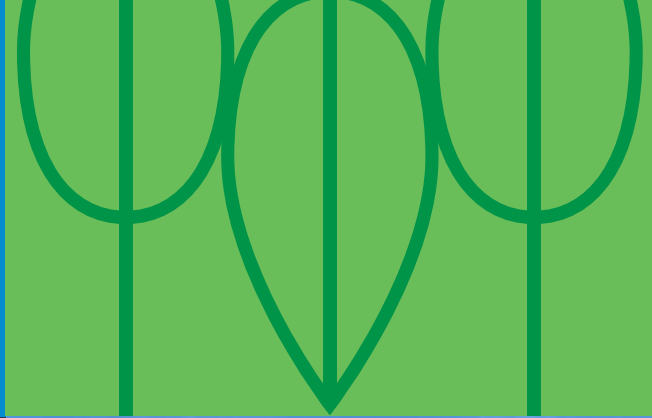


2023/24

**ANNUAL BUSINESS
PLAN AND BUDGET**



ADELAIDE PLAINS COUNCIL

2a Wasleys Road, Mallala SA 5502

Postal address:
PO Box 18, Mallala SA 5502

T (08) 8527 0200

W www.apc.sa.gov.au

E info@apc.sa.gov.au

Adopted by the Council 24 July 2023

ACKNOWLEDGEMENT OF COUNTRY

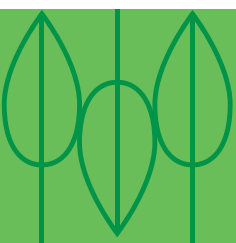
Adelaide Plains Council acknowledges that we are located on the traditional Country of the Kurna people of the Adelaide Plains and pays respect to Elders past, present and emerging. We recognise and respect their cultural heritage, beliefs and relationship with the land and we acknowledge that they are of continuing importance to the Kurna people living today.



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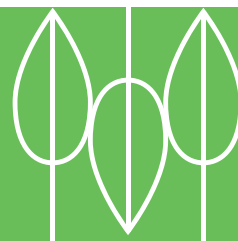
PREAMBLE

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

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

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

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







PUBLIC CONSULTATION SUMMARY

The consultation period for the Draft 2023/2024 Annual Business Plan and Budget, and Revised Long Term Financial Plan 2024-2033 was 10 May 2023 to 30 May 2023.

Public notices were published in accordance with Adelaide Plains Council's Public Consultation Policy in the Plains Producer and The Bunyip newspapers on the date of consultation opening.

In addition, a webpage was published with information including:

- An explanation of the financial documents
- Key facts of both proposed plans
- How to provide feedback
- Next steps
- A link to view both documents

Posters were displayed on external Council noticeboards (Mallala and Two Wells) and the customer service offices of the Mallala Principal Office and Two Wells Service Centre. Additionally, posters were displayed in the Two Wells Library. Printed submission forms were available at each of the above sites.

It is estimated that there were approximately 33,000 impressions (times the content was possibly displayed or viewed) of the open public consultation across the Council region. This includes:

- 4,622 views of “upcoming public consultation” in the Autumn 2023 Communicator newsletter
- 28,000 estimated weekly readers of the Plains Producer and The Bunyip newspapers
- 187 website page views
- 231 impressions on LinkedIn
- 37 users through the My Local Services app

In total, three (3) submissions were received. This is an increase to the one (1) submission received in 2022 for the 2022/2023 Annual Business Plan and Budget.

This document presents Adelaide Plains Council's 2023/2024 Annual Business Plan and Budget as adopted at the Council meeting held on Monday, 24 July 2023 which has been developed in consultation with the Council Members, Infrastructure & Environment Committee, Audit Committee and the Council management, in the context of Council's Strategic Plan 2021-2024.

CHANGES TO THE DRAFT BUDGET FOLLOWING PUBLIC CONSULTATION

Changes have been made to the Annual Business Plan and the Budget adopted on 24 July 2023 due to the following reasons;

- Council’s consideration of the rising cost of living;
- Impact on community with the increase of interest rates;
- Market increases in property prices;
- Availability of most recent information (for example from the Valuer-General and Federal Government); and
- Feedback received during public consultation.

BUDGET CHANGE	FINANCIAL IMPACT
In the May Federal budget, government confirmed the continuation of Supplementary Local Road Funding for SA. Council is expected to receive \$0.134m in this year.	Additional operating income of \$0.134m
Updated growth information from GV (development growth increased from 2.55% to 3.82%).	Increase in rates income by \$0.150m
Reduction in average rate increase (excl. growth) from 7% to 5%.	Reduction in income by \$0.224m
\$0.015mk has been allocated for Parham Foreshore Master Plan (as per resolution 2023/075 of March I&C Committee)	Increase in cost of Operating Project program by \$0.015m
Delete Hart Reserve Master Plan Development – Stage 2 from the Capital Program until grant funding opportunity is available.	Reduction in the Capital budget by \$0.200m
Changes to the draft operating project program; <ul style="list-style-type: none"> • Reduce new labour from \$0.241m to \$0.089m; • Defer following operating projects; <ul style="list-style-type: none"> • Salt damp treatment at the Two Wells library; • New cemetery management system; and • Two Wells cemetery landscaping projects. 	Reduction in the operating project budget by \$0.276m in total
Deferred following capital projects; <ul style="list-style-type: none"> • Intersection upgrade - Gawler River Rd (Germantown Rd and Bethesda Rd); • Streetscape/Kerbing - South Terrace (Dublin); • Replacement of one (1) fleet vehicle; and • Township Entrance Signs. 	Total reduction in the capital project budget by \$0.655m

2

MESSAGE FROM THE MAYOR



Hello again everyone.


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

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

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

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

MARK WASLEY
MAYOR



Please consider
your rates as your
contribution to how
our communities
prosper and grow.

3

MESSAGE FROM THE CEO



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

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

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

The program for 2023/2024 will deliver \$3.523m for asset renewals and \$0.463m for new assets with said amounts to be primarily spent on roads, footpaths, stormwater management and open space improvements; all of which is in line with our Infrastructure and Asset Management Plan forecasts.





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

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

Being a growth council, staff numbers will of course need to grow to keep up with demand for services.

Council has managed to plan for a moderate increase in staff numbers in line with LTFP projections and will account for 40% of operating expenses; a justifiable figure in the context of the lower percentage attributed to 'materials, contractors and other' expenses.

From a rating perspective, Council has elected an average rate increase across all land use categories of 5.00% plus growth of 3.82%.

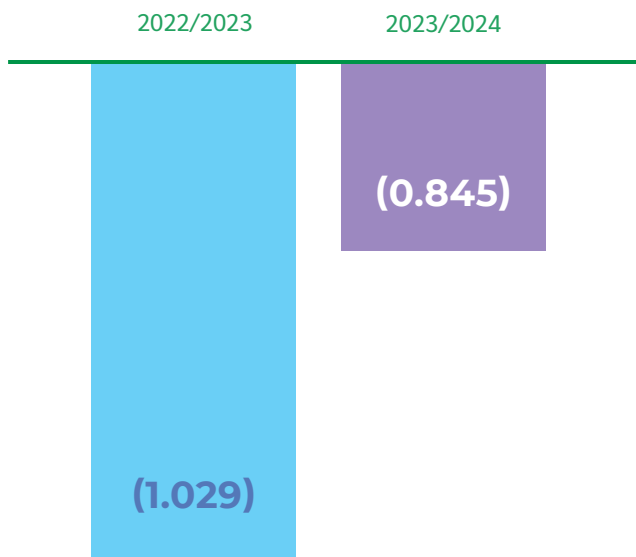
JAMES MILLER
CHIEF EXECUTIVE OFFICER



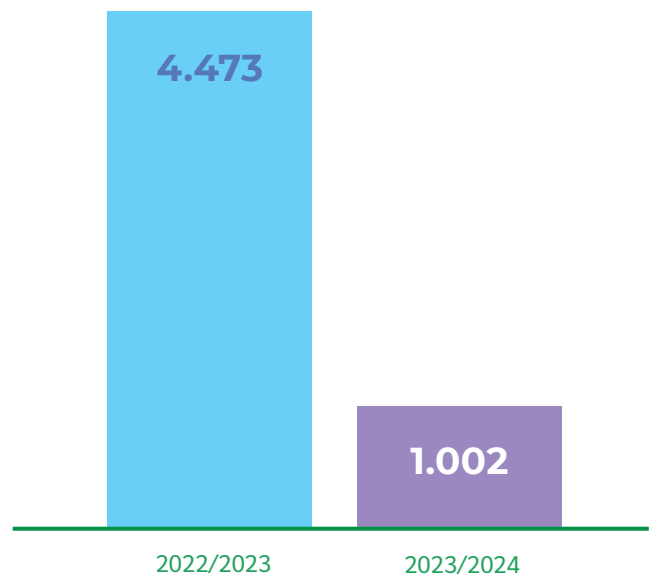
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SNAPSHOT OF 2023/2024 BUDGET

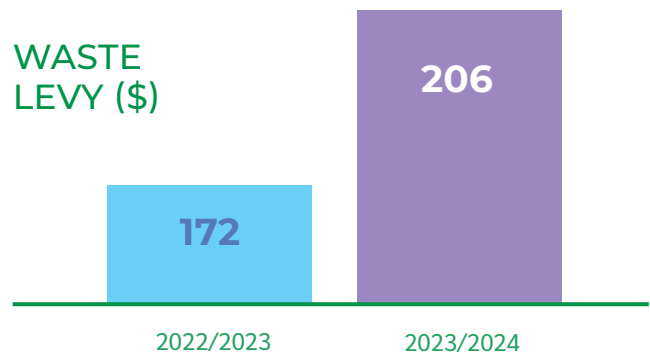
OPERATING DEFICIT (\$'MN)



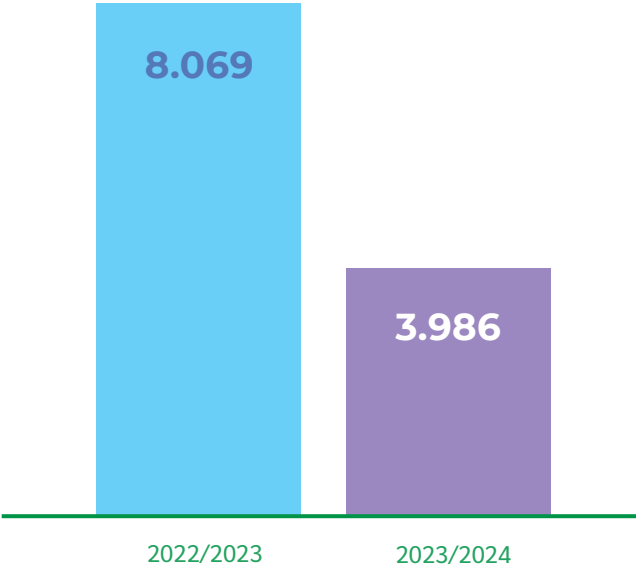
NEW BORROWINGS (\$'MN)



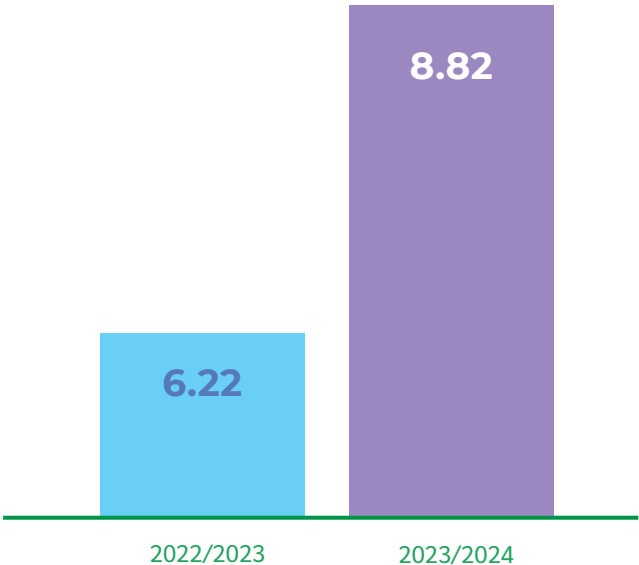
WASTE LEVY (\$)



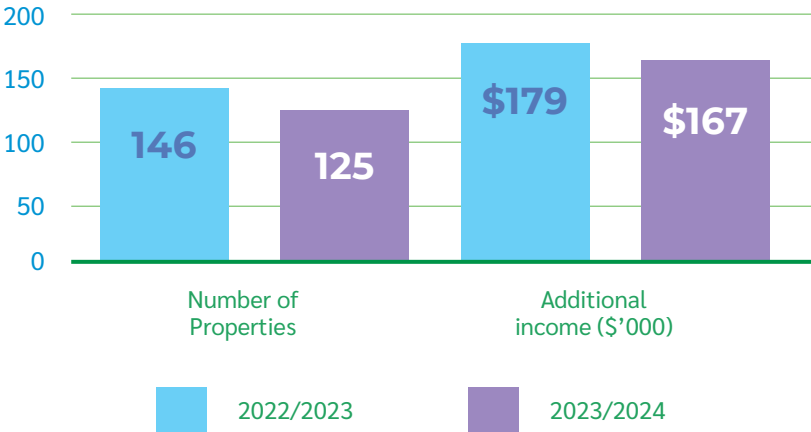
INVESTMENT IN
INFRASTRUCTURE/ASSETS (\$'MN)



AVERAGE RATE
INCREASE INCLUDING
GROWTH (%)



GROWTH FROM DEVELOPMENT



5

STRATEGIC PLAN 2021-2024

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

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

1 ENVIABLE LIFESTYLE

Strategies

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

3 REMARKABLE LANDSCAPES

Strategies

- A** Protect and enhance our coastal and riverine landscapes, native vegetation and heritage;
- B** Mitigate the impacts of adverse natural events on the community;
- C** Improve resource recovery and carbon and waste management.

2 EMERGING ECONOMY

Strategies

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

4 PROACTIVE LEADERSHIP

Strategies

- A** Actively seek funding and partnerships to deliver Council initiatives;
- B** Actively engage with and inform our communities;
- C** Strategic and sustainable financial management; and
- D** Proactively engage in Local Government Reform and continuous improvement.



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

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

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

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

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

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

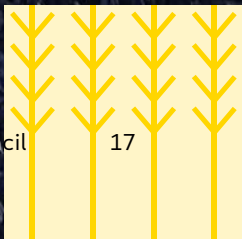
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INFRASTRUCTURE AND ASSET MANAGEMENT PLAN

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

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

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



7

ASSESSMENT OF THE 2022/2023 STRATEGIC OBJECTIVES

Following table shows Council's strategic objectives for 2022/2023 Financial Year and the assessment of whether the activities Council has undertaken as of 30 June 2023 have achieved those objectives.



TABLE 1: ASSESSMENT OF STRATEGIC OBJECTIVES FOR 2022/2023 FINANCIAL YEAR

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

* Carry-over to 2023/2024 Financial Year



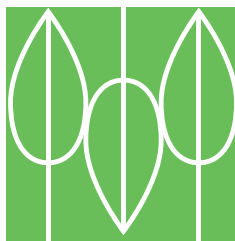
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SIGNIFICANT BUDGET INFLUENCES AND ASSUMPTIONS

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

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

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



EXTERNAL BUDGET INFLUENCES

- The Reserve Bank of Australia (RBA) has an inflationary target of between 2.00% and 3.00% per annum. The RBA has indicated that it will continue to increase cash rates until the inflation is within its target range.
- The 2022-23 Federal Budget released in October 2022 predicts that the CPI for Australia would be 3.50% in 2023/2024 through the year to June 2024.
- Australian unemployment is expected to remain under 5% in 2023 and 2024.
- Deloitte Access Economics is predicting that the state's GDP growth will slow to 3.9% in 2022-23 before dropping to just 1% in 2023-24.
- The CPI for South Australia in 2023/2024 is forecast to be 4%.
- Increase in population due to new residents moving in to the Council district. For example, following new rateable properties were created by the Council in recent years:
 - 2019/2020 Financial Year: 173 + donated assets of \$5.3m
 - 2020/2021 Financial Year: 257 + donated assets of \$5.4m
 - 2021/2022 Financial Year: 146 + donated assets of \$4.7m
 - 2022/2023 Financial Year: 117 for the period July-April 2022. (Growth of 2.55%). Similar period last year, it was 83 properties.

- Increased demand for updated IT infrastructure to ensure cyber security, connectivity, data integrity and facilitate work from home due to pandemic related precautions.
- Increase in community demand for new assets such as sealing of unsealed roads and stormwater drainage. For example, the following roads have been approved for sealing in recent years by the Council.

2019/2020	2020/2021	2021/2022	2022/2023
Shannon Road		Coats Road	Middle Beach Road
	Carslake Road	Wheller Road	Glover Road
		Cheek Road	Buckland Park Road
		Aerodrome Road	
		Barabba Road	

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

INTERNAL BUDGET INFLUENCES

- Cost of maintaining infrastructure assets handed over to the Council from new housing development. Budget for this financial year has been developed on the assumption that the new infrastructure will have same service level as previously provided by the developer unless Council decides otherwise.
- Increase in overdue rates (as summarised below) which requires Council to rely on short-term borrowings to delivery its services to the community.

• 30/06/2020	\$0.810m
• 30/06/2021	\$1.050m
• 30/06/2022	\$0.922m
• 18/04/2023	\$1.094m
- Additional depreciation expenses associated with significant infrastructure spending in 2021/2022 and 2022/2023 Financial Years and significant increase in unit rates since 1 July 2022.
- Increase in salaries/wages as per enterprise bargaining agreement (EBA);
 - From the first full pay period following the 1 July 2023, both inside and outside staff are entitled to a 2% wage increase or a wage increase equal to Adelaide March 2023 Quarter CPI, whichever is the greater.
 - Adelaide CPI is 7.9% for the year ending 31 March 2023.
- Council's long-term financial objective of being financially sustainable by achieving an operating break-even position and the need to exercise prudent financial management practices to ensure financial sustainability.
- Requirements to maintain and improve infrastructure assets to acceptable standards including roads, kerbing, footpaths, Community Waste Management Scheme, storm water drainage, parks and gardens, Council's buildings, plants, machinery, equipment, furniture and fittings in consistent with the Infrastructure and Asset Management Plans.

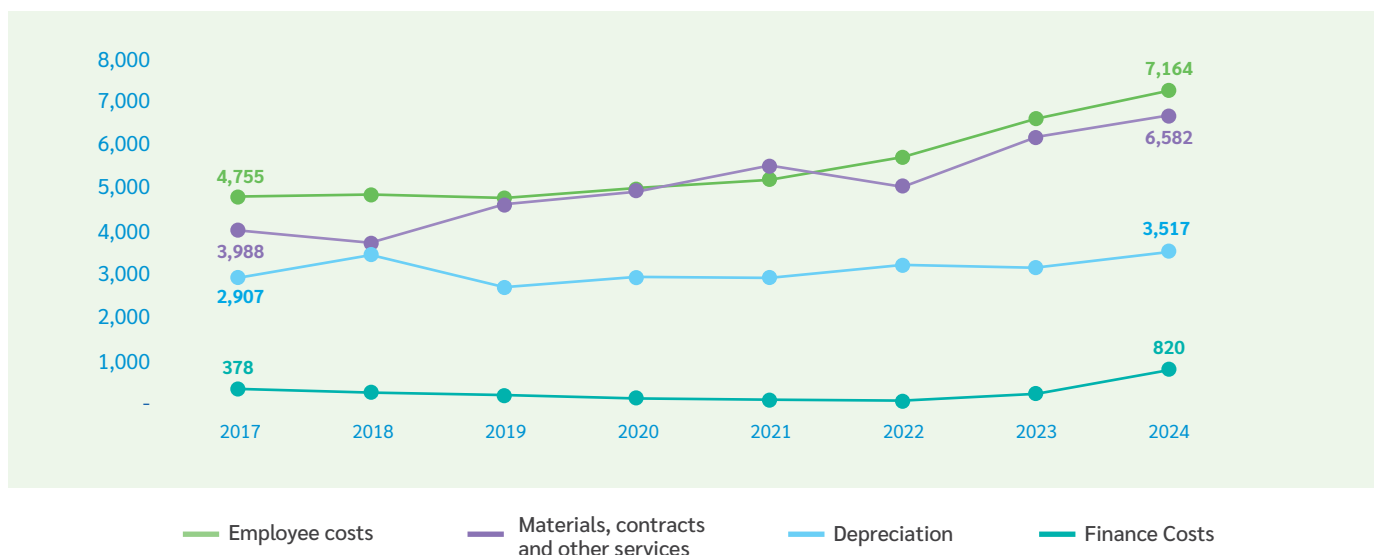


Council is committed to ongoing reviews of its operations in order to provide optimum benefit to the community and also to ensure that Council delivers quality services in the most cost-effective and efficient manner. Therefore, Council will aim to:

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

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

FIGURE 1: GROWTH IN COUNCIL'S OPERATING EXPENSES - \$'000



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

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

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

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

9

REVIEW OF EFFICIENCY/ EFFECTIVENESS OF COUNCIL OPERATIONS

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

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

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

To achieve financial savings, and maintain existing levels of service to our community, Council will endeavour to continue to review its services, processes and systems.

Recent productivity improvements achieved by the Adelaide Plains Council are provided below.

IMPROVEMENTS ACHIEVED

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

- 1 Council had been successful in obtaining government grants of \$11m since 2016 following a competitive application process without engaging any external grant writer consultants;
- 2 Outsourced Kerbside Waste Collection Service in 2018 delivering considerable savings to the community;
- 3 Insourced CWMS maintenance work;
- 4 Improved Council's internal financial controls;
- 5 Improved internal processes to strengthen budget management process (staff training and software upgrade);
- 6 Streamlined section 7 searches;
- 7 Engagement of Strategic Project Officer on a short-term contract to replace external consultants;
- 8 Centralised process to manage Council's procurements to ensure compliance and value for money;
- 9 Installation of solar panels on Council's admin buildings and at Mallala CWMS;
- 10 Cross training/upskilling Customer Service Officers and Admin Support Officers to back-fill short-term vacancies;



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

PROPOSED IMPROVEMENTS

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

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

10

2023/2024 RECURRENT AND PROJECT BUDGETS

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

RECURRENT BUDGET

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

OPERATING PROJECTS

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

CAPITAL PROJECTS

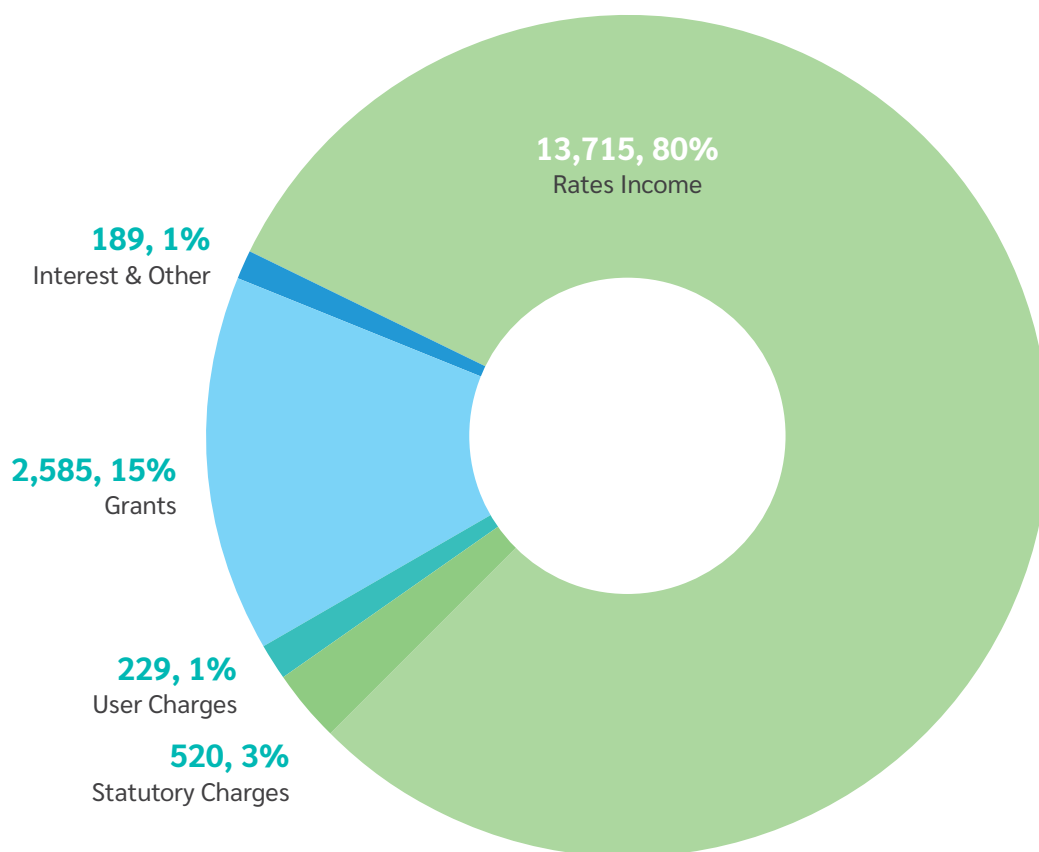
The expenditure included in the Capital Projects category is the amount of money Council will invest in renewing and upgrading existing assets or in the creation of new assets in accordance with the Council's Strategic Plan objectives and Infrastructure and Asset Management Plans.



10.1 SOURCES OF COUNCIL REVENUE

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

FIGURE 2: DISTRIBUTION OF 2023/2024 OPERATING INCOME (\$'000)



RATES

Rates are the main sources of funding for the Council. A total of \$13.715m (\$12.145m in 2022/2023) are to be collected in 2023/2024 Financial Year, to help pay for essential, non-discretionary services such as roads maintenance, public lighting, kerbside waste collection and disposal, citizenship ceremonies, public health and safety as well as discretionary services such as Council libraries, parks and garden, outdoor cinemas, and assistance to community programs and events.

STATUTORY CHARGES

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

USER CHARGES

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include rent income from Mallala Aged Homes, charges for the use of Council facilities, library printing and photocopy charges, Section 7 property searches and burial fees. User charge income is expected to increase by 19% from \$0.193m in 2022/2023 Financial Year to \$0.229m in 2023/2024 Financial Year.

GRANTS, SUBSIDIES AND CONTRIBUTIONS

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

TABLE 2: ESTIMATED OPERATING GRANTS INCOME (\$'000)

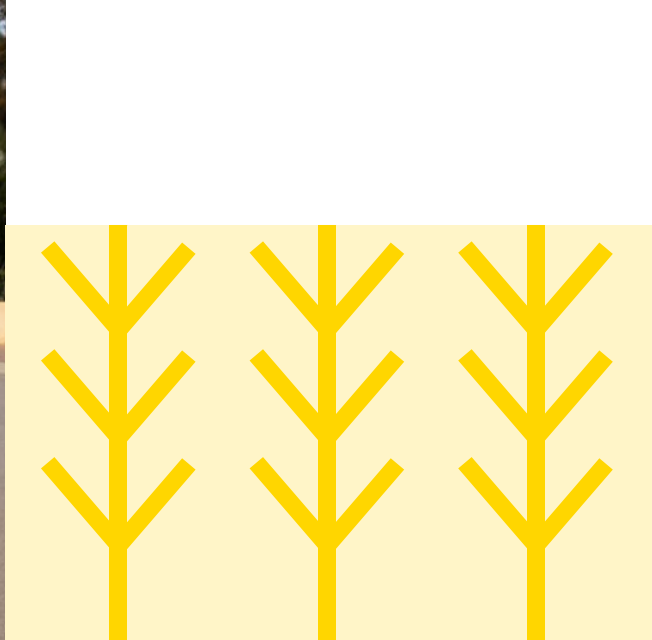
GRANT PROGRAM	AMOUNT
Financial Assistance grant (FAG) from Federal Government	1,705
Local Roads and Community Infrastructure (LRCI) Program	345
Roads to Recovery (R2R) grant from Federal Government *	263
Supplementary Local Road Funding	134
Coastal Officer Grant (Green Adelaide formerly NRM Board) **	108
Library operating grant from State Government	30
TOTAL GRANTS, SUBSIDIES AND CONTRIBUTIONS INCOME	2,585

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

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

REIMBURSEMENT, INTEREST AND OTHER INCOME

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



10.2 HOW COUNCIL'S REVENUE IS SPENT

EMPLOYEE EXPENSES

Employee expenses include all labour related expenditure such as salaries, wages, allowances and on-costs (Annual Leaves, Long Service Leaves, Superannuation, Workers Compensation Insurances etc.). For 2023/2024 Financial Year, employee costs are expected to increase to \$7.164m compared to \$6.549m in 2022/2023, an increase of 9%. This increase has been reported due to EBA/contract increases, reclassifications, growth planning and increase in superannuation contribution from 10.50% to 11.00% in 2023/2024.

TABLE 3: ESTIMATED EMPLOYEE EXPENSES FOR 2023/2024 FINANCIAL YEAR (\$'000)

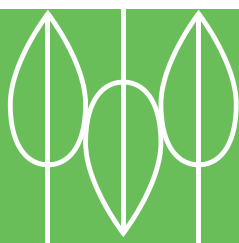
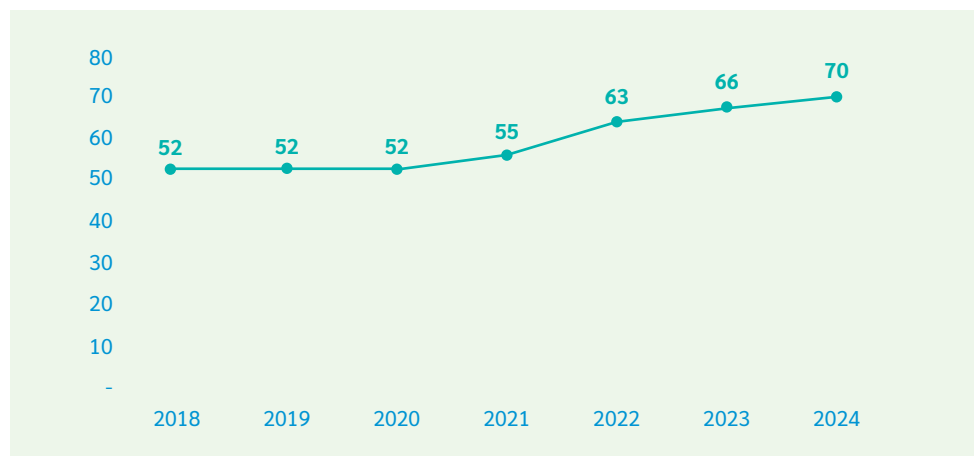
DESCRIPTION	COSTS
Salaries & Wages	6,056
Long Service Leave	147
Superannuation	674
Workers Compensation Insurance	287
TOTAL EMPLOYEE COST BUDGET	7,164



Figure 3 below shows Council’s staff levels at the end of each financial year from 30 June 2018 and the budgeted staff numbers on 30 June 2023 and 30 June 2024 on a full-time equivalent (FTEs) basis including temporary contract positions. Number of FTEs budgeted for this financial year is 70, an increase of 4 FTEs over current year due to following reasons.

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

FIGURE 3: ADELAIDE PLAINS COUNCIL WORKFORCE (FTEs) AS AT 30 JUNE



MATERIALS, CONTRACTS AND OTHER EXPENSES

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

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

It is estimated that the Council will spend \$6.582m in 2023/2024 Financial Year on Materials, Contracts and Other Expenses, compared to \$6.120m in 2022/2023 Financial Year, an increase of \$0.461m or a 8% mainly due to increase in fuel, electricity, building, reserve & sealed road maintenance, regional Landscape Levy and kerbside waste collection and disposal costs.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

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



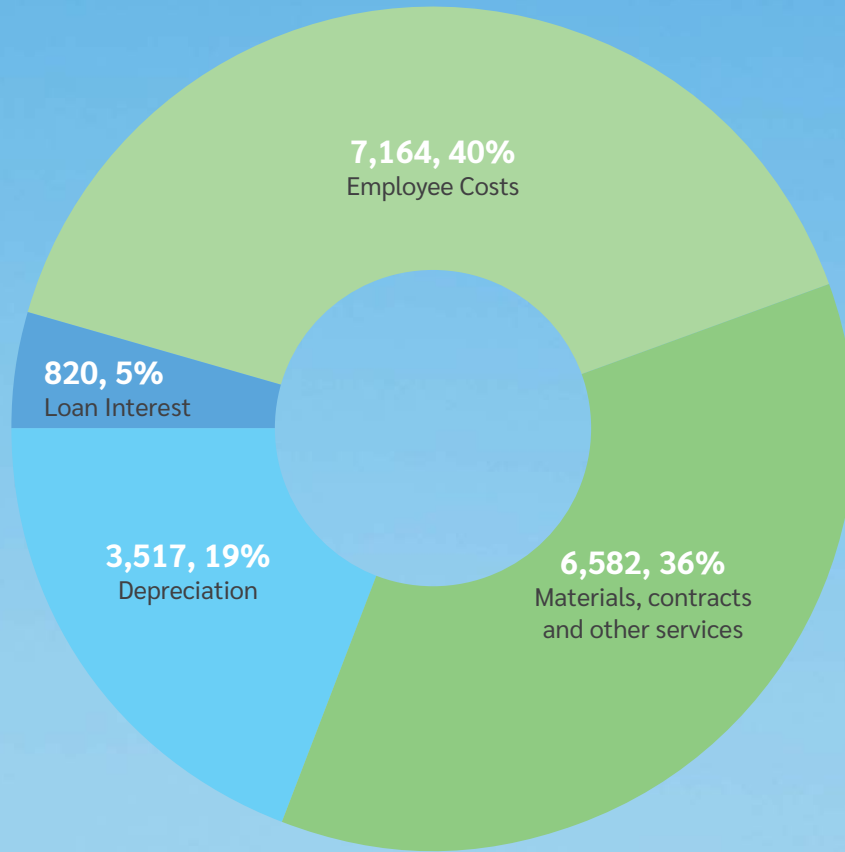
FINANCE CHARGES

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

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

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

FIGURE 4: DISTRIBUTION OF 2023/2024 OPERATING EXPENSES



10.3 BUDGETED STATEMENT OF COMPREHENSIVE INCOME

For the 2023/2024 Financial Year, the estimated operating deficit is \$0.845m from recurrent and operating project activities based on 5% increase in average rates. The estimated operating deficit consists of;

- Recurrent budget deficit of \$0.334m; and
- Net Operating Project budget of \$0.511m.



TABLE 4: STATEMENT OF COMPREHENSIVE INCOME (\$'000)

DESCRIPTION	2022/2023 BUDGET (\$)	2023/2024 BUDGET		BUDGET MOVEMENT	
		(\$)	(%)	(\$)	(%)
RECURRENT INCOME					
Rates					
General Rates - Existing Assessments	10,820	12,089	72	1,269	12
General Rates - New Assessments	179	138	1	(41)	
Rate Rebates	(107)	(116)	(1)	(9)	9
Waste Levy	710	898	5	188	27
Regional Landscape Levy	197	319	2	122	62
Other Rates Income	84	105	1	21	25
CWMS Charges	262	281	2	18	7
Statutory charges	589	520	3	(69)	(12)
User charges	193	229	1	37	19
Grants, subsidies & contributions	1,955	2,240	13	285	15
Interest Income	3	3	0	(0)	(6)
Reimbursements	123	139	1	15	13
Other Income	48	48	0	(1)	(1)
TOTAL RECURRENT INCOME	15,056	16,893	100	1,836	12
RECURRENT EXPENSES					
Employee Costs	6,465	7,075	41	(610)	(9)
Materials, contracts and other	5,191	5,736	33	(545)	(10)
<i>Including legal expenditure</i>	<i>200</i>	<i>150</i>	<i>1</i>	<i>50</i>	<i>25</i>
Depreciation	3,144	3,517	20	(373)	(12)
Interest Expenses	272	820	5	(548)	(201)
Share of loss from GRFMA	79	79	0	-	-
TOTAL RECURRENT EXPENSES	15,151	17,226	100	(2,075)	(14)
RECURRENT (DEFICIT)	(95)	(334)	(2)	(239)	251
Cost of growth initiatives (Operating Projects)	(934)	(511)	(3)	423	(45)
OPERATING DEFICIT	(1,029)	(845)		184	

10.4 OPERATING INCOME AND EXPENDITURE BY COUNCIL FUNCTIONS/SERVICES

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



TABLE 5: OPERATING INCOME AND EXPENDITURE BY COUNCIL FUNCTIONS/SERVICES (\$'000)

NATURE OF SERVICE	COUNCIL SERVICES/FUNCTIONS	INCOME	EXPENSES	NET COSTS
Discretionary	Volunteer Administration	-	5	5
Discretionary	Economic Development	(365)	711	346
Discretionary	Children & Youth Services	-	11	11
Discretionary	Community Events/Bus/Donations	(1)	81	80
Statutory	Bridges and Culverts Maintenance	(4)	25	21
Statutory	Illegal Roadside Dumping	(1)	40	39
Statutory	Heritage	(1)	23	22
Discretionary	Cemeteries	(40)	52	12
Discretionary	Mallala Aged Units	(69)	53	(16)
Discretionary	Street Lighting	-	100	100
Statutory	Emergency Services and Fire Prevention	(9)	92	83
Statutory	Community Safety	(3)	91	88
Statutory	Street Cleaning	-	90	90
Discretionary	Public Conveniences	-	70	70
Statutory	Resource Recovery Centre	(78)	102	24
Discretionary	Ovals, Playgrounds & Other Sporting Facilities	-	77	77
Discretionary	Community Services	-	157	157
Statutory	Stormwater Management	-	180	180
Discretionary	Coastal Conservation	(108)	145	37
Discretionary	Flood Prevention	-	134	134
Statutory	Environmental Health	(79)	210	131
Statutory	Dog & Cat Control	(226)	174	(52)
Discretionary	Building Maintenance	-	324	324
Statutory	Footpaths & Kerbing Maintenance	-	202	202
Discretionary	Libraries	(31)	475	445
Discretionary	Community Wastewater Management	(280)	358	78
Discretionary	Parks, Gardens & Reserve Maintenance	-	775	775
Statutory	Depot Operation	(12)	716	704
Statutory	Kerbside Waste Collection	(898)	873	(25)
Statutory	Plant Maintenance	-	769	769
Statutory	Planning & Compliance	(202)	1,442	1,240
Statutory	Roads Maintenance	(1)	3,139	3,138
Statutory	Government Grants	(2,201)	-	(2,201)
Statutory	Governance	-	776	776
Statutory	Council Administration*	(12,729)	5,762	(7,191)
TOTAL INCOME AND EXPENSES		(17,238)	18,083	845
Discretionary		(917)	6,411	5,494
Statutory		(16,321)	11,672	(4,649)
TOTAL INCOME AND EXPENSES		(17,238)	18,083	845

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

10.5 2023/2024 OPERATING PROJECT PROGRAM

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

Operating projects are funded via rate revenue or a fee for service charge. The cost of the Operating Project program as summarised in Table 6 is estimated to be \$0.856m



TABLE 6: OPERATING PROJECTS PROGRAM (\$'000)

OPERATING PROJECT NAME (INCLUDING BRIEF PROJECT DESCRIPTION)		RATIONALE	EST. COST
ENVIABLE LIFESTYLE			
1	Street/Verge Tree Planting Continue to deliver street trees to local streets.	C	30
EMERGING ECONOMY			
2	Two Wells Land Development Continue to engage consultants to develop two (2) land parcels in Two Wells purchased by the Council from State Government.	B	35
3	Additional Labour Resources To address growth and current gaps to mitigate risk and improve business efficiency, productivity and service levels.	B	89
4	Undergrounding of Power - Two Wells Main Street (Stage 2).*	A/B/C	600
5	Parham Foreshore Master Plan Develop the foreshore at Parham between First Street and South Terrace	A	15
REMARKABLE LANDSCAPES			
6	GFRMA Business Case Provision of financial contributions toward completion of the Department for Environment and Water, (Gawler River) Business Case.	A	52
PROACTIVE LEADERSHIP			
7	Community and Civic Hub Investigation - Phase 2 Develop a strategy/plan (including governance, risk management, procurement etc) based on information and feedback gathered from the community with regard to the next phase and direction of the Community and Civic Hub Investigation.	A/B	25
8	Donaldson Road - Design to include Water Sensitive Urban Design and open space elements Investigations/design to address stormwater management issues identified within the Two Wells Stormwater Management Plan.	C	10
TOTAL ESTIMATED COSTS			856

RATIONALE

- A** Previous Council resolutions/Elected Members' feedback;
- B** Investment for growth/Economic Development;
- C** Infrastructure and Assets Management Plans; and

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

10.6 2023/2024 CAPITAL PROJECTS PROGRAM

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

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

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

2023/2024 capital program is summarised below. The estimated cost of the capital works program is \$3.986m of which \$3.523m (88%) would be spent on assets renewals in line with Council's Infrastructure and Assets Management Plans (I&) adopted on 25 October 2021. The remaining capital expenditure of \$0.463m (12%) is proposed to be spent on new assets.

This years capital program is planned to deliver;

- A** 32 km of road resheeting;
- B** 9.5 km of road resealing;
- C** 1 km of new footpath, kerbing and street trees

TABLE 7: CAPITAL WORKS PROGRAM (\$'000)

CAPITAL PROJECT CATEGORY	ESTIMATED COSTS
Plant, Fleet & Equipment	1,111
Street Scape	109
Site Improvements	355
Sealed Roads	801
Unsealed Roads	1,260
Car Parks & Traffic Control	195
Pram Ramps	10
Building	70
Stormwater	60
CWMS	15
TOTAL CAPITAL EXPENDITURE	3,986

CAPITAL PROJECT CATEGORY	ESTIMATED COSTS
New/Upgrade	463
Renewal	3,523
TOTAL CAPITAL EXPENDITURE	3,986

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

CAPITAL PROJECT CATEGORY	ESTIMATED COSTS
New/Upgrade	5,040
Renewal	3,091
TOTAL RENEWAL ASSETS RENEWAL FUNDING RATIO	8,131

NEW ASSETS TO BE DELIVERED THIS YEAR

New assets to the value of \$0.463m will be funded from new borrowings. Please refer to Table 8 below for the reasons for these spending on new assets.

TABLE 8: NEW ASSETS PROGRAM (\$'000)

DESCRIPTION	BUDGET	COMMENT
Street Scape (Footpath, Kerbing and Street Trees)	85	To provide 1 footpath in the Townships of Two Wells, Mallala & Dublin over a 10 year period. Program is within I&.
Two Wells Mainstreet - Pedestrian Refuges/Crossing	195	As part of IAMP & LTFP (differed from 22/23)
Mallala Oval Stormwater and Road Upgrade	60	Requests from the leasee (Mallala Football Club and RSL)
Streetscape/Water Sensitive Urban Design	50	As part of IAMP & LTFP
IT Infrastructure Upgrade	33	To improve data security
Street & Reserves/Parks Furniture Program	20	As part of IAMP & LTFP
Lewiston Dog Park Shelters	20	Funded from dog registration fees
TOTAL EXPENDITURE ON NEW/UPGRADED ASSETS	463	



10.7 2023/2024 CAPITAL PROGRAM IN DETAILS

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

TABLE 9: CAPITAL PROJECT BUDGET IN DETAILS (\$'000)

CAPITAL PROJECT TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVE	TYPE	COSTS
Plant and Equipment Replacement	Renewal	900
Fleet Replacement	Renewal	178
IT Infrastructure Upgrade	New/Upgrade	33
INVESTMENT IN PLANT & EQUIPMENT PROGRAM		1,111
Dublin Road - Hill Road to Earl Road - Pavement Rehabilitation	Renewal	80
Bailey Road East - Old Port Wakefield Road to End	Renewal	91
Baker Road – Gawler River Road to River	Renewal	87
Boundary Road - Hayman Road to Dawkins Road	Renewal	65
Garden Avenue - Artesian Road to Southern End	Renewal	85
Germantown Road – Gawler Road to Dawkins	Renewal	142
Jenkin Court - Butler Road to End	Renewal	77
Seventh Street – South Terrance to Fifth Street	Renewal	69
Third Street (Dublin) - Sixth Street to End of Seal	Renewal	23
Williams Road – Dawkins Road to Hayman Road	Renewal	82
INVESTMENT IN ROAD RESEALING		801
Streetscape - Irish Street - Butler Street to Redbanks Road	New/Upgrade	31
Streetscape - Rowe Crescent - Drew Street to Applebee Road	New/Upgrade	16
Streetscape - Chivell Street - Mary Street to End	New/Upgrade	38
Tangari Reserve - Footpath	Renewal	24
INVESTMENT IN STREET SCAPE (FOOTPATH, KERBING AND ST TREES)		109
Bakers Road - Slant Road to Ridley Road	Renewal	104
Gallipoli Road - Curnow Road to Jarmyn Road	Renewal	78
Germantown Road - Verner Road to Seal	Renewal	134
Harris Road - Schlodder Road to Bubner Road	Renewal	19
Hart Road - Port Wakefield Road to Smith Road	Renewal	140
North Parham Road - Lowey Road to Gilberts Road	Renewal	75
Owen Road - March Road to Woods Road	Renewal	121

CAPITAL PROJECT TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVE	TYPE	COSTS
Paddys Bridge Road - Mallala - Two Wells Road to Germantown Road	Renewal	287
Schlotter Road - Clonan Road to Schutt Road	Renewal	39
Wasleys Road - Cheek Road to Woolsheds Road	Renewal	263
INVESTMENT IN UNSEALED RD PROGRAM		1,260
Street & Reserves/Parks Furniture Program	Renewal	20
Site Improvements Renewal	Renewal	200
Fuel supply upgrade	Renewal	45
Street & Reserves/Parks Furniture Program	New/Upgrade	20
Streetscape and Water Sensitive Urban Design	New/Upgrade	50
Lewiston Dog Park Shelters	New/Upgrade	20
INVESTMENT IN SITE IMPROVEMENTS PROGRAM		355
Mallala - Replacement of Property Pumps	Renewal	15
INVESTMENT IN COMMUNITY WASTE MANAGEMENT SCHEMES		15
Mallala Oval stormwater and road upgrade	New/Upgrade	60
INVESTMENT IN STORMWATER		60
Two Wells Mainstreet - Pedestrian Refuges/Crossing	New/Upgrade	195
INVESTMENT IN CAR PARKS & TRAFFIC CONTROL		195
Pram Ramp renewal to comply with <i>Disability Discrimination Act 1992</i>	Renewal	10
INVESTMENT IN PRAM RAMP		10
Dublin Oval - Toilet Block	Renewal	70
INVESTMENT IN BUILDINGS		70
TOTAL COUNCIL INVESTMENT IN INFRASTRUCTURE AND ASSETS IN 2023/2024 FINANCIAL YEAR		3,986
Renewal of existing assets as per Assets Management Plans	Renewal	3,523
New assets	New/Upgrade	463
TOTAL COUNCIL INVESTMENT IN INFRASTRUCTURE AND ASSETS IN 2023/2024 FINANCIAL YEAR		3,986

11

LOAN BORROWINGS

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

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

- Strategic planning for the future of the Council, covering short, medium- and long-term spending and investment issues;
- Current and estimated future revenues and the ability to increase the revenue stream through council rates, user charges or additional grant funds;
- Intergenerational equity considerations in terms of the ratepayers who benefit from the expenditure and therefore on a user pay basis who should pay for the costs associated with such expenditure;
- Current and future funding needs for both operating and capital expenditures;
- Potential movements in interest rates; and
- Any other strategic imperative such as development of local economy that is linked to revenue and expenditure capacities (for example, sealing of major freight routes servicing commercial sector).



11.1 CURRENT SHORT AND LONG-TERM BORROWINGS

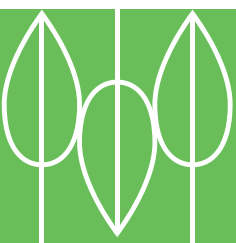
At the end of 2022/2023 Financial Year, Council is expected to have only one (1) outstanding fixed rate long-term borrowings with a value of \$1.790m in relation to Council's investment in Mallala CWMS.

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

The expected average interest rate for budget purpose is 5.88% for this financial year and therefore expected interest expense on CAD loan is \$0.742m ($\$12.6\text{m} \times 5.88\%$).

In addition, interest expense for Mallala CWMS loan is \$0.078m in this year.

Therefore, interest expenses are expected to increase from \$0.272m in 2022/2023 to \$0.820m this financial year.



11.2 NEW BORROWINGS FOR 2023/2024 FINANCIAL YEAR

An operating deficit means Council is spending more than it generates as income in delivering services to the community. In addition, Council has loan and interest obligations to pay as well as the need to fund new assets. Therefore, if the Council continues with the same level of service and operating project programs as included in this report with an average rate increase of 5%, it has to borrow \$1.002m to deliver operating and capital projects identified above and meet its loan repayment obligations as summarised in the Table 10 below. Out of the new borrowings;

- \$0.006m will be allocated for assets renewal program;
- \$0.463m will be spent on new assets across the Council district;
- \$0.533m will be used to deliver operating project program proposed; and

While the maximum amount to be borrowed is \$1.002m, the timing of the actual borrowings would depend on the progress of the capital works program.

TABLE 10: FUNDING SHORTFALL FOR 2023/2024 (\$'000)

DESCRIPTION	AMOUNT
Cash shortfall due to Operating Deficit	(845)
Cash injection from sale of surplus/replaced assets	257
Share of operating loss from GRFMA (non-cash transactions)	79
To fund capital Program - Money available through depreciation	3,517
Proposed assets renewal expenditure	(3,523)
Proposed new capital expenditure	(463)
Grants specifically for new or upgraded assets	-
Loan Repayment	(24)
TOTAL ESTIMATED FUNDING SHORTFALL FOR 2023/2024	(1,002)



\$0.006m will be allocated for assets renewal program

12

RATING STRUCTURE AND POLICY

12.1 WHAT ARE RATES?

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

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

12.2 STRATEGIC FOCUS

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

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



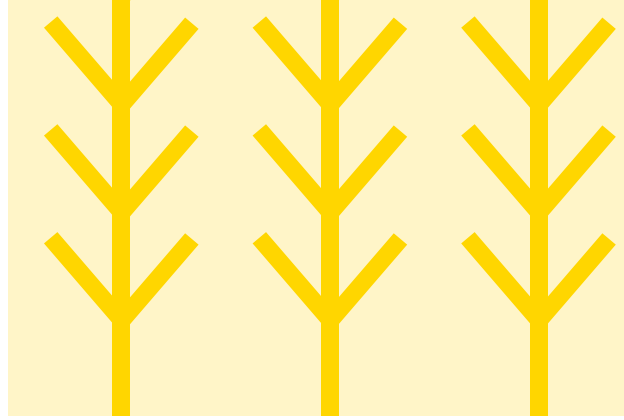
12.3 METHOD USED TO VALUE LAND

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

- Property value is a relatively good indicator of market value of a property, providing the fairest method of calculating rates and therefore, it is the most appropriate measure of relative wealth in the community;
- As a measure of wealth it most closely reflects property owners' capacity to pay; and
- It accords with the taxation principle, that people should contribute to the community social and physical infrastructure, in accordance with their capacity to pay, as measured by property wealth.

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

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





12.4 IMPACT OF RATES

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

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

RATES MODELLING – PROPERTY VALUATION

An extract from the latest (30 June 2023) property valuation data available from Valuer-General (VG) is given below in Table 11 in comparison to similar information for prior years. Additional rates income from the development growth is 3.82% whereas 2.75% was factored in the LTFP.

TABLE 11: AN EXTRACT FROM LATEST VALUATION DATA FROM THE VG

DESCRIPTION	30/06/23	22/23	21/22	20/21
Increase in number of properties through sub-division	125	146	257	173
Sub-Division Growth (valuation increase) - \$'Mn	26	29	39	24
Building Development Growth (valuation increase) - \$'Mn	67	76	27	54
Total Development Growth - \$'Mn	93	105	66	78
Total Development Growth - %	3.82	4.73	3.20	2.04
Increase in Rates income due to Sub-Division Growth - \$'Mn	0.167	0.179	0.256	0.197
Increase in Rates income due to Sub-Division Growth - %	1.52	1.77	2.67	2.15
Natural Growth (valuation increase due to reasons other than dev.) - %	16.78	5.04	4.46	1.86

COUNCIL HAS CHANGED RELATIVITY BETWEEN LAND USE CATEGORIES

For the 2022/2023 financial Year, Council adopted following differential rates for all of its rateable assessments:

A Residential/Vacant Land/Other	1.00
B Commercial/Industry	1.30
C Primary Production	0.91

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

A Residential/Other	1.00
B Vacant Land	1.20
C Commercial/Industry	1.45
D Primary Production	0.98

Above changes to the differential rates will ensue;

- A** the impact of significant valuation fluctuations on rates is smoothed out. (This will not generate additional rates income but will only change the % of rates being contributed by particular land use category);
- B** address ESCOSA comment in relation to Adelaide Plains Council having high residential rates;
- C** discourage land holding/banking in relation to vacant land parcels;
- D** reduce the time between development approval for land subdivisions and issuing of land title;
- E** encourage economic and residential activity through the development of vacant land; and
- F** achieve a maximum number of ratepayers with a rate increase of less than 5%.



encourage economic and residential activity through the development of vacant land

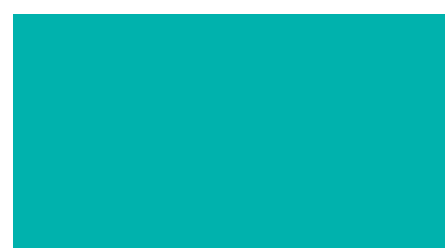


12.5 UNIFORM PRESENTATION OF EXPECTED RATES REVENUE

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

TABLE 12: UNIFORM PRESENTATION OF EXPECTED RATES REVENUE

	2022/23 (AS ADOPTED)	2023/24 (AS ADOPTED)	CHANGE	COMMENTS
GENERAL RATES REVENUE				
General Rates (existing properties)	\$10,820,189	\$12,059,754	(a)	For 2023/24, an expected increase in total General Rates revenue of around 11.15% is projected inclusive of estimated growth (refer n) of 2.16% from new properties that have been created over the last year.
General Rates (new properties)	\$178,776	\$167,380	(b)	
General Rates (GROSS)	\$10,998,965	\$12,227,134	(c)	
Less: Mandatory Rebates	(\$69,220)	(\$78,403)	(d)	
GENERAL RATES (NET)	\$10,929,745	\$12,148,731	(e)	11.15%
	(e)=(c)+(d)			
OTHER RATES (INCLUDING SERVICE CHARGES)				
Regional Landscape Levy (RLL)	\$196,863	\$319,213	(f)	The RLL is not retained by council.
Waste collection	\$701,937	\$896,019	(g)	\$206 for standard 3 or 2 bin service.
CWMS	\$262,452	\$280,676	(h)	\$740 and \$488 for each property unit at Mallala and Middle Beach.
	\$12,090,997	\$13,644,639		
Less Discretionary Rebates	(\$37,819)	(\$31,654)	(i)	
EXPECTED TOTAL RATES REVENUE	\$11,856,315	\$13,293,772	(j)	12.12%
	(j)=(e)+(g)+(h)+(i)			
				Excluding the RLL and minus Mandatory & Discretionary Rebates.



	2022/23 (AS ADOPTED)	2023/24 (AS ADOPTED)	CHANGE	COMMENTS
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GROWTH IN NUMBER OF RATEABLE PROPERTIES

Number of rateable properties	5,602 Actual	5,723 Actual	(k) 2.16%	Growth is expected to account for around 1.52% of the estimated increase in General Rates to be collected (refer b).
<p>'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.</p>				

AVERAGE GENERAL RATES PER RATEABLE PROPERTY (n)=(c)/(k)

Average per rateable property	\$1,963	\$2,136	(l) 8.82%	These 'averages' are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience.
<p>Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total rates paid by all rateable properties will equal the amount adopted in the budget.</p>				

Notes

- (d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:
- Health Services - 100%
 - Religious purposes - 100%
 - Public Cemeteries - 100%
 - Educational purposes - 75%
 - Community Services - 75%
- The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
- (e) Presented as required by Regulation 6(1)(ea) of the *Local Government (Financial Management) Regulations 2011*.
- Please Note: The percentage figure in (e) relates to the change in the total amount of General Rates revenue to be collected from all rateable properties, not from individual rateable properties (ie. individual rates will not necessarily change by this figure).
- (f) Councils are required under the *Landscape South Australia Act 2019* to collect the levy on all rateable properties on behalf of the State Government. The Regional Landscape Levy is not retained by council.
- (h) Community Wastewater Management Systems
- (i) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
- (j) Expected Total Rates Revenue excludes other charges such as penalties & interest for late payment and legal and other costs recovered.
- (k) 'Growth' as defined in Regulation 6(2) of the *Local Government (Financial Management) Regulations 2011*.

DIFFERENTIAL RATES

	TOTAL EXPECTED REVENUE (\$)			NO. OF RATEABLE PROPERTIES		AVERAGE PER RATEABLE PROPERTY (\$)			RATE IN THE \$	
	2022/ 2023	2023/ 2024	CHANGE	2022/ 2023	2023/ 2024	2022/ 2023	2023/ 2024	CHANGE	2023/ 2024	
LAND USE (GENERAL RATES - GROSS)										
Residential	6,288,002	7,041,182	11.98%	3,424	3,548	1,836	1,985	(m)	148	0.0038216
Commercial	39,283	41,788	6.38%	28	28	1,403	1,492	(m)	89	0.0055414
Commercial - Other	177,868	177,198	(0.38%)	76	69	2,340	2,568	(m)	228	0.0055414
Industry - Light	9,899	10,445	5.51%	7	7	1,414	1,492	(m)	78	0.0055414
Industry - Other	94,477	93,780	(0.74%)	15	15	6,298	6,252	(m)	(46)	0.0055414
Primary Prod.	3,769,346	4,121,382	9.34%	1,430	1,451	2,636	2,840	(m)	204	0.0037452
Vacant Land	521,174	619,526	18.87%	569	546	916	1,135	(m)	219	0.0045860
Other	98,917	121,833	23.17%	53	59	1,866	2,065	(m)	199	0.0038216
GRAND TOTAL (GROSS)	10,998,965	12,227,134	11.17%	5,602	5,723	1,963	2,136	(m)	173	

FIXED CHARGE

	TOTAL EXPECTED REVENUE			CHARGE		
	2022/ 2023	2023/ 2024	CHANGE	2022/ 2023	2023/ 2024	CHANGE
Fixed Charge	\$640,640	\$984,940	54%	\$123	\$185	(n) \$62

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

This revenue amount is **included** in the General Rates GROSS figure at (c).

ADOPTED VALUATION METHOD

CAPITAL VALUE

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:

Capital Value – the value of the land and all improvements on the land;

Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or

Annual Value – a valuation of the rental potential of the property.

Council continues to use **Capital Value** as the basis for valuing land within the Council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

Notes

- (m) Average per rateable property calculated as General Rates for category, including any fixed charge but excluding any separate rates, divided by number of rateable properties within that category in the relevant financial year.
- (n) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. Also if two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.



ACTUAL RATE RISES

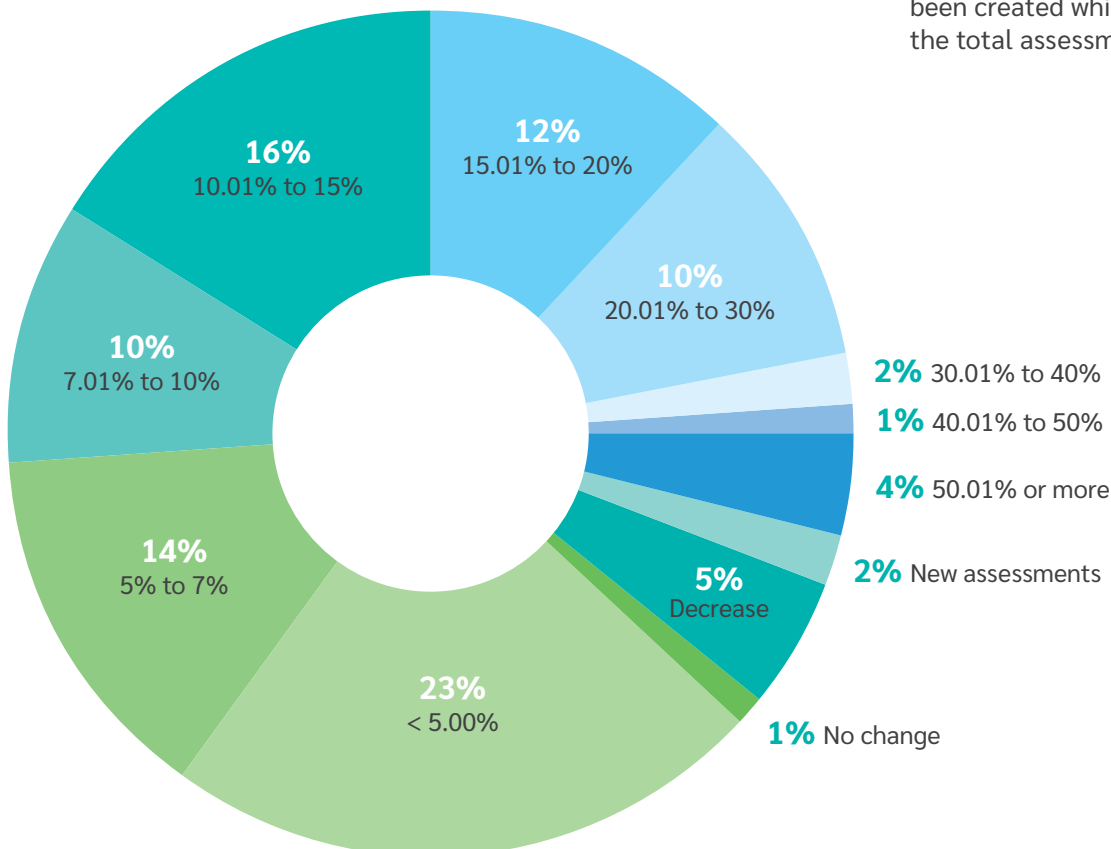
As Council rate is determined by multiplying capital value of the property (decided by the VG) by the rate in the dollar (decided by the Council) applicable to the property, average rate calculated above does not show the actual general rate rises. Actual rate rises is also determined by a combination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

- A** development/improvement on the land resulting value of the property being increased,
- B** general valuation increase/decrease by VG due to market conditions.

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

- A** 4.58% of the properties will have their rates reduced this year;
- B** 1.00% of the properties will have their rates remained unchanged;
- C** 22.93% of the properties will have their rates increased by less than 5%;
- D** 14.70% of the properties, will have their rate increased between 5% and 7%;
- E** 10.10% of the properties, will have their rate increased between 7% and 10%;
- F** 44.52% of the properties will have their rates go up by more than 10.00%; and
- G** 125 new assessments have been created which is 2.17% of the total assessments.

FIGURE 5: BREAKDOWN OF GENERAL RATES INCREASE BY PERCENTAGE (INCL. DEVELOPMENT GROWTH)





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12.6 DIFFERENTIAL GENERAL RATES

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

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

COMMERCIAL PROPERTIES

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



INDUSTRIAL PROPERTIES

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

PRIMARY PRODUCTION PROPERTIES

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



VACANT LAND

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

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

12.7 REGIONAL LANDSCAPE LEVY

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



12.8 SERVICE CHARGES

COMMUNITY WASTEWATER MANAGEMENT SYSTEM (CWMS)

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

Notwithstanding the above service fee increase, the income generated for Mallala CWMS is not sufficient to cover its operating expenses as shown below in Table 13 and not compliant with National Water Initiative Pricing Principles and Essential Services Commission's (ESCOSA) price determination that is applicable to CWMS.

TABLE 13: CWMS BUDGET FOR 2023/2024 (\$'000)

DESCRIPTION		MALLALA	MIDDLE BEACH
Depreciation		144,200	7,519
Other operating costs		100,766	27,382
TOTAL OPERATING COSTS (EXCLUDING COSTS OF CAPITAL)	- A	244,966	34,901
COST OF CAPITAL (COC)			
Cost of capital – 3.00% real interest		54,150	8,421
Cost of capital – 1.60% for risk premium		87,664	4,491
TOTAL COST OF CAPITAL	- B	141,814	12,912
TOTAL OPERATING COSTS (INCLUDING COSTS OF CAPITAL)	- C	386,780	47,813
No. of units serviced			
	- D	345	52
Cost per connection as per ESCOSA Pricing Requirement		1,121	919
	(C divided by D)		
Cost per connection as per on ESCOSA Pricing Requirement (Ex. CoC)		710	671
	(A divided by D)		
ADOPTED CWMS CHARGE FOR 2023/2024		740	488

KERBSIDE WASTE COLLECTION CHARGES

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

TABLE 14: WASTE COLLECTION SERVICE CHARGE FOR 2023/2024 (\$'000)

WASTE SERVICE DESCRIPTION	ANNUAL WASTE LEVY (\$)
Standard 3-bin or 2-bin waste Service	206
Additional Organic Bin	87
Additional Recycle Bin	64
Additional General Waste Bin	100
Waste Service 1 (distance to pick up point) - 25% discount	155
Waste Service 2 (distance to pick up point) - 50% discount	103

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

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

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

12.9 MANDATORY TOWNSHIP KERBSIDE WASTE COLLECTION CHARGES

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



12.10 PAYMENT OF RATES

Under section 181 of the Local Government Act, Council must provide the opportunity for all ratepayers to pay rates by quarterly instalments. Council payment dates for the 2023/2024 Financial Year will be 15 September 2023, 1 December 2023, 1 March 2024 and 7 June 2024.

LATE PAYMENT OF RATES

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

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

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



12.11 REMISSION AND POSTPONEMENT OF RATES

POSTPONEMENT OF RATES - HARDSHIP

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

SENIORS RATE POSTPONEMENT

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





12.12 REBATE OF RATES

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

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

12.13 SALE OF LAND FOR NON-PAYMENT OF COUNCIL RATES

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

The Local Government Act requires councils to rebate the rates payable for certain land uses.





13

BUDGETED FINANCIAL STATEMENTS

Budgeted financial statements for the 2023/2024
Financial Year are on the following pages.

ADELAIDE PLAINS COUNCIL
ADOPTED STATEMENT OF COMPREHENSIVE INCOME FOR 2023/2024

INCOME		\$'000
Rates		13,714
Statutory charges		520
User charges		229
Grants, subsidies and contributions		2,240
Investment Income		3
Reimbursements		139
Other Income		48
TOTAL INCOME		16,893
EXPENSES		
Employee Costs		7,075
Materials, contracts and other services		5,736
Depreciation, Amortisation & Impairment		3,517
Finance Costs		820
Share of loss - joint ventures & associates		79
TOTAL EXPENSES		17,227
OPERATING SURPLUS / (DEFICIT)		(334)
Net Operating Project Expenses		(511)
OPERATING SURPLUS / (DEFICIT)		(845)
Asset Disposal & Fair Value Adjustments		257
Amounts specifically for new or upgraded assets		-
Physical resources received free of charge		5,000
NET SURPLUS (DEFICIT)		4,412
OTHER COMPREHENSIVE INCOME		
Changes in assets revaluation surplus		2,500
Share of other comprehensive income - GRFMA		(55)
TOTAL COMPREHENSIVE INCOME		(6,857)

ADELAIDE PLAINS COUNCIL
ADOPTED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

ASSETS		\$'000
CURRENT ASSETS		
Cash and cash equivalents		415
Trade & other receivables		1,031
Inventories		154
TOTAL CURRENT ASSETS		1,600
NON-CURRENT ASSETS		
Financial Assets (Investment in GRFMA)		5,661
Infrastructure, Property, Plant and Equipment		157,730
Other Non-current Assets		15
TOTAL NON-CURRENT ASSETS		163,406
TOTAL ASSETS		165,006
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables		1,353
Borrowings		13,640
Provisions		1,009
TOTAL CURRENT LIABILITIES		16,002
NON-CURRENT LIABILITIES		
Borrowings		1,718
Provisions		220
TOTAL NON-CURRENT LIABILITIES		1,938
TOTAL LIABILITIES		17,940
NET ASSETS		147,068
EQUITY		
Accumulated Surplus		58,654
Asset Revaluation Reserve		86,410
Other Reserves		2,004
TOTAL EQUITY		147,068

ADELAIDE PLAINS COUNCIL
ADOPTED STATEMENT OF CASH FLOWS FOR 2023/2024

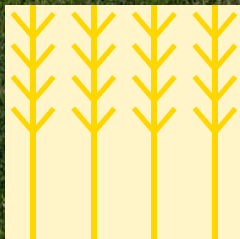
CASH FLOWS FROM OPERATING ACTIVITIES		\$'000
RECEIPTS		
Rates - general & other		13,714
Fees & other charges		520
User charges		229
Investment receipts		3
Grants utilised for operating purposes		2,585
Reimbursements		139
Other revenues		48
PAYMENTS		
Employee costs		(7,164)
Materials, contracts & other expenses		(6,502)
Finance payments		(820)
NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES		2,751
CASH FLOWS FROM INVESTING ACTIVITIES		
RECEIPTS		
Grants specifically for new or upgraded assets		-
Sale of replaced assets		257
PAYMENTS		
Expenditure on renewal/replacement of assets		(3,523)
Expenditure on new/upgraded assets		(463)
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES		(3,729)
CASH FLOWS FROM FINANCING ACTIVITIES		
RECEIPTS		
Proceeds from New Borrowings		1,002
PAYMENTS		
Repayments of Borrowings		(24)
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES		978
NET INCREASE (DECREASE) IN CASH HELD		(1)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD		416
CASH & CASH EQUIVALENTS AT END OF PERIOD		415

ADELAIDE PLAINS COUNCIL
ADOPTED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2024

ACCUMULATED SURPLUS	\$'000
Balance at end of previous reporting period	52,242
Net Result for Year	4,412
BALANCE AT END OF PERIOD	58,654
ASSET REVALUATION RESERVE	
Balance at end of previous reporting period	83,910
Gain on revaluation of infrastructure, property, plant & equipment	2,500
BALANCE AT END OF PERIOD	86,410
OTHER RESERVES	
Balance at end of previous reporting period	2,061
Share of other comprehensive income - GRFMA	(55)
BALANCE AT END OF PERIOD	2,006
TOTAL EQUITY AT END OF REPORTING PERIOD	147,068

ADELAIDE PLAINS COUNCIL
ADOPTED UNIFORM PRESENTATION OF FINANCES FOR 2023/2024

	\$'000
Operating Revenues	17,238
less Operating Expenses	(18,083)
OPERATING SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	(845)
LESS NET OUTLAYS ON EXISTING ASSETS	
Capital Expenditure on renewal and replacement of Existing Assets	3,523
less Depreciation, Amortisation and Impairment	(3,517)
less Proceeds from Sale of Replaced Assets	(257)
	(251)
LESS NET OUTLAYS ON NEW AND UPGRADED ASSETS	
Capital Expenditure on New and Upgraded Assets	463
less Amounts received specifically for New and Upgraded Assets	-
	463
NET LENDING / (BORROWING) FOR FINANCIAL YEAR	(1,057)



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HOW TO MEASURE COUNCIL PERFORMANCE

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

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

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

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



FINANCIAL INDICATORS

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

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

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

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

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

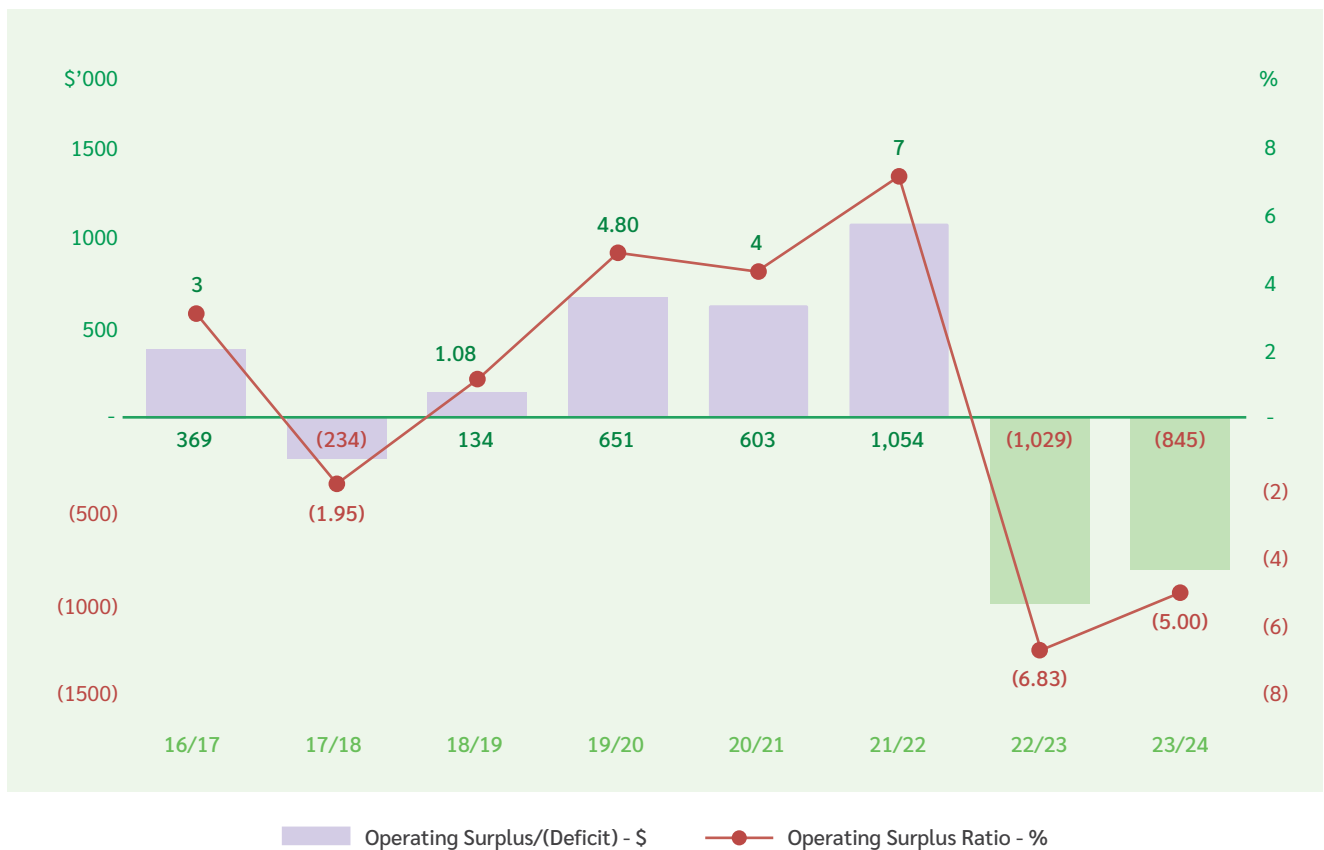
- actual financial indicators since 2016/2017 Financial Year; and
- budgeted financial indicators for 2022/2023.

OPERATING SURPLUS/ (DEFICIT) RATIO

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

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

FIGURE 6: OPERATING SURPLUS/ (DEFICIT) RATIO

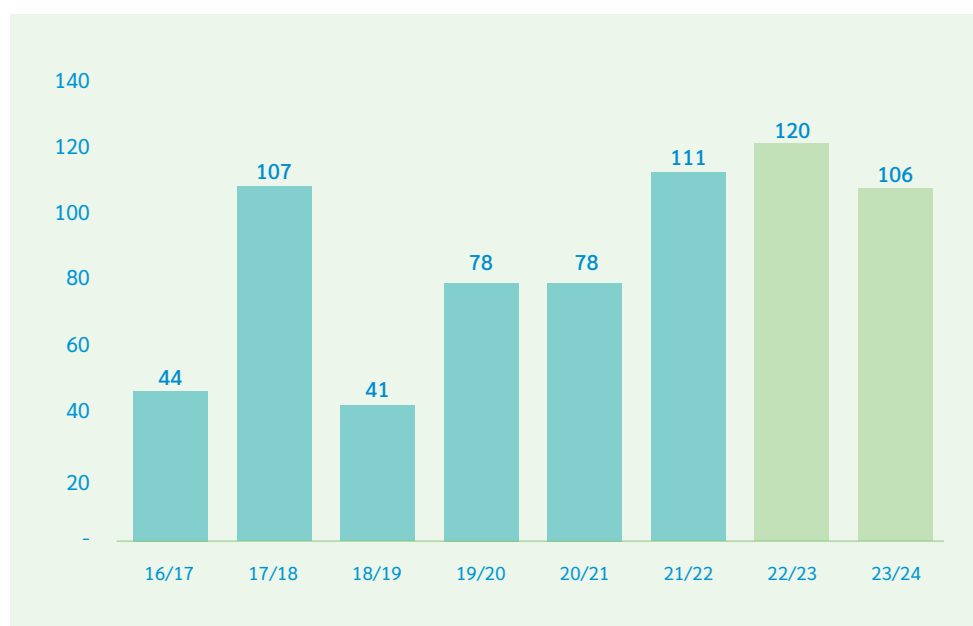


For 2023/2024 Financial Year, Council is forecasting an operating deficit ratio of 5% which is higher than LTFP forecast of 0%. This is mainly due to some of the operating projects identified in the LTFP being deferred to 2023/2024 Financial Year due to operational reasons (For example, Two Wells, Main street - Underground Powerlines) and increase in operating expenses due to high inflation.

ASSET RENEWAL FUNDING RATIO

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

FIGURE 7: ASSET RENEWAL FUNDING RATIO (%)

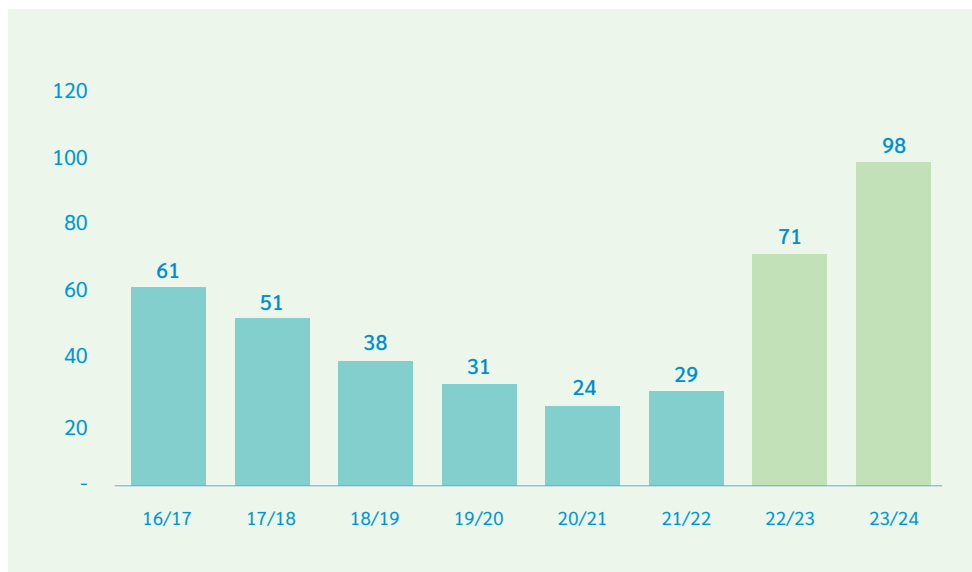


NET FINANCIAL LIABILITIES RATIO

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

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

FIGURE 8: NET FINANCIAL LIABILITIES RATIO (%)



The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year.



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LOCAL GOVERNMENT ADVICE BY ESCOSA



OFFICIAL



Local Government Advice

Adelaide Plains Council

February 2023

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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

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Glossary of terms

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

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

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

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

Governance considerations

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

Budgeting considerations

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

Refinements to asset management planning

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

Containing rate levels

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

2 About the advice

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

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

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

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

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Adelaide Plains Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

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

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

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

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

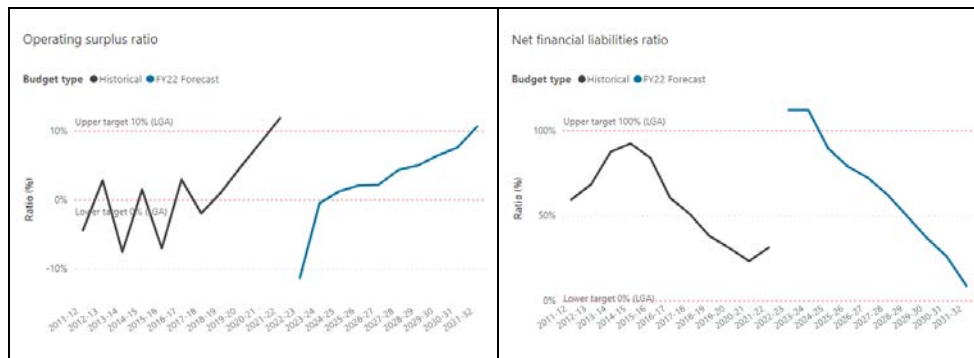
In the short term (to 2023-24), the Adelaide Plains Council is estimating that its capital expenditure will significantly increase with annual operating deficits accordingly. The Council's longer-term projections from 2024-25, comprise a decline in capital expenditure from these levels and an improving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

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

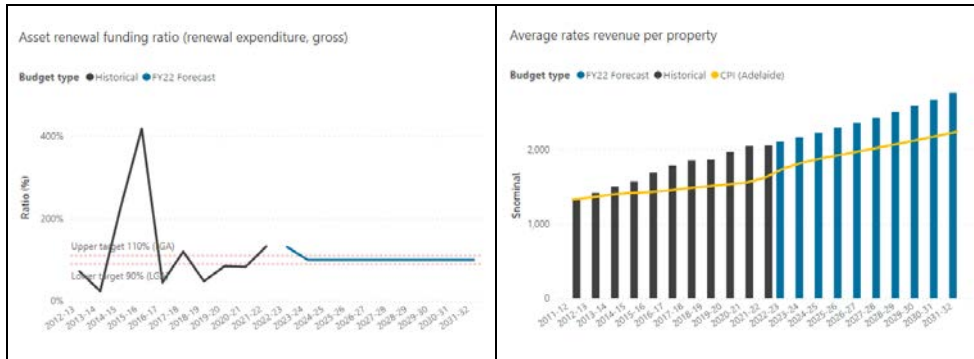
The Commission considers that there may be opportunities to achieve greater savings and efficiencies in the Council's recurrent budget and encourages it to review and report on this. This includes a review of the asset-related assumptions feeding into its estimated depreciation expenses. In general,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

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

The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators¹⁰ and the level of cost control and affordability risk identified for the Council over time.



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



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

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

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

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

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

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

2.2.1 Advice on material plan amendments in 2022-23

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

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

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

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

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

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

Therefore, the Commission would encourage the Council to:

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

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

¹⁴ Adelaide Plains Council, *2022/2023 Annual Business Plan and Budget*, July 2022, p. 73, available at https://www.apc.sa.gov.au/_data/assets/pdf_file/0021/931611/2022-2023-Annual-Business-Plan-and-Budget.pdf.

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

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

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

2.2.2 Advice on financial sustainability

Operating performance

The Adelaide Plains Council has run a mix of operating surpluses and operating deficits¹⁷ historically but the average from 2011-12 to 2020-21 is a small surplus of 0.1 percent. Growth in the average expenses per property has been 3.1 percent per annum over this period, higher than average Consumer Price Index (CPI) growth (of 1.7 percent per annum),¹⁸ and led by growth of 5.8 percent per annum, on average, in 'materials, contracts and other' expenses.

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

Looking forward to 2031-32, following the step change in costs in 2022-23, the Council has estimated a reduction in the rate of growth in operating expenses (to average 2.5 percent per annum, which is lower than the Reserve Bank of Australia (RBA)-based forecast inflation of 2.8 percent²¹). In combination with higher rate increases (which are discussed more in section 2.2.3 below), the Council's operating performance gradually improves, resulting in a positive operating surplus ratio from 2024-25. In future years, this might provide an opportunity for the Council to restrict further rate increases to reduce the extent of the surpluses forecast.

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

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

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

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

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

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

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

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

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

Net financial liabilities

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

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

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

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

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

Asset renewals expenditure

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

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

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

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

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

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

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

Even with the projected spending on asset renewals aligned with its AMP requirements from 2023-24, the Council's depreciation expenses, which represent the rate of asset consumption, are projected to continue to exceed its renewal spending. Renewal spending is forecast to account for 82 percent of depreciation expenses on average to 2031-32.²⁴ One area that might be leading to higher depreciation expense forecasts, relative to annual asset renewal expenditure needs, is the Council's recent accumulation of new assets. Another risk that arises when depreciation expenses exceed spending on asset renewals is that the asset lives are assumed to be shorter (in the depreciation calculation) than occurs in practice. The implication of projecting higher than necessary depreciation expenses is that higher operating income (and potentially higher rates revenue) is required to generate an operating surplus for the Council.

Therefore, it would be appropriate for the Council to:

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

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

2.2.3 Advice on current and projected rate levels

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

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

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

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

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

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

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

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

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

2.3 The Commission's next advice and focus areas

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

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

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

²⁸ The Adelaide Plains Council area is ranked 65 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AF&0&2016&2.03.2018&Latest>.

²⁹ See footnote 25.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au



ADELAIDE PLAINS COUNCIL'S RESPONSE TO THE LOCAL GOVERNMENT ADVICE BY ESCOSA

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

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

ESCOSA ADVICE	COUNCIL COMMENT	IMPLEMENTATION TIMEFRAME
GOVERNANCE CONSIDERATIONS		
<p>1 Review its long-term financial plan annually (including its 10-year projections and all relevant assumptions - including for inflation) to better inform its decision-making and any relevant consultation processes.</p>	<p>Due to uncertainties surrounding the impact of COVID-19, Council deferred updating LTFP in 2020.</p> <p>It was deferred again in 2021 until various strategic documents were updated and costed.</p>	<p>LTFP is currently being updated as part of 2023/2024 budget process. Expected to be completed by July 2023.</p>
BUDGETING CONSIDERATIONS		
<p>2 Review the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.</p>	<p>As part of developing 2023/2024 budget, rateable property growth is being reviewed.</p> <p>If the projected growth does not occur, Council will adjust growth related expenditure specially in the area of new labour resources.</p>	<p>As part of 2023/2024 budget process and ongoing every year.</p>
<p>3 Report its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.</p>	<p>Past and future cost savings will be reported in the 2023/2024 Annual Business Plan and Budget as recommended.</p>	<p>As part of 2023/2024 budget process and ongoing every year.</p>
<p>4 Improve the transparency and consistency of borrowing assumptions in its long-term financial plan, particularly in the calculation of 'net lending/borrowing' as per the Uniform Presentation of Finances.</p>	<p>Uniform Presentation of Finances will be updated to ensure transparency in the calculation of net lending/borrowing.</p>	<p>As part of 2023/2024 budget process and ongoing every year.</p>

ESCOSA ADVICE	COUNCIL COMMENT	IMPLEMENTATION TIMEFRAME
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REFINEMENTS TO ASSET MANAGEMENT PLANNING

<p>5 Consider including bridges, and plant and equipment assets in new or existing asset management plans to support the prioritisation of renewal expenditure in its long-term financial plan.</p>	<p>Transport - Infrastructure Asset Management Plan updated in 2021 has already covered bridges.</p> <p>Assets management plan will be updated to include all major plant and equipment assets when next comprehensive review of Council's assets management plans occurs following the review of strategic plan.</p>	<p>As part of next update to the Council's assets management plan. Expect to occur in 2024.</p>
<p>6 Review the assumptions underpinning its asset management plans to ensure those plans incorporate a more accurate picture of required asset expenditure and better align with the allocations in its long-term financial plan as necessary, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.</p>	<p>Assumptions will be reviewed as part of the next review of Council's asset management plans.</p>	<p>In 2024.</p>

CONTAINING RATE LEVELS

<p>7 Review and consider limiting future increases above inflation on its average residential rates (for which average rate levels are high) to help reduce any emerging affordability risk in the community.</p>	<p>Some of the Council's expenses have increased by more than inflation in recent years (For example, fuel, electricity, insurance, road construction/maintenance).</p> <p>In addition, APC is a growth Council, resulting more and more high value new houses being built every year.</p> <p>Therefore, average residential rates could be increased above inflation, however, this will mostly impact residential properties with increased value.</p> <p>For example, although average residential rates were increased by 5.46% in 2022/2023, 34% of the residential rate payers had their rates increased by less than 5.46%. (The inflation in the December 2022 quarter is 8.6% in Adelaide).</p>	<p>As part of 2023/2024 budget process and ongoing every year.</p>
<p>8 Consult directly with its community about future rate increases and service levels (for example through a community survey or discussion forum).</p>	<p>With a dedicated Marketing and Communications Officer on board, Council will explore options/avenues to directly engage with the community about future rate increases and service levels.</p>	<p>In 2024 as part of 2024/2025 budget process.</p>

