

NOTICE OF MEETING

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

Audit Committee Meeting of the



will be held in

**Council Chamber
Redbanks Road, Mallala**

on

Wednesday 17 November 2021 at 6.00pm



James Miller
CHIEF EXECUTIVE OFFICER

In light of the coronavirus (COVID-19) public health emergency, and pursuant to section 302B of the Local Government Act 1999 and the Electronic Participation in Council Meetings Notice (No 1) 2020, **public access to all Council meetings, Committee meetings and Informal Gatherings will be facilitated via live stream on Council's YouTube channel.**

On the day of the meeting, a direct link to the live stream will be displayed on the homepage of Council's website www.apc.sa.gov.au

INDEX

Page
Number

1	ATTENDANCE	
2	CONFIRMATION OF MINUTES	
2.1	Audit Committee Meeting – Monday 9 August 2021	3
3	BUSINESS ARISING	
4	DECLARATION OF MEMBERS' INTEREST (material, actual, perceived)	
5	ADJOURNED ITEMS	
	Nil	
6	REPORTS FOR DECISION	
6.1	Draft Long Term Financial Plan 2022/2023 – 2031/2032	12
6.2	Draft Audited Annual Financial Statements 2020/2021	47
6.3	Update on Audit Committee Annual Work Program 2021-2022	124
6.4	Request for a Community Loan from Mallala Football Club	132
7	REPORTS FOR INFORMATION	
7.1	Committee Resolutions	139
7.2	Review of Audited Financial Results for 2020-2021 Against Adopted Budget	141
8	CONFIDENTIAL ITEMS	
	Nil	
9	GENERAL BUSINESS	
10	NEXT MEETING	
	4.30pm Monday 7 February 2022	
11	CLOSURE	

2. Confirmation of Minutes

Wednesday 17 November 2021

- 2.1 “that the minutes of the Audit Committee Meeting held on Monday 9 August 2021 (MB Folios 185 to 192, inclusive), be accepted as read and confirmed.”

MINUTES

of the

Audit Committee Meeting

of the



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

HELD

by electronic means

on

Monday 9 August 2021 at 4.30pm

The Chairperson formally declared the meeting open at 4.32pm and acknowledged that the meeting is taking place on Kurna and Narungga land.

1. ATTENDANCE AND WELCOME

1.1 Present

Mr Alan Rushbrook (Chairperson)

By audio-visual link

Mr Peter Fairlie-Jones

By audio-visual link

Mayor Mark Wasley

By audio-visual link

Deputy Mayor Marcus Strudwicke

By audio-visual link

Also in Attendance by audio-visual link

Chief Executive Officer

Mr James Miller

General Manager – Finance and Business

Mr Rajith Udugampola

Acting General Manager – Governance and Executive Office

Ms Alyssa Denicola

Administration and Executive Support Officer/Minute Taker

Ms Stacie Shrubsole

Information Technology Support Officer

Mr Sean Murphy

Audit Manager, Galpins

Mr Juliano Freitas

1.2 Apologies:

Councillor Margherita Panella

2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes – Meeting held 7 June 2021

Committee Resolution

Moved Mr Fairlie-Jones Seconded Mayor Wasley **2021/ 031**
“that the minutes of the Audit Committee Meeting held on Monday 7 June 2021 (MB Folios 180 to 184, inclusive), be accepted as read and confirmed.”

CARRIED

3. BUSINESS ARISING

Nil

4. DECLARATION OF MEMBERS’ INTERESTS

Nil

5. ADJOURNED BUSINESS

Nil

The Chairperson sought leave of the meeting to bring forward Item 7.5 – *Interim Audit 2020/2021 – Management Report*. Leave was granted.

7.5 Interim Audit 2020/2021 – Management Report

Mr Juliano Freitas – Audit Manager, Galpins connected to the meeting at 4.35pm and gave a 14 minute presentation to the Committee, including questions from Members, in relation to the 2020/2021 Interim Audit Management Report.

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley **2021/ 032**
“that Audit Committee, having considered Item 7.5 – Interim Audit 2020/2021 – Management Report, dated 9 August 2021, receives and notes the report.”

CARRIED

Mr Freitas disconnected from the meeting at 5.01pm and did not return.

6. REPORTS FOR DECISION

6.1 Review of Council Vehicle Policy

Committee Resolution

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke **2021/ 033**

“that the Audit Committee, having considered Item 6.1 – *Review of Council Vehicle Policy*, dated 9 August 2021, receives and notes the report and in doing so recommends to the Council that the Council Vehicle Policy, as presented in Attachment 1 to this report, be adopted at its August 2021 Ordinary Council Meeting.”

CARRIED

6.2 Draft Annual Work Program 2021/2022

Committee Resolution

Moved Mr Fairlie-Jones Seconded Deputy Mayor Strudwicke **2021/ 034**

“that the Audit Committee, having considered Item 6.2 – *Draft Annual Work Program 2021/2022*, dated 9 August 2021, receives and notes the report and in doing so adopts Draft 2021/2022 Audit Committee Work Program, subject to the following changes:

- 1. The target meeting for Item 5.2 be amended to November 2021**
- 2. The target meeting for Item 5.3 be amended to November 2021**
- 3. Insert a new Item 5.4 which incorporates the Committee’s review of Council’s risk management processes and**
- 4. A new Item be included to address the Audit Committee’s role in relation to Council’s Public Interest Disclosure framework.”**

CARRIED

6.3 Update on Audit Committee Annual Work Program 2020-2021

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2021/ 035**

“that the Audit Committee, having considered Item 6.3 – *Update on Audit Committee Annual Work Program 2020-2021*, dated 9 August 2021, receives and notes the report and in doing so recommends to the Council that it acknowledge the progress made to complete the activities identified for Audit Committee during 2020/2021 Financial Year.”

CARRIED

7. REPORTS FOR INFORMATION

7.1 Committee Resolutions

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/ 036

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 9 August 2021, receives and notes the report.”

CARRIED

7.2 Leave Liability as at 30 June 2021

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/ 037

“that Audit Committee, having considered Item 7.2 – *Leave Liability as at 30 June 2021*, dated 9 August 2021, receives and notes the report.”

CARRIED

7.3 Review of Council’s Investment and Borrowings in 2020/2021 Financial Year

Committee Resolution

Moved Mr Fairlie-Jones Seconded Deputy Mayor Strudwicke 2021/ 038

“that the Audit Committee, having considered Item 7.3 – *Review of Council’s Investment and Borrowings in 2020/2021 Financial Year*, dated 9 August 2021, receives and notes the report.”

CARRIED

7.4 Overdue Council Rates as at 30 June 2021

Committee Resolution

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke 2021/ 039

“that Audit Committee, having considered Item 7.4 – *Overdue Council Rates as at 30 June 2021*, dated 9 August 2021, receives and notes the report.”

CARRIED

7.6 Assets Valuations

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/ 040

“that the Audit Committee, having considered Item 7.6 – *Assets Valuations*, dated 9 August 2021, receives and notes the report.”

CARRIED

8. CONFIDENTIAL ITEMS

8.1 Crown Land, Two Wells – August 2021 Audit Committee Update

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2021/ 041**

“that:

- 1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Audit Committee orders that all members of the public, except Chief Executive Officer, General Manager – Finance and Business, Acting General Manager – Governance and Executive Office, Administration and Executive Support Officer/Minute Taker and Information Technology Support Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.1 – *Crown Land, Two Wells – August 2021 Audit Committee Update*;**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item 8.1 – *Crown Land, Two Wells – August 2021 Audit Committee Update* concerns commercial information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business, or to prejudice the commercial position of Council, being a verbal briefing by the Chief Executive Officer in relation to ongoing negotiations regarding Crown Land at Two Wells;**
- 3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

CARRIED

The Chief Executive Officer provided a 12 minute presentation to the Committee in relation to Crown Land at Two Wells.

8.1 **Committee Resolution**

Moved Mr Fairlie-Jones Seconded Deputy Mayor Strudwicke **2021/ 042**

“that the Audit Committee, having considered Item 8.1 – *Crown Land, Two Wells – August 2021 Audit Committee Update* dated 9 August 2021, receives and notes the report.”

CARRIED

8.2 Gawler River Floodplain Management Authority – Chief Executive Officer Update

Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley 2021/ 043

“that:

1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Audit Committee orders that all members of the public, except Chief Executive Officer, General Manager – Finance and Business, Acting General Manager – Governance and Executive Office, Administration and Executive Support Officer/Minute Taker and Information Technology Support Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update*.
2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the *Local Government Act 1999*, Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update* concerns commercial information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting business, or to prejudice the commercial position of Council, being information relating to the Gawler River Floodplain Management Authority and would, on balance, be contrary to the public interest; and
3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”

CARRIED

The Chief Executive Officer provided a 15 minute presentation to the Committee in relation to the Gawler River Floodplain Management Authority.

8.2 **Committee Resolution**

Moved Mayor Wasley Seconded Deputy Mayor Strudwicke 2021/ 044

“that the Audit Committee, having considered Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update* dated 9 August 2021, receives and notes the report.”

CARRIED

8.2 **Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2021/ 045**

“that the Audit Committee, having considered the matter of Agenda Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update* in confidence under sections 90(2) and 90(3)(b) of the Local Government Act 1999, resolves:

- 1. That the PowerPoint presentation pertaining to Agenda Item 8.2 – *Gawler River Floodplain Management Authority – Chief Executive Officer Update* remains confidential and not available for public inspection until further order of the Council;**
- 2. Pursuant to section 91(9)(a) of the Local Government Act 1999, the confidentiality of the matter will be reviewed every 12 months; and**
- 3. Pursuant to section 91(9)(c) of the Local Government Act 1999, the Audit Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**

CARRIED

9. GENERAL BUSINESS

Nil

10. NEXT MEETING

Monday 15 November 2021 at 4.00pm


11. CLOSURE

There being no further business, the Chairperson declared the meeting closed at 6.41pm.

Confirmed as a true record.

Chairperson:.....

Date: ____/____/____

 Adelaide Plains Council	6.1	Draft Long Term Financial Plan 2022/2032-2031/2032
	Department: Report Author:	Finance and Business General Manager - Finance and Business
Date: 17 November 2021	Document No:	D21/49527

EXECUTIVE SUMMARY

- The purpose of this report is to provide Audit Committee Members with the Draft Long Term Financial Plan 2022/2023-2031/2032 (LTFP) that was released for public consultation on 10 November 2021 for comment and consideration.
- In January 2021, Council adopted updated Strategic Plan (SP 2021-2024) which identified strategic priorities for the Adelaide Plains Council for the 2021-2024 period.
- In addition, at the Council meeting held on 25 October 2021 Council adopted its updated Infrastructure & Assets Management Plans (I&).
- Draft LTFP contained in **Attachment 1** has allocated \$75.079m for operating and capital project activities for the next 10 years.
- Adelaide Plains Council is forecasting an operating deficits for the next nine (9) years.
- Council’s Assets Renewal Funding (ARF) Ratio is forecast to vary from 96% to 128% over the 10 year period which indicates that Council will not have infrastructure backlog for the next 10 years.
- Draft LTFP includes an allocation of \$24.951m on new/ upgraded assets in line with SP 2021-2024 and I& priorities/objectives.
- Therefore, Council is required to borrow \$23.714m in the first five (5) years and loan repayment to commence from Year 6.
- As a result, Net Financial Liability (NFL) Ratio is expected to peak at 173% in 2025/2026 and gradually coming down thereafter to reach 116% in 2031/2032.

RECOMMENDATION

“that the Audit Committee having considered Item 6.1 – *Draft Long Term Financial Plan 2022/2023-2031/2032* dated 17 November 2021, receives and notes the report and in doing so
.....”

BUDGET IMPACT

Estimated Cost: As contained in Attachment 1

Is this Budgeted? No

RISK ASSESSMENT

LTFP provides a level of assurance to Council Members and the community on the financial sustainability of Council operations. However, LTFP contains prospective information. Actual results are likely to vary from the information presented. Consequently, LTFP will be prepared on the basis of best estimate assumptions as to the future events which Council expects are likely to take place.

The accuracy of predictions over the longer term decreases over time. Therefore, LTFP need to be annually reviewed, modified and refined as new information is discovered, usually as part of the adoption of the annual budget.

Draft LTFP forecasts significant level of debts for the next 10 years and beyond. This leaves little room for new borrowings if the current or future Council wish to consider other priorities for the district.

Attachment

1. Draft Long Term Financial Plan 2022/2023-2031/2032 released for public consultation on 10 November 2021.

DETAILED REPORT

Purpose

The purpose of this report is to provide Audit Committee Members with an opportunity to review, comment and make appropriate recommendation to the Council on the Draft Long Term Financial Plan for the period 2022/2023 to 2031/2032 that was released for public consultation on 10 November 2021.

Background/History

Regulatory requirement

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

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

Section 122(4) (a) (i) the Local Government Act requires that the LTFP should be reviewed as soon as practical after the adoption of the Annual Business Plan. However, section 122(4)(b) of the Local Government Act specifies that the Council must undertake a comprehensive review of its Long Term Financial Plans within two (2) years after each general election of the council.

LTFP Updated in 2019

Council's LTFP was last updated on 27 June 2019 (2019 LTFP) for the period 2020-2029 and financial indicators from the 2019 LTFP are given below.

Description	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29
Operating Results - \$	(675)	(191)	(88)	90	235	460	701	935	1,202	1,462
Operating Ratio - %	(5)	(1)	(1)	1	2	3	4	6	7	8
NFL Ratio - %	58	55	49	41	29	25	10	(6)	(24)	(39)
ARF Ratio - %	91	102	96	93	96	93	94	93	96	91

LTFP Update in 2021

Following the adoption of SP and I&, Council had two (2) information/briefing sessions to discuss draft LTFP as follows;

- 25 October (Council Members) – Discussed draft LTFP inclusive of initiatives from SP (**worst case scenario**)
- 2 November (Council Members and two (2) independent members of the Audit Committee – Discussed draft LTFP exclusive of initiatives from SP (**Baseline scenario**)).

At the Special Council meeting held on 8 November 2021, Council resolved unanimously as follows:

5.3 *Draft Long Term Financial Plan 2023-2032*

Councillor Panella disconnected from the meeting at 6.31pm and did not return.

The Deputy Mayor sought leave of the meeting to suspend meeting procedures pursuant to Regulation 20(1) of the Local Government (Procedures at Meetings) Regulations 2013 for a period of time sufficient to facilitate informal discussions in relation to Item 5.3 – Draft Long Term Financial Plan 2023-2032. Leave was granted.

The meeting was suspended at 6.33pm.

The meeting resumed at 6.41pm.

Moved Councillor Keen Seconded Councillor Di Troia 2021/396

“that the Council having considered Item 5.3 – Draft Long Term Financial Plan 2023-2032 dated 8 November 2021, receives and notes the report and in doing so resolves that the draft Long Term Financial Plan as contained in Attachment 1 is released for public consultation subject to the insertion of projects listed within Table 3: Projects not included in the Draft Long Term Financial Plan.”

CARRIED UNANIMOUSLY

Accordingly, Draft 2023-2032 Long Term Financial Plan as contained in **Attachment 1** was released for public consultation on 10 November 2021.

Discussion

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

Principle 1: Breakeven Budget

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

Principle 2: Rate Stability

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

Principle 3: Infrastructure and Asset Management

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

Principle 4: Prudent Debt Management

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

Please refer to the Draft Long Term Financial Plan as contained in **Attachment 1** for;

- Key influencers and risk;
- LTFP framework;
- LTFP inputs;
- Key Drivers and assumptions; and
- Growth projections used in the preparation of Draft 2023-2032 Long Term Financial Plan.

Operating Projects Program for next 10 Years

Council is planning to undertake operating programs and initiatives with an estimated costs of \$21.600m over the 10 year period. Main items in this programs are;

- Additional resourcing (inside & outside staff) in line with growth projections* - \$17.718m;
- Underground Powerlines in Two Wells Main Street. - \$ 0.900m
- Usage of recycled water for parks and garden at Eden & Liberty Estates - \$ 0.600m;
- Levee at Hickenbotham Development - \$ 0.292m;

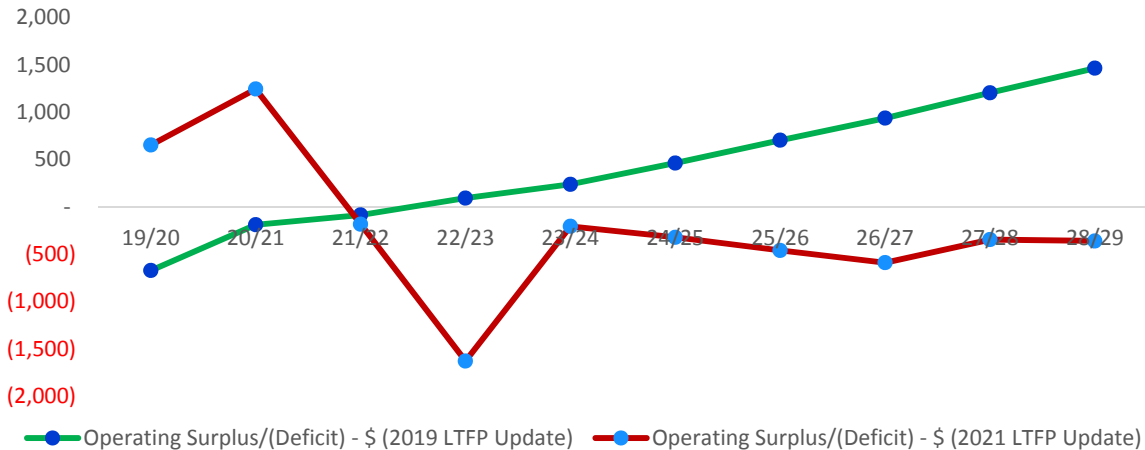
*As additional labour resources are needed commensurate with growth, if the rate of actual growth is lower than anticipated in the LTFP, provision of additional resources will be adjusted accordingly.

Please refer to the **Table 3** in the **Attachment 1** for the list of operating programs included in the draft LTFP.

Operating Results Comparison

Figure 1 below shows a comparison of operating results between 2019 LTFP and 2021 LTFP.

Figure 1: Comparison of Operating Results (\$'000)



Note: Operating Surplus/(Deficit) shown under '2021 LTFP Update' for 2019/2020 and 2020/2021 Financial Years are actual audited results. For 2021/2022 Financial Year, it is budgeted operating results.

As shown in the above graph, updated financial performance shows a considerable reduction in operating results when compared with the similar estimates made in the 2019 LTFP. For example, in

2019 it was estimated that Council would have an operating surplus of \$0.090m in 2022/2023 whereas updated LTFP shows an operating deficit of \$1.631m. This is mainly due to updated operating project program for 2022/2023 being \$1.366m more than what was forecast in 2019.

Capital Projects Program for next 10 Years

Draft Capital Works Program for the next 10 years is summarised in the **Table 1** below. It includes budgetary allocations of \$53.479m across the 10-year period as follows;

- Renewal and Replacement of existing assets, \$28.528m as per I& and
- \$24.951m on New and Upgraded assets.

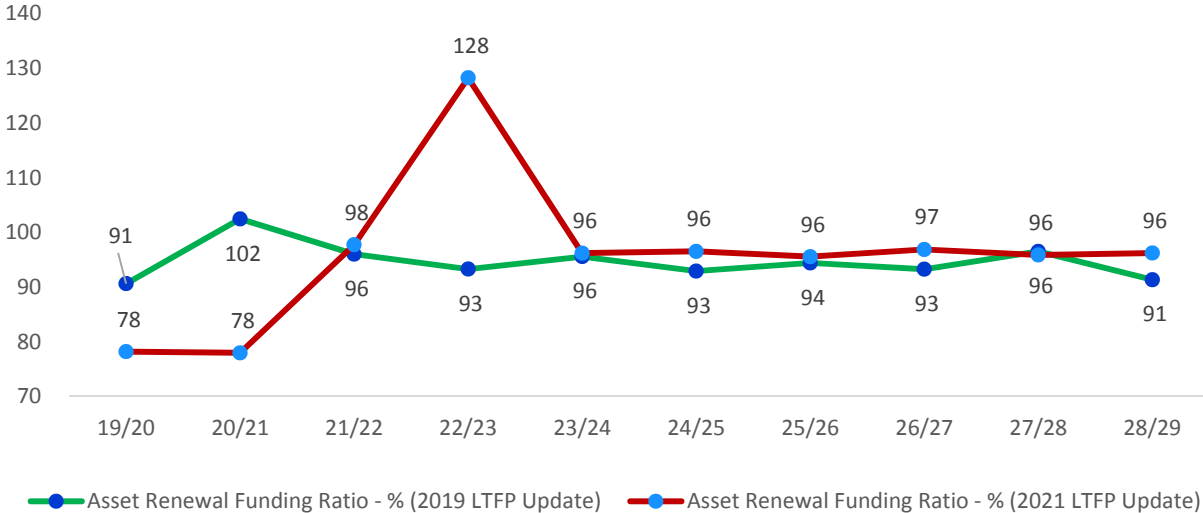
Table 1: Summary of 10 Year Capital Project Budget

Project Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New	9,731	4,815	2,865	5,408	202	795	165	265	515	190
Renewal	4,189	2,614	2,857	2,239	3,171	2,400	2,624	2,719	3,094	2,621
Total Capital Exp.	13,920	7,429	5,722	7,647	3,373	3,195	2,789	2,984	3,609	2,811

Assets Renewal Funding (ARF) Ratio Comparison

Council’s is expected to maintain ARF Ratio that was forecast in 2019 following the update to the LTFP in 2021. This is mainly due to priority being given since 2019/2020 Financial Year to invest in assets renewal as required by I&.

Figure 2: Comparison of Assets Renewal Funding



Note: ARF Ratio shown under ‘2021 LTFP Update’ for 2019/2020 and 2020/2021 Financial Years are actual audited results. For 2021/2022 Financial Year, it is budgeted ARF Ratio.

Analysis of Debt Levels and Updated Net Financial Liabilities Ratio (NFL)

Draft LTFP shows that the Council is required to borrow \$23.714m from Year 1 to 5 and no new borrowings thereafter to deliver draft operating and capital program. However, this is the maximum level of borrowings required and it could potentially be reduced if;

- The Council is successful in securing grant founding for some of the projects;
- the Elected Members resolves to defer/remove some of the programs from the draft LTFP; or
- Elected Members decided to increase rates by an additional amount to fund new assets.

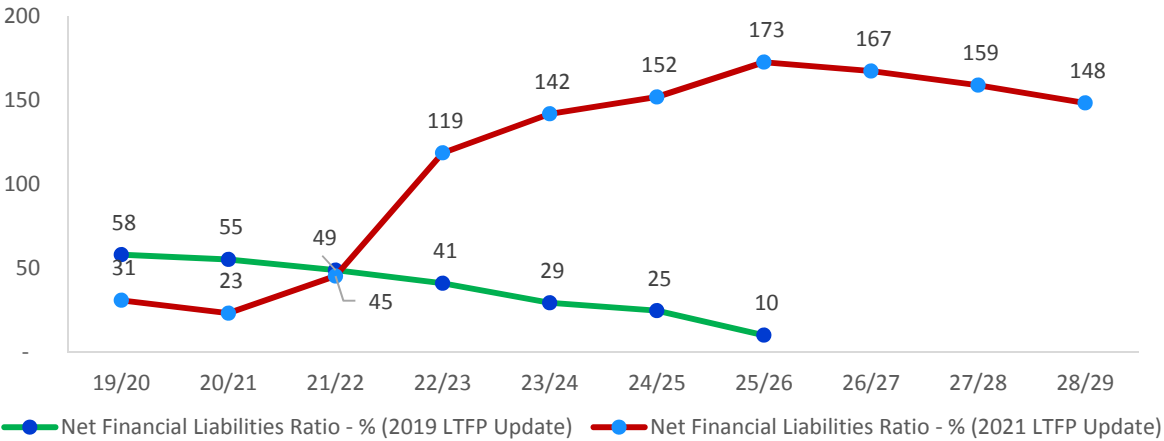
On the other hand, level of new borrowings will increase further, if the Elected Members decided to add new programs or initiatives to the draft operating and capital project program.

Table 2: Summary of Forecast Debt Level at the end of Financial Year (\$'Mn)

Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Debenture Loans	1,767	1,743	1,718	1,691	1,663	1,634	1,604	1,573	1,539	1,505
Short-term Loans	14,504	18,954	21,723	26,462	26,961	26,938	26,423	25,847	25,679	23,875
Total Borrowings	16,271	20,697	23,440	28,153	28,624	28,573	28,027	27,420	27,218	25,380
Interest @ 2.85%	207	540	619	754	768	768	753	737	732	680
Interest @ 2.45%	178	464	532	648	661	660	647	633	629	585

Table 2 above summarises Council’s debt level at the end of each financial year. Council’s level of borrowings will be peaked in 2026/2027 and loan repayments would commence from 2027/2028 onwards. This is mainly due to new assets and programs included in the updated LTFP in the first four (4) years as per Council’s I& & SP 2021-2024. As a result, updated NFL is significantly higher than the NFL forecast in the 2019 LTFP.

Figure 3: Comparison of Net Financial Liabilities Ratio



Note: NFL Ratio shown under ‘2021 LTFP Update’ for 2019/2020 and 2020/2021 Financial Years are actual audited results. For 2021/2022 Financial Year, it is budgeted NFL Ratio.

Assuming that the Council will initially borrow short-term cash advance (CAD) loans from Local Government Financing Authority (LGFA) as it is flexible and the interest rate is lower than long term debenture rates, above **Table 2** also shows the associated interest expense under two (2) scenarios of 2.45% and 2.85%. Accordingly, if the interest rate is moved by 0.40%, the impact on interest expense would be \$0.920m approximately over the 10 year period.

Scenario Analysis

At the first information/briefing session held on 25 October, Elected Members were provided with a list of all the known projects and programs (**worst-case scenario**) and their impact on financial ratios and the borrowings.

However, at the information/briefing session held on 1 November, long term financial plan was updated to exclude projects/programs that relates to Strategic Plan 2021-2024 (**Baseline scenario**).

Elected members were provided with following 3 scenarios at the Special Council meeting held on 8 November. Accordingly, Council resolved unanimously to release Draft LTFP for public consultation based on **worst-case scenario**. Three (3) scenarios considered by Elected Members were;

Scenario 1 – Add all the projects associated with Strategic Plan to the **baseline LTFP**. The Financial impact is as follows;

- Increase in operating projects expenses by \$ 1.350m
- Increase in renewal capital project expenses by \$ 1.000m
- Increase in new capital project expenses by \$16.330m
- Increase in interest expense by \$ 4.725m

Scenario 2 – Add 50% of the cost of the projects associated with Strategic Plan (on the assumption that remaining 50% is funded by Government Grants) to the **baseline LTFP**. The Financial impact is as follows;

- Increase in operating projects expenses by \$ 0.675m
- Increase in renewal capital project expenses by \$ 0.500m
- Increase in new capital project expenses by \$ 8.165m
- Increase in interest expense by \$ 2.361m

Scenario 3 – Growth is reduced from 2.75% to 2.25% with no other changes to the **baseline LTFP**. The Financial impact is as follows;

- Reduction of rates income by \$ 3.746m
- Increase in interest expense by \$ 0.434m

Following graphs shows the impact of above scenarios in comparison to the baseline LTFP on;

- Operating Surplus/(Deficit) Ratio;
- Net Financial Liabilities Ratio; and
- Outstanding borrowings at the end of financial year.

Figure 4: Operating Surplus/(Deficit) Ratio

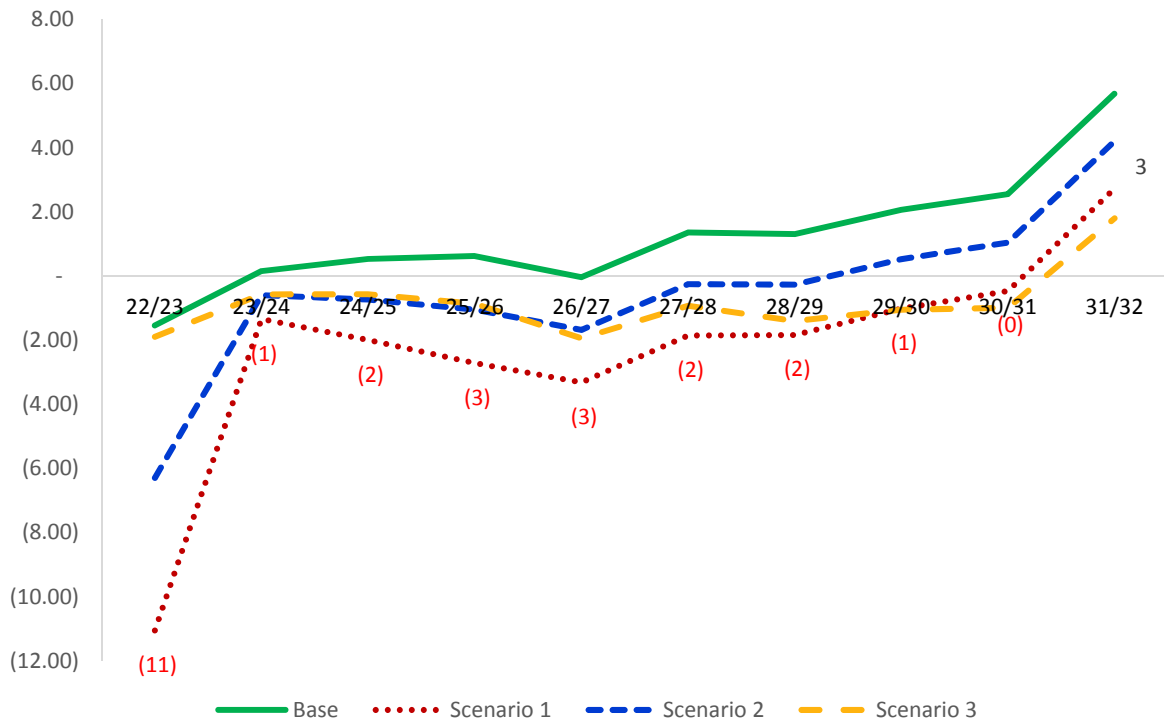


Figure 5: Net Financial Liabilities Ratio

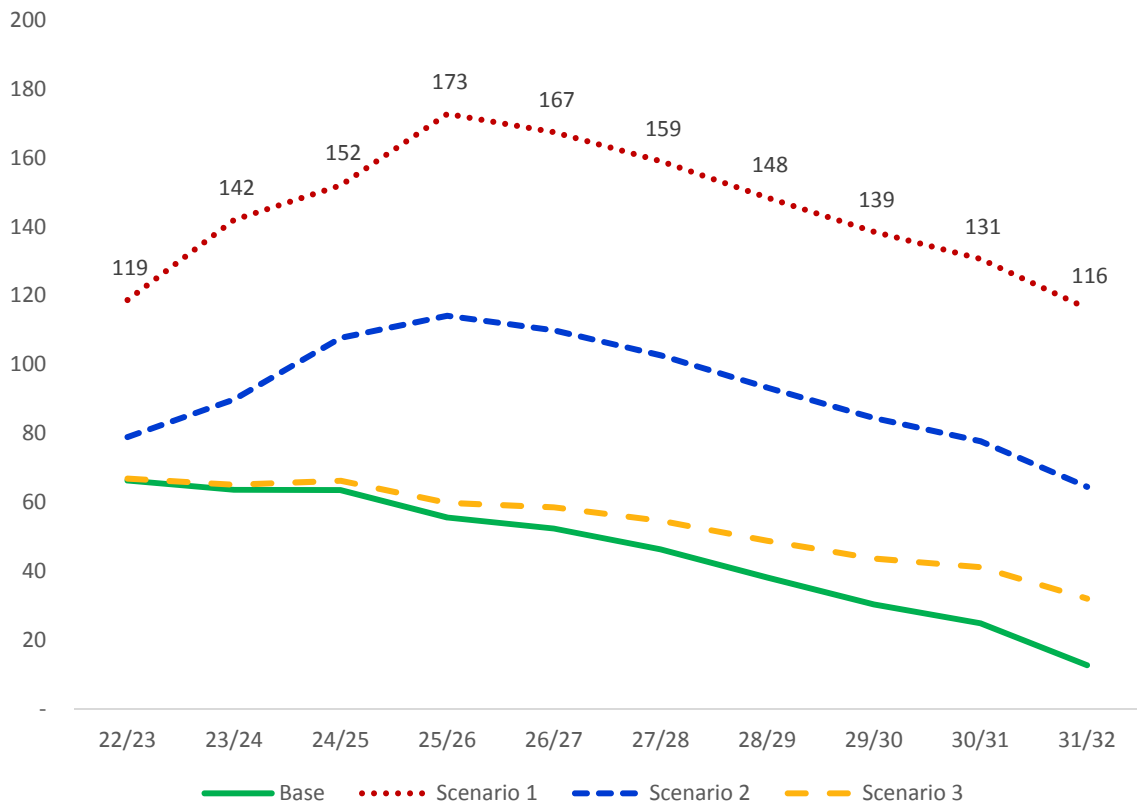
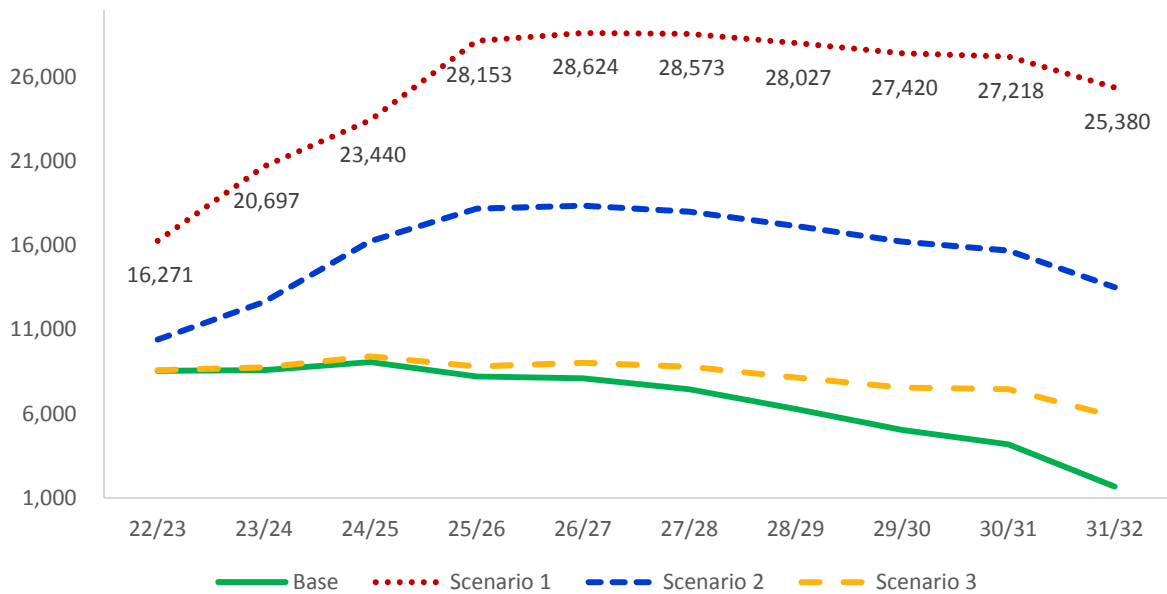


Figure 6: Outstanding Borrowings at Year (\$'000)



Long Term Financial Statements and Financial Ratios

Please refer to **Attachment 1** for draft Long Term Financial Statements and draft Long Term Financial ratios that was released for public consultation.

Conclusion

In order to achieve the objectives of the Strategic Plan 2021-2024 and Infrastructure and Assets Management Plan, Council is required to invest significant amount of financial resources in new/ upgraded assets and new initiatives for the next 10 financial years. However, this will result in:

- an operating deficit throughout the life of the LTFP; and
- a significant increase in Council borrowings.

References

Legislation

Local Government Act 1999

Council Policies/Plans

Annual Business Plan and Budget 2021/2022

Budget Management Policy

Public Consultation Policy

Strategic Management Plan 2021-2024

Treasury Management Policy



**Adelaide
Plains
Council**

Draft 2022/2023-2031/2032 Long Term Financial Plan

Contents

1. Introduction	1
2. Chief Executive Officer Statement on Financial Sustainability	2
3. Long Term Financial Objective of the Adelaide Plains Council	4
4. Key Influences and Risks	4
4.1 External Influences – items outside of Council’s control	4
4.2 Internal Influences – items that Council can control	5
4.3 Community Drivers	5
5. Basis of Preparation	5
5.1 LTFP Framework	6
5.2 LTFP Inputs	6
5.3 Key Drivers and Assumptions	6
5.4 Growth Projections	8
6. 10 Year Capital and Operating Project Program	8
6.1 Operating Project Program	8
6.2 Capital Works Program	10
6.3 New Capital Assets in Detail	10
6.4 Long-term Capital Grants	13
6.5 Long term financing strategy	13
6.6 Projected Debt levels	14
7. Long Term Financial Statements	15
7.1 Long Term Financial Indicators	21

1. Introduction

Background

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

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

Section 122(4) (a) (i) the Local Government Act requires that the LTFP should be reviewed as soon as practical after the adoption of the Annual Business Plan. However, section 122(4)(b) of the Local Government Act specifies that the Council must undertake a comprehensive review of its Long Term Financial Plans within two (2) years after each general election of the council.

Purpose of LTFP

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

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

LTFP as a decision making tool

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

LTFP is a fluid document

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

2. Chief Executive Officer Statement on Financial Sustainability

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

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

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

The review of the Infrastructure and Asset Management Plan and its subsequent adoption on 25 October 2021 now guides much of the draft LTFP. With our asset base valued at \$173m and with \$5m worth of donated assets coming into our ownership each and every year from the new residential growth at Two Wells, the allocation of funds to our various infrastructure categories becomes all the more important.

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

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

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

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

Over the next ten year period, APC is proposing to invest \$75.079m in operating and capital projects while maintaining current Council services in order to achieve the objectives of the Infrastructure & Assets Management Plans and Strategic Plan 2021-2024.

Out of total project budget of \$75.079m, \$24.951m (33%) would be spent on new and upgraded assets, \$21.600m (29%) will be spent on new initiatives or programs in line with growth projections and \$28.528m (38%) will be spent on asset renewals.

As a result, Council is forecasting operating deficits from Year 1 to 9 of the draft LTFP and a surplus budget in Year 10. New borrowings of \$23.714m is forecast in the first five (5) years with repayments to start from Year 6 (i.e. 2027/2028).

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

I commend the draft 2022/2023-2031/2032 Long Term Financial Plan to you and look forward to receiving constructive feedback ahead of Council formally considering same for adoption.

James Miller

Chief Executive Officer

3. Long Term Financial Objective of the Adelaide Plains Council

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

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

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

Principle 1: Breakeven Budget

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

Principle 2: Rate Stability

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

Principle 3: Infrastructure and Asset Management

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

Principle 4: Prudent Debt Management

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

4. Key Influences and Risks

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

4.1 External Influences – items outside of Council’s control

- Unforeseen economic changes or circumstances such as:
 - interest rates fluctuations (Reserve Bank of Australia’s current position is that the cash rate would not be increased until inflation is within the 2% to 3% target range which is not expected to occur until 2024);
 - localised economic growth – residential development and new businesses;
 - Adelaide Consumer Price Index (CPI), Local Government Price Index (LGPI); and,
 - changes in specific grant programs such as Financial Assistance Grants, Special Local Roads Grant, Roads to Recovery Grant etc.
- Unforeseen political changes or circumstances such as:
 - changes to COVID-19 restrictions;
 - changes to levies and their conditions (e.g. EPA Solid Waste Levy);
 - cost of natural resources such as fuel and water;

- a change in the level of legislative compliance; and,
- cost-shifting (e.g. Increase in Emergency Services Levy).
- Variable Climatic Conditions such as:
 - Flooding, bushfire and drought.
- Others
 - ESCOSA full cost recovery requirement for CWMS service charges; and
 - Infrastructure assets donated by developers (\$5.6m per year).

4.2 Internal Influences – items that Council can control

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

4.3 Community Drivers

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

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

5. Basis of Preparation

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

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

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

For this LTFP, 2021/2022 budgeted financial statements forms the basis for year 1. Years 2 to 10 present nine (9) inclusive years of financial projections underpinned by the base data.

5.1 LTFP Framework

The LTFP has been prepared within the following framework:

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

5.2 LTFP Inputs

The LTFP has various inputs, including:

- Audited financial statement for 2020/2021 Financial Year.
- Budget adopted by the Council for 2021/2022 Financial Year.
- Assumptions on the inflation of various revenue and expenses.
- Relevant Enterprise Bargaining Agreement.
- Strategic Plan 2021-2024 and Infrastructure and Asset Management Plans.
- Feedback from the Audit Committee, Elected Members and the community.

5.3 Key Drivers and Assumptions

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

Adelaide Consumer Price Index (CPI) / Local Government Price Index (LGPI)

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

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum for Australia. While Adelaide CPI & LGPI through the year to June 2021 have increased by 2.80% and 1.40%, it is expected that the both the CPI and LGPI would increase further in the short to medium term due to cost pressures as a result of pandemic recovery. Therefore, for this LTFP, an annual CPI/LGPI of 2.25% has been factored when estimating income and expenses.

However, it should be noted that on average for the period 2014/2015 to 2019/2020 (2020/2021 is excluded as the inflation for 2020/2021 is considerably lower due to COVID-19 related restrictions and government assistance to households and business), LGPI has been 0.28% higher than CPI as shown below.

Year	LGPI	CPI (Adelaide)	LGPI vs CPI
2014/15	1.70%	1.60%	0.10%
2015/16	0.90%	0.90%	0.00%
2016/17	1.80%	1.50%	0.30%
2017/18	2.90%	2.30%	0.60%
2018/19	2.60%	1.50%	1.10%
2019/20	1.40%	1.80%	(0.40%)
Average	1.88%	1.60%	0.28%

The key economic indicators and drivers used in this LTFP are summarised in **Table 1** below based on best available information as at 8 November 2021.

Table 1: Key Drivers and Assumptions used in the LTFP

Description	Assumptions
CPI/LGPI	2.25% on average over the 10 year period
General Rates	Business as usual 2.25% To fund new assets/programs 0.25% Total increase in existing rates 2.50% + 2.75% growth.
CWMS Charge	Mallala & Middle Beach - increase by 5.00% & 3.00% respectively per annum over next 10 years to comply with ESCOSA requirement for CWMS pricing.
Waste Charge	10.00% increase from year 1 to 10 inclusive of growth.
NRM Levy	3.50% increase from year 1 to 10.
Statutory charges	Income from planning applications, waste water applications and dog registration is estimated based on expected growth within Council district for the next 10 years.
User charges	0.50% increase from year 1 to 10.
Grants	Estimates are based on confirmed grant programs such as Financial Assistance Grants, Special Local Roads Grant, Roads to Recovery Grant, Library Operating Grant etc. on the assumption that these grants program will continue during the 10 year period.
Employee Costs	2.50% per annual from Year 1 to 10.
Materials, contracts and other	CPI of 2.25% plus further increase of 2.05% on average over the 10 year period due to additional expenses associated with growth.
Depreciation	3.00% per annual from Year 1 to 10.
Finance Costs	Based on current and estimated new borrowings required.
Receivable, trade payables and provisions	No significant increase in overdue rates, trade receivable, trade payables and provisions.
Donated Assets	Council is expected to receive donated assets of \$5.6m on average over the 10 year period from developers.

5.4 Growth Projections

Growth over the life of the LTFP has been estimated at 2.75% which is based on the expected addition of 250 new properties across the Council district through sub-divisions. The population is expected to increase by 500 persons every year throughout the 10 year period. Following table shows the expected change within Council district with regard to population, number of rateable properties, infrastructure assets and development applications in 2023 and 2032.

Table 2: Growth Projections

Description	2023	2032	Increase
Population	10,500	15,000	43%
No of Rateable Properties	5,700	8,200	44%
Value of Infrastructure Assets (\$Mn)	172	307	78%
No of Development Applications per year	600	800	33%

While growth brings in additional income in the form of;

- rates;
- development application fees;
- dog registration fees;
- waste water application fees;

it also add cost pressures such as;

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

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

6. 10 Year Capital and Operating Project Program

6.1 Operating Project Program

In order to achieve the objectives of the Strategic Plan 2021-2024 and the Infrastructure & Assets Management Plans, Council is planning to undertake following 27 programs and initiatives with an estimated costs of \$21.600m over the 10 year period. (Final budgets and the timing of these programs will be confirmed as part of future annual budget deliberations).

Table 3: Draft Operating Project Program

Project Name	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total
1) Bridges - Condition Assessments	-	-	-	-	-	50	-	-	-	-	50
2) Bridges, Repairs - Salt Creek Bridge	170	-	-	-	-	-	-	-	-	-	170
3) Roadside Vegetation Management Plan	100	-	-	-	-	-	50	-	-	-	150
4) Open Space & Recreation Strategy	60	-	-	-	-	-	50	-	-	-	110
5) Street/Verge Tree Planting	20	20	20	20	25	25	25	25	25	-	205
6) Implement, Eden and Liberty Recycled Water	4	-	-	-	-	-	-	-	-	-	4
7) Parham Campground - Formalise Land	5	-	-	-	-	-	-	-	-	-	5
8) Parham - Old Playground Block (Sell or Develop Site)	5	-	-	-	-	-	-	-	-	-	5
9) Mallala Stormwater Flood Plain Management Plan	65	-	-	-	-	-	-	-	-	-	65
10) Mallala Stormwater Urban Management Plan	-	55	-	-	-	-	-	-	-	-	55
11) Levee, Hickinbotham Development	-	16	77	105	94	-	-	-	-	-	292
12) Two Wells – Use of recycled water at Liberty and Eden Estates	55	60	40	70	75	55	85	90	70	-	600
13) Labour resources (outside & inside commensurate with growth)*	-	353	724	1,113	1,521	1,948	2,396	2,866	3,357	3,441	17,718
14) Stage 1 - Two Wells/Mallala Ovals Masterplan	100	-	-	-	-	-	-	-	-	-	100
15) Two Wells, Main street - Underground Powerlines	900	-	-	-	-	-	-	-	-	-	900
16) TW - Relocation of TW Waste Transfer Station	200	-	-	-	-	-	-	-	-	-	200
17) Dublin - Township Growth & Tourism Master Plan	50	-	-	-	-	-	-	-	-	-	50
18) Social & Community Infrastructure Plan	100	-	-	-	-	-	-	-	-	-	100
19) Regional Disability Access and Inclusion Plan Initiatives	15	15	15	15	15	15	15	15	15	15	150
20) Community Survey	-	20	-	-	20	-	-	20	-	-	60
21) Heritage Survey -Part 2	27	-	-	-	-	-	-	-	-	-	27
22) Periodic Council Elections	40	-	-	-	40	-	-	-	40	-	120
23) Customer Request Management Health Check	15	-	-	-	-	-	-	-	-	-	15
24) Upgrade of Electronic Records Management System	-	30	-	-	-	-	-	-	-	-	30
25) New Residents Kits and Business & Community Directory	-	23	-	-	23	-	-	23	-	-	69
26) Grant Writer	15	15	15	15	15	15	15	15	15	15	150
27) Economic Zones	20	20	20	20	20	20	20	20	20	20	200
Total Estimated Costs	1,966	627	911	1,358	1,848	2,128	2,656	3,074	3,542	3,491	21,600

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

6.2 Capital Works Program

Draft Capital Works Program for the next 10 years is summarised in the **Table 4** below. It includes budgetary allocations of \$53.479m across the 10-year period as follows;

- Renewal and Replacement of existing assets totalling \$28.528m; and
- \$24.951m on New and Upgraded assets (**Table 5**).

Table 4: Draft Capital Project Program

Project Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Strategic Assets	4,000	-	(4,000)	-	-	-	-	-	-	-
Fleet	175	120	60	135	120	60	135	120	60	135
Plant & Equipment	534	369	972	177	856	545	354	479	691	341
Footpaths	161	105	100	113	137	100	100	100	100	100
Kerbing	575	65	-	-	-	-	-	-	-	-
Sealed Roads	3,390	610	675	610	610	610	610	610	610	610
Bridge	1,000	-	-	-	-	-	-	-	-	-
Unsealed Roads	975	975	1,000	1,000	1,100	1,100	1,200	1,200	1,300	1,300
Car parks	330	-	60	45	-	-	-	-	-	-
Pedestrian Crossing	195	-	-	-	-	-	-	-	-	-
Buildings	1,130	-	5,040	5,000	165	-	-	-	363	-
Openspace	965	1,670	1,680	540	245	760	250	450	250	300
Stormwater	395	-	50	-	50	-	50	-	50	-
Site Improvements	10	-	60	-	60	-	60	-	60	-
CWMS	85	3,515	25	27	30	20	30	25	125	25
Total Capital Expenditure	13,920	7,429	5,722	7,647	3,373	3,195	2,789	2,984	3,609	2,811

Project Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New	9,731	4,815	2,865	5,408	202	795	165	265	515	190
Renewal	4,189	2,614	2,857	2,239	3,171	2,400	2,624	2,719	3,094	2,621
Total Capital Expenditure	13,920	7,429	5,722	7,647	3,373	3,195	2,789	2,984	3,609	2,811

6.3 New Capital Assets in Detail

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

- New footpath – Existing townships don't have footpaths and therefore to providing standard level of service.
- New kerbing – To improve drainage in townships and to provide standard level of service
- New seal – Required under Local Roads and Community Infrastructure Program, developer deed and for safety upgrade at intersections.
- New car parks – To improve safety and cater for growth & tourism related demand.
- New Openspace – To provide level of service outlines in the assets management plan.
- Strategic Assets – To assists in the development of local economy.
- New buildings – Continue to provide Council services in line with expected growth.

Table 5: Draft Capital Project Program in Detail*

Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New Footpaths										
1) Cameron Terrace - Dublin Rd to Feltwell Rd	37	-	-	-	-	-	-	-	-	-
2) Railway Avenue - Balaklava Rd to Lindsay St	17	-	-	-	-	-	-	-	-	-
3) South Terrace (Dublin) - Old Port Wakefield Rd to Seventh St	40	-	-	-	-	-	-	-	-	-
4) Carmel St - Balaklava Rd to End of Seal	25	-	-	-	-	-	-	-	-	-
5) Calagora St - Lisieux Street to Carmel St	32	-	-	-	-	-	-	-	-	-
6) Jenkin Court - Butler Rd to End	-	25	-	-	-	-	-	-	-	-
7) Irish Street - Butler Street to Redbanks Rd	-	23	-	-	-	-	-	-	-	-
8) Calala Court - Old Port Wakefield Rd to End	-	47	-	-	-	-	-	-	-	-
9) Seventh Street - Third Street to Second Street	-	-	-	13	-	-	-	-	-	-
10) Seventh Street - Fourth Street to Third Street	-	-	-	-	12	-	-	-	-	-
11) Seventh Street - Fifth Street to Fourth Street	-	-	-	-	12	-	-	-	-	-
12) Third Street (Dublin) - Sixth Street to Seventh Street	-	-	-	-	13	-	-	-	-	-
13) Future Program Allocation	-	-	90	90	90	90	90	90	90	90
New Kerbing, Channel & Spoon Drains										
14) South Terrace (Dublin) - Old Port Wakefield Road to Sixth Street	165	-	-	-	-	-	-	-	-	-
15) South Terrace (Dublin) - Sixth Street to Seventh Street	120	-	-	-	-	-	-	-	-	-
New Seal										
16) Sealing of Middle Beach Road	2,390	-	-	-	-	-	-	-	-	-
17) Intersection Upgrade - Dawkins Road and Williams Road	100	-	-	-	-	-	-	-	-	-
18) Hickinbotham Subdivision Infrastructure - Cycle/Walking Path	125	-	-	-	-	-	-	-	-	-
19) Redbanks Rd - Mallala - TW Road to Irish St. (Kerbing and car park)	165	-	-	-	-	-	-	-	-	-
20) Balaklava Rd - Mallala - Lisieux St, Town Centre - Shoulder Hotmix	-	-	65	-	-	-	-	-	-	-
New Car Parks & Traffic Control - Two Wells Main street										
21) Pedestrian Refuges/Crossing	195	-	-	-	-	-	-	-	-	-
22) Eastern End Car Parking and Water Sensitive Urban Design	300	-	-	-	-	-	-	-	-	-
23) Ruskin Road, Thompson Beach Car Parking	-	-	60	-	-	-	-	-	-	-
24) Coastal Carpark Formalise, AIBS	-	-	-	45	-	-	-	-	-	-
25) New Openspace										

26) Street & Reserves/Parks Furniture Program	20	20	20	20	25	25	25	25	25	-
27) Streetscape and Water Sensitive Urban Design	50	50	50	-	-	-	-	-	-	-
28) Donaldson Road, Close Make Parkland/Rec Type Area	5	10	50	-	-	-	-	-	-	-
29) Wetland Trails, Lewiston - seating, paths, signage	-	-	50	-	-	-	-	-	-	-
30) Bakers Wetland - seating, paths, signage	-	-	-	50	-	-	-	-	-	-
31) Hams Park, Stage 2, Relocate	-	-	-	40	-	-	-	-	-	-
32) Middle Beach - Foreshore upgrade	-	-	300	-	-	-	-	-	-	-
33) Open Space & Recreation Strategy Outcomes (Allocation)	-	50	-	50	-	50	-	50	-	-
34) Trail Strategy Outcomes (Allocation)	-	100	-	100	-	100	-	100	-	-
35) Parham Playground Landscaping, Shade, Furniture, Parking & Paths	-	-	-	-	-	180	-	-	-	-
36) Council Boundary Signs - Allocation	60	-	-	-	-	-	-	-	-	-
37) Township Entrance Signs - Allocation	-	140	-	-	-	-	-	-	-	-
38) Stage 1 & 2- Hart Reserve Development – Implementation	400	200	-	-	-	-	-	-	-	-
39) Future Program Allocation	-	-	-	-	-	-	-	-	-	100
40) Stage 2 & 2A - Two Wells/Mallala Ovals - Implementation	-	500	500	-	-	-	-	-	-	-
41) Stage 3 - TW Oval - Additions, Support to Area (Possible New Sport Facilities)	-	350	-	-	-	-	-	-	-	-
42) Stage 1 & 2 - Police Block - Shelter, Skate Park, Masterplan/Concepts	50	150	-	-	-	-	-	-	-	-
43) Purchase & Sale of Strategic Assets	4,000	(4,000)								
Buildings										
44) Temporary Office Accommodation	300									
45) New Civic Centre/Office Accommodation	700		5,000	5,000						
CWMS										
46) Two Wells - New Community Waste Management System		3,500								
47) Plant and Fleet	40	-	280	-	-	350	-	-	350	-
New Stormwater										
48) Dublin Stormwater Capture Project - Stage 1 & 2	280	-	-	-	-	-	-	-	-	-
49) Redbanks Road from Mallala - Two Wells Road to Irish Street	100	-	-	-	-	-	-	-	-	-
50) Mallala Stormwater Urban Management Plan Outcomes	-	-	50	-	50	-	50	-	50	-
51) Middle Beach - Tidal Drainage System	15	-	-	-	-	-	-	-	-	-
Total New Project Budget	9,731	4,815	2,865	5,408	202	795	165	265	515	190

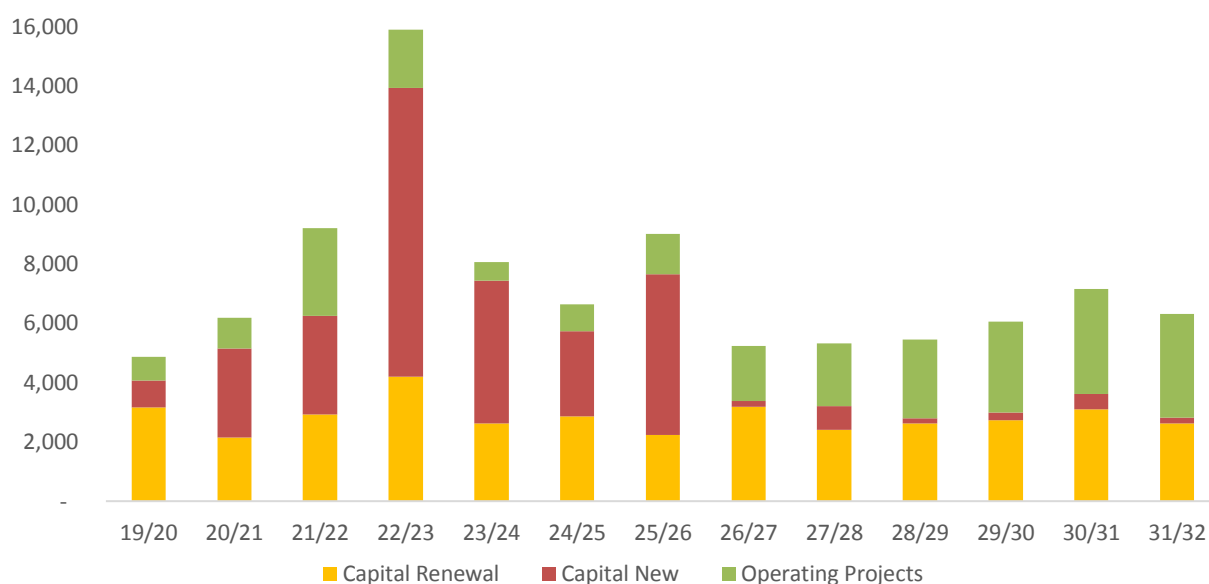
*While the estimates given above are based on best available information as of 8 November 2021, exact budgets allocation and the timing of the delivery of these capital program will be confirmed as part of future annual budget deliberations.

Total Projects Budget for Next 10 Financial Years

Graph below shows budgeted total capital and operating project program for next 10 years in comparison to 2019/2020 and 2021/2022 actual project expenditure and 2021/2022 projects budget.

If the draft projects budget in **Table 3** and **Table 4** is endorsed by the Council, it would result in a significant increase of project budget mainly in the first four (4) years, with a total project budget of \$75.079m over the 10 year period.

Figure 1: Total Capital & Operating Project Expenses (\$'Mn)



6.4 Long-term Capital Grants

The LTFP includes \$1.195m of capital grant to seal Middle Beach which is the 50% of the total costs and funded Road under Local Government Infrastructure Partnership Funding in the 2022/2023 Financial Year.

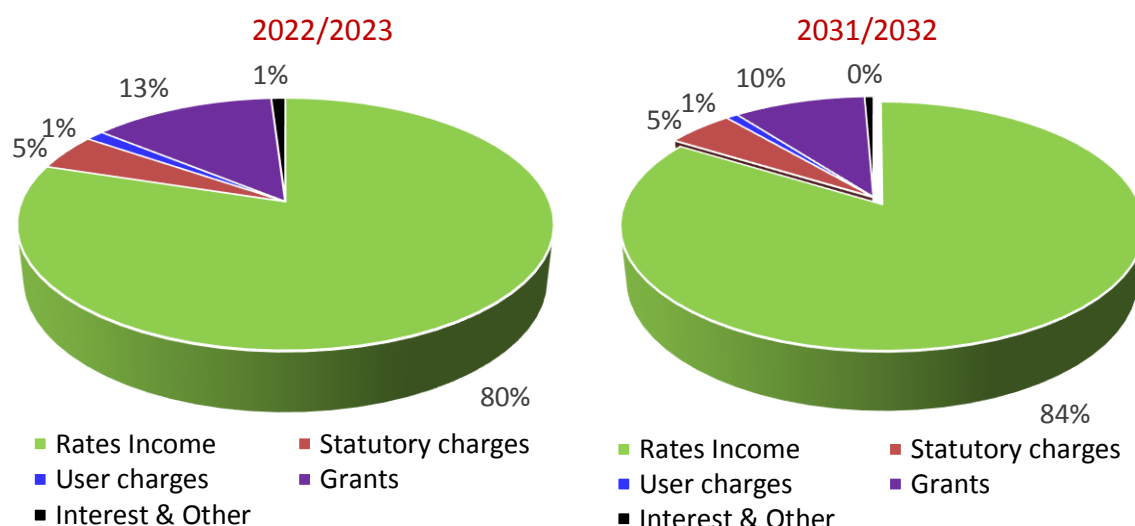
6.5 Long term financing strategy

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

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

Following pie chart shows the changes in the mix of various elements in the financing strategy in 2022/2023 and 2031/2032 Financial Years. Accordingly, rates income contribute more than others income sources and plays very important role going forward in the delivery Council's services, programs and projects.

Figure 2: Distribution of Operating Income based on LTFP Estimates



6.6 Projected Debt levels

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

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

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

Draft LTFP shows that the Council is required to borrow \$23.714m from Year 1 to 5 and no new borrowings thereafter. From Year 6 onwards, Council will be in a position to commence repaying its new borrowings including borrowings \$2.708m identified in the 2021/2022 Adopted Budget.

Assuming Council will initially borrow short-term cash advance (CAD) loans from Local Government Financing Authority (LGFA) as it is flexible and the interest rate is lower than long term debentures rates, following table shows estimated debt level at the end of relevant financial year and the associated interest expense under two (2) scenarios of 2.45% and 2.85%.

Table 7: Summary of Forecast Debt Level at the end of Financial Year (\$'Mn)

Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Debenture Loans	1,767	1,743	1,718	1,691	1,663	1,634	1,604	1,573	1,539	1,505
Short-term Loans	14,504	18,954	21,723	26,462	26,961	26,938	26,423	25,847	25,679	23,875
Total Borrowings	16,271	20,697	23,440	28,153	28,624	28,573	28,027	27,420	27,218	25,380
Interest @ 2.85%	207	540	619	754	768	768	753	737	732	680
Interest @ 2.45%	178	464	532	648	661	660	647	633	629	585

Note: Additional interest expenses on new borrowings have been factored in the draft LTFP at 2.85%.

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

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

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

Indicative interest rates with LGFA as of 22 October 2021 are:

- Short-term Cash Advance	2.05%
- 5yrs	2.35%
- 10yrs	2.85%
- 15yrs	3.15%

However, interest rates are expected to go up further with the economic recovery following pandemic particularly in 2024 as forecast by Reserve Bank of Australia. As shown in **Table 5** above, based on above borrowing requirements, if the interest rate is moved (up or down) by 0.40%, the impact on interest expenses would be \$0.920m approximately over the 10 year period.

7. Long Term Financial Statements

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

ADELAIDE PLAINS COUNCIL
DRAFT LONG TERM FINANCIAL PLAN
STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR

\$'000

	2019/2020	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
	ACTUAL	Actual	Adopted	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
INCOME													
Rates	10,096,890	10,635	10,923	11,785	12,433	13,118	13,843	14,610	15,421	16,280	17,189	18,152	19,176
Statutory charges	511,379	603	496	694	714	779	801	819	886	961	986	1,089	1,129
User charges	156,563	178	170	193	194	195	196	197	198	199	199	200	201
Grants, subsidies and contributions	2,618,798	3,316	1,894	1,935	1,966	1,997	2,029	2,062	2,095	2,129	2,163	2,197	2,233
Investment Income	3,881	1	3	3	3	3	3	3	3	3	3	3	3
Reimbursements	58,808	24	126	123	123	123	123	123	123	123	123	123	123
Other Income	125,124	143	23	23	23	23	23	24	24	24	24	24	24
TOTAL INCOME	13,571,443	14,900	13,635	14,756	15,456	16,238	17,018	17,837	18,750	19,718	20,688	21,789	22,889
EXPENSES													
Employee Costs	4,930,715	5,151	5,900	6,062	6,212	6,366	6,524	6,686	6,852	7,022	7,196	7,375	7,558
Materials, contracts and other services	4,831,258	5,389	4,332	5,107	5,209	5,387	5,472	5,658	5,782	5,980	6,118	6,360	6,543
Depreciation, Amortisation & Impairment	2,923,151	2,911	2,731	2,960	3,049	3,140	3,234	3,331	3,431	3,534	3,640	3,750	3,862
Finance Costs	168,896	132	72	229	504	696	830	843	842	825	808	802	748
Share of loss - joint ventures & associates	66,528	75	63	63	63	63	63	63	63	63	63	63	63
TOTAL EXPENSES	12,920,548	13,658	13,098	14,421	15,037	15,652	16,123	16,581	16,970	17,425	17,825	18,349	18,774
OPERATING SURPLUS / (DEFICIT)	650,895	1,242	537	335	419	586	895	1,255	1,780	2,293	2,862	3,440	4,115
Net Operating Project Expenses	-	-	(579)	(1,966)	(627)	(911)	(1,358)	(1,848)	(2,128)	(2,656)	(3,074)	(3,542)	(3,491)
OPERATING SURPLUS / (DEFICIT)	650,895	1,242	(186)	(1,631)	(208)	(325)	(463)	(592)	(348)	(363)	(211)	(102)	624
Asset Disposal & Fair Value Adjustments	(396,695)	(273)	67	100	100	100	100	100	100	100	100	100	100
Amounts specifically for new or upgraded assets	779,113	1,494	1,245	1,195	-	-	-	-	-	-	-	-	-
Physical resources received free of charge	5,263,450	5,345	2,000	5,351	5,351	6,351	5,351	5,351	6,351	5,351	5,351	6,351	5,351
NET SURPLUS (DEFICIT)	6,296,763	7,809	3,126	5,015	5,243	6,126	4,988	4,859	6,103	5,088	5,240	6,349	6,075
OTHER COMPREHENSIVE INCOME													
Changes in assets revaluation surplus	(7,694,716)	1,405	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Share of other comprehensive income - GRFMA	(58,242)	(55)	-	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
TOTAL COMPREHENSIVE INCOME	(1,456,195)	9,159	4,626	6,460	6,688	7,571	6,433	6,304	7,548	6,533	6,685	7,794	7,520

**ADELAIDE PLAINS COUNCIL
DRAFT LONG TERM FINANCIAL PLAN
FINANCIAL POSITION AT THE END OF FINANCIAL YEAR**

\$'000

	2019/2020 ACTUAL	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
ASSETS													
Current Assets													
Cash and cash equivalents	869,889	257	306	306	306	307	307	307	307	307	307	307	307
Trade & other receivables	1,236,543	2,386	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031
Inventories	259,439	239	154	154	154	154	154	154	154	154	154	154	154
Total Current Assets	2,365,871	2,882	1,491	1,491	1,491	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492
Non-Current Assets													
Financial Assets (Investment in GRFMA)	5,948,103	5,818	5,928	5,810	5,692	5,574	5,456	5,338	5,220	5,102	4,984	4,866	4,748
Infrastructure, Property, Plant and Equipment	113,448,916	121,078	124,385	142,282	153,514	163,947	175,210	182,102	189,717	195,823	202,017	209,728	215,528
Other Non-current Assets	39,374	991	15	15	15	15	15	15	15	15	15	15	15
Total Non -Current Assets	119,436,393	127,887	130,328	148,108	159,221	169,536	180,682	187,456	194,952	200,940	207,016	214,609	220,291
Total Assets	121,802,264	130,769	131,819	149,598	160,712	171,028	182,173	188,948	196,444	202,432	208,508	216,101	221,783
LIABILITIES													
Current Liabilities													
Trade & Other Payables	2,337,517	1,820	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353
Borrowings	489,388	1,046	3,183	14,528	18,979	21,749	26,490	26,990	26,968	26,454	25,881	25,678	23,873
Provisions	1,008,344	1,253	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009
Total Current Liabilities	3,835,249	4,119	5,545	16,890	21,341	24,111	28,852	29,352	29,329	28,816	28,243	28,040	26,235
Non-current Liabilities													
Borrowings	2,297,356	1,790	1,767	1,743	1,718	1,691	1,663	1,634	1,604	1,573	1,539	1,539	1,505
Provisions	178,250	210	220	220	220	220	220	220	220	220	218	220	220
Total Non-current Liabilities	2,475,606	2,000	1,987	1,963	1,937	1,911	1,883	1,854	1,824	1,792	1,757	1,759	1,725
Total Liabilities	6,310,855	6,119	7,532	18,853	23,278	26,022	30,735	31,206	31,153	30,608	30,001	29,799	27,960
NET ASSETS	115,491,409	124,650	124,287	130,746	137,434	145,006	151,439	157,742	165,291	171,824	178,508	186,302	193,823
EQUITY													
Accumulated Surplus	35,073,283	42,882	40,868	45,882	51,125	57,252	62,240	67,099	73,201	78,290	83,529	89,878	95,954
Asset Revaluation Reserve	78,187,757	79,593	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630	96,130
Other Reserves	2,230,369	2,175	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794	1,739
TOTAL EQUITY	115,491,409	124,650	124,287	130,746	137,434	145,006	151,439	157,743	165,291	171,824	178,508	186,302	193,823

**ADELAIDE PLAINS COUNCIL
DRAFT LONG TERM FINANCIAL PLAN
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR**

\$'000

	2019/2020 ACTUAL	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
ACCUMULATED SURPLUS													
Balance at end of previous reporting period	28,776,520	35,073	37,742	40,868	45,882	51,125	57,252	62,240	67,099	73,201	78,290	83,529	89,878
Net Result for Year	6,296,763	7,809	3,126	5,015	5,243	6,126	4,988	4,859	6,103	5,088	5,240	6,349	6,075
Balance at end of period	35,073,283	42,882	40,868	45,882	51,125	57,252	62,240	67,099	73,201	78,290	83,529	89,878	95,954
ASSET REVALUATION RESERVE													
Balance at end of previous reporting period	85,882,473	78,188	79,630	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630
Gain on revaluation of infrastructure, property, plant & equipment	(7,694,716)	1,405	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Balance at end of period	78,187,757	79,593	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630	96,130
OTHER RESERVES													
Balance at end of previous reporting period	2,288,611	2,230	2,289	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794
Share of other comprehensive income - GRFMA	(58,242)	(55)	-	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
Balance at end of period	2,230,369	2,175	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794	1,739
TOTAL EQUITY AT END OF REPORTING PERIOD	115,491,409	124,650	124,287	130,746	137,434	145,006	151,439	157,743	165,291	171,824	178,506	186,302	193,823

ADELAIDE PLAINS COUNCIL
DRAFT LONG TERM FINANCIAL PLAN
BUDGETED STATEMENT OF CASH FLOWS FOR FOR THE FINANCIAL YEAR

\$'000

	2019/2020 ACTUAL	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
CASH FLOWS FROM OPERATING ACTIVITIES													
<i>Receipts</i>													
Rates - general & other	9,978,888	10,395	11,173	11,785	12,433	13,118	13,843	14,610	15,421	16,280	17,189	18,152	19,176
Fees & other charges	515,884	617	496	694	714	779	801	819	886	961	986	1,089	1,129
User charges	109,881	236	170	193	194	195	196	197	198	199	199	200	201
Investment receipts	3,826	1	3	3	3	3	3	3	3	3	3	3	3
Grants utilised for operating purposes	3,304,183	2,622	4,270	1,935	1,966	1,997	2,029	2,062	2,095	2,129	2,163	2,197	2,233
Reimbursements	58,808	24	126	123	123	123	123	123	123	123	123	123	123
Other revenues	125,124	143	23	23	23	23	23	24	24	24	24	24	24
<i>Payments</i>													
Employee costs	(5,111,139)	(4,885)	(5,522)	(6,062)	(6,212)	(6,366)	(6,524)	(6,686)	(6,852)	(7,022)	(7,196)	(7,375)	(7,558)
Materials, contracts & other expenses	(4,530,072)	(5,385)	(7,847)	(7,073)	(5,836)	(6,297)	(6,829)	(7,506)	(7,910)	(8,637)	(9,191)	(9,902)	(10,034)
Finance payments	(183,554)	(177)	(153)	(229)	(504)	(696)	(830)	(843)	(842)	(825)	(808)	(802)	(748)
Net Cash provided by (or used in) Operating Activities	4,271,831	3,592	2,739	1,392	2,904	2,879	2,835	2,802	3,146	3,234	3,492	3,711	4,549
CASH FLOWS FROM INVESTING ACTIVITIES													
<i>Receipts</i>													
Grants specifically for new or upgraded assets	779,113	760	1,245	1,195	-	-	-	-	-	-	-	-	-
Sale of replaced assets	259,941	124	67	100	100	100	100	100	100	100	100	100	100
<i>Payments</i>													
Expenditure on renewal/replacement of assets	(3,148,918)	(2,142)	(2,917)	(4,189)	(2,614)	(2,857)	(2,239)	(3,171)	(2,400)	(2,624)	(2,719)	(3,094)	(2,621)
Expenditure on new/upgraded assets	(911,479)	(2,997)	(3,334)	(9,731)	(4,815)	(2,865)	(5,408)	(202)	(795)	(165)	(265)	(515)	(190)
Net Cash provided by (or used in) Investing Activities	(3,021,343)	(4,255)	(4,939)	(12,625)	(7,329)	(5,622)	(7,547)	(3,273)	(3,095)	(2,689)	(2,884)	(3,509)	(2,711)
CASH FLOWS FROM FINANCING ACTIVITIES													
<i>Receipts</i>													
Proceeds from New Borrowings	4,085,034	9,859	2,708	11,257	4,450	2,769	4,739	499	(22)	-	-	(169)	-
<i>Payments</i>													
Repayments of Borrowings	(4,772,082)	(9,810)	(507)	(23)	(24)	(25)	(27)	(28)	(29)	(545)	(607)	(33)	(1,838)
Net Cash provided by (or used in) Financing Activities	(687,048)	49	2,201	11,233	4,426	2,744	4,713	471	(51)	(545)	(607)	(202)	(1,838)
Net Increase (Decrease) in cash held	563,440	(613)	0	(0)	(0)	0	0	1	(0)	0	1	0	0
Cash & cash equivalents at beginning of period	306,451	870	306	306	306	306	307	307	307	307	307	307	307
Cash & cash equivalents at end of period	869,891	257	306	306	306	307	307	307	307	307	307	307	307

**ADELAIDE PLAINS COUNCIL
DRAFT LONG TERM FINANCIAL PLAN
BUDGETED UNIFORM PRESENTATION OF FINANCES FOR THE FINANCIAL YEAR**

\$'000

	2019/2020 ACTUAL	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
Operating Revenues	13,571,443	14,900	16,261	14,756	15,456	16,238	17,018	17,837	18,750	19,718	20,688	21,789	22,889
less Operating Expenses	(12,920,548)	(13,658)	(16,447)	(14,421)	(15,037)	(15,652)	(16,123)	(16,581)	(16,970)	(17,425)	(17,825)	(18,349)	(18,774)
Operating Surplus / (Deficit) before Capital Amounts	650,895	1,242	(186)	335	419	586	895	1,255	1,780	2,293	2,862	3,440	4,115
less Net Outlays on Existing Assets													
Capital Expenditure on renewal and replacement of Existing Assets	3,148,918	2,142	2,917	4,189	2,614	2,857	2,239	3,171	2,400	2,624	2,719	3,094	2,621
less Depreciation, Amortisation and Impairment	(2,923,151)	(2,911)	(2,862)	(2,960)	(3,049)	(3,140)	(3,234)	(3,331)	(3,431)	(3,534)	(3,640)	(3,750)	(3,862)
less Proceeds from Sale of Replaced Assets	(259,941)	(124)	(67)	-	-	-	-	-	-	-	-	-	-
	(34,174)	(893)	(12)	1,229	(434)	(283)	(995)	(161)	(1,031)	(910)	(921)	(656)	(1,241)
less Net Outlays on New and Upgraded Assets													
Capital Expenditure on New and Upgraded Assets	911,479	2,997	3,334	9,731	4,815	2,865	5,408	202	795	165	265	515	190
less Amounts received specifically for New and Upgraded Assets	(779,113)	(760)	(1,245)	4,365	1,585	1,675	1,610	1,710	1,710	1,810	1,810	1,910	1,910
	132,366	2,237	2,089	14,096	6,400	4,540	7,018	1,912	2,505	1,975	2,075	2,425	2,100
Net Lending / (Borrowing) for Financial Year	552,703	(101)	(2,264)	(14,991)	(5,547)	(3,671)	(5,128)	(496)	306	1,229	1,709	1,671	3,256

7.1 Long Term Financial Indicators

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

The following graphs provide a summary of Council’s long term financial indicators in comparison to 2020/2021 actual ratios and 2021/2022 budgeted ratios.

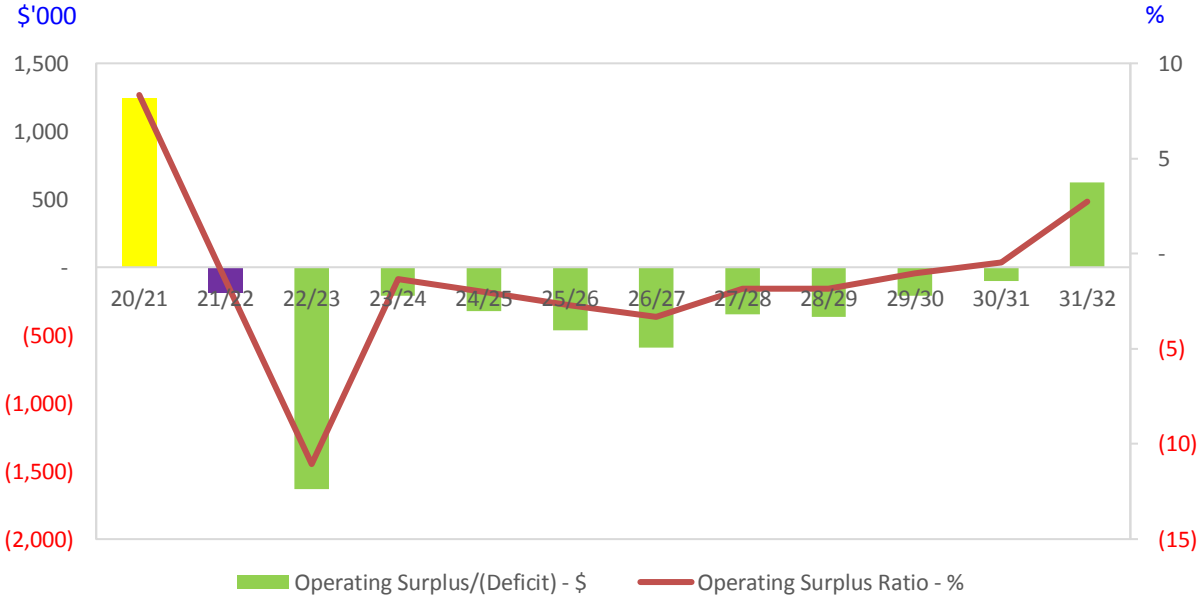
➤ **Operating Surplus/ (Deficit) Ratio**

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

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

LGA Recommended Target Range : Surplus ranging from 0% to 10% on average over long term
 10 Year LTFP Forecast Range : Range of negative 11% to positive 3%

Figure 3: Operating Surplus/Deficit Ratio



Adelaide Plains Council is forecasting an operating deficits from Year 1 to 9 and an operating surplus budget in Year 10.

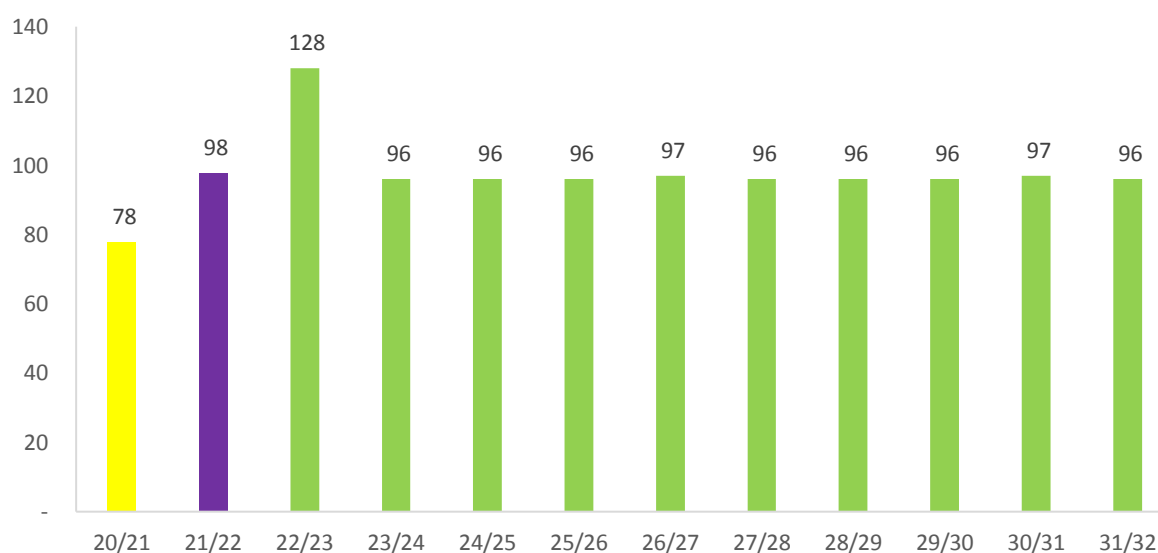
➤ Asset Renewal Funding Ratio (%)

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

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

LGA Recommended Target Range : 90% to 110% on average over long term
10 Year LTFP Forecast Range : 96% to 128%

Figure 4: Asset Renewal Funding Ratio (%)



➤ Net Financial Liabilities Ratio (%)

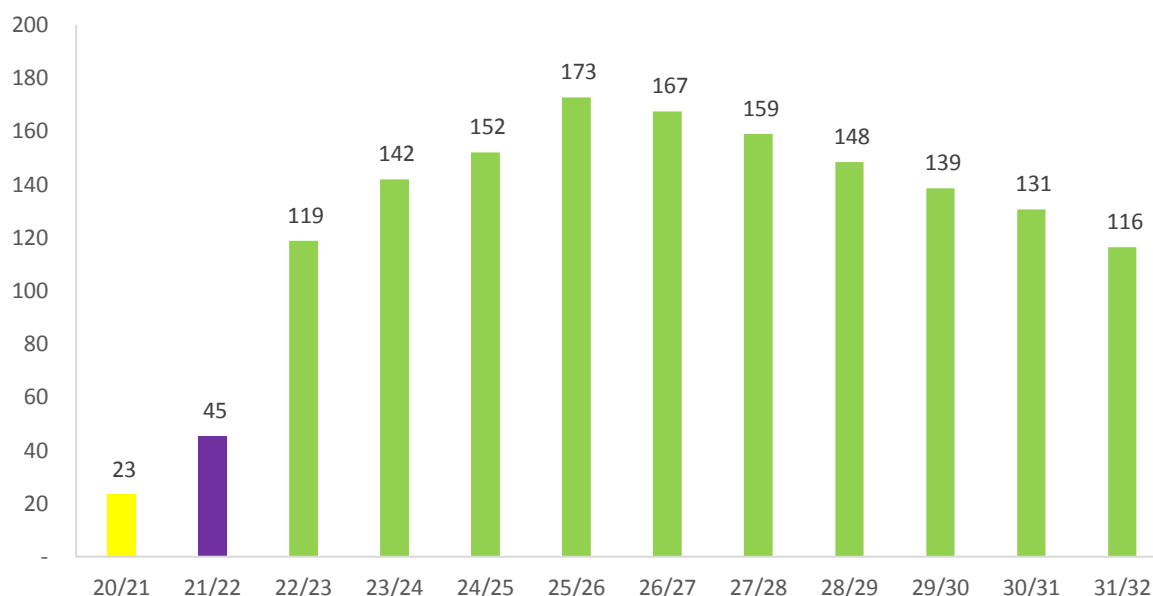
Net Financial Liabilities (NFL) is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

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

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

LGA Recommended Target Range : 0% to 100% on average over long term
10 Year LTFP Forecast Range : 116% to 173%


Figure 5: Net Financial Liabilities Ratio (%)



Why Council is forecasting a higher NFL Ratio?

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

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

 Adelaide Plains Council	6.2	Draft Audited Annual Financial Statements 2020/2021
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 17 November 2021	Document No:	D21/45066

EXECUTIVE SUMMARY

- The purpose of this report is to provide Audit Committee Members with the draft audited 2020/2021 Financial Statement for comment and consideration before it is adopted by the Council at the November Council meeting.
- Adelaide Plains Council has completed 2020/2021 Financial Year with an operating surplus of \$1.243m, which is an improvement of \$0.592m against the operating surplus of \$0.651m reported in the 2019/2020 Financial Year.
- The improvement in financial performance has been achieved primarily due to;
 - Increase in rate revenue,
 - Increase in statutory charges such as planning and waste water application income;
 - Local Roads and Community Infrastructure Grant; and
 - Reduction in interest expenses.

Detailed analysis of the reasons for improved performance is given under **Table 2**.

- Total outstanding loan balance has increased slightly from \$2.787m at 30 June 2020 to \$2.836m at 30 June 2021.
- Overdue Council rates have increased by \$0.240m from \$0.810m at 30 June 2020 to \$1.050m at 30 June 2021 mainly due to rates postponements applications approved by the Council under COVID-19 Rate Relief.
- Council’s external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants (the Auditor), has completed the audit of the 2020/2021 Financial Statements and has issued 2020/2021 Audit Completion Report (**Attachment 3**) with the intention to issue an unqualified audit opinion on the financial statements and internal financial controls of the Council.
- The Auditor has identified two (2) performance improvement observations in the final Management Letter (**Attachment 3**) for 2020/2021 Financial Year. They are:
 - No formal process to record the completion of capital works; and
 - High level of accrued annual leave.

RECOMMENDATION 1

“that Audit Committee, having considered Item 6.2 – *Draft Audited Annual Financial Statements 2020/2021*, dated 17 November 2021, receives and notes the report and in doing so, receives and notes the Annual Financial Statements and notes forming part of the Annual Financial statements for the 2020/2021 Financial Year.”

RECOMMENDATION 2

“that Audit Committee, having considered Item 6.2 – *Draft Audited Annual Financial Statements 2020/2021*, dated 17 November 2021, receives and notes the report and in doing so, acknowledges that it has reviewed the Annual Financial Statements for the year ended 30 June 2021 and formed the opinion that they present a true and fair view, and recommends to the Council that they be formally adopted and be certified on behalf of the Council by the Mayor and Chief Executive Officer, subject to adjustment to the”

RECOMMENDATION 3

“that the Audit Committee, having considered Item 6.2 – *Draft Audited Financial Statements 2020/2021*, dated 17 November 2021, receives and notes the report and in doing so, authorises its Chairman to sign the *Certification of Auditor Independence*.”

RECOMMENDATION 4

“that the Audit Committee, having considered Item 6.2 – *Draft Audited Financial Statements 2020/2021*, dated 17 November 2021, receives and notes the report and in doing so, acknowledges that Council’s independent Auditor Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants intends to issue an unqualified opinion in relation to the Financial Statements and the Internal Financial Controls of the Council for the 2020/2021 Financial Year.”

BUDGET IMPACT

Estimated Cost:	Not Applicable
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

Not applicable

Attachment

1. Draft Management Representation Letter 2020/2021.
2. Draft Audited Financial Statement 2020/2021.
3. 2020/2021 Audit Completion Report issued by the Auditor.

DETAILED REPORT

Purpose

The purpose of this report is to present draft 2020/2021 Audited Annual Financial Statements to the Audit Committee for comment and consideration in accordance with the Section 126 of the *Local Government Act 1999* (the Act) and the Regulations 11,12,13,14,19 and 22 of the *Local Government (Finance Management) Regulations 2011* (the Regulations).

Background/History

The 2020/2021 audited annual financial statements and notes have been prepared in accordance with Section 127 of the Act and the Regulations. Regulation 13 requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements.

Section 126 (4) (a) of the Act requires that the functions of an Audit Committee to include *'reviewing annual financial statements to ensure that they present fairly the state of affairs of the council'*.

Discussion

Management can confirm that to the best of their knowledge, the 2020/2021 Financial Statements represent a true and fair view of the state of affairs of the Council as at 30 June 2021 and accordingly will be issuing Management Representation Letter (Please refer to **Attachment 1**) as part of the audit of 2020/2021 Financial Statements.

The Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants has audited the financial statements of the Adelaide Plains Council contained in **Attachment 2**, which comprises;

- i. the Statement of Comprehensive Income for the year ending 30 June 2021;
- ii. the Statement of Financial Position as at 30 June 2021;
- iii. the Statement of Changes in Equity as at 30 June 2021; and
- iv. the Statement of Cash Flows for the year ending 30 June 2021; and
- v. notes to the financial statements,

Accordingly, the Auditor has indicated in his Proposed Independent Auditor's Report on the Financial Report (**Attachment 3 – Appendix 1**) that in his opinion *"....financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2021, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, Local Government Act 1999 and Local Government (Financial Management) Regulations 2011."*

Independent Assurance Report on Internal Controls 2020

With regard to Council's internal financial controls framework, the Auditor has concluded that *"Adelaide Plains Council has complied, in all material respects, with Section 125 of the Local Government Act 1999 in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021"*. Proposed Independent Auditor's Report on the Internal Controls for 2021 is contained in **Attachment 3 – Appendix 2**.

Final Management Letter

Auditor has made two (2) performance improvement observations. They are;

- No formal process to record the completion of capital works; and
- Council had 14 employees with more than 300 hours of accrued annual leave.

Please refer to the **Attachment 3** which contains Final Management Letter (Section 5) for the details of the performance improvement observations raised by the Auditor.

Council Management response to Final Management Letter

Council management accepts the recommendation of the Auditor with regard capital works completion forms and plan to roll out a procedure as part of 2021/2022 assets capitalisation process. With regard to the higher annual leave, given the steps management has taken to progressively reduce annual leave, as of 1 November 2021 number of employees with more than 300 annual leave hours has not change at 14.

Auditor's Independence Declaration

As declared by the Auditor (**Attachment 3 – Appendix 3**), Council management can confirm that throughout the audit of Council's financial statements, the auditor has maintained his independence and did not receive any other financial benefit from the Council during 2020/2021 Financial Year other than the fee for the audit of Council's annual financial statements.

Statement of Comprehensive Income

In 2020/2021 Financial Year, the Council is reporting an operating surplus of \$1.243m against an operating surplus of \$0.651 made in 2019/2020 Financial Year. Please refer to **Table 1** below for the comparison of Statement of Comprehensive Income.

Table 1: Statement of Comprehensive Income

Description	2020/2021 Actual \$	2019/2020 Actual \$	Favourable/ (Unfav.)	
			\$	%
INCOME				
Rates	10,634,893	10,096,890	538,003	5
Statutory charges	603,101	511,379	91,722	18
User charges	178,414	156,563	21,851	14
Grants, subsidies and contributions	3,315,715	2,618,798	696,917	27
Investment income	991	3,881	(2,890)	(74)
Reimbursements	24,412	58,808	(34,396)	(58)
Other income	142,580	125,124	17,456	14
Total Income	14,900,106	13,571,443	1,328,663	10
EXPENSES				
Employee costs	5,150,560	4,930,715	(219,845)	(4)
Materials, contracts & other expenses	5,388,821	4,831,258	(557,563)	(12)
Depreciation, amortisation & impairment	2,910,953	2,923,151	12,198	0
Finance costs	131,771	168,896	37,125	22
Net loss - equity accounted Council businesses	74,840	66,528	(8,312)	(12)
Total Expenses	13,656,944	12,920,548	(736,397)	(6)
OPERATING SURPLUS	1,243,162	650,895	592,266	163
Asset disposal & fair value adjustments	(273,009)	(396,695)	123,686	(31)
Amounts received specifically for new or upgraded assets	1,494,412	779,113	715,299	92
Physical resources received free of charge	5,344,703	5,263,450	81,253	2
NET SURPLUS	7,809,268	6,296,763	920,238	468
Other Comprehensive Income				
Changes in revaluation surplus	1,405,039	(7,694,716)	9,099,755	-
Share of other comprehensive income	(55,383)	(58,242)	2,859	(5)
Total Other Comprehensive Income	1,349,656	(7,752,958)	9,102,614	136
TOTAL COMPREHENSIVE INCOME	9,158,924	(1,456,195)	10,615,118	40

The reasons for major variances in 2020/2021 actual income and expenses against that of 2019/2020 are explained below.

Table 2: Statement of Comprehensive Income

Description	2020/2021	2019/2020	Variance Favourable/ (Unfavourable)	
	Actual \$	Actual \$	\$	%
Rates	10,634,893	10,096,890	538,003	5
Average existing rate increase in 2020/2021 was 2.75% plus growth of 2.15% resulting 5% increase in total rates income.			444,802	
Income from Kerbside Waste collection service charge has increased due to combined impact of increase in service charge from \$142 in 2019/2020 to \$160 in 2020/2021 and increase in number of services.			91,995	
Statutory Charges	603,101	511,379	91,722	18
Income from development application has increased by \$97,973 due to number of applications processed have increased from 450 in 2019/2020 to 745 in 2020/2021. The value of the development approvals also increased from \$69m 2019/2020 to \$199m in 2020/2021.			97,973	
Due to substantial residential growth occurring at Two Wells, a total of 299 wastewater applications were approved in the 2020/2021 financial year, an 80% increase from the 166 approvals processed in 2019/2020 resulting an increase of income from wastewater approvals.			69,152	
Income from dog infringements has reduced By \$54,728. Council had one (1) Community Safety Officer (CSO) for 10 months and another one (1) CSO for 6 months during 2020/2021 Financial Year. In addition, compared to previous CSO, new 2 X CSOs have changed the approach to infringements and concentrate more on education rather than infringements. Therefore, number of infringements issued in 2020/2021 is considerably low compared to prior year.			(54,728)	
User Charges	178,414	156,563	21,851	14
Income from Two Wells Waste Transfer Station has increased in 2020/2021 compared to 2019/2020.			12,820	
Income from rates searches has increased by \$7,485. In addition, the rent income from Mallala Aged Units has increased by \$2,006 due to reduced vacancy rate.			9,491	
Grants, Subsidies and Contributions	3,315,715	2,618,798	696,917	27
Council received \$640,255 during 2020/2021 Financial Year under round 1 and 2 of the Local Road and Community Infrastructure Program.			640,255	
Council received \$27,435 from Stormwater Management Authority for work undertaken in prior years for the planning and design of levee in Two Wells.			27,435	
Amount recognised in 2020/2021 as grants income under Drought Communities Program round 1 and 2 is higher than that in 2019/2020.			63,245	
Investment Income	991	3,881	(2,890)	(74)
Council didn't have excess cash to invest in LGFA due to extended capital works program which was \$5.1m in 2020/2021 compared to \$4.1m in 2019/2020.			2,847	
Reimbursements	24,412	58,808	(34,396)	(58)
In 2019/2020, Council received a refund of \$24,000 from ETSA on previous public lighting payments plus interest pursuant to the Australian Energy Regulator Consent Orders dated the 26th of November 2019.			(24,000)	
Other Income	142,580	125,124	17,456	14
WorkCover rebate in 2020/2021 has been \$13,271 higher than that of 2019/2020.			13,271	

Council received \$8,915 from Maxima Group Training as refund under JobKeeper for a trainee Community Safety Officer engaged through Maxima.			8,915	
TOTAL INCOME	14,900,106	13,571,443	1,328,663	10
Employee Costs	5,150,560	4,930,715	(219,845)	(4)
As part of EBA Council didn't increase staff salaries due to COVID-19 in 2020/2021 (Wage freeze). In addition, number of vacant positions that existed in 2019/2020 was filled in 2020/2021 resulting increase in staff numbers from 52 FTEs on 30/6/2020 to 59 FTEs on 30/06/2021 and an increase in employee costs.			(291,845)	
Materials, Contracts and Other Expenses	5,388,821	4,831,258	(557,563)	(12)
Expenditure on Operating Projects in 2020/2021 has been higher than 2019/2020 Operating Project Expenditure.			(296,427)	
Increase in Solo Waste Collection & Disposal Costs due to combined impact of cost increases and increase in number of services.			(58,000)	
Repairs and scheduled servicing cost of Council's grader.			(25,000)	
Kerbing repairs and Spoon drain repair.			(27,452)	
Extended Tree trimming & weed control program in 2020/2021.			(36,837)	
Mallala CWMS maintenance costs (paid to Light Regional Council).			(28,219)	
Increase in waste disposal cost at TW Waste Transfer Station.			(21,681)	
Cost of contract Environmental Health Officer role until vacant position is filled.			(23,876)	
Human Resources Support from Light Regional Council until vacant People and Culture Advisor is filled.			(10,400)	
\$10,000 paid in 2020/2021 for Regional Brand & Identity Project of RDA Barossa, Gawler, Light & Adelaide Plains.			(10,000)	
Staff training expenses has been increased in 2020/2021 compared to prior year as in 2019/2020 staff didn't attend some of the planned training programs due to COVID-19.			(11,125)	
Increase in Fringe Benefit Tax due to additional staff members being provided with Council motor vehicle with commuter/private use as part of their employment contract.			(17,154)	
Depreciation, Amortisation and Impairment	2,910,953	2,923,151	12,198	0
Finance Costs	131,771	168,896	37,125	22
Interest paid on debentures has reduced in 2020/2021 compared to prior year as interest portion included in loan instalments being reduced progressively.			38,425	
Net Loss - Equity Accounted Council Business	74,840	66,528	(8,312)	(12)
Gawler River Floodplain Management Authority (GRFMA) made an Operating Deficit of \$281,354 in 2020/2021 compared to an Operating Deficit of \$247,777 in 2019/2020. Council share of the operating result of GRFMA is 26.85%.			(8,312)	
TOTAL EXPENSES	13,656,945	12,920,548	736,397	6

Statement of Financial Position

Comparison of audited Statement of Financial Position on 30 June is given below in **Table 3**.

Table 3: Statement of Financial Position

Description	30/06/2021	30/06/2020	Variance Favourable/ (Unfavourable)	
	\$	\$	\$	%
ASSETS				
Current Assets				
Cash and cash equivalents	256,781	869,889	(613,108)	(70)
Trade & other receivables	2,386,481	1,236,543	1,149,938	93
Inventories	238,610	259,439	(20,830)	(8)
Total Current Assets	2,881,872	2,365,871	516,001	22
			516,001	
Non-current Assets				
Equity accounted investments in Council businesses	5,817,880	5,948,103	(130,223)	(2)
Infrastructure, property, plant & equipment	121,078,242	113,448,916	7,629,326	7
Other non-current assets	990,926	39,374	951,552	2,417
Total Non-current Assets	127,887,048	119,436,393	8,450,654	7
Total Assets	130,768,920	121,802,264	8,966,655	7
LIABILITIES				
Current Liabilities				
Trade & other payables	1,819,620	2,337,517	(517,897)	(22)
Borrowings	1,045,818	489,388	556,430	114
Provisions	1,253,471	1,008,344	245,127	24
Total Current Liabilities	4,118,909	3,835,249	283,660	7
Non-current Liabilities				
Borrowings	1,790,122	2,297,356	(507,234)	(22)
Provisions	209,556	178,250	31,306	18
Total Non-current Liabilities	1,999,678	2,475,606	(475,928)	(19)
Total Liabilities	6,118,587	6,310,855	(192,268)	(3)
NET ASSETS	124,650,333	115,491,409	9,158,924	8
EQUITY				
Accumulated Surplus	42,882,551	35,073,283	7,809,268	22
Asset Revaluation Reserves	79,592,796	78,187,757	1,405,039	2
Other Reserves	2,174,986	2,230,369	(55,383)	(2)
TOTAL EQUITY	124,650,333	115,491,409	9,158,924	8

Total Assets

Council's total asset base has increased from 121.802m at 30/06/2020 to \$130.769m at 30/06/2021, an increase of \$8.967m due to the combined impact of:-

- a) New assets donated to the Council (\$5.345m);
- b) Council's expenditure on assets renewal and new/upgraded assets (\$4.188m) in 2020/2021;
- c) Depreciation expense of \$2.911m recorded in the 2020/2021 Financial Year;
- d) Increase in Capital Work-in-Progress balance by \$0.952m as Two Village Green project was completed in October 2021.
- e) \$0.807m receivable as at 30 June 2021 from the State Government for the sealing of Carslake Road.
- f) Reduction of cash and cash equivalent balance by \$0.613m as Council initially had to spend money on the Carslake Road sealing project which was reimbursed by the State Government on 17 September 2021.
- g) Overdue Council rates have increased by \$0.240m from \$0.810m at 30 June 2020 to \$1.050m at 30 June 2021. The main reason for increase in overdue rates was COVID-19 rate relief approved by the Council in April 2020 for six (6) months period which was later extended by a further six (6) months until 1 May 2021.

Total Liabilities

Council's total liabilities have decreased from \$6.311m on 30/06/2020 to \$6.119m at 30/06/2021, a reduction of \$0.192m, mainly due to combined impact of:

- a) Reduction in Council's long-term debts by \$0.489m;
- b) Increase in Council's short-term borrowings by \$0.539m;
- c) Reduction in payment received in advance due to unspent grant income of \$0.685m (received under Drought Communities Program Stage 1 and 2) being recorded as liabilities as of 30 June 2020. This amount was transferred to grant income in 2020/2021 Financial Year;
- d) Increase in trade creditors by \$0.152m; and
- e) Increase in provisions by \$0.276m due to increase in unused staff leave hours.

Financial Indicators

Following tables shows Council's audited financial indicators for 2020/2021 Financial Year and previous four (4) financial Years.

Table 4: Financial Indicators

Financial Ratio	20/21	19/20	18/19	17/18	16/17
Operating Surplus/(Deficit) - \$'000	1.243	0.651	0.134	(0.234)	0.369
Operating Surplus Ratio - %	8.30	4.80	1.10	(2.00)	3.00
Adjusted Operating Surplus/(Deficit) - \$'000	1.240	0.621	(0.143)	(0.301)	(0.297)
Adjusted Operating Surplus Ratio - %	8.00	5.00	(1.00)	(3.00)	(2.00)
Net Financial Liabilities Ratio - %	23	31	38	51	61
Adjusted Net Financial Liabilities Ratio - %	29	37	47	57	70
Asset Renewal Funding Ratio - %	78	78	41	107	44

Conclusion

The Council is reporting an Operating Surplus of \$1.243m from its operations in the 2020/2021 Financial Year against an Operating surplus of \$0.651m reported in 2019/2020, an improvement of \$0.592m.

Council's external Auditor, Mr Tim Muhlhausler of Galpins Accountants, Auditors & Business Consultants, has completed the audit of the 2020/2021 Financial Statements and has issued draft audit report with an unqualified audit opinion on the financial statements and internal financial controls of the Council.

References

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Audit Committee Terms of Reference

Audit Committee Annual Work Programme 2021/2022

4 November 2021

Mr Tim Muhlhausler
Partner
Galpins Accountants Auditors and Business Consultants
PO Box 4067
Norwood South SA 5067

Dear Tim,

This representation letter is provided in connection with your audit of the financial report of Adelaide Plains Council (the Council) for the year ended 30 June 2021 for the purpose of expressing an opinion as to whether the financial report presents fairly in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

We confirm that *(to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves)*:

A. FINANCIAL REPORT

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*; in particular the financial report presents fairly in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.
3. Significant accounting policies adopted in the preparation of the financial report are fully and fairly described in the financial report.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards. Such transactions with related party may include:
 - sales, purchases, loans, transfers of assets / liabilities/ services, leasing arrangements, guarantees etc.
 - all balances due to or from related party at year end.
6. All events subsequent of the date of the financial report for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements presented in the Audit Completion Report are immaterial, both individually and in the aggregate, to the financial report as a whole.

B. OWNERSHIP

1. The Council has good title (or lease interest) in all assets recorded in the accounts.

C. VALUATION

1. We have no plans and intentions that may affect materially the carrying value, or classification, of Council's assets and liabilities.
2. The fair value of land and buildings as determined by the external valuer is reasonable.
3. Adequate provisions have been recorded in the accounts for all anticipated losses.
4. Depreciation rates for capital and other assets have been reviewed having regard to such factors as asset usage and obsolescence. Any adjustment to reflect the most recent assessment of the useful lives of all capital and other assets has been recognised and disclosed in the financial report.
5. The carrying amount of capital and other assets does not materially differ from its fair value at the reporting date.

D. Information Provided

1. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in accounting records and are reflected in the financial report.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
5. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report.
6. We have disclosed to you all information in relation to allegations of fraud, suspected fraud, affecting the Council's financial report communicated by employees, former employees, analysts, regulators or others.

7. We have disclosed to you all known instances of non-compliance or suspected non-compliances with laws and regulations including all covenants, conditions or other requirements of outstanding debts, whose effects should be considered when preparing the financial report.
8. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.
9. We have disclosed to you all known unusual commitments or contractual obligations that were not in the ordinary course of business whose effects should be considered when preparing the financial report.
10. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

E. COMPLETENESS

1. All assets owned or controlled by the Council have been recorded in the accounts.
2. All services rendered prior to the year-end have been recorded in the correct financial year.
3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at year-end.
4. All charges to capital assets (and additions under capital leases) during the year represent actual additions and no expenditure of a capital nature have been charged to expenses during the year.
5. All capital assets sold or dismantled during the year have been properly accounted for in the accounts.
6. Capital and other assets with a limited life are being depreciated, amortised, or otherwise written off as a charge to income over their estimated useful lives in a systematic and rational manner.
7. All liabilities of the Council at year-end have been recorded in the accounts (including provisions for such items as salaries and wages, employee benefits, professional services and long term debts).

F. ELECTRONIC PUBLICATION OF FINANCIAL REPORT

1. We acknowledge our responsibility for the electronic presentation of the audited financial report and independent auditor's report on the internet is identical to the signed hard copy version.
2. We acknowledge our responsibility to clearly differentiate between audited and unaudited information in the construction of the Council's website as we understand the risk of potential misrepresentation.
3. We acknowledge our responsibility for the design, implementation and internal control to ensure the security and integrity of the data published on the internet.
4. We acknowledge our responsibility to only publish the independent auditor's report when the full financial report is presented on the website.

G. OTHER

1. Minute book provided to you contains complete and authentic minutes of all meetings and committees held throughout the year to the most recent meetings.
2. We believe that the Council will be able to meet its financial commitments when they fall due.

Yours Sincerely,

James Miller
Chief Executive Officer

ADELAIDE PLAINS COUNCIL

General Purpose Financial Reports for the year ended 30 June 2021

TABLE OF CONTENTS

	<u>Page</u>
Council Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	6
Note 2 - Income	11
Note 3 - Expenses	13
Note 4 - Asset Disposal & Fair Value Adjustments	14
Note 5 - Current Assets	15
Note 6 - Non-Current Assets	15
Note 7 - Infrastructure, Property, Plant & Equipment	16
Note 8 - Liabilities	20
Note 9 - Reserves	21
Note 10 - Assets Subject to Restrictions	22
Note 11 - Reconciliation of Cash Flow Statement	23
Note 12 - Functions	24
Note 13 - Financial Instruments	26
Note 14 - Expenditure Commitments	28
Note 15 - Financial Indicators	29
Note 16 - Uniform Presentation of Finances	30
Note 17 - Operating Leases	31
Note 18 - Superannuation	32
Note 19 - Interests in Other Entities	33
Note 20 - Contingent Assets & Contingent Liabilities	35
Note 21 - Related Party Disclosures	36
Audit Report - Financial Statements	
Audit Report - Internal Controls	
Council Certificate of Audit Independence	
Audit Certificate of Audit Independence	

ADELAIDE PLAINS COUNCIL

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
INCOME			
Rates	2	10,634,893	10,096,890
Statutory charges	2	603,101	511,379
User charges	2	178,414	156,563
Grants, subsidies and contributions	2	3,315,715	2,618,798
Investment income	2	991	3,881
Reimbursements	2	24,412	58,808
Other income	2	142,580	125,124
Total Income		<u>14,900,106</u>	<u>13,571,443</u>
EXPENSES			
Employee costs	3	5,150,560	4,930,715
Materials, contracts & other expenses	3	5,388,820	4,831,258
Depreciation, amortisation & impairment	3	2,910,953	2,923,151
Finance costs	3	131,771	168,896
Net loss - equity accounted Council businesses	19	74,840	66,528
Total Expenses		<u>13,656,944</u>	<u>12,920,548</u>
OPERATING SURPLUS / (DEFICIT)		1,243,162	650,895
Asset disposal & fair value adjustments	4	(273,009)	(396,695)
Amounts received specifically for new or upgraded assets	2	1,494,412	779,113
Physical resources received free of charge	2	5,344,703	5,263,450
NET SURPLUS / (DEFICIT)		<u>7,809,268</u>	<u>6,296,763</u>
transferred to Equity Statement			6,296,763
Other Comprehensive Income			
Changes in revaluation surplus - infrastructure, property, plant & equipment	9	1,405,039	(7,694,716)
Share of other comprehensive income - equity accounted Council businesses	19	(55,383)	(58,242)
Total Other Comprehensive Income		<u>1,349,656</u>	<u>(7,752,958)</u>
TOTAL COMPREHENSIVE INCOME		<u>9,158,924</u>	<u>(1,456,195)</u>

This Statement is to be read in conjunction with the attached Notes.

ADELAIDE PLAINS COUNCIL

STATEMENT OF FINANCIAL POSITION as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	256,781	869,889
Trade & other receivables	5	2,386,481	1,236,543
Inventories	5	238,610	259,439
Total Current Assets		<u>2,881,872</u>	<u>2,365,871</u>
Non-current Assets			
Equity accounted investments in Council businesses	6	5,817,880	5,948,103
Infrastructure, property, plant & equipment	7	121,078,242	113,448,916
Other non-current assets	6	990,926	39,374
Total Non-current Assets		<u>127,887,048</u>	<u>119,436,393</u>
Total Assets		<u>130,768,920</u>	<u>121,802,264</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	8	1,819,620	2,337,517
Borrowings	8	1,045,818	489,388
Provisions	8	1,253,471	1,008,344
Total Current Liabilities		<u>4,118,909</u>	<u>3,835,249</u>
Non-current Liabilities			
Borrowings	8	1,790,122	2,297,356
Provisions	8	209,556	178,250
Total Non-current Liabilities		<u>1,999,678</u>	<u>2,475,606</u>
Total Liabilities		<u>6,118,587</u>	<u>6,310,855</u>
NET ASSETS		<u>124,650,333</u>	<u>115,491,409</u>
EQUITY			
Accumulated Surplus		42,882,551	35,073,283
Asset Revaluation Reserves	9	79,592,796	78,187,757
Other Reserves	9	2,174,986	2,230,369
Total Council Equity		<u>124,650,333</u>	<u>115,491,409</u>
TOTAL EQUITY		<u>124,650,333</u>	<u>115,491,409</u>

This Statement is to be read in conjunction with the attached Notes.

ADELAIDE PLAINS COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2021

2021	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	TOTAL EQUITY \$
Balance at end of previous reporting period		35,073,283	78,187,757	2,230,369	115,491,409
Net Surplus / (Deficit) for Year		7,809,268	-	-	7,809,268
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	1,405,039	-	1,405,039
Share of other comprehensive income - equity accounted Council businesses		-	-	(55,383)	(55,383)
Balance at end of period		42,882,551	79,592,796	2,174,986	124,650,333
2020					
Balance at end of previous reporting period		28,776,520	85,882,473	2,288,611	116,947,604
Net Surplus / (Deficit) for Year		6,296,763	-	-	6,296,763
Other Comprehensive Income					
Gain on revaluation of infrastructure, property, plant & equipment		-	(7,694,716)	-	(7,694,716)
Share of other comprehensive income - equity accounted Council businesses		-	-	(58,242)	(58,242)
Balance at end of period		35,073,283	78,187,757	2,230,369	115,491,409

This Statement is to be read in conjunction with the attached Notes

ADELAIDE PLAINS COUNCIL

STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<u>Receipts</u>			
Rates - general & other		10,395,368	9,978,888
Fees & other charges		616,641	515,884
User charges		236,485	109,881
Investment receipts		1,242	3,826
Grants utilised for operating purposes		2,622,149	3,304,183
Reimbursements		24,412	58,808
Other revenues		142,580	125,124
<u>Payments</u>			
Employee costs		(4,884,602)	(5,111,139)
Materials, contracts & other expenses		(5,384,837)	(4,530,072)
Finance payments		(177,040)	(183,554)
Net Cash provided by (or used in) Operating Activities		3,592,398	4,271,829
 CASH FLOWS FROM INVESTING ACTIVITIES			
<u>Receipts</u>			
Amounts specifically for new or upgraded assets		760,398	779,113
Sale of replaced assets		124,099	259,941
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(2,141,883)	(3,148,918)
Expenditure on new/upgraded assets		(2,997,314)	(911,479)
Net Cash provided by (or used in) Investing Activities		(4,254,700)	(3,021,343)
 CASH FLOWS FROM FINANCING ACTIVITIES			
<u>Receipts</u>			
Proceeds from borrowings		9,859,439	4,085,034
<u>Payments</u>			
Repayments of borrowings		(9,810,246)	(4,772,082)
Net Cash provided by (or used in) Financing Activities		49,193	(687,048)
Net Increase (Decrease) in cash held		(613,108)	563,438
 Cash & cash equivalents at beginning of period	11	869,889	306,451
Cash & cash equivalents at end of period	11	256,781	869,889

This Statement is to be read in conjunction with the attached Notes

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by Council in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the Local Government (Financial Management) Regulations 2011 dated 22 November 2021.

1.2 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

1.3 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

2 The Local Government Reporting Entity

The Adelaide Plains Council is incorporated under the SA Local Government Act 1999 and has its principal place of business at 2A Wasleys Road, Mallala. These financial statements include the consolidated fund and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated. Other entities in which Council has an interest but does not control are reported in Note 19.

3 Income recognition

The Council recognises revenue under AASB 1058 *Income of Not-for-Profit Entities* (AASB 1058) or AASB 15 *Revenue from Contracts with Customers* (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years the payment of untied grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual from the annual allocation as shown in the table below :

Financial Year	Cash Payment			Difference
	Received	Annual Allocation		
2018/2019	1,437,305	1,413,648	+	23,657
2019/2020	1,478,003	1,455,290	+	22,713
2020/2021	1,467,802	1,462,155	+	5,647

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

In addition, 2019/2020 and 2020/2021 Supplementary Local Road Grants of \$259,904 was paid in advance in June 2019.

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

4 Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

5 Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred.

The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are as follows. No capitalisation threshold is applied to the acquisition of land or interests in land.

- Office Furniture & Equipment	\$ 1,000
- Other Plant & Equipment	\$ 1,000
- Buildings - new construction/extensions	\$10,000
- Park & Playground Furniture & Equipment	\$ 2,000
- Road construction & reconstruction	\$10,000
- Paving & footpaths, Kerb & Gutter	\$ 2,000
- Drains, Culverts & Reticulation extensions	\$ 5,000
- Sidelines & household connections	\$ 5,000

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets. Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

Major depreciation periods for each class of asset are shown below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment

> Office Equipment & Furniture	4 to 25 years
> Vehicles and Road-making Equipment	6 to 40 years
> Other Plant & Equipment	5 to 40 years

Building & Other Structures

> Buildings – masonry	50 to 150 years
> Buildings – other construction	20 to 40 years
> Park Structures – masonry	50 to 100 years
> Park Structures – other construction	20 to 40 years
> Playground equipment	5 to 15 years
> Benches, seats, etc	10 to 20 years

Infrastructure

> Sealed Roads – Surface	15 to 30 years
> Sealed Roads – Structure	20 to 130 years
> Unsealed Roads	10 to 30 years
> Bridges – Concrete	80 to 150 years
> Paving & Footpaths, Kerb & Gutter, Drains	50 to 100 years
> Culverts	50 to 80 years
> Flood Control Structures	80 to 100 years
> Reticulation Pipes – PVC	70 to 80 years
> Reticulation Pipes – other	25 to 75 years
> Pumps & Telemetry	15 to 25 years

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

7 Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

7.2 Payments Received in Advance & Deposits

Amounts (other than grants) received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

8 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for untaken sick leave.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

10 Joint Ventures and Associated Entities

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Council's equity in Gawler River Flood Plan Management Authority is accounted for in accordance with AASB 128 and set out in detail in Note 19.

11 Leases

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Council as a lessee

Short-term leases and leases of low-value assets

The Council has short-term leases only and applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 1 (cont) - SIGNIFICANT ACCOUNTING POLICIES

12 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- > Receivables and Creditors include GST receivable and payable.
- > Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- > Non-current assets and capital expenditures include GST net of any recoupment.
- > Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

13 New and Amended Accounting Standards and Interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Council.

14 Comparative Figures

To ensure the comparability of current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

15 Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstances.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 2 - INCOME

	Notes	2021 \$	2020 \$
RATES			
<u>General Rates</u>		9,597,211	9,153,652
Less: Discretionary rebates, remissions & write offs		<u>(89,679)</u>	<u>(90,922)</u>
		9,507,532	9,062,730
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		188,055	179,132
Waste collection		612,072	520,078
Community wastewater management systems		<u>246,611</u>	<u>243,834</u>
		1,046,738	943,044
<u>Other Charges</u>			
Penalties for late payment		76,271	81,152
Legal & other costs recovered		<u>4,312</u>	<u>9,858</u>
		80,583	91,010
Less: Discretionary rebates, remissions & write offs		<u>40</u>	<u>106</u>
		10,634,893	10,096,890
 STATUTORY CHARGES			
Development Act fees		272,787	179,814
Health & Septic Tank Inspection fees		131,982	62,830
Animal registration fees & fines		185,665	252,534
Parking fines / expiation fees		416	4,814
Other licences, fees, & fines		<u>12,251</u>	<u>11,387</u>
		603,101	511,379
 USER CHARGES			
Cemetery/crematoria fees		42,073	32,914
Museum Admission Fees		731	1,632
Hall & equipment hire		591	873
Rubbish/Recycling Collection Fees		48,342	35,522
Sales - general		1,342	10,897
Sundry		<u>85,335</u>	<u>74,725</u>
		178,414	156,563
 INVESTMENT INCOME			
Interest on investments			
Local Government Finance Authority		977	3,824
Banks & other		<u>14</u>	<u>57</u>
		991	3,881

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

NOTE 2 - INCOME (continued)

	Notes	2021 \$	2020 \$
REIMBURSEMENTS			
- by joint undertakings		23,099	53,518
- other		1,313	5,290
		24,412	58,808
OTHER INCOME			
Rebates received		108,751	100,142
Sundry		33,829	24,982
		142,580	125,124
GRANTS, SUBSIDIES AND CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		1,494,412	779,113
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		1,467,802	1,478,003
Local Roads and Community Infrastructure Program		640,255	-
Roads to Recovery		395,046	394,723
NRM Board		101,779	97,178
Stormwater Management		27,435	-
Library & Communications		27,467	28,609
Drought Communities Program		574,987	511,742
Sundry		80,944	108,543
		3,315,715	2,618,798
		4,810,127	3,397,911
<i>The functions to which these grants relate are shown in Note 12.</i>			
Sources of grants			
Commonwealth government		2,326,536	394,723
State government		2,419,872	2,271,358
Other		63,719	731,830
		4,810,127	3,397,911
PHYSICAL RESOURCES RECEIVED FREE OF CHARGE			
Roads, Bridges & Footpaths		4,414,924	3,851,126
Stormwater Drainage		929,779	1,412,324
TOTAL PHYSICAL RESOURCES RECEIVED		5,344,703	5,263,450

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 3 - EXPENSES

	Notes	2021 \$	2020 \$
EMPLOYEE COSTS			
Salaries and Wages		4,237,737	4,258,363
Employee leave expense		668,108	459,281
Superannuation - defined contribution plan contributions	18	357,046	342,224
Superannuation - defined benefit plan contributions	18	65,362	72,274
Workers' Compensation Insurance		215,344	201,853
Less: Capitalised and distributed costs		<u>(393,037)</u>	<u>(403,279)</u>
Total Operating Employee Costs		<u>5,150,560</u>	<u>4,930,715</u>
Total Number of Employees		59	52
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		22,950	15,900
Elected members' expenses		137,115	139,919
Election expenses		-	2,686
Operating Lease Rentals - cancellable leases		<u>52,221</u>	<u>58,554</u>
Subtotal - Prescribed Expenses		<u>212,286</u>	<u>217,059</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		1,298,359	888,433
Energy		326,087	335,872
Repairs & Maintenance		547,448	421,607
Parts, accessories & consumables		403,711	384,153
Waste Collection & Disposal		683,601	630,994
Information Technology - Software & Licensing		408,569	520,166
Rubble		140,880	129,590
Contributions & Donations		28,467	36,235
Legal Expenses		201,456	202,774
Levies paid to government - NRM levy		188,195	179,437
- Other Levies		10,598	10,495
Professional services		488,209	431,294
Memberships & Subscriptions		163,853	154,423
Insurance		244,225	239,653
Grading		138,427	136,442
Sundry		956,210	900,366
Less: Capitalised and distributed costs		<u>(1,051,761)</u>	<u>(987,735)</u>
Subtotal - Other Materials, Contracts & Expenses		<u>5,176,534</u>	<u>4,614,199</u>
		<u>5,388,820</u>	<u>4,831,258</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 3 - EXPENSES (cont)

	Notes	2021 \$	2020 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Landscaping		16,556	16,322
Buildings & Open Space		522,599	506,369
Infrastructure			
- Roads, Kerbing, Footpath & Street Lights		1,751,343	1,739,492
Stormwater Drainage		136,716	233,746
CWMS		145,835	129,476
Plant, Machinery & Equipment		308,860	267,525
Furniture & Equipment		29,044	30,221
		2,910,953	2,923,151
FINANCE COSTS			
Interest on overdraft and short-term drawdown		5,422	4,122
Interest on Loans		126,349	164,774
		131,771	168,896

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2021 \$	2020 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		124,099	259,941
Less: Carrying amount of assets sold	7	397,108	656,636
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		(273,009)	(396,695)

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 5 - CURRENT ASSETS

		2021	2020
CASH AND CASH EQUIVALENTS	Notes	\$	\$
Cash on Hand and at Bank		119,961	100,606
Deposits at Call		<u>136,820</u>	<u>769,283</u>
		<u>256,781</u>	<u>869,889</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		1,049,842	810,318
Accrued Revenues		748,768	292
Debtors - general		48,832	135,155
GST Recoupment		357,436	237,649
Prepayments		<u>181,603</u>	<u>53,129</u>
		<u>2,386,481</u>	<u>1,236,543</u>
INVENTORIES			
Stores & Materials		<u>238,610</u>	<u>259,439</u>
		<u>238,610</u>	<u>259,439</u>

Note 6 - NON-CURRENT ASSETS

		2021	2020
FINANCIAL ASSETS	Notes	\$	\$
Receivables			
EQUITY ACCOUNTED INVESTMENTS IN COUNCIL BUSINESSES			
Gawler River Floodplain Management Authority	19	<u>5,817,880</u>	<u>5,948,103</u>
		<u>5,817,880</u>	<u>5,948,103</u>
OTHER NON-CURRENT ASSETS			
Capital Works-in-Progress		<u>990,926</u>	<u>39,374</u>
		<u>990,926</u>	<u>39,374</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	2020 \$				2021 \$			
		AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT	AT FAIR VALUE	AT COST	ACCUM DEP'N	CARRYING AMOUNT
Land - Community	3	11,625,199	-	-	11,625,199	11,706,575	-	-	11,706,575
Land - Other	2	1,900,200	-	-	1,900,200	1,913,501	-	-	1,913,501
Landscaping	3	702,889	-	(586,536)	116,353	723,273	-	(620,267)	103,006
<u>Buildings & Open Space</u>									
Buildings - Other	2	2,309,605	19,696	(1,455,507)	873,794	2,379,700	29,094	(1,551,671)	857,123
Open Space	2	113,899	13,247	(1,983)	125,163	129,334	-	(7,199)	122,135
Buildings - Community	3	11,600,401	192,767	(7,085,627)	4,707,541	12,917,555	18,947	(7,888,461)	5,048,041
Open Space	3	6,198,005	234,283	(3,578,027)	2,854,261	5,788,828	218,852	(3,628,876)	2,378,804
<u>Infrastructure</u>									
- Roads	3	28,924,650	2,253,453	(14,290,484)	16,887,619	28,628,721	2,755,252	(13,119,433)	18,264,540
- Road Pavement	3	58,923,758	218,755	(12,323,389)	46,819,124	62,096,832	99,117	(12,879,841)	49,316,108
- Footpath	3	2,905,443	29,369	(486,701)	2,448,111	3,900,355	146,144	(599,658)	3,446,841
- Kerb and Spoon Drain	3	6,741,935	296,923	(1,002,026)	6,036,832	8,315,208	92,937	(1,099,330)	7,308,815
- Pram Ramps	3	245,700	2,700	(24,374)	224,026	326,340	15,430	(29,532)	312,238
- Car Parks	3	-	-	-	-	-	49,468	-	49,468
- Street Lighting	3	-	-	-	-	-	43,903	-	43,903
Bridges	3	5,940,000	-	(3,147,221)	2,792,779	4,935,627	-	(2,641,061)	2,294,566
Stormwater Drainage	3	11,124,918	12,876	(2,564,327)	8,573,467	12,447,462	-	(2,852,257)	9,595,205
CWMS	3	4,448,072	1,436,206	(607,873)	5,276,405	6,575,991	-	(789,662)	5,786,329
Plant, Machinery & Equipment	-	-	4,755,786	(2,842,779)	1,913,007	-	4,972,405	(2,745,821)	2,226,584
Furniture & Equipment	-	-	702,702	(427,667)	275,035	-	761,171	(456,711)	304,460
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT		153,704,674	10,168,763	(50,424,521)	113,448,916	162,785,302	9,202,720	(50,909,780)	121,078,242
<i>Comparatives</i>		147,802,691	10,705,605	(43,083,012)	115,425,284	153,704,674	10,168,763	(50,424,521)	113,448,916

This Note continues on the following pages.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2020	CARRYING AMOUNT MOVEMENTS DURING YEAR						2021	
	\$	\$						Net Revaluation	CARRYING AMOUNT
	CARRYING AMOUNT	Additions		Disposals	Depreciation	Transfers			
	New/Upgrade	Renewals	In			Out			
Land - Community	11,625,199	-	-	-	-	-	-	81,376	11,706,575
Land - Other	1,900,200	-	-	-	-	-	-	13,301	1,913,501
Landscaping	116,353	-	-	-	(16,556)	-	-	3,209	103,006
Buildings & Open Space									
Buildings - Other	873,794	-	29,094	(8,299)	(54,237)	-	-	16,771	857,123
Open Space	125,163	-	-	-	(3,777)	-	-	749	122,135
Buildings - Community	4,707,541	-	18,947	(6,351)	(242,984)	778,905	(260,223)	52,206	5,048,041
Open Space	2,854,261	154,678	64,174	(13,186)	(221,601)	260,223	(778,905)	59,160	2,378,804
Infrastructure									
- Roads	16,887,619	2,033,481	1,801,070	(313,964)	(1,184,778)	-	-	(958,888)	18,264,540
- Road Pavement	46,819,124	1,593,772	-	-	(392,093)	-	-	1,295,305	49,316,108
- Footpath	2,448,111	803,474	66,878	(12,167)	(66,148)	-	-	206,693	3,446,841
- Kerb and Spoon Drain	6,036,832	1,072,781	79,588	(4,463)	(55,596)	-	-	179,673	7,308,815
- Pram Ramps	224,026	71,290	1,470	(1,083)	(3,378)	-	-	19,913	312,238
- Car Parks	-	49,468	-	-	-	-	-	-	49,468
- Street Lighting	-	43,903	-	-	-	-	-	-	43,903
Bridges	2,792,779	-	-	-	(49,350)	-	-	(448,863)	2,294,566
Stormwater Drainage	8,573,467	929,779	-	-	(136,716)	-	-	228,675	9,595,205
CWMS	5,276,405	-	-	-	(145,835)	-	-	655,759	5,786,329
Plant, Machinery & Equipment	1,913,007	556,749	103,283	(37,595)	(308,860)	-	-	-	2,226,584
Furniture & Equipment	275,035	58,469	-	-	(29,044)	-	-	-	304,460
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	113,448,916	7,367,844	2,164,504	(397,108)	(2,910,953)	1,039,128	(1,039,128)	1,405,039	121,078,242
<i>Comparatives</i>	115,425,284	6,174,929	3,123,206	(656,636)	(2,923,151)	662,151	(662,151)	(7,694,716)	113,448,916

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 7 (cont) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent additions at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 *Fair Value Measurement*: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, the current replacement cost is taken to be the fair value.

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

Fair value hierarchy level 2 valuations: Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land: Valuations of Crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets: There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 7 (cont) - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Land & Landscaping

Pursuant to Council's election, freehold land and land over which Council has control, but does not have title, are initially recognised on the cost basis. Last revaluation of land was done at fair value as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based on market evidence of valuation provided by Mitch Ekonomopoulos of AssetVal Pty Ltd as at 1 July 2020.

No capitalisation threshold is applied to the acquisition of land or interests in land.

Land improvements represent landscaping and are recognised on the cost basis and depreciated over the estimated remaining life of the relevant asset.

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Building & Other Structures

Buildings and other structures generally are recognised at fair value, based on current market values. However, special purpose buildings (such as public toilets) for which there is no market are valued at depreciated current replacement cost. Buildings which Council does not intend to replace at the end of their useful life are valued at the market value of the "highest and best" use. All building and other structure assets were last revalued as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based on market evidence of valuation provided by Mitch Ekonomopoulos of AssetVal Pty Ltd as at 1 July 2020.

Road Infrastructure

The Adelaide Plains Council conducted a condition assessment of its road infrastructure assets as part of the 2018/2019 valuation for sealed roads, kerb and footpath assets. Unsealed roads were condition assessed as part of the 2016/2017 and 2018/2019 valuation. As there is no market for Council to use to determine fair value of its Road assets, all assets have been valued as Level 3 inputs using a cost approach.

During the year, a desktop valuation has been completed by Tonkin Consulting Pty Ltd as at 1 July 2020 using rates from Rawlinsons Australian Construction Handbook – Edition 38 (2020) which provides the latest information for 2020 and where available contract rates provided by Council. All acquisitions made after 1 July 2020 are recorded at cost.

Other Infrastructure

Stormwater drainage infrastructure assets were last valued by Council officers with external assistance by Tonkin Consulting Pty Ltd at written down replacement cost as at 1 July 2017. All acquisitions made after 1 July 2017 are recorded at cost. During the year, a desktop valuation has been completed based on unit rates developed for Adelaide Plains Council's stormwater assets by Tonkin Engineering Ltd as at 1 July 2020.

Bridges were last revalued as at 01 July 2019 by Mitch Ekonomopoulos of AssetVal Pty Ltd. During the year, a desktop valuation has been completed based Building Price Index of 2.51% by Tonkin Engineering Ltd as at 1 July 2020.

Community wastewater management scheme at Middle Beach was last valued by Graham L Martin of Maloney Field Services at written down current replacement cost as at 01 July 2015. All acquisitions made after 1 July 2015 for both Mallala and Middle Beach schemes are recorded at cost. During the year, a desktop valuation has been completed by Tonkin Consulting Pty Ltd as at 1 July 2020 using rates from Rawlinsons Australian Construction Handbook – Edition 38 (2020) which provides the latest information for 2020.

Equipment & Furniture and All other Assets

Pursuant to Council's election, these assets are recognised on the cost basis.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 8 - LIABILITIES

	Notes	2021		2020	
		\$		\$	
TRADE & OTHER PAYABLES		Current	Non-current	Current	Non-current
Goods & Services		1,208,954	-	1,057,405	-
Payments received in advance		-	-	693,567	-
Accrued expenses - employee entitlements		113,136	-	110,421	-
Accrued expenses - other		23,719	-	41,442	-
Other		473,811	-	434,682	-
		<u>1,819,620</u>	<u>-</u>	<u>2,337,517</u>	<u>-</u>
BORROWINGS					
Loans		1,045,818	1,790,122	489,388	2,297,356
		<u>1,045,818</u>	<u>1,790,122</u>	<u>489,388</u>	<u>2,297,356</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		1,253,471	209,556	1,008,344	178,250
		<u>1,253,471</u>	<u>209,556</u>	<u>1,008,344</u>	<u>178,250</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 9 - RESERVES

ASSET REVALUATION RESERVE	1/7/2020	Net Increments (Decrements)	30/6/2021
Notes	\$	\$	\$
Land - Community	9,468,448	81,376	9,549,824
Land - Other	2,583,157	13,301	2,596,458
Land Improvements	6,899,067	3,209	6,902,276
Buildings & Other Structures	659,379	128,886	788,265
Infrastructure			
- Roads, Kerbing & Footpaths	58,577,706	1,178,267	59,755,973
TOTAL	78,187,757	1,405,039	79,592,796
<i>Comparatives</i>	<i>85,882,473</i>	<i>(7,694,716)</i>	<i>78,187,757</i>

OTHER RESERVES	1/7/2020	Transfers to Reserve	30/6/2021
CWMS Reserve - Middle Beach	48,917	-	48,917
Footpath Construction Reserve	31,419	-	31,419
Joint Ventures - Other Comprehensive Income	2,150,033	(55,383)	2,094,650
TOTAL OTHER RESERVES	2,230,369	(55,383)	2,174,986
<i>Comparatives</i>	<i>2,288,611</i>	<i>(58,242)</i>	<i>2,230,369</i>

PURPOSES OF RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets (less any subsequent impairment losses, where applicable).

Other Reserves

The CWMS Reserve is rate revenue received in excess of annual expenditure held for future maintenance of the scheme

Footpath Construction Reserve is funds received from developers and held for future footpath construction.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 10 - ASSETS SUBJECT TO RESTRICTIONS

The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

		2021	2020
CASH & FINANCIAL ASSETS	Notes	\$	\$
Developer Contributions		32,419	32,301
Two Wells Community Fund		54,344	52,932
TOTAL ASSETS SUBJECT TO EXTERNALLY IMPOSED RESTRICTIONS		86,763	85,233

Developer Contributions are restricted to either open space landscaping or footpaths in the applicable developments.

Two Wells Community fund is maintain to provide financial assistance to Two Wells community.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 11 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Notes	2021 \$	2020 \$
Total cash & equivalent assets	5	<u>256,781</u>	869,889
Balances per Cash Flow Statement		<u>256,781</u>	<u>869,889</u>

**(b) Reconciliation of Change in Net Assets to Cash
from Operating Activities**

Net Surplus (Deficit)		7,809,268	6,296,763
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		2,910,953	2,923,151
Equity movements in equity accounted investments		74,840	66,528
Net increase (decrease) in unpaid employee benefits		279,148	(179,514)
Non-cash asset acquisitions		(5,344,703)	(5,263,450)
Grants for capital acquisitions treated as Investing Activity		(1,494,412)	(779,113)
Net (Gain) Loss on Disposals		<u>273,009</u>	<u>396,695</u>
		4,508,103	3,461,060
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(415,921)	(205,647)
Net (increase) decrease in inventories		20,830	(105,571)
Net increase (decrease) in trade & other payables		<u>(520,612)</u>	<u>1,121,987</u>
Net Cash provided by (or used in) operations		<u>3,592,399</u>	<u>4,271,829</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:			
- Physical resources received free of charge	2	<u>5,344,703</u>	<u>5,263,450</u>
		<u>5,344,703</u>	<u>5,263,450</u>

(d) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Corporate Credit Cards	25,000	17,000
LGFA Cash Advance Debenture Facility	6,500,000	6,500,000

Council has access to cash facilities of \$6,500,000 and minimises interest expense by transferring funds between cash at bank LGFA Cash Advance Debenture Facility

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 12 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES										
INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL					
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Business Undertakings	283,583	235,638	491,306	386,678	(207,723)	(151,040)	-	-	1,261,001	1,174,536
Community Services	139,668	87,822	398,695	442,694	(259,028)	(354,873)	29,283	10,000	13,673,541	12,735,964
Culture	70,054	41,938	416,622	369,746	(346,568)	(327,808)	33,447	28,609	1,931,366	1,798,935
Economic Development	55,600	-	338,262	83,927	(282,662)	(83,927)	598,942	511,742	-	-
Environment	830,296	692,373	1,402,150	1,380,103	(571,854)	(687,730)	111,306	105,721	16,857,346	15,701,460
Recreation	321,954	90,000	850,536	702,126	(528,582)	(612,126)	39,634	90,000	11,584,468	10,790,136
Regulatory Services	571,140	482,349	1,608,632	1,505,954	(1,037,492)	(1,023,605)	-	-	285,405	265,835
Transport	4,682	705,730	3,092,324	2,786,116	(3,087,642)	(2,080,386)	395,046	394,723	72,217,642	67,265,772
Plant Hire & Depot/Indirect	9,852	16,320	756,812	766,600	(746,959)	(750,279)	-	-	7,118,601	6,630,487
Council Administration	11,973,024	11,219,273	4,226,766	4,430,076	7,746,258	6,789,197	1,467,802	1,478,003	5,839,550	5,439,140
TOTALS	14,259,853	13,571,443	13,582,105	12,854,020	677,748	717,423	2,675,460	2,618,798	130,768,920	121,802,265

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, net gain (loss) from joint ventures & associated entities, amounts received specifically for new or upgraded assets and physical resources received free of charge.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 12 (cont) - COMPONENTS of FUNCTIONS

The activities relating to Council functions are as follows:

Business Undertakings

Camping facilities, Gravel Pits/Quarries, Private Works, and Sewerage/CWMS,

Public Order & Safety

Crime Prevention, Emergency Services, Other Fire Protection

Health Services

Pest Control – Health, Immunisation

Community Support

Child and youth Services, Community Assistance, Community Transport, Family and Neighbourhood Support,

Community Amenities

Cemeteries/Crematoria, public Conveniences, Car Parking – non-fee-paying and Other Community Amenities.

Library Services

Provision of three static facilities

Cultural Services

Cultural Services, Cultural Venues, Heritage and Museums, and Other Cultural Services.

Economic Development

Employment Creation Programs, Regional Development, Support to Local Businesses, Tourism, and Other Economic Development.

Environment - Waste Management

Domestic Waste, Green Waste, E-Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management

Other Environment

Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy, and Other Environment.

Recreation

Parks and Gardens, Sports Facilities – Indoor, Sports Facilities – Outdoor,

Regulatory Services

Dog and Cat Control, Building Control, Town Planning, Litter Control, Health Inspection, Parking Control, and Other Regulatory Services.

Transport

Footpaths and Kerbing, Roads – sealed, Roads – formed, Roads – natural formed, Roads – unformed, Traffic Management, LGGC – roads (formula funded), and Other Transport.

Plant Hire & Depot /Indirect

Plant and equipment, indirect expenditure and depot operations

Governance

Council Administration n.e.c., Elected Members, Organisational.

Support Services

Accounting/Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 13 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned.</p> <p>Terms & conditions: Short term deposits have an average maturity of 30 days and an average interest rates of 0.30% (2019-20: 30 days, 0.45%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated Charges (including legals & penalties for late payment)	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 5.20% per annum (2019-20: 6.35%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: Initially recognised at fair value and subsequently at amortised cost. Interest is charged as an expense using the effective interest rate.</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable on both credit foncier and cash advance; interest is charged at fixed rates between 4.45% and 7.05% for credit foncier (2019-20: 4.45% and 7.05%) and the cash advance at variable of 2.05% as at 30 June 2020 (2019-20: 2.20% as at 30 June 2019).</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Leases	<p>Accounting Policy: accounted for in accordance with AASB 16 as stated in Note 17.</p>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 13 (cont) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2021	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	256,781	-	-	256,781	256,781
Receivables	1,847,442	-	-	1,847,442	1,847,442
Total	2,104,223	-	-	2,104,223	2,104,223
Financial Liabilities					
Payables	1,682,765	-	-	1,682,765	1,682,765
Current Borrowings	1,148,578	-	-	1,148,578	1,045,818
Non-Current Borrowings	-	410,584	2,376,589	2,787,173	1,790,122
Total	2,831,343	410,584	2,376,589	5,618,516	4,518,705
2020	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$
Cash & Equivalents	869,889	-	-	869,889	869,889
Receivables	945,765	-	-	945,765	945,765
Total	1,815,654	-	-	1,815,654	1,815,654
Financial Liabilities					
Payables	2,185,654	-	-	2,185,654	2,185,654
Current Borrowings	621,985	-	-	621,985	489,388
Non-Current Borrowings	-	917,933	2,479,234	3,397,167	2,297,356
Total	2,807,639	917,933	2,479,234	6,204,806	4,972,398

The following interest rates were applicable to Council's borrowings at balance date:

	30 June 2021		30 June 2020	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
Fixed Interest Rates	4.47	\$ 2,835,940	4.53	\$ 2,786,744
		<u>2,835,940</u>		<u>2,786,744</u>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any allowance for doubtful debts. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor currency risk apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 14 - COMMITMENTS FOR EXPENDITURE

	<u>Notes</u>	2021 \$	2020 \$
Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Plant & Equipment		<u>196,279</u>	<u>378,224</u>
		196,279	378,224
These expenditures are payable:			
Not later than one year		<u>196,279</u>	<u>378,224</u>
		196,279	378,224
Expenditure Commitments			
Other non-capital expenditure commitments:			
IT Contracts		-	53,716
Other Contracts		<u>2,503,161</u>	<u>3,613,009</u>
		2,503,161	3,666,725
These expenditures are payable:			
Not later than one year		1,146,448	1,681,538
Later than one year and not later than 5 years		1,356,713	1,984,643
Later than 5 years		-	544
		<u>2,503,161</u>	<u>3,666,725</u>
		2,503,161	3,666,725

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 15 - FINANCIAL INDICATORS

	2021	2020	2019
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These Financial Indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

Operating Surplus Ratio

<u>Operating Surplus</u>	8.3%	4.8%	1.1%
Total Operating Revenue			

This ratio expresses the operating surplus as a percentage of total operating revenue.

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	23%	31%	38%
Total Operating Revenue			

Net Financial Liabilities are defined as total liabilities less financial assets. These are expressed as a percentage of total operating revenue.

Adjustments to Ratios

*In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These **Adjusted Ratios** correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.*

Adjusted Operating Surplus Ratio	8.0%	5.0%	(1.0%)
Adjusted Net Financial Liabilities Ratio	29%	37%	47%

Asset Renewal Funding Ratio

<u>Net Asset Renewals</u>	78%	78%	41%
Infrastructure & Asset Management Plan required expenditure			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 16 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances

	2021 \$	2020 \$
Income	14,900,106	13,571,443
less Expenses	<u>13,656,944</u>	<u>12,920,548</u>
Operating Surplus / (Deficit)	1,243,162	650,895
<i>less</i> Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	2,141,883	3,148,918
Depreciation, Amortisation and Impairment	(2,910,953)	(2,923,151)
Proceeds from Sale of Replaced Assets	<u>(124,099)</u>	<u>(259,941)</u>
	(893,169)	(34,174)
<i>less</i> Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	2,997,314	911,479
Amounts received specifically for New and Upgraded Assets	(760,398)	(779,113)
	<u>2,236,916</u>	<u>132,366</u>
Net Lending / (Borrowing) for Financial Year	<u>(100,584)</u>	<u>552,703</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 17 - OPERATING LEASES

Lease payment commitments of Council

Council has entered into non-cancellable operating leases for network equipments, 3 photocopiers, office mobile phones, computers and land phones.

No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

Leases in relation to the network equipments, photocopier equipments, office mobile phones, computers and land phones permit Council, at expiry of the lease, to elect to re-lease, return or acquire the equipment leased.

No lease contains any escalation clause.

Commitments under non-cancellable operating leases that have not been recognised in the financial statements are as follows:

	2021	2020
	\$	\$
Not later than one year	258,439	176,319
Later than one year and not later than 5 years	296,840	71,100
	<u>555,279</u>	<u>247,419</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 18 - SUPERANNUATION

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to Marketlink and/or Salarylink. All other employees (including casuals) have all contributions allocated to Marketlink.

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.50% in 2020/21; 9.50% in 2019/20). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2019/20) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits as defined in the Trust Deed as they accrue.

The Salarylink Plan is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 19 - INTERESTS IN OTHER ENTITIES

Joint Operations

Section 43 of the Local Government Act 1999, provides that Councils may establish a regional subsidiary to carry out joint projects, functions or activities of the Councils

Legatus Group

The Adelaide Plains Council is a member of the Legatus Group, referred to in this report as the "Regional Subsidiary" for the following purposes:

1. Undertake co-ordinating, advocacy and representational roles on behalf of its Constituent Councils at a regional level;
2. Facilitate and co-ordinate activities of local government at a regional level related to community and economic development with the object of achieving improvement for the benefit of the communities of its Constituent Councils;
3. Develop, encourage, promote, foster and maintain consultation and co-operation and to strengthen the representation and status of local government when dealing with other governments, private enterprise and the community;
4. Develop further co-operation between its Constituent Councils for the benefit of the communities of the region;
5. Develop and manage policies which guide the conduct of programs and projects in the region with the objective of securing the best outcomes for the communities of the region;
6. Undertake projects and activities that benefit the region and its communities;
7. Associate, collaborate and work in conjunction with other regional local government bodies for the advancement of matters of common interest.

During the 2020-21 year Council Subsidiary contribution was \$12,249 (\$12,249 in 2019-20).

Equity accounted Council Businesses

All equity accounted Council businesses are required to prepare Annual Financial Statements that comply with the SA Local Government Model Financial Statements.

Gawler River Floodplain Management Authority (GRFMA)

The GRFMA has been established for the following purposes:

1. To coordinate the construction, operation and maintenance of flood mitigation infrastructure in the Gawler River area (the Floodplain);
2. To raise finance for the purpose of developing, managing and operating and maintaining flood mitigation works within the Floodplain;
3. To provide a forum for the discussion and consideration of topics relating to the Constituent Council's obligations and responsibilities in relation to management of flood mitigation within the Floodplain;
4. To enter into agreements with Constituent Councils for the purpose of managing and developing the Floodplain.

During the 2020-21 year Council contribution to GRFMA was \$42,749 (\$53,709 in 2019-20).

This note is continued on the next page.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 19 (cont) - INTERESTS IN OTHER ENTITIES

	2021	2020
Gawler River Floodplains Management Authority	\$	\$
Council's respective interests are:		
- interest in the operating result	27.65%	27.65%
- ownership share of equity	26.60%	26.85%
- the proportion of voting power	16.67%	16.67%
<u>Movements in Investment in Joint Operation</u>	<u>\$</u>	<u>\$</u>
Opening Balance	5,948,103	6,072,873
Share in Operating Result	(74,840)	(66,528)
Adjustment to Equity Share	(55,383)	(58,242)
Share in Equity of Joint Operation	<u>5,817,880</u>	<u>5,948,103</u>
Summarised financial information of the equity accounted business		
<u>Statement of Financial Position</u>		
Cash and cash equivalents	169,344	151,764
Other current assets	49,278	32,152
Non-current assets	21,689,675	22,010,838
Total assets	<u>21,908,297</u>	<u>22,194,754</u>
Current trade and other payables	36,567	41,669
Total liabilities	<u>36,567</u>	<u>41,669</u>
Net Assets	<u>21,871,730</u>	<u>22,153,085</u>
<u>Statement of Comprehensive Income</u>		
Other income	100	100
Contributions from constituent Councils	196,235	230,300
State Government Grants	20,000	98,980
Interest income	1,009	1,042
Total Income	<u>217,344</u>	<u>330,422</u>
Materials, contracts & other expenses	177,536	257,036
Depreciation, amortisation & impairment	321,162	321,163
Total expenses	<u>498,698</u>	<u>578,199</u>
Total Comprehensive Income	<u>(281,354)</u>	<u>(247,777)</u>

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 20 - CONTINGENT ASSETS & CONTINGENT LIABILITIES

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to the user of the financial report in making and evaluating decisions about the allocation of scarce resources.

1 LAND UNDER ROADS

As reported elsewhere in these Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

At reporting date, Council controlled 960 km of road reserves of average width 9 metres.

2 LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. Council had notice of 1 appeal against planning decisions made prior to reporting date.

3 POTENTIAL INSURANCES LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council has insured against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

ADELAIDE PLAINS COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2021

Note 21 - RELATED PARTY DISCLOSURES

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 18 persons were paid the following total compensation:

Type of compensation	2021 (\$)
Salaries, allowances & other short term benefits	1,309,136
Total	1,309,136

Amount payable as direct reimbursement of expenses incurred on behalf of the Adelaide Plains Council have not been included above.

Other Related Parties

Adelaide Plains Council is a member of Gawler River Floodplains Management Authority (GRFMA). The Council is represented by two Elected Members as Board Member and Deputy Board member of the GRFMA. In addition, Council's Chief Executive Officer and Acting General Manager - Governance and Executive are the proxy board member of the GRFMA.

During the 2019-20 year Council's contribution to GRFMA was \$42,749.

Council contains some key management personnel that have relationships with parties that the Council may transact with on a regular basis. Relationships includes, Two Wells Community Centre, Mallala Football Club and Two Wells Melodrama Group inc.

The nature of these organisation's activities with Council typically include lease of property from the Council: they may also be the recipient of hire income from the Council.

Key management personnel and their close family members may either have an employment relationship or committee role with these organisations and/or access their services. All matters when addressed by the key management personnel are covered by Council's conflict of interest policies & procedures.

Galpins

Accountants, Auditors & Business Consultants

2020/21 Audit Completion Report

Adelaide Plains Council



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Table of Contents

EXECUTIVE SUMMARY.....	3
1. Status of Our Audit Work	4
2. Summary of Audit Risks and Overall Responses	5
3. Key Audit Matters	7
3.1 Valuation of Infrastructure assets.....	7
3.2 Valuation of Land and Buildings	8
3.3 Accounting treatment of capitalisation of assets	9
3.4 Revenue Recognition	9
3.5 Management Override of Controls	10
3.6 Other High Risk Areas	11
4. Internal Controls Opinion and Recommendations	12
5. Final Management Letter	13
6. Corrected Adjustments	14
7. Immaterial Uncorrected Misstatements.....	16
8. Contact Details.....	17
Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report.....	18
Appendix 2 – Proposed Independent Auditor’s Report on the Internal Controls	20
Appendix 3 – Statement by Auditor	22
Appendix 4 – Better Practice Model (BPM) Risks	23
Appendix 5 – Risk Ratings	26

EXECUTIVE SUMMARY

To the audit committee members of Adelaide Plains Council

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2021. The purpose of this document is to summarise the key accounting and audit matters that have arisen during the engagement and our audit conclusions.

We intend to issue the following opinions (subject to the satisfactory completion of the items described in section 1 – *Status of our Audit Work* of this document):

Intended opinions	Type of opinion	Proposed Auditor's Report
Opinion on the Financial Statements	Unmodified	Refer to the Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to the Appendix 2 of this report.

We have included in this report the following information to ensure that councillors, management and audit committee members are aware of all significant matters relating to the audit.

Matters	Sections
Status of our audit work	Section 1
Summary of Audit Risks and Overall Responses	Section 2
Key Audit Matters	Section 3
Internal Controls Opinion and Recommendations	Section 4
Final Management Letter	Section 5
Corrected Adjustments	Section 6
Immaterial Uncorrected Misstatements	Section 7
Proposed Independent Auditor's Report on the Financial Report	Appendix 1
Proposed Independent Auditor's Report on the Internal Controls	Appendix 2
Draft Statement by Auditor	Appendix 3
Better Practice Model (BPM) Risks	Appendix 4
Risk Ratings	Appendix 5

We also confirm our intention to sign the statement by auditor regarding our independence, and confirm that for the audit of the year ended 30 June 2021 we have maintained our independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully



Tim Muhlhausler CA Registered Company Auditor

Date: 20 October 2021

1. Status of Our Audit Work

Below a summary of the status of audit activities and key documents related to the completion of our final audit.

Activities/Documents	Responsibility	Status
Final draft of the financial report	Management	Completed
Final audit visit	Audit	Completed
Final substantive procedures	Audit	Completed
Audit verification of the final draft of the financial report	Audit	Completed
Final draft of the financial report after audit verification	Management	Completed
Audit Completion Report	Audit	Completed
Final audited financial statements from the Council's subsidiaries	Management	Completed
Final financial report after considerations from the audit committee	Management	To be completed
Signed certification of financial statements	Management	To be completed
Signed certification of auditor independence	Management	To be completed
Signed management representation letter	Management	To be completed
Signed statement by auditor	Audit	To be completed
Review of the subsequent events up to the date of the auditor's report.	Audit	To be completed
Final Independent Auditor's Report on the Internal Controls	Audit	To be completed
Final Independent Auditor's Report on the Financial Report	Audit	To be completed

Our final independent auditor's reports on the internal controls and on the financial report will be issued upon receipt of the final financial report (containing the signed certification of financial statements and the signed certification of auditor independence) and the signed management representation letter.

2. Summary of Audit Risks and Overall Responses

Below, a summary of our initial audit risks identified in our audit plan presented to the audit committee, the audit approach and responses to address these risks and the final audit risks (residual risks) after the execution of our audit procedures.

Statement of Comprehensive Income – Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Rates and charges	High	10,635	RA1/RA2/RA3/RA4/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Statutory charges	Moderate	603	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
User charges	Moderate	178	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
Grants	Moderate	3,316	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Investment Income	Low	1	II1	Substantive tests	Low	Fairly presented
Reimbursements	Low	24	OR1	Substantive tests	Low	Fairly presented
Other Income	Low	143	OR1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	-	OR1/OE1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income - Expenses

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Employee costs	High	5,150	PA1/PA2/PA3/PA4/PA5/PA6	Controls and substantive tests	Low	Fairly presented
Materials / Contracts / Other Expenses	High	5,389	PP1/PP2/PP3/PP4/PP5/PP6 CO1/CO2/CO3 CC1/CC2/CC3	Controls and substantive tests	Low	Fairly presented
Depreciation and amortisation	High	2,911	FI4	Controls and substantive tests	Low	Fairly presented
Finance Costs	Low	132	BO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	75	OR1/OE1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income – Other Comprehensive Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Asset Disposals & FV Adjust	High	(273)	FI1/FI3	Controls and substantive tests	Low	Fairly presented
Amounts Received Specifically for New or Upgraded Assets	Moderate	1,494	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Physical Resources Received Free of Charge	Low	5,345	FI1	Substantive tests	Low	Fairly presented

Statement of Financial Position – Assets

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Cash and cash equivalents	High	257	BA1/BA2/IN1/IN2/IN3	Controls and substantive tests	Low	Fairly presented
Trade and other receivables	Moderate	2,386	DE1/DE2/DE3/DE4/DE5/PR1	Controls and substantive tests	Low	Fairly presented
Inventories	Low	239	LO1	Substantive tests	Low	Fairly presented
Financial Assets – NC	Low	-	LO1	Substantive tests	Low	Fairly presented
Equity Accounted Businesses	Low	5,817	OR1/OE1	Substantive tests	Low	Fairly presented
Other non-current assets	High	991	FI1/FI2/FI3/FI4/FI5	Controls and substantive tests	Low	Fairly presented
IPPE	High	121,078	FI1/FI2/FI3/FI4/FI5	Controls and substantive tests	Low	Fairly presented

Statement of Financial Position - Liabilities

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Trade and other payables	High	1,820	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	Fairly presented
Borrowings	Low	1,046	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions	Moderate	1,253	EP1	Substantive tests	Low	Fairly presented
Borrowings - NC	Low	1,790	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Other Non-current liabilities	Low	-	AE1	Substantive tests	Low	Fairly presented
Provisions - NC	Moderate	210	EP1	Substantive tests	Low	Fairly presented

Statement of Financial Position – Equity

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Accumulated Surplus	Low	42,823	N/A	Substantive tests	Low	Fairly presented
Asset Revaluation Reserves	High	79,593	FI3	Controls and substantive tests	Low	Fairly presented
Other Reserves	Low	2,175	N/A	Substantive tests	Low	Fairly presented

Intended Audit Opinion

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the financial report prepared by the Council presents fairly, in all material respects, the Council's financial position as at the end of current financial year and its financial performance for the year ended on that date.

* A list of the main risks as per the Better Practice Model (BPM) addressed during our audit and related risk references is provided in Appendix 4.

3. Key Audit Matters

Key audit matters are those matters that, in the auditor’s professional judgement, were of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3.1 Valuation of Infrastructure assets

Why the matter is significant	How the matter was addressed
<p>Infrastructure assets are valued at fair value. The fair values of these assets were based on depreciated current replacement costs which is comprised by the gross replacement cost less accumulated depreciation.</p> <p>Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There was inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the:</p> <ul style="list-style-type: none"> ▪ components of assets that are replaced at different times in the asset lifecycle ▪ costs required to replace these components using current prices for materials, labour, and plant costs ▪ indices for measuring subsequent changes in unit rates. <p>The useful lives of assets and the measurement of accumulated depreciation are determined by external valuers. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the depreciation that would have accumulated since original construction using these estimated useful lives.</p> <p>The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset register ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ reviewed the fair value hierarchy provided in note 7 for each category of asset ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ reviewed the methodology used by Council to perform componentisation of infrastructure assets and compared the methodology used to Council’s actual asset management practices and to other local government entities ▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the revaluation report ▪ reviewed the unit rates mentioned above and compared them to different local government entities ▪ assessed the adequacy of disclosures in the financial report.

3.2 Valuation of Land and Buildings

Why the matter is significant	How the matter was addressed
<p>Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, potential restrictions to the disposal of these assets among other factors.</p> <p>Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is usually an unobservable input, and is likely to have a significant effect on valuation.</p> <p>Land, where Council has an unfettered right to sell them, is usually valued at current market value based on their highest and best use. Level 2 inputs are primarily used for land during the valuation process.</p> <p>Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3).</p> <p>For buildings that have an active market, buildings are assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the City, adjusted for any pertinent differences.</p> <p>The significant professional judgments used to estimate the value of land and buildings are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset registers ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ analysed the nature of the land building assets and concluded whether the fair value hierarchy provided in note 7 for each category of asset was reasonable ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation; and ▪ assessed the adequacy of disclosures in the financial report.

3.3 Accounting treatment of capitalisation of assets

Why the matter is significant	How the matter was addressed
<p>Councils are asset intensive and highly dependent on multiple assets to deliver services to customers. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets.</p> <p>Due to the unique characteristics of Council’s assets a number of considerations are taken into account when an expenditure is capitalised which include:</p> <ul style="list-style-type: none"> ▪ whether Council is incurring capital expenditure to physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as this usually goes beyond the legal ownership; ▪ Inclusions and exclusions of costs at initial recognition of an assets in accordance with AASB 116; ▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137; ▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a “qualifying asset” as per AASB 123; and ▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure. 	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity; ▪ reviewed internal controls in place for capitalisation of assets; ▪ selected a sample of additions and performed an assessment of the nature of the addition and concluded whether the addition was recognised in accordance with Australian Accounting Standards; ▪ reviewed the WIP schedule and selected a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account; and ▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.

3.4 Revenue Recognition

Why the matter is significant	How the matter was addressed
<p>AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities commence from 1 January 2019 – effectively 1 July 2019 for SA Councils.</p> <p>The main change for Council is that income from capital and other specific purpose grants previously recognised on receipt may be recognised over time as performance obligations are met (where these obligations are sufficiently specific and rise from enforceable contracts) and a liability recognised for unspent monies.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ evaluated Council’s work to implement AASB 15 and AASB 1058 and assessed whether Council’s accounting practices comply with Australian Accounting Standards ▪ performed analytical procedures to identify any variance that would represent a risk or incorrect application of AASB 15 and AASB 1058 ▪ reviewed a sample of grant agreements and assessed whether agreements contain sufficiently specific performance obligations ▪ evaluated the accounting treatment used by Council to account for the existing grant agreements in place selected for our tests ▪ tested a sample of financial transactions for compliance with Australian Accounting Standards.

3.5 Management Override of Controls

Why the matter is significant	How the matter was addressed
<p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare a fraudulent report by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is a significant risk.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ tested the appropriateness of journal entries recorded in the general ledger ▪ reviewed accounting estimates for biases ▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity ▪ requested written representation from Management ▪ reviewed IT access controls rights processes in place ▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council ▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.

3.6 Other High Risk Areas

The other high risk areas described in this section are account balances and/or audit areas that are not subject to a high degree of professional judgement, however we assessed their inherent risks as being high due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Account balance	Why the risk is High	Overall audit response
Rates and charges	<ul style="list-style-type: none"> - largest revenue item - it is usually used as a reference point for analysing expenditure decisions - politically sensitive – reputational risk involved if rates are raised incorrectly. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - comparison of total capital values from the VG report to the total capital value recorded in the rates system - reconciliation of the rates modelling to the rates system and to the general ledger - recalculation of rates for a sample of rate payers
Employee costs	<ul style="list-style-type: none"> - one of the largest expense items - high volume of transactions / data – subject to error. - errors impact individuals financially. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of employee files (contracts, awards, EBs) - inspection of timesheets - recalculation of a sample of individual payments.
Materials, Contracts & Other expenses	<ul style="list-style-type: none"> - one of the largest expense items - High volume of transactions / date – subject to error - fraud risk area (procurement, payments and credit cards) - procurement and contracting are key focus areas for ICAC and the Auditor-General’s Department. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses
Cash and cash equivalents	<ul style="list-style-type: none"> - material balance - fraud risk - if there is any instance of errors and/or fraud it will be indicative of broader errors - Poor attitude to cash controls may be indicative of overall culture related to the entity’s controls environment - public money 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - bank confirmation - inspection of bank statements - verification of outstanding reconciling items - reperformance of bank reconciliations.
Trade and other payables	<ul style="list-style-type: none"> - one of the largest liabilities - material balance - opportunity for understatements - if there is a poor use of accrual basis of accounting it will be indicative of poor culture - payments represent an opportunity for fraud 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - reconciliation between subsidiary ledgers and the general ledger - inspection of subsequent payments for a sample of creditors - inspection of a sample of subsequent payments for completeness test.

4. Internal Controls Opinion and Recommendations

We have performed an extensive review of the Council's financial controls for the purpose of forming our control opinion as required by section 129 of the *Local Government Act 1999* based on council's obligations under s125 of that Act.

Our controls opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively 2021	2021 Findings			
			H	M	L	BP
Purchasing Procurement/Contracting	7	6	-	1	-	-
Fixed Assets	8	6	-	-	2	-
General Ledger	8	5	-	3	-	-
Accounts Payable	8	7	-	1	-	-
Rates / Rates Rebates	8	7	-	-	1	-
Payroll	11	10	-	-	1	-
Banking	5	5	-	-	-	-
Credit Cards	5	4	-	-	1	-
Debtors	3	2	-	-	1	-
Receipting	2	2	-	-	-	-
Total	65	54	-	5	6	-

Overall the Council demonstrated **a satisfactory level of compliance** with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (54 out of 65 core controls reviewed). Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in the Appendix 5 – Risk Ratings.

An **interim audit management letter** was issued and presented to the audit committee containing our overall assessment of the council's internal controls and all the controls weaknesses identified during our review of the Council's financial controls.

We recommended that Council prioritises the high and moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the *Local Government Act 1999*.

In our opinion, subject to the satisfactory completion of the items described in the section 1 of this report, the **Council has complied, in all material aspects, with Section 125 of the Local Government Act 1999** in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

5. Final Management Letter

We have identified the following additional performance improvement observations when performing our substantive procedures during our final audit:

		Risk
1. Capital work completion is confirmed verbally		Moderate
Finding	Capital work completion is confirmed verbally. There is no formal documentation such as an asset completion form signed and dated by project manager to substantiate that a capital work in progress project is ready to be capitalised and recorded as a depreciable capital asset in the asset registers to allow council to start recording depreciation expenses.	
Risk	Risk of errors in the classification of work in progress and capital asset, consequently, risk of the financial statements being misstated.	
Recommendation	Management to consider adopting an asset completion form to keep a record for capital work completion.	
2. Employees with excessive annual leave balances		Low
Finding	Audit identified fourteen employees with annual leave balances in excess of 300 hours.	
Risk	Leave balances exceeding the allowable balances under the relevant EB. Staff not taking leave may lead to health safety and welfare issues.	
Recommendation	Ensure that employees do not accumulate excessive annual leave balances.	

Risks were rated based on an assessment of the risk of non-compliance with s125 of the Local Government Act 1999 as described in the Appendix 5 – Risk Ratings.

6. Corrected Adjustments

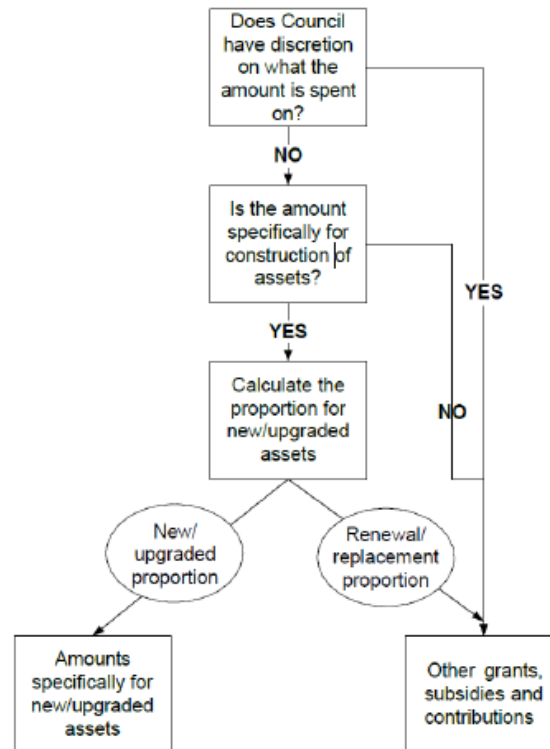
Adjustment 1 – Reclassification of buildings items included in the open space register					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
D	IPPE – Buildings	518	-	-	-
C	IPPE – Open Space	(518)	-	-	-
Description: Reclassification of buildings items included in the open space register.					

Adjustment 2 – Reclassification of LRCIP grants					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
D	Amounts received specifically for new or upgraded assets	-	-	640	-
C	Grants, subsidies and contributions	-	-	(640)	-
<p>Description:</p> <p>To be classified as an amount received specifically for new or upgraded assets, the funds must have been paid to the council for a specific capital project(s) nominated by the grantor, that is not classified as renewal works.</p> <p>The following characteristics of the Local Roads and Community Infrastructure Projects Grant (LRCIP) have been considered in determining the appropriate treatment:</p> <ul style="list-style-type: none"> - The grant is paid to councils based on a formula that takes into consideration road length and population. The amount paid is not calculated with reference to any specific projects relevant to council. - Per guidelines from the Department of Infrastructure, Transport, Regional Development and Communications 'Council will be able to select the projects to be funded' i.e. councils have a high level of discretion to select the projects to be funded, within the broad scope of the eligibility criteria. - The requirement for council to submit a Work Schedule to the Department outlining projects to be undertaken does not restrict council's discretion to select eligible 					

projects.

- Eligible projects can include construction, maintenance and/or improvements to council-owned assets – i.e. can be either renewal/replacement or new/upgraded assets.

The 2021 Model Financial Statements provides the following decision tree to determine the classification of grants as ‘Amounts received specifically for new or upgraded assets’:



Therefore, LRCIP grants are most appropriately classified as grants, subsidies and contributions revenue.

7. Immaterial Uncorrected Misstatements

Adjustment 1 – Open space contributions recognised as a liability					
D/C	Account at FS level	Assets	Liabilities	Surplus/Deficit	Other Comprehensive Income
		Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
D	Trade and other payables	-	-	364	-
C	Accumulated surplus	-	-	-	(364)
Description:					
<p>The financial report is prepared in compliance with section 127 of the <i>Local Government Act 1999</i>, in accordance with relevant Australian Accounting Standards and in accordance with the requirements set out in the Model Financial Statements (as required by the <i>Local Government (Financial Management) Regulations 1999</i>).</p> <p>The 2021 Model Financial Statements in its page 114 provides that '<i>developer contributions, such as parking, open space or Urban Tree Fund cannot give rise to a liability because no amount is owed to any party external to Council arising from the receipt of the contribution. Certainly, Council has an obligation to expend monies for the purpose for which they were contributed, but a liability can only arise after Council determines on a specific project and lets contracts for its execution</i>'.</p> <p><i>'Contributions that are related to services rendered by the Council to the contributor should be classified as reimbursements. Developer contributions received should be classified as grants and contributions specifically for new/upgraded assets'</i>.</p>					

8. Contact Details



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Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report

To the members of Adelaide Plains Council

Opinion

We have audited the accompanying financial report of Adelaide Plains Council (the Council), which comprises the statements of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of Adelaide Plains Council.

In our opinion, the accompanying financial report presents fairly, in all material respects, the financial position of the Council as at 30 June 2021, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council’s Responsibility for the Financial Report

Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Council either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Council’s financial reporting process.

Auditor’s Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decision of users taken on the basis of this financial report.

As part of an audit of the financial report in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 2 – Proposed Independent Auditor’s Report on the Internal Controls

To the members of Adelaide Plains Council

Independent Assurance Report on the Internal Controls of Adelaide Plains Council

Opinion

We have audited the compliance of Adelaide Plains Council (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with the law.

In our opinion, Adelaide Plains Council has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council’s Responsibility for Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Performs Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.

Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with the law, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

Limitation of Use

This report has been prepared for the members of the Council in accordance with section 129 of the *Local Government Act 1999* in relation to the internal controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of Adelaide Plains Council for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:

Appendix 4 – Better Practice Model (BPM) Risks

The risks outlined below are the main BPM risks addressed when determining our audit approach / response as described in section 2 of this report.

Business Cycles	Risk REF	Risks
Rates	RA1	Council does not raise the correct level of rate income
	RA2	Rates and rate rebates are either inaccurately recorded or not recorded at all
	RA3	The property master file data does not remain pertinent
	RA4	Rates are not collected on a timely basis
User Pay Income / Fee for services	US1	The fee charged does not reasonably reflect the value of the services provided
	US2	Council does not apply User Pay principles consistently
	US3	User pay income is either inaccurately recorded or not recorded at all
Investment / Interest Income	II1	Investment income is either inaccurately recorded or not recorded at all
Other Revenue	OR1	Other revenue is either inaccurately recorded or not recorded at all
Grants	GR1	Council loses recurrent grant funding to provide existing services
	GR2	Grant funding is not claimed by Council on a timely basis or not claimed at all
	GR3	Grants are either inaccurately recorded or not recorded at all
Receipting	RE1	Receipts are either inaccurately recorded or not recorded at all
	RE2	Receipts are not deposited at the bank on a timely basis
Purchasing & Procurement	PP1	Council does not obtain value for money in its purchasing and procurement
	PP2	Purchase of goods and services are made from non-preferred suppliers
	PP3	Purchase orders are either recorded inaccurately or not recorded at all
	PP4	Purchase orders are made for unapproved goods and services
	PP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Payroll	PA1	Payroll expense is inaccurately calculated
	PA2	Payroll disbursements are made to incorrect or fictitious employees
	PA3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
	PA4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
	PA5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation
	PA6	Employees termination payments are not in accordance with statutory and enterprise agreements
Credit cards	CC1	Credit cards are issued to unauthorised employees
	CC2	Credit cards are used for purchases of a personal nature
	CC3	Credit card limits are set at inappropriate levels


Business Cycles	Risk REF	Risks
Other Expenses	OE1	Other expenses are invalid, inaccurately recorded or not recorded at all
Contracting	CO1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
	CO2	Council does not obtain value for money in relation to its Contracting
	CO3	Commitments are made for unapproved goods and services
Banking	BA1	Banking transactions are either inaccurately recorded or not recorded at all
	BA2	Fraud (i.e. misappropriation of funds)
Investments	IN1	Council makes poor investment decisions
	IN2	Investment transactions are either not recorded or are recorded inaccurately
	IN3	Investment income is inaccurately calculated or not recorded in the appropriate period
Debtors	DE1	Debtors are either inaccurately recorded or not recorded at all
	DE2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
	DE3	An appropriate provision for doubtful debts is not recorded
	DE4	Debtors are either not collected on a timely basis or not collected at all
	DE5	The Debtors master file data does not remain pertinent.
Fixed Assets	FI1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent
	FI2	Fixed assets are inadequately safeguarded
	FI3	Fixed assets are not valued correctly initially or on subsequent revaluation
	FI4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals
	FI5	Fixed asset maintenance and/or renewals are inadequately planned
Prepayments	PR1	Prepayments are either inaccurately recorded or not recorded at all
Loans to Community groups	LO1	Loans to community groups are inaccurately recorded or not recorded at all
Accounts Payable	AP1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
	AP2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
	AP3	Disbursements are not authorised properly
	AP4	Accounts are not paid on a timely basis
	AP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Accrued Expenses	AE1	Accrued Expenses are either inaccurately recorded or not recorded at all
Borrowings	BO1	Borrowings are either not recorded or are recorded inaccurately
	BO2	Loans are taken out without appropriate approval

Business Cycles	Risk REF	Risks
	BO3	Loans are not repaid in accordance with agreed terms
	BO4	Loan repayments are not recorded at all or are recorded inaccurately
Employee Provisions	EP1	Employee provisions are either inaccurately recorded or not recorded at all
Taxation	TA1	Tax liabilities are either inaccurately recorded or not recorded at all

Appendix 5 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 4 of this report were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council’s financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

 Adelaide Plains Council	6.3	Update on Audit Committee Annual Work Program 2021/2022
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 17 November 2021	Document Ref:	D21/49578

EXECUTIVE SUMMARY

- The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2021/2022 Financial Year.
- At its meeting held on 9 August 2021, Audit Committee approved its 2021/2022 Works Program.
- Following reports are provided to the Audit Committee as part of 17 November 2021 meeting.
 - The final audit for 2020/2021 was completed and draft audited financial statements, audit report on financial statements and internal controls;
 - A report on the review of audited financial results of 2020/2021 against the adopted budget; and
 - Draft 2023-2032 Long Term Financial Plan.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.3 – *Update on Audit Committee Annual Work Program 2021/2022*, dated 17 November 2021, receives and notes the report and in doing so recommends to the Council that the Council acknowledges the progress made to complete the activities identified for Audit Committee during 2021/2022 Financial Year.”

BUDGET IMPACT

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

RISK ASSESSMENT

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

Attachments

1. Audit Committee Annual Work Program 2021/2022 – November 2021 Update

DETAILED REPORT

Purpose

The purpose of this report is to provide the Audit Committee with the progress update on the activities identified in the Audit Committee Works Program for 2021/2022 Financial Year.

Background/History

At its meeting on 9 August 2021, the Audit Committee approved the work program for 2021/2022 Financial Year.

Discussion

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference of the Audit Committee are fulfilled, the Audit Committee must develop a Work Program each year. A regular update on the 2021/2022 Work Program will assist the members of the committee to monitor their planned activities and the **Attachment 1** shows progress to date. Accordingly, agenda of the 17 November 2021 Audit Committee meeting includes following reports;

- Draft 2021/2022 audited financial statements, independent audit report on financial statements and internal controls;
- Updated Strategic Management Plan (SMP) was approved by the Council on 27 February 2021. In addition, updated I& was approved by the Council on 25 October 2021. Draft LTFP for the period 2023-2032 which has been developed based on updated SMP & I& is presented to 17 November Audit Committee meeting for comment and consideration; and
- A report on the review of audited financial results of 2021/2022 against the adopted budget;

Conclusion

Draft audited financial statements for 2020/2021 Financial Year is presented to the 17 November 2021 meeting for review by the Audit Committee. A report on the financial results comparing actual results for 2020/2021 with adopted budget also presented to 17 November 2021 meeting.

References

Legislation

Section 126 of the Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Audit Committee Terms of Reference.

Audit Committee Annual Work Program 2021/2022 – November 2021 Update

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
1. Financial Reporting (LGA – Section 126(4)(a))				
1.1 Ensure that financial information included in following publications for external audiences accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators and provide commentary and or recommendation to Council: <ul style="list-style-type: none"> ▪ Annual Business Plan; ▪ Annual Financial Statements; 	April & June 2022 November 2021 and June 2022	Agenda of 17 November meeting		17 November
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2021	Agenda of 17 November meeting		17 November
2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> ▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan; ▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&AMP); ▪ soundness of the I&AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets; ▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans; 	November 2021	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February 2021. Updated I& was approved by the Council on 25 October 2021. Draft LTFP 2023-2032 which has been developed based on updated SMP & I& is presented as part of the agenda of 17 November meeting.		17 November

Audit Committee Annual Work Program 2021/2022 – November 2021 Update

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

Audit Committee Annual Work Program 2021/2022 – November 2021 Update


5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
<p>5.1 Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council’s external auditor, and if so whether action has been taken to have them addressed:</p> <ul style="list-style-type: none"> ▪ consider the range of documented internal control policies and procedures; and ▪ whether they are being followed. ▪ regular self-assessment of internal financial controls 	<p>November 2021</p>	<p>Agenda of 17 November meeting</p>		<p>17 November</p>
<p>5.2 Review Business Continuity & Emergency Management Plan (BCEMP). BCEMP has been reviewed and will be separated and replaced with the following documents.</p> <ul style="list-style-type: none"> ✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> • Emergency Mgt. Plan. • Incident Operations Arrangements Manual • Recovery Operations Manual ✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP. 	<p>February 2022</p>			
<p>5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:</p> <ul style="list-style-type: none"> ▪ whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect e.g. 	<p>February 2022</p>			

Audit Committee Annual Work Program 2021/2022 – November 2021 Update

<ul style="list-style-type: none"> ✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets); ✓ whether there are significant risks that have been identified by Council’s insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; ✓ adequacy of insurance coverage. 				
<p>5.4 Review of Council’s risk management processes</p>	<p>February 2022</p>			
<p>5.5 Review the appropriateness of the range and content of Council’s financial policies and practices. Policies due for review are;</p> <ul style="list-style-type: none"> • Credit Card Policy (Last reviewed in April 2018) • Risk Management Policy (Last reviewed in July 2019) • Fixed Assets Accounting Policy (Last reviewed in September 2019) • Prudential Management Policy (Last reviewed in February 2020) • Rates Arrears and Debtor Management Policy (Last reviewed in February 2020) • Treasury Management Policy (Last reviewed in February 2020) • Budget Management Policy (Last reviewed in February 2020) • Funding Policy (Last reviewed in February 2020) 	<p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p> <p>February 2022</p>			
<p>6. Public Interest Disclosures</p>				
<p>6.1 Review Council’s Public Interest Disclosure Procedure (Last reviewed in February 2019)</p>	<p>To be reviewed in late 2021/early 2022</p>			

Audit Committee Annual Work Program 2021/2022 – November 2021 Update

7. Reporting				
7.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing			
7.2 Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing			
7.3 Report annually to the Council; <ul style="list-style-type: none"> ▪ outlining outputs relative to the audit committee’s work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; ▪ outlining any identified training needs; ▪ Audit Committee Self-Assessment Survey ▪ advise on future work program proposals; and invite comment from the Council on all of the above. 	To be confirmed To be confirmed To be confirmed To be confirmed			

 Adelaide Plains Council	6.4	Request for Loan – Mallala Football Club
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 17 November 2021	Document No:	D21/48538

EXECUTIVE SUMMARY

- The purpose of this report is to seek Audit Committee recommendation with regard to a request from Mallala Football Club (MFC) for a loan of \$70,000 from the Local Government Financing Authority (LGFA) through the Council.
- Council recently received a request from MFC for a loan of \$70,000 to finance upgrade of all change rooms and toilet facilities, to cater for the growing need of combined sports, increased compliance requirements and the increased participation of women in AFL football.
- Council’s General Manager Finance and Business has assessed 2019, 2020 & 2021 Financial Statements and the budgeted financial statement for 2022 of the MFC and is of the view that MFC is in a good financial position to repay the loan.
- Given the flexibility in repaying early as well as lower interest rate, MFC’s preference is to obtain variable rate cash advance debenture (CAD).
- However, if the Council approves a CAD loan for MFC as requested, in order to minimise the administrative work for Council, an agreement will be entered in to with the MFC in relation to number of maximum transactions per year between the Council and the MFC.

RECOMMENDATION

“that Audit Committee, having considered Item 6.4 – *Request for Loan – Mallala Football Club*, dated 17 November 2021, receives and notes the report and in doing so **recommends** to the Council that variable rate cash advance loan of \$70,000 is provided to Mallala Football Club through cash advance loan arrangement with the Council and Local Government Financing Authority subject to following terms and conditions:-

- 1) Council charge Mallala Football Club the same interest rate that it pays to Local Government Financing Authority;
- 2) Limit maximum number of transactions between the Council and the Mallala Football Club to four (4) per year with regard to the operation of cash advance debenture loan;
- 3) the cost of preparing the loan agreement with the Council and the Mallala Football is to be charged to the Mallala Football Club
- 4) _____.”

or

“that Audit Committee, having considered Item 6.4 – *Request for Loan – Mallala Football Club*, dated 17 November 2021, receives and notes the report and in doing so **does not recommend** provision of variable rate cash advance loan of \$70,000 to Mallala Football Club **due to following reasons:**

_____”

BUDGET IMPACT

Estimated Cost:

If a loan is provided to the MFC, there is no cost to the Council except for the administrative works associated with managing the loan and repayments as the interest and the principal will be paid by the MFC.

The effect of the loan is budget neutral as it will result in increases to both financial assets and financial liabilities.

Is this Budgeted?

No

RISK ASSESSMENT

Provision of \$70,000 loan to Mallala Football Club would not adversely impact Council’s financial ratio as the interest expense and the loan principal is paid by the MFC and the Council’s loan obligation with LGFA is offset by similar financial asset (Loans to Community Organisations).

However, if the MFC defaults on its repayments, Council remains liable for the loan from the LGFA.

Council’s Treasury Management policy requires that Council treat each request for community loans on a case by case basis. However, by approving this current request would mean that the Council may be required to approve similar requests in future and there may be reputational risks should the Council decline future request for loans from community groups.

Attachment

1. Loan request from Mallala Football Club
2. Mallala Football Club – Budget for 2022

DETAILED REPORT

Purpose

The purpose of this report is to seek Audit Committee recommendation with regard to a request from Mallala Football Club (MFC) for a loan of \$70,000 from the Local Government Financing Authority (LGFA) through the Council.

Background/History

With regard to loans to community organisations, Clause 3.5 of the Council's Treasury Management Policy states as follows:

3.5 Borrowing for Council or Local Community/Sporting Organisations

No officer of the Council is authorised to undertake the establishment of a new loan facility without the authorisation of the Council.

Loans funds may be raised on behalf community and sporting organisation that are situated within the Council area, the purpose of which should be for capital items or infrastructure.

Before providing loans to local organisation, the Council shall take into account:

- *the ability of the organisation to satisfactorily meet loan repayments*
- *provision of security in the event that repayments cannot be met*
- *a financial assessment must occur which shall include provision of the organisations' last three financial years activities and its projected activity following the provision of the loan funds*

Each application made by a community or sporting organisation will be treated on a case by case basis. If approved, the Council shall disburse the funds to the organisation which shall provide an acquittal statement of use at the conclusion of the project being undertaken.

Adelaide Plains Council's approved a loan of \$60,000 in 2008 to Mallala Bowling Club which was paid out in 2018. Since then Council has not approved loans to local community groups.

Discussion

Council recently received a request (**Attachment 1**) from MFC for a loan of \$70,000 to finance upgrade of all change rooms and toilet facilities, to cater for the growing need of combined sports, increased compliance requirements and the increased participation of women in AFL football.

Mallala Football Club's capacity to repay the loan

Council's General Manager Finance and Business has assessed 2019, 2020 & 2021 Financial Statements and the budgeted financial statement for 2022 of the MFC which is summarised below;

- MFC made a profit of \$9,796 for the year from 1 October 2020 to 30 September 2021 (excluding one off grant income of \$254,000).
- Total cash at bank balance of \$438,265 as of 30 September 2021 including grant of \$254,000.
- Forecast a net profit of \$32,500 for the period 1 October 2021 to 30 September 2022 (**Attachment 2**) which includes building donation of \$11,000 (In 2021 actual building donation was \$1,100).

LGFA Interest Rates

If the Elected Members approves a provision of \$70,000 Community Loan to the MFC, it would be sourced from Council arranging a dedicated loan of \$70,000 on behalf of the MFC with the LGFA. Council would charge from the MFC the same interest rate that the LGFA is charging from the Council.

Current Indicative interest rates with LGFA as of 8 November 2021 are as follows:

- | | |
|---------------------------|-------|
| - Short-term Cash Advance | 2.05% |
| - 5yrs | 2.60% |
| - 10yrs | 3.10% |
| - 15yrs | 3.35% |

Given the flexibility in repaying early as well as lower interest rate, MFC's preference is to obtain variable rate CAD. Therefore, it is proposed that from the Council's current unused CAD balance of \$6.5m, \$70,000 to be split for this purpose.

Loan agreement

However, if the Council approves a CAD loan for MFC as requested, in order to minimise the administrative work for Council, formal loan agreement will be entered in to with the MFC in relation to;

- number of maximum transactions per year between the Council and the MFC (LGFA requires payment of CAD interest quarterly);
- maximum loan period; and
- interest rate (same as the interest rate applicable to the Council) etc.

In order to set a precedent for similar loan requests in future, Council management recommend applying a consistent approach with regard to community loans. Accordingly, any legal cost that the Council may incur in preparing the loan agreement is proposed to be charged to Mallala Football Club.

Impact on Council's LTFP and Potential Financial Risk

Council needs to consider this loan request within its current and projected financial commitments/plans. Council already has a number of key infrastructure projects that will see its debt levels to increase over the next 10 years as identified in the Draft Long-Term Financial Plan 2023-2032.

However, support at the level requested by the MFC can be accommodated given the costs are being borne by the MFC directly. While Council's Treasury Management Policy states that Council shall take in to account the provision of security in the event of a default, MFC has not provided any security for the proposed loan. Therefore, Council carries the risk in the event of loan default by MFC.

Conclusion

The Mallala Football Club has requested a loan of \$70,000 from the Local Government Financing Authority (LGFA) through the Council. The Audit Committee is asked to consider the request and make an appropriate recommendation to Council accordingly.

References

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Council Policies/Plans

Treasury Management Policy

Local Government Financial Sustainability Information Paper 15

Rajith Udugampola

From: [REDACTED]
Sent: Thursday, 28 October 2021 9:37 PM
To: Rajith Udugampola; David Cowell
Cc: 'Brian Tiller - Secretary'; 'Neil Tiller'
Subject: RE: Low Interest Loan
Attachments: Balance Sheet 2021.xls; 2021Balance sheet Fundraising account & canteen.xls; Balance Sheet 2019 a.xls; 2019Balance sheet Fundraising account & canteen.xls; Budget Balance Sheet 2022.xls

****CAUTION:** This email is from a person outside of Adelaide Plains Council. **Do not click on links or open attachments** - unless you recognise the sender and know the content is safe**

Hi Rajith & David,

As per the 1st September emails below.

The Mallala Football Club have commenced construction of an upgrade of all changerooms and toilet facilities, to cater for the growing need of combined sports, increased compliance requirements and the increased participation of women in AFL football.

The Club recently received a Sport and Recreational Facilities Grant of \$254,000, along with significant Mallala Football Club funds and pledges of donations from the Clubs' members & supporters, the Club believed we had the project financially covered when we committed to the project.

As you may be aware, Covid restriction related issues & the increase in demand for the supply of materials and contractors has had a large impact on all current building costs, it is anticipated that costs for this project have increased by approximately 20 %.

To help ensure the above mentioned upgrade construction project has sufficient funds to complete the project as designed, the Mallala Football Club seek to secure a 10 year low interest \$70,000 debenture loan through Council.

The Attachments will show balance sheets for 2019, 2020 and 2021 also included is a Budget for 2022 season based on an full uninterrupted football season.

Regarding security for the loan, we believe the 111 years' operating history as a viable flourishing operation & the attached balance sheets demonstrates the club is a well-managed, reliable & stable organisation.

Please don't hesitate to contact myself or Club Treasurer Neil Tiller ([REDACTED]) if you require further information or clarification.

Regards Keith

Keith Earl
President; Mallala Football Club
E-mail [REDACTED]; Mobile [REDACTED]



Mallala Football Club Inc.

From: David Cowell [REDACTED]
Sent: Wednesday, 1 September 2021 12:27 PM

**Mallala Football Club
Budget for 2022**


Income

Subscriptions	12,000
Gate Takings	14,000
Bar	70,000
Social	5,000
Meals & Canteen	35,000
Hire	2,000
Donations & Sponsorship	25,000
Gym	2,500
Clothing	6,000
Grain Carting Fundraising	20,000
Share Farming	10,000
Building Donation	11,000
Total Income	<u>212,500</u>

Expenditure

Bar	40,000
Match Expenses	100,000
Electricity, Phone & Gas	9,000
Insurance	12,000
Building & Maintenance	10,000
Sundries	5,000
Clothing	4,000
Total Expenses	<u>180,000</u>

Budgeted Surplus	30/09/2022	<u>32,500</u>
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 Adelaide Plains Council	7.1	Committee Resolutions
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 17 November 2021	Document No:	D21/49579

OVERVIEW

Purpose

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

Discussion

Audit Committee resolutions that require actioning by Council Administration are captured in the Resolution Register and presented to each committee meeting for the information of the members of the Audit Committee. This report contains a table of outstanding resolutions and accordingly one (1) resolution from February 2020 meeting is still outstanding.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 17 November 2021, receives and notes the report.”

Attachments

1. Resolution Register updated November 2021.

References

Legislation

N/A


Other

Audit Committee Annual Work Program 2021/2022

2020 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
10-Feb-20	9.1	Committee Resolution	“that the Audit Committee, recommend to Council that a report be prepared reviewing the adequacy of current Council policies in light of the recent Ombudsman reports on credit card and travel expenditure.”	2020/016	Finance and Business	Ongoing	To be addressed as part of the review of Council's <i>Credit Card Policy</i> . This review is due to take place in 2021 in accordance with Council's <i>Policy Review Schedule</i> .	

 Adelaide Plains Council	7.2	Review of Audited Financial Results for 2020/2021 against Adopted Budget
	Department: Report Author:	Finance and Business General Manager - Finance and Business
Date: 17 November 2021	Document No:	D21/45067

EXECUTIVE SUMMARY

- Adelaide Plains Council has reported an operating surplus of \$1.243m for the 2020/2021 Financial Year. This has been an improvement of \$1.160m compared to the operating budget adopted for the financial year on 8 July 2020, which forecasted an operating surplus of \$0.083m.
- The significant improvement in operating results was made possible due to various reasons, such as:
 - Higher than budgeted income from planning applications & waste water applications;
 - Grants received under Local Road and Community Infrastructure Program (Round 1 & 2);
 - Reduction in employee costs;
 - Expenses associated with some of the operating projects were not incurred in 2020/2021 Financial Year as planned and therefore being carried over to 2021/2022 Financial Year;
 - Reduction in interest expenses associated with short-term borrowings.
- Trade & other receivables have increased mainly due to increase in accrued revenue in relation to a State Government grant income not received at balance sheet date.
- Net value of the fixed assets has been reduced by \$3.529m mainly due to reduction in value of roads pavement and buildings assets following asset revaluation as of 1 July 2019.

RECOMMENDATION

“that Audit Committee, having considered Item 7.2 – Review of Audited Financial Results for 2020-2021 against Adopted Budget, dated 17 November 2021, receives and notes the report.”

BUDGET IMPACT

Estimated Cost: Operating surplus of \$1.243m

Is this Budgeted? Budget estimated an operating surplus of \$0.083m

RISK ASSESSMENT

Not applicable

Attachments

Nil

DETAILED REPORT

Purpose

The purpose of this report is to summarise 2020/2021 Audited result and provide explanation for major variations from the 2020/2021 Adopted Budget in accordance with the Section 127 of the *Local Government Act 1999* (the Act) and with Regulations 10 of the *Local Government (Finance Management) Regulations 2011* (the Regulations).

Background/History

Pursuant to Section 127 of the Act, Council must prepare Annual Financial Statements in accordance with the Regulations.

Regulation 10 of the Regulations, requires Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements, operating surplus ratio, net financial liabilities ratio and asset renewal ratio of the Council for the previous financial year, compared with the estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

Discussion

The 2020/2021 Audited Financial Statements have been finalised and a separate report on the 2020/2021 Annual Financial Statements has been provided for consideration by the Audit Committee under Agenda Item 6.2 - *Draft Audited Annual Financial Statements 2020/2021*.

Statement of Comprehensive Income

Council concluded the financial year with an operating surplus of \$1.243m compared to the Adopted Budget, which forecasted an operating surplus of \$0.083m, an improvement of \$1.160m. Following **Table 1** shows major variances in audited income and expenses in the 2020/2021 Statement of Comprehensive Income compared to the adopted budget.

Table 1: Statement of Comprehensive Income

Description	2020/2021	2020/2021	Favourable/ (Unfav.)	
	Actual	Budget	\$	%
	\$	\$		
INCOME				
Rates	10,634,893	10,633,050	1,843	0
Statutory charges	603,101	409,638	193,463	47
User charges	178,414	167,951	10,463	6
Grants, subsidies and contributions	3,315,715	2,190,299	1,125,416	51
Investment income	991	2,652	(1,661)	(63)

Reimbursements	24,412	125,246	(100,834)	(81)
Other income	142,580	22,734	119,846	527
Total Income	14,900,106	13,551,570	1,348,536	5
EXPENSES				
Employee costs	5,150,560	5,304,635	154,075	3
Materials, contracts & other expenses	5,388,821	5,136,290	(252,531)	(5)
Depreciation, amortisation & impairment	2,910,953	2,781,422	(129,531)	(5)
Finance costs	131,771	182,597	50,826	28
Net loss - equity accounted Council businesses	74,840	63,334	(11,506)	(18)
Total Expenses	13,656,944	13,468,278	(188,666)	1
OPERATING SURPLUS				
	1,243,162	83,292	(1,159,870)	(1,393)
Asset disposal & fair value adjustments	(273,009)	39,500	312,509	(67,492)
Amounts received specifically for new/upgraded assets	1,494,412	1,045,459	(448,953)	86
Physical resources received free of charge	5,344,703	1,500,000	(3,844,703)	86
NET SURPLUS	7,809,268	2,668,251	5,141,017	1,333
Other Comprehensive Income				
Changes in revaluation surplus	1,405,039	1,500,000	94,961	-
Share of other comprehensive income	(55,383)	-	55,383	-
Total Other Comprehensive Income	1,349,656	1,500,000	150,344	-
TOTAL COMPREHENSIVE INCOME	9,158,924	4,168,251	4,990,673	633

The reasons for major variances in 2020/2021 income and expenses against the adopted budget are explained below.

Statutory charges income (Over budget by \$193,463)

- Income from development application has increased by \$147,787 over the budget which is mainly due to Hickinbotham Developments in Two Wells. The total number of development applications lodged with Council for the 2020/2021 was 745 – a substantial increase from 450 recorded for 2019/2020. The value of development also increased three fold from the previous year value of \$68.77m to a value of approximately \$198.8m in 2020/2021.
- Septic tank inspection and approvals fee income is higher than budgeted by \$81,982.
- Dog infringement income is lower than budgeted by \$37,805. Council had one (1) Community Safety Officer (CSO) for 10 months and another one (1) CSO for 6 months during 2020/2021 Financial Year. In addition, compared to previous CSO, new 2 X CSOs have changed the approach to infringements and concentrate more on education rather than infringements. Therefore, number of infringements issued in 2020/2021 is considerably low compared to the budget.

User charges income (Over budget by \$10,463)

- User charges income has increased due to combined impact of;
 - Income from cemetery burial is lower than budgeted by \$4,927.
 - Income from the Two Wells Waste Transfer Station is higher than budgeted by \$21,263
 - Rates searches income is higher than budgeted by \$8,223
 - Rent income from Mallala aged units is lower than budgeted by \$6,546 due to one unit being vacant for 6 months.

Grants, subsidies and contributions income (Over budget by \$1,125,416)

- Additional Roads to Recovery Grant allocated to the Council \$132,682
- Financial Assistance Grant for 2020/2021 is lower than budgeted \$ 32,198
- Unbudgeted grant income of \$678,310 was received during the year 2020/2021.
 - Local Road and Community Infrastructure Program (LRCIP) \$ 640,255
 - Drought Communities Program \$ 295,583
 - Two Wells Levee – Planning & design from SMA \$ 27,435
 - Community Participation grant from Coastal Protection Board \$ 5,520
 - National Australia Day Council – COVID Safe Grant \$ 5,100

Reimbursements & Other Income (Over budget by \$19,012)

- Unbudgeted JobKeeper refund from Maxima Group Training \$ 8,915

Employee costs (Under budget by \$154,075)

- The main reason for the reduction in employee costs compared to the adopted budget is higher than budgeted capitalisation of internal staff labour costs by \$118,000.

Materials, contracts & other expenses (Over budget by \$252,531)

Increase in material, contracts and other expenses due to:

- Expenses incurred in 2020/2021 on projects carried forward from 2019/2020 \$584,000

Reduction in material, contracts and other expenses due to:

- Overhead allocated to capital projects being higher than budgeted \$ 55,776
- Budget for rubble pit maintenance was not required as quarry rehabilitation was included in contractor's rubble royalty rate. \$ 50,000
- Funds for the feasibility study of the Lewiston drainage was not required as the study was completed using internal resources with the assistance of external consultant on retainer. \$ 50,000
- Contribution to Flood Monitoring and Alert System has been over estimated \$ 27,637
- Northern Adelaide Plains Business Policy - funds identified for this project were no longer required. \$ 24,450
- Reduction in cost of engaging a trainee due to temporary deployment as a short term employment contract. \$ 14,750

Reduction in material, contract and other expenses due to Operating Project expenses not incurred as budgeted in 2020/2021 Financial Year and carried over to 2021/2022 Financial Year (\$100,518)

- Establish a horse float parking area in Parham \$50,000
- Parham Community Emergency Mgt. Plan & Animal Mgt. Plan Review \$18,712
- Office Accommodation Review \$16,745
- Economic Zones \$10,635
- Two Wells Waste Transfer Station - Bin Retaining Wall \$ 4,426

Depreciation, amortisation & impairment (Over budget by \$129,531)

- Actual depreciation expense is higher than the budget. This is mainly due to depreciation expense has been under budgeted for 2020/2021 by not estimating the additional depreciation expense associated with \$6.174m of new/upgraded assets added in 2019/2020.

Finance costs (Under budget by \$50,826)

- The actual interest expenses on short-term cash advance (CAD) facility from LGFA is lower than budgeted due to combined impact of carry over project expenses, improved financial performance for 2020/2021 and use of grant income from Drought Communities Program Stage 1 and 2 and LRICP in managing Council's daily cash flow requirements.

Statement of Financial Position

The Audited Statement of Financial Position of the Council is shown below in comparison to adopted budget.

Table 2: Statement of Financial Position

	30 June 2021 Actual \$	30 June 2021 Budget \$	Variance Favourable/ (Unfavourable) \$	%
ASSETS				
Current Assets				
Cash and cash equivalents	256,781	306,452	(49,671)	(16)
Trade & other receivables	2,386,481	1,030,893	1,355,588	131
Inventories	238,610	153,868	84,742	55
Total Current Assets	2,881,872	1,491,214	1,390,658	93
Non-current Assets				
Council investment in GRFMA	5,817,880	5,991,205	(173,325)	(3)
Infrastructure, Property, Plant & Equipment	121,078,242	124,606,881	(3,528,639)	(3)
Other non-current assets	990,926	13,662	977,263	7,153
Total Non-current Assets	127,887,048	130,611,748	(2,724,701)	(2)
Total Assets	130,768,920	132,102,962	(1,334,043)	(1)

LIABILITIES

Current Liabilities

Trade & other payables	1,819,620	1,353,264	466,356	9
Borrowings	1,045,818	3,391,104	(2,345,286)	(50)
Provisions	1,253,471	1,008,691	244,780	12
Total Current Liabilities	4,118,909	5,753,059	(1,634,150)	(25)

Non-current Liabilities

Borrowings	1,790,122	1,790,124	(2)	(0)
Provisions	209,556	219,683	(10,127)	(5)
Total Non-current Liabilities	1,999,678	2,009,807	(10,129)	(1)
Total Liabilities	6,118,587	7,762,866	(1,644,279)	(21)
NET ASSETS	124,650,333	124,340,096	310,235	0

EQUITY

Accumulated Surplus	42,882,551	31,352,904	11,529,647	37
Asset Revaluation Reserves	79,592,796	90,743,580	(11,150,785)	(12)
Other Reserves	2,174,986	2,243,612	(68,626)	(3)
TOTAL EQUITY	124,650,333	124,340,096	310,236	0

Total Assets

Council's total asset base has decreased by \$1.334m over the Adopted Budget due to combined impact of;

- Cash and cash equivalent assets have been lower than budgeted by \$0.050m;
- Value of rubble stock as at 30 June 2021 has been higher than budgeted by \$0.084m;
- Grant income receivable from State Government (\$0.807m) for Carslake Road upgrade project being recorded as accrued revenue.
- The adopted budget estimated donated assets of \$1.500m. However, Council has received \$5.345 of donated assets during 2020/2021 Financial Year, a variance of \$3.845m.
- Council had a significant reduction in value of roads pavement and buildings assets in 2019/2020 Financial Year following asset revaluation as of 1 July 2019. However, this was not known when drafting 2020/2021 Adopted Budget and therefore not factored in to the 2020/2021 Adopted Budget.

Total Liabilities

Total liabilities have reduced by \$1.644m due to combined impact of;

- Not borrowings funds on a short-term basis (\$2.345m) as planned in the adopted budgets for 2019/2020 and 2020/2021 Financial Years due to carry over of some of project expenses; and
- increase in short-term trade payables by \$0.466m

Financial Indicators

Audited actual financial indicators against that of budget are given below in **Table 3**. It shows that the Council exceeded its financial targets for all ratios.

- a) An improved operating results has been achieved due to reasons explained above, resulting an operating surplus ratio of 8.30% against budgeted operating surplus ratio of 0.64%;
- b) Reduction in Net Financial Liabilities Ratio compared to the adopted budget for 2020/2021 Financial Year has been achieved due to;
 - Total net financial liabilities as of 30 June 2021 have been lower than that were estimated in the Adopted Budget; and
 - Total operating income for 2020/2021 has been higher than that was estimated in the Adopted Budget.
- c) Actual Assets Renewal Funding Ratio has been lower due to expenses incurred on assets renewal has been lower than budgeted by \$499,962. This is mainly due to;
 - Part of budgeted renewal projects being carried over to 2021/2022 \$308,000
 - Road Renewal projects discontinued pending road upgrade in 2021/2022 \$ 58,962
 - Assets renewal programs completed under budget \$133,000

Table 3: Financial Indicators for 2020/2021 (%)

	Audited Actual 2020/2021	Adopted Budget 2020/2021
Operating Surplus Ratio	8.30	0.64
Adjusted Operating Surplus Ratio	8.00	0.64
Net Financial Liabilities Ratio	23	49
Adjusted Net Financial Liabilities Ratio	29	49
Asset Renewal Funding Ratio	78	100

Conclusion

Adelaide Plains Council has been able to achieve an improvement in its operating results (i.e. improved operating results and a reduction in outstanding borrowings) when compared to the 2020/2021 Adopted Budget approved by the Council in June 2019. This improvement was due to the combined impact of various favourable/unfavourable internal and external factors such as:

- Grant funding received by the Council under Drought Communities Program round 1 and 2 and Local Roads and Community Infrastructure Program;
- reduction in Council's short-term borrowings; and
- carried forward of 2019/2020 unspent operating project expenses in to 2020/2021 Financial Year.
- carried forward of 2020/2021 unspent operating project expenses in to 2022/2023 Financial Year.

References

Legislation

Local Government Act 1999

- Section 127 – Financial Statements

Local Government (Financial Management) Regulations 2011

- Regulation 10 - Report on financial results

Other

Audit Committee Terms of Reference.

Audit Committee Working Program 2021/2022