

# NOTICE OF MEETING

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

## Audit Committee Meeting of the



**Adelaide  
Plains  
Council**

will be held in

**Council Chamber  
Redbanks Road, Mallala**

on

**Monday 6 June 2022 at 4:30pm**



James Miller  
**CHIEF EXECUTIVE OFFICER**

Pursuant to section 302B of the Local Government Act 1999 and the Electronic Participation in Council Meetings Notice (No 5) 2021, **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](http://www.apc.sa.gov.au)

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**2. Confirmation of Minutes**

**Monday 6 June 2022**

- 2.1 “that the minutes of the Audit Committee Meeting held on Monday 11 April 2022 (MB Folios 207 to 213, inclusive), be accepted as read and confirmed.”

# MINUTES

of the

## **Audit Committee Meeting**

of the



**Adelaide  
Plains  
Council**

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

HELD

**by electronic means**

on

**Monday 11 April 2022 at 4.30pm**



The Chairperson formally declared the meeting open at 4.30pm and acknowledged that the meeting is taking place on Kurna and Narungga lands.

## 1. ATTENDANCE AND WELCOME

### 1.1 Present

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

#### **Also in Attendance by audio-visual link:**

Chief Executive Officer	Mr James Miller
General Manager – Finance and Business	Mr Rajith Udugampola
General Manager – Governance and Executive Office	Ms Sheree Schenk
General Manager – Development and Community	Mr Darren Starr
General Manager – Infrastructure and Environment	Mr Thomas Jones
Manager Governance and Administration	Ms Alyssa Denicola
Administration and Executive Support Officer/Minute Taker	Ms Stacie Shrubsole
Information Technology Support Officer	Mr Sean Murphy

## 2. CONFIRMATION OF MINUTES

2.1 Confirmation of Minutes – Meeting held 14 February 2022

### Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mr Fairlie-Jones **2022/ 015**

**“that the minutes of the Audit Committee Meeting held on Monday 14 February 2022 (MB Folios 199 to 206, 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 8.1 – *Crown Land, Two Wells – April 2022 Audit Committee Update*. Leave was granted.

## 8. CONFIDENTIAL ITEMS

8.1 Crown Land, Two Wells – April 2022 Audit Committee Update

### Committee Resolution

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley **2022/ 016**

**“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 – Governance and Executive Office, General Manager – Finance and Business, General Manager – Development and Community, General Manager – Infrastructure and Environment, Manager Governance and Administration, 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 – April 2022 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 – April 2022 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 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**

Councillor Panella disconnected from the meeting at 4.54pm.

Councillor Panella reconnected to the meeting at 4.59pm.

8.1 **Committee Resolution**

Moved Deputy Mayor Strudwicke Seconded Mayor Wasley 2022/ 017

**“that the Audit Committee, having considered Item 8.1 – *Crown Land, Two Wells – April 2022 Audit Committee Update*, dated 11 April 2022, receives and notes the report.”**

**CARRIED UNANIMOUSLY**

8.1 **Committee Resolution**

Moved Mr Fairlie-Jones Seconded Councillor Panella 2022/ 018

**“that the Audit Committee, having considered the matter of Item 8.1 – *Crown Land, Two Wells – April 2022 Audit Committee Update* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:**

1. **The report and attachment pertaining to Item 8.1 – *Crown Land, Two Wells – April 2022 Audit Committee Update* remain 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 Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**

**CARRIED UNANIMOUSLY**

6. **REPORTS FOR DECISION**

6.1 Draft 2022/2023 Budget

**Committee Resolution**

Moved Mayor Wasley Seconded Councillor Panella 2022/ 019

**“that the Audit Committee, having considered Item 6.1 – *Draft 2022/2023 Budget*, dated 11 April 2022, receives and notes the report and in doing so:**


1. **Notes the lower than anticipated draft operating deficit of \$1.230m as presented in the report; and**
2. **Recommend to the Council that it consider Option 2 as presented in the rate modelling data which equates to an average rate increase of 3.25% as the basis for rate rises in 2022/2023 Financial Year.”**

**CARRIED UNANIMOUSLY**







 <b>Adelaide Plains Council</b>	<b>6.1</b>	<b>Draft 2022/2023 Annual Business Plan and Budget</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date:</b> <b>6 June 2022</b>	<b>Document Ref:</b>	<b>D22/21711</b>

**EXECUTIVE SUMMARY**

- The purpose of this report is to provide for Audit Committee’s information and consideration, updated draft 2022/2023 Annual Business Plan (ABP) and Budget post-public consultation before the final consideration by the Council in July 2022.
- During the public consultation period, Council didn’t receive any submission on the draft ABP and Budget. However, there was a late submission from Two Wells Football and Netball Club.
- At its April 2022 meeting, Council resolved that the Draft 2022/2023 Annual Business Plan (ABP) and Budget (**Attachment 1**) be released for public consultation. It forecasts;
  - an operating deficit of \$1.199m;
  - Capital Project budget of \$8,069m;
  - Average rate increase of 3.25%;
  - Fixed charge increase of 10% to \$123.20; and
  - Growth of 1.61%.
- Since the release of draft ABP and budget, Council have received further updates on growth within the district from Valuer-General. As of 22 May 2022, growth in number of rateable properties is 2.18% and expected to generate an additional rates income of \$0.059m over and above rates income estimates included in the draft budget in **Attachment 1**.
- In addition, depreciation expense has been revised up by \$0.184m due to expected increase in unit rates used in the valuation of fixed assets as a result of higher inflation.
- Budget changes post-public consultation are summarised in **Table 1** and the updated operating deficit at present is \$1.321m (**Table 2**).
- Updated new loan borrowings (**Table 7**) are estimated at \$4.765m.

**RECOMMENDATION**

**“that the Audit Committee, having considered Item 6.1 – *Draft 2022/2023 Annual Business Plan and Budget*, dated 6 June 2022, receives and notes the report and in doing so recommends to Council that it adopts consulted *Draft 2022/2023 Annual Business Plan and Budget* as contained in the Attachment 1, subject to the following changes:-**

**1. Updated final valuation reports from the Valuer General;**

**2. ....”**

## **BUDGET IMPACT**

Estimated Cost:	\$1.321m (operating deficit)
Future ongoing operating costs:	Interest expenses of \$0.072m associated with new borrowings
Is this Budgeted?	Yes (In the draft budget estimates)

## **RISK ASSESSMENT**

Council's main source of revenue is general rates which accounts for 74% of total income. Therefore, if the Council does not generate sufficient income, particularly, rate income, to meet its planned activities, it will not be able to service its payment obligations on time (liquidity/credit risk) without borrowing (financial risk) more money.

Overdue rates have increased significantly over the last 24 months mainly due to COVID-19 Rate Relief provided by the Council from May 2020. Council's overdue rates balance is \$0.769m as of 30 May 2022, a reduction of 27% when compared to the overdue rates balance of \$1.050m on 30 June 2021. However, overdue rates balance is expected to increase from current level by 30 June 2022 as fourth quarter rates instalment is not due until 3 June 2022. Therefore, any potential increase in overdue rates poses a liquidity risk for the Council which may need to be funded via short-term borrowings.

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## **Attachments**

1. Draft 2022/2023 Annual Business Plan and Budget released for public consultation on 4 May 2022
2. Budget submission received from Two Wells Football and Netball Club post conclusion of the Public Consultation Period



## DETAILED REPORT

### Purpose

The purpose of this report is to provide for Audit Committee's information and consideration, updated draft 2022/2023 Annual Business Plan (ABP) and Budget post-public consultation before the final consideration by the Council in July 2022..

### Background/History

Pursuant to Section 123 of the Local Government Act 1999 (the Act), the Council is required to prepare an ABP for each financial year and that the ABP be adopted by the Council after 31 May for the ensuing financial year and, except in a case involving extraordinary administrative difficulty, before 15 August for the financial year.

### Discussion

#### Public Submission to the Draft Budget

21 days public consultation was concluded at 5pm on Friday 29 May 2022. During this time, Council didn't receive any submission on the draft ABP and Budget. However, there was a late submission from Two Wells Football and Netball Club (the Club) as contained in the **Attachment 2**. This submission is mainly about the Club's priorities around Two Wells Football & Netball Sporting precinct and seeking assistance from the Council to deliver those priorities.

#### Council management comment on the budget submission received

Council have already resolved to allocate grant funding received under Local Roads and Community Infrastructure Programme for various programs and therefore no funding is available to consider for Two Wells Oval lights.

In addition, all the priorities that have been identified in the submission from the Club need to be properly costed and consulted with the community before Council make any decision. Therefore, it is too late to include them in the draft 2022/2023 ABP & budget. However, the Club will have the opportunity to re-submit their priorities when Council undertakes Two Wells Oval Masterplan which is budget in the next financial year.

#### Budget Changes Post Public Consultation

Since the public consultation, following budget adjustments have been made with a net impact of \$0.122m.

**Table 1 – Change to the Draft Budget Post Public Consultation (\$)**

	Budget Change	Amount
Depreciation expense has been increased following unit rates updates as of 1 July 2021 and expected increase in unit rates on 1 July 2022 due to higher inflation.		183,636
Cost of the LG Election in November 2022 has been increased from \$40,000 to \$60,000, following costing update from the Election Commission.		20,000
Increase in rates income following valuation update from Valuer-General.		(58,637)
Audit Committee Meeting	Page 13 of 101	6 June 2022

Expected income from dog registration fees has been increased by 7% following Council decision April 2022 to increase dog registration fees.	(23,000)
Budgeted income from expiations has been increased in line with current year actual income.	(5,000)
Other minor budget adjustments	5,488
<b>Total Budget Changes</b>	<b>122,487</b>

### Draft Statement of Comprehensive Income (Profit & Loss Statement)

Following table shows the updated budget position after accounting for changes identified in **Table 1** above, a 3.25% increase in average rates and 10% increase in fixed charges. Accordingly, the updated operating deficit is \$1.321m from recurrent and operating project activities in 2022/2023 Financial Year.

**Table 2: Draft Statement of Comprehensive Income (\$'000)**

Description	2021/2022	2022/2023		Budget	
	Adopted Budget (\$)	Draft Budget (\$)	(%)	\$	%
<b>OPERATING INCOME</b>					
Rates					
- General Rates - Existing Assessments	10,093	10,549	73	456	4.52
- General Rates - New Assessments	0	99	1	99	
- Rate Rebates	(102)	(104)	(1)	(2)	2.23
- Waste Levy	658	707	5	49	7.44
- Regional Landscape Levy	192	197	1	5	2.50
- Other Rates Income	81	84	1	3	3.29
Statutory charges	496	589	4	93	18.82
User charges	170	193	1	23	13.41
Grants, subsidies & contributions	1,894	1,955	14	61	3.21
Interest Income	3	3	0	-	-
Reimbursements	126	123	1	(3)	(2.57)
Other Income	23	48	0	25	111.53
<b>TOTAL INCOME</b>	<b>13,635</b>	<b>14,443</b>	<b>100</b>	<b>808</b>	<b>5.93</b>
<b>OPERATING EXPENSES</b>					
Employee Costs	5,900	6,449	44	549	9.30
Materials, contracts and other	4,726	4,924	34	199	4.20
<i>Including legal expenditure</i>	<i>199</i>	<i>200</i>	<i>1</i>	<i>1</i>	<i>0.50</i>
Depreciation	2,731	2,996	20	266	9.72
Interest Expenses	72	193	1	121	166.74
Share of loss from GRFMA	63	79	1	15	24.23
<b>TOTAL EXPENSES</b>	<b>13,492</b>	<b>14,641</b>	<b>100</b>	<b>1,149</b>	<b>8.52</b>
<b>RECURRENT SURPLUS/(DEFICIT)</b>	<b>142</b>	<b>(198)</b>	<b>(1)</b>	<b>(341)</b>	<b>(239)</b>
Net Cost of the 2 x CWMS	(144)	(174)	(1)	(30)	21
Funding for growth initiatives/OPs	(185)	(949)	(6)	(764)	414
<b>OPERATING DEFICIT</b>	<b>(186)</b>	<b>(1,321)</b>		<b>(1,135)</b>	

Long term financial plan (LTFP) forecast that for 2022/2023 Council is expected to have an operating deficit of \$1.674m which is higher than updated budget for next financial year as shown above. This is mainly due to some of the operating projects (for example, Two Wells Main street underground power

lines and relocation of Two Wells Waste Transfer Station) identified in the LTFP has been deferred to 2023/2024 Financial Year due to operational reasons.

#### Proposed Operating Project Program for 2022/2023

Operating projects are funded via Rate Revenue, non-rate revenue and short-term borrowings. The cost of the draft program is estimated to be \$0.949m and summarised in **Table 3** below with reference to Council's strategic plan.

**Table 3: Proposed Operating Projects Program (\$'000)**

Project Description	Estimated Cost
<b>Remarkable landscapes</b>	
1) Street/Verge Tree Planting	20
2) Heritage Survey - Part 2	27
3) Parham - Old Playground Block (Sell or Develop Site)	5
<b>Enviably lifestyle</b>	
4) Open Space & Recreation Strategy	60
5) Social & Community Infrastructure Plan	100
6) Roadside Vegetation Management Plan	100
7) Two Wells - Liberty and Eden Estates, Recycled Water Costs (parks & reserves)	59
8) Donaldson Rd - Design to include WSUD and open space elements	10
9) Mallala Stormwater Flood Plain Management Plan	65
10) Implement Regional/Council Disability Access and Inclusion Plan Initiatives	15
<b>Emerging Economy</b>	
11) Parham Campground - Formalise Land	5
12) Two Wells Oval - Master Plan - Design/Costing/Consultation (Stage 1)	100
13) Dublin - Township Growth & Tourism Master Plan	50
14) Seal Thompson Beach Espl. and Webb Beach Rd - Detailed design and costing	34
15) Economic Zones	20
<b>Proactive Leadership</b>	
16) Council Election – November 2022	60
17) Grant Writer to apply for government grants	15
18) Labour resources (Outside staff)	83
19) Upgrade to Council's Electronic Records Management System	33
20) Network Shared Drive Migration Strategy (Shared Folders)	9
21) Microfiche Records Digitisation Project	39
22) Redundancy and Backup Servers for Council's Information technology systems	33
23) Council Member Computer Hardware Refresh following 2022 LG Elections	6
<b>Total Estimated Costs</b>	<b>949</b>

#### Rates Modelling – Property Valuation

An extract from the latest property valuation data available from Valuer-General (VG) is given below in **Table 4** in comparison to similar information as of 30 June 2021 and 30 June 2020. Growth in rates income due to development is 1.41% as of 22 May 2022 and is significantly lower than 2.75% factored in the LTFP.

However, it is too early to exactly know the development growth rate for next year. Staff from Valuer-General Officer have advised the Council that updated valuation data may not be finalised up until late June 2022. Council expect a significant development growth this year as well, but may not be as big as last year due to slowdown in new subdivisions.

**Table 4: An Extract from latest valuation data from the VG (22 May 2022)**

Description	22-May-22	30-Jun-21	30-Jun-20
Increase in number of properties through sub-division	120	257	173
Sub-Division Growth (valuation increase) - \$'Mn	25	39	24
Building Development Growth (valuation increase) - \$'Mn	0.184	27	54
Total Development Growth - \$'Mn	25	66	78
Total Development Growth - %	1.11	3.20	2.04
Increase in Rates income due to Development Growth - \$'Mn	0.143	0.256	0.197
Increase in Rates income due to Development Growth - %	1.41	2.67	2.15
Natural Growth (valuation increases due to reasons other than dev.) - %	4.92	4.46	1.86

**Table 5** below shows the average rate by land use category based on 3.25% increase in average rates and 10% increase in fixed charge. The average rate for all rateable properties is expected to increase from \$1,848 to \$1,909 per property, an increase of \$60 or 3.25%. Total rates income is expected to increase by 5.5% to \$10.647m.

**Table 5: Average Existing Rates (Inclusive of building developments on existing properties)**

Land Use	Total expected revenue (\$)			No. of rateable properties		Average per rateable property (\$)		
	2021/22	2022/23	Change	2021/22	2022/23	2021/22	2022/23	Change
Residential	5,560,232	5,841,333	5.06%	3,193	3,265	1,741	1,789	48
Commercial	37,283	39,330	5.49%	28	28	1,332	1,405	73
Commercial - Other	171,698	176,939	3.05%	76	76	2,259	2,328	69
Industry - Light	8,828	9,911	12.27%	6	7	1,471	1,416	(55)
Industry - Other	92,529	95,029	2.70%	15	15	6,169	6,335	167
Primary Production	3,561,930	3,727,462	4.65%	1,405	1,424	2,535	2,618	82
Vacant Land	566,572	663,405	17.09%	683	711	830	933	104
Other	93,709	94,462	0.80%	54	53	1,735	1,782	47
Total Income	10,092,780	10,647,871	5.50%	5,460	5,579	1,848	1,909	60

#### Actual rate rises

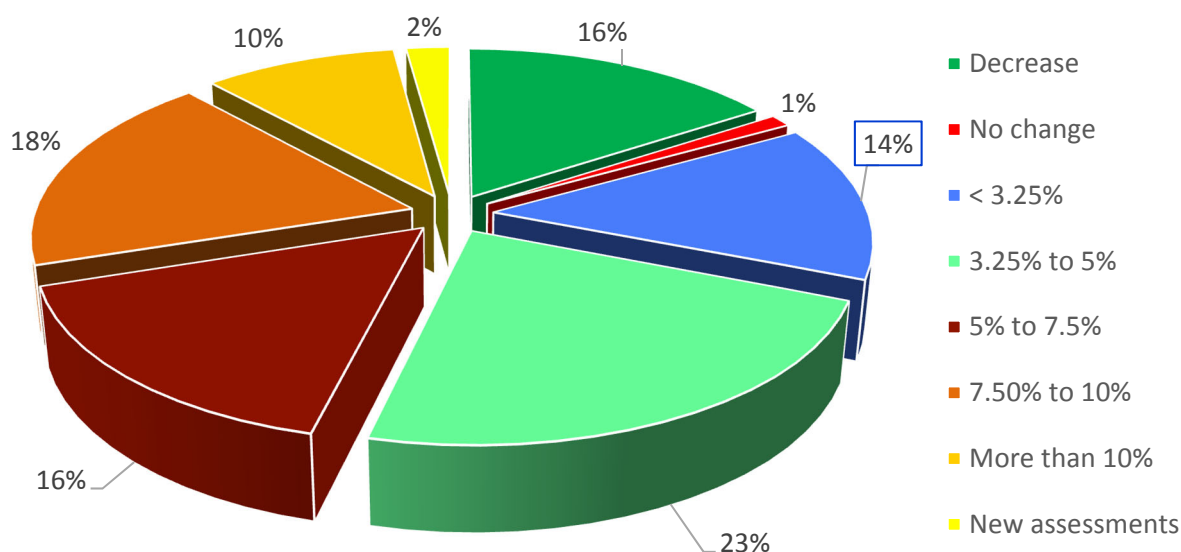
As Council rate is determined by multiplying capital value of the property (decided by the VG) by the rate in the dollar (decided by the Council) applicable to the property, average rate calculated above does not show the actual general rate rises applicable to each property. Actual rate rises is also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

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

For example, **Figure 1** below shows that with the proposed 3.25% average rate increase;

- 16% of the properties will have their rates being reduced next year;
- 1% of the properties will have their rates remained unchanged;
- 14% of the properties will have their rates increased by equal or less than 3.25%;
- 23% of the properties, will have their rate increase would be between 3.25% and 5%;
- 16% of the properties, will have their rate increase would be between 5% and 7.5%;
- 18% of the properties, will have their rate increase would be between 7.5% and 10%;
- 10% of the properties will have their rates gone up by more than 10.00%.; and
- Remaining 2% represents new assessments that have been created for the next financial year.

**Figure 1: Breakdown of General Rates Increase by Percentage (inclusive of development growth)**



Proposed Capital Project Program for 2022/2023

Draft 2022/2023 capital programme is summarised below. The estimated cost of the capital works program is \$8.069m of which \$4.593m (57%) would be spent on assets renewals in line with Council’s Infrastructure. and Assets Management Plans (I&AMP) adopted on 25 October 2021. The remaining capital expenditure of \$3.476m (43%) is proposed to be spent on new assets of which \$1.195m will be funded by government grants.

**Table 6: Draft Capital Works Program (\$’000)**

Project Description	Estimated Cost
Plant & Equipment	1,154
Street Scope (Footpath, Kerbing and Street Trees)	0,373
Sealed Roads	3,210
Bridge	0,370
Unsealed Roads	1,172
Car Parks & Traffic Control	0,360
Buildings	0,130
Site Improvements	1,180
Stormwater	0,025
CWMS	0,085
<b>Total Capital Expenditure</b>	<b>8,069</b>

Project Description	Estimated Cost
New	3,476
Renewal	4,593
<b>Total Capital Expenditure</b>	<b>8,069</b>

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

Project Description	Estimated Cost
Infrastructure Assets Renewal	3,520
Plants and Equipment Renewal	1,106
<b>Total Assets Renewal Expenditure</b>	<b>4,626</b>

## Financing the budget

An operating deficit means, Council is spending more than what it generates as income in delivering services to the community. In addition, Council has loan obligations to pay as well as the need to fund new assets. Therefore, if the Council decides to continue the same level of service and draft operating project program as included in this report with an average rate increase of 3.25%, it has to borrow \$4.765m to deliver operating and capital projects identified above and meet its loan repayment obligations as summarised in the **Table 7** below. Out of the new borrowings;

- \$1.633m will be allocated for assets renewal program;
- \$1.195m will be used to fund Council co-contribution required under State Government's Local Government Infrastructure Partnership Program for the Sealing of Middle Beach Road;
- \$1.086m will be spent on new assets across the Council district; and
- \$0.851m will be used to deliver operating project program proposed.

While the maximum amount to be borrowed is \$4.765m, the timing of the actual borrowings would depend on the progress of the capital works program. Local Government Finance Authority has made available convertible cash advance debenture of 3 years for LGIPP funded projects at a concessionary variable rate of 1.55% to a maximum limit of \$1.238m.

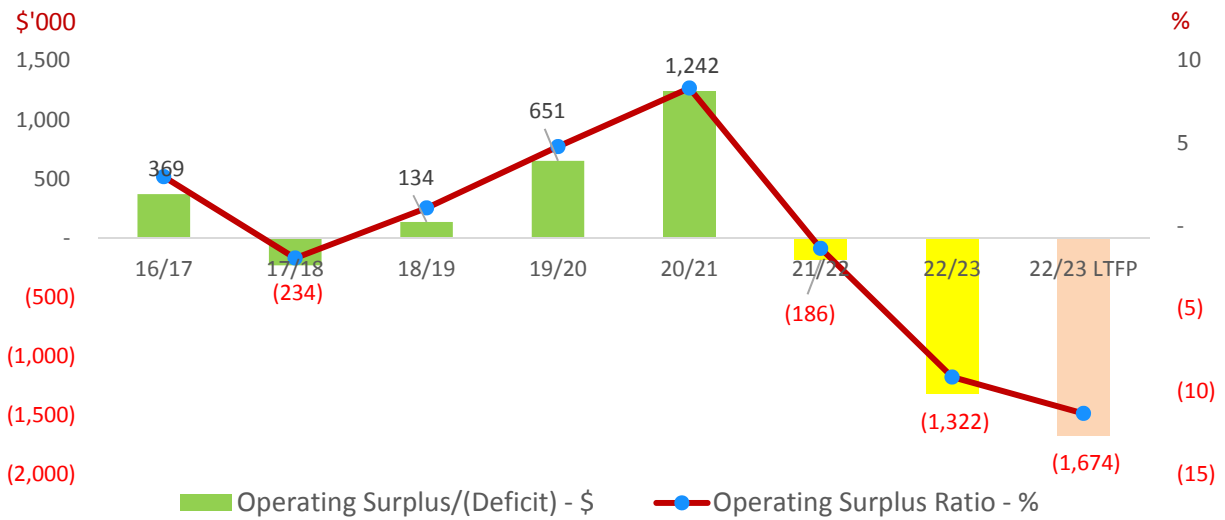
**Table 7: Funding Shortfall for 2022/2023 (\$'000)**

<b>Description</b>	<b>Amount</b>
Cash shortfall due to Operating Deficit	(1,321)
Cash injection from sale of surplus/replaced assets	231
Share of loss - joint ventures & associates (non-cash transactions)	79
To fund capital Program - Money available through depreciation	3,144
- Proposed assets renewal expenditure	(4,593)
- Proposed new capital expenditure	(3,476)
Grants specifically for new or upgraded assets	1,195
Loan Repayment	(23)
<b>Total funding shortfall</b>	<b>(4,765)</b>

## **Draft Financial Indicators**

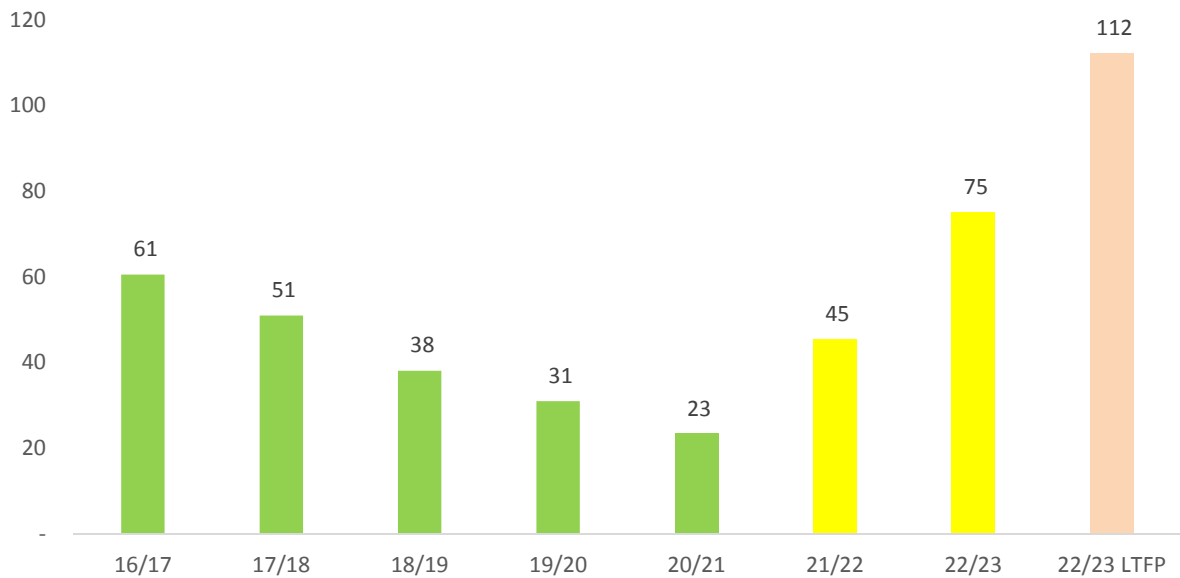
The following graph shows, Council's updated draft financial indicators for 2022/2023 Financial Year in comparisons to LTFP ratios for 2022/2023, actual financial indicators since 2016/2017 Financial Year and budgeted the financial indicators for 2021/2022 and 2022/2023 Financial Years.

### 1. Operating Surplus/ (Deficit) Ratio



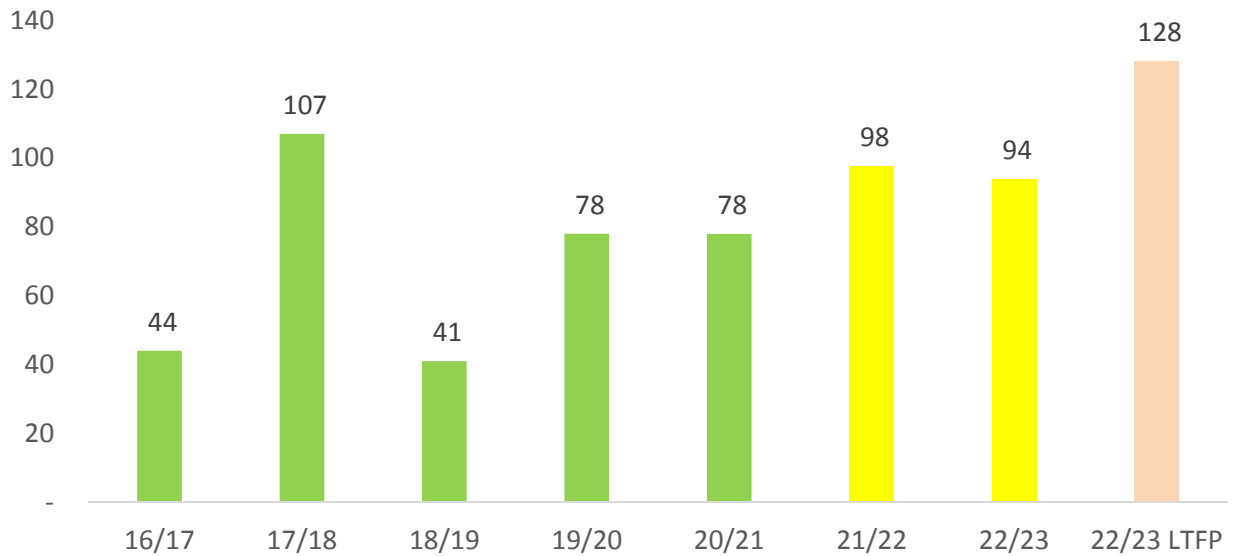
**Note:** Financial Sustainability Information Paper 9 of the LGA recommend an Operating Surplus Ratio of between 0% and 10% on average over long term.

### 2. Net Financial Liabilities Ratio (%)



**Note:** Financial Sustainability Information Paper 9 of the LGA recommend a Net Financial Liabilities Ratio of greater than zero but no more than 100% of total operating revenue on average over long term.

### 3. Assets Sustainability Ratio (%)



**Note:** Financial Sustainability Information Paper 9 of the LGA recommend an Asset Sustainability Ratio of greater than 90% but less than 110% on average over long term.

### Conclusion

The report will provide the Audit Committee members with an opportunity to consider and discuss the draft Budget for the 2022/2023 Financial Year and the public submission received on the draft Annual Business Plan and Budget before the final consideration by the Council in July 2022.

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### References

#### Legislation

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

*Section 123 (13) of the Local Government Act 1999*

#### Council Policies/Plans

*Budget Management Policy*

*Council Vehicle Policy*

*Funding Policy*

*Treasury Management Policy*

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

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



DRAFT

2022/2023 DRAFT

# ANNUAL BUSINESS PLAN AND BUDGET

for Public Consultation





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# 1

## PREAMBLE

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

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

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

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

This document presents Adelaide Plains Council's draft 2022/2023 Annual Business Plan and Budget for public comment. This draft document has been developed in consultation with the Council Members, Infrastructure & Environment Committee, Audit Committee and the Council management, in the context of Council's Strategic Plan 2021-2024.



## 2

# MESSAGE FROM THE MAYOR

The setting of rates and the Annual Business Plan is one of the paramount roles of Council.

Through workshops and regular financial updates Councillors are provided with the relevant and necessary information in order to decide on setting effective and achievable financial goals. Everyone is familiar with the term “council rates”. But what are council rates used for?

Upkeep of sealed and unsealed roads, footpaths, parks, gardens and verges. Managing our waste transfer station, stormwater infrastructure, providing a fantastic library service and wifi to our main settlements. A full list of the many services your Council provides and manages is available on Council’s website and within this Annual Business Plan and Budget.

There is so much uncertainty in South Australia at the moment – fuel prices, groceries, building supplies have all fluctuated beyond what was previously acceptable and we all now have to make adjustments. It is important to keep rate percentages in perspective.

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When setting the rates for the coming year, Council considers known figures and what can be reasonably be expected to be needed to carry on the business. This year all these factors have been considered and the Elected Members have endorsed the draft Annual Business Plan and Budget as presented for community consultation.

**MARK WASLEY**  
MAYOR

When setting the rates for the coming year, Council considers known figures and what can be reasonably be expected to be needed to carry on the business.





## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In recent years Council has positioned itself extremely well from both a financial management and infrastructure delivery perspective. Not only has Council embarked on a concerted roads program (re-sheets, re-seals and new sealing projects) which has eradicated the long-standing backlog, we have done so without the need to hike up Council rates while cleverly tapping into federal and state government grants, thus reducing the impact on our ratepayers.

Further, Council will pay down all of its existing loans by June 2022, excluding the Mallala Community Wastewater Management System, and our projections paint a positive picture over the short, medium and long term.

Maintaining momentum is what the draft 2022/2023 Annual Business Plan (ABP) and Budget provides.



The development of the draft ABP and Budget commenced in January 2022 and has received significant input from both our Audit Committee and our Infrastructure and Environment Committee. Key features of the draft budget include:

- Average rate rise of 3.25%.
- Capital works program of \$8.069m with \$4.593m to be spent on asset renewals. Remaining \$3.476m to be spent on new assets of which \$1.195m to be funded using government grants.
- Kerbside waste collection services to continue with a moderate increase of just 2.99%
- Mallala CWMS and Middle Beach CWMS annual service charge to increase by 5% and 2.93% respectively.
- Operating deficit to accord with the projections entailed within our Long Term Financial Plan, amounting to \$1.199m.

As the second fastest growing council in South Australia per head of population, we have much to plan for to ensure we are equipped to accommodate and service the growth. Freight and tourism route sealing projects will continue to be delivered in 2022/2023 (Aerodrome Road and Middle Beach Road to follow the delivery of Cheek Road and Barabba Road), with 50/50 funding of \$2.340m secured through the state government. Construction of the Two Wells township protection levee, fully funded by the federal government and developer contributions amounting to \$2.020m, will commence. Maintaining a strong resourcing arm will be necessary and result in additional resources coming on board to account for the unprecedented growth currently on foot, with over \$5m of donated assets coming into our ownership in each of the last three years. These projections will not stop, rather, they will only escalate.

The draft 2022/2023 ABP and Budget demonstrates sound financial management principles with strong synergies and alignment to our Long Term Financial Plan. I commend the draft ABP and Budget to our community and look forward to receiving feedback through the upcoming consultation period.

**JAMES MILLER**  
CHIEF EXECUTIVE  
OFFICER

The draft 2022/2023 ABP and Budget demonstrates sound financial management principles with strong synergies and alignment to our Long Term Financial Plan.

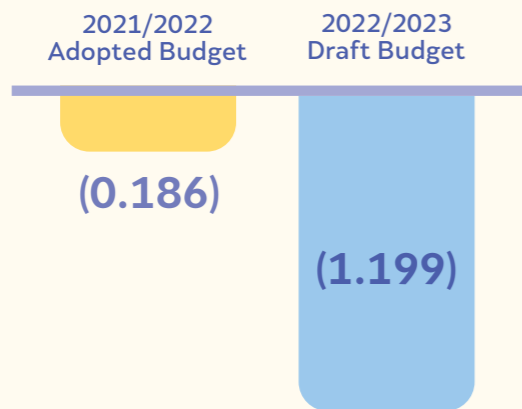
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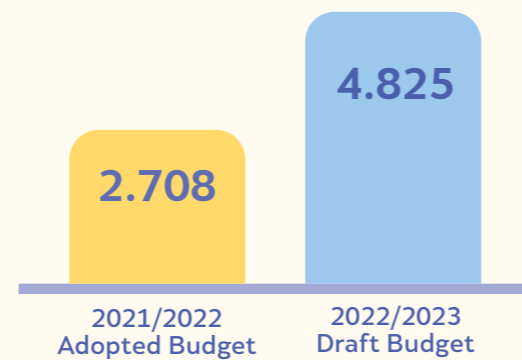
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# SUMMARY OF 2022/2023 BUDGET

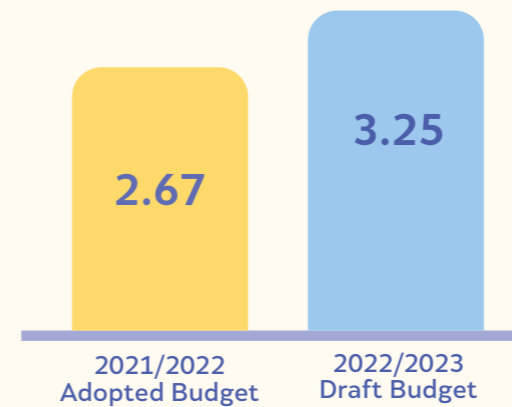
### OPERATING SURPLUS/ (DEFICIT) (\$'MN)



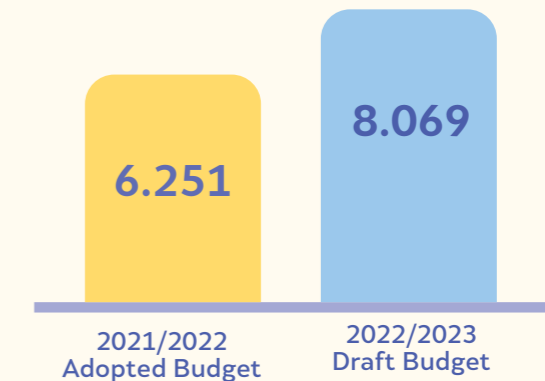
### NEW BORROWINGS (\$'MN)



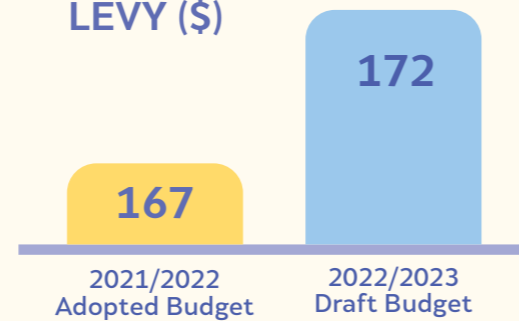
### AVERAGE RATE INCREASE (%)



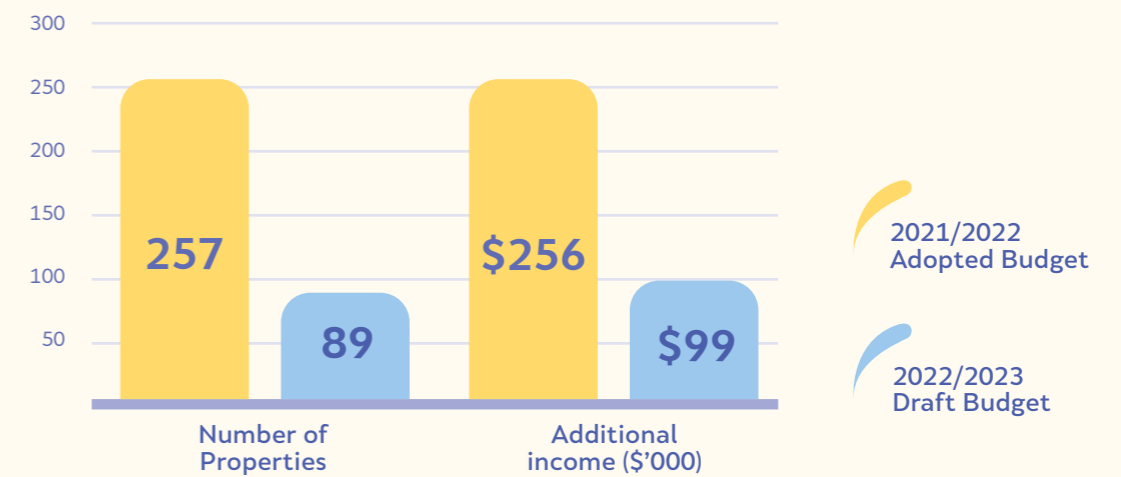
### INVESTMENT IN INFRASTRUCTURE/ASSETS (\$'MN)



### WASTE LEVY (\$)



### GROWTH FROM DEVELOPMENT





# 5

## STRATEGIC PLAN 2021 - 2024

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

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

### 1 ENVIABLE LIFESTYLE

#### Strategies

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

### 2 EMERGING ECONOMY

#### Strategies

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

### 3 REMARKABLE LANDSCAPES

#### Strategies

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

### 4 PROACTIVE LEADERSHIP

#### Strategies

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

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

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

Therefore, the focus in developing the draft 2022/2023 Budget has been on ensuring that the Council can maintain the service standards for its existing services (business as usual) and that those services receive appropriate funding, balanced with ensuring that the community does not face significant/ad-hoc increases in their annual rates contribution in next year or future years.

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

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

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

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# INFRASTRUCTURE AND ASSET MANAGEMENT PLAN

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

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

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



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# ASSESSMENT OF THE 2021/2022 STRATEGIC OBJECTIVES

Following table shows Councils strategic objectives for 2021/2022 Financial Year and the assessment of whether the activities Council has undertaken as of 31 March 2022 have achieved those objectives.

PROJECTS TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVES

**Table 1:**  
Assessment of Strategic Objectives for 2021/2022 Financial Year

Note 2021/2022 Budget was prepared based on 'Strategic Plan 2017-2020'

Strategic Objective: Growing Economy, Great Places & Infrastructure		
1	Resources required to meet growth in the Council district and develop local economy (Economic development, Parks & Garden, Marketing and Communication, Building / Environmental Health Inspection, Two Wells Crown Land, Economic Zones, Growth Strategy, Grant Writer etc.)	In progress*
2	Deliver an annual capital construction and renewal program	In progress*
3	Delivery of annual plant/fleet replacement program	In progress*
4	Local Road and Community Infrastructure Program (Round 3)	In progress*
5	GRFMA Charter Review	In progress*
6	Develop Recreational trail strategy**	Discontinued**
7	Stage Adelaide Plains Food and Business Festival**	Discontinued**
8	Construction of Two Wells Stormwater Levee	In progress*
Strategic Objective: Vibrant Community		
9	Community Survey 2021	In progress*

\* Projects in progress but not completed as of 30 June 2022 will be carried forward to 2022/2023 Financial Year

\*\* Discontinued due to unsuccessful grant application



# 8

## SIGNIFICANT BUDGET INFLUENCES AND ASSUMPTIONS

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

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

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

### EXTERNAL BUDGET INFLUENCES

- The Reserve Bank of Australia (RBA) has an inflationary target of between 2.00% and 3.00% per annum. I.e. if the inflation in the country exceeds 3%, RBA is expected to increase its cash rate which is currently at historical low of 0.10%.
- The MYEFO released by the Federal Government in December 2021 predicted that the CPI for Australia would be 2.50% in 2022/2023. However, 2022/2023 Federal budget delivered in March 2022 forecast that the inflation in Australia would rise to 4.25% in 2021/2022 and 3.00% in 2022/2023.
- According to draft 2022/2023 budget for the Council, estimates for material, contract and other expenses have increased by 3.47% (exclusive of kerbside waste collection charges).
- The CPI for South Australia in 2022/2023 is expected to be 2.25% as per 2021/2022 Mid-Year Economic and Fiscal Outlook of the Government of South Australia.
- Increase in population due to new residents moving in to the Eden housing development in Two Wells. For example, following new rateable properties were created by the Council in recent years:
  - 2019/2020 Financial Year: 173
  - 2020/2021 Financial Year: 257
  - 2021/2022 Financial Year: 83 (July-December 2021)
- Increased demand for updated IT infrastructure to ensure cyber security, data integrity and facilitate work from home due to pandemic related precautions.

- Increase in community demand for new assets such as sealing of unsealed roads and stormwater drainage. For example, following roads have been sealed/will be sealed by the Council.
  - Shannon Road (In 2019/2020 & 2020/2021 FYs)
  - Carslake Road (in 2020/2021 FY)
  - Coats Road, Wheller Road, Aerodrome Road, Barabba Road and Cheek Road (in 2021/2022 FY)
  - Middle Beach Road (in 2022/2023 FY)
- Assets rationalisation - Potential to engage community organisations and groups to manage community assets (For example Mallala Campground, Parham Campground).
- Adelaide Plains Council's population had grown by nearly 5.5% from 8342 in 2011 to 8,801 in 2016. It is projected to grow by 10,557 persons to a population of 19,358 by 2050 at 1.20% per annum compared to 0.90% for Greater Adelaide.
- The Estimated Resident Population within the district as per Australian Bureau of Statistics is 9,655 as of 30 June 2021;
- Commitments to projects and partnership initiatives continuing over more than one year e.g. Barossa Regional Procurement Group, Regional Development Australia Barossa Inc, Central Local Government Region of South Australia and Local Government Association of South Australia.
- Potential flood mitigation works by Gawler River Floodplain Management Authority that is expected to cost a significant amount of money, however the GRFMA's current policy position is such that no capital costs for the proposed Northern Floodway are borne by constituent councils.

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## INTERNAL BUDGET INFLUENCES

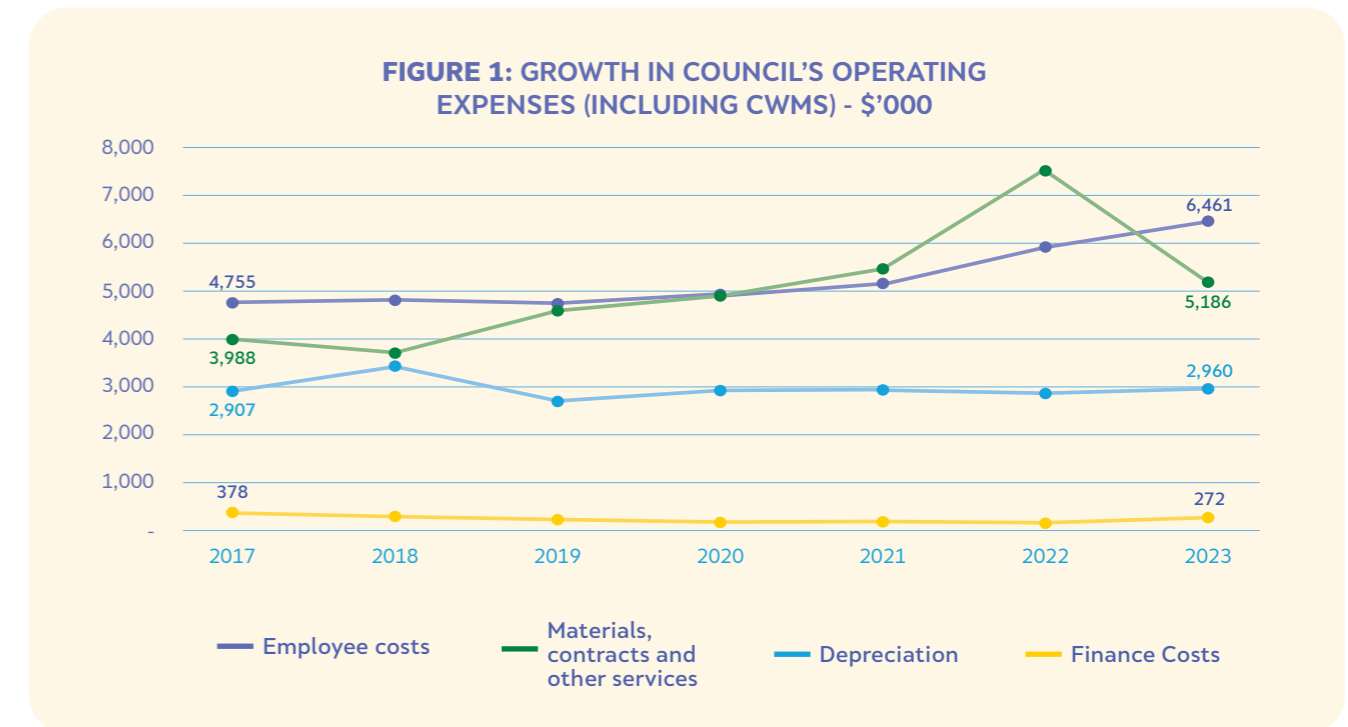
- Cost of maintaining infrastructure assets handed over to the Council from residential developments. Budget for next financial year will be developed on the assumption that the new infrastructure will have same service level as previously provided by the developer unless Council decides otherwise.
- Increase in overdue rates which was \$1.039m as at 12/04/2022 (\$1.050m as at 30/06/2021 and \$0.810m as at 30/06/2020).
- Additional depreciation expenses associated with significant infrastructure spending in 2020/2021 and 2021/2022 financial years.
- Increase in salaries/wages as per enterprise bargaining agreement;
- Council's long-term financial objective of being financially sustainable by achieving an operating break even position and the need to exercise prudent financial management practices to ensure financial sustainability.
- Requirements to maintain and improve infrastructure assets to acceptable standards including roads, kerbing, footpaths, Community Waste Management Scheme, storm water drainage, parks and gardens, Council's buildings, plants, machinery, equipment, furniture and fittings in consistent with the Infrastructure and Asset Management Plans.

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

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

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



### Material, Contracts and Other Expenses

are showing an upward trend over the period mainly due to increased cost to Council in relation to contracting kerbside waste collection and disposal service, information technology, general maintenance, water, electricity, insurances, legal fees and the delivery of several new initiatives partially funded by the Federal/State Governments. A significant increase in material, contract and other expenses in 2021/2022 Financial Year is due to \$1.650m to be spent on Two Wells Stormwater Levee which is 100% funded by grants.

**Interest Expenses** have decreased over the years mainly due to a reduction in Council's short term cash advance (CAD) loan. In addition, new interest expense of \$0.073m has been budgeted for 2022/2023 financial year based on estimated borrowings shown in Table 10.

**Depreciation Expenses** have increased by \$0.098m or 3.00% in 2022/2023 when compared to 2021/2022 Financial Year mainly due to additional depreciation associated with new assets handed over to the Council by developers following the completion of initial maintenance obligations.



# SERVICES PROVIDED BY THE COUNCIL TO ITS COMMUNITY

Council provides services in response to the needs and priorities of the community. In providing these services, and carrying out all of its daily functions, Council is highly regulated by the provisions of the Local Government Act as well as various other legislation, including, but not limited to, the following:

- *Burial and Cremation Act 2013 (SA)*
- *Community Titles Act 1996 (SA)*
- *Crown Land Management Act 2009 (SA)*
- *Planning, Development and Infrastructure Act 2016 (SA)*
- *Dog and Cat Management Act 1995 (SA)*
- *Environment Protection Act 1993 (SA)*
- *Evidence Act 1929 (SA)*
- *Expiation of Offences Act 1996 (SA)*
- *Fair Work Act 1994 (SA)*
- *Fences Act 1975 (SA)*
- *Fines Enforcement and Debt Recovery Act 2017 (SA)*
- *Food Act 2001 (SA)*
- *Freedom of Information Act 1991 (SA)*
- *Land and Business (Sale and Conveyancing) Act 1994 (SA)*
- *Liquor Licensing Act 1997 (SA)*
- *Local Government (Elections) Act 1999 (SA)*
- *Local Nuisance and Litter Control Act 2016 (SA)*
- *Landscape South Australia Act 2019 (SA)*
- *Real Property Act 1886 (SA)*
- *Return to Work Act 2014 (SA)*
- *Road Traffic Act 1961 (SA)*
- *Roads (Opening and Closing) Act 1991 (SA)*
- *Safe Drinking Water Act 2011 (SA)*
- *South Australian Public Health Act 2011 (SA)*
- *Supported Residential Facilities Act 1992 (SA)*
- *State Records Act 1977 (SA)*
- *Strata Titles Act 1988 (SA)*
- *Unclaimed Goods Act 1987 (SA)*
- *Work Health and Safety Act 2012 (SA)*

In addition to complying with, administering and enforcing the above legislations, there are also various related mandatory regulations and policies, and associated guidelines, that govern daily operations. Generally, a council decides what services they will provide locally (discretionary services), however there are some services that a council is required to provide by law (statutory services). Discretionary and statutory services provided by each department of Adelaide Plains Council can be summarised as follows:

## GOVERNANCE AND EXECUTIVE OFFICE

The majority of services provided by Council's Governance and Executive Office Department are mandated by legislation.

- Practice adequate records management;
- Work Health and Safety and Risk Management – monitoring, reporting and compliance;
- Human Resource Management;
- Management of Council's Governance Framework, including management of Council Code of Conduct complaints and handling queries or requests from the Ombudsman SA and the Independent Commissioner Against Corruption;
- Council Member Support and Training (including the provision of advice and preparation and distribution of agendas and minutes);
- Preparation of Annual Report;
- Local Government Elections (preparation and assistance);
- Delegations;
- Development and maintenance of statutory and other Council Registers (including register of interest, resolution registers, confidential items register, delegations register, gifts register, policy register, lease register, register of allowances and benefits, register of by-laws);
- Provision of internal and external customer service (including handling customer requests, receive and distribute information, receive and transfer calls and correspondence, daily banking and receipting, assist customers with dog registration requirements, rates enquiries, general enquiries, application forms); and
- Communication and Community Engagement – management of all Council communication platforms, distribution of Council publications including newsletters, public consultation notices and media releases etc.

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## DEVELOPMENT AND COMMUNITY

- Planning and development, including building safety assessment;
- Dog and cat management;
- Preparation of strategic plans for the area;
- Public health services such as monitoring cooling towers for Legionnaire's Disease;
- Fire prevention;
- Undertake road closures and reviews;
- Libraries;
- Community development;
- Social planning;
- Control of public nuisances;
- Monitoring unsanitary conditions;
- Food safety inspections;
- Footpath planning;
- Stormwater management planning;
- Parks and gardens planning;
- Traffic management planning;
- Traffic management compliance and local road safety;
- Ovals and other sporting facilities (open space) planning;
- Roadside rubbish compliance and clean up;
- Property management assistance;
- Provision of advice and support in relation to Crown Land under Council's care, control and management;
- General animal management;
- Development and Community information service;
- Skate park planning;
- Arts and cultural activities;
- Tourism information and support;
- Environmental management;
- Festival and event planning and facilitation;
- Short stay accommodation planning and facilitation;
- Wetland planning;
- Local Museum and heritage support;
- Coastal management planning;
- Business support;
- Stormwater recycling;
- Landcare program planning;
- Dry zones planning and facilitation;
- Cycling path planning;
- Crime prevention through environmental design;
- Community leadership and advocacy.

## INFRASTRUCTURE AND ENVIRONMENT

- Fleet and plant maintenance;
- Engineering design and specifications;
- Engineering support to development assessment;
- Asset management planning;
- Emergency management and support during floods and fire;
- Administration of Heavy vehicle applications;
- Building and structure maintenance;
- Building security;
- Public toilets;
- Building cleaning;
- Playgrounds;
- Roads (local roads - that is, not national highways or State arterial roads);
- Footpaths;
- Boat ramps;
- Stormwater drains and Flood protection/levees;
- Parks and gardens;
- Weed control;
- Street lights;
- Traffic management and local road safety;
- Reserves and picnic areas;
- Ovals & other sporting facilities;
- Rubbish collection, disposal and recycling;
- Illegal dumping;
- Vandalism;
- Environmental management;
- Support to festivals and events;
- Campgrounds;
- Cemeteries maintenance;
- Wetlands maintenance;
- Local Museums and Heritage support;
- Coast Care projects and Landcare programs; and
- Community Wastewater Management Schemes.



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# 10

## 2022/2023 RECURRENT AND PROJECT BUDGETS

### FINANCE AND BUSINESS

- Administer and maintain Council's property database and Council's assessment records;
- Collect overdue Council rates;
- Council procurement;
- Administer Council cemeteries;
- Accounts payable and receivable;
- Administer and process Council payroll system;
- Administer and maintain Council's accounting system including assets registers;
- Prepare annual business plan and budgets and carry out quarterly budget revisions;
- Regulatory compliance in relation to the reporting of GST, Fuel Tax Credits, FBT, PAYG;
- Process insurance claims relating to fleet vehicles;
- Management of Council insurances with Local Government Risk Services;
- Review and completion of grant acquittals;
- Annual review of Council fees and charges;
- Assist Council's Audit Committee to carry out its legislated functions;
- Manage Council cash flow in order to minimise interest expenses;
- Preparation of Council's Annual Financial Statements;
- Assist Council auditors to carry out interim and final audit of Council accounting records;
- IT services and support, including development and implementation of programs and processes;
- Provide administrative assistance to Adelaide Plains Historical Committee; and
- Review and maintain finance related Council policies and monitor their implementation.

COUNCIL'S 2022/2023 BUDGET CONSISTS OF RECURRENT BUDGET, OPERATING PROJECTS AND CAPITAL PROJECTS BUDGETS.

### RECURRENT BUDGET

The Recurrent Budget includes the amount of operating income that Council will receive in 2022/2023 Financial Year from general rates, service charges, government grants, fees and charges and investment. It also includes operating expenditures to provide Council's day-to-day operations and services in the course of its normal operating activities (on a 'business as usual' basis) such as kerbside rubbish collection, street lighting, parks and ovals maintaining and issuing building consents. Recurrent budget also includes costs related to the capital expenditure programme such as interest on loan obtained for capital program, maintenance of Council assets and depreciation.

### OPERATING PROJECTS

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

### CAPITAL PROJECTS

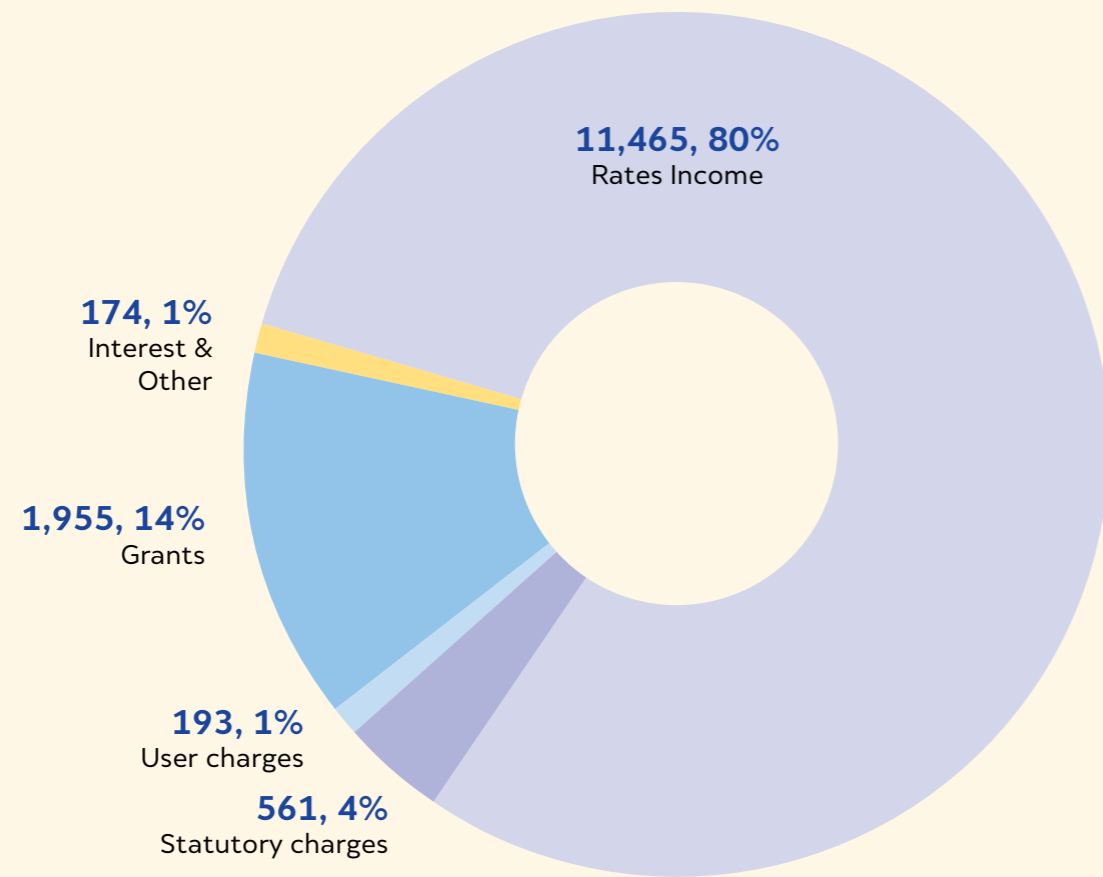
The expenditure included in the Capital Projects category is the amount of money Council will invest in renewing and upgrading existing assets or in the creation of new assets in accordance with the Council's Strategic Plan objectives and Infrastructure and Asset Management Plans.



# 10.1 Sources of Council Revenue

In order to fund its operations and programs, Council collects revenue from sources such as general rates, fees and charges levied on Council services (Statutory Charges and User Charges), grants from State and Federal Governments, interest income from investing excess cash in short-term investments, reimbursements and other sundry revenue sources. Figure 2 illustrates the main sources of the estimated Council revenues in 2022/2023 Financial Year (excluding income from Community Wastewater Management Scheme).

FIGURE 2: DISTRIBUTION OF ESTIMATED RECURRENT INCOME (\$'000 & %) – EXCLUDING CWMS



### Rates

Rates are the main sources of funding for the Council. A total of \$11.465m (\$10.923m in 2021/2022) are to be collected in 2022/2023 Financial Year, to help pay for essential, nondiscretionary services such as roads maintenance, public lighting, kerbside waste collection and disposal, citizenship ceremonies, public health and safety as well as discretionary services such as Council libraries, outdoor cinemas, and assistance to community programs and events.

### User Charges

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. These include rent income from Mallala Aged Homes, charges for the use of Council facilities, library printing and photocopy charges, Section 7 property searches and burial fees. User charge income is expected to increase by 13% from \$0.170m in 2021/2022 Financial Year to \$0.193m in 2022/2023 Financial Year.

### Statutory Charges

Statutory Charges relate mainly to fees and fines levied in accordance with legislation and include development application fees, animal registrations, health act registrations and parking fines. It is estimated that the Council will collect statutory charges of \$0.561m in 2022/2023 Financial Year (\$0.496m in 2021/2022).





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### Grants, subsidies and contributions

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

**Table 2: Summary for Estimated Recurrent Grants Income (\$'000)**

GRANT PROGRAM	AMOUNT
Financial Assistance grant (FAG) from Federal Government	1,537
Roads to Recovery (R2R) grant from Federal Government *	263
Coastal Officer Grant (Green Adelaide formerly NRM Board)**	102
Library operating grant from State Government	32
Library trainee grant	18
<b>TOTAL GRANTS, SUBSIDIES AND CONTRIBUTIONS INCOME</b>	<b>1,955</b>

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

\*\*approximately 50% of the Regional Landscape Levy collected from Adelaide Plains Council is invested back in the region through this grant.

### Investment Income

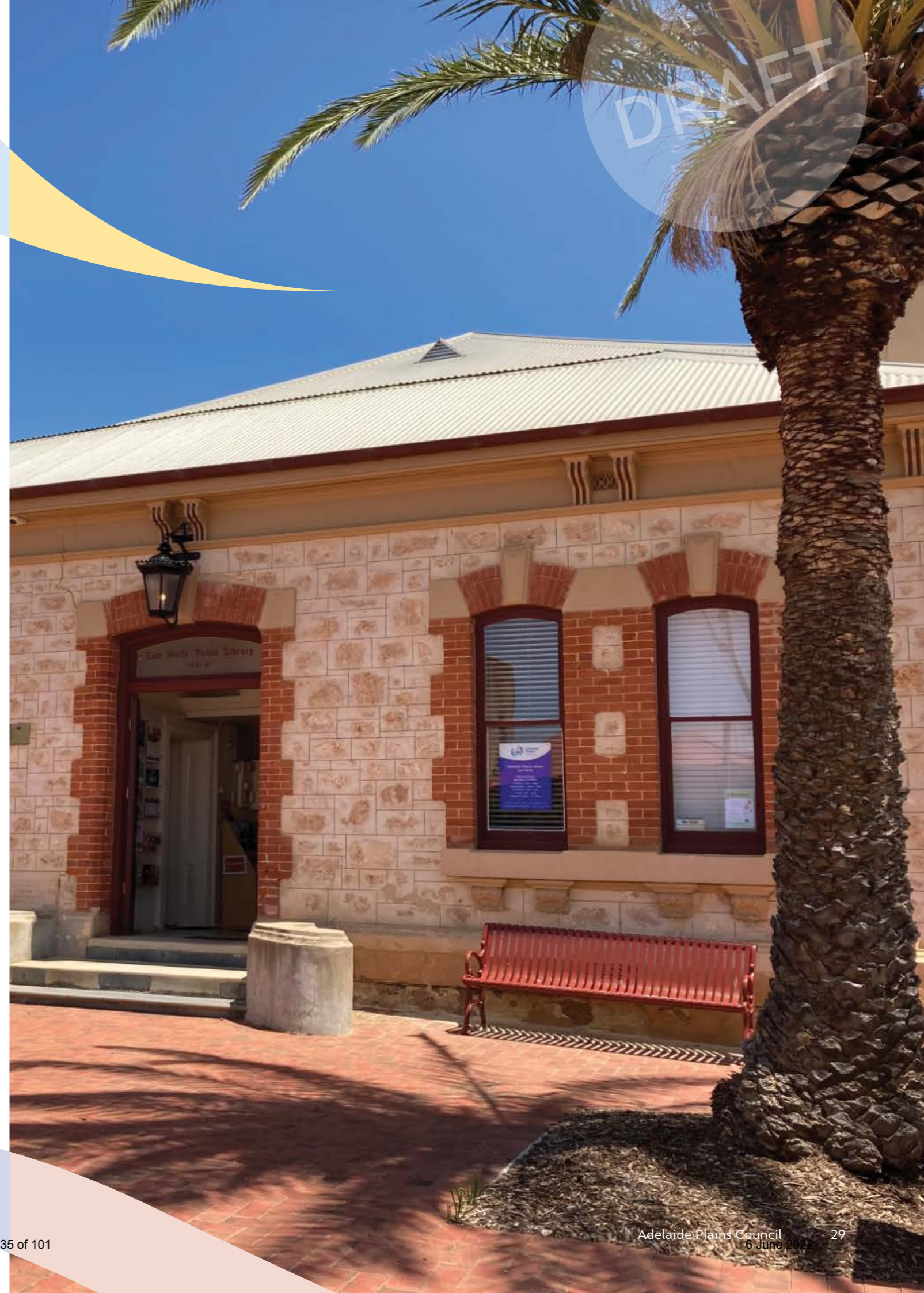
The Council earns investment income primarily in the form of interest from the investment of cash surpluses throughout the financial year.

### Reimbursements

Council is part of the self-funded insurance scheme administered by Local Government Risk Services (LGRS). Annually LGRS redistribute part of its profit from the operations of Workers Compensation Scheme and other insurance schemes back to the Council along with performance rebates. During 2022/2023, it is estimated that the Council will receive reimbursements of \$0.123m of which majority is from LGRS compared to \$0.126m in 2021/2022.

### Other Income

Other income relates to a range of unclassified items that do not fit within the aforementioned revenue categories. Other income is estimated to be \$0.048m in the 2022/2023 Financial Year.



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## 10.2 How Council's Revenue is spent?

### Employee Expenses

Employee expenses include all labour related expenditure such as salaries, wages, allowances and on-costs (Annual Leaves, Long Service Leaves, Superannuation, Workers Compensation Insurances etc.). For 2022/2023 Financial Year, employee costs on recurrent operations (excluding CWMS operations) are expected to increase to \$6.445m compared to \$5.900m in 2021/2022, an increase of 9%. This increase has been reported due to EBA/contract increases, reclassifications, growth planning and 2021/2022 salary budget being underestimated.

**Table 3: Estimated Employee Expenses for 2022/2023 Financial Year – Exc. CWMS (\$'000)**

DESCRIPTION	COSTS
Salaries & Wages	5,498
Long Service Leave	130
Superannuation	558
Workers Compensation Insurance	258
<b>TOTAL EMPLOYEE COST BUDGET</b>	<b>6,445</b>

**FIGURE 3: ADELAIDE PLAINS COUNCIL WORKFORCE (FTEs)**

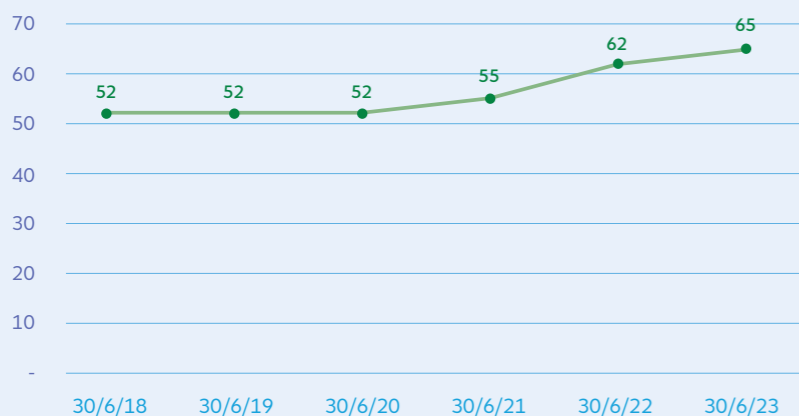


Figure 3 shows Council's staff levels at the end of each financial year from 30 June 2018 and the budgeted staff numbers on 30 June 2022 and 30 June 2023 on a full-time equivalent (FTEs) basis including temporarily contract positions. Council had approved four (4) new FTEs as part of 2021/2022 budget. In addition, two (2) contract positions (1.60 FTE) were added to assist in retirement transition and to replace works undertaken by external consultants.

### Materials, Contracts and Other Expenses

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

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

It is estimated that the Council will spend \$4.993m in 2022/2023 Financial Year on Materials, Contracts and Other Expenses, compared to \$4.789m in 2021/2022 Financial Year, an increase of \$0.204m or a 4.26% mainly due to increase in fuel, rubble costs, buildings, reserves & seal road maintenance and kerbside recyclable disposal costs.

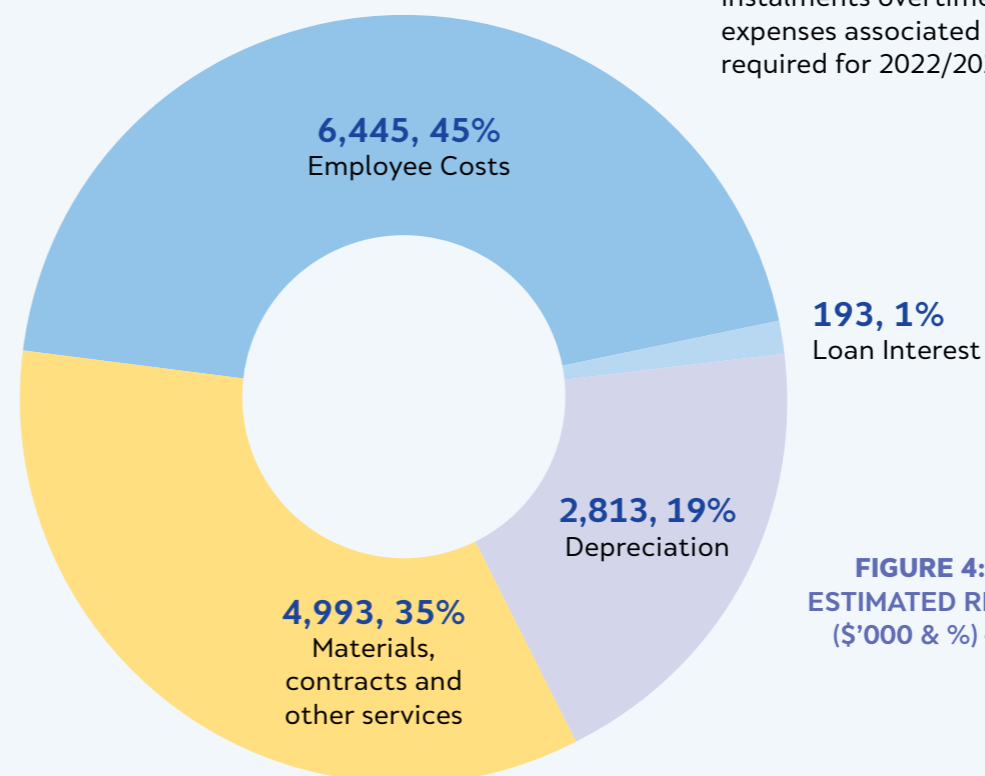
### Depreciation, Amortisation and Impairment

Depreciation is an accounting charge which measures the usage of Council's property, plant and equipment (including infrastructure assets such as roads and drains) over the estimated effective useful life of the assets. In 2022/2023 the forecast amount of depreciation is \$2.813m compared to \$2.731m for 2021/2022, an increase of \$0.082m or 3% mainly due to new depreciation expenses associated with infrastructure assets handed over to the Council by developers after the initial maintenance period.

### Finance Charges

Finance charges relate to interest charged by the Local Government Financing Authority on funds that have been borrowed by Council. Interest costs have been estimated based on Council's loan portfolio as at June 2022 and expected new borrowings for the next year.

Interest costs are expected to increase by 166% from \$0.072m in 2021/2022 Financial Year to \$0.193m in 2022/2023, mainly due to the combined impact of interest being paid reduced progressively when repaying loan instalments overtime and additional interest expenses associated with new borrowings required for 2022/2023 Financial Year.



**FIGURE 4: DISTRIBUTION OF ESTIMATED RECURRENT EXPENSES (\$'000 & %) – EXCLUDING CWMS**



## 10.3 Budgeted Statement of Comprehensive Income

For the 2022/2023 Financial Year, the estimated operating deficit is \$1.199m from recurrent and operating project activities based on 3.25% increase in average rates (Option 2 in the rates model). The estimated operating deficit consists of;

- Recurrent budget deficit of \$0.096m;
- CWMS Budget deficit of \$0.174m; and
- Net Operating Project budget of \$0.929m.

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

DESCRIPTION	2021/2022	2022/2023		BUDGET	
	ADOPTED BUDGET (\$)	DRAFT BUDGET (\$)	(%)	MOVEMENT (\$)	(%)
<b>OPERATING INCOME</b>					
Rates					
General Rates - Existing Assessments	10,093	10,491	73	398	3.95
General Rates - New Assessments	-	98	1	98	-
Rate Rebates	(102)	(105)	(1)	(4)	3.55
Waste Levy	658	699	5	41	6.24
Regional Landscape Levy	192	198	1	6	3.00
Other Rates Income	81	84	1	3	3.29
Statutory charges	496	561	4	65	13.18
User charges	170	193	1	23	13.41
Grants, subsidies & contributions	1,894	1,955	14	61	3.21
Interest Income	3	3	0	-	-
Reimbursements	126	123	1	(3)	(2.57)
Other Income	23	48	0	25	111.53
<b>TOTAL INCOME</b>	<b>13,635</b>	<b>14,348</b>	<b>100</b>	<b>713</b>	<b>5.23</b>
<b>OPERATING EXPENSES</b>					
Employee Costs	5,900	6,445	45	545	9.23
Materials, contracts and other	4,726	4,914	34	189	3.99
<i>Including legal expenditure</i>	199	200	1	1	0.50
Depreciation	2,731	2,813	19	82	3.00
Interest Expenses	72	193	1	121	166.74
Share of loss from GRFMA	63	79	1	15	24.23
<b>TOTAL EXPENSES</b>	<b>13,492</b>	<b>14,444</b>	<b>100</b>	<b>951</b>	<b>7.05</b>
<b>RECURRENT SURPLUS/(DEFICIT)</b>					
Net Cost of the 2 x CWMS	(144)	(174)	(1)	(30)	21
Funding for growth initiatives/OPs	(185)	(929)	(6)	(744)	403
<b>OPERATING DEFICIT</b>	<b>(186)</b>	<b>(1,199)</b>		<b>(1,013)</b>	



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## 10.4 Operating Income and Expenditure by Council Functions/Services

The following table shows operating income and expenditure for the 2021/2022 Financial Year by the Council functions/service excluding operating projects.



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

COUNCIL SERVICES/FUNCTIONS	INCOME	EXPENSES	NET COSTS
Volunteer Administration	-	4	4
Economic Development	(25)	129	104
Children & Youth Services	-	11	11
Community Events/Bus/Donations	(2)	93	92
Bridges and culverts Maintenance	(1)	20	19
Illegal Roadside Dumping	(1)	26	25
Heritage	(1)	20	19
Cemeteries	(51)	47	(3)
Mallala Aged Units	(58)	47	(11)
Street Lighting	-	77	77
Emergency Services and fire prevention	(6)	77	71
Community Safety	(3)	68	65
Street Cleaning	-	83	83
Public Conveniences	-	66	66
Resource Recovery Centre	(53)	93	40
Ovals, Playgrounds & Other Sporting Facilities	-	72	72
Community Services	-	105	105
Stormwater Management	-	127	127
Coastal Conservation	(105)	121	16
Flood Prevention	-	134	134
Environmental Health	(85)	116	31
Dog & Cat Control	(192)	177	(15)
Elected Members	-	172	172
Building Maintenance	-	213	213
Footpaths & kerbing Maintenance	-	198	198
Libraries	(50)	406	356
Community Wastewater Management	(262)	436	174
Parks, Gardens & Reserve Maintenance	-	630	630
Depot operation	(4)	639	635
Kerbside Waste Collection	(695)	692	(3)
Plant Maintenance	-	717	717
Planning & Compliance	(277)	1,511	1,234
Roads Maintenance	(1)	2,523	2,522
Government Grants	(1,800)	-	(1,800)
Council Administration*	(10,938)	5,030	(5,908)
<b>TOTAL INCOME AND EXPENSES</b>	<b>(14,610)</b>	<b>14,881</b>	<b>270</b>

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



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## 10.5 2022/2023 Operating Project Program

The Operating Projects budget encompasses programs and activities that are outside the 'business as usual' services and are considered discretionary in nature. i.e. the Council is under no obligation to provide the services, activities or programs or if required to undertake the activity, are irregular in nature (For example, Local Government Elections).

Operating Projects may be one off activities or programs, an expansion of an existing service or program or proposals to introduce a new service or program.

Operating projects are funded via rate revenue or a fee for service charge. The cost of the draft Operating Project program as summarised in Table 6 is estimated to be \$0.929m.



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Table 6: Operating Projects Program (\$'000)

PROJECT DESCRIPTION		ESTIMATED COST
<b>Remarkable landscapes</b>		
1	Street/Verge Tree Planting	20
2	Heritage Survey - Part 2	27
3	Parham - Old Playground Block (Sell or Develop Site)	5
<b>Enviably lifestyle</b>		
4	Open Space & Recreation Strategy	60
5	Social & Community Infrastructure Plan	100
6	Roadside Vegetation Management Plan	100
7	Two Wells - Liberty and Eden Estates, Recycled Water Costs (parks & reserves)	59
8	Donaldson Rd - Design to include Water Sensitive Urban Design and open space elements	10
9	Mallala Stormwater Flood Plain Management Plan	65
10	Implement Regional/Council Disability Access and Inclusion Plan Initiatives	15
<b>Emerging Economy</b>		
11	Parham Campground - Formalise Land	5
12	Two Wells Oval - Master Plan - Design/Costing/Consultation (Stage 1)*	100
13	Dublin - Township Growth & Tourism Master Plan	50
14	Thompson Beach Esplanade and Webb Beach Road - Detailed design and cost estimates for sealing	34
15	Economic Zones	20
<b>Proactive Leadership</b>		
16	Council Election – November 2022	40
17	Grant Writer to apply for government grants	15
18	Labour resources (Outside staff)	83
19	Upgrade to Council's Electronic Records Management System	33
20	Network Shared Drive Migration Strategy (Shared Folders)	9
21	Microfiche Records Digitisation Project	39
22	Redundancy and Backup Servers for Council's Information technology systems	33
23	Council Member Computer Hardware Refresh following 2022 LG Elections	6
<b>TOTAL ESTIMATED COSTS</b>		<b>929</b>

\*Council is planning to apply for grant funding of \$100,000 to match Council contribution. Accordingly, total project cost is \$200,000.

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## 10.6 2022/2023 Capital Projects Program

Adelaide Plains Council is responsible for a large portfolio of assets with a value of \$172m as of 30 June 2021 and an estimated depreciation expense of \$2.960m (including depreciation on CWMS assets) in 2022/2023 Financial Year. It is therefore critical for the long term sustainability of assets that the Council engages in practices that optimise assets useful lives for the benefit of the community.

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

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

Draft 2022/2023 capital programme is summarised below. The estimated cost of the capital works program is \$8.069m of which \$4.593m (57%) would be spent on assets renewals in line with Council's I&AMP adopted on 25 October 2021. The remaining capital expenditure of \$3.476m (43%) is proposed to be spent on new assets of which \$1.195m will be funded by Local Government Infrastructure Partnership Program (LGIPP)

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

PROJECT DESCRIPTION	ESTIMATED COST
Plant & Equipment	1,154
Street Scape (Footpath, Kerbing and Street Trees)	373
Sealed Roads	3,210
Bridge	370
Unsealed Roads	1,172
Car Parks, Traffic Control and Pramp ramps	370
Buildings	130
Site Improvements	1,180
Stormwater	25
CWMS	85
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>8,069</b>
PROJECT DESCRIPTION	ESTIMATED COST
New	3,476
Renewal	4,593
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>8,069</b>

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

PROJECT DESCRIPTION	ESTIMATED COST
Assets Renewal	3,520
Plant and Equipment	1,106
<b>TOTAL ASSETS RENEWAL EXPENDITURE</b>	<b>4,626</b>

Next year capital program is planned to deliver;

- A 33 km of road resheeting;
- B 15.1 km of road resealing;
- C 8.9 km of sealing of Middle Beach Road;
- D 1 km of new footpath, kerbing and street trees.

### New Assets to be delivered in next year

New assets to the value of \$3.476m will be funded from a combination of new borrowings and government grants. Please refer to Table 8 below for the reasons for these spending on new assets.

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

DESCRIPTION	BUDGET	COMMENT
Redundancy and Backup Servers	48	To improve IT infrastructure.
Street Scape (Footpath, Kerbing and Street Trees)	133	To provide 1 footpath in the Townships of Two Wells, Mallala & Dublin over a 10 year period. Program is within I&AMP.
Car Parks & Traffic Control (projects to improve pedestrian and vehicle safe)	360	• Longview Road and Gameau Road - Traffic calming devices • Two Wells Main street - Eastern End Car Parking and WSUD Program is within I&AMP.
Site Improvements (Street/Reserve Furniture, Council boundary signs and implement Hart Reserve Master Plan)	530	Projects derived from IAMP. Hart reserve upgrade currently out for consultation.
Stormwater (Middle Beach - Tidal Drainage System)	15	Project is derived from IAMP.
Sealing of Middle Beach Road	2,390	50% funded under LGIPP.
<b>EXPENDITURE ON NEW/UPGRADED ASSETS</b>	<b>3,476</b>	

## 10.7 2022/2023 Capital Program in Details

Table 9 provides details of the capital program endorsed for 2022/2023 Financial Year.

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

CAPITAL PROJECT TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVE	RATIONALE	TYPE	COSTS
<b>PROACTIVE LEADERSHIP</b>			
Plant and Equipment	A	Renewal	1,106
Redundancy and Backup Servers for IT services	B	New/Upgrade	48
<b>INVESTMENT IN PLANT &amp; EQUIPMENT PROGRAM</b>			<b>1,154</b>
Dawkins Road and Williams Road - Intersection Upgrade	A	Renewal	100
Gawler River Road – Germantown Road to Boundary Road	A	Renewal	341
Bethesda Road – Hayman Road to Dawkins Road	A	Renewal	46
Port Gawler Rd – Port Wakefield Rd to Old Port Wakefield Rd	A	Renewal	72
Port Parham Road - Port Wakefield Road to Beach Road	A	Renewal	260
Sealing of Middle Beach Road (50% grant funded)	C	New/Upgrade	2,390
<b>INVESTMENT IN SEALED RD PROGRAM</b>			<b>3,210</b>
Cameron Terrace - Dublin Rd to Feltwell Rd	A	New/Upgrade	39
Railway Avenue - Balaklava Rd to Lindsay St	A	New/Upgrade	25
Carmel St - Balaklava Rd to End of Seal	A	New/Upgrade	37
Calagora St - Lisieux Street to Carmel St	A	New/Upgrade	32
Balaklava Road - Lisieux Street to Aerodrome Road	A	Renewal	240
<b>INVESTMENT IN STREET SCAPE (FOOTPATH, KERBING AND STREET TREES)</b>			<b>373</b>
Crabb Road - Port Wakefield Road to Kidman Road	A	Renewal	114
Feltwell Road - End of Seal to Hill Road	A	Renewal	77
Germantown Road - Simpkin Road to Richter Road	A	Renewal	138
Germantown Road - Richter Road to Verner Road	A	Renewal	51
Gilks Road - Lawrie Road to End	A	Renewal	15
Hamley Bridge Road - Barabba Road to Brady Road	A	Renewal	80
Hamley Bridge Road - Brady Road to Kain Road	A	Renewal	63
Harvey Road - Simpkin Road to Pratt Road	A	Renewal	27

CAPITAL PROJECT TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVE	RATIONALE	TYPE	COSTS
<b>PROACTIVE LEADERSHIP</b>			
Leilete Road - Dawkins Road to Coats Road	A	Renewal	16
Light Beach Road - Wylie Road to Quigley Road	A	Renewal	36
Light Beach Road - Quigley Road to McEvoy Road	A	Renewal	32
Long Plains Road - Old Dublin Road to Dublin Road	A	Renewal	76
Long Plains Road - Port Wakefield Road to Old Dublin Road	A	Renewal	74
Nairn Road - Hall Road to Powerline Road	A	Renewal	50
North Parham Road - Fabian Road to Saltbush Road	A	Renewal	45
North Parham Road - Gilberts Road to Fabian Road	A	Renewal	38
Secombs Road - Stanley Road to Prices Road	A	Renewal	15
Secombs Road - Port Wakefield Road to Stanley Road	A	Renewal	46
Stanley Road - Pritchard Road to Secombs Road	A	Renewal	35
Torelete Road - Dawkins Road to Coats Road	A	Renewal	16
Trim Road - Williams Road to Russell Road	A	Renewal	14
Verner Road - Day Road to Boundary Road	A	Renewal	69
Wasley Road - Pratt Road to Big Rabbit Road	A	Renewal	44
<b>INVESTMENT IN UNSEALED RD PROGRAM</b>			<b>1,172</b>
Street & Reserves/Parks Furniture Program	A	New/Upgrade	20
Streetscape and Water Sensitive Urban Design	A	New/Upgrade	50
Council Boundary Signs - Allocation	A	New/Upgrade	60
Stage 1 - Hart Reserve - Implementation	A	New/Upgrade	400
Two Wells Tennis/Netball court surface renewal	A	Renewal	300
Street & Reserves/Parks Furniture Program	A	Renewal	20
Dublin Playground Upgrade	A	Renewal	130
Renewal of various street and reserve furniture	A	Renewal	50
Renewal of existing SA water line to Mallala playground and connection into oval irrigation system	A	Renewal	50
Renewal of lighting, paths and bike racks various sites	A	Renewal	100
<b>INVESTMENT IN SITE IMPROVEMENTS PROGRAM</b>			<b>1,180</b>



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**CAPITAL PROJECT  
TO ACHIEVE COUNCIL'S STRATEGIC OBJECTIVE**

**RATIONALE TYPE COSTS**

<b>PROACTIVE LEADERSHIP</b>			
Mallala - Replacement of Property Pumps	A	Renewal	15
Middle Beach CWMS	A	Renewal	10
Mallala Treatment Plant (Chamber Protection Coating)	A	Renewal	60
<b>INVESTMENT IN COMMUNITY WASTE MANAGEMENT SCHEMES</b>			<b>85</b>
Pump Station & Pump Replacements	A	Renewal	10
Middle Beach - Tidal Drainage System	A	New/Upgrade	15
<b>INVESTMENT IN STORMWATER</b>			<b>25</b>
Wasleys Bridge - Repairs	A	Renewal	200
Salt Creek Bridge - Repairs	A	Renewal	170
<b>INVESTMENT IN BRIDGES</b>			<b>370</b>
Two Wells Main street - Eastern End Car Parking and WSUD	A	New/Upgrade	300
Longview Road and Gameau Road - Traffic calming devices	A	New/Upgrade	60
<b>INVESTMENT IN CAR PARKS &amp; TRAFFIC CONTROL</b>			<b>360</b>
Pram Ramp renewal to DDA compliant	A	Renewal	10
<b>INVESTMENT IN PRAM RAMP</b>			<b>10</b>
Lewiston Wetlands Playground - Toilet Block	A	Renewal	130
<b>INVESTMENT IN BUILDINGS &amp; STRUCTURE PROGRAM</b>			<b>130</b>
<b>TOTAL COUNCIL INVESTMENT IN INFRASTRUCTURE AND ASSETS IN 2022/2023 FINANCIAL YEAR</b>			<b>8,069</b>

**Rationale**

- A Infrastructure & Asset Management Plan;
- B Staff initiatives to improve productivity/ service standard; and
- C Successful grant application.

**Capital Grants**  
Council is expected to receive capital grants of \$1.195m next year under Local Government Infrastructure Partnership to seal Middle Beach Road.





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# 11

## LOAN BORROWINGS

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

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

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



### 11.1 Current Short and Long-Term Borrowings

At the end of 2021/2022 Financial Year, Council is expected to have only one (1) outstanding fixed rate long-term borrowings with a value of \$1.790m in relation to Council's investment in Mallala CWMS.

Council has already made several resolutions to borrow funds to deliver annual budgets and some of the capital programs being delivered in partnership with State/Federal Governments. However, in compliance with Council's Treasury Management Policy, so far Council has been able to meet those expenses with short-term borrowings which attract lower interest charge compared to fixed rate long-term borrowings. Accordingly, as of 12 April 2022, Council's outstanding short-term borrowings is \$0.850m.





## 11.2 New borrowings for 2022/2023 Financial Year

An operating deficit means, Council is spending more than what it generates as income in delivering services to the community. In addition, Council has loan obligations to pay as well as the need to fund new assets. Therefore, if the Council decides to continue the same level of service and draft operating project program as included in this report with an average rate increase of 3.25%, it has to borrow \$4.825m to deliver operating and capital projects identified above and meet its current loan repayment obligations. Out of the new borrowings;

- \$1.633m will be allocated for assets renewal program;
- \$1.195m will be used to fund Council co-contribution required under State Government's LGIP Program for the Sealing of Middle Beach Road;
- \$1.086m will be spent on new assets across the Council district; and
- \$0.911m will be used to deliver operating project program proposed.

**Table 10: Funding Shortfall for 2022/2023 (\$'000)**

DESCRIPTION	AMOUNT
Cash shortfall due to Operating Deficit	(1,199)
Cash injection from sale of surplus/replaced assets	231
Share of loss - joint ventures & associates (non-cash transactions)	79
To fund capital Program - Money available through depreciation	2,960
Proposed assets renewal expenditure	(4,593)
Proposed new capital expenditure	(3,476)
Grants specifically for new or upgraded assets	1,195
Loan Repayment	(23)
<b>TOTAL FUNDING SHORTFALL</b>	<b>(4,825)</b>

While the maximum amount to be borrowed is \$4.825m, the timing of the actual borrowings would depend on the progress of the capital works program. Local Government Finance Authority has made available convertible cash advance debenture of 3 years for LGIPP funded projects at a concessionary rate of 1.30% to a maximum limit of \$1.238m.

**Note** Interest expenses associated with new borrowings is approximately \$0.073m per year at an interest rate of 3% for a period of six (6) months.

## 12 RATING STRUCTURE AND POLICY

### 12.1 What are Rates?

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

General Rates are the principal source of funding for Council services representing approximately 74% of total operating income in 2022/2023.

### 12.2 Strategic Focus

In adopting its rates for the 2022/2023 Financial Year, Council will consider its *Strategic Plan 2021-2024*, the current economic climate, specific issues faced by the community and the budgetary requirements for the financial year.

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



## 12.3 Method Used to Value Land

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

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

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

Council will be adopting the valuations made by the Valuer-General and which are applicable for the financial year commencing 1 July 2022. If a property owner is dissatisfied with a property valuation, then an objection may be made to the Valuer-General in writing, within 60 days of receiving notice of the valuation, explaining the basis for the objection. Further contact details can be obtained from Council's Rates Officer on (08) 8527 0200. **It is important to note that Council has no role in the valuation process.**

## 12.4 Impact of Rates

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

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

### Rates Modelling – Property Valuation

An extract from the latest property valuation data available from Valuer-General (VG) is given in Table 11 in comparison to similar information as of 30 June 2021 and 30 June 2020. Additional rates income from the development growth is 0.98% as of 2 April 2022 and is significantly lower than 2.75% factored in the LTFP.

However, it is too early to exactly know the development growth rate for next year. From the experience of prior years, Valuer-General is expected to finalise development growth mid to late May 2022. Council expect a significant development growth this year, however, may not be as big as last year due to slowdown in new subdivisions.

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

DESCRIPTION	2 APR 22	30 JUN 21	30 JUN 20
Increase in number of properties through sub-division	89	257	173
Sub-Division Growth (valuation increase) - \$'Mn	16	39	24
Building Development Growth (valuation increase) - \$'Mn	0.184	27	54
Total Development Growth - \$'Mn	16	66	78
Total Development Growth - %	0.73	3.20	2.04
Increase in Rates income due to Development Growth - \$'Mn	0.099	0.256	0.197
Increase in Rates income due to Development Growth - %	0.98	2.67	2.15
Natural Growth (valuation inc. due to reasons other than dev.) - %	4.87	4.46	1.86



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**Rates Modelling – Options available**

Given a significant increase in ‘Natural Growth’, in order to achieve a 3.25% increase in average rate as recommended by the Council and the Audit Committee, a reduction in rate in the dollar by 1.07% will be applied in the rates modelling calculations. However, this will benefit properties that have reported an increase in valuations due to ‘Development Growth’.

Alternatively, if the Council wish to reduce operating deficit further and the reliance on borrowings to deliver new/upgraded assets program, it can do so by increasing the average rate by more than 3.25%. Given below are some of the **options** that the Council can consider.

For example, 2.96% increase in average rate (**OPTION 1**) would generate an additional income of \$0.466m over and above 2021/2022 rates income. 3.25% increase in average rate (**OPTION 2**) would generate an additional income of \$0.496m and 3.55% increase in average rate (**OPTION 3**) would generate an additional income of \$0.526m.

Alternatively, should the Council wish to limit average rate increases to 3.25%, Council has the option of revisiting the budget specially the operating project program proposed for next financial year.

	ADOPTED 2021/2022	LTFP 2022/2023	OPTIONS FOR 2022/2023		
			OPTION 1	OPTION 2	OPTION 3
Reduction in Rate in the \$ (%)			0.95%	1.07%	0.35%
Increase in Fixed Charge (%)			2.68%	10%	2.68%
Total Rates Income (\$*Mn)	10.093	10.623	10.559	10.589	10.619
Number of Rateable Properties	5,460		5,548	5,548	5,548
Average Rate (\$)	1,848		1,903	1,909	1,914
Average Rate increase			2.96%	3.25%	3.55%





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## 12.5 Uniform Presentation of Expected Rates Revenue

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

**Table 12: Uniform Presentation of Expected Rates Revenue**

	2021/22 (AS ADOPTED)	2022/23 (ESTIMATED)	CHANGE	COMMENTS
<b>General Rates Revenue</b>				
General Rates (existing properties)	\$10,092,780	\$10,489,114	(a)	For 2022/23, an expected increase in total General Rates revenue of around 3.25 % is projected plus estimated growth (refer n) of 1.61 % from new properties that have been created over the last year.
General Rates (new properties)		\$99,384	(b)	
General Rates (GROSS)	\$10,092,780	\$10,588,822	(c)	
Less Mandatory Rebates	(\$65,656)	(\$66,500)	(d)	
<b>GENERAL RATES (NET)</b>	<b>\$10,027,124</b>	<b>\$10,522,411</b>	(e) <b>4.94%</b>	
		(e)=(c)+(d)		
<b>Other Rates (including service charges)</b>				
Regional Landscape Levy (RLL)	\$192,061	\$197,823	(f)	The RLL is <b>not retained</b> by council.
Waste collection	\$658,085	\$699,141	(g)	\$172 for standard 3 or 2 bin service
CWMS	\$250,391	\$262,452	(h)	\$692 and \$456 for each property unit at Mallala and Middle Beach.
Less Discretionary Rebates	\$11,127,661 (\$34,945)	\$11,681,827 (\$37,669)	(i)	
<b>EXPECTED TOTAL RATES REVENUE</b>	<b>\$10,900,655</b>	<b>\$11,446,235</b>	(j) <b>5.01%</b>	Excluding the RLL and minus Mandatory & Discretionary Rebates.
		(j)=(e)+(g)+(h)+(i)		

	2021/22 (AS ADOPTED)	2022/23 (ESTIMATED)	CHANGE	COMMENTS
<b>Growth in number of rateable properties</b>				
Number of rateable properties	5,460 Actual	5,548 Estimated	(k) <b>1.61%</b>	'Growth' is expected to account for around 0.98% of the estimated increase in General Rates to be collected (refer b).  'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.
<b>Average General Rates per rateable property (n)=(c)/(k)</b>				
Average per rateable property	\$1,848	\$1,909	(l) <b>3.25%</b>	These 'averages' are based on the <b>total of all rateable properties</b> and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience.  Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total rates paid by all rateable properties will equal the amount adopted in the budget.

**Notes**

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

Please note that these figures represent a considered estimate of Expected Rate Revenue based on the most current information available as at 2 April 2022. This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the 2022/2023 Annual Business Plan & Budget which is expected to occur in early July 2022.

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### Differential Rates

	TOTAL EXPECTED REVENUE (\$)			NO. OF RATEABLE PROPERTIES		AVERAGE PER RATEABLE PROPERTY (\$)			RATE IN THE \$
	2021/2022	2022/2023	CHANGE	2021/2022	2022/2023	2021/2022	2022/2023	CHANGE	2022/2023
Land Use (General Rates - GROSS)									
Residential	5,560,232	5,778,109	3.92%	3,193	3,205	1,741	1,803 (m)	61	0.0044094
Commercial	37,283	37,211	(0.19%)	28	27	1,332	1,378 (m)	47	0.0057318
Commercial - Other	171,698	176,718	2.92%	76	76	2,259	2,325 (m)	66	0.0057318
Industry - Light	8,828	9,899	12.14%	6	7	1,471	1,414 (m)	(57)	0.0057318
Industry - Other	92,529	94,907	2.57%	15	15	6,169	6,327 (m)	159	0.0057318
Primary Prod.	3,561,930	3,715,441	4.31%	1,405	1,420	2,535	2,617 (m)	81	0.0040086
Vacant Land	566,572	682,191	20.41%	683	745	830	916 (m)	86	0.0044094
Other	93,709	94,346	0.68%	54	53	1,735	1,780 (m)	45	0.0044094
GRAND TOTAL (GROSS)	10,092,780	10,588,822	4.91%	5,460	5,548	1,848	1,909 (m)	60	

### Fixed Charge

	TOTAL EXPECTED REVENUE			CHARGE		
	2021/2022	2022/2023	CHANGE	2021/2022	2022/2023	CHANGE
Fixed Charge	\$562,912	\$594,043	6%	\$112	\$123 (n)	\$11

A Fixed Charge ensures all rateable properties pay a base amount to the cost of administering council activities and maintaining the services and infrastructure that supports each property. Rates based on values are then applied in addition to the fixed charge. Council is limited to the amount that can be raised by the fixed charge in that it cannot raise more than 50% of its general rate revenue from the fixed charge component. In 2022/23 council proposes to raise 5.98% of its general rate revenue by way of the fixed charge.

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

### Adopted valuation method

#### Capital Value

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

<b>Capital Value</b>	The value of the land and all improvements on the land;
<b>Site Value</b>	The value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or
<b>Annual Value</b>	A valuation of the rental potential of the property.

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

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

#### Notes

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

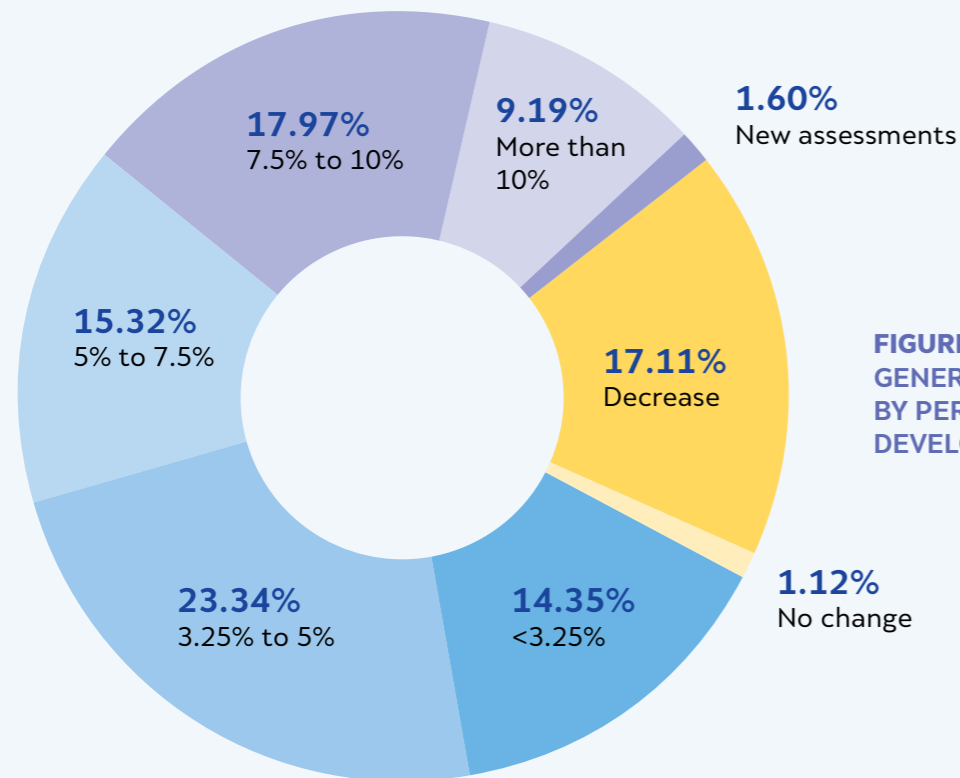
**Actual rate rises**

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

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

For example, Figure 5 below shows that with 3.25% average rate increase;

- A** 17.11% of the properties will have their rates being reduced next year;
- B** 1.12% of the properties will have their rates remained unchanged;
- C** 14.35% of the properties will have their rates increased by less than 3.25%;
- D** 23.34% of the properties will have their rates increased between 3.25% and 5%;
- E** 15.32% of the properties will have their rates increased between 5% and 7.5%;
- F** 17.97% of the properties will have their rates increased between 7.5% and 10%;
- G** 9.19% of the properties will have their rates increased by more than 10.00%; and
- H** 89 new assessments have been created which is 1.60% of the total assessments.



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

## 12.6 Differential General Rates

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

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

### Commercial Properties

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

### Industrial Properties

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

### Primary Production Properties

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





## 12.7 Fixed Charge

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

In 2022/2023 council proposes to raise 5.98% of its general rate revenue by way of the fixed charge and also increase fixed charge from \$112 to \$123.20. This will be applicable to approximately 5,137 rateable properties. Council considers it appropriate that all rateable properties make a base level contribution to the cost of providing Council services and to the cost of creating and maintaining the physical infrastructure that supports each property.

## 12.8 Regional Landscape Levy

The whole of the Council area is located within the boundaries of the Northern & Yorke Natural Resource Management Board. An estimated contributions of \$0.198m are sought for 2022/2023 Financial Year (\$0.192m in 2021/2022). Council is operating as a revenue collector for the Northern & Yorke Natural Resource Management Board in this regard. It does not retain this revenue or determine how the revenue is spent. (Amount of Regional Landscape Levy estimated above is subject to change pending confirmation from the Northern & Yorke Natural Resource Management Board).

## 12.9 Service Charges

### COMMUNITY WASTEWATER MANAGEMENT SYSTEM (CWMS)

#### CWMS Charge

CWMS charges for both Mallala and Middle Beach is proposed to increase by 5% and 2.93% to \$692 and \$456 respectively in order to cover the costs associated with full operation of the scheme including maintenance and loan repayments.

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

**Table 13: CWMS Budget for 2022/2023 (\$'000)**

DESCRIPTION	MALLALA	MIDDLE BEACH
CWMS service charges (345 connections X \$692 per connection)	239	
CWMS service charges (52 connections X \$456 per connection)		24
Less : CWMS Rebates	-	-
<b>TOTAL INCOME</b>	<b>239</b>	<b>24</b>
<b>LESS : OPERATING EXPENSES</b>		
Depreciation	140	7
Salaries and Wages	16	-
Interest Payments - CWMS Loan	79	-
Consultants	5	-
Consumables and Hardware	8	2
Contractors	110	7
Electricity	31	6
Insurance	9	4
ESCOSA Licence Fee	2	-
Materials	7	-
Other Expenses	2	0
<b>TOTAL EXPENSES</b>	<b>410</b>	<b>27</b>
<b>NET OPERATING SURPLUS/(DEFICIT)</b>	<b>(172)</b>	<b>(3)</b>

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## KERBSIDE WASTE COLLECTION PROGRAM

Council provides a three bin refuse collection service (Domestic Waste, Recycling and Organic) within the townships of Mallala, Two Wells and Dublin and a two bin refuse collection service (Domestic Waste and Recycling) in rural and coastal settlement areas. The service is provided to those ratepayers in Council's area that are able to access the service along the designated collection routes. In addition, Council provides a weekly service in which all public bins (street, parks and reserves and sporting club bins) with in the district are emptied to ensure the continued ambiance of public space.

Council has engaged a contractor to carry out kerbside waste collection since February 2018. Outsourcing this service has resulted in a 30% reduction in waste levy from \$180 in 2017/2018 Financial Year to \$126 in 2018/2019 Financial Year. However, since then, there has been a considerable increase in the disposal costs of waste and recyclables mainly due to changes in the Australian waste collection market following dramatic cuts to the volumes of waste China imports from the rest of the world since January 2018.

In addition, there was a substantial increase in Solid Waste Levy by the South Australian government from 1 July 2019 (Waste levy applicable to Adelaide Plains Council has increased from \$55 per tonne from 1 July 2019 to \$71.50 per tonne from 1 July 2020) which has resulted in a significant increase in Council's Waste Levy for 2019/2020. This upward trend in waste disposal costs is expected to continue in to 2022/2023 Financial Year.

### Kerbside Waste Collection Charges

For 2022/2023 Financial Year, it is estimated that the total cost of the kerbside waste collection program is expected to be increased by 7.45% mainly due to increase cost of recyclables disposal. Therefore, the standard waste collection service charge is proposed to increase from \$167 to \$172. Accordingly, following waste collection charges are applicable to 2022/2023 Financial Year.

**Table 14: Waste Collection Service Charge for 2022/2023 (\$'000)**

WASTE SERVICE DESCRIPTION	ANNUAL WASTE LEVY (\$)
Standard 3-bin or 2-bin waste Service	172
Additional Organic Bin	80
Additional Recycle Bin	55
Additional General Waste Bin	89
Waste Service 1 (distance to pick up point) - 25% discount	129
Waste Service 2 (distance to pick up point) - 50% discount	86

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

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

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

## 12.10 Mandatory Township Kerbside Waste Collection Charges

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





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## 12.11 Payment of Rates

Under section 181 of the Local Government Act, Council must provide the opportunity for all ratepayers to pay rates by quarterly instalments. Council payment dates for the 2022/2023 Financial Year will be 2 September 2022, 2 December 2022, 3 March 2023 and 2 June 2023.

### Late Payment of Rates

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

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

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

## 12.12 Remission and Postponement of Rates

### Postponement of Rates - Hardship

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

### Seniors Rate Postponement

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



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## 12.13 Rebate of Rates

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

Discretionary rebates may be applied by the Council under section 166 of the Local Government Act. Council annually considers many applications for rate rebates and has in the past, and is again for the 2022/2023 Financial Year intend to rebate rates charged to various district community and sporting organisations.

## 12.14 Sale of Land for Non-Payment of Council Rates

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

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# 13

## BUDGETED FINANCIAL STATEMENTS

BUDGETED FINANCIAL STATEMENTS FOR THE 2022/2023 FINANCIAL YEAR.



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ADELAIDE PLAINS COUNCIL  
DRAFT STATEMENT OF COMPREHENSIVE INCOME FOR 2022/2023

INCOME	\$'000
Rates	11,465
Statutory charges	561
User charges	193
Grants, subsidies and contributions	1,955
Investment Income	3
Reimbursements	123
Other Income	48
<b>TOTAL INCOME</b>	<b>14,348</b>
EXPENSES	
Employee Costs	6,445
Materials, contracts and other services	4,914
Depreciation, Amortisation & Impairment	2,813
Finance Costs	193
Share of loss - joint ventures & associates	79
<b>TOTAL EXPENSES</b>	<b>14,444</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>(96)</b>
Net Cost of the CWMS (Mallala & Middle Beach)	(174)
Net Operating Project Expenses	(929)
<b>OPERATING SURPLUS / (DEFICIT)</b>	<b>(1,199)</b>
Asset Disposal & Fair Value Adjustments	231
Amounts specifically for new or upgraded assets	1,195
Physical resources received free of charge	5,300
<b>NET SURPLUS (DEFICIT)</b>	<b>5,528</b>
OTHER COMPREHENSIVE INCOME	
Changes in assets revaluation surplus	1,500
Share of other comprehensive income - GRFMA	(55)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,973</b>



ADELAIDE PLAINS COUNCIL  
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ASSETS	\$'000
Current Assets	
Cash and cash equivalents	499
Trade & other receivables	1,031
Inventories	154
<b>Total Current Assets</b>	<b>1,684</b>
Non-Current Assets	
Financial Assets (Investment in GRFMA)	5,795
Infrastructure, Property, Plant and Equipment	136,380
Other Non-current Assets	15
<b>Total Non-Current Assets</b>	<b>142,189</b>
<b>TOTAL ASSETS</b>	<b>143,873</b>
<b>LIABILITIES</b>	
Current Liabilities	
Trade & Other Payables	1,353
Borrowings	8,097
Provisions	1,009
<b>Total Current Liabilities</b>	<b>10,459</b>
Non-current Liabilities	
Borrowings	1,743
Provisions	220
<b>Total Non-current Liabilities</b>	<b>1,963</b>
<b>Total Liabilities</b>	<b>12,421</b>
<b>NET ASSETS</b>	<b>131,452</b>
<b>EQUITY</b>	
Accumulated Surplus	46,395
Asset Revaluation Reserve	82,823
Other Reserves	2,234
<b>TOTAL EQUITY</b>	<b>131,452</b>

ADELAIDE PLAINS COUNCIL  
DRAFT STATEMENT OF CASH FLOWS FOR 2022/2023

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CASH FLOWS FROM OPERATING ACTIVITIES	\$'000
Receipts	
Rates - general & other	11,727
Fees & other charges	561
User charges	193
Investment receipts	3
Grants utilised for operating purposes	1,955
Reimbursements	123
Other revenues	48
Payments	
Employee costs	(6,461)
Materials, contracts & other expenses	(5,843)
Finance payments	(272)
<b>NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES</b>	<b>2,034</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipts	
Grants specifically for new or upgraded assets	1,195
Sale of replaced assets	231
Payments	
Expenditure on renewal/replacement of assets	(4,593)
Expenditure on new/upgraded assets	(3,476)
<b>NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES</b>	<b>(6,643)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts	
Proceeds from New Borrowings	4,825
Payments	
Repayments of Borrowings	(23)
<b>NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES</b>	<b>4,802</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>	<b>193</b>
Cash & cash equivalents at beginning of period	306
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>499</b>



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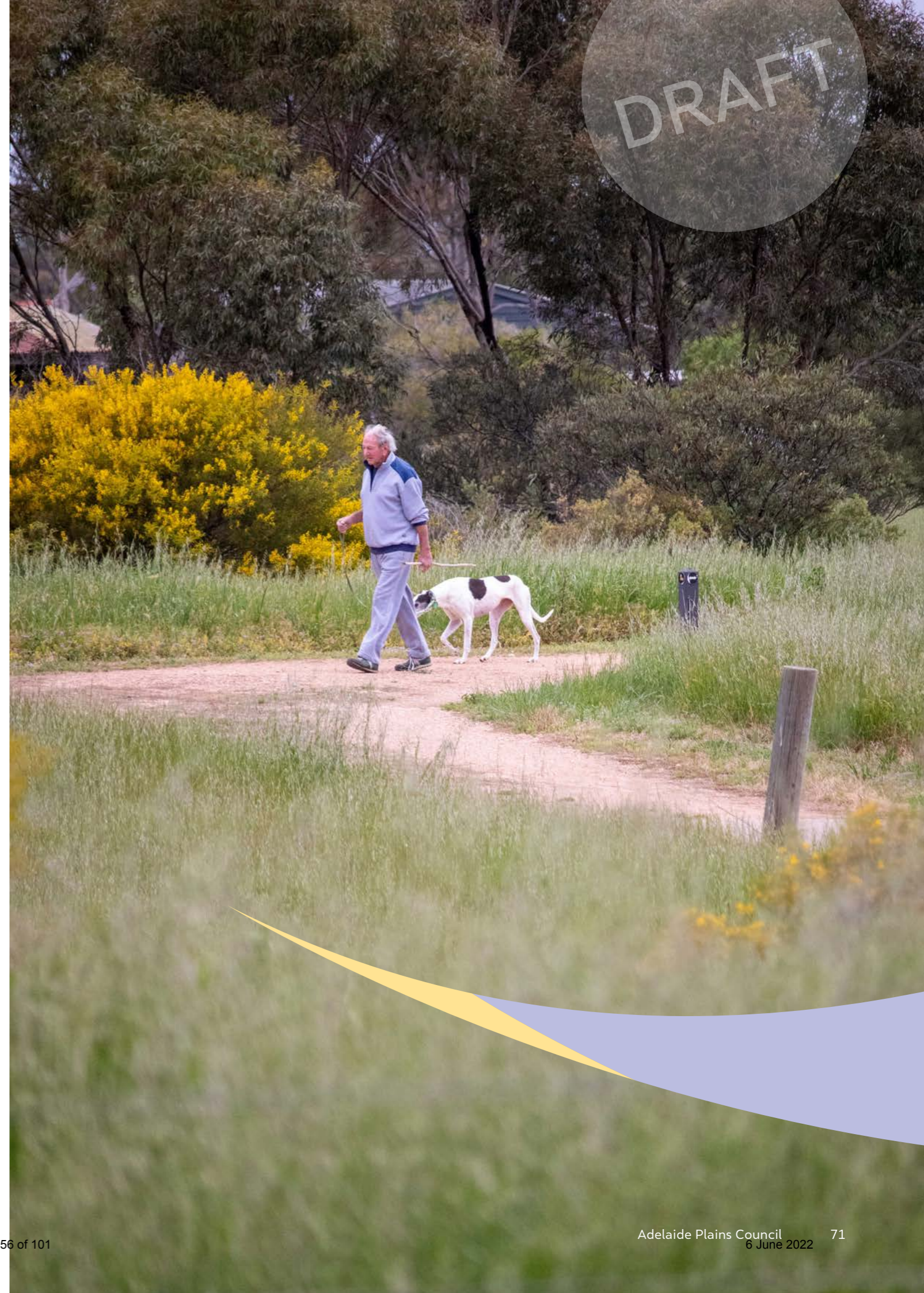
ADELAIDE PLAINS COUNCIL  
DRAFT STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2022

ACCUMULATED SURPLUS	\$'000
Balance at end of previous reporting period	40,868
Net Result for Year	5,528
Balance at end of period	<b>46,395</b>
ASSET REVALUATION RESERVE	
Balance at end of previous reporting period	81,323
Gain on revaluation of infrastructure, property, plant & equipment	1,500
Balance at end of period	<b>82,823</b>
OTHER RESERVES	
Balance at end of previous reporting period	2,289
Share of other comprehensive income - GRFMA	(55)
Balance at end of period	<b>2,234</b>
<b>TOTAL EQUITY AT END OF REPORTING PERIOD</b>	<b>131,452</b>

ADELAIDE PLAINS COUNCIL  
DRAFT UNIFORM PRESENTATION OF FINANCES FOR 2022/2023

	\$'000
Operating Revenues	14,610
less Operating Expenses	(14,880)
Operating Surplus / (Deficit) before Capital Amounts	(270)
less Net Outlays on Existing Assets	
Capital Expenditure on renewal and replacement of Existing Assets	4,593
less Depreciation, Amortisation and Impairment	(2,960)
less Proceeds from Sale of Replaced Assets	10
	<b>1,643</b>
less Net Outlays on New and Upgraded Assets	
Capital Expenditure on New and Upgraded Assets	3,476
less Amounts received specifically for New and Upgraded Assets	4,382
	<b>7,858</b>
<b>NET LENDING / (BORROWING) FOR FINANCIAL YEAR</b>	<b>(9,770)</b>

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# HOW TO MEASURE COUNCIL PERFORMANCE

Council's success is measured by the achievement of the strategic objectives outlined in the *Strategic Plan 2021-2024*, which also identifies the desired outcomes expected from the strategic objectives. In addition to the strategic outcomes, Council also measures its achievements through the following non-financial and financial Indicators.

## NON-FINANCIAL INDICATORS

To ensure that Council delivers on the strategic objectives set out in the *Strategic Plan 2021-2024* and *Annual Business Plan*, it is paramount that annual budget activities and projects are completed on time while delivering project outcomes as planned. Therefore, the progress of the activities and projects will be closely monitored to ensure that there will be no project delays and budget overruns.

## FINANCIAL INDICATORS

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

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

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

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

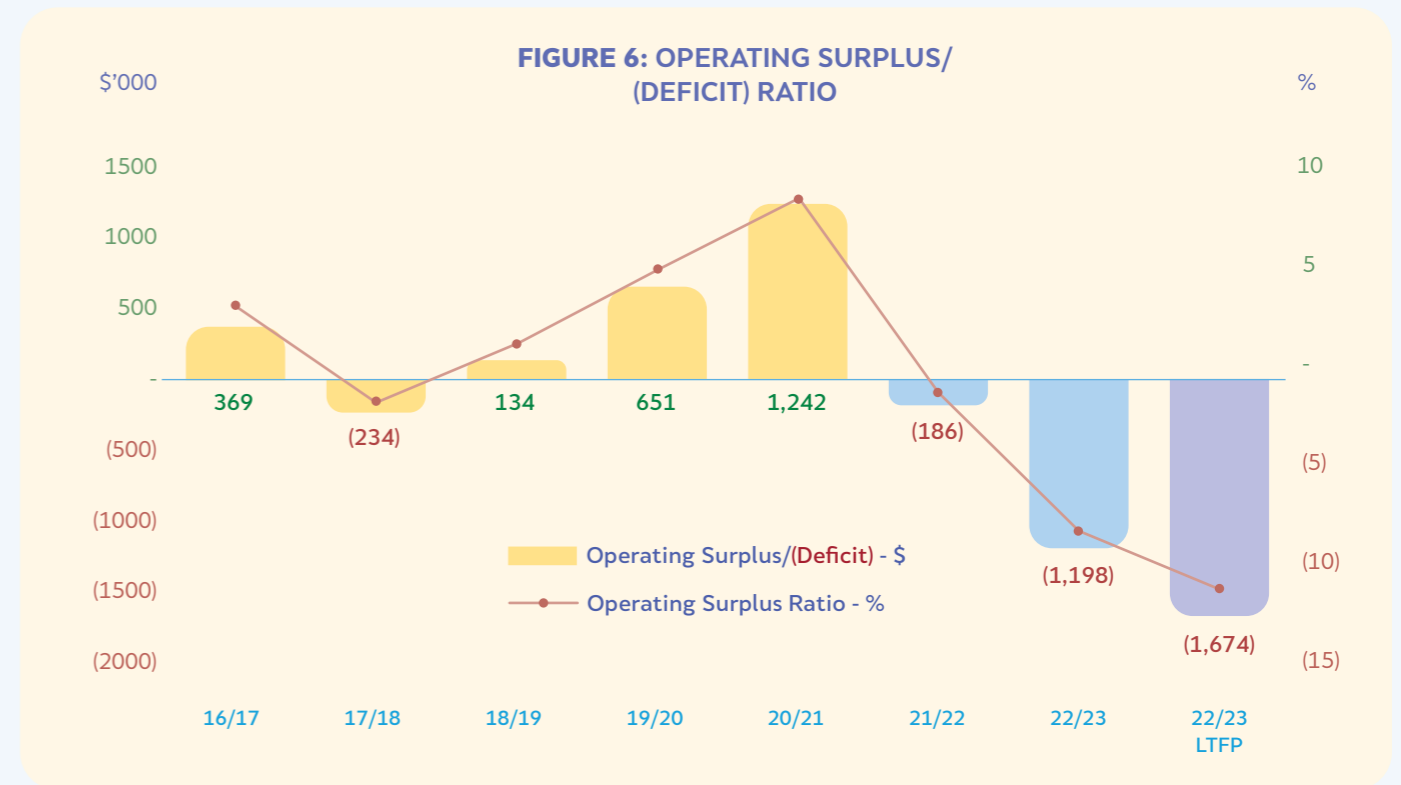
The following graph shows, Council's draft financial indicators for 2022/2023 Financial Year in comparisons to:

- LTFP ratios for 2022/2023;
- actual financial indicators since 2016/2017 Financial Year; and
- budgeted the financial indicators for 2021/2022 and 2022/2023 Financial Years.

## OPERATING SURPLUS/ (DEFICIT) RATIO

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

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



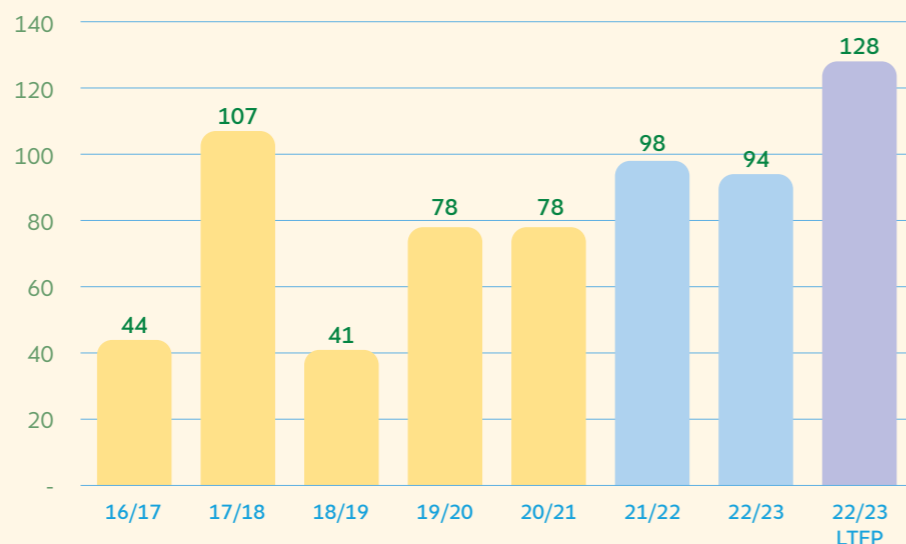
For 2022/2023 Financial Year, Council is forecasting an operating deficit ratio of 8% which is an improvement compared to LTFP forecast of 11%. This is mainly due to some of the operating projects identified in the LTFP being deferred to 2023/2024 Financial Year due to operational reasons (For example, Two Wells, Main street - Underground Powerlines and TW - Relocation of TW Waste Transfer Station).

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### ASSET SUSTAINABILITY RATIO

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

FIGURE 7: ASSET SUSTAINABILITY RATIO (%)



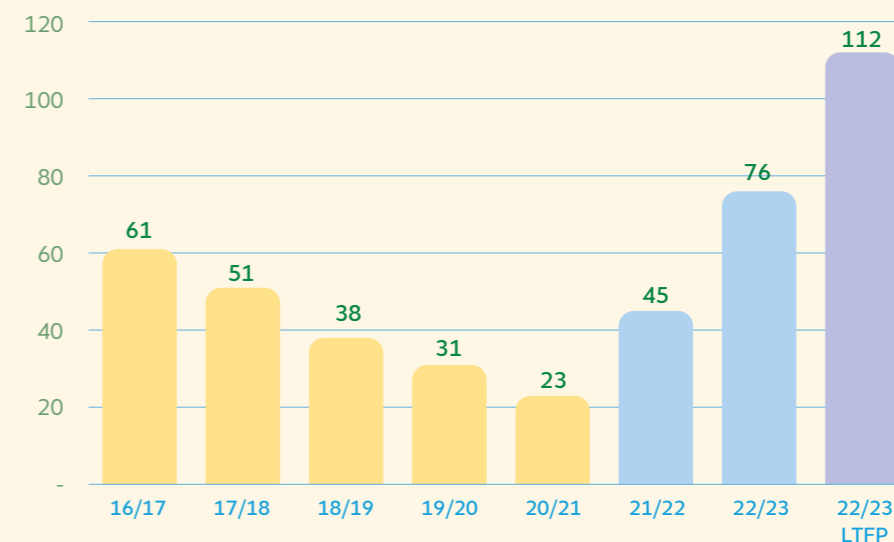
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### NET FINANCIAL LIABILITIES RATIO

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

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

FIGURE 8: NET FINANCIAL LIABILITIES RATIO (%)

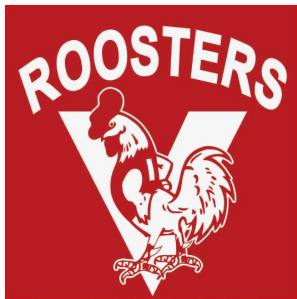




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Two Wells Football & Netball  
Sporting Club Inc.  
43 Old Port Wakefield Road  
PO Box 236  
Two Wells SA 5501

**E:** [twowellsfc@sanflcfl.com.au](mailto:twowellsfc@sanflcfl.com.au)  
**W:** [www.twfnsc.com.au](http://www.twfnsc.com.au)  
**FB:**  
**ABN:** 54 838 564 572

## **Submission to Council - Annual Business Plan and Budget**

### **Two Wells Football & Netball Sporting Club Inc.**

To the elected members,

The Two Wells Football & Netball Sporting club wish to provide feedback on the draft Annual Business Plan and Budget.

The club is funded through sponsorship, donations, and fundraising, however with the current and forecast growth, is currently unable to match the needs of the growing community to provide suitable facilities.

The Two Wells Football Club was established in 1909 and was one of the inaugural clubs in the Adelaide Plains Football League.

In the early days, the oval was situated on Windmill Road, West of the highway. In the 1920s the oval was shifted East on Windmill Road to the site that up until recently was used as a trotting track.

After several wet winters, the ground was consistently covered in water and moved to its current location on the former Two Wells Showgrounds, prior to the Second World War.

The current oval sits on an old quarry site and the original clubrooms, including external toilets and a canteen were constructed of Besser block in the late 1950s, Four light towers were installed on the eastern side of the oval to provide lighting for training.

The club has since undergone two addition/expansions, the first was in the late 1990's where an extension provided an internal canteen, kitchen, bar and clubroom area. The second expansion was completed in the summer of 2013 where a grant of \$200,000 was secured from the Office for Recreation and Sport to enable further clubroom expansion, and upgrades to the changerooms.

The club fields two senior teams (A&B Grade) and four junior teams (U/17, U/14, U/11 and U/8) in the Adelaide Plains Football League, representing around 140 players. In addition to this, the club runs Auskick programme for children aged 5 and up.

The club also fields two women's teams (U/14 & U/17) in the Northern Plains Female Football League representing around 40 players.



Netball was established sometime in the 1950's and the two clubs amalgamated in 2009 with netball affiliated with the Adelaide Plains Netball Association.

The club fields five senior and six junior netball teams in the Adelaide Plains Netball Association, representing around 70 players.

In all, the club has over **250 playing** members.

In addition to football, the oval is used by the Two Wells Cricket Club for training and matches, Two Wells Softball Club for training, Adelaide Plains Football League Umpires Association training, Bunyip Masters Football matches, Adelaide Plains Football League association training.

The CFS have access to the oval lights if the MEDSTAR helicopter needs to land at night, the oval precinct was also used during the 2016 Northern Rivers Flood event where the Australian Army were called in to assist, the Army were based in the clubrooms, while SES and CFS volunteers used the showers and changerooms.

The oval precinct was also used during the 2015 Pinery Fires, as a place of refuge.

The club has a current lease with the Adelaide Plains Council and while the original sprinkler system (installed by the TWFC) has been replaced, currently the club continues to pay for the power used by the pumps.

The club has several projects that we strongly believe are in urgent need of upgrade and we are proposing that Council take these into consideration when considering future budget allocations.

### **Priority (1) - Oval Lights**

The lights including the remaining towers on the Eastern side of the oval are the original lights and poles installed around the time that the original clubrooms were constructed.

The lights on the Western side were installed around the 1990's when the first upgrade was undertaken. The Eastern side originally had four light towers, each with a single outdated halogen lamp.

In 2013 one of the poles collapsed, with another recently having supporting frames welded to the sides to safeguard the structural integrity of the pole as an interim repair, there are now only three light poles on this side with very poor-quality lighting.

The two light towers on the Western side were fabricated and donated by a local business with each having three independent lamps.

The club has recently obtained quotes to upgrade the entire lighting on the oval, with the quote provided being a moderate \$300,000.

The club applied to the last round of ORSR Facilities funding, splitting the project in two as we do not have sufficient funding to undertake the project at one time. Unfortunately, the application was unsuccessful.

The club requests that Council please consider setting aside funding through the Local Roads and Community Infrastructure Programme to all us to undertake this key project.

### **Priority (2) - Netball & Tennis Courts**

The Two Wells Netball & Tennis courts would be in the worst condition in the APNA and a recent audit by Netball SA has confirmed this fact.

The courts are in a serious state of decline, primarily caused by surrounding trees, which are required as a windbreak for both sports.

The last court resurface was paid for by both clubs, nearly sending the tennis club into insolvency, neither club can afford to resurface.

As before mentioned representatives from both Netball SA and Tennis SA have attended the courts to review the surface, and both have prepared reports on its condition. These reports can be provided, we have been advised that resurfacing of the courts would lead to repeated decline of the surface due to the nearby trees by structural engineers.

Over the past few years, there has been several incidents of vandalism, with glass repeatedly broken on the courts, damage to the courts, and rubbish strewn around.

For the past ten years, the club has been (anecdotally) advised that the courts would be relocated, something that both clubs welcome as it would be much safer and more beneficial if the courts were closer to the oval.

This would assist in shared facilities and reduced duplication of utilities.

### **Priority (3) - Playground**

Several times over the past 30 years, the club has approached Council to install a playground within the oval precinct.

Two Wells is the ONLY club within the APFL & APNA that does not have a playground located within the oval.

The club would be most amenable to the relocation of the current Soldiers Memorial Playground to the oval (after all, the War Memorial has been moved twice).

### **Priority (4) - External Toilets**

Up until recently the external toilets were still used by players until Council installed new toilets near the gate and demolished the original ablution facility.

Unfortunately, despite being the original owners of the toilets, the club was not consulted on the relocation and the new toilets have been installed in a location that is not only unsuitable for players and participants on training days and match days it also presents a significant danger to young children being located adjacent to the busy oval entrance.



The new toilet block has also created entrance issues, as the ground has a paid entry fee on game day and the new site prevents the club from ensuring the oval precinct is closed off (a condition of APFL).

The netball/tennis shed has only two internal toilets, and the toilet block was often used by players prior to matches. Those players now need to run from the courts to the clubrooms to use toilets.

The club will now need to consider installing additional toilets in the netball/tennis shed to compensate for the loss, at their own expense.

#### **Priority (5) - Clubroom expansion**

As pointed out, with the recent and welcomed expansion of the town (Two Wells is reported to be the second largest growth area in the state) the clubrooms are now too small to hold all members, this means Senior Presentation events need to be held externally (at a cost to the club) with Junior Presentations held on the oval due to the inadequate size.

#### **Priority (6) - Oval Precinct fencing & parking areas**

Over the past 35 years, the oval area has been significantly reduced with the introduction of the Community Centre, installation of a BMX track and pushing back of boundaries to enable car parking for the bakery.

This has significantly reduced parking areas for vehicles on game day. While you may see an empty oval during the week, with plenty of space, game day presents significant issues with the number of vehicles accessing the oval, the fencing is old and needs replacing.

We now have buses and trucks using the oval car parking area as a turning circle, degrading the parking area, after rains, the oval parking area turns to a slushy mess.

We request that trucks and buses not be permitted to use this area as a turnstile. Since the introduction of school buses using the oval as a stop, vandalism at the club has increased.

The club requests that Council seek alternative locations for bus stops around the town.

The oval precinct has now become a 'roadway' to the rear of the Village Green, compromising the security of the club as more people become aware and use this roadway.

The club requests Council find an alternative route to the rear.

We invite all elected members to attend the facility on game day to view the courts, the parking, the mud, the lights and the facility.

While the club continuously fundraises to upgrade its facilities, it has become apparent that it is beyond our capacity to undertake so many upgrades to keep up with use.

In addition, we would like to see additional overflow car parking at the rear of the oval behind the pine trees. This has become a dumping ground for Council (?) with several 'piles' of sand/dirt/rubble dumped there.

We look forward to your positive response, and request that funding, as well as any incoming grant funding, be set aside in the budget to assist the club to cope with the rapid growth and expansion of the township.

Best Regards

A handwritten signature in black ink, appearing to read 'D. Hardiman', with a long horizontal stroke extending to the right.

Devon Hardiman

President

Two Wells Football & Netball Sporting Club





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## **Attachments**

1. Marked up version of the Prudential Management Policy reviewed in May 2022.

## **DETAILED REPORT**

### **Purpose**

The purpose of this report is for the Audit Committee to consider Council's Prudential Management Policy and make appropriate recommendations for Council's consideration.

### **Background/History**

The Prudential Management Policy was last reviewed by Council's Audit Committee, and subsequently reviewed and adopted by Council, in February 2020.

### **Discussion**

The Policy satisfies the requirements of the Local Government Act 1999 and Local Government (Financial Management Regulations) 2011. Council management therefore not proposing any changes to the current policy.

It is for the Audit Committee to consider whether it wishes to recommend any amendments to the Council.

### **Conclusion**

The Prudential Management Policy is due for review. It is the management's view that the current policy comply with relevant legislation and therefore not proposing any changes to the current policy.

---

## **References**

### Legislation

*Local Government Act 1999 – Section 48 Prudential Requirements for Certain Activities*

*Local Government (Financial Management Regulations) 2011*



Policy

Internal Financial Controls Policy


Risk Management Policy

Other

LGA's Financial Sustainability Information Paper 27: Prudential Management – Last updated December 2019

Risk Management Procedures – Last updated April 2017

Audit Committee Annual Work Program 2021-2022

 <b>Adelaide Plains Council</b>	<b>Prudential Management Policy</b>	
	<b>Version Adoption by Council: Date</b> <a href="#">24 February 2020</a> <u>TBC</u> <b>Resolution Number:</b> <a href="#">2020/038</a> <u>TBC</u> <b>Current Version:</b> V1.3	
	<b>Administered by:</b> General Manager Finance and Business	<b>Last Review Date:</b> <a href="#">2020</a> <u>2022</u> <b>Next Review Date:</b> <a href="#">2022</a> <u>2024</u>
<b>Document No:</b> <a href="#">D19/15657D22/1041</a>	<del>Strategic Response 4.5 Accountable &amp; Sustainable Governance</del> <a href="#">Proactive Leadership - Strategic and sustainable financial management</a>	

## 1. Objectives

This policy has two objectives:

- 1.1 to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and
- 1.2 to ensure that each Council project is:
  - managed during the project and
  - evaluated after the project, to achieve identified public benefits or needs; and to minimise financial risks.

The objectives of this Policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.

## 2. Scope

This document sets out the policy of the Adelaide Plains Council for prudential management of all its projects. This policy applies to all projects (as defined below) no matter how big or small.

## 3. Definitions

**Decision-maker** may be an Elected Member of Council, the Chief Executive, or a Manager of Adelaide Plains Council.

**Due Diligence** is an expression used to describe the conduct of a systematic review of a transaction, prior to entering the transaction. The efficient and cost effective use of public funds is a fundamental of good government. A culture of public sector management that fosters accountability, integrity and due process results in the efficient use of public resources.

Effective due diligence requires a Council to devote at least some attention to:

- compliance
- benefits or needs; and

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- financial risks.

**Project** is a new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability, or accepting an asset.

This should not be interpreted to mean that all Council activities are “projects”. Regular, ongoing deliveries of Council services are not “new and discrete” activities so therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to provide services.

Simply purchasing an item of plant or equipment, (e.g. a single vehicle) or a parcel of land will constitute a “project” if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council’s Procurement Policy. However, a “project” will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure. It may include, for example, receiving land or other assets for free, or granting permission for a private activity on Council land.

All projects should be considered in the context of not only this policy, but also Council’s Risk Management Plan.

**Prudential Management** is taking a precautionary approach to proposed projects. Put simply, prudential management attempts to foresee what adverse financial consequences might arise from any project that a Council is contemplating, and requires managing the project in such a manner as to capture the proposed benefits, while minimising, offsetting or otherwise taking account of the foreseeable financial risks.

#### 4. Legislation

This Policy is made pursuant to section 48(aa1) of the [Local Government Act 1999](#) (“the Act”) which provides:

*A Council must develop and maintain prudential management policies practices and procedures for the assessment of projects to ensure that the Council:*

- (a) acts with due care diligence and foresight; and*
- (b) identifies and manages risks associated with a project; and*
- (c) makes informed decisions; and*
- (d) is accountable for the use of Council and other public resources.*

As such, this Policy applies to all Council projects, equal or greater than \$50k, to ensure compliance with this provision, and that decision-making in respect of any project is made with reliable, accurate and timely information.

#### 5. Deciding upon an appropriate level of due diligence

Any proposed project must first be assessed as to the level of due diligence that is required.

The Council’s record of delegations lists the powers that the Council has delegated to the Chief Executive and/or other managers, including the power (depending upon budgetary allocations and

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other Council policies) to approve some projects. The record of delegations may distinguish types of projects that a specific manager is permitted to approve.

The Executive Leadership has delegated authority to exercise some, dependant upon budgetary allocations, of Council's powers to approve projects. For a particular project, the decision-maker may be the Chief Executive Officer or Council.

When approval is being sought or considered for a specific project, information must be provided to the CEO and/or Council to indicate approximately, at first instance:

- the specific benefits or needs to be addressed;
- the extent to which it may be substantially similar to other past projects;
- the expected whole-of-life costs of the project; and
- what, if anything, is known about the levels of financial risk that may be involved.

Therefore, for a particular proposed project, (depending on the record of delegations) the decision-maker may be the Council, the Chief Executive, or a member of the Executive Leadership at the Adelaide Plains Council.

### 5.1 Two threshold questions

The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

As a first step, the decision-maker must ascertain:

- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; and
- whether the proposed project will (or might) generate any additional financial risk for the Council.

Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, then Council Administration will record in its' Records Management system the reason for not obtaining a Due Diligence Report (DDR) and no further action is necessary. However, in many cases, the decision-maker will not be sure of these answers, and will require a second step outlined below.

### 5.2 Due diligence report

To resolve any doubt, the decision-maker must request preparation of a **due diligence report** (DDR). See section 6 below.

For large commercial or non-commercial projects, section 48(1) of [the Act](#) requires that a full prudential report be prepared for Council. A report under section 48 will be regarded as the highest-level, most thorough type of DDR for the purposes of this Policy.

A full prudential report may also be commissioned under section 48, for "any other project for which the Council considers that it is necessary or appropriate".

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If a full prudential report is not sought, the Council will record its reasons for *not* obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed project has been assessed under 5.1 of this policy, or under a DDR as being of low or negligible financial risk.

## 6. Due diligence before a decision on whether to proceed

Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:

- an analysis of the need or demand;
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks, (including the financial risks of not proceeding or delaying the proposed project) and consideration of ways they can be managed and/or mitigated;
- an evaluation that weighs up all of the factors above.

For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the CEO and/or Council with input from two or more of Council Administration.

The CEO and or Council may request a DDR from a working party of Council Administration, or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, project management, town planning etc.

In requesting and preparing a DDR, the CEO and Council Administration must consider Council’s Risk Management Framework, Long Term Financial Plan and Asset Management Plans and *where* the proposed project should be placed within each of the following two tables.

Financial risk (FR) including upfront and ongoing costs (whole of life)  Likelihood of FR	<b>Minor</b> i.e. FR between \$1,000 and \$10,000	<b>Moderate</b> i.e. FR between \$10,000 and \$100,000	<b>Major</b> i.e. FR between \$100,000 and \$500,000	<b>Catastrophic</b> i.e. FR greater than \$500,000
<b>Almost certain</b>	Project Feasibility	Project Feasibility	Project Feasibility	Project Feasibility – Potential Prudential Report
<b>Likely</b>	Basic DDR – Potential Project Feasibility	Project Feasibility	Project Feasibility	Project Feasibility – Potential Prudential Report
<b>Possible</b>	Basic DDR – Potential Project Feasibility	Basic DDR – Potential Project Feasibility	Project Feasibility	Project Feasibility – Potential Prudential Report

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<b>Unlikely</b>	Basic DDR	Basic DDR – Potential Project Feasibility	Basic DDR – Potential Project Feasibility	Project Feasibility
<b>Rare</b>	Basic DDR	Basic DDR – Potential Project Feasibility	Basic DDR – Potential Project Feasibility	Project Feasibility

**Note: Exclusion of financial exposure mitigated by Council’s insurance policy.**

Whole of life (WoL) costs	Minor i.e. FR between \$1,000 and \$10,000	Moderate i.e. FR between \$10,000 and \$100,000	Major i.e. FR between \$100,000 and \$500,000	Catastrophic i.e. FR greater than \$500,000
---------------------------	---	--	--	--

For any project that falls into the shaded area of either table, a DDR must also include a project feasibility study, to provide a high level consideration of the expected costs and revenues over the life of the project, using discounted cashflow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market conditions.

## 7. Due diligence during a project

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

## 8. Due diligence after a project

After a project has been completed, it will be evaluated, according to the principles of due diligence, to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the DDR.

A Council Report will be compiled for the Council’s Audit Committee outlining full Due Diligence of the project.

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## 9. Related Documents

Annual Business Plan

Asset Management Plans

Internal Financial Controls Policy

Long Term Financial Plan

Risk Management Policy and Framework

Strategic Management Plan

Procurement Policy

## 10. Records Management

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

## 11. Document Review

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

## 12. References & Related Regulations

Independent Commissioner Against Corruption Act 2012

[Local Government Act 1999](#) – s48 (aa1), (1),

LGA Financial Sustainability Information Paper 27 – Prudential Management ~~Feb 2015~~ [December 2019](#)

## Further Information


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

2a Wasleys Rd, Mallala SA 5502

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

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

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 <b>Adelaide Plains Council</b>	<b>6.3</b>	<b>Policy Review – Fixed Assets Accounting Policy</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date:</b>	<b>6 June 2022</b>	<b>Document Ref:</b>
		<b>D22/21903</b>

### **EXECUTIVE SUMMARY**

- Council regularly reviews its policies to ensure they remain relevant and in line with current legislation and best practises.
- Council’s Fixed Assets Accounting Policy (the current policy) was last reviewed in September 2019 and, in accordance with the Audit Committee Annual Works Program, is due for review in this financial year.
- The current policy satisfies the requirements of the Australian Accounting Standards, *Local Government Act 1999* and Local Government (Financial Management Regulations) 2011.
- Council Management does propose the following changes to the current Policy:-
  - minor formatting changes;
  - changes to reflect Council’s updated strategic management plan;
  - addition of Street Lighting and Information Technology Hardware and Computer Equipment assets under Clause 5.2 and Clause 13.5; and
  - addition of clause 7.9 to specify that Furniture, Plant, Machinery and Equipment assets will not be subject to periodic assets revaluations.

### **RECOMMENDATION**

**“that Audit Committee, having considered Item 6.3 – *Policy Review – Fixed Assets Accounting Policy*, dated 6 June 2022, receives and notes the report and in doing so recommends to Council that it adopt the Fixed Assets Accounting Policy as presented in Attachment 1 subject to following changes;**

- 1. ....;**
- 2. ....”**

### **BUDGET IMPACT**

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

## **RISK ASSESSMENT**

Nil

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### **Attachments**

1. Marked up version of the Fixed Assets Accounting Policy reviewed in May 2022.



## **DETAILED REPORT**

### **Purpose**

The purpose of this report is for the Audit Committee to consider Council's Fixed Assets Accounting Policy and make recommendations for Council's consideration.

### **Background/History**

The Fixed Assets Accounting Policy was last reviewed by Council's Audit Committee, and subsequently reviewed and adopted by Council in September 2019.

### **Discussion**

The Policy satisfies the requirements of the Australian Accounting Standards, *Local Government Act 1999* and Local Government (Financial Management Regulations) 2011. Accordingly, Management does propose following changes to the current Policy:-

- minor formatting changes;
- changes to reflect Council's updated strategic management plan;
- addition of Street Lighting and Information Technology Hardware and Computer Equipment assets under Clause 5.2 and Clause 13.5; and
- Council currently don't revalue Furniture, Plant, Machinery and Equipment assets periodically as they are not material compared to other fixed assets categories, have relatively shorter useful lives, and have active secondary markets making cost a reasonable proxy for fair value. Therefore, clause 7.9 has been added to specify that those assets will not be subject to periodic assets revaluations.

Until last year, Council didn't own any street lights. However, following recent changes to street lighting agreement with SA Power Networks, any new street lights installed within Council district will be owned and maintained by the Council. Therefore, street lights have been added as a separate assets category in the assets register.

Previously, IT assets were included as part of Office Furniture and Equipment asset class. However, in order to provide closer supervision and management of IT equipment it is proposed that they are identified separately in the Council's assets register.

### **Conclusion**

It is recommended that the Audit Committee consider the proposed changes to the Fixed Assets Accounting Policy and make recommendations to the Council accordingly.

## **References**

### Legislation

*Local Government Act 1999*

*Local Government (Financial Management) Regulations 2011*

### Other


Australian Accounting Standard AASB 13

Australian Accounting Standard AASB 116

Asset Management Policy

LGA Financial Sustainability Information Paper 17 - Depreciation and Related Issues 2016

Audit Committee Annual Work Program 2021-2022

	<b>Fixed Assets Accounting Policy</b>	
	<b>Version Adoption by Council:</b>	<del>23 September 2019</del> <u>TBC</u>
	<b>Resolution Number:</b>	<del>2019/373</del> <u>TBC</u>
	<b>Current Version:</b>	<del>V1</del> <u>V2</u>
	<b>Administered by:</b> General Manager – Finance and Business	<b>Last Review Date:</b> <del>2019</del> <u>2022</u> <b>Next Review Date:</b> <del>2021</del> <u>2024</u>
<b>Document No:</b> <del>D19/43181</del> <u>D22/1278</u>	<b>Strategic Outcome:</b> <del>4.3 — Great Places and Infrastructure</del> <del>4.5.11 Meet all legislative compliance requirements</del> <u>Proactive Leadership</u> - <u>Strategic and sustainable financial management</u> - <u>Proactively engage in Local Government Reform and continuous improvement.</u>	

### 1. Objective

The purpose of this policy is to provide a framework that ensures Adelaide Plains Council's (Council) fixed assets are recognised and accounted for in accordance with accounting standards issued by Australian Accounting Standards Board (AASB) and the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

The Policy also assists Council's commitment to Financial Sustainability by ensuring service standards/levels for Council's infrastructure assets are delivered according to a long-term assets and financial plans without the need to significantly increase rates or significantly reducing other services.

### 2. Scope

This policy details expenditure that is to be capitalised and the associated accounting treatment for fixed assets in Council's asset register.

### 3. Definitions

An **asset** is a resource controlled by the Council as a result of past events and from which future economic benefits or costs are expected to flow or be incurred by the Council.

For the purposes of this policy assets refers to Infrastructure, Property, Plant and Equipment. This includes physical assets that meet a pre-determined threshold and that are used in the course of Council business over more than one accounting period.

**Carrying Amount** is the amount at which the asset, or sum of the class of assets, is recorded in the accounting records as at a particular date. In application to a depreciable asset, carrying amount means the net amount after deducting accumulated Depreciation.

**Condition Assessment** is the technical assessment of the operational and physical conditions of an asset, using a systematic method designed to produce consistent, relevant and useful information.

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**Componentisation** relates to assets that are made up of materially significant parts, which in turn have different lifecycles and therefore must be depreciated separately.

**Current Replacement Cost** is the purchase or construction cost of replacing an asset with a technologically modern equivalent new asset with the same economic benefits allowing for any differences in the quantity and quality of output and in operating costs.

**Cost** is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

**Depreciable Amount** is the cost of an asset, or other amount substituted for cost, less its Residual Value.

**Depreciation** is an expense representing the consumption of an asset overtime in providing services. It is recognised systematically for the purpose of allocating the depreciable amount of an asset over its useful life.

**Depreciable Asset** is an asset having a limited useful life.

**Fair Value** is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date as per definition set out in AASB 13 Fair Value Measurement.

**Impairment Loss** is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**Land Under Roads** includes land under roadways and road reserves, including land under footpaths, nature strips and median strips.

**Materiality** is defined in AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 5 as follows:

*“omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”*

**Residual Value (RV)** is the estimated amount that an entity would currently obtain from disposal of an asset after deducting the estimated costs of disposal, if the asset was already at the age and in the condition expected at the end of its useful life.

**Useful life** is the period over which an asset is expected to be available for use by the Council.

#### 4. Policy Statement

This Policy outlines relevant definitions, materiality thresholds, initial recognition, revaluations, impairment, depreciation and disposal of fixed assets and addresses Council’s position on the Australian Accounting Standard (AASB) 16 – Leases.

#### 5. Capitalisation

5.1 Assets should have a useful life of greater than one year in order for the expenditure to be capitalised and have a value above the materiality test. Materiality levels are set so as not to misstate Financial Statements and to provide a guide as to whether it is practical from an administrative perspective that expenditure is capitalised.

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5.2 Materiality levels for assets capitalisation are (Ex. GST):-

Office Furniture and Equipment	\$1,000
Other Plant and Equipment	\$1,000
Building – new construction / extensions	\$10,000
Park and Playground Furniture and Equipment	\$2,000
Road construction and reconstruction	\$10,000
Paving, footpaths, kerb and gutter	\$2,000
Pram Ramps	\$1,000
Drains and Culverts	\$5,000
Reticulation extensions	\$5,000
Sidelines and household connections	\$5,000
Plant, Machinery and Equipment	\$1,000
Furniture and Equipment	\$1,000
<u>Street lighting</u>	<u>\$5,000</u>
<u>Information Technology hardware and computer equipment</u>	<u>\$1,000</u>

5.3 No capitalisation threshold is applied to the acquisition of land or interests in land. Assets specifically excluded from capitalisation include directional and informational signage, trees and Land Under Roads.

5.4 Where the value of individual assets fall below the asset threshold for capitalisation, but the assets form part of a network or asset group such as for park furniture on a reserve, consideration will be given to capitalising the individual asset based on whether the aggregate value of those assets exceeds the capitalisation threshold.

5.5 All capitalised expenditure is to be recorded in Council's asset register and shall be properly identified, recorded and classified. For each asset, a determination shall be made of its total life, estimated remaining useful life, cost for accounting purposes and method of depreciation.

## 6 Acquisition of Assets

6.1 Council's Assets may be acquired by purchase, construction, donation or received free of charge (as in the case of infrastructure assets received from developers in new land divisions).

6.2 Assets acquired by Council shall be recorded in line with applicable accounting standards using the cost method of accounting which is the fair value given as consideration plus costs incidental to acquisition including architect's fees, engineering fees and all other costs incurred in preparing the asset ready for use.

6.3 The cost of assets constructed by the Council will include the cost of all materials used in construction, direct labour employed and, where relevant, an appropriate internal allocation amount to represent indirect labour overheads and the use of Council's internal plant and machinery used on the project. Labour overheads will be based on outdoor labour hours worked and plant and machinery allocation will be based on usage.

6.4 Date of acquisition of all assets will be the 30 June of the financial year in which the acquisition is made.

## 7 Revaluation

- 7.1 After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated Depreciation and subsequent accumulated Impairment Losses. All infrastructure assets, land and buildings shall be revalued on a regular basis such that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.
- 7.2 Typically, fair value is taken as being the current replacement cost owing to the specialised nature of the assets of the Council and inability to purchase or sell them on the open market. The *market approach* is used where there is an active and liquid market. The *income approach* is usually used only with for-profit entities where the asset generates income/profits then the assets must be measured on either the cost or fair value basis. *Market evidence* should be used for determining valuations wherever such evidence exists. Current replacement cost will be the basis of valuation of structures on Community Land. Structures erected or constructed on non-Community Land that have a market value will however need to be valued using a market based approach.
- 7.3 Staff members responsible for the maintenance and accuracy of the data relevant to the asset information in the asset register shall in consultation with the finance team ensure that revaluations occur regularly in accordance with AASB 13 - Fair Value Measurement.
- 7.4 To perform a revaluation the following is required:
- Assessment of fair value (i.e. market value or replacement cost)
  - Assessment of asset condition
  - Assessment of remaining asset life
  - Affirmation of depreciation method
  - Assessment of any asset impairment
- 7.5 Date of revaluation of assets will be the 1 July of the of the financial year in which the revaluation is made.
- 7.6 Land and Buildings - unit rates shall be reviewed annually with a comprehensive revaluation every five (5) years. The valuation will cover both insurance and accounting valuation.
- 7.7 Infrastructure (including roads, footpaths, bridge and stormwater drainage) and CWMS assets - unit rates and useful lives shall be reviewed annually where possible, with a physical condition assessment undertaken at least t every five (5) years.
- 7.8 Furniture, Plant, Machinery and Equipment assets are recorded initially at the purchase cost. These items are then assessed annually as part of plant and equipment management process by the staff.
- 7.9 Furniture, Plant, Machinery and Equipment assets recognised at cost, generally are lower in materiality, have shorter useful lives, and have active secondary markets making cost a reasonable proxy for fair value. Therefore, Furniture, Plant, Machinery and Equipment assets will not be subject to periodic comprehensive revaluation.

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## **8 Leases**

- 8.1 In accordance with AASB16 Leases effective from 1 July 2019, all leases (subject to the exceptions described below), will be capitalised by recognising a Right of Use asset together with a liability for the present value of the lease obligation.
- 8.2 Depreciation will be calculated on the Right of Use asset and interest will be calculated on the lease liability.
- 8.3 The value of the Right of Use asset and the lease liability will include non-cancellable lease payments and payments for option periods which Council is reasonably certain to exercise.
- 8.4 The following leases will be excluded from capitalisation:
  - Short Term Leases – leases for a period of 12 months or less
  - Low Value Items – items which when new have value below \$10,000 e.g. laptops, tablets and computers. This low value item is applied to an item, not to a group of items, and applies to the ‘as new’ value, not a second hand value.

## **9 Assets Register**

- 9.1 Registers of all assets shall be maintained and shall record individual assets in sufficient detail as to permit their identification and control. The assets registers shall be updated at least annually.
- 9.2 The assets registers shall be used for the purpose of revaluing and depreciating assets and for stocktaking.
- 9.3 A stocktake of all plant and equipment, including computer equipment, shall be conducted at least every 2 years. A stocktake of inventory shall be conducted every year

## **10 Register of Attractive Portable Items – IT and Minor Depot Assets**

- 10.1 A register of items which are attractive and portable shall be maintained for the purpose of controlling and safeguarding items which by their nature are at risk of loss.
- 10.2 A stocktake of such items shall be conducted at least every 2 years.
- 10.3 Attractive portable items are items which are more likely to be subject to loss due to theft or misplacement and shall include items such as cameras, portable TVs, videos and communication equipment. This register will not only include assets which are capitalised but also those that fall below the threshold for capitalisation. The justification for inclusion and separate identification in the register pertains to the assets qualities of portability and potential high risk of loss given their attractiveness.

## 11 Impairment

- 11.1 Assets whose future economic benefits are not dependent on the ability to generate cashflows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.
- 11.2 Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation will be 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 outflows or value in use). For assets whose economic benefits are not dependant on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use (infrastructure assets) is the depreciated replacement cost.
- 11.3 At 30 June each year an assessment must be made as to whether there is any indication that the carrying amount of an asset may exceed its recoverable amount. An impairment usually results in a reduction to the asset's recoverable amount and can arise from a number of causes, as follows;
- Decline in the market value of the asset
  - Severe damage to the asset
  - The asset has been rendered obsolete
  - Changes of a technological or economic nature
- 11.4 If there is an indication that an asset may be impaired, this may mean that the remaining useful life, the depreciation (amortisation) method or the residual value for the asset needs to be reviewed and adjusted in accordance with the Accounting Standard applicable to the asset, even if no impairment loss is recognised for the asset.

## 12 Physical Resources Received Free of Charge

- 12.1 An item of Property, Plant and Equipment may be gifted or contributed to the council. As per AASB 116 - Property, Plant and Equipment, the cost of the item is its fair value at the date it is acquired.

## 13 Depreciation

- 13.1 Other than land, all Property, Infrastructure, Plant and Equipment assets having a limited useful life are systematically depreciated over their useful lives to the Council in a manner which reflects the consumption of the service potential embodied in those assets.
- 13.2 The depreciation method applied shall be the straight-line basis.
- 13.3 Useful Lives, residual values and depreciation rates shall be reviewed at the end of each financial year as per accounting standard requirements.
- 13.4 Various sub categories/components of asset classes have different estimated useful lives and therefore attract different depreciation rates.

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13.5 Major depreciation periods for each class of asset are shown below.

**Plant, Furniture and Equipment**

Office Equipment and Furniture	4 to 25 years
<u>Street lighting</u>	<u>15 years</u>
<u>Information Technology hardware and computer equipment</u>	<u>2 to 10 years</u>
Vehicles and Road-making Equipment	6 to 40 years
Other Plant and Equipment	5 to 40 years

**Building and 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,	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 and Footpaths, Kerb and 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 and Telemetry	15 to 25 years

**14 Disposal of Fixed Asset**

- 14.1 Assets will be disposed of in accordance with Council’s Disposal of Land or Other Assets Policy.
- 14.2 The carrying amount of an item of property, plant and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised.
- 14.3 The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is disposed of.
- 14.4 Where existing assets are renewed the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.
- 14.5 Date of disposal will be 30 June of the financial year that the disposal occurred

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## 15 Related Documents

Adelaide Plains Council - Infrastructure and Asset Management Plan.

Adelaide Plains Council - Strategic Plan

## 16 Records Management

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

## 17 Document Review

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

## 18 References

Australian Accounting Standard AASB 13

Australian Accounting Standard AASB 116

*Local Government Act 1999 – Section 124 and 125*

*Local Government (Financial Management) Regulations 2011 – Part 3*

Asset Management Policy

[LGA Financial Sustainability Information Paper 17 - Depreciation and Related Issues 2016](#)


## 19 Further Information

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2a Wasleys Road, Mallala SA 5502

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 <b>Adelaide Plains Council</b>	<b>6.4</b>	<b>Update on Audit Committee Annual Work Program 2021/2022</b>
	<b>Department:</b>	<b>Finance and Business</b>
	<b>Report Author:</b>	<b>General Manager – Finance and Business</b>
<b>Date:</b>	<b>6 June 2022</b>	<b>Document Ref:</b>
		<b>D22/21904</b>

## **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 were provided 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 results of 2020/2021 against the adopted budget; and
  - Draft 2023-2032 Long Term Financial Plan.
- In addition, the agenda of the 14 February 2022 Audit Committee meetings contained following reports;
  - 2022/2023 Annual Business Plan and budget development framework;
  - Outcome of the public consultation on Draft 2023-2032 Long Term Financial Plan; and
  - Budget Management Policy reviews;
- Draft 2022/2023 Budget and several finance policies that have been reviewed were included in the agenda of the 11 April Audit Committee meeting.
- Further update to draft 2022/2023 Annual Business Plan and Budget following public consultation and review of 2 policies are contained in the agenda of the 6 June Audit Committee meeting.

## **RECOMMENDATION**

**“that the Audit Committee, having considered Item 6.4 – *Update on Audit Committee Annual Work Program 2021/2022*, dated 6 June 2022, 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.

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## **Attachments**

1. Audit Committee Annual Work Program 2021/2022 – June 2022 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, following reports have been provided to the Audit Committee;

#### 17 November 2021

- 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&AMP 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&AMP 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;

#### 14 February 2022

- 2022/2023 Annual Business Plan and budget development framework;
- Outcome of the public consultation on Draft 2023-2032 Long Term Financial Plan; and
- Budget Management Policy reviews.

#### 11 April 2022

- Draft 2022/2023 Budget;
- Review of Treasury Management Policy;
- Review of Funding Policy;
- Review of Internal Financial Controls Policy;
- Review of Rates Arrears and Debtor Management Policy; and
- Review of Credit Card Policy

6 June 2022

- Draft 2022/2023 Budget following public consultation
- Review of Treasury Management Policy
- Review of Fixed Assets Accounting Policy

## **Conclusion**

Throughout the financial year, Audit Committee has been provided with several reports for consideration in line with its annual work program for 2021/2022. Council management is intending provide remaining reports to future Audit Committee meetings.

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## **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 – June 2022 Update

Activity	Target Meeting	Current Status/Outcome	Action Taken	Date Completed
<b>1. Financial Reporting (LGA – Section 126(4)(a))</b>				
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"> <li>▪ Annual Business Plan;</li> <li>▪ Annual Financial Statements;</li> </ul>	April & June 2022  November 2021 and June 2022	Completed		17 November 21
1.2 Annual Review of financial performance indicators provided to Council as part of Budget Reviews.	November 2021	Completed		17 November 21
<b>2. Strategic Management and Annual Business Plans (LGA – Section 126(4)(ab))</b>				
2.1 The Audit Committee should satisfy itself regarding the: <ul style="list-style-type: none"> <li>▪ Review of Strategic Management Plan 2020-2024 for consistency with Council’s long-term financial plan and annual business plan;</li> <li>▪ Review of Long Term Financial Plan for consistency with its infrastructure and asset management plan (I&amp;AMP);</li> <li>▪ soundness of the I&amp;AMP; e.g. Is it supported by engineering and other professional assessments regarding the condition of Council’s infrastructure assets;</li> <li>▪ likely impact on Council’s ongoing financial sustainability of implementation of its suite of strategic management plans;</li> </ul>	November 2021  February 2022	Updated Strategic Management Plan (SMP) was approved by the Council on 27 February 2021. Updated I&AMP was approved by the Council on 25 October 2021. Draft LTFP 2023-2032 which has been developed based on updated SMP & I&AMP was presented as part of the agenda of 17 November meeting.		17 November 21  February 22



## Audit Committee Annual Work Program 2021/2022 – June 2022 Update

<ul style="list-style-type: none"> <li>▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan.</li> </ul>		Feedback from the public consultation on draft LTFP and updated draft LTFP 2023-2032 was provided to 14 February meeting.		
3. Exercise of Powers under Section 130A (LGA – Section 126(4)(ac))				
3.1 Determine whether a recommendation to the Council is required to request its auditor or some other person to examine and report on any matter considered significant relating to financial management or the efficiency and economy of the management of Council’s resources that would not be addressed or included as part of the annual audit.	Ongoing			
4. Liaising with External Auditor (LGA – Section 126(4)(b))				
4.1 An in-camera meeting with Council’s external auditors during the 2020/2021 financial year to: <ul style="list-style-type: none"> <li>▪ discuss any points of concern raised by the External Auditor in their interim audit;</li> <li>▪ assess the appropriateness of the Council’s response to matters raised in the interim audit;</li> <li>▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter;</li> <li>▪ assess the appropriateness of the Council’s response to matters so raised.</li> </ul>	August 2021  August 2021  November 2021  November 2021	Completed  Completed  Completed  Completed		August 21  August 21  17 November 21  17 November 21
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	Ongoing	Completed		17 November 21

## Audit Committee Annual Work Program 2021/2022 – June 2022 Update

any services to the Council outside the scope of the auditor's functions under the Local Government Act.				
5. Internal Controls and Risk Management Systems (LGA – Section 126(4)(c))				
5.1 Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed: <ul style="list-style-type: none"> <li>▪ consider the range of documented internal control policies and procedures; and</li> <li>▪ whether they are being followed.</li> <li>▪ regular self-assessment of internal financial controls</li> </ul>	November 2021	Completed		17 November 21
	June 2022			
5.2 Review Business Continuity & Emergency Management Plan (BCEMP). BCEMP has been reviewed and will be separated and replaced with the following documents. ✓ The following plans replace the Emergency Mgt. plan component of the BCEMP: <ul style="list-style-type: none"> <li>• Emergency Mgt. Plan.</li> <li>• Incident Operations Arrangements Manual</li> <li>• Recovery Operations Manual</li> </ul> ✓ APC Business Continuity Plan replaces the Business continuity component of BCEMP.	TBC			
5.3 Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider: <ul style="list-style-type: none"> <li>▪ 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.</li> </ul>	TBC			


## Audit Committee Annual Work Program 2021/2022 – June 2022 Update

<ul style="list-style-type: none"> <li>✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets);</li> <li>✓ 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;</li> <li>✓ adequacy of insurance coverage.</li> </ul>				
5.4 Review of Council’s risk management processes	TBC			
<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"> <li>✓ Credit Card Policy</li> <li>✓ Risk Management Policy</li> <li>✓ Fixed Assets Accounting Policy</li> <li>✓ Prudential Management Policy</li> <li>✓ Rates Arrears and Debtor Management Policy</li> <li>✓ Treasury Management Policy</li> <li>✓ Budget Management Policy</li> <li>✓ Funding Policy</li> <li>✓ Internal Financial Control Policy</li> <li>✓ Disposal of Land and Other Assets Policy</li> </ul>	<p>April 2022 TBC June 2022 June 2022 April 2022 April 2022 February 2022 April 2022 April 2022 TBC</p>	<p>Completed  Agenda 6 June 2022 Agenda 6 June 2022 Completed Completed Completed Completed Completed</p>		<p>11 April 22   11 April 22 11 April 22 14 February 22 11 April 22 11 April 22</p>
6. Public Interest Disclosures				
6.1 Review Council’s Public Interest Disclosure Procedure (Last reviewed in February 2019)	To be reviewed in in 2022			
7. Reporting				
7.1 Ensure progress of the outstanding Audit Committee resolutions are followed up regularly.	Ongoing			



## Audit Committee Annual Work Program 2021/2022 – June 2022 Update

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"> <li>▪ 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;</li> <li>▪ outlining any identified training needs;</li> <li>▪ Audit Committee Self-Assessment Survey</li> <li>▪ advise on future work program proposals; and invite comment from the Council on all of the above.</li> </ul>	To be confirmed  To be confirmed To be confirmed To be confirmed			

 <b>Adelaide Plains Council</b>	<b>7.1</b>	<b>Committee Resolutions</b>
	<b>Department:</b>  <b>Report Author:</b>	<b>Finance and Business</b>  <b>General Manager – Finance and Business</b>
<b>Date: 6 June 2022</b>	<b>Document No:</b>	<b>D22/21666</b>

## **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 management are captured in the Resolution Register and presented to each committee meeting for the information of the members of the Audit Committee.

One (1) resolution each is outstanding from February 2020 and April 2022 Audit Committee meetings.

## **RECOMMENDATION**

**“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 6 June 2022, receives and notes the report.”**

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## **Attachments**

1. Audit Committee Resolution Register – Updated June 2022.

## **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	Updated Credit Card Policy was presented to the 11 April Audit Committee meeting. Further report will be brought back on travel and hospitality expenditures.	



## 2022 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
11-Apr-22	6.2	Policy Review – Credit Card Policy	“that the Audit Committee, having considered Item 6.2 – Policy Review – Credit Card Policy, dated 11 April 2022, requests that a further report be brought back to the Audit Committee regarding the reporting of credit card transactions.”	2022/022	Finance and Business/Governance and Executive Office	Ongoing		

 <p data-bbox="443 277 632 398"><b>Adelaide Plains Council</b></p>	<p data-bbox="810 277 1114 309"><b>8.1 Confidential Item</b></p>
<p data-bbox="730 479 903 510"><b>6 June 2022</b></p>	

8.1 Crown Land, Two Wells – June 2022 Audit Committee Update

## **RECOMMENDATION**

**“that:**

- 1. Pursuant to section 90(2) of the *Local Government Act 1999*, the Audit Committee orders that all members of the public, except Chief Executive Officer, General Manager – Governance and Executive Office, General Manager – Finance and Business, Manager Governance and Administration, 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 – June 2022 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 – June 2022 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 information relating to ongoing negotiations regarding Crown Land at Two Wells 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.”**



## **RECOMMENDATION**

**“that the Audit Committee, having considered the matter of Item 8.1 – *Crown Land, Two Wells – June 2022 Audit Committee Update* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:**

- 1. The report and minutes pertaining to Item 8.1 – *Crown Land, Two Wells – June 2022 Audit Committee Update* remain confidential and not available for public inspection until further order of the Council except such disclosure as the Chief Executive Officer determines necessary or appropriate for the purpose of furthering the discussions or actions contemplated;**
- 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 Committee delegates the power to revoke this confidentiality order to the Chief Executive Officer.”**