

NOTICE OF MEETING

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

Audit Committee Meeting of the



**Adelaide
Plains
Council**

will be held by

electronic means

on

Monday 14 February 2022 at 4.30pm

A handwritten signature in black ink, appearing to be 'James Miller', is positioned above the printed name.

James Miller
CHIEF EXECUTIVE OFFICER

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4.30pm Monday 11 April 2022	
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**Adelaide
Plains
Council**

2. Confirmation of Minutes

Monday 14 February 2022

- 2.1 “that the minutes of the Audit Committee Meeting held on Wednesday 17 November 2021 (MB Folios 193 to 198, 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 IN

**Council Chamber
Redbanks Road
Mallala**

on

Wednesday 17 November 2021 at 6.00pm

The Chairperson formally declared the meeting open at 6.01pm and acknowledged that the meeting is taking place on Kurna land.

1. ATTENDANCE AND WELCOME

1.1 Present

Mr Alan Rushbrook (Chairperson)

Mr Peter Fairlie-Jones

Mayor Mark Wasley

Councillor Margherita Panella

By audio-visual link

Also in Attendance

Chief Executive Officer

Mr James Miller

General Manager – Finance and Business

Mr Rajith Udugampola

Manager Governance and Administration

Ms Alyssa Denicola

Administration and Executive Support Officer/Minute Taker

Ms Stacie Shrubsole

Information Technology Support Officer – *By audio-visual link*

Mr Sean Murphy

Audit Director, Galpins

Mr Juliano Freitas

1.2 Not Present

Deputy Mayor Marcus Strudwicke

Mr Freitas left the meeting at 6.52pm and did not return.

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

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/ 053

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

1. Notes that:
 - a. the Long Term Financial Plan results in key financial indicators being substantially outside of the targets set by Council
 - b. Until 2031/2032 the income included in the plan is not sufficient to pay for the proposed expenditure and the level of debt is outside what is conventionally considered prudent and
 - c. When considering the projects included in the plan Council will need to be mindful of the impact the expenditure will have on future generations of residents, future elected Councils and of the financial risks which will emanate from the proposed expenditure; and
2. That in consideration of 1.a., 1.b and 1.c above, instructs the Chief Executive Officer to bring a further report back to Council, via the Audit Committee, in relation to feedback gleaned through public consultation and how best to address 1.a., 1.b and 1.c above.”

CARRIED

6.3 Update on Audit Committee Annual Work Program 2020/2021

Committee Resolution

Moved Mr Fairlie-Jones Seconded Councillor Panella 2021/ 054

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

CARRIED


6.4 Request for Loan – Mallala Football Club

Committee Resolution

Moved Mr Fairlie-Jones Seconded Councillor Panella 2021/ 055

“that Audit Committee, having considered Item 6.4 – *Request for Loan – Mallala Football Club*, dated 17 November 2021, receives and notes the report and in doing so recommends that Council consider the Mallala Football Club’s request in accordance with Council’s Treasury Management Policy.”

CARRIED

 Adelaide Plains Council	6.1	2022/2023 Annual Business Plan and Budget Development Framework
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/4227

EXECUTIVE SUMMARY

- The purpose of this report is for Audit Committee to consider and endorse the framework to be adopted in compiling the 2022/2023 Annual Business Plan (ABP) and 2022/2023 Annual Budget (the Budget).
- The development of the ABP and the Budget will continue to form the platform to position the Council to achieve “Financial Sustainability” that has been the fundamental focus during the preparation of budgets for the last five (5) financial years.
- Financial sustainability is not a number on the Council’s Profit & Loss Statement, it is a strategy.
- Therefore, sound financial and assets management strategies need to be developed and implemented over a period of time and future decisions should be consistent with and supporting the Council’s strategic documents.
- The financial challenge for the Council and the community is to manage a significant capital expenditure budget and reduce the operating deficit overtime, without leaving a financial burden for the future generation (intergenerational equity).
- A well-thought and carefully considered operating deficit (with long term implications analysed and understood) will provide comfort to the community that the Council has a sound financial strategy to meet current and future service demands.
- Council should/will continue to review its internal operations to identify areas for improvement/productivity gain while addressing resourcing requirements to cater for the substantial developments occurring within the Council district.
- At an information/briefing session held on 10 January 2022, Council and the Audit Committee Members were provided with the draft budget parameters/assumptions and tentative timeline set out in Table 1 and Table 2 respectively.
- It is proposed to release the draft ABP and Budget for public consultation on 4 May 2022 with the final adoption of the draft documents to occur at a Special Council Meeting on 11 July 2022 well ahead of the statutory deadline of 15 August.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.1 – *2022/2023 Annual Business Plan and Budget Development Framework*, dated 14 February 2022, receives and notes the report and in doing so:

1. **Acknowledges Council’s endorsement of the budget parameters and assumptions set out in Table 1 within this Report for the purpose of preparing the draft 2022/2023 Annual Business Plan and Budget; and**
2. **Acknowledges Council’s endorsement of the schedule set out in Table 2 within this Report as the process to be undertaken in the preparation of the 2022/2023 Annual Business Plan and 2022/2023 Budget, subject to any date changes that the Chief Executive Officer determines necessary”**

BUDGET IMPACT

Estimated Cost:	Yet to be determined
Future ongoing operating costs:	Yet to be determined
Is this Budgeted?	Not Applicable

RISK ASSESSMENT

Inflation risk

Due to post-pandemic economic recovery and COVID-19 related supply chain issues, almost all the economies in the world have experienced a significant increase in inflation in recent months. Therefore, if South Australia faces with higher inflation throughout 2022/2023 financial year (higher than 2.50% forecast in this report), it could potentially increase some of council expenses. It could also lead to increase in overdue rates due to diminishing purchasing power of the ratepayers.

Interest rate risks

In response to higher inflation, Reserve Bank of Australia could increase its cash rate from historical low level of 0.10% which would have a flow on effect on market interest rates. If this eventuates, Council’ interest expense could be increased on its short-term variable borrowings.

Cyber security

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

Occupational Health and Safety Risk

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

Credit risk

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

Attachments

Nil

DETAILED REPORT

Purpose

The purpose of this report is for the Audit Committee to consider, and endorse, the framework to be adopted in compiling the 2022/2023 Annual Business Plan (the ABP) and 2022/2023 Annual Budget (the Budget).

Background/History

Legislative Requirements

Pursuant to section 123 of the *Local Government Act 1999* (the Act), Council is required to prepare an Annual Business Plan and Annual Budget each financial year Council must adopt its Annual Business Plan and Annual Budget between 31 May and 15 August (except in a case involving extraordinary administrative difficulty).

Section 123(2) of the Act requires that each Annual Business Plan of a Council must-

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

Pursuant to Section 123(3) of the Act, prior to the adoption of the Annual Business Plan and Budget, a twenty-one (21) day public consultation period is required. As per recent amendments made to Schedule 5 of the Act, draft ABP and budget will only be available on Council website during the public consultation period.

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

However, due to COVID-19, under the Public Access and Public Consultation Notice 2020 (Notice 2), Section 123(4)(i) of the Local Government Act 1999 has been suspended and there is currently no

requirement for Council to hold a either a public meeting or Special Council Meeting in relation to its draft annual business plan.

At an information/briefing session held on 10 January 2022, Council and the Audit Committee Members were provided with the draft budget parameters/assumptions and tentative timeline set out in Table 1 and Table 2 respectively.

Discussion

Mid-Year Economic and Fiscal Outlook

For Australia

The Mid-Year Economic and Fiscal Outlook (MYEFO) 2021/2022 released by the Federal Government in December 2021 states that *'Headline inflation in Australia has also picked up this year but more moderately than in most other advanced economies. Underlying inflation pressures are also more muted, with the Reserve Bank of Australia signalling monetary policy normalisation in Australia will lag that in other advanced economies. Nevertheless, there has been some moderate tightening in financial conditions as market interest rates have risen in Australia, largely reflecting the rise in global interest rates..'*

For South Australia

Mid-Year Budget Review 2021-22 by the Government of South Australia estimates that for 2022/2023, the Adelaide Consumer Price Index (CPI) would be 2.25%. The CPI is projected to increase to 2.50% in 2023/2024 and 2024/2025.

Intergenerational Inequity

The financial challenge for Council and the community is to deliver planned infrastructure renewals in accordance with Council's Asset Management Plan (updated in October 2021) to provide the level of service expected by the Adelaide Plains community along with new/upgraded assets as part of updated strategic plan of the Council.

However, such a level of service and new assets comes at a cost and if the current generation of ratepayers do not contribute sufficiently through rates and user charges, Council leaves a legacy of financial burden for future generations.

The 2022/2023 Annual Business Plan

The Annual Business Plan is Council's statement of its intended programs and objectives for a financial year. It will be developed based on the strategies set out in Council's Strategic Plan 2021-2024 and assets management plans.

Elements of an Annual Budget

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

- a) Recurrent (day-today) Income and Expenditure;
- b) One-off service initiatives or Operating Projects; and

- c) Infrastructure renewal and new and upgraded assets (Capital Projects).

Key Budget Influences

➤ **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% for a considerable period of time along with higher wage growth, 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 predicts that the CPI for Australia would be 2.50% in 2022/2023.
- 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 for the period July-December 2021. (Growth of 1.52%). Similar period last year, it was 141 properties.
- 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 (in 2021/2022 FY)
 - Wheller Road (in 2021/2022 FY)
 - Aerodrome Road (in 2021/2022 FY)
 - Barabba Road (in 2021/2022 FY)
 - Cheek Road (in 2021/2022 FY)
 - Middle Beach Road (in 2022/2023 FY)
 - Glover Road (in 2021/2022 FY)
 - Buckland Park Road (in 2021/2022 FY)
- Assets rationalisation - Potential to engage community organisations and groups to manage community assets (For example Mallala Campground, Parham Campground).
- Adelaide Plains Council population had grown by nearly 5.5% from 2011 to 8,801 in 2016. It is projected to grow by 10,557 persons to a population of 19,358 by 2050 at 1.20% per annum compared to 0.90% for Greater Adelaide.
- The Estimated Resident Population within the district as per Australian Bureau of Statistics is 9,441 as of 30 June 2020;

- Commitments to projects and partnership initiatives continuing over more than one year e.g. Barossa Regional Procurement Group, Regional Development Australia Barossa Inc, Central Local Government Region of South Australia and Local Government Association of South Australia.
- Potential flood mitigation works by Gawler River Floodplain Management Authority that is expected to cost a significant amount of money, however the GRFMA's current policy position is such that no capital costs for the proposed Northern Floodway are borne by constituent councils.

➤ **Internal Budget Influences**

- Cost of maintaining infrastructure assets handed over to the Council from Eden housing development in Two Wells. Budget for next financial year will be developed on the assumption that the new infrastructure will have same service level as previously provided by the developer unless Council decides otherwise.
- Overdue Rates balance was \$0.919m as at 31/01/2022 (\$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.

Key Budget Assumptions and Parameters

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

The draft 2022/2023 Annual Budget will be prepared based on 'business as usual' assumption, which means that Council will continue to provide the existing services at the current service levels. This is not to say that the existing services that will be continued, will be delivered in the same way, as Council's management is constantly looking for innovative and cost effective ways of delivering Council services. Accordingly, Council's budget managers will adjust recurrent budgets for 2022/2023 based on the 2021/2022 budget and year-to-date January 2022 actual performance.

The "business as usual" assumption does not take into account any change in direction or service level in response to community expectations, legislative requirements, changing economic conditions or any changes that Council may wish to make, however the 2022/2023 Annual Budget will be adjusted for such changes that are known. Accordingly, following budget parameters and assumptions will be made in preparing draft ABP and the Budget.

Table 1: Budget Parameters and Assumptions 2022/2023 Financial Year

Description	Assumptions
- General Rates	Business as usual 2.25% Fund new assets/programs 0.25% <i>Total increase in existing rates 2.50% + 2.75% growth.</i>
- CWMS Charge	Mallala & Middle Beach - increase by 5% & 3% respectively.
- Waste Collection Charge	To be determined based on expected costs of the program as advised by Council contractor.
- Regional Landscape Levy	To be advised by Northern and Yorke Landscape Board.
Statutory/User Charges	Maximum increase of 2.50%. (to be determined as part of Annual Fees and Charges Review).
Grants, subsidies and contributions	Will be estimated based on confirmed grant programs.
Employee Costs	As per Enterprise Bargaining Agreements.
Materials, contracts and other	Overall increase of 2.50% excluding the cost of waste collection service.
Depreciation	Expected to be 3.00% based on 2020/2021 assets revaluation.
Finance Costs	To be determined based on current/new borrowings required.
Donated Assets	Estimated at \$5.000m based on prior year value of donated assets.
Overdue Rates, trade receivable, trade payables and provisions	No significant increase in overdue rates, trade receivable, trade payables and provisions.
Forecast Price indices	Adelaide CPI 2.25%, Local Government Price Index 2.53%.

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

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

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

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

Forecast CPI and LGPI

In the State Government's Mid-Year Economic and Fiscal Outlook, CPI of 2.25% has been forecast for 2022/2023. By adding the average variance of 0.28% between actual CPI & LGPI for past several years, it can be assumed that in 2022/2023 the expected CPI would be 2.53%.

Therefore, for budget estimating purpose, it is proposed to apply an indexation of 2.50% when estimating recurrent budget items in the absence of any other reliable way of estimating income and expenses. Given the historical variance between actual Adelaide CPI and LGPI, 2.50% indexations seems reasonable.

3. Asset Renewal and Replacement

The Council has in place Infrastructure & Asset Management Plans (I&) that was last updated in October 2021 for each major class of assets. The financial projections to be included in the draft 2022/2023 Budget will be based on the asset renewal and replacement programs as outlined in the I&.

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

5. New Operating and Capital Projects

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

1. Council's Strategic Management Plan 2021-2024;
2. Infrastructure and Asset Management Plans; and
3. Long Term Financial Plans.

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

6. Carry Forward Projects

Where this financial year Operating Projects are not completed by 30 June 2022, future deficits can eventuate, as the Rate Revenue is raised in the year as the project is initially approved. As part of the draft Budget, the cost to complete the Operating Projects from prior financial years will be carried forward to the 2022/2023 financial year, however those carried forward projects will be excluded for 2022/2023 rate modelling purpose.

Estimates will be based on the 2021/2022 actual results closer to the adoption of 2021/2021 budget, with the associated operational impacts being recognised separately in the 2022/2023 operating result.

Budget Timetable

As set out in **Table 2** below, a budget timetable has been developed to ensure that the Council is in a position to adopt 2022/2023 Annual Business Plan and the Budget at a Special Council Meeting on 11 July 2022.

This timeline will allow Council to approve the budget well ahead of the legislated deadline of 15 August 2022. It will also assist the Council staff to carry out all end of year processing as at 30 June 2022 on time, and plan for the new financial year.

Table 2 - Key Budget Process Activities 2022/2023

KEY STEPS	DATES	MEETING
Bus tour of proposed infrastructure program for 2022/2023	Thursday, 10 February 2022	Information/briefing session 2 <i>(Online session due to Covid-19)</i>
Budget process and parameters are presented to the Audit Committee.	Monday, 14 February 2022	AC meeting at 4.30pm
Recurrent Budget, Operating Projects and four (4) Year Capital Program is discussed with Elected Members.	Monday, 7 March 2022	Information/briefing session 3 at 6.00pm
Infrastructure Committee to consider four (4) year capital renewal program.	Wednesday, 16 March 2022	Infrastructure and Environment Meeting from 6.00pm to 7.00pm
Draft 2022/2023 ABP and Budget is presented to the Audit Committee.	Monday, 11 April 2022	AC meeting at 4.30pm
Recurrent Budget, Operating and Capital Projects Workshop with Council Members.	Tuesday, 19 April 2022	Information/briefing session 4 at 6.00pm
2022/2023 Fees and Charges considered.	Tuesday, 26 April 2022	April Council Meeting
Draft 2022/2023 ABP and budget endorsed for public consultation.	Tuesday, 26 April 2022	April Council Meeting
21 Days public consultation period begins with advertisement in local newspapers.	Wednesday, 4 May 2022	Public consultation
21 Days public consultation period ends.	Tuesday, 24 May 2022	Public consultation
Consideration of public submissions by the Audit Committee.	Monday, 6 June 2022	AC meeting at 4.30pm
Draft ABP and Budget presented to the Audit Committee.	Monday, 6 June 2022	AC meeting at 4.30pm
Public submissions received on the draft 2022/2023 ABP & Budget is presented to the Council.	Monday, 27 June 2022	June Council Meeting
Adoption of Draft 2022/2023 ABP & Budget.	Monday, 11 July 2022	Special Council Meeting at 6.00pm

Conclusion

A well-developed budget framework and timetable will assist Council Members and the management to monitor the progress of the budget process, so that 2022/2023 Budget can be adopted as planned on 11 July 2022.

In order to provide certainty to the community regarding the level and range of services provided by Council, the cost of providing those services, future Council borrowing requirements and general rate rises, Council should ensure that draft budget is compatible with the:-

1. Strategies of Council's Strategic Plan 2021-2024;
2. Draft 2023-2032 Long Term Financial Plan; and
3. Council's Infrastructure & Asset Management Plan.

References

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 201

Council Policies/Plans

Audit Committee Annual Works Program 2021-2022

Audit Committee Terms of Reference

Asset Management Policy

Budget Management Policy

Council Vehicle Policy

Funding Policy

Fixed Assets Accounting Policy

Prudential Management Policy


Rates Arrears and Debtor Management Policy

Treasury Management Policy

Draft Long Term Financial Plan 2023-2032

Strategic Plan 2021 – 2024

Infrastructure & Asset Management Plans (Updated 25 October 2021)

 Adelaide Plains Council	6.2	Policy Review – Budget Management Policy
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/5522

EXECUTIVE SUMMARY

- Council regularly reviews its policies to ensure they remain relevant and in line with current legislation and best practise.
- Council’s Budget Management Policy (the Policy) was last reviewed in February 2020 and, in accordance with the Audit Committee Annual Works Program, is now due for review.
- The Policy satisfies the requirements of the *Local Government Act 1999* and Local Government (Financial Management Regulations) 2011.
- Council Management therefore does not propose any significant changes to the Policy except for:-
 - minor formatting changes;
 - changes to reflect Council’s updated strategic management plan; and
 - minor changes to Clause 3.4 to specify references to recurrent budget and operating project budget in line with the structure of the Council’s annual budget.

RECOMMENDATION

“that Audit Committee, having considered Item 6.2 – *Policy Review – Budget Management Policy*, dated 14 February 2022, receives and notes the report and in doing so recommends to Council that it adopt the Budget Management Policy as presented in Attachment 1.”

BUDGET IMPACT

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

RISK ASSESSMENT

Nil

Attachments

1. Marked-up version of the Proposed Budget Management Policy

DETAILED REPORT

Purpose

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

Background/History

The Budget 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*. Accordingly, Management does not propose any changes to the Policy except for:-

- minor formatting changes;
- changes to reflect Council's updated strategic management plan; and
- minor changes to Clause 3.4 to specify references to recurrent budget and operating project budget in line with the structure of the Council's annual budget.

Conclusion

It is recommended that the Audit Committee consider the proposed Budget Management Policy and make recommendations to the Council accordingly.

References

Legislation


Local Government Act 1999

Local Government (Financial Management Regulations) 2011

Other

LGA's Financial Sustainability Information Paper 25: Monitoring Council Budget Performance

Audit Committee Annual Work Program

	Budget Management Policy	
	Version Adoption by Council: Date 24 February 2020 ^{TBC} Resolution Number: 2020/036 ^{TBC} Current Version: V1.3 V2.0	
	Administered by: General Manager – Finance and Business	Last Review Date: 2020 2022 Next Review Date: 2022 2024
Document No: D19/15653 D22/1093	Proactive Leadership - Strategic and sustainable financial management Strategic Response 4.5 Accountable & Sustainable Governance	

Formatted Table

1. Objective

The intention of the Budget Reporting and Amendment Policy is to provide management with a framework to operate within in regard to the following:

- The content, timing and process to be followed for reporting to Council on its performance against budget;
- The scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget allocations) without obtaining Council approval; and
- The process required to be followed as well as general guidelines in relation to the carrying forward of expenditure authority associated with projects included in the budget for the previous year.

2. Scope

This policy provides clear direction to management and staff in relation to amending, and reporting performance against, Council’s adopted budget.

3. Policy Statements

3.1 Timing and Content of Budget Reporting to Council

Budget Update Reporting

A Budget Update Report is to be prepared and included in the Agenda of the Ordinary Meeting of Council’s Audit Committee two times per year between the months of 1 October and 31 May (dates inclusive) in the relevant financial year. The report will highlight at summary level budget activity for the year to date, original and revised budget information, and include the latest revised forecast of expected budget results for the year. The report will be consistent with the Budget Report in **Attachment 1**, and an explanation of any proposed budget variations that have not previously been approved.

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

Mid-Year Budget Review

A mid-year budget review report is to be prepared and included in the Agenda of the Ordinary Meeting of Council's Audit Committee between 30 November and 15 March (dates inclusive) in the relevant year. The report will be consistent with the Model Financial Statements in **Attachment 2** and provide:

- A forecast of each item outlined in the budgeted financial statements for the current financial year comparing the estimates set out in the budget.
- A revised forecast of financial indicators: operating surplus; net financial liabilities and asset sustainability, with targets established in the original budget.

Report on Financial Results

The Report on Financial Results is an accountability document for Council Members to receive audited information on aggregate financial results relative to estimated financial results set out in the original budget for the previous financial year (the latter, of course, being the basis for Council rating decisions). The absence of such a report potentially could create serious internal control weaknesses in that large budget variations might not be disclosed to Council Members. The report also would help guide future decision-making.

Regulation 10 of the [Local Government \(Financial Management\) Regulations 2011](#) requires the report to be presented in a manner consistent with the Model Financial Statements. The report must include each item shown in the statement of comprehensive income and balance sheet of the financial statements, excluding notes as well as results of the previous year's financial indicators compared with estimates adopted in the original budget. This paper recommends that the report also should provide a written explanation of any material (as determined by each Council) variances between actual and budgeted results.

3.2 Approval of Variations outside the scope of the Annual Budget

Council approval must be sought and obtained before commitments are made that would result in activity outside of the budget limits. Any projected over expenditure in excess of 5% for projects or activities with a budget of \$150k or above and 10% for those below must be reported to Council at the first available opportunity together with revised estimates and scheduled timelines for the completion of the project.

In considering a request for a revision to its budget Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation and the merit of so doing.

3.3 Approval of variations within the scope of the Annual Budget

Where circumstances so warrant (e.g. for reasons of urgent necessity) the CEO may authorise variations in activity that are within the scope of approved limits for budget items providing that variations made do not:

1. In aggregate exceed threshold value limits for that function/activity outlined in the Budget;
2. Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original allocation; and
3. Impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the following Budget Update must include information from the CEO explaining the rationale for the decision.

3.4 Guidelines in relation to the carry forward of expenditure authority associated with projects included in the budget for the previous financial year.

Funding approval for [recurrent](#) budgeted activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and associated budget allocation is granted by Council.

While there may be one-off exceptions, operating [project](#) activity budgeted for but not expended in a year generally should not be carried forward to the following year. Identifiable projects that will not commence in the year that they have been budgeted for should be re-evaluated and where warranted included in the budget for the following year at the time of its adoption. Similarly capital projects that have not commenced in one year should be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'.

The scope and funding requirements of capital projects and ~~major operating type activities~~[operating projects](#) that are committed or underway but not completed at the end of one-financial year needs to be reviewed and the projects/activities considered for carrying forward as soon as practicable in the relevant financial year.

Any request for carrying forward activity needs to clearly highlight whether the scope of each activity item and its associated funding quantum is proposed to be varied from that previously approved and if so the reasons for same. Any impact on the achievement of the targets for a financial indicator established in Council's original budget for the current year also should be identified.

4. Legislative Requirements and Corporate Policy Context

Regulations 7, 9 and 10 of the [Local Government \(Financial Management\) Regulations 2011](#).

Further information and guidance material is provided in the LGA's Financial Sustainability Information Paper 25: *Monitoring Council Budget Performance* at www.lga.sa.gov.au/FSP.

5. Related Documents

Annual Business Plan

Long Term Financial Plan

Risk Management Policy and Framework

Strategic Plan

6. Records Management

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

7. 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.

8. References

Local Government Act 1999

LGA's Financial Sustainability Information Paper 25: Monitoring Council Budget Performance ([Revised December 2019](#)).

Regulations 7, 9 and 10 [Local Government \(Financial Management\) Regulations 2011](#).

Further Information

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

2a Wasleys Rd, Mallala SA 5502

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

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

ATTACHMENT 1 - Budget Update (\$'000)

	Note ¹	Original Full-year Budget	Year to Date Actual	Full-year Revised Budget in last Update	Variance	Proposed Full-year Revised	Current Full-year Revised Forecast
OPERATING ACTIVITIES:							
Operating Income	1						
less Operating Expenses	2						
Operating Surplus / (Deficit) (a)							
CAPITAL ACTIVITIES:							
Net Outlays on Existing Assets							
Capital Expenditure on renewal and replacement of Existing Assets	3						
less Depreciation, Amortisation and Impairment	4						
less Proceeds from Sale of Replaced	5						
Net Outlays on Existing Assets (b)							
Net Outlays on New and Upgraded Assets							
Capital Expenditure on New and Upgraded Assets	6						
less Amounts received specifically for New and Upgraded Assets	7						
less Proceeds from Sale of Surplus Assets	8						
Net Outlays on New and Upgraded Assets (c)							
Net Lending / (Borrowing) (a)-(b)-(c)							

Further information and guidance material is provided in the LGA's Financial Sustainability Information Paper 25: *Monitoring Council Budget Performance* at www.lga.sa.gov.au/FSP.


ATTACHMENT 2 - Mid Year Budget Review - Financial Indicators

Financial Indicator	Note	Original Budget Target	Revised Forecast Target
Operating Surplus / (Deficit)	1		
Operating Surplus Ratio Operating Surplus (a) Operating revenues (excluding NRM levy) (b)			
Operating Surplus Ratio = (a) divide (b)	2		
Net Financial Liabilities Ratio Net Financial Liabilities (Total Liabilities less Financial Assets) (c) Operating Revenue			
Net Financial Liabilities Ratio = (c) divide (d)	3		
Asset Sustainability Ratio Capital Expenditure on renewal and replacement of assets (e) Optimal level of asset renewal and replacement expenditure as per I& (f)			
Asset Sustainability Ratio = (e) divide (f)	4		

Report on Financial Results - Summary Report of Operating and Capital Activities (\$'000)

	Original Budget	Actual Result 0
OPERATING ACTIVITIES:		
Operating Income		
less Operating Expenses		
Operating Surplus / (Deficit) (a)		
CAPITAL ACTIVITIES		
Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets		
less Depreciation, Amortisation and Impairment		
less Proceeds from Sale of Replaced Assets		
Net Outlays on Existing Assets (b)		
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets		
less Amounts received specifically for New and Upgraded Assets		
less Proceeds from Sale of Surplus Assets		
Net Outlays on New and Upgraded Assets (c)		
Net Lending / (Borrowing) for Financial Year (a)-(b)-(c)		

Further information and guidance material is provided in the LGA's Financial Sustainability Information Paper 25: Monitoring Council Budget Performance at www.lga.sa.gov.au/FSP.

 Adelaide Plains Council	6.3	Policy Review – Treasury Management Policy
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/5480

EXECUTIVE SUMMARY

- Council regularly reviews its policies to ensure they remain relevant and in line with current legislation and best practise.
- Council’s Treasury Management Policy (the Policy) was last reviewed in February 2020 and, in accordance with the Annual Audit Committee Works Program, is now due for review.
- The Proposed Policy, provided under **Attachment 1** to this report, includes two (2) new clauses to explain:-
 - Difference between income and liabilities with regard to developer contributions; and
 - Reserves accounting.
- In addition, minor changes have been made to the policy to reflect updated Strategic Plan 2021-2024.

RECOMMENDATION

“that Audit Committee, having considered Item 6.3 – Policy Review – Treasury Management Policy, dated 14 February 2022, receives and notes the report and in doing so recommends to the Council that it adopt the proposed Treasury Management Policy as presented as Attachment 1 to this report.”

BUDGET IMPACT

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

RISK ASSESSMENT

Nil

Attachments

1. Marked-up version of the Proposed Treasury Management Policy

DETAILED REPORT

Purpose

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

Background/History

The Treasury Management Policy was last reviewed by the Audit Committee, and subsequently reviewed and adopted by Council, in February 2020.

Discussion

Following the conclusion of 2020/2021 Audit, Council Auditor Galpins identified in their Audit Completion Report an 'Immaterial Uncorrected Misstatements' with regard to Council's accounting treatment of developer contribution.

Therefore, the Proposed Policy, presented under **Attachment 1** to this Report, includes clauses 3.8 and 3.9 to explain:-

- Difference between income and liabilities with regard to developer contributions; and
- Reserves accounting.

In addition to minor formatting changes, the policy has also been updated to reflect Council's current strategic management plan.

Conclusion

It is recommended that the Audit Committee consider the Proposed Policy, and in particular the addition of clauses 3.8 & 3.9 and make recommendations to the Council accordingly.

References

Legislation

Local Government Act 1999

Local Government (Financial Management Regulations) 2011

Other

LGA's Financial Sustainability Information Paper 15: Treasury Management

Audit Committee Annual Work Program

	Treasury Management Policy	
	Version Adoption by Council: 24 February 2020 <u>TBC</u> Resolution Number: 2020/039 <u>TBC</u> Current Version: V1.6	
	Administered by: General Manager Finance and Business	Last Review Date: 2020 <u>2022</u> Next Review Date: 2022 <u>2024</u>
	Document No: 019/15659D22/1066	
Strategic Response 4.5 Accountable & Sustainable Governance Proactive Leadership - Strategic and sustainable financial management		Formatted: Font: Not Bold

1. Objective

Council is committed to adopting and maintaining a Long Term Financial Plan and operating in a financially sustainable manner.

This Policy establishes a decision framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

2. Scope

This Policy provides clear direction to Council and staff in relation to the treasury function of Council. It underpins Council’s decision-making regarding the financing of its operations as documented in its Annual Budget and Long Term Financial Plan and associated projected and actual cash flow receipts and outlays.

3. Specific Provisions / Responsibilities

3.1 Treasury Management Strategy

Council’s operating and capital expenditure decisions are made on the basis of:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery; and
- affordability of proposals having regard to Council’s long-term financial sustainability (including consideration of the cost of capital and the impact of the proposal on Council’s Net Financial Liabilities and Interest Cover ratios).

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

Council will manage its finances in accordance with its overall financial sustainability strategies and targets. This means Council will:

- maintain target ranges for its Net Financial Liabilities;
- not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- borrow funds in accordance with the requirements set out in its Long Term Financial Plan; and
- apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

3.2 Interest Rate Risk Exposures

Council has set range limits for both fixed and variable interest rate borrowings in order to minimise net interest costs on average over the longer term and at the same time manage interest rate movement risks within acceptable limits.

3.3 Fixed Interest Rate Borrowings

To ensure an adequate mix of interest rate exposures, Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve and thereafter maintain on average in any year, of not less than 30% of its gross debt in the form of fixed interest rate borrowings.

In order to spread its exposure to interest rate movements, Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity spectrum.

In circumstances where Council needs to raise new fixed interest rate borrowings it will consider using medium to long term borrowings (3 years or more duration) that:

- have a fixed interest rate;
- require interest payments only; and
- allow the full amount of principal to be repaid (or rolled over) at maturity.

Council will ensure that no more than 25% of its fixed interest rate borrowings mature in any year.

3.4 Variable Interest Rate Borrowings

Council will restructure its portfolio of borrowings, as old borrowings mature and new ones are raised, to progressively achieve, and then maintain, not less than 30% of its gross debt on average in any year in the form of variable interest rate borrowings.

Council will establish, and make extensive use of, a long term variable interest rate borrowing facility / [LGFA's](#) Cash Advance Debenture facility, that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed.

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3.5 Borrowing for Council or Local Community/Sporting Organisations

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

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

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

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

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

3.6 Investments

Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings will be invested. The balance of funds held in any operating bank account that does not provide investment returns at least consistent with 'at call' market rates shall be kept at a level that is no greater than is required to meet immediate working capital requirements.

Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of Council's variable interest rate borrowing facility.

When investing funds Council will select the investment type that delivers the best value having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.

Staff may from time to time invest surplus funds in:

- deposits with the Local Government Financing Authority; and/or
- Interest bearing deposits with authorised Deposit-taking Institutions (ADIs) such as banks, building societies or credit unions where the Australian Government guarantees deposits up to \$250,000.

Any other investment requires the specific approval of Council. Where Council authorises any investments of a type outside of those specified above, the amount so invested will be cumulatively limited to no more than 20% of the average level of funds expected to be available for investment by Council over the duration of the specific authorised investments.

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3.7 Reporting

At least once a year Council shall receive a specific report regarding treasury management performance relative to this Policy. The report shall highlight:

- for each Council borrowing and investment - the quantum of funds, its interest rate and maturity date, and changes in the quantum since the previous report; and,
- the proportion of fixed interest rate and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across this period along with key reasons for significant variances compared with the targets specified in this Policy.

3.8 Reserves and Liabilities

The 2021 Model Financial Statements in its page 114 provides that *'developer contributions, such as parking, open space or Urban Tree Fund cannot give rise to a liability because no amount is owed to any party external to Council arising from the receipt of the contribution. Certainly, Council has an obligation to expend monies for the purpose for which they were contributed, but a liability can only arise after Council determines on a specific project and lets contracts for its execution'. Contributions that are related to services rendered by the Council to the contributor should be classified as reimbursements. Developer contributions received should be classified as grants and contributions specifically for new/upgraded assets'*

Reserves are an allocation of Council's accumulated surplus. Council may establish various equity accounts called 'Reserves' to identify accumulated surpluses that will be used for specific future purposes. Separate bank accounts will not be established for reserves unless legally required to do so.

There are three types of reserves:

- Required by Accounting Standards (eg Asset Revaluation Reserve)
- Statutory reserves (eg parking, open space or Urban Tree Fund contributions);
- Council discretionary reserves (eg Renewal and Replacement Reserve).

3.9 Accounting Treatment of Reserves

The definitions of the Reserves outlined in 3.8 are set out below. None of these Reserves are cash backed and are represented by net assets in the Statement of Financial Position.

Reserves Required by Accounting Standards

The Asset Revaluation Reserve is a Reserve that is required by the Australian Accounting Standards. The purpose of this Reserve is to record asset revaluation increments and decrements.

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Statutory Reserves

Sections 50 and 50B of the Development Act 1993 dictates that money received under these sections of the Act needs to be immediately accounted for in a special account established for the purposes of these sections and applied by the Council for the purpose and interest of acquiring or developing land as open space or for the purpose of purchasing land for, or planting, significant trees.

Reserve accounts are established for this purpose, however the money is not required to be kept in a separate bank account.

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Council Discretionary Reserves

- Creating the Reserves

A Council can have a number of discretionary Reserves to which transfers may be made from retained earnings for specific purposes. Under the guidance of the Treasury Management Policy these Reserves will have amounts transferred to them, with the balance not necessarily cash backed at year end. Following the principles contained within this Policy, excess cash will be used to increase investments or to reduce or defer borrowings.

Borrowings will only be taken out when required. This means that money will only be borrowed when there is insufficient cash to cover the expenditure required from those Reserves.

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- Using the Reserves

When the decision is made to apply the amounts set aside in the Reserve for a specific purpose, any available cash and investments should be used as the first option. Borrowings should only be used where there is insufficient cash and investments available. This is a cheaper alternative when comparing the net cost of the interest expense on borrowing with the investment interest received from any cash backed Reserves.

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4. Related Documents

Annual Budget
Funding Policy
Long Term Financial Plan
Strategic Plan

5. Records Management

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

6. Document Review

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

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

7. References

Local Government Act 1999

[LGA's Financial Sustainability Information Paper 15: Treasury Management \(Revised February 2015\)](#)~~Local Government Financial Sustainability Information Paper 15 Feb 2015~~

8. Further Information


Members of the public may inspect this Policy free of charge on Council's website at <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.

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 Adelaide Plains Council	6.4	Outcome of Public Consultation – Draft 2023-2032 Long Term Financial Plan
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/4839

EXECUTIVE SUMMARY

- The purpose of this report is:
 - To provide for Audit Committee Members information and consideration, the responses received from the community during public consultation period on the Draft 2023-2032 Long Term Financial Plan (LTFP); and
 - Seek recommendation with regard to the adoption of the Draft LTFP.
- At a special meeting held on 8 November 2021, Council resolved unanimously that the Draft 2023-2032 Long Term Financial Plan be released for public consultation with the inclusion of various projects.
- The period of public consultation started on 10 November 2021 and concluded at 5:00 pm on 30 November 2021.
- At the Audit Committee meeting held on 17 November 2021, the Committee noted that the draft LTFP forecasts key financial indicators substantially outside of the targets set by Council and therefore requested a further report on the feedback received from the public.
- During the public consultation period, Council received four (4) submissions (**Attachment 1 to 4**) which are summarised within the body of this report.
- An information/briefing session was held with the Council and the two (2) independent members of the Audit Committee on 10 January 2022 to provide:
 - the feedback from the public consultation; and
 - further options (scenario 4) to address concerns raised by the Audit Committee at its 17 November 2021 meeting.
- Draft LTFP updated for scenario 4 is contained in **Attachment 5**.

RECOMMENDATION

“that the Audit Committee, having considered Item 6.4 – *Outcome of Public Consultation – Draft 2023-2032 Long Term Financial Plan*, dated 14 February 2022, receives and notes the report and in doing so recommends to the Council that it adopts Draft 2023-2032 Long Term Financial Plan as contained in Attachment 5, subject to the following changes:-

1.”

BUDGET IMPACT

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

RISK ASSESSMENT

Seeking feedback from the ratepayers is a very important part of developing Council's strategic documents. Therefore, it is vital that Council turn its mind to the feedback from the community and make appropriate changes accordingly if the Elected Members agree with feedback received.

However, if the Elected Members don't agree with the feedback, it is advisable that a justification is provided for such a decision. Failure to provide justification may lead to reputational risks should the Council proceed with the draft LTFP as consulted upon.

Attachment

1. Public submission received from Alvin Jenkin.
2. Public submission received from Graham West.
3. Public submission received from Sandy Graham
4. Public submission received from Greville Knight
5. Draft 2023-2032 Long Term Financial Plan updated for scenario 4.

“that Council having considered Item 14.2 – Strategic Plan 2021-2021, dated 28 June 2021, instructs that the Long Term Financial Plan is reviewed and updated by no later than 31 December 2021, noting that by that time determinations will have been made and resolutions likely adopted in relation to a number of strategic projects which carry significant expenditure.”

CARRIED

LTFP workshops and the release of draft LTFP for public consultation

After four (4) information/briefing sessions, at the Special Council meeting held on 8 November 2021, Council resolved unanimously as follows:

5.3 Draft Long Term Financial Plan 2023-2032

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

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

The meeting was suspended at 6.33pm.

The meeting resumed at 6.41pm.

Moved Councillor Keen Seconded Councillor Di Troia 2021/396

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

CARRIED UNANIMOUSLY

Audit Committee feedback on Draft LTFP

At the meeting held on 17 November, Audit Committee made following recommendation to the Council with regard to the draft LTFP that was released for public consultation.

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

Committee Resolution

Moved Mayor Wasley Seconded Mr Fairlie-Jones 2021/053

“that the Audit Committee having considered Item 6.1 – Draft Long Term Financial Plan 2022/2032-2031/2032 dated 17 November 2021, receives and notes the report and in doing so, recommends to Council that it:-

1. notes that:

- a. the Long Term Financial Plan results in key financial indicators being substantially outside of the targets set by Council***
- b. Until 2031/2032 the income included in the plan is not sufficient to pay for the proposed expenditure and the level of debt is outside what is conventionally considered prudent and***
- c. When considering the projects included in the plan Council will need to be mindful of the impact the expenditure will have on future generations of***

residents, future elected Councils and of the financial risks which will emanate from the proposed expenditure; and

2. *That in consideration of 1.a. to 1.c, instructs the CEO to bring a further report back to Council, via the Audit Committee, in relation to feedback gleaned through public consultation and how best to address 1.a. to 1.c. above."*

CARRIED

Discussion

Public Submission to the Draft LTFP

During the public consultation period, Council received four (4) submissions from Alvin Jenkin, Graham West OAM, Sandy Graham and Greville Knight as contained in the **Attachments 1 to 4**. Main points from the feedback are summarised below.

- a) Preferable to have presented a realistic LTFP based on 'business as usual' and then provide an addendum suggesting the impact of a 'wish list' for items which are not part of normal business.

Management comment

At the Special Council meeting held on 8 November, Council considered draft LTFP with 4 scenarios and resolved unanimously to release draft document for public consultation under option 1 which includes baseline (business as usual) LTFP and operating and capital projects Council is proposing to deliver in line with priorities in the Strategic Plan 2021-2024 and I&.

This report provides an update to these 4 scenarios along with an additional scenario and all 5 scenarios have been workshoped with Elected Members and the independent members of the Audit Committee on 10 January 2022.

- b) Draft LTFP should have been developed after the outcome of Office Accommodation Review and Tourism and Economic Development Strategy.

Management comment

Draft LTFP has allocated an estimated amount based on initial findings of the Office Accommodation Review and Tourism and Economic Development Strategy as it is a good practice in long term financial planning to include all known and probable estimates. However, actual delivery of projects included in a Long Term Financial Plant are subject to;

- annual budget deliberations;
- 21 days of public consultations; and
- the wishes of Elected Members at the time of making annual budget decisions.

However, when Office Accommodation Review and Tourism and Economic Development Strategy are finalised and the outcomes are evaluated and costed, LTFP will be updated as necessary as part of future updates (as required under Section 122 (4) of the *Local Government Act 1999*) to the LTFP subject to further Council resolution and prudential reviews.

c) Concern regarding the draft Operating Project Program

Management comment

- All the masterplans and other studies proposed for delivery in 2022/2023 will be delivered by a combination of existing staff and external consultants.
- Port Parham Emergency Management Plan has been budgeted for 2021/2022 Financial Year
- Proposed work involving item 11 'Levee, Hickinbotham Development' are required to be undertaken by Council as part of infrastructure deed signed with the Hickinbotham Group.
- Item 12 'Two Well - Use of recycled water at Liberty and Eden Estates' involves watering reserves at Liberty and Eden Estates using recycled water from privately owned CWMS at the Liberty and Eden Estates.
- Item 8: Parham, Old Playground Block – Council is yet to consider options (sell or develop) with regard to old playground block and public consultation will be undertaken in due course before any action is undertaken.
- Labour resources – Proposed increased in labour resources have been identified commensurate with significant residential and infrastructure growth of 2.75% factored in the LTFP. Therefore, if the growth forecasts does not materialise, the additional labour resources will be adjusted accordingly.

In addition, decisions about contractors or internal staff will be taken by the management in due course depending on the prevailing labour and contract market conditions at that time in order to achieve maximum value for money for ratepayers.

d) Capital Works Project Program – Questions regarding road sealing, road matrix, New Civic Centre/Office Accommodation and Two Wells CWMS.

Management comment

- Table 4 include both assets renewal and new/upgraded assets. However, Table 5 provides details on new/upgraded assets only. From 2024/2025 onwards, resources have not been allocated in the Table 4 for new seal roads.
- Priority has been given for road renewals in the Draft LTFP in order ensure existing road networks (both seal and unsealed roads) is maintained in line with service standards identified in the Infrastructure and Assets Management Plan.
- Road Matrix has been developed to prioritise sealing of unsealed roads. The process involves assessing the unsealed roads to identify economic, environmental and aesthetic benefits (using a range of relevant criteria and weightings). Council has not allocated funding for sealing of unsealed roads beyond 2024/2025.
- Provisions made in the LTFP for 'New Civic Centre/Office Accommodation' are estimates only and will be subject to formal Council decision and prudential review before it is implemented.
- Two Wells CWMS – This project has been included in the draft LTFP as it is considered as part of '*Key Council Services that Contribute to Our Remarkable Landscapes*' in the Council's Strategic Plan 2021-2024. CWMS available at the Eden and Liberty estate is owned and operated by Alano Waters who charges relevant CWMS fees from the Eden/Liberty residents.

Table 1: Major new Capital & Operating Projects included in the Draft LTFP

	Program to implement Strategic Plan 2021-2024)	Estimated Cost (\$'Mn)
1	Stage 1 - Two Wells/Mallala Ovals - (Masterplan)	0.100
2	Stage 2 - Two Wells/Mallala Ovals - Implementation	1.350
3	Stage 1 - Police Block - Shelter, Skate Park, Masterplan/Concepts	0.200
4	Two Wells, Main street - Underground Powerlines	0.900
5	TW - Relocation of TW Waste Transfer Station	0.200
6	Dublin - Township Growth & Tourism Master Plan	0.050
7	Social & Community Infrastructure Plan	0.100
8	Temp Accommodation allocation only	0.300
9	Office Accommodation Review Outcome - Prudential review, Design & Consultation	0.700
10	Civic Centre and Office Accommodation Review Outcome	10.000
11	Dublin Stormwater Capture Project - Stage 1	0.170
12	Dublin Stormwater Capture Project - Stage 2	0.110
13	Two Wells - New Community Waste Management System	3.500
14	Wasleys Bridge Renewal	1.000
15	Purchase & Sale of Strategic Assets (cost neutral)	0.000
	Total Estimated Net Costs	18.680

Options to consider

Therefore, Council has several options if it wish to reduce amount of new borrowings and reduce operating deficit. These options are discussed below.

- a) Remove or defer projects in **Table 1** until Council is in a financial position to deliver them without borrowings (baseline budget presented to the 8 November Special Council meeting).
- b) Proceed with the draft budget as presented to the community (Scenario 1 budget presented to the 8 November Special Council meeting).
- c) Remove or defer projects in **Table 1** until Council can secure grants to fund at least 50% of the costs as most of Government grant programs usually requires at least 50% co-contribution from the Council. (Scenario 2 budget presented to the 8 November Special Council meeting)
- d) Growth is reduced from 2.75% to 2.25% with no other changes to baseline LTFP (Scenario 3).
- e) Remove following big ticket projects from the draft LTFP (Scenario 4) pending formal council resolution and prudential analysis.
 - Civic Centre and Office Accommodation Review Outcome (i.e. projects 8,9 and 10); and
 - Two Wells - New Community Waste Management System.

In addition, it is also assumed in scenario 4 that additional labour requirement from 2023/2024 onwards is equivalent to two (2) FTEs (reduction from 3).

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

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

Figure 1: Operating Surplus/(Deficit) Ratio

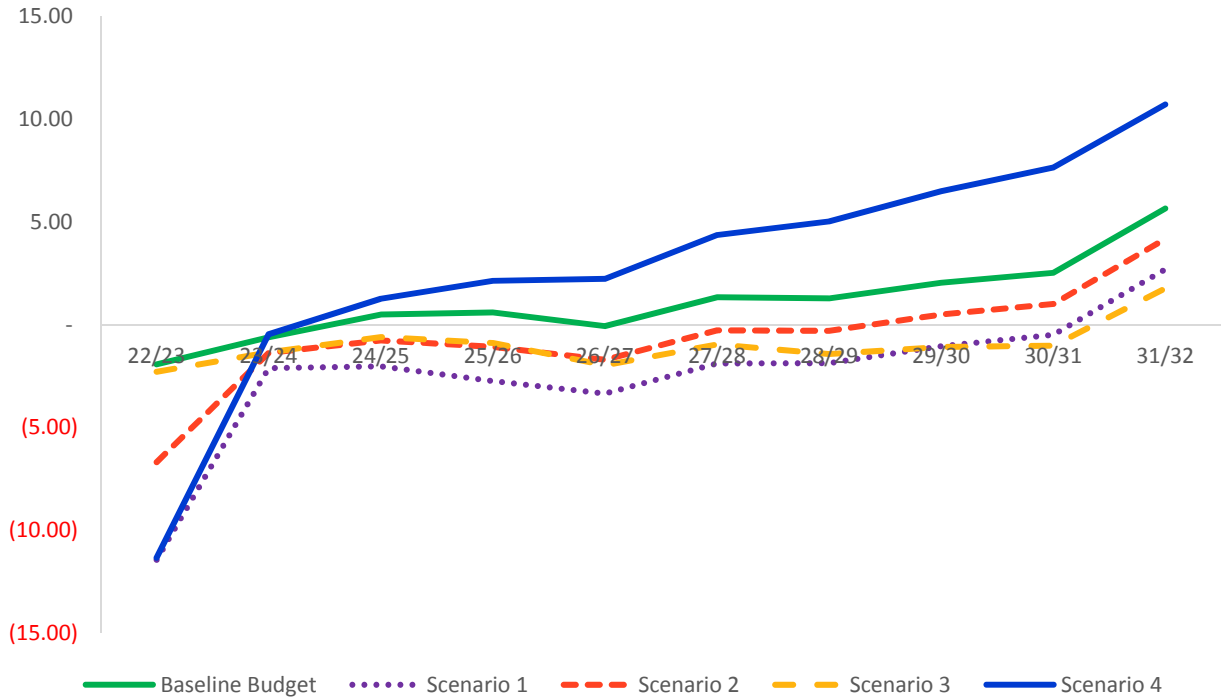


Figure 2: Net Financial Liabilities Ratio

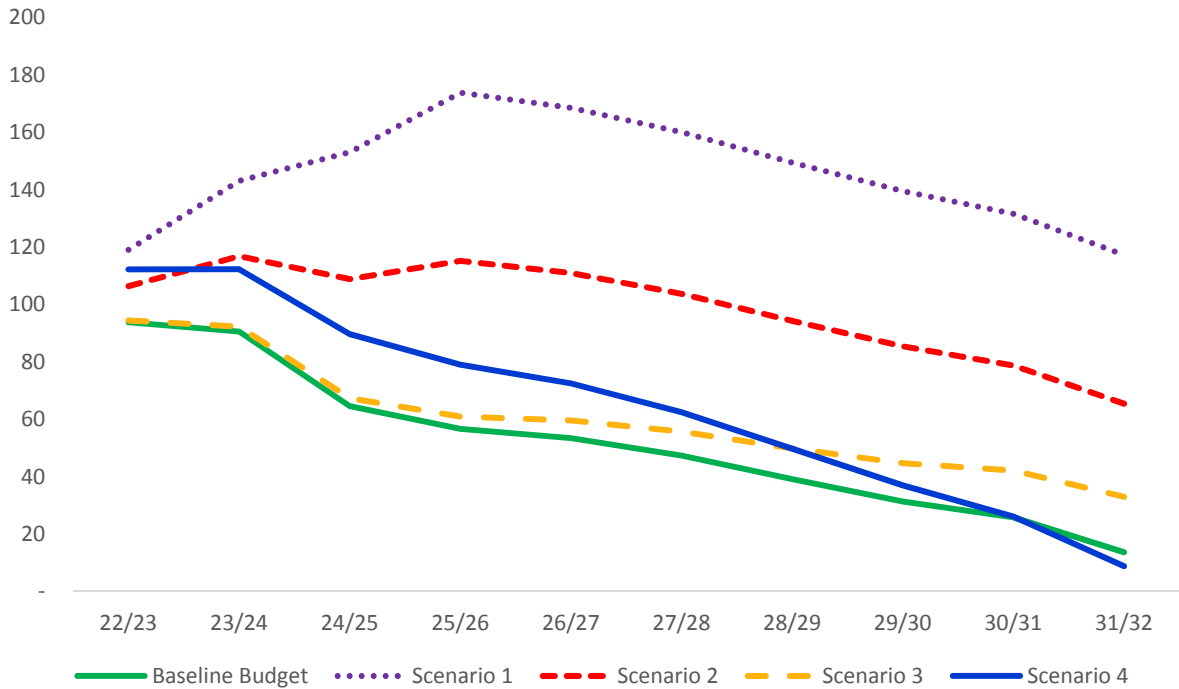
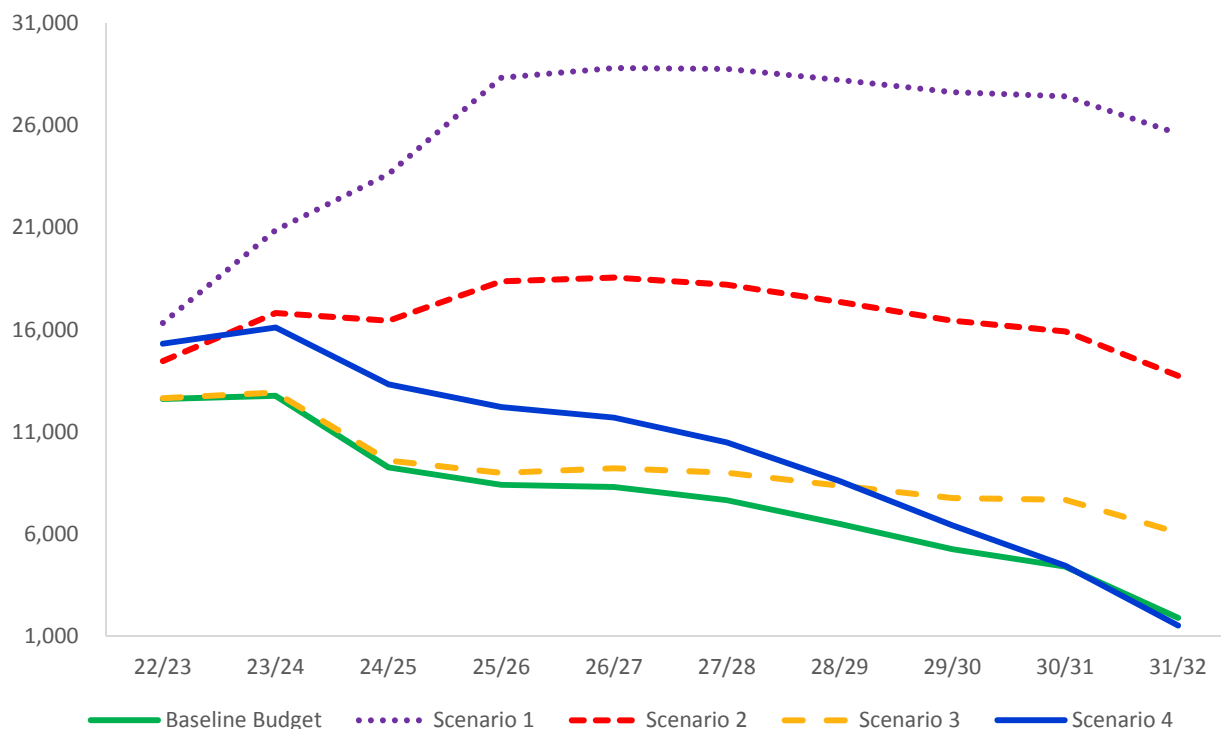


Figure 3: Outstanding Borrowings at Year (\$'000)



Above three (3) graphs shows that the [scenario 4](#) would address the concerns raised by the Audit Committee and the community as it results in:-

- a) Operating surpluses from year 3; and
- b) Net Financial Liability Ratio below 100% from year 3.

Attachment 5 contains draft LTFP updated for [scenario 4](#).

Conclusion

This report provides the Audit Committee Members with an opportunity to consider the feedback received from the public on the draft LTFP and make appropriate recommendations to the Council to ensure key financial indicators are sustainable in the long run. It is expected that the Council will consider Audit Committee recommendations before the final adoption of the draft LTFP at the February 2022 Council meeting.

References

Legislation

Local Government Act 1999

Council Policies/Plans

Annual Business Plan and Budget 2021/2022

Budget Management Policy

Public Consultation Policy

Strategic Management Plan 2021-2024

Infrastructure and Assets Management Plans

Treasury Management Policy

Stacie Shrubsole

From: info@apc.sa.gov.au
Sent: Thursday, 25 November 2021 6:36 AM
To: Info
Subject: New Submission - Draft Long Term Financial Plan
Attachments: Response-to-LTFP-2022-2032.docx

Your Name: Alvin Jenkin
Organisation (if Applicable):
Contact Number: [REDACTED]
Email Address: [REDACTED]
Feedback/Comments: Please see attached supporting document
Supporting Attachments: Response-to-LTFP-2022-2032.docx, type application/vnd.openxmlformats-officedocument.wordprocessingml.document, 18.3 KB

Comments on the Adelaide Plains Council Draft 2023-2032 Long Term Financial Plan

Submitted by Alvin Jenkin

The Adelaide Plains Council Draft 2023-2032 Long Term Financial Plan is not realistic and should never have been put out to public consultation in its current format. It is of concern when Council's own audit committee has identified that it does not comply with the requirements of proper management of funds by Local Government authorities. These issues should have been identified by the staff of Council, and the elected members and corrected before such a document was put out for public comment.

It may have been preferable to have presented a realistic LTFP based on "business as usual" and then provide an addendum suggesting the impact of a "wish list" for items which are not part of normal business.

The proposal to take borrowings to \$23.7M in the first 5 years and then achieve a surplus budget in year 10 smells of smoke and mirrors and makes the reader very suspicious of the activities of those proposing these objectives, in the same way that the general public are non believing of such promises by federal and state politicians.

The production of such a document before having completed two other important studies which can have a significant impact on the LTFP appears to be putting the cart before the horse. I refer to the following long awaited studies

- the Office accommodation study
- The Tourism and Economic Development Study (TEDS)

It appears that certain assumptions have been made about the former but nothing about the latter in producing the LTFP, whereas the TEDS is now available for public scrutiny, and there is no public data available on the Office Accommodation Study.

The following are specific concerns relating to the published document.

1. Draft Operating Project Program Table 3 page 9
 - There are a number of masterplan and other studies indicated in year 1 being items 3, 4, 9, 14, 17,18,19 and 27 totalling over \$500,000. Is this really realistic? The studies may be necessary but it may be more practical to extend these over a number of years. Port Parham is still awaiting an emergency management plan promised some years ago!
 - A large amount of money has been allocated at item 11 "Levee, Hickinbotham Development" . Surely this should be the responsibility of the developer and not an impost on all ratepayers in the APC area. Similarly item 12 "Two Well, Use of recycled water at Liberty and Eden Estates" should have been catered for in the Development approvals and should not be an impost on all ratepayers.
 - Item 8: Parham, Old Playground Block is addressed in the Port Parham and Webb Beach Community Plan presented to Council in January 2021. Whilst the provision of funds to the community to develop the block would be appreciated, it is disappointing that there has been no community consultation on this
 - Labour resources (Table 3 .Draft Operating Project Program item 13)

Previous studies have indicated that APC has a higher than average staffing level relative to a number of indicators compared with other LGAs. (eg staff per ratepayer ratio, staff per area ratio, staff costs per rates \$ etc). This concern has been raised in the past by the Adelaide Plains Ratepayers and Residents Association, and whilst some initial positive response to this concern occurred, it appears that the ratios are now rising again. It is obvious that APC is facing a significant increase in the ratepayer base, and this may result in increased workload, however increased efficiencies should arise such that the

increase in staff levels should not be linear relative to the ratepayer base. The LTFP does not appear to allow for improved efficiency and economies of scale.

It is recognised that there may be a need for increased outside effort arising from parks and gardens associated with residential developments at Two Wells (and perhaps later at Mallala). However it may be more cost efficient to contract the services of specialist operators rather than increasing staff to carry out this work

2. Capital Works Program

- There is a lack of consistency between Table 4 and Table 5 in the “Sealed Roads” category. Table 4 shows a figure of \$600,000+ for years 2-10. This is missing from table 5 and should be at least shown as “future program allocation”
- There is no reference to the APC road matrix in developing the capital works program. In my opinion the road matrix has some deficiencies, in particular it does not take into account Tourism and Economic Development potential from the sealing of roads. Recently the road sealing program does not appear to have given consideration to the matrix, and whilst I agree with recent decisions taken to seal Cheek Road, Barraba Road, Middle Beach Road, and Aerodrome Road as priorities for very good reasons, these have not been identified as priority roads on the matrix, indicating that a significant review of the matrix needs to be carried out. Is Hart Road destined to be top priority on the road matrix, as it has been for many years, yet never get sealed?
- There does not appear to be any consideration given to upgrading road infrastructure as a result of business emanating from the Northern Adelaide Irrigation Scheme. There is a significant issue in transporting sensitive product from farm to market on substandard roads..
- Buildings

The proposed funding here is totally speculative and has no basis in available studies. The proposed expenditure of \$11.1M is a major cause of this LTFP being unviable. The proposal of a new Civic Centre is totally unnecessary as there are already suitable civic venues in each community within the Council area. This term appears to be used to “dress up” the provision of office accommodation. Some office accommodation may be required as identified in the labour resources discussed previously, but only after a total review of labour efficiency (by which I mean improved practices, and efficiencies of scale). It would appear to me that quality office accommodation could be provided incrementally on existing buildings in a stylistic manner for 10% of the proposed costs, thus with more responsible management of ratepayer funds and borrowings.

- Two Wells CWMS

Again this appears to be speculative. Following on the disaster which is the Mallala CWMS (and similar issues with the Port Wakefield CWMS) there is little stomach by ratepayers to be involved in such a scheme.

I believe that the new subdivision of Eden and Liberty are on CWMS, but I note that there is no CWMS income indicated in the LTFP from these properties. Does this mean that the new subdivisions get it for free whereas those in Old Two Wells will be charged?

3. Projected Debt Levels (page 14)

I do not profess to be experienced in understanding this language but I find table 7 frightening with the huge numbers shown. Even more so when the figures are shown as \$'Mn. This appears to be an error and perhaps should read \$'000s, or are we really proposing to borrow \$several billion pa?

Stacie Shrubsole

From: [REDACTED]
Sent: Thursday, 25 November 2021 9:46 PM
To: Info
Subject: Concerns on Draft Long Term Financial Plan.

I am concerned at the level of debt proposed in the Draft Long Term Financial Plan, and request that Council review the plan.

Regards

Graham West OAM

Stacie Shrubsole

From: info@apc.sa.gov.au
Sent: Friday, 26 November 2021 11:44 AM
To: Info
Subject: New Submission - Draft Long Term Financial Plan

Your Name: SANDY GRAHAM

Organisation (if
Applicable):

Contact Number:

Email Address:

Feedback/Comments: I am concerned at the level of debt proposed in the Draft Long Term Financial Plan, and request that Council review the plan

Supporting Attachments: No file uploaded

Stacie Shrubsole

From: info@apc.sa.gov.au
Sent: Tuesday, 30 November 2021 4:25 PM
To: Info
Subject: New Submission - Draft Long Term Financial Plan

Your Name: Greville Knight

Organisation (if
Applicable):

Contact Number:

Email Address:



Feedback/Comments: I am very shocked to see the new Council Buildings(?) being cast into the plan at an expense of 10M over two years hence more than doubling our current debt. Surely an expense such as this should go to the ratepayers for their approval, possibly via a plebiscite that could be held with next years council elections. I think it is time to draw the line and say that enough is enough.

Supporting
Attachments: No file uploaded



**Adelaide
Plains
Council**

Draft 2023-2032 Long Term Financial Plan

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1. Introduction

Background

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

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

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

Purpose of LTFP

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

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

LTFP as a decision making tool

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

LTFP is a fluid document

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

2. Chief Executive Officer Statement on Financial Sustainability

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

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

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

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

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

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

The key financial ratios used by the Council in this LTFP to assess Council's long-term financial sustainability are Operating Ratio, Asset Renewal Funding Ratio and Net Financial Liabilities Ratio.

Over the next ten year period, APC is proposing to invest \$58.673m in operating and capital projects while maintaining current Council services in order to achieve the objectives of the Infrastructure & Assets Management Plans and Strategic Plan 2021-2024.

Out of total project budget of \$58.673m, \$14.451m (24%) would be spent on new and upgraded assets, \$15.694m (27%) will be spent on new initiatives or programs in line with growth projections and \$28.528m (49%) will be spent on asset renewals.

As a result, Council is forecasting operating deficits from Year 1 and 2 of the LTFP and a surplus budget thereafter. New borrowings of \$11.115m is forecast in the first 2 years and no further borrowings thereafter. From Year 3 onwards, Council will be in a position to commence repaying its new borrowings.

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

James Miller

Chief Executive Officer

3. Long Term Financial Objective of the Adelaide Plains Council

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

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

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

Principle 1: Breakeven Budget

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

Principle 2: Rate Stability

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

Principle 3: Infrastructure and Asset Management

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

Principle 4: Prudent Debt Management

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

4. Key Influences and Risks

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

4.1 External Influences – items outside of Council’s control

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

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

4.2 Internal Influences – items that Council can control

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

4.3 Community Drivers

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

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

5. Basis of Preparation

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

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

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

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

5.1 LTFP Framework

The LTFP has been prepared within the following framework:

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

5.2 LTFP Inputs

The LTFP has various inputs, including:

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

5.3 Key Drivers and Assumptions

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

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

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

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

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

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

The key economic indicators and drivers used in this LTFP are summarised in **Table 1** below based on best available information as at 31 January 2022.

Table 1: Key Drivers and Assumptions used in the LTFP

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

5.4 Growth Projections

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

Table 2: Growth Projections

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

While growth brings in additional income in the form of;

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

it also adds cost pressures such as;

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

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

6. 10 Year Capital and Operating Project Program

6.1 Operating Project Program

In order to achieve the objectives of the Strategic Plan 2021-2024 and the Infrastructure & Assets Management Plans, Council is planning to undertake following 27 programs and initiatives with an estimated costs of \$15.694m over the 10 year period. (Final budgets and the timing of these programs will be confirmed as part of future annual budget deliberations).

Table 3: Draft Operating Project Program (\$'000)

Project Name	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	Total
1) Bridges - Condition Assessments	-	-	-	-	-	50	-	-	-	-	50
2) Bridges, Repairs - Salt Creek Bridge	170	-	-	-	-	-	-	-	-	-	170
3) Roadside Vegetation Management Plan	100	-	-	-	-	-	50	-	-	-	150
4) Open Space & Recreation Strategy	60	-	-	-	-	-	50	-	-	-	110
5) Street/Verge Tree Planting	20	20	20	20	25	25	25	25	25	-	205
6) Implement, Eden and Liberty Recycled Water	4	-	-	-	-	-	-	-	-	-	4
7) Parham Campground - Formalise Land	5	-	-	-	-	-	-	-	-	-	5
8) Parham - Old Playground Block (Sell or Develop Site)	5	-	-	-	-	-	-	-	-	-	5
9) Mallala Stormwater Flood Plain Management Plan	65	-	-	-	-	-	-	-	-	-	65
10) Mallala Stormwater Urban Management Plan	-	55	-	-	-	-	-	-	-	-	55
11) Levee, Hickenbotham Development	-	16	77	105	94	-	-	-	-	-	292
12) Two Wells – Use of recycled water at Liberty and Eden Estates	55	60	40	70	75	55	85	90	70	-	600
13) Labour resources (outside & inside commensurate with growth)*	-	235	482	742	1,014	1,299	1,598	1,910	2,238	2,294	11,812
14) Stage 1 - Two Wells/Mallala Ovals Masterplan	100	-	-	-	-	-	-	-	-	-	100
15) Two Wells, Main street - Underground Powerlines	900	-	-	-	-	-	-	-	-	-	900
16) TW - Relocation of TW Waste Transfer Station	200	-	-	-	-	-	-	-	-	-	200
17) Dublin - Township Growth & Tourism Master Plan	50	-	-	-	-	-	-	-	-	-	50
18) Social & Community Infrastructure Plan	100	-	-	-	-	-	-	-	-	-	100
19) Regional Disability Access and Inclusion Plan Initiatives	15	15	15	15	15	15	15	15	15	15	150
20) Community Survey	-	20	-	-	20	-	-	20	-	-	60
21) Heritage Survey -Part 2	27	-	-	-	-	-	-	-	-	-	27
22) Periodic Council Elections	40	-	-	-	40	-	-	-	40	-	120
23) Customer Request Management Health Check	15	-	-	-	-	-	-	-	-	-	15
24) Upgrade of Electronic Records Management System	-	30	-	-	-	-	-	-	-	-	30
25) New Residents Kits and Business & Community Directory	-	23	-	-	23	-	-	23	-	-	69
26) Grant Writer	15	15	15	15	15	15	15	15	15	15	150
27) Economic Zones	20	20	20	20	20	20	20	20	20	20	200
Total Estimated Costs	1,966	509	669	987	1,341	1,479	1,858	2,118	2,423	2,344	15,694

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

6.2 Capital Works Program

Draft Capital Works Program for the next 10 years is summarised in the **Table 4** below. It includes budgetary allocations of \$42.979m across the 10-year period as follows;

- Renewal and Replacement of existing assets totalling \$28.528m; and
- \$14.451m on New and Upgraded assets (**Table 5**).

Table 4: Draft Capital Project Program (\$'000)

Project Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Strategic Assets	4,000	-	-	-	-	-	-	-	-	-
Fleet	175	120	60	135	120	60	135	120	60	135
Plant & Equipment	534	369	972	177	856	545	354	479	691	341
Footpaths	161	105	100	113	137	100	100	100	100	100
Kerbing	575	65	-	-	-	-	-	-	-	-
Sealed Roads	3,390	610	675	610	610	610	610	610	610	610
Bridge	1,000	-	-	-	-	-	-	-	-	-
Unsealed Roads	975	975	1,000	1,000	1,100	1,100	1,200	1,200	1,300	1,300
Car parks	330	-	60	45	-	-	-	-	-	-
Pedestrian Crossing	195	-	-	-	-	-	-	-	-	-
Buildings	130	-	40	-	165	-	-	-	363	-
Openspace	965	1,670	1,680	540	245	760	250	450	250	300
Stormwater	395	-	50	-	50	-	50	-	50	-
Site Improvements	10	-	60	-	60	-	60	-	60	-
CWMS	85	3,515	25	27	30	20	30	25	125	25
Total Capital Expenditure	12,920	3,929	4,722	2,647	3,373	3,195	2,789	2,984	3,609	2,811

Project Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
New	8,731	1,315	1,865	408	202	795	165	265	515	190
Renewal	4,189	2,614	2,857	2,239	3,171	2,400	2,624	2,719	3,094	2,621
Total Capital Expenditure	12,920	3,929	4,722	2,647	3,373	3,195	2,789	2,984	3,609	2,811

6.3 New Capital Assets in Detail

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

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

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

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

26) Street & Reserves/Parks Furniture Program	20	20	20	20	25	25	25	25	25	-
27) Streetscape and Water Sensitive Urban Design	50	50	50	-	-	-	-	-	-	-
28) Donaldson Road, Close Make Parkland/Rec Type Area	5	10	50	-	-	-	-	-	-	-
29) Wetland Trails, Lewiston - seating, paths, signage	-	-	50	-	-	-	-	-	-	-
30) Bakers Wetland - seating, paths, signage	-	-	-	50	-	-	-	-	-	-
31) Hams Park, Stage 2, Relocate	-	-	-	40	-	-	-	-	-	-
32) Middle Beach - Foreshore upgrade	-	-	300	-	-	-	-	-	-	-
33) Open Space & Recreation Strategy Outcomes (Allocation)	-	50	-	50	-	50	-	50	-	-
34) Trail Strategy Outcomes (Allocation)	-	100	-	100	-	100	-	100	-	-
35) Parham Playground Landscaping, Shade, Furniture, Parking & Paths	-	-	-	-	-	180	-	-	-	-
36) Council Boundary Signs - Allocation	60	-	-	-	-	-	-	-	-	-
37) Township Entrance Signs - Allocation	-	140	-	-	-	-	-	-	-	-
38) Stage 1 & 2- Hart Reserve Development – Implementation	400	200	-	-	-	-	-	-	-	-
39) Future Program Allocation	-	-	-	-	-	-	-	-	-	100
40) Stage 2 & 2A - Two Wells/Mallala Ovals - Implementation	-	500	500	-	-	-	-	-	-	-
41) Stage 3 - TW Oval - Additions, Support to Area (Possible New Sport Facilities)	-	-	350	-	-	-	-	-	-	-
42) Stage 1 & 2 - Police Block - Shelter, Skate Park, Masterplan/Concepts	50	150	-	-	-	-	-	-	-	-
43) Purchase Strategic Assets**	4,000	-	-	-	-	-	-	-	-	-
44) Plant and Fleet	40	-	280	-	-	350	-	-	350	-
New Stormwater										
45) Dublin Stormwater Capture Project - Stage 1 & 2	280	-	-	-	-	-	-	-	-	-
46) Redbanks Road from Mallala - Two Wells Road to Irish Street	100	-	-	-	-	-	-	-	-	-
47) Mallala Stormwater Urban Management Plan Outcomes	-	-	50	-	50	-	50	-	50	-
48) Middle Beach - Tidal Drainage System	15	-	-	-	-	-	-	-	-	-
Total New Project Budget	8,731	1,315	1,865	408	202	795	165	265	515	190

*While the estimates given above are based on best available information as of 31 January 2022, exact budgets allocation and the timing of the delivery of these capital program will be confirmed as part of future annual budget deliberations.

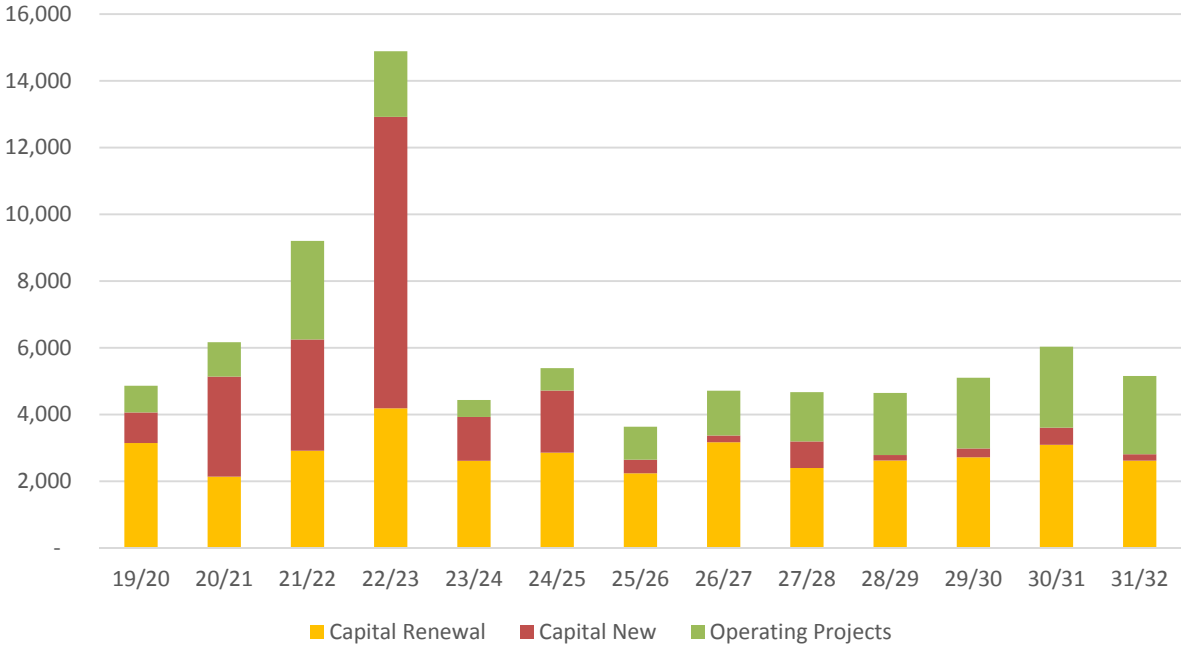
** It is expected that strategic assets purchased will be subsequently sold by the Council to recover purchase price in full resulting zero net costs to the Council.

Total Projects Budget for Next 10 Financial Years

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

If the draft projects budget in **Table 3** and **Table 4** is endorsed by the Council, it would result in a significant increase of project budget mainly in 2022/2023 Financial Year, with a total project budget of \$58.673m over the 10 year period.

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



6.4 Projects excluded from the LTFP

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

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

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

6.5 Long-term Capital Grants and Income

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

In addition, it is expected that strategic assets proposed to be purchased in 2022/2023 will be subsequently sold by the Council to recover purchase price and associated assets holding costs in full resulting zero net costs to the Council.

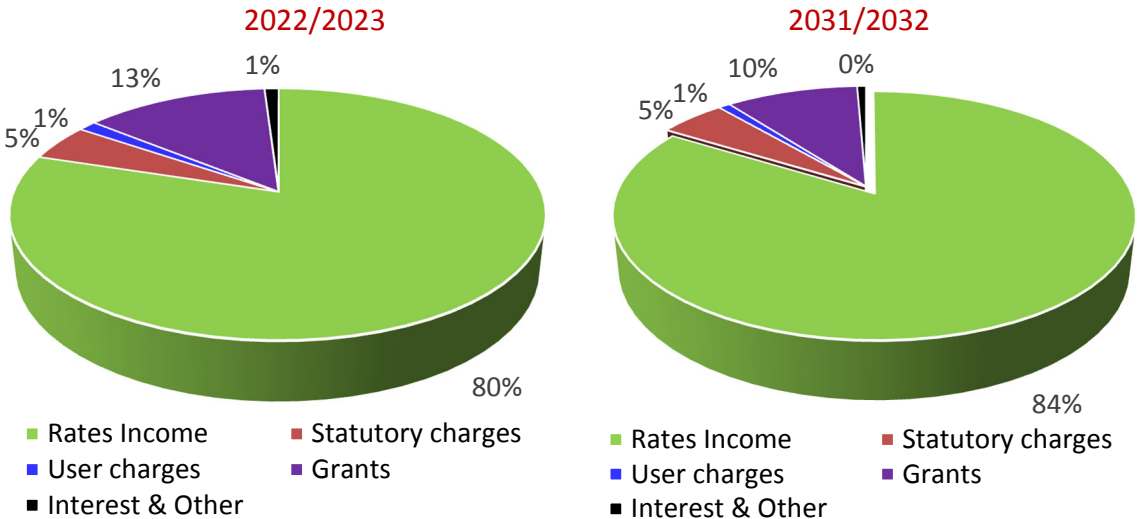
6.6 Long term Financing Strategy

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

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

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

Figure 2: Distribution of Operating Income based on LTFP Estimates



6.7 Projected Debt Levels

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

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

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

LTFP shows that the Council is required to borrow \$11.115m in Year 1 and Year 2 and no further borrowings thereafter. From Year 3 onwards, Council will be in a position to commence repaying its new borrowings including borrowings \$2.708m identified in the 2021/2022 Adopted Budget.

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

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

Description	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
Debenture Loans	1,743	1,718	1,691	1,663	1,634	1,604	1,573	1,539	1,539	1,505
Short-term Loans	13,571	14,387	11,627	10,543	10,054	8,868	7,002	4,872	2,903	(0)
Total Borrowings	15,314	16,105	13,318	12,206	11,688	10,472	8,574	6,412	4,442	1,505
Interest @ 2.85%	193*	410	331	300	287	253	200	139	83	0
Interest @ 2.45%	166*	352	285	258	246	217	172	119	71	0

* Half-yearly interest

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

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

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

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

Indicative interest rates with LGFA as of 4 February 2022 are:

- Short-term Cash Advance 2.05%
- 5yrs 3.00%
- 10yrs 3.40%
- 15yrs 3.55%

However, interest rates are expected to go up further with the economic recovery following pandemic particularly in 2024 as forecast by Reserve Bank of Australia. As shown in **Table 6** above, based on above borrowing requirements, if the interest rate is moved (up or down) by 0.40%, the impact on interest expenses would be \$0.307m approximately over the 10 year period.

7. Long Term Financial Statements

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

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

\$'000

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
	Actual	Adopted	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
INCOME												
Rates	10,635	10,923	11,785	12,433	13,118	13,843	14,610	15,421	16,280	17,189	18,152	19,176
Statutory charges	603	496	694	714	779	801	819	886	961	986	1,089	1,129
User charges	178	170	193	194	195	196	197	198	199	199	200	201
Grants, subsidies and contributions	3,316	1,894	1,935	1,966	1,997	2,029	2,062	2,095	2,129	2,163	2,197	2,233
Investment Income	1	3	3	3	3	3	3	3	3	3	3	3
Reimbursements	24	126	123	123	123	123	123	123	123	123	123	123
Other Income	143	23	23	23	23	23	24	24	24	24	24	24
TOTAL INCOME	14,900	13,635	14,756	15,456	16,238	17,018	17,837	18,750	19,718	20,688	21,789	22,889
EXPENSES												
Employee Costs	5,151	5,900	6,062	6,212	6,366	6,524	6,686	6,852	7,022	7,196	7,375	7,558
Materials, contracts and other services	5,389	4,332	5,107	5,209	5,387	5,472	5,658	5,782	5,980	6,118	6,360	6,543
Depreciation, Amortisation & Impairment	2,911	2,731	2,960	3,049	3,140	3,234	3,331	3,431	3,534	3,640	3,750	3,862
Finance Costs	132	72	272	487	408	376	361	326	271	209	153	68
Share of loss - joint ventures & associates	75	63	63	63	63	63	63	63	63	63	63	63
TOTAL EXPENSES	13,658	13,098	14,464	15,020	15,364	15,669	16,099	16,454	16,871	17,226	17,700	18,094
OPERATING SURPLUS / (DEFICIT)	1,242	537	292	436	874	1,349	1,737	2,296	2,847	3,461	4,089	4,795
Net Operating Project Expenses	-	(579)	(1,966)	(509)	(669)	(987)	(1,341)	(1,479)	(1,858)	(2,118)	(2,423)	(2,344)
OPERATING SURPLUS / (DEFICIT)	1,242	(186)	(1,674)	(73)	205	362	397	817	990	1,343	1,666	2,451
Asset Disposal & Fair Value Adjustments	(273)	67	100	100	100	100	100	100	100	100	100	100
Amounts specifically for new or upgraded assets	1,494	1,245	1,195	-	4,000	-	-	-	-	-	-	-
Physical resources received free of charge	5,345	2,000	5,351	5,351	6,351	5,351	5,351	6,351	5,351	5,351	6,351	5,351
NET SURPLUS (DEFICIT)	7,809	3,126	4,972	5,378	10,656	5,813	5,848	7,268	6,441	6,794	8,117	7,902
OTHER COMPREHENSIVE INCOME												
Changes in assets revaluation surplus	1,405	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Share of other comprehensive income - GRFMA	(55)	-	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
TOTAL COMPREHENSIVE INCOME	9,159	4,626	6,417	6,823	12,101	7,258	7,293	8,713	7,886	8,239	9,562	9,347

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

\$'000

	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32
	Actual	Adopted	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ASSETS												
Current Assets												
Cash and cash equivalents	257	306	306	305	306	305	306	306	307	306	306	1,034
Trade & other receivables	2,386	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031	1,031
Inventories	239	154	154	154	154	154	154	154	154	154	154	154
Total Current Assets	2,882	1,491	1,491	1,490	1,491	1,490	1,491	1,491	1,492	1,491	1,491	2,219
Non-Current Assets												
Financial Assets (Investment in GRFMA)	5,818	5,928	5,810	5,692	5,574	5,456	5,338	5,220	5,102	4,984	4,866	4,748
Infrastructure, Property, Plant and Equipment	121,078	124,385	141,282	149,014	158,447	164,710	171,602	179,217	185,323	191,517	199,228	205,028
Other Non-current Assets	991	15	15	15	15	15	15	15	15	15	15	15
Total Non -Current Assets	127,887	130,328	147,108	154,721	164,036	170,182	176,956	184,452	190,440	196,516	204,109	209,791
Total Assets	130,769	131,819	148,598	156,212	165,527	171,672	178,447	185,943	191,932	198,007	205,600	212,010
LIABILITIES												
Current Liabilities												
Trade & Other Payables	1,820	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353	1,353
Borrowings	1,046	3,183	13,571	14,387	11,627	10,543	10,054	8,867	7,001	4,873	2,902	-
Provisions	1,253	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,009	1,007
Total Current Liabilities	4,119	5,545	15,933	16,749	13,989	12,905	12,416	11,228	9,363	7,235	5,264	2,360
Non-current Liabilities												
Borrowings	1,790	1,767	1,743	1,718	1,691	1,663	1,634	1,604	1,573	1,539	1,539	1,505
Provisions	210	220	220	220	220	220	220	220	220	218	220	220
Total Non-current Liabilities	2,000	1,987	1,963	1,937	1,911	1,883	1,854	1,824	1,792	1,757	1,759	1,725
Total Liabilities	6,119	7,532	17,896	18,686	15,900	14,788	14,270	13,052	11,155	8,993	7,023	4,085
NET ASSETS	124,650	124,287	130,703	137,525	149,627	156,884	164,177	172,891	180,777	189,015	198,577	207,925
EQUITY												
Accumulated Surplus	42,882	40,868	45,839	51,217	61,873	67,686	73,534	80,802	87,242	94,036	102,153	110,056
Asset Revaluation Reserve	79,593	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630	96,130
Other Reserves	2,175	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794	1,739
TOTAL EQUITY	124,650	124,287	130,703	137,526	149,627	156,885	164,178	172,891	180,777	189,016	198,577	207,925

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

\$'000

	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	35,073	37,742	40,868	45,839	51,217	61,873	67,686	73,534	80,802	87,242	94,036	102,153
Net Result for Year	7,809	3,126	4,972	5,378	10,656	5,813	5,848	7,268	6,441	6,794	8,117	7,902
Balance at end of period	42,882	40,868	45,839	51,217	61,873	67,686	73,534	80,802	87,242	94,036	102,153	110,056
ASSET REVALUATION RESERVE												
Balance at end of previous reporting period	78,188	79,630	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630
Gain on revaluation of infrastructure, property, plant & equipment	1,405	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Balance at end of period	79,593	81,130	82,630	84,130	85,630	87,130	88,630	90,130	91,630	93,130	94,630	96,130
OTHER RESERVES												
Balance at end of previous reporting period	2,230	2,289	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794
Share of other comprehensive income - GRFMA	(55)	-	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)	(55)
Balance at end of period	2,175	2,289	2,234	2,179	2,124	2,069	2,014	1,959	1,904	1,849	1,794	1,739
TOTAL EQUITY AT END OF REPORTING PERIOD	124,650	124,287	130,703	137,526	149,627	156,885	164,178	172,891	180,777	189,014	198,577	207,925

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

\$'000

	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
CASH FLOWS FROM OPERATING ACTIVITIES												
<i>Receipts</i>												
Rates - general & other	10,395	11,173	11,785	12,433	13,118	13,843	14,610	15,421	16,280	17,189	18,152	19,176
Fees & other charges	617	496	694	714	779	801	819	886	961	986	1,089	1,129
User charges	236	170	193	194	195	196	197	198	199	199	200	201
Investment receipts	1	3	3	3	3	3	3	3	3	3	3	3
Grants utilised for operating purposes	2,622	4,270	1,935	1,966	1,997	2,029	2,062	2,095	2,129	2,163	2,197	2,233
Reimbursements	24	126	123	123	123	123	123	123	123	123	123	123
Other revenues	143	23	23	23	23	23	24	24	24	24	24	24
<i>Payments</i>												
Employee costs	(4,885)	(5,522)	(6,062)	(6,212)	(6,366)	(6,524)	(6,686)	(6,852)	(7,022)	(7,196)	(7,375)	(7,558)
Materials, contracts & other expenses	(5,385)	(7,847)	(7,073)	(5,718)	(6,056)	(6,459)	(6,999)	(7,261)	(7,838)	(8,236)	(8,783)	(8,887)
Finance payments	(177)	(153)	(272)	(487)	(408)	(376)	(361)	(326)	(271)	(209)	(153)	(68)
Net Cash provided by (or used in) Operating Activities	3,592	2,739	1,349	3,038	3,408	3,660	3,791	4,311	4,587	5,046	5,479	6,376
CASH FLOWS FROM INVESTING ACTIVITIES												
<i>Receipts</i>												
Grants specifically for new or upgraded assets	760	1,245	1,195	-	4,000	-	-	-	-	-	-	-
Sale of replaced assets	124	67	100	100	100	100	100	100	100	100	100	100
<i>Payments</i>												
Expenditure on renewal/replacement of assets	(2,142)	(2,917)	(4,189)	(2,614)	(2,857)	(2,239)	(3,171)	(2,400)	(2,624)	(2,719)	(3,094)	(2,621)
Expenditure on new/upgraded assets	(2,997)	(3,334)	(8,731)	(1,315)	(1,865)	(408)	(202)	(795)	(165)	(265)	(515)	(190)
Net Cash provided by (or used in) Investing Activities	(4,255)	(4,939)	(11,625)	(3,829)	(622)	(2,547)	(3,273)	(3,095)	(2,689)	(2,884)	(3,509)	(2,711)
CASH FLOWS FROM FINANCING ACTIVITIES												
<i>Receipts</i>												
Proceeds from New Borrowings	9,859	2,708	10,300	815	(0)	0	-	(0)	-	0	0	-
<i>Payments</i>												
Repayments of Borrowings	(9,810)	(507)	(23)	(24)	(2,786)	(1,112)	(518)	(1,216)	(1,897)	(2,162)	(1,970)	(2,938)
Net Cash provided by (or used in) Financing Activities	49	2,201	10,276	791	(2,786)	(1,112)	(518)	(1,216)	(1,897)	(2,162)	(1,970)	(2,938)
Net Increase (Decrease) in cash held	(613)	0	(0)	(0)	(0)	0	1	(0)	1	0	0	728
Cash & cash equivalents at beginning of period	870	306	306	306	305	306	305	306	306	307	306	306
Cash & cash equivalents at end of period	257	306	306	305	306	305	306	306	307	306	306	1,034

D Audit Committee Meeting
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14 February 2022

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

\$'000

	20/21 Actual	21/22 Adopted	22/23 Year 1	23/24 Year 2	24/25 Year 3	25/26 Year 4	26/27 Year 5	27/28 Year 6	28/29 Year 7	29/30 Year 8	30/31 Year 9	31/32 Year 10
Operating Revenues	14,900	16,261	14,756	15,456	16,238	17,018	17,837	18,750	19,718	20,688	21,789	22,889
<i>less</i> Operating Expenses	(13,658)	(16,447)	(14,464)	(15,020)	(15,364)	(15,669)	(16,099)	(16,454)	(16,871)	(17,226)	(17,700)	(18,094)
Operating Surplus / (Deficit) before Capital Amounts	1,242	(186)	292	436	874	1,349	1,737	2,296	2,847	3,461	4,089	4,795
<i>less</i> Net Outlays on Existing Assets												
Capital Expenditure on renewal and replacement of Existing Assets	2,142	2,917	4,189	2,614	2,857	2,239	3,171	2,400	2,624	2,719	3,094	2,621
<i>less</i> Depreciation, Amortisation and Impairment	(2,911)	(2,862)	(2,960)	(3,049)	(3,140)	(3,234)	(3,331)	(3,431)	(3,534)	(3,640)	(3,750)	(3,862)
<i>less</i> Proceeds from Sale of Replaced Assets	(124)	(67)	-	-	-	-	-	-	-	-	-	-
	(893)	(12)	1,229	(434)	(283)	(995)	(161)	(1,031)	(910)	(921)	(656)	(1,241)
<i>less</i> Net Outlays on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets	2,997	3,334	8,731	1,315	1,865	408	202	795	165	265	515	190
<i>less</i> Amounts received specifically for New and Upgraded Assets	(760)	(1,245)	4,365	1,585	1,675	1,610	1,710	1,710	1,810	1,810	1,910	1,910
	2,237	2,089	13,096	2,900	3,540	2,018	1,912	2,505	1,975	2,075	2,425	2,100
Net Lending / (Borrowing) for Financial Year	(101)	(2,264)	(14,034)	(2,030)	(2,383)	326	(14)	822	1,783	2,308	2,320	3,936

7.1 Long Term Financial Indicators

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

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

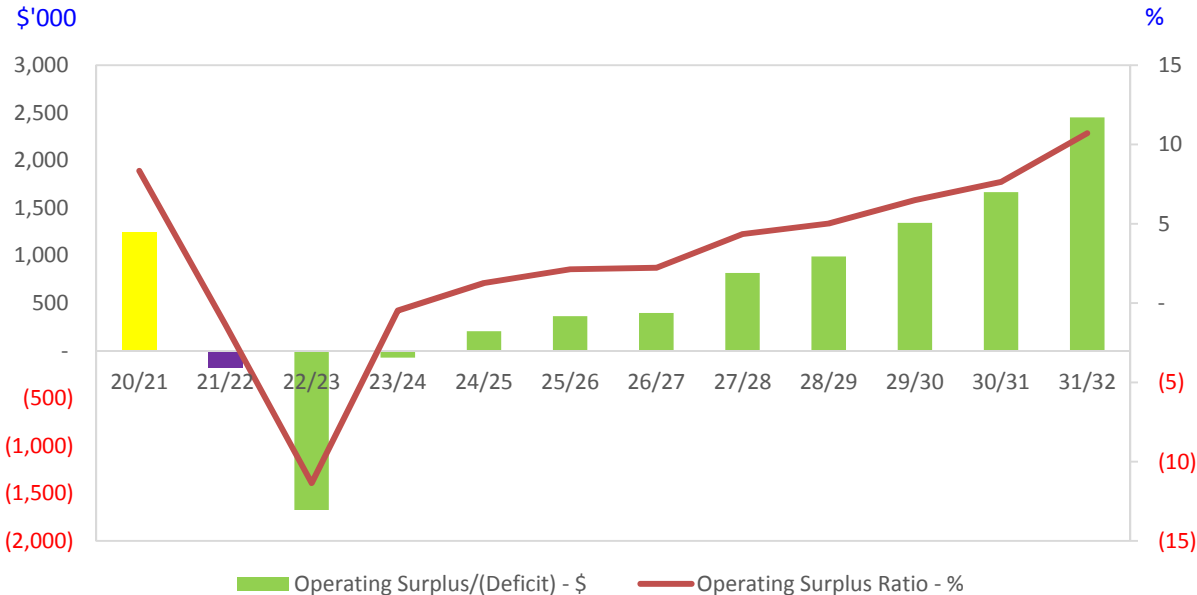
➤ **Operating Surplus/ (Deficit) Ratio**

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

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

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

Figure 3: Operating Surplus/Deficit Ratio



LTFP forecasts an operating deficits in Years 1 to 2 and an operating surplus thereafter.

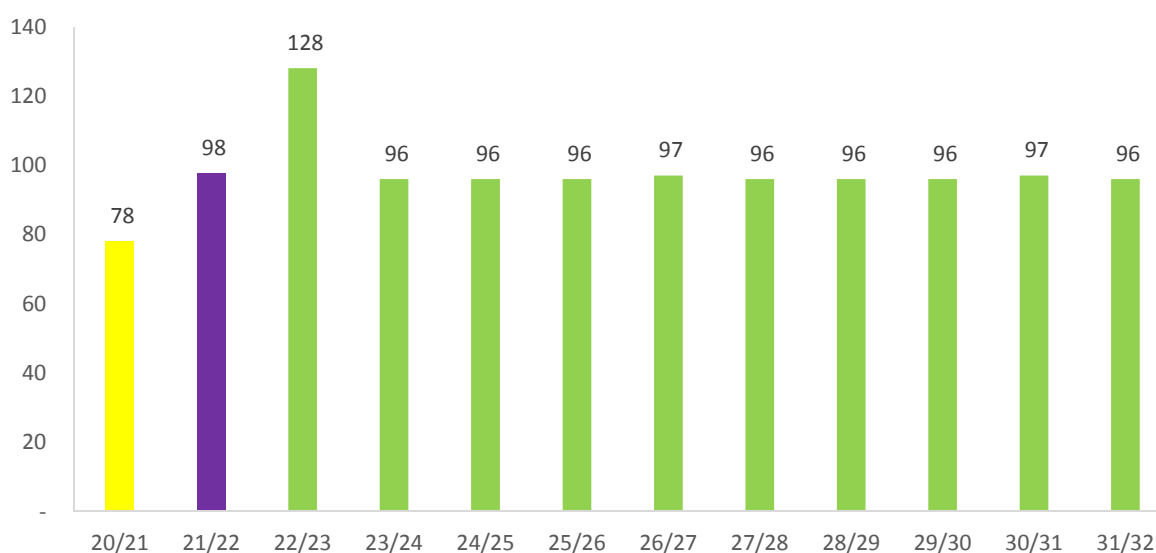
➤ Asset Renewal Funding Ratio (%)

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

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

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

Figure 4: Asset Renewal Funding Ratio (%)



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

➤ Net Financial Liabilities Ratio (%)

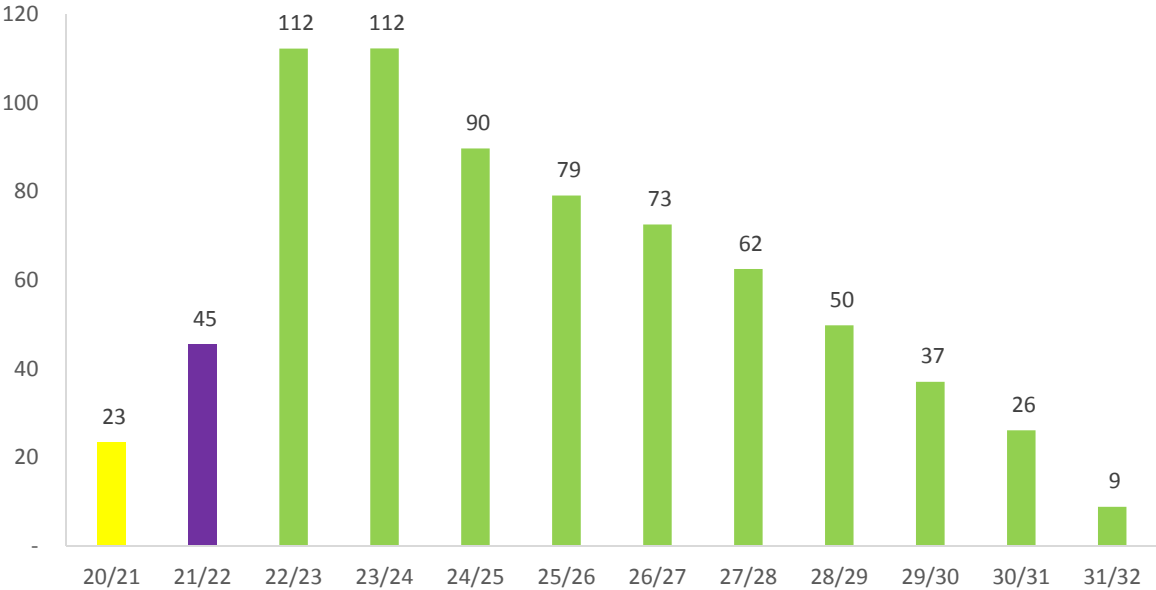
Net Financial Liabilities (NFL) is an indicator of the Council's total indebtedness and includes all Council's obligations including provisions for employee entitlements and creditors.

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

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

LGA Recommended Target Range : 0% to 100% on average over long term
10 Year LTFP Forecast Range : 9% to 112%


Figure 5: Net Financial Liabilities Ratio (%)



Why Council is forecasting a higher NFL Ratio?

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

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

 Adelaide Plains Council	6.5	Update on Audit Committee Annual Work Program 2021/2022
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/4910

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 to the Audit Committee as part of 17 November 2021 meeting.
 - The final audit for 2020/2021 was completed and draft audited financial statements, audit report on financial statements and internal controls;
 - A report on the review of audited 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 contains 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
 - Credit Policy and Budget Management Policy reviews;

RECOMMENDATION

“that the Audit Committee, having considered Item 6.5 – *Update on Audit Committee Annual Work Program 2021/2022*, dated 14 February 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.

Attachments

1. Audit Committee Annual Work Program 2021/2022 – February 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& was approved by the Council on 25 October 2021. Draft LTFP for the period 2023-2032 which has been developed based on updated SMP & I& is presented to 17 November Audit Committee meeting for comment and consideration; and
- A report on the review of audited financial results of 2021/2022 against the adopted budget;

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
- Credit Policy and Budget Management Policy reviews.

Conclusion

Audit Committee meetings held on 17 November 2021 and 14 February 2022 have 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 (where applicable) before 30 June 2022.

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 – February 2022 Update

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

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

<ul style="list-style-type: none"> ▪ appropriateness of the indicators (financial and other) to measure achievements of the strategic plan and annual business plan. 		Feedback from the public consultation on draft LTFP is 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"> ▪ discuss any points of concern raised by the External Auditor in their interim audit; ▪ assess the appropriateness of the Council’s response to matters raised in the interim audit; ▪ discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; ▪ assess the appropriateness of the Council’s response to matters so raised. 	August 2021 August 2021 November 2021 November 2021	Completed Completed Completed Completed		August 2021 August 2021 17 November 17 November
4.2 Ensure compliance with regulation 22 (1) of the Local Government (Financial Management) Regulations 2011 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Ongoing	Completed		17 November

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


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

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

<ul style="list-style-type: none"> ✓ whether a business continuity plan has been developed in case of major damage to key Council properties or other (e.g. computer, assets); ✓ whether there are significant risks that have been identified by Council’s insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; ✓ adequacy of insurance coverage. 				
5.4 Review of Council’s risk management processes	April 2022			
<p>5.5 Review the appropriateness of the range and content of Council’s financial policies and practices. Policies due for review are;</p> <ul style="list-style-type: none"> • Credit Card Policy (Last reviewed in April 2018) • Risk Management Policy (Last reviewed in July 2019) • Fixed Assets Accounting Policy (Last reviewed in September 2019) • Prudential Management Policy (Last reviewed in February 2020) • Rates Arrears and Debtor Management Policy (Last reviewed in February 2020) • Treasury Management Policy (Last reviewed in February 2020) • Budget Management Policy (Last reviewed in February 2020) • Funding Policy (Last reviewed in February 2020) 	<p>April 2022 April 2022 April 2022 April 2022 April 2022 February 2022 February 2022 April 2022</p>	<p>Agenda 14 February 2022 Agenda 14 February 2022</p>		<p>14 February 14 February</p>
6. Public Interest Disclosures				
6.1 Review Council’s Public Interest Disclosure Procedure (Last reviewed in February 2019)	To be reviewed in early 2022			

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

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

 Adelaide Plains Council	7.1	Committee Resolutions
	Department: Report Author:	Finance and Business General Manager – Finance and Business
Date: 14 February 2022	Document No:	D22/4911

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 is outstanding from February 2020 and reports have been provided within the agenda of 14 February 2022 Audit Committee meeting with regard to two (2) resolutions from November 2021 meeting.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.1 – *Committee Resolutions*, dated 14 February 2022, receives and notes the report.”

Attachments

1. Resolution Register updated February 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	Agenda	Reviewed Credit Card Policy will be presented to the Audit Committee Meeting on 11 April 2022. An internal framework is also being developed.	

2021 Audit Committee Resolution Register

D20/6624

Meeting Date	Items No.	Title	Resolution Description	Resolution Number	Responsible Department	Status	Comment	Date Completed
17-Nov-21	6.2	Draft Audited Annual Financial Statements 2020/2021	"that the Audit Committee requests that a report be brought back to a future Audit Committee Meeting in relation to the accounting treatment of developer contributions."	2021/051	Finance and Business	Agenda	Report is contained within the agenda of 14 February Audit Committee meeting.	
17-Nov-21	6.1	Draft Long Term Financial Plan 2022/2023-2031/2032	"that the Audit Committee having considered Item 6.1 – Draft Long Term Financial Plan 2022/2023-2031/2032 dated 17 November 2021, receives and notes the report and in doing so, recommends to Council that it: 1. Notes that: a. the Long Term Financial Plan results in key financial indicators being substantially outside of the targets set by Council b. Until 2031/2032 the income included in the plan is not sufficient to pay for the proposed expenditure and the level of debt is outside what is conventionally considered prudent and c. When considering the projects included in the plan Council will need to be mindful of the impact the expenditure will have on future generations of residents, future elected Councils and of the financial risks which will emanate from the proposed expenditure; and 2. That in consideration of 1.a., 1.b and 1.c above, instructs the Chief Executive Officer to bring a further report back to Council, via the Audit Committee, in relation to feedback gleaned through public consultation and how best to address 1.a., 1.b and 1.c above."	2021/053	Finance and Business	Agenda	Report is contained within the agenda of 14 February Audit Committee meeting.	

 Adelaide Plains Council	7.2	Financial Performance for the period July-December 2021
	Department:	Finance and Business
	Report Author:	General Manager – Finance and Business
Date: 14 February 2022	Document Ref:	D22/2934

OVERVIEW

Adopted Budget for 2021/2022

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

1. Recurrent Budget Surplus of \$0.393m;
2. Operating Project Budget expenditure of \$0.579m (net of grants);

resulting an operating deficit of \$0.186m for the 2021/2022 Financial Year.

Council also adopted a Capital Budget expenditure of \$6.251m for the 2021/2022 Financial Year, which comprised of;

- new/upgraded capital expenditure of \$3.334m; and
- assets renewal budget of \$2.917m.

First Budget Update

Following the First Budget Update in October 2021, it was estimated that an operating deficit of \$0.351m will be reported for 2021/2022 Financial Year which consists of:-

1. Recurrent Budget surplus of \$0.501m;
2. Operating Project Budget expenditure of \$0.852m (net of grants);

The total capital expenditure budget has also been increased by \$1.247m to \$7.498m due to carry over projects from 2020/2021 Financial Year. **Table 1** below shows the value of all the approved projects after First Budget Update.

Table 1: Value of Projects Budgeted for 2021/2022 Financial Year (\$'Mn)

Project Category	Adopted Budget	Carried Forward + New Expenses	Q1 Approved Budget
Capital	6.251	1.247	7.707
Operating	0.579	0.273	0.852
	6.830	1.520	8.350

As shown in **Table 2** below, the number of new projects approved for 2021/2022 was 58. However, following the First Budget Update, total number of projects earmarked for implementation by 30 June 2022 has been increased to 75.

Table 2: Number of Projects Approved for 2021/2022 Financial Year (\$'000)

Project Description	Adopted Budget	Carried Forward + New Projects	Q1 Approved Budget
Capital	47	6	53
Operating	11	11	22
Total number of projects	58	17	75

July - December Financial Performance

Table 3 below shows the Profit and Loss account for the first six (6) months of the 2021/2022 Financial Year. Where there is a favourable budget variances between July-December actual (Column A) and July-December budget (Column B) and it is greater than \$5,000, it is highlighted in green and unfavourable budget variances of greater than \$5,000 are highlighted in red.

Table 3: Income Statement for the First Six Months (July 2021 to December 2021)

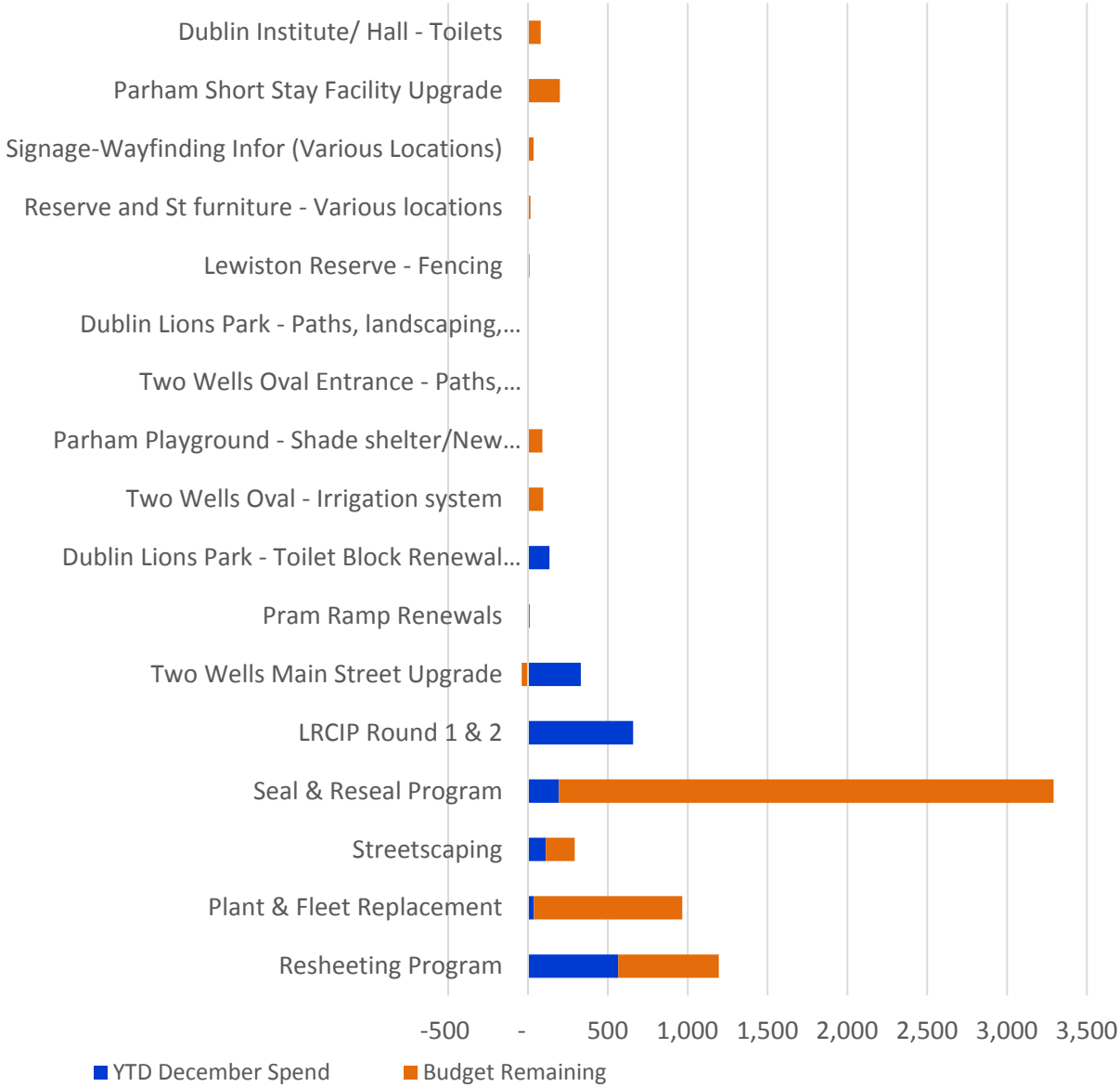
Description	A YTD December Actual	B YTD December Budget	C = A - B Variance	Annual Revised Budget
Income				
Rates Revenue	11,133,521	11,129,146	4,375	11,173,095
Statutory Charges	354,959	247,984	106,975	496,034
User Charges	108,077	80,666	27,411	170,207
Grants & Subsidies	615,023	2,948,271	(2,333,248)	4,883,544
Interest Income	670	1,326	(656)	2,652
Reimbursements	17,556	125,346	(107,790)	132,493
Other Income	36,042	31,638	4,404	32,838
Total Income	12,265,848	14,564,377	(2,298,529)	16,890,863
Expenses				
Employee Expenses	2,750,426	2,904,011	153,685	5,936,164
Material, Contracts & Other Expenses	2,328,958	4,830,548	2,501,590	8,291,097
Depreciation	1,406,996	1,406,996	-	2,861,531
Interest Expenses	48,046	80,028	31,982	152,759
Total Expenses	6,534,427	9,221,683	2,687,256	17,241,551
Operating Surplus/(Deficit)	5,731,422	5,342,694	(388,728)	(350,688)

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

Capital Project Progress as at 31 December 2021

At the end of December, \$2.056m has been spent which is 27% of total Capital Project budget of \$7.498m. While some projects are to commence in early 2021, there are no expenses for some of the Capital Projects as those projects are currently either at planning or tendering stage. A detailed project progress report will be presented to the February 2021 Council meeting as part of Second Budget Revision. **Figure 1** below shows actual capital expenditure from July to December compared to the budget approved by the Council.

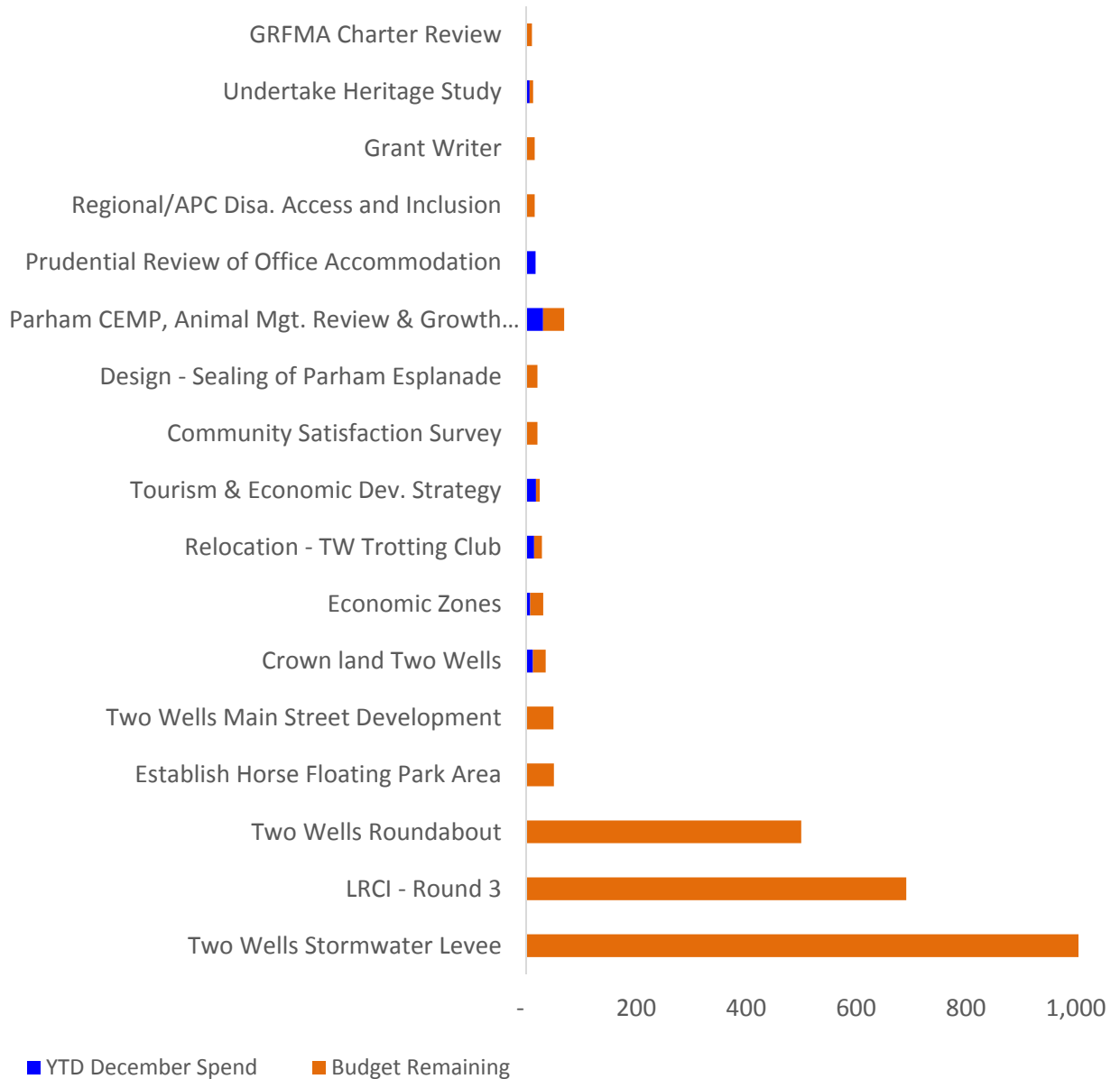
Figure 1: Capital Project Progress (YTD December) - \$'000



Operating Project Progress as at 31 December 2021

Figure 2 below shows the progress of the operating project program. At the end of December 2021, Council has spent 32% (\$0.111m) of the Operating Project budget that are funded by general rates revenue.

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



With regard to operating projects funded by government grants such as Two Wells Levee, Two Wells roundabout and Local Roads and Community Infrastructure Program Council is yet to incur expenses and those projects could potentially be carried forward to the 2022/2023 Financial Year.

A detailed project progress report will be presented to the February 2022 Council meeting as part of Second Budget Update.

Potential Carry over Projects to 2022/2023 Financial Year

Table 4 below shows the summary of two (2) projects that could potentially be carry over to 2022/2023 Financial year. Final value of the carry over amount would be confirmed following the finalisation of the 2021/2022 Financial Year accounts.

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

Project Name	Amount budgeted in 2021/2022 (\$)	Comment
Installation of single lane roundabout in Two Wells	500,000	Department for Infrastructure and Transport is negotiating land acquisition required to begin the project. This could be a short or very drawn out process. \$439,500 is funded under Heavy Vehicle Safety and Productivity Program.
Local Roads and Community Infrastructure Program Round 3	690,918	Council at the meeting held on 31 January 2022 decided to allocate grant funding to seal section of Glover Road and Buckland Park Road. As per funding guidelines, should be completed by 30 June 2023.

Treasury Management

At the beginning of the 2021/2022 Financial Year, Council had a short-term deposit balance of \$0.137m and short-term borrowings of \$0.539m. At the end of December 2021, both the short-term deposits and short term borrowings have reduced to \$0.109m and \$0.470m respectively.

Interest expenses associated with short-term borrowings in July and December is \$2,790 (for the similar period last financial year, it was \$2,865).

RECOMMENDATION

“that Audit Committee, having considered Item 7.2 – Financial Performance for the period July-December 2021, dated 14 February 2022, receives and notes the report.”

Attachments

Nil

References


Legislation

Nil

Council Policies/Plans

Budget Management Policy, Treasury Management Policy

Audit Committee Annual Work Program 2021/2022

 Adelaide Plains Council	7.3	Update on Overdue Council Rates
	Department:	Finance and Business
	Report Author:	Rates Officer
Date: 14 February 2022	Document Ref:	D22/2935

OVERVIEW

The purpose of this report is to provide an update to the Audit Committee on the overdue Council rates. At the beginning of the 2022 Financial Year, the overdue Council rates balance was \$1.050m. As at 31 January 2022, Council's overdue rates has decreased by \$0.131m to \$0.919m. Amongst the overdue rates are;

- a) \$0.493m being paid by 359 ratepayers under a payment plan.
- b) The remaining \$0.426m is from property owners who are late payers, which do not have a payment plan or have not paid their rates for some time.
- c) Amongst the properties without a payment plan, there are 18 ratepayers who have accumulated an excess of three years of outstanding rates totalling \$0.157m. The process has now commenced to recover this amount through the sale of property for unpaid rates.

Table 1: Breakdown of Overdue Rates as at 31 January 2022

%	Range (\$)	Total Outstanding	No of Properties
(5.83)	Over Paid	(53,579)	115
0.00	0.1 to 0.99	10	47
0.31	0.99 to 50	2,843	281
0.28	51 to 100	2,536	34
0.28	101 to 150	2,607	21
0.22	151 to 200	2,057	12
0.49	201 to 250	4,548	20
2.66	251 to 500	24,427	67
4.15	501 to 750	38,158	63
3.42	751 to 1,000	31,435	36
5.71	1,001 to 1,500	52,451	43
7.60	1,501 to 2,000	69,837	40
11.32	2,001 to 3,000	104,068	41
12.92	3,001 to 4,000	118,788	34
9.97	4,001 to 5,000	91,668	20
20.41	5,001 to 7,500	187,613	30
13.85	7,500 to 10,000	127,344	15
12.22	Over 10,001	112,328	7
100.00		919,138	926

Number of rateable properties across the Council district was 5,460 as of 30 June 2021 and 811 ratepayers (excluding ratepayers with negative balance) or 15% of total rateable properties had an overdue rates balance on 31 January 2022. In addition, above table also highlights that;

- a) 56% of overdue rates are receivable from 72 ratepayers;
- b) 4% of overdue rates are applicable to approximately one (1) instalment that is overdue from 482 ratepayers who have an overdue balance of less than \$500.
- c) 8% of overdue rates are applicable to 99 ratepayers with an overdue balance ranging from \$501 to \$1,000
- d) 38% of overdue rates are applicable to 158 ratepayers with an overdue balance ranging from \$1,001 to \$4,000

Sale of Properties for non-payment of rates

At the Ordinary Council Meeting held on 27 September 2021, Council resolved in confidence to sell 26 properties under Section 184 of the Local Government Act 1999 for non-payments of rates for more than three (3) year. Total amount due from those 26 properties was \$200,639. As of 31 January 2022:-

- a) Three (3) ratepayers have paid all the outstanding rates in full;
- b) Five (5) ratepayers have entered in to a payment plan and therefore Council has not yet commenced S184 proceedings.
- c) S184 proceedings have been commenced through Council's debt collection agency with regard to the remaining 18 properties.

RECOMMENDATION

“that Audit Committee, having considered Item 7.3 – *Update on Overdue Council Rates*, dated 14 February 2022, receives and notes the report.”

Attachments

Nil

References

Legislation

Local Government Act 1999.

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

Council Policies/Plans

Rates Arrears and Debtor Management Policy

Policies, Changes in Accounting Estimates and Errors. Paragraph 41 and 42 of the AASB 108 states as follows in relation to correcting errors.

41 Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Financial statements do not comply with Australian Accounting Standards if they contain either material errors or immaterial errors made intentionally to achieve a particular presentation of an entity’s financial position, financial performance or cash flows. Potential current period errors discovered in that period are corrected before the financial statements are authorised for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period (see paragraphs 42–47).

42 Subject to paragraph 43, an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by:

- (a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or*
- (b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.*

Restatement of comparative amounts are only required to be presented when the effects of the correction of the prior period errors are considered material. As the total amount involved is not considered material by the external auditors as stated in their 2020/2021 Audit Completion Report (a view that is also supported by the Council management), the comparatives of the 2021/2022 financial report will not be restated.

Therefore, \$364,156 will be adjusted against opening balance of the Accumulated Surplus in the 2021/2022 Financial Statements. In addition, Council’s Treasury Management Policy will also be updated to provide guidance on accounting developer contributions.

RECOMMENDATION

“that the Audit Committee, having considered Item 7.4 – Accounting Treatment of Developer Contributions, dated 14 February 2022, receives and notes the report.”

Attachments

Nil


References

Legislation

N/A

Other

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors


 Adelaide Plains Council	8.1 Confidential Item
14 February 2022	

8.1 Gawler River Floodplain Management Authority – February 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, General Manager – Infrastructure and Environment, General Manager – Development and Community, Manager Governance and Administration, Mr Drew Jacobi – Director, Southfront Engineers, Mr Michael Kelledy, Kelledy Jones Lawyers, 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 – *Gawler River Floodplain Management Authority – February 2022 Audit Committee Update.***
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the Local Government Act 1999, Item Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.1 – *Gawler River Floodplain Management Authority – February 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 the Gawler River Floodplain Management Authority and would, on balance, be contrary to the public interest; and**
- 3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

 <p data-bbox="437 250 628 376">Adelaide Plains Council</p>	<p data-bbox="805 250 1114 286">8.2 Confidential Item</p>
<p data-bbox="683 454 941 490">14 February 2022</p>	

8.2 Crown Land, Two Wells – February 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, General Manager – Development and Community, Manager – Governance and Administration, Mr Sean Keenihan, Chair, Norman Waterhouse Lawyers, Administration and Executive Support Officer/Minute Taker and Information Technology Support Officer be excluded from attendance at the meeting of the Audit Committee for Agenda Item 8.2 – *Crown Land, Two Wells – February 2022 Audit Committee Update*;**
- 2. The Audit Committee is satisfied that pursuant to section 90(3)(b) of the Local Government Act 1999, Item 8.2 – *Crown Land, Two Wells – February 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 a verbal briefing by the Chief Executive Officer in relation to ongoing negotiations regarding Crown Land at Two Wells;**
- 3. The Audit Committee is satisfied that the principle that Audit Committee meetings should be conducted in a place open to the public has been outweighed by the need to keep the information, matter and discussion confidential.”**

RECOMMENDATION

“that the Audit Committee, having considered the matter of Item 8.2 – *Crown Land, Two Wells – February 2022 Audit Committee Update* in confidence under sections 90(2) and 90(3)(b) of the *Local Government Act 1999*, resolves that:

- 1. Attachments 1 – 6 and the minutes of the meeting pertaining to Item 8.2 – *Crown Land, Two Wells – February 2022 Audit Committee Update* 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.”**