NOTICE OF COUNCIL MEETING

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

Special Audit & Risk Committee Meeting of the

Adelaide Plains Council

will be held in

Council Chamber
Redbanks Road
Mallala

on

Thursday 3 September 2026 at 2:00PM

James Miller
CHIEF EXECUTIVE OFFICER

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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 ATTENDANCE RECORD

Apologies:

Mr Alan Rushbrook (Chairperson)

3 BUSINESS ARISING

4 DECLARATION OF MEMBERS' INTEREST

5 REPORTS FOR DECISION

5.1 SCENARIO ANALYSIS – DRAFT LONG TERM FINANCIAL PLAN 2026–2035

Record Number: **D26/40594**

Author: **Chief Financial Officer**

Authoriser: **Chief Executive Officer**

Attachments: **Nil**

EXECUTIVE SUMMARY

- The purpose of this report is to provide scenario analysis for:
  - Council contribution to major capital works;
  - lower development growth; and
  - updated income from Two Wells Town Centre (TWTC) development;

  in relation to the Council's draft 2026–2035 Long-Term Financial Plan (draft LTFP) that was presented to the 12 August 2026 Audit and Risk Committee (the Committee) meeting.
- Accordingly, three scenarios have been provided for the Committee's consideration and feedback. The outcome of the scenario analysis is summarised below:

Scenario	Key Assumption	Operating sustainability	Net Financial Liabilities
Scenario 1	50% grants for major projects, excluding TWTC income, 100% growth	Moderate	Weakest
Scenario 2	50% grants for major projects, $4.5m TWTC income, 100% growth	Strongest	Strongest
Scenario 3	50% grants for major projects, $4.5m TWTC income, 50% growth	Weakest operating result	Better than Scenario 1 but weaker than Scenario 2

- Scenario 2 provides the most realistic basis for assessing Council's long-term financial sustainability, having regard to the projected revenue, expenditure, grant funding and development growth assumptions.

RECOMMENDATION

"that the Audit & Risk Committee, having considered Item 5.1 – *Scenario Analysis – Draft Long Term Financial Plan 2026–2035*, dated 3 September 2026, recommend to Council that the draft 2026-2035 Long Term Financial Plan presented to the 12 August meeting of the Audit and Risk Committee is suitable for public consultation subject to following changes:

1. Update draft 2026-2035 Long Term Financial Plan based on Scenario 2; and

2. ----------."

BUDGET IMPACT

Estimated Cost:	Operating surpluses are forecast over the life of the draft LTFP under Scenario 2, except for 2032/2033. The Net Financial Liabilities Ratio is forecast to be lowest under Scenario 2 over the 10-year period.
Future ongoing operating costs:	Interest expenses associated with proposed borrowings
Is this Budgeted?	Yes (In the draft LTFP estimates)

RISK ASSESSMENT

Scenario 3 demonstrates the risk of lower development growth

Although Scenario 3 includes the $4.5m Two Wells Town Centre income, its lower growth assumption results in a weaker operating position, between 2031/2032 and 2034/2035.

DETAILED REPORT

Purpose

The purpose of this report is to provide scenario analysis for:

- Council contribution to major capital works;
- lower development growth; and
- updated income from Two Wells Town Centre (TWTC) development;

in relation to the Council's draft 2026–2035 Long-Term Financial Plan (draft LTFP) that was presented to the 12 August 2026 Audit and Risk Committee (the Committee) meeting.

Background

The first-cut of the draft LTFP was presented to the Committee at its meeting on 12 August 2026 to seek feedback before it is presented to Council for endorsement for public consultation. This draft was developed based on the following key assumptions:

- all three major capital projects would be 100% funded through government grants;
- estimated receipts from the TWTC development project would be realised as planned; and
- new properties would be created as per forecast growth over the next 10 years.

Following consideration of the draft LTFP, the Committee resolved as follows:

COMMITTEE RESOLUTION 2026/73

Moved: Mr Rushbrook
Seconded: Mr Fairlie-Jones

"that the Audit & Risk Committee, having considered Item 6.2 – Draft - Long Term Financial Plan 2026-2035, dated 12 August 2026, request the Chief Executive Officer bring a further report back to the Committee which will include:
1. Capital contribution to major new projects;
2. Scenario analysis for lower development growth; and
3. Reconsideration of Two Wells Town Centre income;
in the draft 2026-2035 Long Term Financial Plan."

CARRIED

Discussion

In response to the Committee Resolution 2026/73, further analysis has been undertaken to assess the financial sustainability of the draft LTFP under alternative assumptions relating to capital contributions, development growth and the identified income from the TWTC project.

The analysis considers the impact of these assumptions on Council's Operating Surplus Ratio and Net Financial Liabilities Ratio (NFL Ratio). The scenarios are intended to provide the Committee with an indication of the sensitivity of the draft LTFP to changes in key assumptions rather than represent alternative budget forecasts. Three scenarios have been modelled:

Scenario 1: 50% grant funding for major projects, excluding income from TWTC development and 100% of the assumed development growth.

Scenario 2: 50% grant funding for major projects, including the $4.5m TWTC income, and 100% of the assumed development growth.

Scenario 3: 50% grant funding for major projects, including the $4.5m TWTC income, and 50% of the assumed development growth.

- **Capital Co-contributions of 50% to Major New Projects**

The results indicate that the additional Council contribution to major projects can be accommodated within the draft LTFP under the assumptions tested, without creating a sustained increase in NFL to levels that would indicate an immediate financial sustainability concern. This indicates that the proposed capital program can be supported without the need for significant additional borrowings.

The modelling also demonstrates that Council's financial position remains sensitive to the level of external funding received for major projects. Accordingly, major projects should continue to be assessed on a project-by-project basis, with the availability and timing of grants and other external contributions confirmed before significant expenditure commitments are made.

- **Scenario Analysis – Lower Development Growth**

To address the Committee's request for analysis of lower development growth, Scenario 3 assumes development growth of 50% of the growth incorporated in the first-cut draft LTFP assumptions. The results demonstrate that lower development growth would place additional pressure on Council's operating position and financial capacity.

Nevertheless, the analysis indicates that the lower development growth scenario does not result in an unsustainable level of NFL. The NFL Ratio remains below 35% throughout the forecast period and reduces significantly in the latter years of the draft LTFP.

The negative Operating Surplus Ratio in several years under Scenario 3 does, however, indicate that lower development growth would require continued monitoring of growth related-operating expenditure, service levels, revenue assumptions and the timing of capital expenditure.

<u>Actual Development Growth</u>

Based on the projected development growth assumptions, the draft LTFP assumes that 112 new assessments will be created each year from Year 2 to Year 5, increasing to 202 new assessments per year from Year 6 to Year 10.

As at 24 August 2026, Council has created 28 new assessments (subdivisions), of which 26 relate to Stages 1 and 2 of the Gracewood Development in Mallala. A further 45 new assessments are expected to be created shortly for Stages 2 and 3, pending relevant information from the Valuer-General. Collectively, these 73 new assessments represent approximately 65% of the annual target of 112 new assessments assumed for Year 2.

Accordingly, it is recommended the draft LTFP presented to the Committee on 12 August 2026 be updated before commencing public consultation to reflect more realistic assumptions regarding grant funding, TWTC income and development growth.

In addition, future annual reviews of the LTFP should pay particular attention to:

- actual development growth compared with the assumptions incorporated in the LTFP;
- the timing and value of the TWTC income;
- confirmation and timing of grant funding for major capital projects;

- the timing and affordability of major capital expenditure;
- growth in operating expenditure and service delivery costs; and
- the impact of these factors on Council's Operating Surplus Ratio and NFL Ratio.

➢ **Reconsideration of TWTC Income**

The Committee also requested reconsideration of the assumed income from the TWTC. Scenario 1 excludes this income entirely on the pretence that Council's development partner is unable to fulfill their obligations under the Land Facilitation Agreement and therefore provides a useful sensitivity test of Council's financial position if the income is not received within the LTFP period.

This analysis demonstrates that the expected $4.5m minimum payment from Council's development partner for the TWTC has a material positive impact on Council's projected long-term financial position. Given the uncertainty surrounding the timing and quantum of this income, it is considered prudent that the draft LTFP does not rely on the TWTC income to maintain Council's long-term financial sustainability.

It is also anticipated that, once the TWTC is completed, Council would receive income in excess of the $4.5m expected minimum commitment in this analysis. Any additional income realised from the TWTC would provide further capacity to strengthen Council's financial position.

Therefore, the income from TWTC could instead be treated as a potential upside to the draft LTFP, subject to greater certainty regarding the timing and value of the transaction. When the income is ultimately realised, Council would have the opportunity to apply the income to improve its cash position, reduce future borrowing requirements or fund priority capital projects.

The following graphs illustrate the impact of the 3 scenarios on Council's Operating Surplus Ratio (**Figure 1**) and NFL Ratio (**Figure 2**).

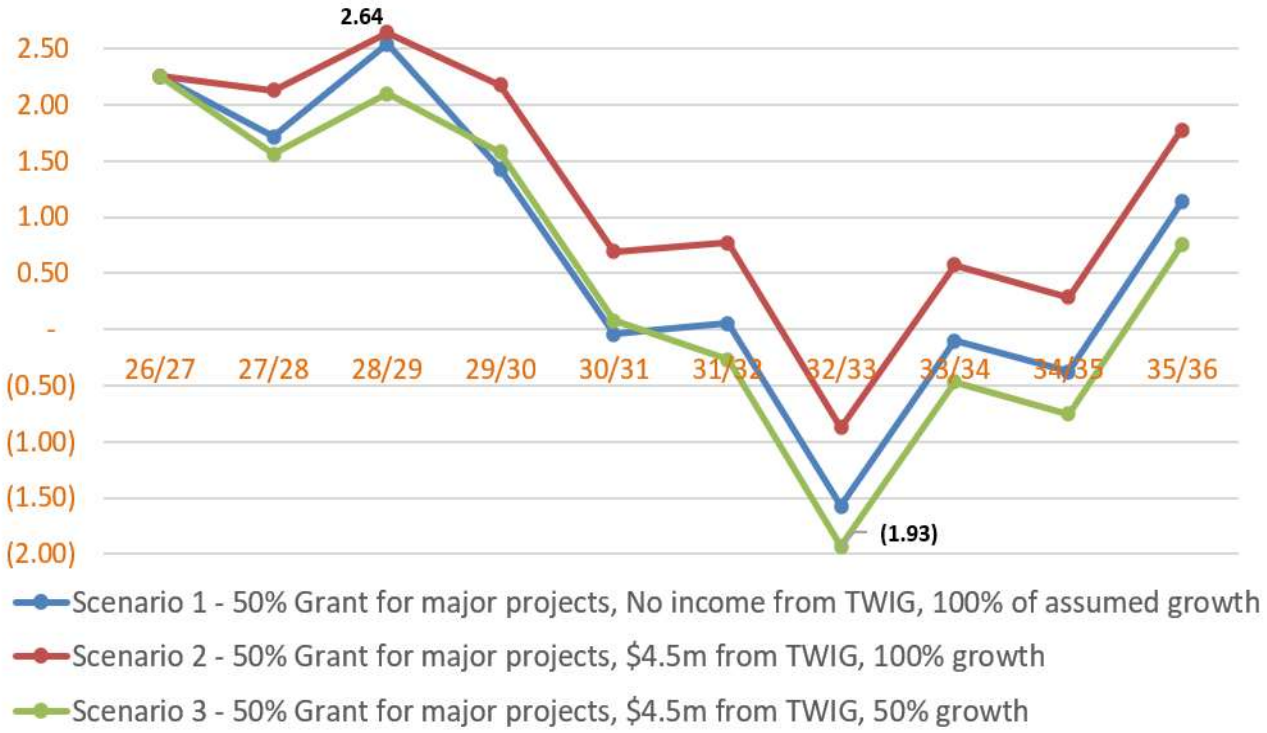
Operating Surplus Ratio

Figure 1 demonstrates that Council's operating sustainability is sensitive to the level of development growth and the timing of the TWTC income. All scenarios experience periods of operating deficits, primarily due to growth-related expenditure, particularly the need for additional staffing resources to support anticipated growth. However, the analysis indicates Council is not wholly dependent on continued development growth or the receipt of TWTC income to maintain its overall financial sustainability.

The cumulative underlying operating surplus over the 10-year period, as presented to the 12 August Committee meeting, was $4.772m. Under the scenario of 50% of the assumed development growth, the reduction in rates income over the 10-year period is estimated at $1.974m.

Accordingly, should the anticipated development growth not materialise as forecast, Council can adjust growth-related expenditure to reflect the lower level of growth. Therefore, the analysis indicates that the financial impact on Council's ongoing day-to-day operations can be managed under all scenarios, provided growth-related expenditure is adjusted in response to actual development activity.

Figure 1: Operating Surplus Ratio (%)



2026/2027 to 2029/2030

All 3 scenarios produce relatively strong operating surpluses, with the ratio generally above 1%. The highest result is 2.64% in 2028/2029, under Scenario 2.

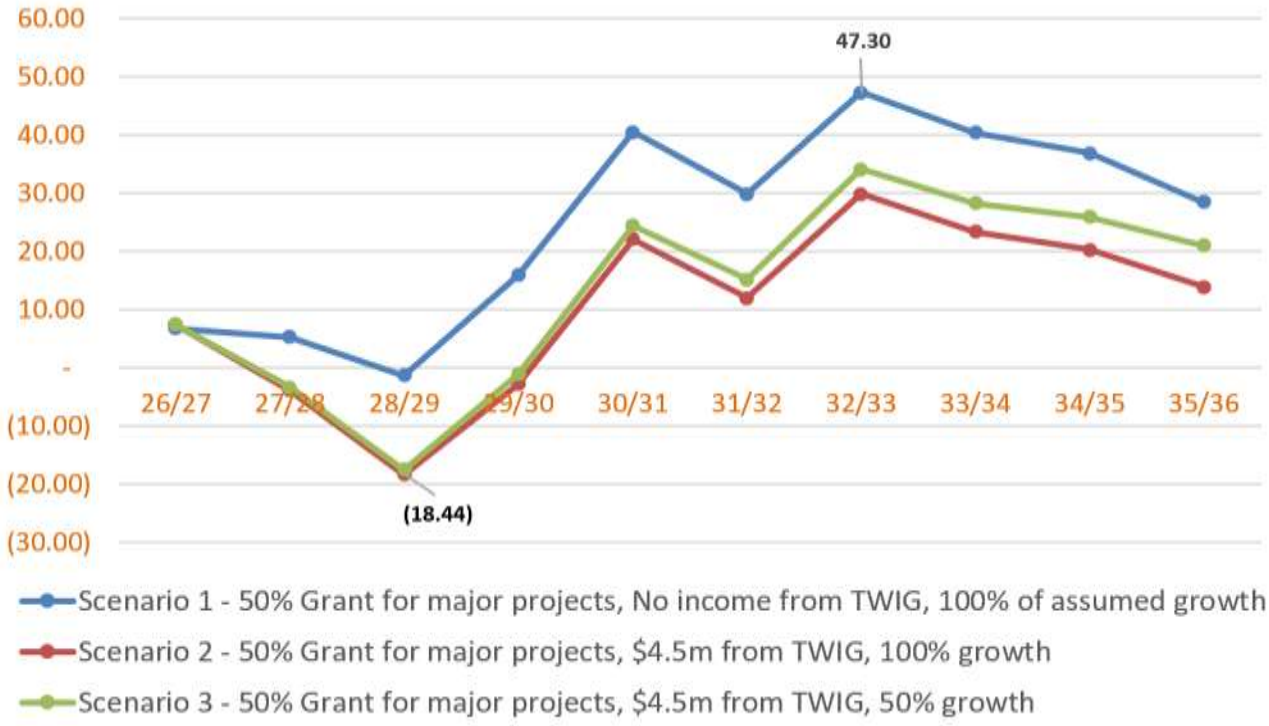
2030/2031 onwards

The financial position becomes slightly more challenging in Scenarios 1 and 3 as they move towards operating deficits until 2035/2036, reflecting the cumulative impact of expenditure growth, including additional staffing (3 per year from Year 2 onwards), depreciation and other operating costs associated with Council's expected growth.

Net Financial Liabilities Ratio

The NFL Ratio provides a different but complementary perspective on Council's financial position. The lower the NFL Ratio, the stronger Council's financial position generally is, as it indicates a lower level of NFL relative to operating revenue.

Figure 2: Net Financial Liabilities Ratio (%)



There are, however, some significant differences between the scenarios.

2026/2027

All 3 scenarios start at approximately 7%, indicating a relatively low level of NFL.

2028/2029

The ratios become negative, reaching approximately -18.4% under Scenario 2 in 2028/2029. A negative ratio indicates that Council's financial assets exceed its financial liabilities at that point in time.

2030/2031 onwards

The ratios increase substantially as Council's major capital investment program and other financial commitments increase, in particular Council needing to borrow money to support co-contribution associated with three major projects.

In Scenario 1, NFL Ratio reaches a peak of approximately 47.3% in 2032/2033, before declining to around 28.4% by 2035/2036.

Scenario 2 performs significantly better as the ratio peaks at approximately 29.8% in 2032/2033 and declines to approximately 13.9% by 2035/2036.

Scenario 3 sits between the two. NFL ratio remains below Scenario 1 because it still includes the $4.5m Two Wells Town Centre income. It peaks at approximately 34% in 2032/2033 and reduces to approximately 21% by 2035/2036.

Overall Financial Sustainability Assessment

Overall (as summarised in **Table 1** below), the scenario analysis indicates that Council retains sufficient financial capacity to respond to variations in development growth, grant funding and the timing of TWTC income. However, the analysis also highlights the need for active management of operating expenditure and capital investment, particularly if development growth is lower than forecast.

Table 1 - Summary of the Scenario Analysis

Scenario	Key Assumption	Operating sustainability	Net Financial Liabilities
Scenario 1	50% grants for major projects, excluding TWTC income, 100% growth	Moderate	Weakest
Scenario 2	50% grants for major projects, $4.5m TWTC income, 100% growth	Strongest	Strongest
Scenario 3	50% grants for major projects, $4.5m TWTC income, 50% growth	Weakest operating result	Better than Scenario 1 but weaker than Scenario 2

Conclusion

The additional scenario analysis undertaken in response to Committee Resolution 2026/73 indicates that the draft LTFP remains financially sustainable under the alternative assumptions tested, notwithstanding periods of moderate operating deficits under some scenarios. The analysis demonstrates that Council retains sufficient financial capacity to respond to variations in development growth, grant funding and the timing of TWTC income.

However, lower development growth would place greater pressure on Council's operating position and would require active management of growth-related expenditure and the timing of capital investment. The analysis also reinforces the importance of confirming grant funding and monitoring the timing and value of the TWTC income.

Accordingly, it is considered appropriate to update the draft LTFP using Scenario 2 as the base scenario, while maintaining a prudent approach to TWTC income and continuing to monitor the key assumptions throughout the 10-year planning period.

References

Legislation

Section 122 of the Local Government Act 1999

Council and Other Policies/Plans

Strategic Plan 2025-2028 (Adopted on 25 November 2024)
2026/2027 Annual Business Plan & Budget (Adopted on 15 July 2026)
Draft Summary Asset Management Plan (July 2026)

6 QUESTIONS WITHOUT NOTICE

7 MOTIONS WITHOUT NOTICE

8 URGENT BUSINESS

9 CONFIDENTIAL ITEMS

9.1 UPDATE - COUNCIL OWNED UNITS

RECOMMENDATION

"that:

3. Pursuant to section 90(2) of the *Local Government Act 1999*, Council orders that all members of the public, except:

- **Chief Executive Officer;**
- **Chief Financial Officer;**
- **Acting Director Corporate Services;**
- **Director Infrastructure & Environment;**
- **Manager Governance;**
- **Senior Information Technology Officer;**
- **Executive Assistant to the CEO/Mayor; and**
- **Acting Governance Administration Officer/Minute Taker;**

be excluded from attendance at the meeting of the Audit and Risk Committee for Item *9.1 Update - Council Owned Units*;

2. The Audit and Risk Committee is satisfied that pursuant to section 90 (3)(b)(i) and (ii) of the *Local Government Act 1999,* Item *9.1 Update - Council Owned Units* concerns information of a confidential nature

- **the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom Council is conducting, or proposing to conduct, business, or to prejudice the commercial position of Council; and**
- **would, on balance, be contrary to the public interest.; and**

3. The Audit and Risk Committee is satisfied that the principle that Council 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 Council, having considered the matter of Item in confidence under of the *Local Government Act 1999*, resolves:

That:

- **the report;**
- **Attachment 1;**
- **Attachment 2; and**
- **minutes**

pertaining to Item, remain confidential and not available for public inspection until further order of Council;

Pursuant to section 91(9)(a) of the *Local Government Act 1999*, the confidentiality of the matter will be reviewed every 12 months; and

Pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke this confidentiality order to the Chief Executive Officer."

10 NEXT MEETING

11 CLOSURE