

Gawler



NOTICE OF SPECIAL COUNCIL MEETING

TO: Mayor
Deputy Mayor
Councillors:

Karen Redman
Ian Tooley
Kevin Fischer
Beverley Gidman
David Hughes
Paul Koch
Merilyn Nicolson
Adrian Shackley
Robin Symes
Jim Vallelonga

NOTICE is hereby given pursuant to the provisions of Section 82 and Section 83 (2) of the Local Government Act 1999, that a **Special Meeting** of the **Council** for the **Town of Gawler** will be held in the Conference Room, Town OF Gawler Administration Centre, 43 High Street, Gawler East, on **Tuesday 17 April 2018**, commencing at 7:00pm.

A copy of the Agenda for the above meeting is supplied as prescribed by Section 83 (3) of the said Act.


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Henry Inat
Chief Executive Officer
13 April 2018

TOWN OF GAWLER
SPECIAL COUNCIL MEETING
AGENDA 17 APRIL 2018

Special Meeting of the Council for the Town of Gawler to be held on **Tuesday 17 April 2018** at **7:00pm** in the Conference Room, Town of Gawler Administration Centre, 43 High Street, Gawler.

AGENDA

1. Statement of Acknowledgement

Mayor: *We would like to acknowledge this land that we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country. We also acknowledge the Kurna people as the custodians of the greater Adelaide region and that their cultural and heritage beliefs are still as important to the living Kurna people today.*

2. Attendance Record

2.1 Roll Call

2.2 Apologies

2.3 Motions to grant Leave of Absence

2.4 Leaves of Absence

Cr Merylyn Nicolson

2.5 Non-attendance

3. Public Open Forum

(Limited to a total time of up to 20 minutes)

4. Business

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5. Questions without Notice

6. Motions without Notice

7. Confidential Reports

8. Close

9. Next Ordinary Meeting – 24 April 2018 at 7:00pm

REPORTS BY OFFICERS

Item Number	4.1
Title	2017/18 RATING REVIEW
Date	17 April 2018
Author(s)	Paul Horwood, Manager Finance & Corporate Services
Reference	CC18/628; CR18/17778
Previous Motion	Special Council, 03/04/2018, Motion Nos. 2018:04:101-103 Audit Committee, 28/03/2018, Motion No. AC:2018:03:09 Council, 26/04/2017, Motion No. 2017:04:125
Attachment/s Under Separate Cover	NIL

OFFICER'S RECOMMENDATION

Item 4.1 – 2017/18 Rating Review (CC18/628)

That:

- 1. The 2017/18 Rating Review report be received and noted.**
 - 2. The proposed 5% rate reduction in 2018/19 for Rural Residential and Primary Production properties (incorporating a cap of \$250), costed at an estimated \$60,000, be funded:**
 - a. Via a compensating proportional increase in General Rate revenue from all other ratepayers.**
- OR**
- b. Within the draft 2018/19 budget, without any compensating proportional increase in General Rate revenue from all other ratepayers.**

BACKGROUND

As reported to the 28 March 2018 Audit Committee meeting and the 3 April 2018 Special Council meeting, the primary purpose of the 2017/18 rating review has been to consider the following resolution from the 26 April 2017 Council meeting:

Moved by Cr A Shackley
Seconded by Cr K Fischer
Motion No: 2017:04:125

Council advises that it is giving consideration to a rate rebate or similar mechanism to reduce the rates for landowners in the Council area who are classified as Primary Production and Rural Residential. This issue has been raised by some ratepayers on various occasions since Council last considered the issue about 10 years ago. Many local councils have different rates in the dollar for Primary Production but this category does not cover landowners who are classes as Rural Residential (and included for rating purpose as residential land use). A rebate system is one way to deal with "Rural Residential" properties.

For 2016/17 the following information relates to the relevant land uses.

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Rural Residential properties – 227 properties, average valuation \$486,000, rates raised \$538,000; Primary Production properties – 322 properties, average valuation \$397,000, rates raised \$626,000. Total properties 549. Total rates \$1.164 million.

Almost all are in Hillier, Kudla and foothills. If Council provided a 10% rebate to these landowners that would have reduced 2016/17 rates from these landowners by up to \$116,400. Total Council rates raised in 2016/17 was about \$20.6 million.

Council could just reduce its rate income by the rebated amount or it could maintain the same overall rate income by increasing other rates by about 0.6%. That would increase rates for a ratepayer paying \$1000 a year by about \$6 a year and \$12 where rates are \$2000 a year. A variation from a 10% rebate would have a proportional effect.

Council could implement such a change in a single year or over more than one year. Rebates are flexible - for example, Council could set the coverage of such a rebate to limit it to particular areas such as the Rural and Rural Living Zones, or limit the rebate to a maximum amount per property.

In response to the above resolution, the initial 2017/18 Rating Review report was tabled to the Audit Committee on 28 March 2018, at which the following resolution was passed:

Moved Mayor K Redman
Seconded Mr. P Fairlie-Jones
Motion No: AC:2018:03:09

That the Audit Committee recommends to Council that the 2017/18 Rating Review report be received and noted.

A key point in the Audit Committee's discussion had on the matter related to the equity associated with potentially transferring the rate burden in question from one community group (Primary Production/Rural Residential) to another's (all other rate payers).

In considering the 2017/18 Rating Review report, the Audit Committee was also of the view that the decision as to whether a rate reduction should be provided to Primary Production and Rural Residential properties was a political decision for the full Council to consider and determine.

At the subsequent Special Council meeting on 3 April 2018, the following resolutions were passed:

Moved by Cr Hughes
Seconded by Cr Shackley
Motion No: 2018:04:101

That the 2017/18 Rating Review report be received.

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Moved by Cr A Shackley
Seconded by Cr D Hughes
Motion No: 2018:04:102

1. *That Council supports in principle a 5% reduction in 2018/19 rate for Primary Production and Rural Residential properties with a cap of \$250 as part of the Council Rating Policy and that public consultation take place on the Rating Policy as part of the Annual Budget. That a further report from Council staff on the impact of this proposed change at the next Council Meeting considering the Annual Budget.*

Moved by Deputy Mayor I Tooley
Seconded by Cr R Symes
Motion No: 2018:04:103

1. *Discretionary Rate Rebates, as currently provided, be maintained for the 2018/19 financial year.*

The purpose of this report is to advise Council of the potential impact of providing a 5% rate reduction for Primary Production and Rural Residential properties (capped at \$250), in accordance with Motion 2018:04:102 above.

COMMENTS/DISCUSSION

Analysis undertaken in response to Motion 2018:04:102 from the 3 April 2018 Special Council meeting indicates that the provision of a 5% rate reduction (individually capped at a maximum of \$250) for Primary Production and Rural Residential properties would amount to approximately \$60,000 (based on 2017/18 rating data).

Further, based on an individual \$250 capping of the rate reduction, three properties would be currently captured by the cap as follows:

Property No.	Rating Classification	Address	5% Rate reduction (based on 2017/18 rates)	Reduction cap	Rate reduction forgone
77971	Primary Production	Adam St, Willaston *	\$778.57	\$250.00	\$528.57
114056	Rural Residential	Sheriff St, Evanston Park **	\$313.94	\$250.00	\$63.94
140744	Primary Production	Calton Rd, Gawler East	\$2,009.20	\$250.00	\$1,759.20
				TOTAL	\$2,351.71

*Chicken hatchery

** Staff are currently querying the validity of a 'Rural Residential' classification for this property with the State Valuation Office

As previously reported, in its deliberations as to whether to provide a rate reduction for such properties, Council needs to consider rating principles outlined in Section 150 (General Principles) of the Local Government Act 1999 as follows:

'A council should, when making and adopting policies and determinations concerning rates under this Act, take into account the following principles:

- (a) *rates constitute a system of taxation for local government purposes (generally based on the value of land);*

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(b) rating policies should make reasonable provision with respect to strategies to provide relief from rates (where appropriate), and any such strategies should avoid narrow or unreasonably restrictive criteria and should not require ratepayers to meet onerous application requirements;

(c) the council should, in making any decision, take into account the financial effects of the decision on future generations’.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management
Team Leader Finance
Financial Accountant
Rates Officers

CONSULTATION (EXTERNAL TO COUNCIL)

Council’s annual review of its Strategic Rating Policy is subject to community consultation as part of the Annual Budget / Business Plan.

In accordance with the resolution from the 3 April 2018 Special Council meeting, specific reference will be made regarding this proposal within the draft 2018/19 Budget / Business Plan to be tabled to the 24 April 2018 Council meeting.

Community consultation on the 2018/19 Draft Budget / Business Plan will be undertaken during 2-25 May 2018.

The consultation is proposed to include:

- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on ‘Latest News’ on Council website
- ‘Your Voice’ Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

POLICY IMPLICATIONS

Strategic Rating Policy
Rate Rebates Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 - Chapter 10 - Rates & Charges

FINANCIAL/BUDGET IMPLICATIONS

The amount of Rates and Service Charge revenue required is determined via the separate annual budget process.

The Strategic Rating Policy merely indicates as to how the associated revenue required is apportioned across the community.

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If a General rates reduction is provided to Rural Residential and Primary Production properties in the 2018/19 financial year, any impact on the 2018/19 budget will be determined based on how the revenue foregone is funded. If the revenue foregone is funded from an increase in General Rate revenue from all other properties, reduced discretionary expenditure, or a combination of both, then there would be no consequential impact on the budget.

However, if the revenue foregone was not offset by such mechanism, then the adverse impact on the 2018/19 budget (and future recurrent budgets) would be equivalent to the value of the rate reduction provided – noting that a \$60k revenue reduction over the next ten years would translate to revenue foregone of approximately \$680k.

If the proposed rate reduction were to be funded from a compensating increase in General Rate revenue from all other ratepayers, the average residential ratepayer (based on the average residential property valuation of \$301,000) would incur an increase in the order of \$5, over and above any other budget increase applied.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

Item Number	4.2
Title	2018/19 FEES AND CHARGES
Date	17 April 2018
Author(s)	Tony Amato, Team Leader Finance
Reference	CC10/2028; CR18/11259; CR18/14893
Previous Motion	Audit Committee, 11/04/2018, Motion No: AC:2018:04:15
Attachment/s Under Separate Cover	1. Draft 2018/19 Fees & Charges

OFFICER'S RECOMMENDATION

Item 4.2 – 2018/19 Fees and Charges (CC10/2028)

That the 2018/19 Fees and Charges report be received and noted.

BACKGROUND

The draft 2018/19 Fees and Charges were initially considered by the Audit Committee on 11 April 2018, which adopted the following motion:

Moved by Mr. P Fairlie-Jones
Seconded by Mayor K Redman
Motion No: AC:2018:04:15

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the draft 2018/19 Fees and Charges.

The purpose of this report is for the Council to formally consider the draft 2018/19 Fees and Charges, taking into consideration feedback provided by the Audit Committee.

Discussion at the Audit Committee meeting focussed on the percentage movement in various fees and charges, and primarily as to why certain fees and charges were proposed to be reduced. In this regard, staff advised at the meeting that factors such as patronage/usage of a facility, market conditions, and neighbouring services were considered as part of the basis on which proposed fees were determined.

Subsequent to Council's consideration of the draft 2018/19 Fees and Charges at this meeting, any changes with material financial consequences on revenue budgets contained within the 2018/19 draft budget will be incorporated within the 2018/19 Budget / Business Plan report tabled to the 24 April 2018 Council meeting.

Final adoption of the 2018/19 Fees and Charges will then be sought at the 26 June 2018 Council meeting.

COMMENTS/DISCUSSION

The comments below are those presented within the report tabled to the 11 April 2018 Audit Committee meeting.

The proposed fees and charges have been based on, and are consistent with, associated revenue targets identified in the draft 2018/19 budget. Where appropriate, the fee increases have been maintained at between 2-3%, which is generally in line with estimated changes in the Consumer Price Index (CPI) and which will also ensure that existing cost recovery rates are maintained.

In addition, there have been significant changes to several fees and charges classifications proposed for 2018/19.

As from 1 July 2018, dog registrations across the State will be managed by the Dog & Cat Management Board. Accordingly, many of the associated fees and charges have been changed mainly as a result of the simplification and centralisation of the processes and consolidation of classifications.

The Gawler Home Assist Program has mainly increased contractor fees and charges to increase revenue so that additional community services can be provided on a subsidised basis. This would achieve required funding outputs which is reported via the funding acquittal process. Some costs have been reduced to better reflect market rates and changes in suppliers.

Library fees and charges have predominantly remained unchanged from the previous year although some new charges have been introduced for the provision of various kits and related services.

Cemetery fees and charges have generally increased in line with consumer price index increases.

In addition to the above specific changes, other minor and/or appropriate business oriented \$ increases / decreases have been made which, generally due to their small \$ amounts, have resulted in percentage increases / decreases above / below CPI. This situation mainly relates to the Gawler Aquatic Centre and for the provision of general council documents.

On completion of the Civic Centre redevelopment in early 2019, there will be fees applied towards the use of the various facilities encapsulated therein – e.g. Business Innovation Hub, Multi-Functional Space, meeting rooms, etc. The proposed fee structure for such facilities is currently being developed, and will be included in a future report for Council's consideration.

This report excludes various fees set by State Government regulation (e.g. Development fees, various Expiation fees, etc.).

COMMUNICATION (INTERNAL TO COUNCIL)

Relevant Budget / Council Managers and Team Leaders

CONSULTATION (EXTERNAL TO COUNCIL)

Once adopted, the Fees & Charges will be added to Council's internet website and will be available for inspection at the Customer Service counter of the Gawler Administration Centre.

POLICY IMPLICATIONS

Funding Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 188

FINANCIAL/BUDGET IMPLICATIONS

The proposed fees have been determined consistent with related revenue targets contained within the 2018/19 draft budget.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

Objective 5.3: Deliver ongoing effective and efficient services, including support for regional collaboration

REPORTS BY OFFICERS

Item Number	4.3
Title	LONG TERM INFRASTRUCTURE AND ASSET MANAGEMENT PLAN UPDATE
Date	17 April 2018
Author(s)	Paul Horwood, Manager – Finance & Corporate Services Sam Dilena, Manager Infrastructure & Engineering Services
Reference	CC10/2405; CR18/17755; CR18/16375
Previous Motion	Audit Committee, 11/04/2018, Motion No: AC:2018:04:11
Attachment/s Under Separate Cover	1. Long Term Infrastructure & Asset Management Plan 2018/19 – 2027/28

OFFICER’S RECOMMENDATION

Item 4.3 – Long Term Infrastructure and Asset Management Plan Update (CC10/2405)

That the Long Term Infrastructure and Asset Management Plan Update report be received and noted.

BACKGROUND

The annual update of the Long Term Infrastructure and Asset Management Plan (IAMP) was first considered by the Audit Committee at its meeting on 11 April 2018, and the following motion adopted:

Moved by Mayor K Redman
Seconded by Cr P Koch
Motion No: AC: 2018:04:11

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the Long Term Infrastructure and Asset Management Plan update.

The discussion and feedback from the Audit Committee was positive regarding the draft IAMP, with no specific areas of concern raised.

The purpose of this report is for the Council to further consider the draft IAMP, taking into consideration the feedback provided by the Audit Committee. Subsequent to Council’s consideration of the IAMP at this meeting, a further report will then be prepared seeking Council’s formal adoption of the IAMP.

A copy of the draft IAMP, as tabled to the Audit Committee, is provided as **Attachment 1**.

COMMENTS/DISCUSSION

The comments below are those presented within the report tabled to the 11 April 2018 Audit Committee meeting.

The IAMP separates identified long term capital funding for asset management between 'Replacement/Renewal' and 'New/Upgraded' assets.

Within the industry, capital expenditure on the 'Replacement/Renewal' of assets is effectively deemed as 'non-discretionary' capital expenditure, on the basis that it is expenditure required to maintain existing assets in a fit-for-purpose condition, based on identified service standards (e.g. service standards (and associated useful lives) will dictate the frequency of resealing a sealed road or replacing an item of heavy road-making equipment).

Consequently, unless Council determines to amend service standards for a particular class of assets, then the funding for replacement/renewal of existing assets identified in the IAMP should consistently be awarded priority funding (over and above the investment in new/upgraded assets) in relation to Council's annual capital works program deliberations considered as part of the annual budget.

Capital funding for the replacement/renewal of existing assets, if undertaken at the appropriate time within the asset life cycle (i.e. at the identified end of useful life of an asset) will invariably lead to only a very nominal increase in Council's recurrent asset maintenance costs. Typically, for a Council with a recurring operating break-even or minor operating surplus, the capital investment in the replacement/renewal of existing assets should be able to be predominantly funded from recurrent revenue (i.e. from cash proceeds equivalent to the value of annual depreciation expense).

Conversely, capital expenditure on 'New/Upgraded' assets is effectively deemed as 'discretionary' capital expenditure, which immediately leads to increased and new asset maintenance costs (including depreciation). Typically, for a Council with a recurring operating break-even or minor operating surplus, the capital investment in the purchase or construction of new/upgraded assets will need to be funded from the Council's own accumulated internal cash reserves, external borrowings, external grant funds, or a combination thereof. The funding mix between internal cash reserves and external borrowings will naturally be subject to the financial position of the Council at the time. In this regard, Council has first exhausted its own internal cash reserves (consistent with its Treasury Management Policy) prior to the current transition of a reliance of external borrowings to part fund Council's investment in new/upgraded assets.

Independent condition assessments have recently been undertaken relative to Road, Footpath, and Kerb & Gutter assets, Building assets, and Open Space built assets.

The condition assessments for Road, Footpath, and Kerb & Gutter assets were completed immediately prior to compiling the 2016/17 Financial Statements, such that the revised asset valuations that emanated as a result were incorporated within the 2016/17 Financial Statements. Further to this, the revised valuations, and associated depreciation adjustments, have subsequently informed the 2017/18 budget relative to depreciation. Assessments regarding the need for any increased capital investment in the replacement/renewal of such assets is still being considered by the Administration and will be the basis of a future report to the Audit Committee. It is envisaged that any capital and/or maintenance funding implications will be considered within the next annual update of the IAMP, to then inform the next annual update of the Long Term Financial Plan and subsequently the 2019/2020 budget.

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Similarly, more recent work undertaken this financial year regarding a condition assessment of building and open space assets will also be the subject of a future report to the Audit Committee. Again, any financial consequences as a result of the condition assessments pertaining to the replacement/renewal or recurrent maintenance of these existing assets will be considered within the next annual update of the IAMP, to then inform the next annual update of the Long Term Financial Plan (LTFP).

COMMUNICATION (INTERNAL TO COUNCIL)

Team Leader Asset Planning
Team Leader Finance
Team Leader Property & Procurement
Senior Assets Engineer
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Nil

POLICY IMPLICATIONS

Asset Management Policy
Light Fleet, Plant & Heavy Vehicle Replacement & Management
Asset Capitalisation

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 Strategic Management Plans

FINANCIAL/BUDGET IMPLICATIONS

At the 27 March 2018 Council meeting, the following resolution adopted (extract):

Moved by Deputy Mayor I Tooley
Seconded by Cr K Fischer
Motion No: 2018:03:78

(extract of minutes relating to Murray Street (Stage 6) project works)

That Council:

3. *Endorses a further \$0.95 million be allocated (to be sourced through deferral of Capital Works from 2018/19 Budget deliberations) to the project budget in the 2018/19 year for the delivery of the 'Roadworks Section North' as the committed scope for the project. It is noted that this component and the potential additional section south, if Federal Government funding is successful, would require the potential allocation of an additional \$0.6 million from deferral of Capital Works in the 2018/19 year.*

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At the 3 April 2018 Special Council meeting the following resolution was adopted:

Moved by Cr K Fischer
Seconded by Deputy Mayor I Tooley
Motion No: 2018:04:98

1. *That Council incorporates the alterations and potential savings to 2018/19 Draft Budget as identified in the documents tabled, 2018/19 New Initiatives Bids Budget Analysis and Capital Works Program 2018/19.*

Minute No: 2018:04:98 above, reflected 2018/19 capital expenditure savings/deferrals of \$1.417m (as previously outlined to Elected Members on 14 March 2018) and \$1.42m – noting that the latter savings of \$1.42m was in direct response to the requirement to allocate an additional \$950k towards works associated with Murray Street (Stage 6) in accordance with the earlier Motion No: 2018:03:78 above.

The financial consequences of the above resolutions have been incorporated in the updated IAMP presented.

The draft updated IAMP provides for a total capital works program of \$92.855m over the 2018/19 – 2027/28 horizon. This includes:

- a. \$62.044m investment in the purchase/construction of new/upgraded assets (average \$6.2m p.a.)
- b. \$30.811m investment in the replacement/renewal of existing assets (average \$3.1m p.a.)

The \$62.044m of new/upgraded assets is heavily influenced by key factors such as:

- a. the current Civic Centre redevelopment (scheduled for completion during 2018/19)
- b. the proposed Walker Place redevelopment (2019/20 – 2020/21)
- c. the proposed future expansion of Karbeethan Reserve (2021/22)
- d. the proposed linkage of the Jack Bobridge and Stuart O'Grady bike paths (2019/20) (subject to grant funding being received)
- e. \$350k annual provision for new footpaths
- f. \$1.5m provision (over the life of the plan) for implementation of indicative works outlined in the Gawler Open Space Sport & Recreation Plan
- g. The upgrade of various road infrastructure assets, in the latter years of the plan, relating to the Gawler East Development area (some of which will be part or wholly funded from developer contributions).

Whilst the IAMP is used to inform the LTFP, as is the requirement under the Local Government Act 1999, a subsequent assessment must then be made as to what financial implications, if any, consolidation of the capital funding requirements outlined in the IAMP has on the long term financial sustainability of the Council.

To this end, the separate report presented to this meeting relating to the draft Long Term Financial Plan update (refer separate agenda report 4.4) explores the implications that consolidation of the IAMP would have on Council's key financial ratios.

As noted in this report, recent condition assessments undertaken relative to Road, Footpath, Kerb & Gutter, Building and Open Space assets will be used to inform the next annual update of the IAMP during the 2018/19 financial year. The Audit Committee will receive future reports in this regard during the 2018/19 financial year.

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Any financial consequences culminating from such assessments will subsequently then also inform the next annual update of the LTFP during the 2018/19 financial year.

COMMUNITY PLAN

Objective 2.1: Physical and social infrastructure to service our growing population and economy

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

Item Number	4.4
Title	LONG TERM FINANCIAL PLAN UPDATE
Date	17 April 2018
Author(s)	Paul Horwood, Manager – Finance & Corporate Services
Reference	CC17/881; CR18/17770
Previous Motion	Audit Committee, 11/04/2018, Motion No: AC:2018:04:12
Attachment/s Under Separate Cover	NIL

OFFICER'S RECOMMENDATION

Item 4.4 – Long Term Financial Plan Update (CC17/881)

That:

- 1. The Long Term Financial Plan Update report be received and noted**
- 2. The Long Term Financial Plan be updated as follows:**
 - a.**
 - b.**

BACKGROUND

The Long Term Financial Plan (LTFP) is updated on an annual basis, consistent with the requirements of Section 122 (Strategic Management Plans) of the *Local Government Act 1999* ('the Act').

To this end, the annual review process commenced with an initial 'high-level' workshop with Council Members on 19 December 2017, which was followed by a more detailed analysis (including discussion regarding the key modelling assumptions on which the long term operational estimates were based) at a subsequent workshop held on 26 February 2018.

The draft update of the LTFP was formally considered by the Audit Committee meeting on 11 April 2018, at which the following motion was passed:

Moved by Mr P Fairlie-Jones
Seconded by Cr B Gidman
Motion No: AC:2018:04:12

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the update of the Long Term Financial Plan.

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The discussion and feedback from the Audit Committee was positive regarding the draft LTFP. Discussion at the Audit Committee meeting included:

- 1) The reliability of a 2% growth in new General Rate revenue from the 2019/20 financial year (noting the growth factor for 2018/19 has been reduced from 2% to 1%) - In this regard, staff advised that the only reason as to why a 1% new Rates growth amount has now been factored into both the LTFP and the 2018/19 draft budget is due to the expected timing of new titles being created for new allotments currently in the development system not being issued in advance of the administration having to finalise the rating adoption calculations for the 2018/19 financial year in May 2018. Further, staff advised that it is estimated that growth rates will return to 2% from the 2018/19 financial year;
- 2) Gawler River Floodplain Management Authority – Mr. Fairlie-Jones queried whether the Authority had a long term Asset Management Plan. Mr. Brass, who is an independent member on the Audit Committee of the Authority, advised that the Authority has been requested to develop such a plan. Staff advised at the meeting that the dam managed by the Authority is being depreciated.

The purpose of this report is for the Council to formally consider the draft update of the LTFP, taking into consideration feedback provided by the Audit Committee.

As noted in this report, the update of the LTFP currently reflects future operating ratio results outside of Council's policy target of achieving an operating ratio of between 0-10% over any five year rolling period. Further, as also noted in this report, the Net Financial Liabilities Ratio is forecasted to be at levels that will provide no effective capacity for any additional new loan borrowings (above those already factored into the LTFP) to fund either unforeseen or emergency capital works. Consequently, Council will need to give consideration to these two key financial ratios as part of its long term financial planning deliberations.

Subsequent to Council's consideration of the LTFP at this meeting, the LTFP will then be incorporated into the draft 2018/19 Budget / Business Plan presented to the 24 April 2018 Council meeting. At the 24 April 2018 meeting, Council's endorsement of the 2018/19 Budget / Business Plan (incorporating the LTFP) will be sought, solely for the purpose of undertaking public consultation during May 2018.

COMMENTS/DISCUSSION

The comments below are those presented within the report tabled to the 11 April 2018 Audit Committee meeting.

The LTFP is compiled based on various key operating revenue / expenditure modelling assumptions and identified capital funding requirements outlined in the Long Term Infrastructure and Asset Management Plan (IAMP) (pertaining to both the replacement/renewal of existing assets and the purchase/construction of new/upgraded assets).

Consequently, the LTFP is informed by the IAMP, consistent with the requirements of Section 122 (1b) of the Act.

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Naturally, in instances where, upon consolidation of the indicative capital funding requirements disclosed in the IAMP, the LTFP long-term projections are deemed to be financially unsustainable, then Council will need to review the calculation assumptions of the IAMP relating to asset replacement/renewal (e.g. by reviewing asset service standards that inform asset replacement schedules or deferring capital projects to a subsequent financial year) and/or reviewing the discretionary nature of the investment in new/upgraded assets. Details regarding the financial outcomes on the LTFP following the consolidation of the IAMP funding requirements are detailed below under 'Capital Expenditure'.

In relation to the operating revenue and expenditure forward estimates, the following key assumptions are outlined below:

Operating Result forward estimates – Key Assumptions

As part of the assessment of key annual incremental assumptions, the following factors have been taken into consideration:

- a. Local Government Price Index – 2.9% (December 2017)
- b. Consumer Price Index (Adelaide) – 2.3% (December 2017)
- c. Reserve Bank of Australia (RBA) inflation target 2-3% (*Source: RBA website February 2018*)
- d. Estimate of 2.25% inflation rate for 2018/19 (*Source: RBA Statement on Monetary Policy (Feb 2018)*)

1) Rates Revenue

- a. 3% p.a. increase in General rate revenue from existing ratepayers
- b. 1% 'new' General rate revenue from growth in 2018/19 (based on current property data), then reverting to 2% in subsequent years
- c. 3% p.a. increase in revenue from Separate Rates (i.e. State Government NRM levy and Gawler Business Development Group)
- d. 4% p.a. increase in revenue from the Waste Management Service Charge, which includes 'new' revenue each year from new waste bins serviced in new residential land divisions.

Council's have been advised that State Government imposed Local Government Rate Capping, which was a pre-election platform of the recently elected State Liberal Party, will not be applicable to the 2018/19 rating year. There may, however, be material financial consequences on future years if the 3% annual increase in General Rate revenue for existing ratepayers exceeds a rate cap amount.

Indeed, updating the LTFP with 1% new General Rate revenue from growth in 2018/19 (compared to the previous estimate of 2%) would alone culminate in additional revenue foregone in the order of \$2.5m over the 10 year LTFP horizon, noting that 1% of General rate revenue currently equates to \$200k.

Staff are aware of a number of residential land divisions in the 'pipeline', which unfortunately are not expected to have new property titles created sufficiently in time for inclusion within the adoption of the 2018/19 Rates in late June 2018.

2) Statutory Charges Revenue

- a. 2% p.a. increase in all revenue streams, including dog registrations, development application fees, property search fees, and parking expiations.

In many instances, the actual fee levied is determined by State Government legislation. Further to this, in some instances the amount of revenue actually received is outside of Council's immediate control (e.g. where revenue is based on number of development applications received or property search requests).

3) User Charges Revenue

- a. 2% p.a. increase in all revenue streams, including property leases and rentals (most of which are aligned to annual movements in the CPI index)

New revenue will be received during the 2018/19 financial year from the commencement of the Business Innovation Hub, which will commence operations on completion of the Civic Centre redevelopment in early 2019. The revenue estimate for 2018/19 (i.e. April-June 2019) from the Hub is estimated at \$20k, increasing to \$70k in 2019/20 upon a full year's operations.

4) Grants, Subsidies & Contributions

- a. 2% p.a. increase in operating grants (e.g. Financial Assistance / Local Roads Grant, Library operating grant, Home Assistance Scheme grant) and developer contributions towards Open Space, Stormwater Drainage, Carparking, etc.
- b. 'Roads to Recovery' grant ceasing in 2020/21 (as noted in 2017 Federal budget papers)
- c. \$150k Supplementary Road funding being received in 2017/18 and 2018/19 (as noted in 2017 Federal Budget papers)
- d. Per new allotment developer contributions towards Gawler East development being received based on indicative allotment yields (offset by associated annual repayments to State Government towards the Gawler East Link Road)

5) Investment Income

As Council has effectively utilised its own internal cash reserves for previous capital works, the Council has transitioned to an ongoing reliance on the Cash Advance Debenture (overdraft) facility with the Local Government Finance Authority (LGFA) to fund a component of its annual capital works programs.

Consequently, it is estimated that only nominal interest will be received over the life of the LTFP, comprising modest interest on Council's working account with the National Australia Bank, the annual bonus received from the LGFA, and internal interest on various internal equity reserves.

6) Reimbursements / Other Income

- a. 2% p.a. increase in reimbursements / other revenue streams

However, the plan forecasts a reduction in revenue for 2018/19, based on 'one-off' revenue items received during the 2017/18 financial year.

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7) Employee Costs

- a. Employee Costs increase (for existing staff) of 2.5% p.a. over life of existing Enterprise Bargaining Agreements (until 2018/19); 2.0% thereafter
- b. \$345k for new/increased staffing positions in 2018/19 (4.0FTE)
- c. Increase of 2.0FTE for each year of the Plan thereafter – in recognition of the impact of ongoing rapid population / property growth factors and increased open space management.

8) Materials, Contracts & Other Expenses

- a. Increase in Waste Management costs of 4% p.a. (including growth due to ongoing expansion of service to new development areas), offset by matching increase in Waste Management Service Charge revenue
- b. Increase in Water consumption costs of 4% (including allowance for the quantity of new reserves being acquired within various residential land developments). Significant efforts are being directed to reduce the quantity of irrigated open space areas as and where possible
- c. Increase in Fuel / Electricity costs of 2% p.a., noting that various 2018/19 Capital Budget bids to be considered will aim to reduce Council's power consumption/costs
- d. Increase in Open Space Management costs based on future annual cost increases reported to Council (refer report to IES Committee in Feb 2018) – the respective new indicative costs for each year then compounded annually over the life of the Plan
- e. Cyclic cost of periodic Council elections (\$85k in 2018/19)
- f. Allowance for new operational costs following completion of Civic Centre redevelopment (i.e. Business Innovation Hub, Cultural Heritage Centre, etc.)
- g. Reimbursements to the State Government towards the cost of Gawler East Link Road (\$2.4m lump sum payment in 2019/20 following practical completion; \$500k from Springwood in 2020/21; remaining contributions equal to value of developer contributions received each year)
- h. Sundry Projects Fund provision of \$50k p.a. (noting that Council has recently agreed to reduce the draft 2018/19 budget allocation from \$100k to \$50k)
- i. New Initiatives funding of \$200k in 2018/19, then indexed by 2.0% p.a.
- j. Increase in other Contracts & Materials of 2% p.a.

9) Finance Costs

- a. Plan provides for loan funding continuing to be sourced from the short-term variable interest rate overdraft facility with the LGFA – i.e. no fixed interest rate, long-term loans provided for (noting the fixed-interest long-term Debenture Loan rate is currently 4.55%, which is actually higher than the existing short-term variable CAD interest rate of 3.75%). The key benefit of this approach continues to be that overdraft debt can be repaid at any time as cashflow permits, thereby minimising net interest costs.
- b. However, Council may wish to consider 'locking-in' some of the overdraft should interest rates materially increase (noting that interest rates have been stable for an extended period, with the CAD variable interest rate of 3.75% being unchanged since August 2016)
- c. This funding approach is consistent with the Treasury Management Policy position of transitioning not less than 30% of gross debt to variable interest rate borrowings (as at 31 March 2018, variable interest rate debt equated to 52% of Council's total debt of \$13.975m)

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- d. Given planned major increase in debt (whilst still maintaining Net Financial Liabilities Ratio <100%), Finance Costs will materially increase in the short to medium term

A recent example of the benefits of Council's treasury management approach is the \$1m funding recently received from the State Government towards the future Walker Place precinct redevelopment. Whilst under the terms of the funding agreement Council must accrue interest on the unspent funds (at an interest rate of 1.5%, based on the existing 24hr Call investment rate with the LGFA), the fact that Council is able to immediately reduce its debt by this amount (upon which Council is incurring an interest rate of 3.75%) means that Council will automatically realise net interest savings of \$5,600 for the April-June 2018 period from this transaction alone.

10) Depreciation

- a. Increase in Buildings depreciation expense post construction of Civic Centre redevelopment
- b. Estimated new depreciation of \$500k for Gawler East Link Road upon completion of the road in 2019
- c. Excluding the above, the LTFP provides for an increase of 2% p.a. in the depreciation of buildings, equipment, and other assets, and a 5% p.a. increase in depreciation of infrastructure assets.
- d. The 5% p.a. increase in infrastructure assets provides for depreciation of new assets received each year as part of new residential land developments (e.g. roads, footpaths, stormwater drainage, etc.) in addition to new depreciation from new and/or upgraded assets (e.g. upgraded assets resulting from Walker Place precinct redevelopment)

Consistent with recent reporting to Council, ongoing consideration needs to be given to the impact of future depreciation increases as a direct result of increased capital works programs due to external grant funding secured (e.g. should Council be successful in securing Federal Government funding for the Walker Place redevelopment, in addition to the \$1m State Government funding already secured, then the depreciable capitalised amount on completion of the project will be in the order of \$3.4m).

11) Net Gain/Loss – Equity Accounted Council Businesses

The estimated net gains disclosed in the forward estimates is based on the long term financial plan estimates provided by the Northern Adelaide Waste Management Authority (NAWMA). Council's equity share in NAWMA is 9.3%.

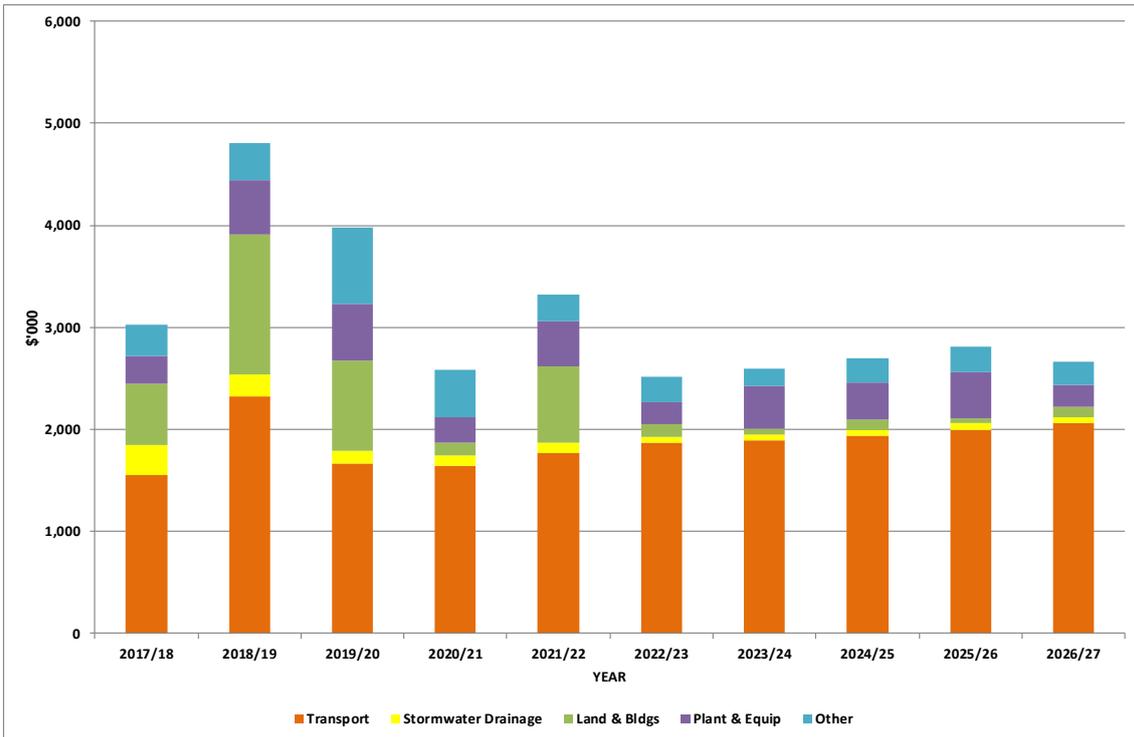
Capital Expenditure

As noted earlier, the capital expenditure included in the LTFP forward estimates is sourced and informed from the identified asset management funding disclosed in the IAMP.

The identified capital funding requirement disclosed in the IAMP (which has been separately tabled to this meeting as agenda item 4.3), is outlined within Graphs 1 and 2 below (split between replacement/renewal and new/upgraded assets).

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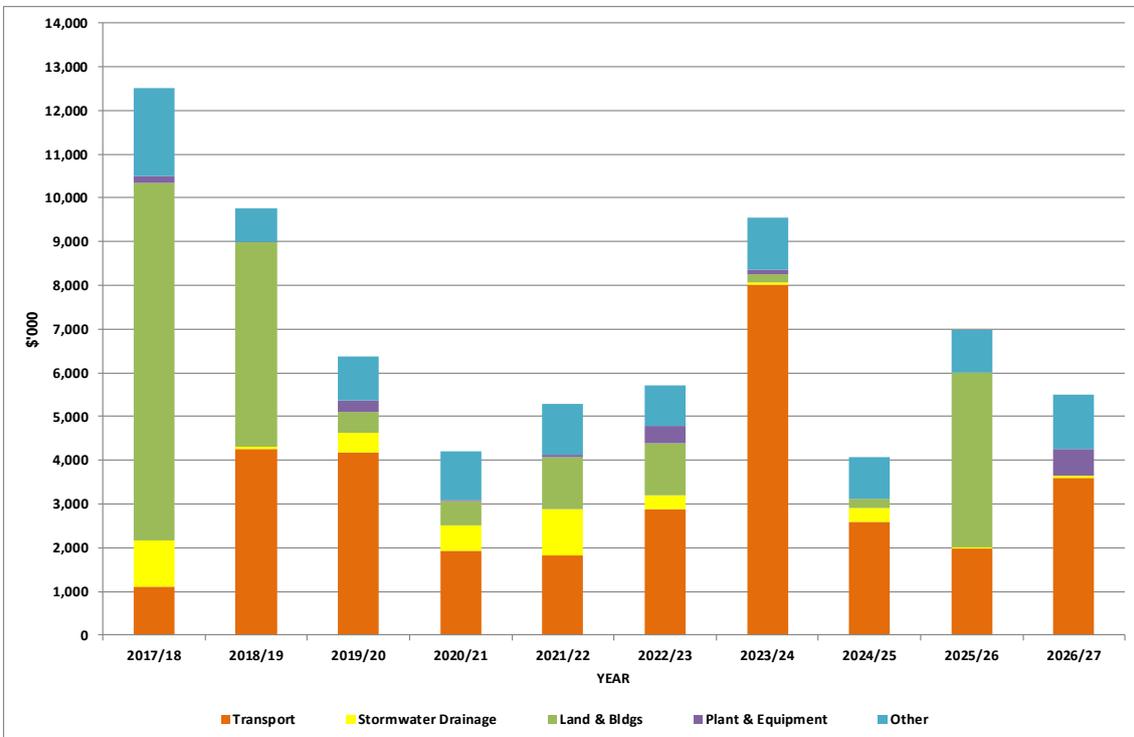
Graph 1 – Capital Expenditure (Asset Replacement / Renewal) 2017/18 – 2026/27



*Total investment of \$31m

**2018/19 includes \$1.031m towards Gawler Bridge rehabilitation and \$300k towards Gawler Sport & Community Centre roof replacement

Graph 2 - Capital Expenditure (New/Upgraded Assets) 2017/18 – 2026/27



*Total investment of \$70m

** 2017/18 and 2018/19 includes Civic Centre redevelopment

***2023/24 includes roadworks associated with Gawler East development (part funded from per new allotment contributions from developers within the Gawler East development area)

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In terms of Council's annual capital works program, priority funding should always be provided towards the replacement/renewal of existing assets (which do not invariably trigger increased maintenance or depreciation costs) ahead of the investment in new/upgraded assets (which do lead to new and increased maintenance and depreciation costs).

Consequently, should a Council's projected long term financial forecasts suggest that the asset investment funding identified in the LTFP is not financially sustainable (due to the estimated impact on Council's key financial indicator ratios), then it is appropriate for the Council to reduce and scale back, where possible, the level of future investment in new/upgraded assets.

As separately reported within the IAMP update to this meeting (refer agenda item 4.3), extensive work has been done in recent times regarding validating asset condition assessments for transport, building, and open space assets. The results of these condition assessments has only recently been completed and, further to the verbal report made at a previous Audit Committee meeting, will now be considered towards informing the next annual update of the IAMP. As a result, any adjustment to asset management funding required will be incorporated in the 2018/19 IAMP update, which will then inform the 2018/19 update of the LTFP. At this initial stage, it is envisaged that the outcome will dictate that an increase in asset replacement/renewal funding will likely be required. The outcomes of the asset condition assessments will be the basis of a future report to an Audit Committee meeting in 2018/19.

Capital Revenue

The LTFP update incorporates the following capital revenue items:

- a. Continuation of Federal Government funding towards the Civic Centre redevelopment (to date, \$1.95m of the \$5.7m secured funding has been received)
- b. \$600k for Murray Street – Stage 6 works
- c. \$660k for Gawler Bridge rehabilitation works
- d. \$2.688m towards the redevelopment of the Walker Place precinct (\$1m of which has recently been received from the State Government)
- e. \$641k for the Bikeways Connection Project
- f. \$5.9m from developers towards future traffic interventions (within existing roads) as part of the Gawler East development (associated developer contributions towards social/community infrastructure are deemed to be recurrent, not capital, revenue).

Financial Indicators

1) Operating Result

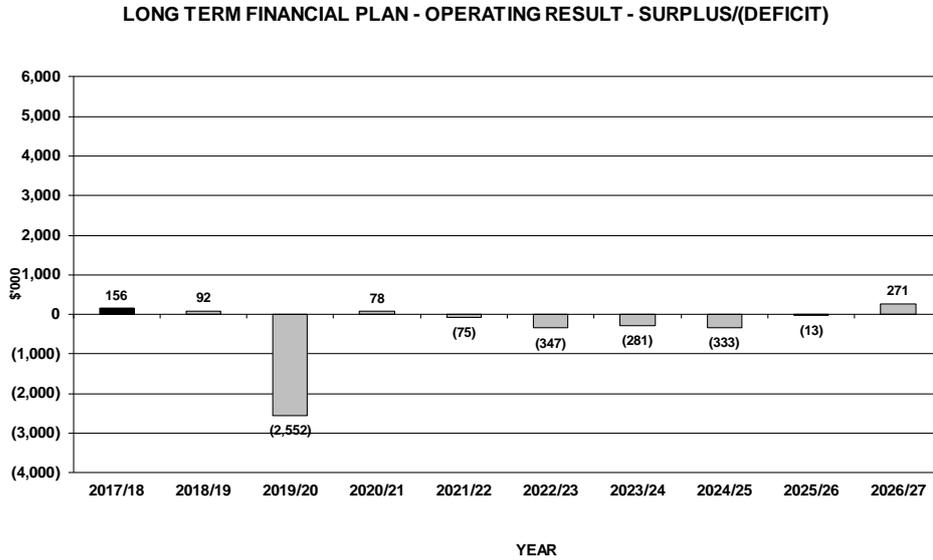
Based on the above assumptions, the operating result and operating ratio forward estimates are outlined in Graphs 3 and 4 below. These results are based on the various operating modelling assumptions outlined within this report and incorporation of the asset management funding disclosed in the initial draft IAMP (as separately tabled to this meeting as agenda item 4.3).

The projected future operating outcomes are further informed by the identified recurrent budget savings of \$221,000, which were tabled to the 3 April 2018 Special Council meeting. At this meeting, the Council resolved to incorporate such expenditure savings into the draft 2018/19 budget.

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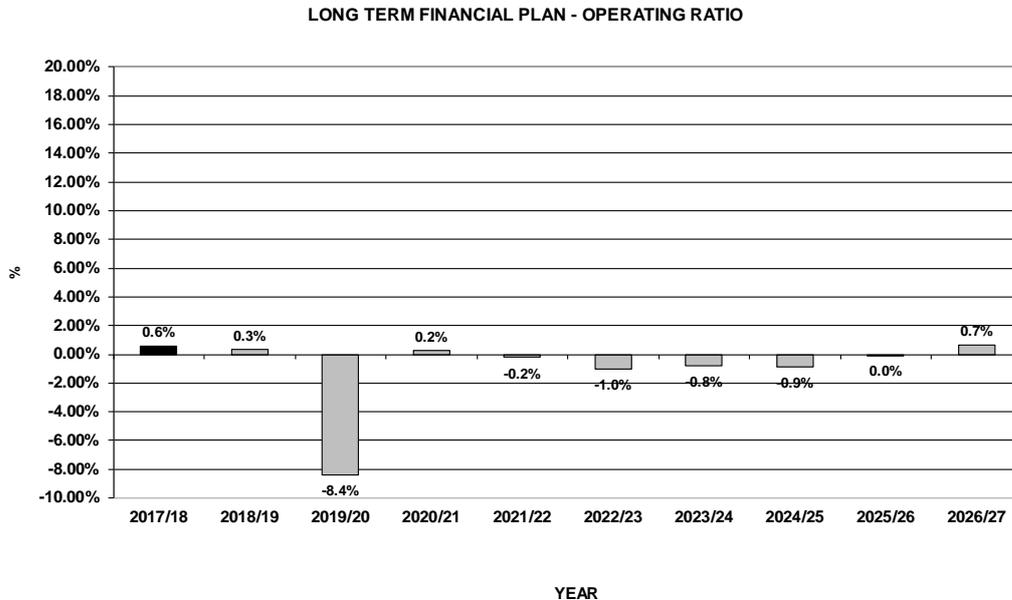
The operating ratio measures the operating result as a percentage of Council's annual recurrent revenue, with Council's policy position being that a 0-10% surplus be achieved over any five year rolling period.

Graph 3 – Operating Result: Surplus/(Deficit) forward estimates 2017/18 – 2026/27 (incorporating consolidation of initial IAMP)



* 2017/18 based on 3rd Qtr Budget review tabled to the 11 April 2018 Audit Committee meeting. No change in result compared to 2nd Qtr Budget review
 **2019/20 includes 'one-off' \$2.4m lump sum payment due to State Government on completion of the Gawler East Link Road

Graph 4 – Operating Ratio forward estimates 2017/18 – 2026/27 (incorporating consolidation of initial IAMP)



* 2017/18 based on 3rd Qtr Budget review separately tabled to the 11 April 2018 Audit Committee meeting. No change in result compared to 2nd Qtr Budget review
 **2019/20 includes 'one-off' \$2.4m lump sum payment due to State Government on completion of the Gawler East Link Road
 ***Council policy that ratio result be between 0-10% during any five year rolling period.

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At the 28 March 2018 Special Audit Committee meeting, the tabled 'revised' draft 2018/19 operating budget reflected an operating surplus of \$68k, compared to the then LTFP estimate of \$242k (both incorporating 2% new Rate revenue from growth).

However, consistent with the discussion at that meeting, and the subsequent Council resolution made at the 3 April 2018 Special Council meeting, the new Rate revenue from growth for 2018/19 has been reduced from 2% to 1% in both the draft 2018/19 budget and the modelling within the LTFP (translating to a reduction in revenue of \$200k).

Taking this into consideration (in addition to identified expenditure savings tabled at the 3 April 2018 Special Council meeting), the draft 2018/19 recurrent budget now reflects an operating deficit of \$68k, whereas the updated LTFP now reflects a nominal 2018/19 operating surplus of \$92k (as disclosed in Graph 3 above). As a result, there is currently an unfavourable variance of \$160k between the 2018/19 draft budget and associated LTFP estimate results.

Note: It was incorrectly reported to the 3 April 2018 meeting that 1% of new Rate revenue foregone would equate to \$100k. The correct value of \$200k Rate revenue foregone for 2018/19 has now been incorporated within the financial data tabled within this report.

Given that the 1% new Rate revenue foregone in 2018/19 equates to compounded lost revenue in the order of \$2.5m over the life of the LTFP, there has been an immediate adverse effect on the estimated operating ratios results disclosed within Graphs 3 and 4 above, to the extent that the LTFP projects that, based on the various modelling assumptions outlined and incorporation of the asset funding identified in the IAMP, Council would realise minor operating deficits between 2021/22 and 2025/26 – such that the policy target of achieving an operating surplus over any five year rolling period would not be achieved at certain stages over the life of the LTFP.

A further update of the draft 2018/19 recurrent budget will be tabled to the Special Council meeting to be held on 17 April 2018.

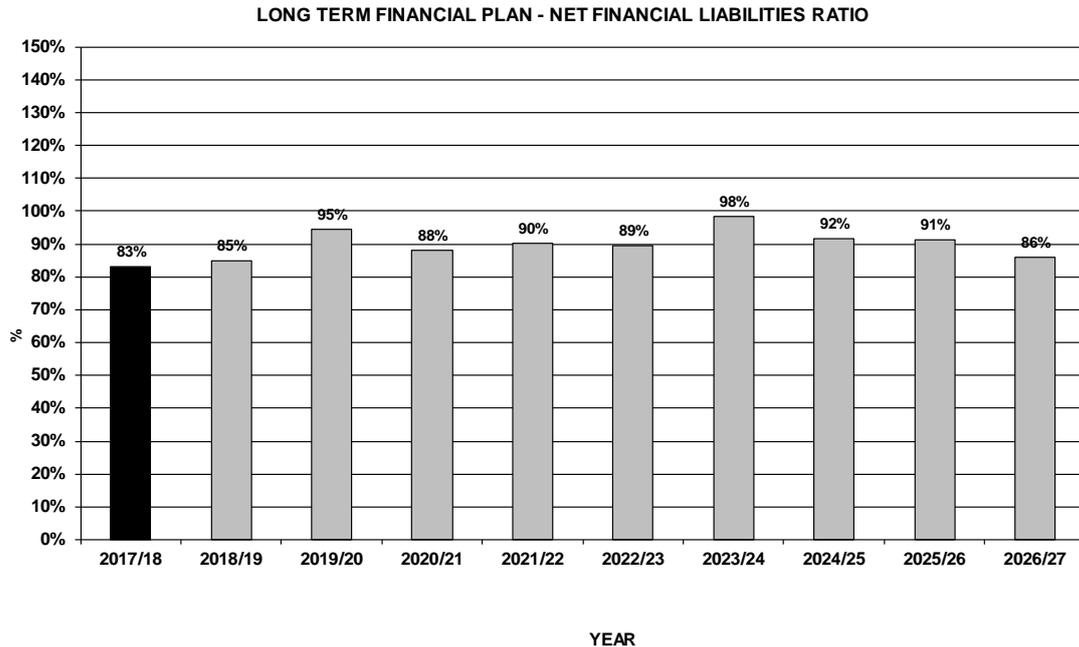
2) Net Financial Liabilities Ratio

The Net Financial Liabilities (NFL) Ratio measures Council's net financial liabilities (i.e. Council's total liabilities (e.g. debt, employee leave entitlements, etc.) less current assets) as a percentage of Council's annual recurrent revenue. Council's policy position, and the widely accepted industry view, is that the ratio result not exceed 100% - i.e. that Council's net financial liabilities do not exceed annual operating revenue.

The results within Graph 5 below are based on the various operating modelling assumptions outlined within this report and incorporation of the asset management funding disclosed in the initial draft IAMP (as separately tabled to this meeting as agenda item 4.3).

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**Graph 5 – Net Financial Liabilities Ratio estimates 2016/17 – 2026/27
(incorporating consolidation of initial IAMP)**



**2017/18 result per 2nd Qtr Budget Review adopted by Council in February 2018*

***Council policy that ratio not exceed 100%*

Similar to the operating ratios, the Net Financial Liabilities Ratio has also been adversely affected by the \$200k reduction in ‘new’ General rate revenue for 2018/19 (which compounds to approximately \$2.5m over the life of the LTFP).

As a result, the update of the LTFP now forecasts the Net Financial Liabilities ratio peaking at 98% in 2023/24, and remaining at 85% or above over the life of the LTFP.

Given Council’s policy position of maintaining the Net Financial Liabilities below 100%, the LTFP forecasts no effective capacity for any additional new loan borrowings, to fund either unforeseen or emergency capital works.

3) Asset Sustainability Ratio

This ratio measures the actual expenditure on asset replacement/renewal as a percentage of the associated identified funding disclosed in the IAMP. Council’s policy position is that the ratio result be maintained at between 90-100% each year.

Given that the LTFP has been informed by the IAMP, the forward estimates each year are 100%. Council’s recent results has been a ratio result of 97% (2015/16) and 99% (2016/17).

It is clearly evident from Graph 5 above that, based on the operating modelling assumptions contained within this report and the indicative capital funding disclosed in the initial IAMP that, despite the NFL ratio estimates being within Council’s policy threshold of 100%, Council would have very limited future borrowing capacity over the life of the LTFP. Indeed, the graph indicates there would be instances where the ratio result would be peaking at very close to the policy threshold of 100% (i.e. 98% in 2023/24).

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Given:

- 1) the need to have some borrowing capacity for future unforeseen or emergency capital works (noting that considerable immediate capital expenditure was required as a result of the major flooding event of September 2016); and
- 2) the potential likelihood that recent asset condition assessments may trigger the need for increased asset replacement/renewal investment; and
- 3) the potential future impact of State Government imposed rate capping,

the Administration is of the view that Council will need to reduce and/or defer the level of discretionary capital expenditure in the purchase and/or construction of new/upgraded assets over the life of the IAMP. A reduction in such expenditure would also then culminate in a flow on reduction in increased depreciation, maintenance and financing costs, thereby improving both the Net Financial Liabilities and Operating ratios forecasts.

In this regard, at the 3 April 2018 meeting, Council agreed to incorporate capital expenditure savings/deferrals of \$1.417m (as previously outlined to Elected Members on 14 March 2018) and \$1.42m – noting that the latter savings of \$1.42m was in direct response to the requirement to allocate an additional \$950k towards works associated with Murray Street (Stage 6). Consequently, net capital savings of \$1.887m (i.e. \$1.417m + \$1.42m - \$950k) have now been included in the draft IAMP and LTFP (as tabled to this meeting) and the draft 2018/19 budget.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team
Team Leader Finance
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Community consultation on the updated Long Term Financial Plan will be undertaken in conjunction with the consultation of the 2018/19 Annual Budget / Business Plan during 2-25 May 2018.

The consultation is proposed to include:

- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on 'Latest News' on Council website
- 'Your Voice' Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

POLICY IMPLICATIONS

Budget Management Policy
Treasury Management Policy
Funding Policy
Asset Capitalisation Policy
Depreciation Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 - Strategic Management Plans

FINANCIAL/BUDGET IMPLICATIONS

The annual budget provides the necessary funding mechanism to implement numerous objectives outlined in Council's Community Plan. The Long Term Financial Plan considers this in the context of a 10 year horizon.

The financial implications of the draft Long Term Financial Plan are outlined in the body of this report.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

Item Number	4.5
Title	DRAFT 2018/19 BUDGET UPDATE
Date	17 April 2018
Author(s)	Paul Horwood, Manager Finance & Corporate Services
Reference	CC17/1128; CR18/17684; CR18/19055; CR18/19054; CR18/19053; CR18/19060; CR18/19062; CR18/19092; CR18/19056
Previous Motion	Special Council, 03/04/2018, Motion No. 2018:04:98 Audit Committee, 28/03/2018, Motion No. AC:2018:03:08
Attachment/s Under Separate Cover	1. Draft 2018/19 Statutory Financial Statements 2. Draft 2018/19 Recurrent Budget: Revenue 3. Draft 2018/19 Recurrent Budget: Expenditure 4. Draft 2018/19 Capital Expenditure Bids 5. Draft 2018/19 New Initiative Bids 6. Draft 2018/19 Budget – Operating Budget by Community Plan Goal / Service 7. Response to questions raised at Special Council meeting on 3 April 2018

OFFICER'S RECOMMENDATION

Item 4.5 – Draft 2018/19 Budget Update (CC17/1128)

That:

- 1. The draft 2018/19 Budget Update report be received**
- 2. The draft 2018/19 Budget be updated as follows:**
 - a.**
 - b.**

BACKGROUND

To date, discussions relative to the draft 2018/19 Budget have occurred as follows:

- a) Budget Workshop No 1 (19 December 2017) – Financial Overview
- b) Budget Workshop No 2 (26 February 2018) – Draft Long Term Financial Plan Update / Draft 2018-19 Capital and New Initiative Bids
- c) Budget Workshop No 3 (15 March 2018) – Draft 2018-19 Recurrent Budget and further discussion regarding Draft 2018-19 Capital and New Initiative Bids Update
- d) Special Audit Committee Meeting (28 March 2018)
- e) Special Council Meeting (3 April 2018)

At the Special Audit Committee meeting on 28 March 2018 the following motion was adopted:

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Moved Mayor K Redman
Seconded Mr. P Fairlie-Jones
Motion No: AC:2018:03:08

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the 2018/19 Draft Budget as follows:

1. *That current financial targets are realised consistent with the Long Term Financial Plan.*
2. *To achieve a realistic surplus.*
3. *That the following risks are managed and monitored:*
 - a. *Growth*
 - b. *Depreciation*
 - c. *Potential of State Government imposed rate capping*
4. *That staff provide options to achieve these outcomes.*

At the subsequent Special Council meeting on 4 April 2018 the following motion was adopted:

Moved by Cr K Fischer
Seconded by Deputy Mayor I Tooley
Motion No: 2018:04:98

1. *That Council incorporates the alterations and potential savings to 2018/19 Draft Budget as identified in the documents tabled, 2018/19 New Initiatives Bids Budget Analysis and Capital Works Program 2018/19.*
2. *That Council notes further deliberation on the draft 2018/19 budget for the purpose for it being released for public consultation that will occur at upcoming Council meetings.*

The purpose of this report is for Council to further its ongoing deliberations regarding the 2018/19 draft budget, in advance of endorsing the 2018/19 draft budget at the 24 April 2018 Council meeting for the purposes of public consultation.

COMMENTS/DISCUSSION

1) Statutory Financial Statements

a. Statement of Comprehensive Income

Consistent with the resolution from the 3 April 2018 Special Council meeting, the updated draft 2018/19 budget now represents an operating deficit of \$69k.

In this regard, please note, however, that whilst the financial data initially tabled at the 3 April 2018 meeting represented a nominal 2018/19 operating surplus of \$31k, there was an error within the data relating to the value of General rate revenue foregone as a result of reducing the new revenue growth from 2% to 1%. As reported to the Audit Committee on 11 April 2018, the amount of revenue foregone equates to \$200,000, and not \$100,000 as reported at the 3 April 2018 meeting.

Consequently, with the \$100,000 correction, the revised **draft 2018/19 budget now presented provides for an operating deficit of \$69k (compared to an updated Long Term Financial Plan estimate of \$92k surplus).**

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Staff are currently further reviewing the draft 2018/19 budget estimates, towards being able to table further identified budget savings at the meeting – noting that any such changes are currently expected to be of only a nominal amount.

b. Balance Sheet

Consistent with the Statement of Comprehensive Income, the Balance Sheet reflects an increase of \$10.447m in the net worth of the Council.

This increase is attributable to an estimated increase of \$12.601m in the value of Council's fixed (non-current) assets as a result of proposed capital works projects and the estimated value of contributed assets received from property developers.

Conversely, the Balance Sheet estimates a \$2.204m increase in liabilities, which is attributable to loan funding required to part-fund Council's investment in new/upgraded assets.

c. Statement of Cashflows

The Statement of Cashflows estimates results in 2018/19 similar to the 2017/18 forecast.

In summary, the cashflow statement reflects the estimated 2018/19 net cost of capital investment of \$8.976m (per Net Cash used in Investing Activities) being funded by recurrent revenue of \$5.665m (per Net Cash provided by Operating Activities) and net loan borrowings of \$3.311m (per Net Cash provided by Financing Activities).

The value of 'Net Cash provided by Operating Activities' is essentially the net cash available from operating activities after deducting non-cash depreciation expense.

The cashflow statement incorporates \$1.7m being realised from the sale of surplus property assets in the 2018/19 financial year. Should such proceeds ultimately not be realised, then this would mean that Council would either need to further reduce its capital works programs or undertake additional loan borrowings, or a combination of both (noting that longer term projections within Council's Long Term Financial Plan forecast no effective additional loan borrowing capacity).

The 'Proceeds from Borrowings' outlines the amount of loan borrowings required to part-fund Council's capital investment in new and upgraded assets. Such proceeds are expected to continue to be accessed via Council's Cash Advance Debenture facility with the Local Government Finance Authority, which importantly can be repaid at any time as cashflow permits.

The 'Repayment of Borrowings' (\$851k in 2018/19) provides for the ongoing principal repayments of historic long-term fixed-interest loans.

The draft 2018/19 Statutory Financial Statements are provided as **Attachment 1**.

2) Capital Expenditure Bids

The updated 2018/19 capital works program provides for a capital investment of \$14.554m. This includes \$13.509m, as endorsed at the 3 April 2018 Special Council meeting, and \$1.044m relating to the following projects brought forward from 2017/18 budget as part of the 3rd Quarter Budget Review tabled to the Audit Committee on 11 April 2018:

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- a. \$430,785 towards rehabilitation of the Gawler Mill Bridge *
- b. \$359,830 towards Murray Street (Stage 6) upgrade *
- c. \$77,290 towards the installation of new playground equipment in Willaston *
- d. \$146,398 towards Dawson Road Wetland SUA Deed
- e. \$30,000 for the installation of Gawler High School pedestrian crossing

**associated grant funding has been similarly adjusted.*

Details of the proposed 2018/19 Capital Bids is provided as **Attachment 4**.

3) New Initiative Bids

The updated value of 2018/19 New Initiative Bids is \$657,825, as endorsed at the 3 April 2018 Special Council meeting.

This matching value has also now been included in the 2018/19 operating budget, noting that the associated funding provision within the Long Term Financial Plan has been maintained at \$500,000.

Details of the proposed 2018/19 New Initiative Bids is provided as **Attachment 5**.

4) Operating Budget by Community Plan Goal / Service

A summary disclosure of the proposed 2018/19 operating budget (aligned to the five goals contained within Council's Community Plan) is outlined in **Attachment 6**.

This attachment provides not only a snapshot of Council's proposed net expenditure against the Community Plan, but also discloses the activities proposed to be provided within the various Services provided by Council to the community (as is a legislative requirement for the Budget / Business Plan).

It is proposed that this attachment will supercede the previous lengthy 'Appendix 6 – Budget by Service' which has been included in prior years' Budget / Business Plans.

5) Response to questions raised at Special Council meeting on 3 April 2018

Reponses to the various questions raised at the Special Council meeting held on 3 April 2018 have been provided as **Attachment 7**.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team
Team Leader Finance
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

A complete draft 2018/19 Budget / Business Plan document will be tabled to the 24 April 2018 meeting relative to Council endorsing the document for the purpose of public consultation.

Community consultation on the 2018/19 Draft Budget / Business Plan will be undertaken during 2-25 May 2018.

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The consultation is proposed to include:

- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on 'Latest News' on Council website
- 'Your Voice' Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

POLICY IMPLICATIONS

Budget Management Policy
Treasury Management Policy
Funding Policy
Asset Capitalisation Policy
Depreciation Policy
Service Range Policy
Various Service Level Policies

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 - Annual business plans and budgets and Section 123 - Accounts, financial statements and audit
Local Government (Financial Management) Regulations 2011

FINANCIAL/BUDGET IMPLICATIONS

The table below summarises the estimated financial outcomes of the draft 2018/19 budget as now presented.

	Draft Budget (incorporating agreed changes at 3 April 2018 meeting)	Note
Base General Rate increase	3%	Excludes 1% growth factor
Operating Result – Surplus / (Deficit)	(\$69,735)	LTFP provision of \$92k surplus
Operating Ratio	-0.2%	Policy position that ratio result be between 0-10% over any 5 year rolling period
Capital Expenditure	\$14.554m	\$13.509m (as endorsed at 3/4/18 meeting) + \$1.045m b'fwd from 2017/18 per 3 rd Qtr Budget Review
New Initiatives	\$657,825	LTFP provision of \$500k
Net Financial Liabilities Ratio	87%	Policy position that ratio result not exceed 100%
Debt	\$18.657m	Forecast as at 30 June 2019
Asset Sustainability Ratio	100%	Policy position that ratio result be between 90-100%

TOWN OF GAWLER
SPECIAL COUNCIL MEETING
AGENDA 17 APRIL 2018

COMMUNITY PLAN

Funding incorporated within the Annual Budget / Business Plan enables Council to deliver, facilitate and progress many outcomes contained within the Community Plan.