1.1 WELCOME
Mayor Sloane declared the meeting open at 10.30am.

1.2 MEMBERS PRESENT
Mayor Bob Sloane, Crs Mark Grossman, David de Vries, Michael Seager, Leonie Boothby, Christopher Harms, Scotty Milne, John Angas, Tony Hurn and Richard Miller

1.3 LEAVE OF ABSENCE
Cr Margaret Harris

1.4 APOLOGIES
Cr Michael (Bim) Lange

MOVED Cr Grossman that the apology received from Cr Michael (Bim) Lange be noted. Seconded Cr Miller CARRIED 2014-18/1406

2. DEBATE AGENDA

2.1.1 FINANCE – DEBATE

DRAFT ANNUAL BUDGET AND BUSINESS PLAN 2018/19 INCORPORATING THE LONG TERM FINANCIAL PLAN 2018/19 – 2027/28
B7181

Author: Manager, Financial Services

MOVED Cr de Vries that Council:

(a) approves the inclusion of the additional items as listed within this report in the draft Annual Budget and Business Plan 2018/19 and, as applicable, in the draft Long Term Financial Plan for the period 2018/19 to 2027/28 and authorises the Chief Executive Officer to make any final typographical or minor amendments to the document.

(b) endorses the draft Annual Budget and Business Plan 2018/19 incorporating the annual review of the draft Long Term Financial Plan for the period 2018/19 to 2027/28, incorporating the draft Budget 2018/19 and draft Long Term Financial Plan for the period 2018/19 to 2027/28 for the Nuriootpa Centennial Park Authority, for the purpose of community consultation.
The Barossa Council 18/31512  Minutes of Special Council Meeting Tuesday 15 May 2018

(c) approves the consultation period being from 23 May 2018 to 13 June 2018 and that an allowance of one hour be made at a Special Council Meeting on 6 June 2018 for verbal submissions in response to public consultation.

Seconded  Cr Hurn  CARRIED 2014-18/1407

PURPOSE
Further to the recent budget and rating workshops, the attached draft Annual Budget and Business Plan 2018/19 incorporating the Long Term Financial Plan 2018/19 to 2027/28 has been prepared for public consultation.

REPORT
Discussion
The Annual Budget and Business Plan (AB&BP) 2018/19 incorporates the Long Term Financial Plan (LTFP) 2018/19 to 2027/28 in the one document, but is divided under separate sections.

The financial information contained in this document has been prepared in accordance with Council’s Budget & Business Plan and Review Policy and associated processes.

The formulation of the draft budget incorporates the work of numerous Council officers and teams (following an adopted timeline) which includes:

- budget preparation and input by budget managers
- checking and refining of data input, preparation of general budgets including utilities, depreciation, employee costs etc by the Finance officers
- review and approval by the Corporate Management Team.

This work results in the Finance staff collating, checking, reconciling, and finally preparing a draft budget and long term plan for Council consideration.

The input from Council is gained by holding workshops where discussions (not decisions) are held on various parts of the budget preparation and process, which provides a direction for officers in the preparation of the draft budget.

The Big Project (TBP) has been included in these processes to check and ensure Council was considering its financial sustainability for this significant program of work.

The following summarises the discussions held in each of the Council Workshops:

Council Workshop 20 February 2018:
Discussions included the:
- proposed indexation and assumptions from last years adopted LTFP
- setting of the framework for the draft 2018/19 AB&BP and LTFP
- opportunity for Council Members to consider strategic or other items for the AB&BP or LTFP.

Outcome:
Council noted the indexation and assumptions as presented for inclusion in the draft AB&BP and LTFP.

Council Workshop 20 March 2018:
Community and Elected Member New Initiatives (NI’s) were presented to the Council workshop for comment. Within the report, any NI’s considered not supported by CMT were flagged as such and comments were provided as to why.

Outcome:
Any Community or Elected Members NI’s that Members indicated they would like further analysis were progressed to the next Stage which requires the appropriate Due Diligence Report (DDR)/Bid Analysis Tool.

Council Workshop 4 April 2018:
Members received a rate comparison of regional Councils (unidentified) similar in size, functions and activities to The Barossa Council (acknowledging that each Council establishes its own service provision and levels and rating to raise the funding required which impacts the comparison).
Outcome:
Council provided comment on the general rating information, current methodology and approach and Council’s position against the regional comparison.

Council Workshop 18 April 2018:
All proposed capital expenditure and NI’s were presented and comment invited from Council.

Outcome:
NI’s outlined in the budget by CMT and the analysis were discussed and were included by officers in the draft AB&BP and where relevant, whole of life costs in the forward years in the LTFP.

Reserve Funds will be used to fund various NI requests where appropriate and available.

Council Workshop 2 May 2018:
Rating
• Three rating scenarios were presented to this workshop which considered achieving the target General rate revenue increase of 2.5% plus growth of 0.83%. This includes the fixed charge increasing from $332 to $342 and the differential rates adjusted for each rate type or land use code to a fair and reasonable average rate charge.

• The Community Wastewater Management Systems (CWMS) charge proposed a rate revenue increase of 2.75% from both the service charge and the rate. The Residential CWMS Service charge increasing from $322 to $331. An annual service charge for vacant land allotments increasing from $55 to $60 for Springton and all other vacant allotments where CWMS is available but not connected increasing from $100 to $105. And the Service rate will also be adjusted to ensure the rate revenue amount is achieved.

• The Waste Collection Service Charge - Domestic Refuse and Recycling service charges are both being decreased for 2018/19: Refuse by 17% to $106 pa (for a 140l bin) and Recycling by 2.75% to $50 pa.

• The new Green Organics Service Charge is still being finalised but the draft budget includes a service charge of $59 pa. (At the Council meeting 17 April 2018 an amount of $59 was provided as an estimated charge).

Outcome:
The rate increase is an average (ie not all ratepayers utilise all Council services and valuation changes are not always similar for every assessment). Council reviewed and commented on the general differential rates which provided the most equitable and fairer average rate increase across the majority of rateable assessments. All other Services charges and rates as proposed were noted.

AB&BP
A Zero based operating budget process was applied by the Budget Managers for the 2018/19 draft budget, with the effect that operating income and expenditure are more reflective of service requirements. A preliminary operating result following this process was a surplus of $930k.

LTFP and Financial Indicators
• A draft LTFP for the 2018/19 year showing a comparison to the 2018/19 numbers in the LTFP adopted in June 2017 was prepared to check and provide commentary for significant variances.

• Due to a revaluation and condition assessment of major asset classes, Council officers recommended that an additional depreciation expense amount of $200k is to be included in the draft AB&BP.

• An updated LTFP was presented including TBP operational and capital requirements and a review of key financial indicators (KPIs) to established targets and commentary on expected results and variances, to check Council’s financial sustainability.

Outcome:
Council noted this information and that officers will include it in the draft AB&BP and LTFP.
A revised preliminary operating result presented from this workshop indicated a surplus of $730k.

**Carried Forward Items**

Items which are also included in the draft AB&BP since the Council workshops for Council to consider at its meeting 15 May 2018 for inclusion/removal are as follows:

- Various capital expenditure of $3.1m which are carried forward items from 2017/18 as included in the Budget Update 2017/18 as at 31 March 2018 - $1.6m (net of capital income).

- Various operating expenditure of $203k which are carried forward items from 2017/18 as included in the Budget Update 2017/18 as at 31 March 2018 - $149k (net of operating income).

**Nuriootpa Centennial Park Authority Board Draft Budget and LTFP**

Given that the 2017/18 NCPA actual results are tracking better than budget, the draft 2018/19 NCPA budget incorporates that improvement.

The NCPA Board approved their draft 2018/19 budget at their meeting on the 21 February 2018 and a revised LTFP on the 21 March 2018.

Since that time, Council officers have updated the NCPA draft LTFP and met with representatives of the NCPA Board, providing further suggestions for inclusion which will be considered at the NCPA board meeting 16 May 2018.

These draft amendments have been incorporated into Council’s consolidated draft AB&BP and LTFP and the changes are as follows:

- operating income and expenditure
- increase to the electricity budget $5k pa.
- indexation of income reduced from 3% to 2%
- indexation to operating expense materials now applied
- Loans – repayments earlier than previous LTFP including:
  - Council loan of $650k, repaid – 2018/19 - $130k pa for 3 years then $65k pa for 4 years
  - Cash Advance Debenture loan, repayment – 2018/19 - $100k, then yearly amounts in the LTFP.
- Capital Expenditure – increase renewal and upgrade program:
  - 2018/19 - $240k
    - female changerooms $180k (inc. $137k c/fwd from 2017/18),
    - vehicle replacements $35k and,
    - minor works $25k.
  - 2019/20 and 2020/21 - minor renewal
  - 2021/22 to 2022/23 asset replacements $75k pa
  - 2023/24 asset replacements $150k
  - 2024/25 renewal now matches depreciation charge for the remaining years in the LTFP providing for asset replacement
  - 2025/26 to 2027/28 $100k pa for asset new/upgrades in the precinct.

In line with Council process, NCPA are required to annually review their asset renewal/upgrade program to ensure any asset expenditure is warranted, checking service level requirements to accommodation capacity, usage and rates.

**Draft Operating Forecast**

With the inclusion of the NCPA budget amendments and Budget Update 2017/18 as at 31 March 2018 carried forward requests, this results in a reduction to the forecast operating surplus result from $730k to a budget surplus of $572k for the 2018/19 budget year.

**Federal Budget 2018**

The Federal Government Budget announced on 8 May 2018 included:

- Prepayment in 2017/18 for half of the 2018/19 Financial Assistance Grant (FAGS) funding payment (estimated at $674k).
This results in a reduction of the operating result for 2018/19 by that amount and an increase in the operating result in 2017/18.

Note: As Parliament has not yet passed the early FAGS payment, the draft AB&BP will be adjusted during the consultation period.

- As per advice from the Local Government Association:
  - Roads to Recovery (R2R) Program will continue beyond its current expiry date of 30 June 2019 and that funding will be increased by $50 million pa nationally for the financial years 2019/20 and 2020/21 (resulting in annual payments of $400 million nation-wide in those years).
  - A new measure included in the 2018/19 Federal Budget is a continuation of the R2R Program $400 million funding for a further year (2021/22).

- The Barossa Council has exhausted its current R2R allocation and no funding is included in the 2018/19 draft AB&BP. The LTFP includes a funding amount of $328k pa starting from 2019/20 and ongoing for the remaining years. At this stage the LTFP does not include specific transport works for the R2R funding.

- The Supplementary Local Roads Program provided The Barossa Council with $233k pa for the years 2017/18 and 2018/19. There is no mention in the Federal Budget papers about a possible extension of this program beyond 30 June 2019.

- Other Federal Budget 2018 funding infrastructure programs include the bridges, black spot program and sporting grants.

**Long Term Financial Plan**

- General rate increases are held at 2.5% plus 1% growth.

  If growth does not reach 0.83% for 2018/19 (as at 6 May 2018 growth was at 0.71%), it is proposed that the LTFP General rate revenue indexation is increased in the 2019/20 financial year to replace the growth revenue not received in the 2018/19 year.

  This step is to maintain financial sustainability and meet long term asset plans and service levels as they currently stand as set by Council.

- Other operating income and expenditure indexation for future years in the LTFP has been maintained at low levels to reflect the expected cost of services.

- The discretional Capital expenditure has been removed for years 2019/20 to 2022/23 and reinstated to $50k for 2023/24 and 2024/25 and $500k per year for the remaining years. This is a result of TBP program over the next four years, with capital expenditure of $33.9m.

- Capital Grants and contributions in this review include estimation for funding allocation for:
  - CWMS developer minor contributions
  - TBP $3.1m in 2018/19, $5.3m in 2019/20, $7.3m in 2020/21 and $3.4m in 2021/22.

- A delay has been made for the purchase of selected plant and equipment expenditure in selected years of the LTFP to remain in a net positive cash position.

  A full analysis of life cycle costs on major plant and equipment will be carried out, with a view to reallocate the program over a longer life cycle and thus generating overall budget savings.

- The Community Wastewater Management Systems (CWMS) service charge ranging from 2.5% to 2.75% pa.

  The future years of the CWMS LTFP is forecasting an operating deficit position, although a reserve is in place which adequately offsets those expected result(s). This draft CWMS LTFP does not currently make provision for the cost of Capital and/or Risk.

- Waste service charges and costs are expected to be increased between 2.25% and 2.5% pa., reflecting the expected cost of providing the service.

**Summary and Conclusion**

Council to approve the draft AB&BP and annual review of the LTFP for consultation.
Council has reviewed its financial parameters for the LTFP, including the indexation used for forward projections on income and expenditure.

This analysis indicates that Council is currently financially sustainable for the forecast period covered by the LTFP. Noting that with the inclusion of TBP grant funding and loan financing included in the LTFP, Council has the capacity to undertake TBP asset construction, operational costs as well as other minor additional discretionary proposed projects.

Consideration of other major works in future years will require a full review of the LTFP and as required, DDR processes to check financial sustainability.

The adoption of the Budget is due to be held in the last week in June (date to be confirmed).

**ATTACHMENTS OR OTHER SUPPORTING REFERENCES**


**POLICY**

Budget & Business Plan and Review Policy

**COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS**

Corporate Plan

- How We Work – Good Governance

6.2 Ensure that Council’s policy and process frameworks are based on principles of sound governance and meet legislative requirements.

6.3 Align operational strategy to strategic objectives and measure organisational performance to demonstrate progress towards achieving our goals.

6.4 Ensure that decisions regarding expenditure of Council’s budget are based on an assessment of whole of life costs, risks associated with the activity and advice contained within supporting plans.

6.9 Provide access to Council’s plans, policies and processes and communicate with the community in plain English.

6.16 Provide contemporary internal administrative and business support services in accordance with mandated legislative standards and good practice principles.

**Legislative Requirements**

Local Government Act
Local Government (Financial Management) Regulations 2011 - Reg 9(1)(b)

**FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS**

**Financial**

The adoption of the Budget is required between 1 June and 31 August. To meet this timeline, the adoption of the draft public consultation document preferably should start in May.

Any potential effect to rate revenue for the proposed State Government “Rate Capping” has not been included in the forward years of this LTFP. It is unknown as to the requirements or changes to rating legislation and what, if any, indexation ceiling will apply.

The indexation applied to General rates in this LTFP has been held at previous year LTFP increments at 2.5% pa plus growth of 1%. The SA Local Government Price Index is 2.9% as at December 2017 and the general consumer price index is 2.3% as at March 2018.

Financial performance is managed using suitable financial indicators and targets. Council’s adopted Targets are:

- KPI - No. 1 Achieve an operating breakeven position, or better, over any five year period
- KPI - No. 2 Achieve an operating surplus ratio of between (2%) to 10% over a rolling three year period
- KPI - No. 4 Net financial liabilities (NFL) ratio is greater than zero but less than 100% of total operating revenue
- KPI - No. 6 Capital outlays on renewing/ replacing assets net of proceeds from sale of replaced assets is greater than 80% but less than 110% of Infrastructure Asset Management Plans over a rolling three year period.

Financial Indicators report for the draft LTFP expected results are:
- KPI No. 1 – The cumulative years 2018/19 to 2022/23 is a surplus position at year five of $1,621k.
- KPI No. 2 - Operating surplus ratios. Council’s expected forecast results are well within the target range, and vary from a deficit (0.2%) to 2.9%
- KPI No. 4 – Councils NFL is within the target ranges starting at 38% in 2017/18 peaking at 49.8% in 2021/22 and at 27% by 2027/28
- KPI No. 6 - the KPI target is being met over the ten year period the average being 82%.

KPI No. 6 – Analysis:
In three individual years in this review, this ratio is below the minimum rate at 68% to 74%. A selection of TBP builds will upgrade and replace a considerable amount of existing assets. These works will need to be identified and then re-assigned as appropriate, to renewal works which will improve this ratio’s outcome. Currently they are all listed as upgrade/new assets.

Planned expenditure from the Infrastructure and Asset Management Plan(s) for the major asset classes has been used, along with updated data for remaining life on selected asset(s) replacements. This has resulted in a more accurate measure for Council’s KPI on asset sustainability. This KPI is assessed to ensure Council provides for replacement/renewal of existing assets as they wear out or are consumed.

COMMUNITY CONSULTATION
The public consultation period will commence from 23 May 2018 and closes on 13 June 2018 at 5pm. Verbal submissions will be considered at a Special Council meeting on 6 June 2018, held at 5.00pm, providing one hour for members of the public to ask questions and make submissions in relation to the AB&BP and annual review of the LTFP. Public submissions will be considered by Council after the consultation period has ended, at the June Council meeting.

The LTFP is incorporated with the AB&BP to ensure the two Plans align. This enables the community to be involved in the short and long term planning of Council’s Budget.

4. NEXT MEETINGS
Special Council meeting Wednesday 6 June 2018 at 5.00pm
Tuesday 19 June 2018 at 9.00am

5. CLOSURE OF MEETING
Mayor Sloane declared the meeting closed at 10.46am.

Confirmed at Council Meeting – Tuesday 19 June 2018

Date:........................................ Mayor:.................................