



The Barossa Council

MINUTES OF THE MEETING OF SPECIAL COUNCIL MEETING

held on Wednesday 2 June 2021 commencing at 6.15pm
in the Council Chambers, 43-51 Tanunda Road, Nuriootpa.

1. THE BAROSSA COUNCIL

1.1 WELCOME

Mayor Bim Lange declared the meeting open at 6.15pm.

1.2 MEMBERS PRESENT

Mayor Bim Lange, Deputy Mayor Russell Johnstone, Crs Don Barrett, David Haebich, David de Vries, Richard Miller, Kathryn Schilling, Cathy Troup

1.3 LEAVE OF ABSENCE

Nil

1.4 APOLOGIES FOR ABSENCE

Cr Tony Hurn, Cr John Angas, Cr Leonie Boothby and Cr Carla Wiese-Smith

MOVED Cr Miller

That the Council receive and accept Cr Hurn, Cr John Angas, Cr Leonie Boothby and Cr Carla Wiese-Smith's apology.

SECONDED Cr Haebich

CARRIED 2018-22/462

2. DEBATE AGENDA

2.1 EXECUTIVE SERVICES

2.1.1

DRAFT ANNUAL BUDGET AND BUSINESS PLAN 2021/22 INCORPORATING THE LONG TERM FINANCIAL PLAN 2021/22 – 2030/31
21/38408

Author: Manager, Financial Services

MOVED Deputy Mayor Johnstone

That Council:

- (1) Endorses the draft Annual Budget and Business Plan 2021/22, including new initiatives considered during budget development and incorporating the annual review of the draft Long Term Financial Plan for the period 2021/22 to 2030/31, incorporating the draft Budget 2021/22 and draft Long Term Financial Plan for the period 2021/22 to 2030/31 for the Nuriootpa Centennial Park Authority, for the purpose of community consultation.
- (2) Approves Key Performance Indicator, Operating Surplus target for KPI1 Operating Surplus - a cumulative surplus by year 10.
- (3) Approves the consultation period being from 9 June 2021 to 29 June 2021 and that an allowance of one hour be made at a Public Meeting on 24 June 2021 at 5.30pm for verbal submissions in response to public consultation.

SECONDED Cr Haebich

CARRIED 2018-22/463

PURPOSE

Further to the recent budget and rating workshops and meeting, the attached draft Annual Budget and Business Plan 2021/22 incorporating the Long Term Financial Plan 2021/22 to 2030/31 has been prepared for public consultation.

REPORT

Discussion

The Annual Budget and Business Plan (AB&BP) 2021/22 incorporates the Long Term Financial Plan (LTFP) 2021/22 to 2030/31 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 and Business Plan and Review Policy and associated processes.

The formulation of the draft budget incorporates the work of numerous Council officers and teams 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 are held along with decisions at Council meetings, on various parts of the budget preparation and process, which provides 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 considered its financial sustainability for this significant program of work.

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

Council Workshops

3 February 2021

2021 - 2022 Long Term Financial Plan - Budget preliminary considerations

3 March 2021

Rate - Strategy, Policy & Comparison 2020/21

16 March 2021

New Initiatives 2021/22 Briefing Session - Stage 2

14 April 2021

New Initiatives 2021/22 Briefing Session - Stage 5

13 May 2021

2021/22 Draft Capital Budget

2021/22 Rating and Revaluation Initiative Impacts

27 May 2021

2021/22 Budget - Operating Budget, Financial Indicators and LTFP

2021/22 Budget - Rating General and Service Charges

Budget Considerations

Draft Budget - Operating and Capital

Council adopts the Budget at a summary level as contained within the attached AB&BP and annual review of the LTFP. To provide more information, attached is a detailed operational draft budget 2021/22 with comments for significant variances as compared to the 2020/21 Adopted Budget, along with a detailed capital expenditure budget 2021/22.

Council General Rate revenue has been increased by:

- A net 2.75% in line with the adopted LTFP 2.75%, and
- Growth currently at 0.79% the adopted budget is 1%

The Valuer-General has undertaken as at 1 January 2020, a state-wide Revaluation Initiative to improve the accuracy of the data that forms the basis of the annual General Valuation and The Barossa Council was part of the current review cycle. This review may result in increases or decreases to some property values due to influencing factors such as rezoning and redevelopment.

Properties affected by the RI process includes 1.9k Primary Production, 1.2k Rural living/Rural Residential and a further 153 properties in other local government codes (LGC).

The Revaluation Initiative undertaken by the Valuer General has generated significant valuation movements. To assist Council will introduce a Revaluation Initiative – General Rate Cap (RI GRC).

The RI GRC only applies where the:

- RI valuation movements has been applied by the VG for the 2021/22 valuation
- Where a RI and General valuation increase has occurred a RI GRC will be calculated on the effect of the gross general rate change from the previous year
- To all Local Government Category – exception of Vacant Land
- The property ownership (principle ratepayer) is in the same name as last year
- General rates have increased by more than 8% from the general rates charged last year

The RI GRC is not applicable:

- To the Fixed Charge (FC) increase
- If another rate rebate is approved by Council, ie Mandatory or Discretionary or the general rate cap;
- For changes to Local Government Category, as this change may create a rate charge difference

An amount of \$403K has been allocated to assist in negating the larger impacts of the revaluation initiative.

Waste Service charges increased for all 3 services preliminary 0.44% (adopted LTFP 2.5%) – review during budget consultation for any State government levy changes, waste and recycling collection and sorting cost increases.

CWMS Service charge increased at 1.5% plus growth estimated at 1% to ensure service charge is sustainable (LTFP 1.5% plus 1% growth).

Operating income and expenditure is reflective of service requirements; using last year budget as a base and increasing where service costs are affected by agreements, CPI, costs out of our control and/or other factors

Expenditure budgets have been reviewed by CMT to streamline service provision.

Depreciation of selected assets has been calculated based on the 19/20 actual results using the depreciation cost as a ratio to the current replacement cost and updated for the 20/21 revaluation and condition assessments.

Capital Expenditure is \$31m not including developer donated assets, this amount includes carried forwards approved with the Budget Update March quarter and included in 21/22 capital budget. Capital Income for grants and contributions is budgeted at \$7.4m.

Full Cost Attribution - an allocation of internal services to relevant charge areas has not been estimated in the draft Budget/LTFP for consultation. This allocation from internal to external service areas does not affect the overall net result.

New Initiatives (NI)

New Initiatives require Council consideration and approval in principle to include in the 2021/22 base budget and LTFP.

Council held two workshops as part of the NI review processes. The draft budget includes the NI's considered at Council workshops, for those accepted in the Operating and Capital areas and others are part of the Big Project with the balance of NI's either no or

deferred or addressed via other processes or further assessment required. As part of the process, all NI submitters will be advised. Funding of NI's is through rates, grants, other income, existing cash and loans.

NI's included in the 2021/22 base draft budget:

No	New Initiative (NI) Name	Op/Cap	Amount \$
1	Talunga Park - Drainage to Show Hall, Sheep Pavilion and Atrium	Capital	65,000
2	Upgrading, kerbing and sealing of Bushman Street, Tanunda	Capital	81,500
3	Upgrading, kerbing and sealing of Short Row, Angaston - Included in road construction, sealing budget total	Capital	61,000
4	Replace guard rails on Mengler Hill Road	Capital	75,000
5	Saleyard Road Mt Pleasant - Kerb Replacement and Footpath Upgrade	Capital	140,921
6	Barossa Visitor Information Centre Carpark Upgrade	Capital	421,100
7	MacDonnell Street, Tanunda - Included in road construction, sealing budget total	Capital	TBA
8	Acceleration of Aboriginal social inclusion engagement work	Operating	34,847
9	Stockwell Recreation Park - Implement CWMS Irrigation	Capital	30,000
10	Elizabeth Street Drainage	Capital	210,000
11	Bike path renewal between Williamstown Rd and Kalperri Rd	Capital	200,000

Draft Long Term Financial Plan

High level financial information is included in the LTFP including key financial indicators (KPIs) with established targets and commentary on expected results and variances, checking Council's financial sustainability.

Council adopted the previous LTFP in July 2020; since then Council and corporate decisions, asset management and legislative requirements have effected functions and service provision and the expected operating result.

These decisions include grant funding submissions, including various other project or service requirements and "One-off projects" not included in the adopted LTFP.

Sub plans are incorporated for Waste Services and Community Wastewater Management Systems (CWMS) and Nuriootpa Centennial Park Authority (NCPA).

NCPA have reviewed their LTFP; for years 2021/22 and onwards income, expenditure and financing numbers have been used based on normal activity years.

COVID 19 - the base budget for 2021/22 has \$180k provided for assistance programs; no rates remission assistance is included.

The Big Project (TBP) projected costs, loans and grants have been included with operational activity provided when relevant.

Operating income and expenditure has been reviewed, the LTFP is drawn from the base year of 21/22 applying annual indexation.

All future years discretionary project funding has been adjusted with \$50k pa included from 2022/23 for community facility minor replacement/improvements. In the Capital buildings expenditure LTFP \$500k pa is included for years – 2027/28 to 2030/31. These funds enable future asset upgrades and/or new service options, including consideration of TBP - priority 2.

The adopted Business Case – Sustainable Resourcing Model (phase 1) has been included in the Draft Budget and LTFP and will impact the operating result in the early years until revenue and other expenditure savings has equalised the service cost with the rates charge.

The LTFP forecasts for forward years include:

- General rate increases are at 2.75% for years 2022/23 and for all of the remaining years, plus 1% growth.
- 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.
- TBP capital expenditure program over the next five years is \$36.3m.
- Capital grants and contributions in this review include estimation for funding allocation for:
 - CWMS developer minor contributions at \$50k per year for all years.
 - TBP at \$14m over the next five years.

- Annual Building and Recreation asset renewal is above the annual allocations to provide for future needs until the IAMP renewal programs have been prepared and approved.
- Loan financing is a mix of fixed and cash advance debenture loans as follows 2021/22 \$13m, 2022/23 \$6m, 2023/24 \$5m and in 2024/25 \$8m. Approval for TBP grant applications and any associated community loans will be updated during the AB&BP during consultation period.
- The Community Wastewater Management Systems (CWMS) service charge and rate ranging from 1.5% to 2.75% pa.

The future years of the CWMS LTFP is forecasting a breakeven operating position, although a reserve is in place which should offset any unexpected costs. 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 ranging from 0.44% to 1.5% pa reflecting the expected cost of providing the service. The State Government Budget 2021 will be held in June. Council staff will then check for any changes to disposal cost changes and update the budget and services as/if needed.

Nuriootpa Centennial Park Authority Board Draft Budget and LTFP

The NCPA draft 2021/22 budget was endorsed at the Board meeting 19 May 2021 and the NCPA LTFP has recently been reviewed and will be considered at the next NCPA board meeting scheduled for the 23 June 2021.

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 amendments to reflect current trends, future operating costs for 2021 TBP items at this site start from the 2022/23 year.
- Loans – repayments have been from the last years LTFP including:
 - Council loan as at 30 June 2021 - \$390k, is to be repaid at \$130k pa.
 - the LGFA \$1m fixed 10 year loan from June 2020
 - Capital Expenditure - changes to renewal and upgrade program spending around cashflow requirements and holding sufficient funds for operations.

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.

Summary and Conclusion

Council has reviewed its financial parameters for the LTFP, including the indexation used for forward projections on income and expenditure.

As noted in the Financial Considerations section of this report and the AB&BP, this financial analysis highlights that all KPI's are within the target ranges with the exception of the Operating Surplus Ratio annual result is (2.1%) in year 2025/26, and Council attains a financially sustainable position within the 10 year period of the LTFP.

With the inclusion of TBP grant funding and loan financing, Council has the capacity to undertake TBP asset construction, operational costs and other minor additional projects.

Consideration of other major works in future years will require a full review of the LTFP and as required, Due Diligence Reporting processes to check financial sustainability. The adoption of the Budget is due to be held in early July (date to be confirmed).

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Draft Annual Budget and Business Plan 2021/22

Supporting references

Policy

Budget & Business Plan and Review Policy

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan



How We Work - Good Governance

Corporate Plan

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

Advocacy Plan

Nil

Legislative Requirements

Local Government Act 1999

Local Government (Financial Management) Regulations 2011, Regulation 9(1)(b)

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

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 or early June at the latest.

The Consumer Price Index for Adelaide all groups is 1.2% as at March 2021.

Financial Indicators and Sustainability

Financial performance is managed using suitable financial indicators and targets. Council's adopted Operating Surplus Target is:

- KPI1 - Operating Surplus cumulative forward for a 5 year period; Target - surplus by year 5,

A review of the KPI1 target range and application to Councils existing financial results and position is as follows:

- The consistent significant operating surplus result(s) in the last few years is evidence of previous activity to contain expenditure,

- There will be periods of operating deficit as the full financial effect of the Business Case – Sustainable Resourcing Model (phase 1) is actioned,
- The KPI1 should be extended to return to a cumulative operating surplus over the LTFP - 10 years

Council's Revised Operating Surplus Targets are:

- KPI1 - Operating Surplus - a cumulative surplus by year 10
- KPI2 – Operating Surplus Ratio, Target - range (2%) to 10%.– Note: outliers including the timing of Federal grant payments and other unplanned events can create one-off deficits results outside of the target range
- KPI - No. 3 Net financial liabilities (NFL) ratio is greater than zero but less than 100% of total operating revenue
- KPI - No. 4 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:

- Operating Surplus a deficit for years 2022/23 to 2026/27; accumulative surplus by year 2030/31
- Operating Surplus Ratio – Rolling 3 year retrospective ranges from (1.6%) to 1.9%, the retrospective results have been used to reflect the most recent actual and revised budget estimates; Annual ranges from (2.1%) to 2.6% with the expected annual result is a deficit of (2.1%) for only one year 2025/26.
- Net Financial Liabilities Ratio – peaks at 63.2% in 2024/25 and by year 10 is 25.3%. The Net Financial Liabilities amount as at 30 June 2021 will be \$9.2m, peaks at \$28.6m in 2024/25 and by year 2030/31 is projected to be at \$13.9m. Loan balance as at 30 June 2021 will be \$9m; over the LTFP period new loan requirements is \$32m less loan principle payments at \$30m; by year 10 loan balance \$11m
- Asset Renewal Funding Ratio – asset replacement is measured to existing asset programs and estimates for future years within the LTFP period and previous IAMPs. Within this LTFP the renewal spend ranges from 83.8% to 102.5% at an average of 91.9%;

Note: IAMP renewal spend information will be updated when the improvement plans are updated for future spend requirements. This KPI is assessed to ensure Council provides for replacement/renewal of existing assets as they wear out or are consumed. A substantial amount of 'Upgraded' asset work completed each year are partly renewing components of existing assets. For normal work cycles, components of these assets would need to be replaced when the depreciation or consumption of them had reduced their remaining life to zero, but as they are being upgraded to a better service level, they are effectively replacing asset components that would normally need to be replaced as/when due, this could have a significant favourable impact on the indicator.

COMMUNITY ENGAGEMENT

The public consultation period will commence from 9 June 2021 and closes on 29 June 2021 at 5pm. Verbal submissions will be considered at a Public meeting on 24 June 2021, held at 5.30pm, 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.

Submissions will also be accepted by the following methods:

- via Council's engagement platform at yoursay.barossa.sa.gov.au,

- via Facebook www.facebook.com/thebarossacouncil,
- via email barossa@barossa.sa.gov.au, or
- in writing.

Public submissions will be considered by Council after the consultation period has ended, at the Council meeting, date to be set.

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.

3. NEXT MEETING

Tuesday 15 June 2021 at 9.00am

4. CLOSURE

Mayor Lange declared the meeting closed at 6.19pm.

Confirmed at Council Meeting on 15 June 2021

Date:.....

Mayor:.....