

ELECTED MEMBERS' BRIEFING SESSION COVER SHEET

Date of Workshop:	21 March 2022
Subject:	2022-23 Annual Business Plan and Budget Workshop 1
Department:	Business Support & Improvement
Presenter(s):	Peter Tsokas, Alex Brown, Nicola Tinning
Session:	Open to the public.
Attachments:	<i>Attachment 1 (2022-23 Draft Budget Project Bids)</i>

PURPOSE

This workshop commences the consideration of the 2022-23 Draft Annual Business Plan and Budget (Draft 2022-23 Budget).

The key objectives of this session are to:

1. Set the context for the Draft 2022-23 Budget by providing an overview of the draft budget position relative to the draft 2022-2032 Long Term Financial Plan (LTFP); and
2. Consider budget bids for Operating Projects and New Capital, including those proposed by Council Members.

Feedback from this workshop will assist Administration in preparing the Draft 2022-23 Budget for public consultation, which will be considered by Council in the April Council Meeting scheduled for Tuesday 26 April 2022.

A second workshop has been scheduled for Thursday 24 March should more time be required to consider the funding priorities following this workshop.

BACKGROUND

Long-Term Financial Plan

The LTFP guides the development of the Annual Business Plan and Budget. Its intention is to assist Council in maintaining the current level of services, without unplanned or significant increases to the rates paid by ratepayers or unplanned cuts to services.

The draft Long-Term Financial Plan has been prepared with the following key parameters:

- Current services provided to the community are maintained at existing service levels;
- Forecast Adelaide CPI of 2.25% based on SA Treasury estimates from December 2021, noting this will be reviewed following the release of Adelaide CPI for the March 2022 quarter in late April;

- General Rates have been increased in line with CPI + 0.5% from growth in new developments;
- Operating Projects: \$1.3M then indexed in future years (including \$250K for election every 4 years);
- New Capital (estimate): \$3.0M indexed in future years;
- Capital Renewal: In line with the Asset Management Plans
- Includes the Liability Guarantee Fee paid by Centennial Park Cemetery Authority (CPCA), but excludes the operating surplus/deficit for CPCA and the Brown Hill Creek Stormwater Management Board.

The following three key financial indicators are used to monitor Council's financial sustainability over time:

Financial Indicator	Target	LTFP forecast 2022-23
Operating Surplus Ratio This ratio is a measure of the ability to cover operational costs and have revenues available for capital funding, repayment of debt or consider the provision of new services.	> 5%	4.6%
Net Financial Liabilities Ratio This ratio is a measure of the significance of the net amount owed by Council at the end of a financial year compared with income for the year.	< 80%	35%
Asset Renewal Funding Ratio This ratio represents the level of capital expenditure on the renewal of assets relative to the level of such expenditure identified as warranted in Council's Asset Management Plans.	= > 100%	100%

*The targets have been reviewed by Council's Audit Committee.

Council is still recovering from its support of ratepayers in 2020-21 by freezing the level of rates due to the impact of COVID-19.

CPI increased by 2.4% in 2020-21, and although general rate income increased by 1.0% above CPI in 2021-22, general rate income is 1.4% and approximately \$600K lower per annum than if rates had increased by CPI across both financial years.

Council's LTFP forecast is an Operating Surplus of 4.6% for 2022-23.

Draft Operating Budget

The proposed Draft 2022-23 Budget has been prepared with the following:

- Current services provided to the community are maintained at existing service levels;

- Forecast Adelaide CPI of 2.25% based on SA Treasury estimates, noting this will be reviewed following the release of Adelaide CPI for the March 2022 quarter in late April;
- General Rates have been increased in line with CPI + 0.5% from growth in new developments (noting a Motion on Notice in January of CPI+1% for growth);
- Operating Projects: \$1.67M bids have been received for 2022-23, including an allowance of \$250K for the Local Government elections in November;
- An increase in ongoing operating costs of \$196K for the shift of one of Council's main software applications to the Cloud. This is a change to the service delivery model offered by the vendor. An Operating Project template has been prepared to explain this change and can be found at the end of the Operating Project bids.
- New Capital: \$2.09M bids have been received for 2022-23;
- Capital Renewal: In line with the Asset Management Plans; and
- Includes the Liability Guarantee Fee paid by Centennial Park Cemetery Authority (CPCA), but excludes the operating surplus/deficit for CPCA and the Brown Hill Creek Stormwater Management Board.

The following Items are still to be resolved:

- CPI for March will not be known until the end of April
- Final property valuation data will not be received until early June
- The proposed Superannuation Guarantee increase from 10% to 10.5%
- Depreciation \$'s
- Finance costs
- Goodwood Community Centre – service delivery model

There has been significant media coverage and speculation regarding CPI following recent increases in fuel prices and the pressures in the construction industry. The potential implications of these will be covered further in the workshop presentation.

Financial Indicator and other variables	Target	LTFP forecast 2022-23	Draft Budget 2022-23
Operating Surplus Ratio	> 5%	4.6%	3.7%
Net Financial Liabilities Ratio	< 80%	34%	35%
Asset Renewal Funding Ratio	= > 100%	100%	100%
Operating Projects (bids)		\$1.3M	\$1.67M
New Capital (requests)		\$3.0M	\$2.09M

The Operating Surplus in the draft budget is \$2.0M inclusive of Operating Projects of \$1.67M. This represents an operational surplus ratio of 3.7%.

The current proposed Operating Project bids total \$1.67M, \$374K above the \$1.3M allocated in the LTFP.

The following options are provided to encourage conversation about the level of funding Council wishes to provide for Operating Projects:

Scenario	Draft Budget Fund proposed projects with rates at CPI+growth	Scenario 1 Reduce projects in line with LTFP allocation of \$1.3M	Scenario 2 Reduce projects to achieve 5% target	Scenario 3 Rates 1% above CPI (+ growth) and reduce projects to achieve 5% target
Rates income	CPI+growth	CPI+growth	CPI+growth	CPI+1% +growth
Operating Surplus before Operating Projects	\$3.7M	\$3.7M	\$3.7M	\$4.1M
Funding for Operating Projects	\$1.67M	\$1.3M	\$1.0M	\$1.4M
Operating Surplus after Operating Projects	\$2.0M	\$2.4M	\$2.7M	\$2.7M
Operating Surplus Ratio	3.7%	4.4%	5%	5%

Note: 0.5% of Rates income = \$210K

Proposed Operating Projects

The total value of the Operating Project bids proposed is \$1.67M, incorporating \$630K of proposals from Members. A summary of the projects is outlined below:

\$'000	Operating Projects 2021-22 Budget	Proposed Operating Project Bids 2022-23
Environmental Initiatives	377	707
Events	417	280
Economic Development Initiatives	100	90
Other Projects (excl. LG Election)	139	347
2022 Local Government Election	-	250
Total	1,033	1,674

Administration suggests Members choose a suite of proposed Events and Environmental projects for 2022-23, rather than endorsing all the proposals. If all the event bids were supported by Council, additional funding would be required for increased staffing or the outsourcing of some events.

Many of the proposals for your consideration are a continuation of current programs in the 2021-22 Budget. More detail is provided in the summary table in the Operating Project bids section of Attachment 1.

Operating Project Summaries have been provided for Members to read in Attachment 1, pages 4 to 61.

Attachment 1

As previously outlined the forecasted operating surplus ratio is presently 3.7%, due to the projects being \$1.67M compared the previous LTFP forecast of \$1.3M.

New Capital Projects

These proposals equate to \$2.09M (Net) and incorporate \$932K for the implementation of the Brown Hill Keswick Creek Storm Water Management Plan. The proposed projects can be funded from the operating surplus without the requirement to borrow.

The summary list includes the continuation of current programs in the 2021-22 Budget and design work for projects that will, if progressed will require funding in future years.

New Capital Project Summaries have been provided for Members to read in Attachment 1, pages 65 to 86.

Attachment 1

Draft Capital Renewal Program

The Draft Capital Renewal Program is for the renewal of existing assets and is based on the best and current information available about asset condition and use. The preliminary program is \$8.443M (Net), with the total funding in line within the Asset Management Plans that were endorsed in December 2020.

Capital Renewal Program Summaries have been included for Members' information in Attachment 1, pages 87 to 107.

Attachment 1

Next steps in the process

- Feedback from this workshop will assist Administration in preparing the Draft 2022-23 ABP&B for public consultation which will be presented for consideration in the April Council Meeting.
- Public Consultation is presently scheduled to commence Friday 29 April to Friday 20 May 2022 and will incorporate two community forums.
- The Audit Committee will review and collate feedback for Council at its meeting on Tuesday 17 May 2022.

- A further workshop has been scheduled on Monday 31 May 2022 to consider:
 - community feedback on the Draft Annual Business Plan and Budget, and
 - the final proposed valuations and council rates for 2022-23.
- The final 2022-23 ABP&B will be presented for adoption in the June Council meeting.

Specific Questions for Members

- Which project would you like included in the Draft 2022-23 Budget for Public Consultation.

SPEAKERS

Peter Tsokas	Chief Executive Officer
Alex Brown	Manager Finance & Procurement
Nicola Tinning	General Manager Business Support and Improvement

THE BRIEFING IS OPEN TO THE PUBLIC