

Special Council Meeting Minutes

11 November 2020

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

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City of
Norwood
Payneham
& St Peters

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VENUE Council Chambers, Norwood Town Hall

HOUR 7.00pm

PRESENT

Council Members Mayor Robert Bria
Cr Kester Moorhouse
Cr Evonne Moore
Cr Garry Knoblauch
Cr Carlo Dottore
Cr Kevin Duke
Cr Connie Granozio
Cr Scott Sims
Cr Fay Patterson
Cr Sue Whittington
Cr John Callisto
Cr Christel Mex

Staff Mario Barone (Chief Executive Officer)
Peter Perilli (General Manager, Urban Services)
Carlos Buzzetti (General Manager, Urban Planning & Environment)
Lisa Mara (General Manager, Governance & Community Affairs)
Sharon Perkins (General Manager, Corporate Services)
Keke Michalos (Manager, Economic Development & Strategic Projects)
Andrew Alderson (Financial Services Manager)
Paul Mercorella (Acting Manager, City Assets)
Scott Dearman (Project Manager, Assets)
Josef Casilla (Project Officer, Assets)
Marina Fischetti (Executive Assistant, Urban Services)

Visitor Natasha Jones (KelledyJones Lawyers)

APOLOGIES Cr Mike Stock, Cr John Minney

ABSENT Nil

REMEMBRANCE DAY

As today commemorated Remembrance Day, one minute's silence was observed in the Chamber.

1. CONFIRMATION OF THE MINUTES OF THE COUNCIL MEETING HELD ON 2 NOVEMBER 2020

Cr Knoblauch moved that the minutes of the Council meeting held on 2 November 2020 be taken as read and confirmed. Seconded by Cr Callisto and carried.

2. STAFF REPORTS

At 7.03pm Cr Sims moved that Confidential Item 3.1 be brought forward for consideration. Seconded by Cr Duke and carried unanimously.

3.1 COUNCIL RELATED MATTER

RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999* the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(h) legal advice

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

RECOMMENDATION 2

Under Section 91(7) and (9) of the *Local Government Act 1999* the Council orders that the report, discussion and minutes be kept confidential until this matter is finalised.

Cr Patterson moved:

That pursuant to Section 90(2) and (3) of the Local Government Act 1999 the Council orders that the public, with the exception of the Council staff present [Chief Executive Officer, General Manager, Governance & Community Affairs, General Manager, Urban Planning & Environment, General Manager, Urban Services, General Manager, Corporate Services, Manager, Economic Development & Strategic Projects and Executive Assistant, Urban Services] and Ms Natasha Jones, Kelledy Jones Lawyers, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

(h) legal advice

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

Seconded by Cr Whittington and carried unanimously.

Cr Patterson moved:

Under Section 91(7) and (9) of the Local Government Act 1999 the Council orders that the report, discussion and minutes be kept confidential until this matter is finalised.

Seconded by Cr Sims and carried unanimously.

2.1 DRAFT LONG TERM FINANCIAL PLAN

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA1825
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to present to the Council the draft Long Term Financial Plan (LTFP).

BACKGROUND

Pursuant to Section 122 (4) of the *Local Government Act 1999* (the Act), the Council must undertake a review of its Strategic Management Plans (which incorporates the Infrastructure and Asset Management Plans and Long Term Financial Plan), within two (2) years after each Local Government General Election.

As previously advised, due to the COVID-19 pandemic, the Minister for Transport, Infrastructure and Local Government, issued a notice which provided Councils a three (3) month extension to the statutory deadline to complete these reviews. Given the uncertainty created by the COVID-19 pandemic, the Council has elected to take up the opportunity provided by the extension and as such, the Long Term Financial Plan (LTFP) must now be adopted by the Council by February 2021.

A copy of the draft LTFP is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030* (which Members are aware is currently also being reviewed), provides the framework upon which the Council's Strategic Management Plans are developed. The Council's suite of Strategic Management Plans currently incorporates the *CityPlan 2030*, the draft LTFP, the Infrastructure and Asset Management Plans and the Annual Business Plan and Budget.

FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained in the draft LTFP provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The draft LTFP should be viewed as a guide to future actions or opportunities and encourages the Council to consider the future impact of decisions which are made, on the Council's long term financial sustainability. To this end, reference should be made each year to the LTFP when preparing the Annual Business Plan and Annual Budget, to ensure that the outcomes and the financial and operational components, of the Council are continuing to be achieved.

EXTERNAL ECONOMIC IMPLICATIONS

The draft LTFP provides information on the Council's financial projections, based on the set of assumptions. While South Australia has to date managed the health and economic impacts of COVID-19 effectively, the future ongoing impacts of the pandemic are unknown and therefore, determining the basis of the assumptions which have been used in preparing the draft LTFP, reference has been made to the economic conditions over the past ten (10) years. Essentially, the assumption has been made that the Council will return to "normal" operations during 2020-2021.

As Elected Members are aware in response to the COVID-19 pandemic, the Council endorsed a Financial Support Package, which included a number of initiatives to support the City, as it enters the recovery phase of the pandemic. The financial support package included:

- a zero (0%) rate revenue increase, which for the wider community, resulted in a zero rate increase;
- a rate cap of 1% to eligible residential and commercial ratepayers’;
- waiving of The Parade Development Separate Rate for businesses within the Norwood Parade Business Precinct;
- three (3) month rent relief for commercial and community tenants of Council owned buildings (subject to demonstrating financial hardship resulting from the COVID-19 pandemic);
- waiving of permit fees for community sporting groups which utilise the Council’s sporting grounds;
- rebates of Outdoor Dining Permit fees from 1 July 2020 until 31 December 2020; and
- additional promotion and marketing of the Council’s business precincts.

The financial forecasts included in the draft LTFP, has assumed that the Financial Support Package will only apply during the 2020-2021 financial year.

Given the assumptions which have been used in preparing the draft LTFP, there will be an economic impact on ratepayers and the community through increases in rates and user charges for user pays services.

SOCIAL ISSUES

The timing of the Capital Projects set out in the draft LTFP, have been based on the Council’s *Infrastructure and Asset Management Plans (IAMP’s)*, which set out how the Council intends to maintain, renew and upgrade its existing asset base. The IAMP’s identify the service standards that are to be set and maintained with respect to the roads, footpaths, stormwater drainage, open space and buildings. If assets are not maintained and renewed in line with the timing and standards set out within the respective IAMPs, the City’s community well-being may be impacted upon through the a reduction in service standard through the removal of assets (i.e. playgrounds, public facilities) from service or be exposed to hazards resulting from inadequately maintained assets.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Pursuant Section 122 (4) of the Act, the Council must undertake a comprehensive review of its Strategic Management Plans (which incorporates the Infrastructure and Asset Management Plans and Long Term Financial Plan), within two (2) years after each Local Government General Election.

Due to the COVID-19 pandemic, the Minister for Transport, Infrastructure and Local Government, issued a notice which provided Councils a three (3) month extension to the statutory deadline. Given the uncertainty created by the COVID-19 pandemic, the Council has elected to take advantage of the extension and as such the LTFP must be adopted by the Council by February 2021.

If the Council does not adopt the LTFP by February 2021, pursuant to Section 129 (6) of the Act, the Council’s External Auditor may report the non-compliance with Section 122 (4) of the Act, to the Minister for Planning and Local Government.

COVID-19 IMPLICATIONS

As a result of the social, financial and economic impacts of the COVID-19 pandemic, the Council responded with a \$1.159 million Financial Support Package in the 2020-2021 Budget, with the main element of that package being a zero (0%) rate revenue increase, which for the community resulted in a zero rate increase.

The long term financial impact of the zero percent increase, over the life of the LTFP (ie 10 years), is a loss of rate revenue in the order of \$7.8 million.

The draft LTFP assumes that from 2021-2020, the Council has implemented changes to its operations and that the provision of existing services, programs and activities have resumed to “normal”.

CONSULTATION

- **Elected Members**
Information Sessions with Elected Members were held on 22 July 2020 and 13 October 2020.
- **Community**
The Community will be provided with the opportunity to comment on the LTFP through the public consultation process which is scheduled to commence in December 2020.
- **Staff**
Chief Executive Officer
General Manager, Corporate Services
General Manager, Urban Services
Financial Services Manager
Project Manager, Assets
- **Other Agencies**
Nil

DISCUSSION

The draft LTFP, as contained in **Attachment A**, continues to be based on the Councils Financial Goal of being “a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner”.

To ensure that the Council achieves its Financial Goal, a number of Financial Outcomes and Financial Targets have been established to support the Councils achievement of its Financial Goal. The Financial Outcomes upon which the draft LTFP has been based are:

Outcome 1: A Balanced Budget

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030.

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users.

The Financial Goal and Outcomes have been reviewed and it has been determined that these Goals and Outcomes continue to remain relevant and therefore form the basis of the draft LTFP.

The draft LTFP supports the Councils strategic planning processes, with the draft LTFP outlining the Councils approach to delivering infrastructure and services to the community in a financially sustainable and affordable manner over the next ten (10) years.

The draft LTFP is set against a background of economic uncertainty, particularly due to the COVID-19 pandemic and its consequent impacts (which remain unclear) and therefore, will need to be reviewed annually to reflect the impact on annual budgets and how decisions which are made impact on the future financial sustainability of the Council. In developing the financial forecasts, consideration has been given to the economic drivers that will influence the future cost of providing infrastructure, facilities and services over the next ten (10) year period.

The financial projections contained in the draft LTFP represent estimated future prices and costs which have been based on a set of assumptions.

The assumptions used in the preparation of the draft LTFP, can significantly influence the outcome. The draft LTFP has been prepared on the assumption that annually, new rateable properties will account for a 0.5% increase to the overall capital value of properties within City. It should be noted that with any increase in the number of new properties, there will be a requirement to increase expenditure to ensure service levels are maintained across the City.

Service Levels

The Council provides a variety of services, programs and activities. The provision of these services, programs and activities, are in response to the responsibilities of Councils as set out in the *Local Government Act, 1999* and other relevant legislation and are in addition to community expectations.

The draft LTFP is based on a “*business as usual*” assumption and assumes that from 2021-2020, in response to the COVID-19 pandemic, the Council has implemented changes to its operations and that the provision of existing services, programs and activities have now ostensibly resumed to “normal”.

Rate Revenue Increases

In respect to rate revenue, there is an important change proposed in respect to the Council's strategy on rate revenue.

In previous LTFP's, the Council's approach has been to adopt rate revenue increases inclusive of new development growth. So, for a rate revenue increase of 2.5%, with a new development factor of 0.5%, the Council has increased rate revenue by 2.0% (ie. 2.5% less 0.5%), to cover its increases in costs in providing our existing services and any new initiatives, plus 0.5% for new development. This has been considered an appropriate professional and well-intended approach, given the prevailing circumstances when previous decisions have been made. It means that all property owners have benefited from the increase in the City's property base.

Notwithstanding this, when considering future increases in rate revenue it is proposed that the rate revenue increases now be comprised of:

- a Rate Revenue indexation factor, to fund the cost increases in normal operations; plus
- an indexation factor resulting from new assessments. This approach is in line with the proposed methodology set out in the *Local Government Review Bill* and is a practice which is used by a number of Councils; and
- an indexation factor to account for the future renewal and servicing costs of major capital works.

Considering the elements outlined above, the draft LTFP assumes an average Rate Revenue indexation of 2.6% per annum which is equivalent to the 10 year average of the *Local Government Price Index* (LGPI) to fund normal operations plus a rate revenue increase resulting from new assessments of 0.5% and a rate revenue increase of 1.5% to account for the future renewal and servicing costs of major capital works such as implementation of The Parade Masterplan, Norwood Library redevelopment, redevelopment of the Council's Swimming Centres, renovations to the Norwood Concert Hall, etc.

The combined rate revenue increases range from 4.51% in year 1, decreasing to 3.56% in year 10. The fall in the proposed increase is a result of a reduction of the rate revenue factor applied to account for future renewal and servicing costs of major capital works.

Cost Escalation

The Reserve Bank of Australia has an inflationary target of between 2.0% and 3.0% per annum. Based on the 10 year average, CPI increases have been set at 2.0% for the life of the LTFP. The nature of the price movement associated with goods and services which are used consumed by Local Government, are however somewhat different to the goods and services consumed by the 'average household'. The cost escalation for contracted services is on average 2.6% per annum, which is based on the 10 year average of the *Local Government Price Index*.

Increases in staff cost have three main elements, normally:

1. increases contained in the Enterprise Agreements;
2. increases and movements of classification levels within the current workforce; and
3. additional positions that are required to meet the strategic directions which are set by the Council.

The financial projections contained in the draft LTFP have assumed that wages and salary costs will increase by 2.0% per annum. Enterprise Agreements cover periods of up to 3 years. It should be noted however, as these Agreements will be renegotiated twice during the planning timeframe of the LTFP, the potential for unforeseen variations in the financial projections exist.

Asset Renewal and Replacement

The Council has in place *Whole of Life Asset Management Plans* (LAMP's) for each major class of assets. The financial projections included in the draft LTFP, are based on the asset renewal and replacement programs which are outlined in the *Whole of Life Asset Management Plans*.

Due to the unique nature of the Council's asset base, the input costs to renew and replace the existing asset base, can be subject to cost escalations which are greater than CPI. The financial projections have assumed that construction costs will increase by 2.3%.

The financial forecasts, based on the draft IAMPs, are based on an average annual renewal program, with estimated funding requirements of \$12.8 million per annum. In addition, the draft LTFP includes an annual funding allocation of \$2 million to fund the renewal of other assets such as library books, plant and equipment and computer equipment.

The Council has identified strategic projects (new projects and upgrades of existing assets) to the value of approximately \$80 million. The strategic projects have been identified through the implementation of pre-existing endorsed strategies and plans such as *City Plan 2030*, *City-Wide Cycling Plan*, *Playground Strategy*, *Open Space Strategy*, *Economic Development Strategy*, *Private Laneway Conversion Policy* and so on. The strategic projects have been ranked and prioritised to be undertaken in line with asset renewals to ensure there is efficient use of resources and where possible, assets are not being replaced earlier than required.

Given the Council's projected financial capacity and funding requirements, the current known strategic projects have been programmed over a 15 year timeframe, with the draft LTFP including forecast capital expenditure on new and upgrade to the value of \$66 million over the ten (10) year period. The proposed timing of the strategic projects is contained in **Attachment B**. **It should be noted that the financial scheduling of these projects are at the Council's discretion.**

Funding

Based on the principle of “*intergenerational equity*”, the draft LTFP assumes that the Council will borrow to fund new assets and the upgrading of assets.

Loan repayments are calculated on current loan schedules and the estimation of any future loan borrowings.

Interest rates on new borrowings are forecast between 2.4% per annum and 2.75% per annum. Interest rate on investment income is forecast at 1.0% per annum.

Cash and cash equivalents projections, when possible, are based on an ideal closing cash balance equivalent to one month’s working capital requirements.

Grants and Subsidies

The Council receives Grants and Subsidies from both the State and Federal Governments to fund the provision of services and programs. It has been assumed that existing Operating Grants will continue to be provided in the future and have been indexed by 2.0% per annum.

The Council has previously and will continue to seek Capital Grant revenue to assist in funding of specific new capital projects which are set out in the draft LTFP. However, as this revenue is dependent on the pool of Government funding available, it is difficult to predict how successful the Council will be in securing funds. Therefore, no Capital Grant Funding, other than funding which has already been secured, has been included within the draft LTFP. The Council could choose to defer the timing of some projects set out in the draft LTFP, with the view of the asset construction only going forward subject to grant funding being secured.

Other Fees and Charges

Revenue generated from *Fees and Charges* are separated between Statutory Charges (which are set by Legislation) and User Charges. As part of the South Australian Government Budget, *Fees and Charges* for specific *Acts* are levied and which then apply to services which are provided by the Council.

For User Charges, the Council applies a principle of “*user pays*” and where possible, recovers the full cost of operating or providing a service or good. Where it can be demonstrated that it is unfeasible to recover the full cost, concessions may apply.

Statutory and User Charges represent 10% to 15% of the Councils Total Revenue and have been indexed by 2.0% per annum.

Depreciation

Depreciation is an allowance that represents the consumption of the service potential of an asset, or put simply, its “*wear and tear*”. Depreciation is based on the written down replacement value of an asset. The Council commissions an independent valuation of its major asset classes every five (5) years. In the interim years, a review and update of the replacement cost is undertaken based on the annual average movement in values of like assets verified by the Council’s Valuer.

The escalation rates to reflect asset revaluations which have been applied in the financial projections, is between 1% and 3%, across the life of the draft LTFP (ie. 10 years), for the respective asset classes.

Rate revenue, which includes depreciation, is then utilised to fund the renewal of existing infrastructure and assets.

Long term financial planning is an iterative process and the assumptions applied are reviewed annually using updated information. This ensures that the Council continually reviews its financial performance and remains firmly focussed on maintaining long term financial sustainability.

Financial Targets

The measure of the Council's success in achieving its financial goal of being a *City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner*, is measured against a series of targets and performance measures which reflect the financial outcomes of financial sustainability.

Financial targets adopted by the Council to measure performance against the LTFP (based on the assumptions set out in this report) and financial sustainability are detailed in the Graphs below.

Outcome 1: A Balance Budget

Council's services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

The Council's main source of income is generated from the levying of rates and user charges and fees which are applied to services and programs which are provided either in response to community desires and expectations or resulting from the provision of services required by legislation. The income collected is used to fund the cost of providing services, with surplus revenue being available to fund capital and the repayment of debt.

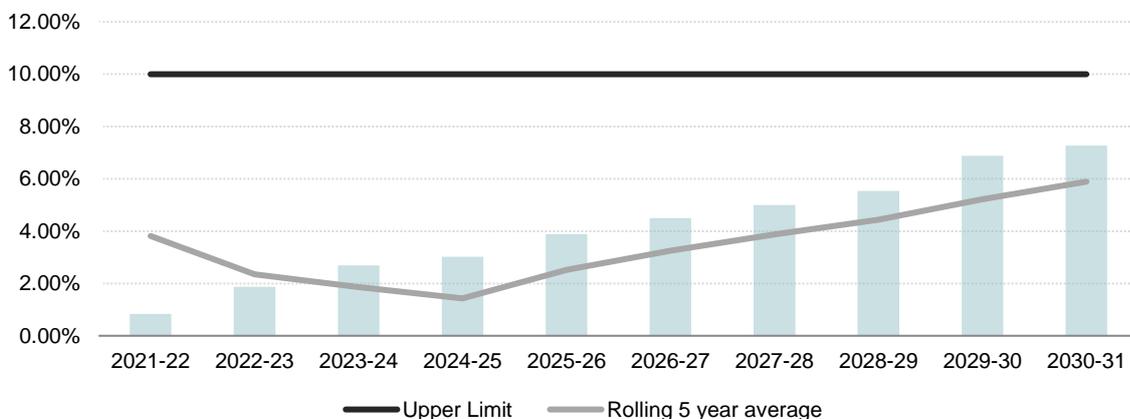
The Council's long term sustainability is dependent upon ensuring that, on average over time, the operating expenses are less than the associated revenues, with the measure being the Operating Surplus ratio, which measures operating surplus/ (deficit) as a percentage of operating revenue. Ideally, at a minimum, the operating surplus should be at a minimum equal to the annual principal loan repayments.

The Council measures its performance in achieving this Outcome through the Operating Ratio. The Operating Ratio measures the Council's ability to cover its operational costs and have surplus revenue available for capital funding and other purposes.

A positive ratio indicates the percentage of total own source revenue (principally rates) is available to assist in funding proposed capital expenditure, to meet loan repayments or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue that would have been required to achieve a break-even operating result.

The Council's Objective is having a Long Term Financial Plan which is based on consistently achieving an Operating Surplus Ratio, having regard to asset management and service level needs and expectations.

The benchmark target is between 0% and 10%.



Operating Surplus Ratio

✓ Target Achieved

The draft LTFP, as presented, achieves this target over the ten (10) year projections.

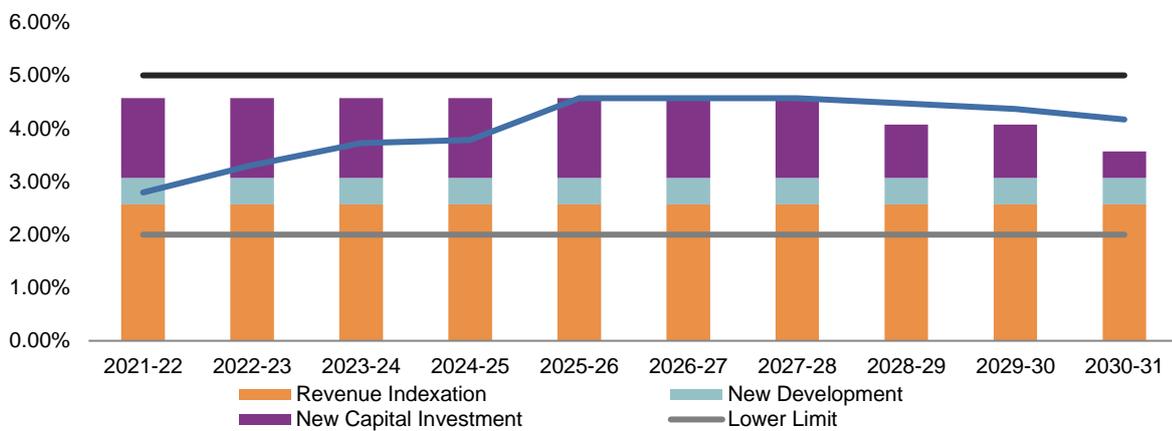
Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Rate revenue is a major component of the Council’s revenue base. In determining future rate increases, the Council considers its strategic management plan, *CityPlan 2030*, the economic climate, the need to maintain and improve the Council’s physical infrastructure and improve Community Well-being through its services, programs and facilities. The 2020-2021 Rating Strategy forms the basis for the future impact of rate revenue increases on sectors of the community where collected.

The Council’s Objective is to have a Long Term Financial Plan based on consistent rate revenue increases which meet the increased cost of the base level services and programs but also reflect new assessment growth and increased service levels but does not result in the community experiencing “rate shock” from year to year, as such the target range for rate revenue increase is between 2% and 5%.

The draft LTFP assumes an average Rate Revenue increase of 2.6% which is equivalent to the 10 year average of the *Local Government Price Index*. Other elements of the proposed rate revenue increase includes growth in new assessments and a factor for the future financial impacts of new and upgraded infrastructure investment set out in the Plan.



Rate Revenue Increase
✓ Target Achieved

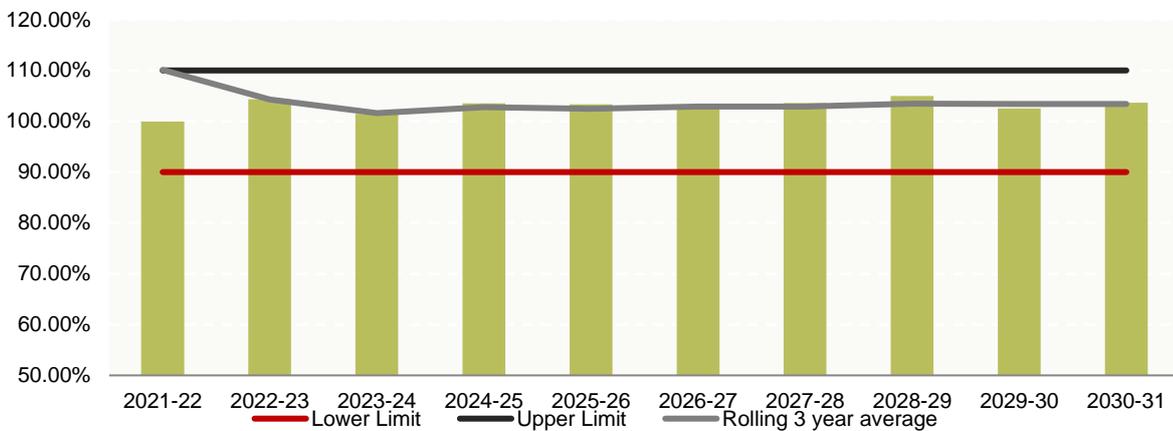
The draft LTFP, as presented, achieves this target over the ten (10) year projections.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in City Plan 2030.

Infrastructure and asset management is the combination of management, financial, economic, engineering and other practices applied to the management of physical assets with the objective of providing the required level of service in the most cost-effective manner. The Council’s *Infrastructure and Asset Management Plans* detail information regarding infrastructure assets including actions which are required to provide an agreed level of service in the most cost efficient manner. The Plan defines the service levels to be provided and what funds are required to provide the set service level. The Council measures its performance in achieving this Outcome through the Asset Sustainability Ratio.

The Asset Sustainability Ratio measures how well the Council is performing with respect to the renewal or replacement of existing physical assets, such as roads, footpaths, kerbing, buildings, plant etc. Ideally, physical assets should be renewed or replaced at the same rate the stock of assets is wearing out, however it is recognized that there may be some instances that require the Council to either accelerate decelerate the renewal or replacement of its existing asset base. As such the target ratio is calculated on a three (3) year rolling basis. The Ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the planned expenditure outlined in the Council's Infrastructure & Asset Management Plans, with the target being an Asset Sustainability Ratio between 90%-110% on a rolling 3 year period



Over the life of the LTFP (ie. 10 years), the Council is proposing to spend in the order of \$14.8 million per annum for the renewal of existing assets

Asset Sustainability Ratio
✓ Target Achieved

Based on the assumptions which have been made, the Council will achieves its target over the life of the LTFP

Outcome 4: Debt Management

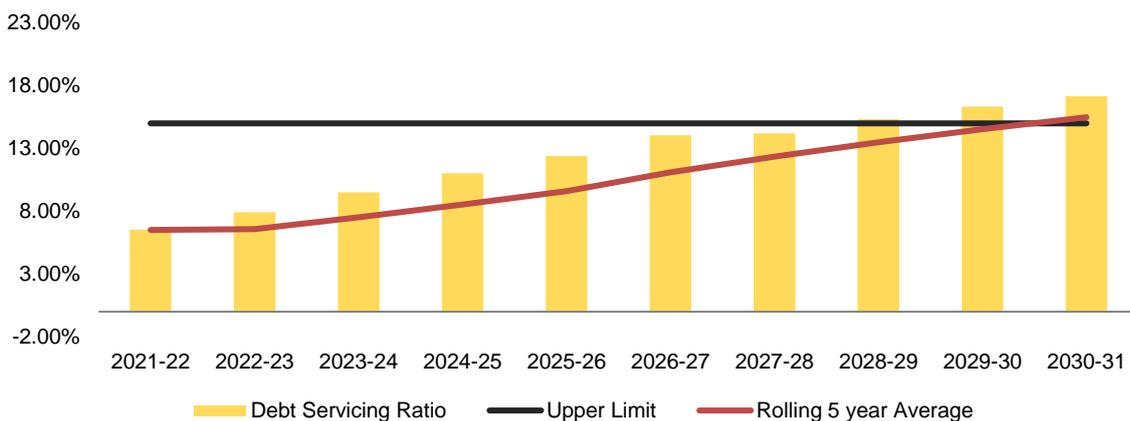
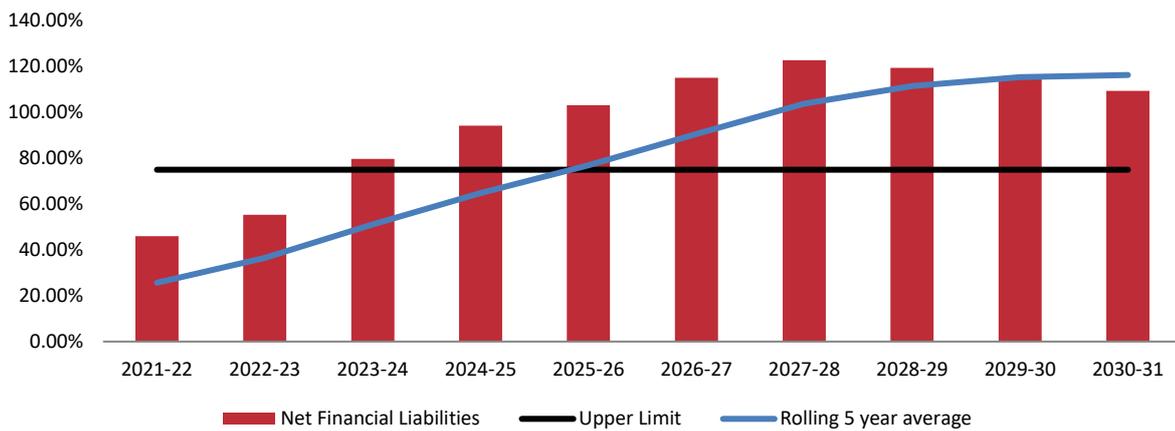
Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users.

A Council's indebtedness must be managed to ensure its liabilities and associated costs are met without impinging on the Councils financial sustainability. Net Financial Liabilities Ratio measures the extent of what is owed by the Council less any liquid assets (ie. cash or receivables) of the Council, are met by its operating revenue.

Net financial liabilities is a broader and more appropriate measure of indebtedness than the level of borrowings, because it includes items such as employee long-service leave entitlements and other amounts payable in future as well as taking account of a Council's cash holdings and invested monies.

While it is ideal that the Net Financial Liabilities ratio does not exceed 100% of operating income, subject to the Council ability to service its financial obligations, the indebtedness can exceed 100% in order to provide additional services to its community through acquisition of additional assets without detracting from its financial sustainability.

The draft LTFP proposes that the Council undertake a number of asset upgrade projects to the value of \$66 million. Due to the nature of these projects and in line with the Council's *Treasury Management Policy*, these projects will be funded through long term borrowings.



Net Financial Liabilities
Target Achieved ✗

Debt Servicing Ratio
Target Achieved ✔

Based on the assumptions which have been made, the Council will not achieve its target for Net Financial Liabilities of the life of the LTFP however, will the Council will achieve its target for its ability to service its debt.

Financial Projections

The financial projections contained within the draft LTFP have been developed in a format that conforms to the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*. This format allows projections to “feed” into the statutory format of the Annual Budget and key performance measures contained in the draft LTFP and allows comparisons to be made with the Annual Budgets and Annual Financial Reports. The Statutory schedules include:

- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Uniform Presentation of Finances.

Based on the underlying assumptions, the *Statement of Comprehensive Income* demonstrates what is expected to happen in terms of revenue, expenses and other adjustments from all of the Councils activities. Small surpluses are expected in the initial years due to the expectation that services will return to pre-COVID-19 levels, however given the rate revenue increase of 0% which was set in 2020-2021, in response to the COVID-19 pandemic, revenue growth will have a lag period. While Operating Surpluses are being forecast, the surplus is **insufficient** to meet loan repayments and therefore, cash reserves and short term financing will be required to meet loan repayments.

The *Statement of Financial Position* is a “snap-shot” of the expected financial position of the Council at the end of each year. It reports what is expected to be owned (assets) and what is expected to be owed (liabilities). The bottom line, “Net Assets”, represents the net worth of the Council. The Net Assets of the Council are forecast to grow at rate between 1.5% per annum and 2.4% annum, primarily due to the Council’s Capital program, however, to fund the new asset investment, the long term borrowings are forecast to grow to \$68 million by the end of the ten year period.

The *Statement of Cash Flows* demonstrates what is expected to occur during each year in terms of cash. The net cash provided by operating activities shows how much cash is expected to remain after paying for the services provided to the community. Ideally funds from operating activities should be sufficient to fund asset and infrastructure renewal works and the annual repayment of loan borrowings. The information contained in this statement assists in the assessment of the ability to generate cash flows and meet financial commitments as they fall due, including debt repayments. For the first half of the 10 year term of the draft LTFP, cash provided by operating activities are insufficient to meet asset renewals and debt repayments, the shortfall is met through the utilisation of cash reserves and short term borrowings.

OPTIONS

The Council can make adjustments to the draft LTFP, noting that the impacts/consequences of any adjustments will need to be worked through.

CONCLUSION

Given the known services, programs and activities which are provided by the Council, the Council’s infrastructure and asset renewal program and the known strategic projects which have been identified to be completed across the planning timeframe, the draft LTFP represents a financial solution to meeting the many competing demands and expectations which face the Council. There are numerous ways in which the Council can achieve its objectives. The draft LTFP seeks to balance the funding needs associated with the renewal and new infrastructure assets, with the timing of proposed upgrade or new infrastructure projects being linked to asset renewals, existing services against rating expectations, reasonable fees, debt levels and the use of cash reserves.

COMMENTS

Given the scope of the draft LTFP and the Council’s expectations in respect to Capital Projects, it is important that the impacts of the scheduling/timing of Capital Projects are taken into consideration.

If Elected Members have any questions or require clarification in relation to specific items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins, prior to the meeting.

RECOMMENDATION

That the report be received and noted.

Cr Mex left the meeting at 8.39pm.
Cr Granozio left the meeting at 8.40pm.
Cr Mex returned to the meeting at 8.41pm.
Cr Granozio returned to the meeting at 8.43pm.
Cr Sims left the meeting at 9.19pm.
Cr Sims returned to the meeting at 9.22pm.

Cr Moore moved:

- 1. That the report be received and noted.*
- 2. The draft Long Term Financial Plan 2021-2022 to 2030-2031 be endorsed for the purposes of undertaking community consultation.*

Seconded by Cr Knoblauch and lost.

Division

Cr Moore called for a division and the decision was set aside.

Those in favour:

Cr Knoblauch, Cr Dottore, Cr Granozio, Cr Callisto and Cr Moore.

Those against:

Cr Patterson, Cr Whittington, Cr Duke, Cr Sims, Cr Mex and Cr Moorhouse.

The Mayor declared the motion lost.

Short Term Suspension of Proceedings

At 9.45pm the Mayor, with the approval of two-thirds of the Members present, suspended the meeting procedures pursuant to Regulation 20(1) of the Local Government (Procedures at Meetings) Regulations 2013, for 20 minutes, to enable informal discussion regarding the draft Long Term Financial Plan.

*Cr Knoblauch left the meeting at 9.51pm.
Cr Knoblauch returned to the meeting at 9.52pm.*

Resumption of Proceedings

At 10.03pm proceedings resumed.

*Cr Moorhouse left the meeting at 10.06pm.
Cr Moorhouse returned to the meeting at 10.07pm.*

Cr Duke moved:

1. *That the report be received and noted.*
2. *That the draft 2021-2022 to 2030-2031 Long Term Financial Plan be endorsed "in principle" with the following amendments:*
 - *The Capper Street streetscape upgrade being undertaken in 2021-2022;*
 - *The Little Grenfell Street streetscape upgrade being undertaken in 2022-2023;*
 - *The Magill Road upgrade being deferred to beyond 2031; and*
 - *The rate revenue bandwidth being amended from 2% - 5% to 3% - 6%.*
3. *That the draft Long Term Financial Plan, as amended, be presented to the December 2020 Council meeting for endorsement and release for community consultation.*

Seconded by Cr Patterson.

Amendment

Cr Moore moved:

1. *That the report be received and noted.*
2. *That the draft 2021-2022 to 2030-2031 Long Term Financial Plan be endorsed "in principle" with the following amendments:*
 - *The Capper Street streetscape upgrade being undertaken in 2021-2022;*
 - *The Little Grenfell Street streetscape upgrade being undertaken in 2022-2023; and*
 - *The rate revenue bandwidth being amended from 2% - 5% to 3% - 6%.*
3. *That the draft Long Term Financial Plan, as amended, be presented to the December 2020 Council meeting for endorsement and release for community consultation.*

Seconded by Cr Sims.

The amendment was put and carried and on becoming the motion was again put and carried unanimously.

3. CONFIDENTIAL REPORTS

[This Item was dealt with out of sequence – refer to page 2 for the Minutes relating to this Item]

3.1 COUNCIL RELATED MATTER

[This Item was dealt with out of sequence – refer to page 2 for the Minutes relating to this Item]

4. CLOSURE

There being no further business, the Mayor declared the meeting closed at 10.25pm.

Mayor Robert Bria

Minutes Confirmed on _____
(date)