CITY OF ADELAIDE

THE COMMITTEE

MINUTES

for the Special meeting

Tuesday 24 November 2020

in the Colonel Light Room

Adelaide Town Hall

The Committee
Special Meeting Minutes, Tuesday 24 November 2020, at 5.03pm

Present – The Right Honourable the Lord Mayor, Sandy Verschoor

Councillor Hyde (Deputy Lord Mayor) (Chair)

Councillors Abrahimzadeh, Couros (Deputy Chair), Donovan, Knoll, Mackie, Martin and Moran.

Acknowledgement of Country

At the opening of The Committee Special Meeting, the Chair stated:

'Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.'

Apologies and Leave of Absence

Apologies

Councillors Khera, Hou and Simms.

Discussion Forum Items

Councillor Hyde (Deputy Lord Mayor) (Chair) and Mark Goldstone, Chief Executive Officer, City of Adelaide introduced Audit Committee Members David Powell (Chair), Ross Haslam and Paula Davies who addressed the Special meeting of The Committee in relation to the items on the Agenda and responded to questions from Committee Members.

During the discussion:

- Councillor Abrahimzadeh entered the Colonel Light Room at 5.11 pm
- Councillor Moran entered the Colonel Light Room at 5.14 pm

1. Item 3.1 - Workshop – Rating Policy Review [2020/00273] [TC]

Discussion Facilitators:

Clare Mockler, Deputy CEO & Director Culture, City of Adelaide
Sonjoy Ghosh, Associate Director Strategic Finance & Performance, City of Adelaide
Teresa Nikou, Senior Property Valuer, City of Adelaide
Liz Packer, Manager Financial Accounting, City of Adelaide

Precis of topic:

Utilising a PowerPoint presentation, The Committee was provided with an opportunity to discuss and provide feedback and input on proposed amendments to the City of Adelaide Rating Policy.

During the discussion, Councillor Moran left the Colonel Light Room at 6.17 pm and re-entered at 6.19 pm

The PowerPoint presentation utilised is attached for reference at the conclusion of the Minutes of this meeting.

2. Item 3.2 - Workshop – 2021-2022 Business Plan and Budget Setting the Scene [2020/01920] [TC]

Discussion Facilitators:

Clare Mockler, Deputy CEO & Director Culture, City of Adelaide
Sonjoy Ghosh, Associate Director Strategic Finance & Performance, City of Adelaide

Precis of topic:

Utilising a PowerPoint presentation, The Committee was provided with an opportunity to discuss and provide feedback on the 2021-2022 Business Plan and Budget process.

During the discussion:

- Councillors Knoll and Mackie left the Colonel Light Room at 6.35 pm and re-entered at 6.38 pm
- Councillor Couros left the meeting at 6.45 pm

The PowerPoint presentation utilised is attached for reference at the conclusion of the Minutes of this meeting.

Closure

The meeting closed at 7.04 pm.

Councillor Hyde (Deputy Lord Mayor)
The Committee Chair

Documents attached:

Minute 1 – Item 3.1 – Workshop – Rating Policy Review, PowerPoint Presentation

Minute 2 – Item 3.2 – Workshop – 2021-2022 Business Plan and Budget Setting the Scene, PowerPoint Presentation

Enabling Priorities

Rating Policy Review

To seek feedback and input from the Committee on proposed amendments to the CoA Rating Policy.

Strategic Finance and Performance

Rating Policy Review

Workshop Purpose

Provide an overview of the current rating policy in the context of:

- Principles of Rating
- Current makeup of CoA's rating base
- Current rate income for 2020-21
- Exemptions
- Rebates and Remissions

Seek feedback on proposed changes to the Rating Policy:

- Review of the Special Discretionary Rebate
- Use of separate rates to fund specific projects or activities
- Review the current rate in the dollar for vacant land
- Discounts for early payment of rates

<u>Additional Information</u>

John Comrie Presentation and Workshop at Committee 23 May 2017 – Rating and Revenue Review 23 May 2017

Rating Policy Review

Key Questions

KEY QUESTION
Special Discretionary Rebate

What are Council Members' views on:

- Leaving rate unchanged at 10% for all ratepayers,
- Increasing rate to 15% for all ratepayers,
- Apply the current 10% to residential owner-occupiers only.

KEY QUESTION
Separate Rates

What are Council Members' views on introducing separate rates to fund projects/activities?

KEY QUESTION
Vacant Land

What are Council Members' views on increasing the rate in the dollar on Vacant Land to encourage development?

KEY QUESTION
Discounts

What are Council Members' views on introducing a 1% discount to encourage the early payment of rates in full.

Rating Policy Review

Background - Principles of Rating

The City of Adelaide's rating policy aims to balance the five main principles of taxation:

Benefits received – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax

Capacity to Pay – a person who has less capacity to pay should pay less, and persons of similar means should pay similar amounts

Administrative simplicity – the costs involved in applying and collecting the tax and how difficult it is to avoid

Economic efficiency – whether or not the tax distorts economic behaviour

Policy consistency – taxes should be internally consistent, and based on transparent, predictable rules that are understood and accepted by ratepayers.

In applying these principles, any decision with respect to rating should consider the financial effects of the decisions made today, on the future generations of tomorrow.

The current operating deficits imply that today's ratepayers are paying less than the cost of the services they are consuming, and this is inequitable to ratepayers of the future.

Rating Policy Review

Valuation Methodology

Under S151 of the *Local Government Act 1999*, Council may adopt one of three valuation methodologies to value the properties in its area:

a) Capital value: the value of land, buildings and other improvements
b) Site value: the value of land and any improvements, but excluding the value of any buildings
c) Annual value: the value of the rental potential of the property

The City of Adelaide uses annual value.

The main reasons for choosing annual value are:

a) The majority of residential and non-residential properties in the City are leased (ie: not owner occupied),
b) The availability of a significant amount of annual market rental information makes the annual value method more efficient to administer,
c) Annual value is understood by the majority of ratepayers,
d) This method is considered consistent with the equity, ability to pay, efficiency and simplicity principles of taxation.

Rating Policy Review

Valuation Methodology – Development Sites

Construction (Development) Site

When a property is mid-way through construction of a building, we adopt Capital Improved Value as per the *Valuation of Land Act 1971 (1)(d)*

Example: Commercial Office 6 Level Tower at 50% Completion

<u>Valuation Example</u>

Site Value of the Land: $1,000,000

Cost of Construction: $800,000

Percentage of Completion: 50%

Valuation Calculation:	50% Cost of construction $400,000
Land $1,000,000 + 50% of Cost of Construction $400,000	= $1,400,000
5% of Capital Value	= 5% of $1,400,000 **= $70,000**
Rates Calculation	**=** $70,000 * 14.08% (rate in the dollar)
Rates	= **$9,856**

Rating Policy Review

2020-2021 Reconciliation Gross Rates vs Net Rates

Type	Category	No of Assessments	Amount	Percentage Share
Gross Rates	Residential	16,100	$28,896,652	
	Non-Residential	10,681	$127,232,051	
		26,781	**$156,128,703**	100.00%
Less: Exempt	Residential	2	$299	
	Non-Residential	514	$35,557,820	
		516	**$35,558,119**	22.77%
Less: Rebates	Residential		$1,549,019	
	Non-Residential		$4,379,211	
			$5,928,230	3.80%
Less: Spec Disc Rebate	Residential		$52,023	
	Non-Residential		$1,245,591	
			$1,297,614	0.83%
Rateable	Residential	16,098	$27,295,311	
	Non-Residential	10,167	$86,049,429	
Net Rates Received		**26,265**	**$113,344,740**	72.60%

Rating Policy Review

Exemptions as per S147 of the *Local Government Act 1999*

Properties can be identified as exempt from council rates in certain circumstances:

→ **Crown Land** – public properties used or held by the Crown for a public purpose

→ **University Land** – properties occupied by a University

→ **Recreation grounds -** properties satisfying the criteria set out in the *Recreation Grounds Rates and Taxes Exemption Act 1981*

→ **Council Land** – properties occupied or held by the Council

→ **Emergency Services** – properties occupied or held by an emergency services organisation under the *Fire and Emergency Services Act 2005*

→ **Another Act** – properties specifically exempted from council rates by virtue of another Act (either Commonwealth or State).

With 27.4% of rates income forfeited through exemptions and rebates, the responsibility for contributing rates income to fund essential local government services is disproportionately allocated across the community.

Where exempt properties become rateable part way through the financial year, rates will be calculated and recovered.

Rating Policy Review

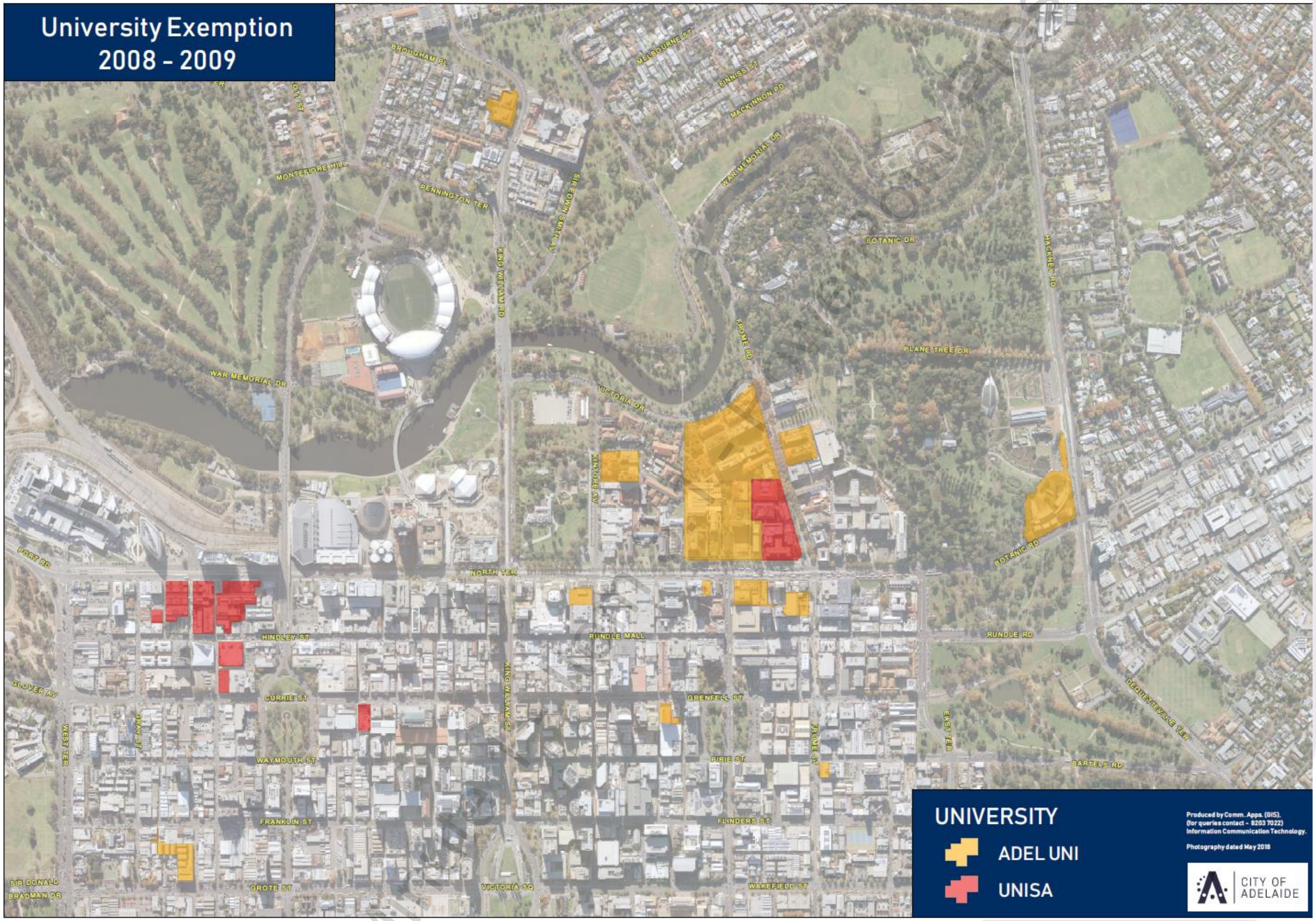
Exemptions for 2020-2021

Exemptions	AAV	Rates
Instrument of Crown Public Purpose Sec 147(2)(b)	$80,499,210	$11,334,289
Occupied by University Sec 147(2)(c)	$55,660,600	$7,837,012
Occupied or held by Council Sec 147(2)(f)	$48,170,755	$6,782,442
Crown Land used for public purpose Sec 147(2)(b)	$35,172,630	$4,952,870
Unalienated Crown Land Sec 147(2)(a)	$16,242,400	$2,286,930
By Virtue of another Act Sec 147(2)(h)	$7,918,160	$1,114,447
LG Act not binding on Crown Sec 302	$5,230,000	$736,384
Recreation Grounds Rates & Taxes Act Sec 147(2)(d)	$3,622,805	$510,091
Common property incidental use Sec 147(5)(a)(b)(c)	$15,500	$2,183
Common property – Strata titled land Sec 147(3)(b)	$12,800	$1,471
TOTAL	**$252,544,860**	**$35,558,119**

City of Melbourne exemptions represent 12.2% of the rate base
City of Adelaide exemptions represent 22.77% of the rate base

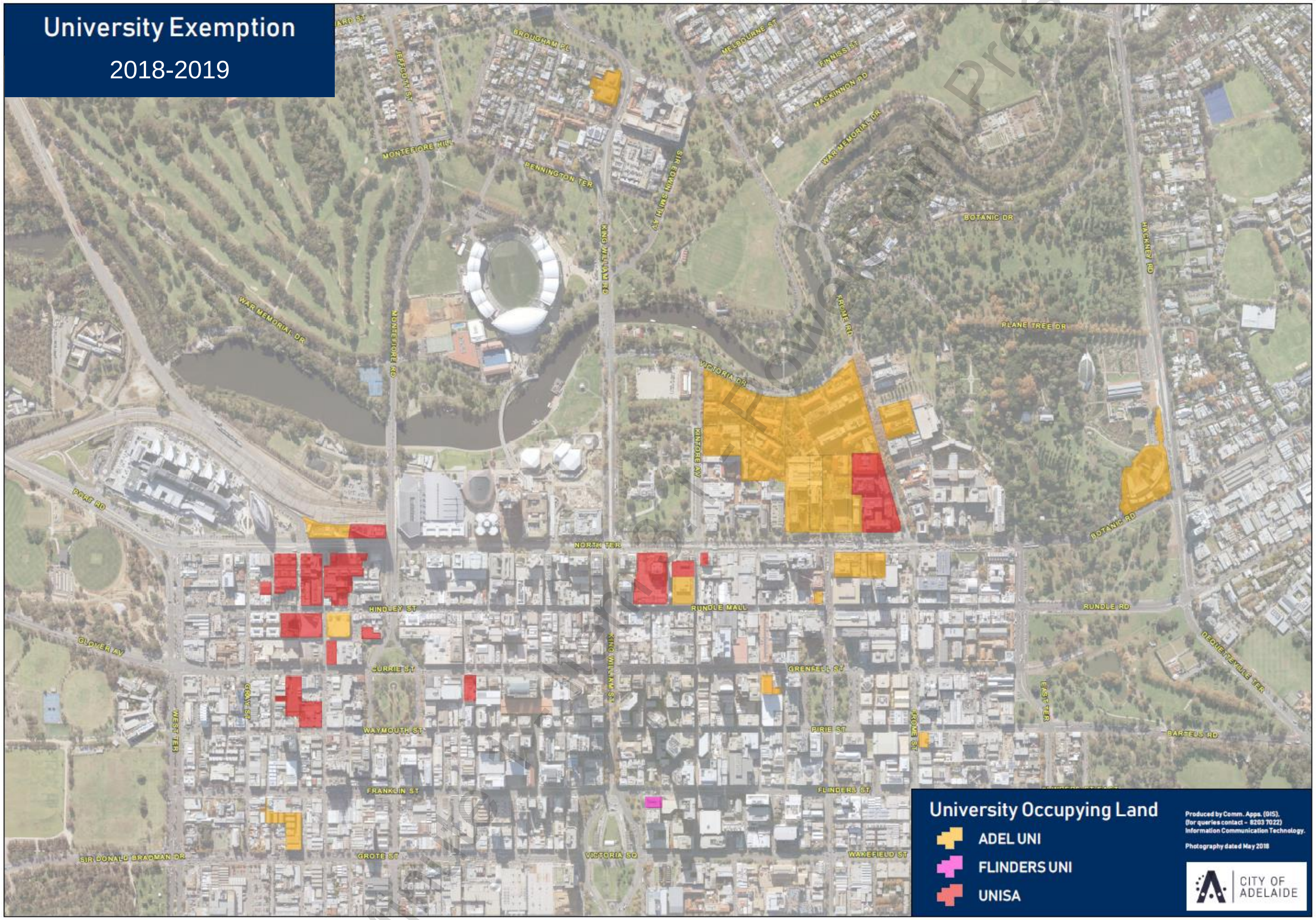
Rating Policy Review

Exemptions for 2020-2021



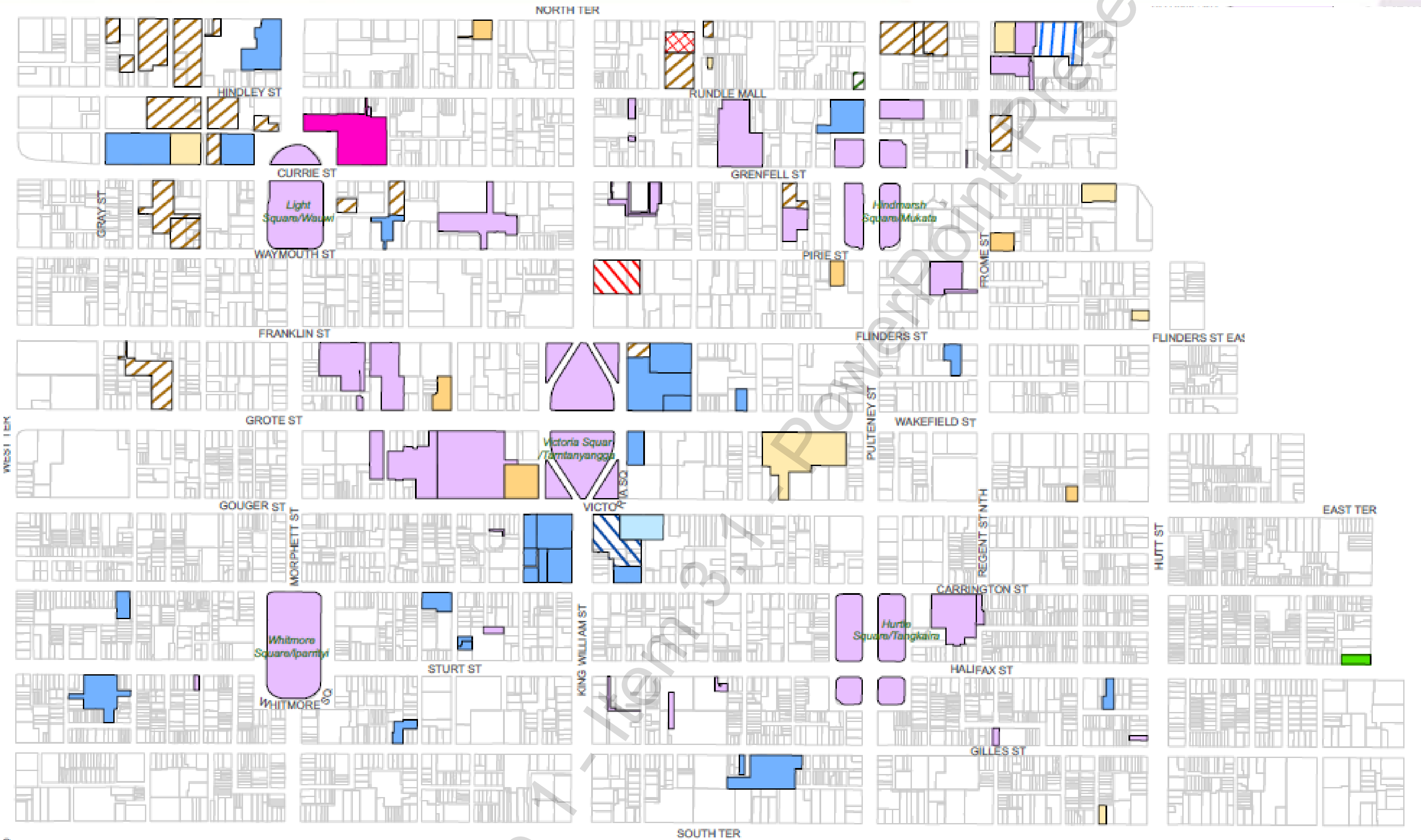
Rating Policy Review

Exemptions for 2020-2021



Rating Policy Review

Exemptions for 2020-2021- CBD



Council held land

Crown Land – Public Purpose

Crown Land/ Instrument of Crown – Public Purpose

Instrument of Crown – Public Purpose

University Occupied

Council held land / Virtue of another Act

Council held land / Crown Land – Public Purpose

Crown – Unalienated / Virtue of another Act

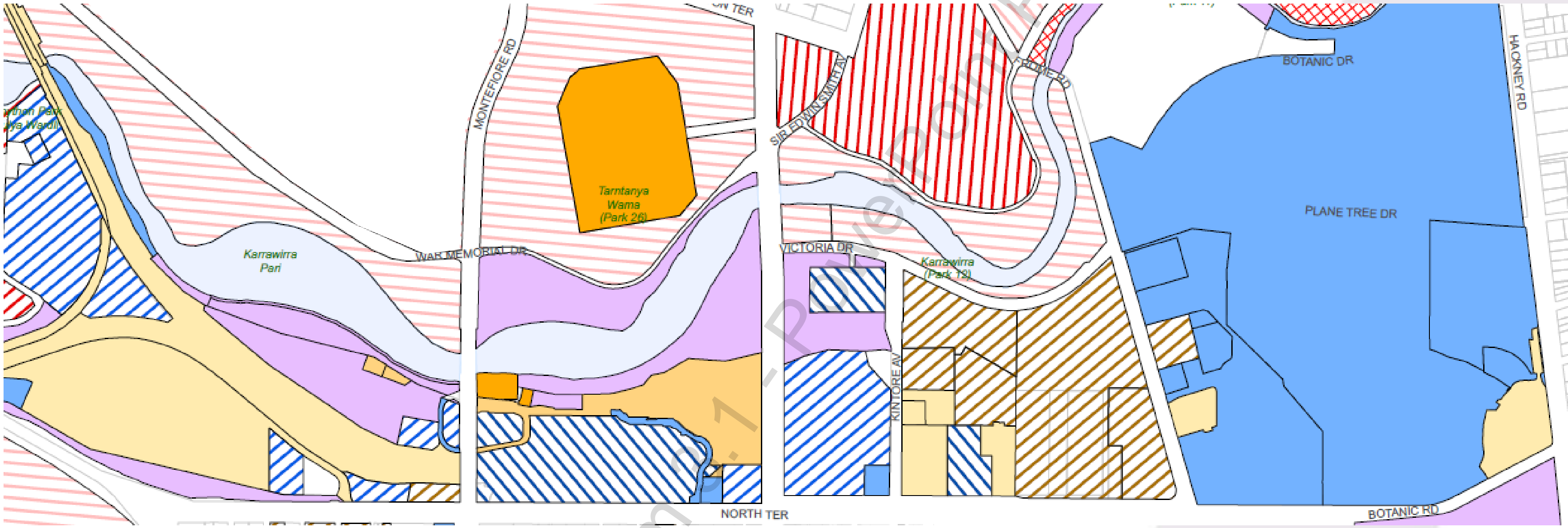
Council held land – University Occupied

Common Property – Strata Titled Land

Crown Unalienated Land

Rating Policy Review

Exemptions for 2020-2021 – Riverbank



Crown Land/ Instrument of Crown – Public Purpose

Crown Unalienated Land

Instrument of Crown – Public Purpose

University Occupied

Crown Land – Public Purpose

Recreation Grounds Rates & Taxes Act

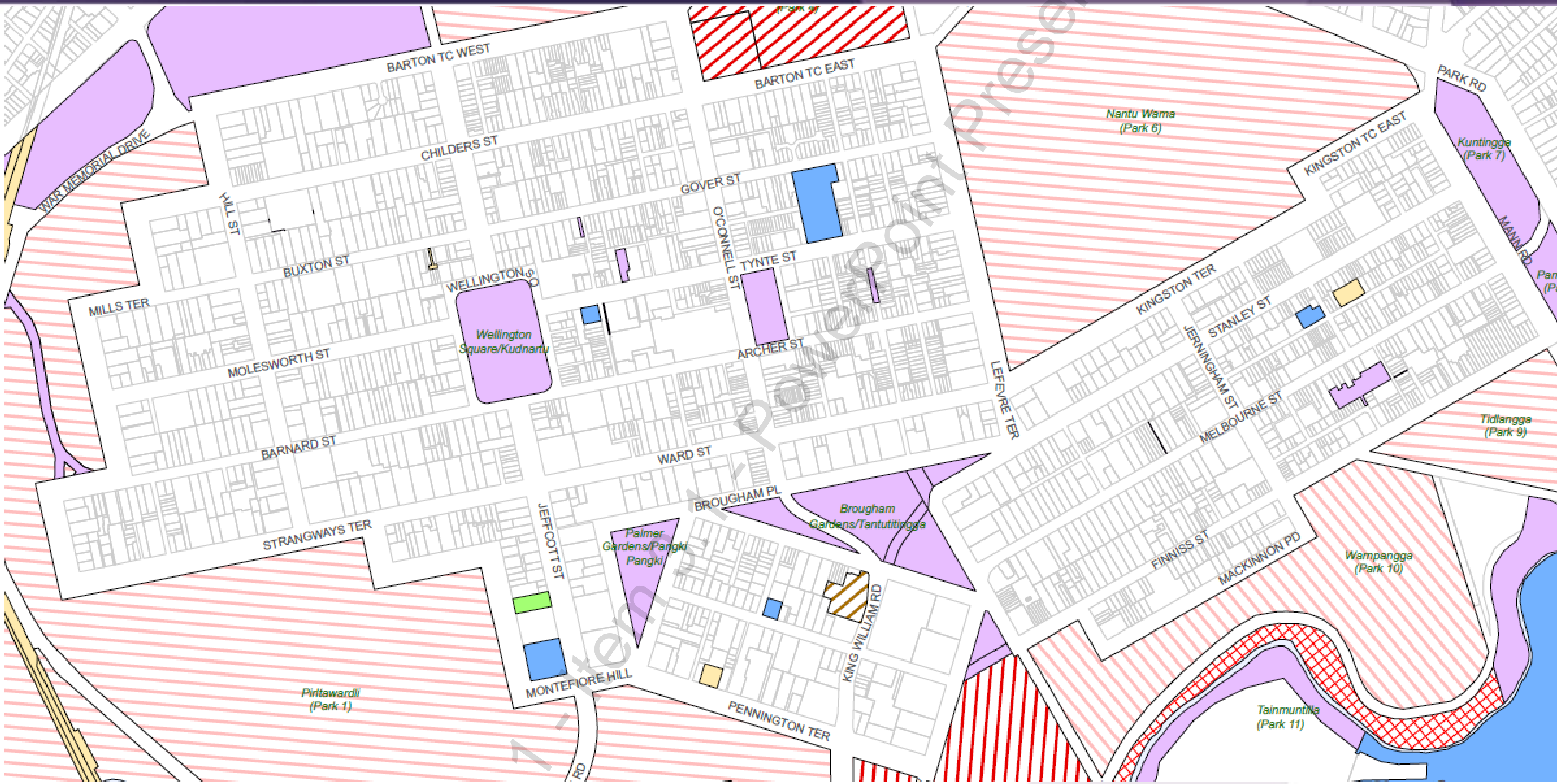
Council held land

Council held land – Recreation Grounds Rates & Taxes Act

Council held land - Recreation Grounds Rates & Taxes Act – University Occupied

Rating Policy Review

Exemptions for 2020-2021 – North Adelaide



Council held land

Common Property – Strata Titled Land

Council held land - Recreation Grounds Rates & Taxes Act – University Occupied

Crown Land – Public Purpose

Council held land – Recreation Grounds Rates & Taxes Act

Instrument of Crown – Public Purpose

University Occupied

Council held land / Instrument of Crown – Public Purpose

Rating Policy Review

Rebates as per S159 of the *Local Government Act 1999*

Properties may be entitled to a rebate under the following circumstances:

→ **Health Services** – hospital or health centre incorporated under the *SA Health Commission Act 1976* will be rebated at 100 per cent

→ **Community Services** – a community service organisation will be rebated at 75 per cent

→ **Religious purposes -** church or property used for public worship will be rebated at 100 per cent

→ **Public cemeteries** – will be rebated at 100 per cent

→ **Royal Zoological Society of SA** – will be rebated at 100 per cent

→ **Educational purposes** – properties occupied by a government school, or accommodation provided by Universities for students will be rebated at 75 per cent

→ **Discretionary rebate** – a Council may grant a rebate up to and including 100 per cent upon application. The five-year free rates scheme is an example

Rating Policy Review

Rebates & Remissions for 2020-2021

Description	Total Rebate
Rebate – Community Services	$1,489,264.78
Rebate – Discretionary	$374,827.42
Rebate – Education	$1,106,139.65
Rebate – Hospital or Health	$1,448,268.80
Rebate – Religious	$1,058,227.18
Rebate – Zoo	$401,702.40
Remission – Self Funded Retirees	$14,400.00
Remission – Pensioners	$35,400.00
TOTAL	$5,928,230.22

Rating Policy Review

Special Discretionary Rebate (SDR)

As per S166(l)(ii) of the *Local Government Act 1999*

‘where the rebate is considered to be appropriate to provide relief against what would amount to a substantial change in rates due to a change to the basis on which land is valued, rapid changes in valuations, or anomalies in valuations’

The special discretionary rebate is currently 10% and applies to both residential and non-residential properties.

The table below shows the cumulative effect of the special discretionary rebate over the past five years.

Year	Value of Rebate	Valuation Increase
2016-17	$722,908.00	2.20%
2017-18	$3,173,358.00	3.40%
2018-19	$1,912,766.00	4.20%
2019-20	$3,266,736.00	5.20%
2020-21	$1,297,614.00	2.20%
TOTAL	$10,373,392.00	

Rating Policy Review

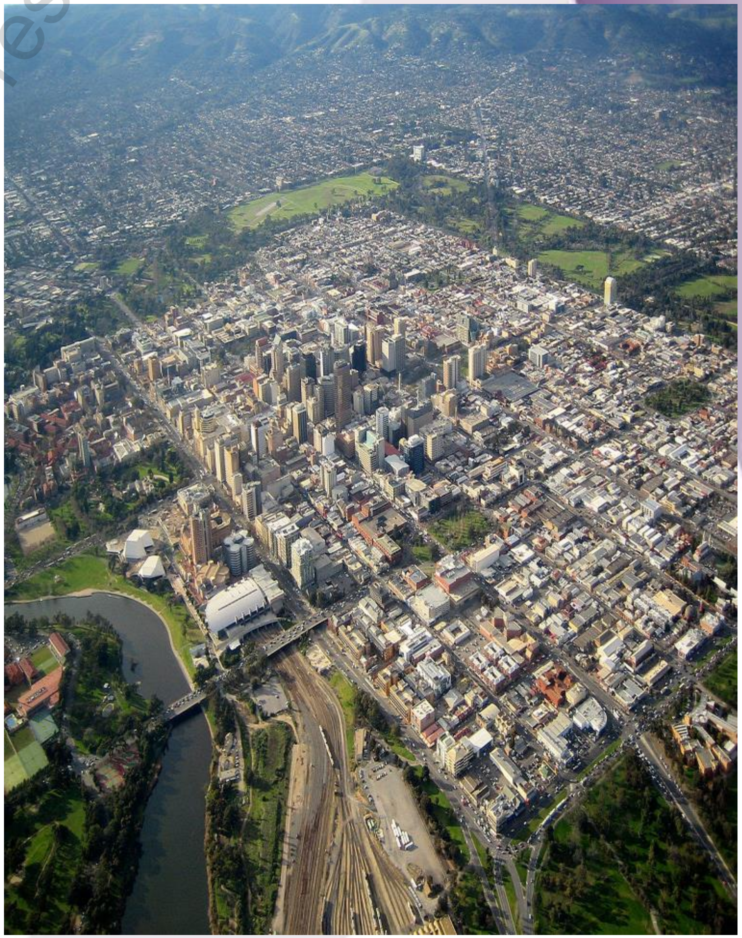
Special Discretionary Rebate (SDR)

<u>Options for Discussion</u>

1. Leave the special discretionary rebate unchanged at 10% for both residential and non-residential properties.

2. Increase the special discretionary rebate to 15% for both residential and non-residential properties.

3. Apply the current 10% special discretionary rebate to residential owner-occupier ratepayers only.



Rating Policy Review

Separate Rate Consideration – for discussion

As per S154(1) of the *Local Government Act 1999*

' A council may declare a separate rate on rateable land within a part of the area of the council for the purpose of planning, carrying out, making available, supporting, maintaining or improving an activity that is, or is intended to be, of particular benefit to the land, or the occupiers of the land, within that part of the area, or to the visitors to that part of the area'

Current separate rates levied by the City of Adelaide are the Rundle Mall Levy for the purposes of managing and marketing the Rundle Mall Precinct, and the Regional Landscape Levy (formerly the NRM levy) which recovers funds on behalf of the Green Adelaide Board.

Options for possible consideration

Introduce a separate rate/s as a method to fund projects such as:

1. The purchase of a new community centre for the South West
   - Approximate cost $1.5m
2. To assist with the redevelopment of the Adelaide Aquatic Centre
3. To assist with delivering projects that could benefit business, support growth in the City and align to the City of Adelaide 20-24 Strategic Plan.

Rating Policy Review

Separate Rate Scenario – for discussion

Project: South West Community Centre

Separate Rate Target: $1.5m

Timeframe: One year

Levied against the South Ward assessments

AAV: $145,385,170 all South Ward assessments
Rate in $: 0.0103 (all properties)
Rate in $: 0.0197 (residential only)

AAV	Description	No. of Assessments 20-21	Amount to be raised	Average Separate Rate (per assessment)	Average Separate Rate (residential only)
$76,296,400	Residential	4,986	$787,182.08	$157.88	$300.84
$69,088,770	Commercial	1,610	$712,817.92	$442.74	
$145,385,170		**6,596**	**$1,500,000.00**		

Rating Policy Review

Separate Rate Scenario – for discussion

Project: Aquatic Centre Redevelopment

Separate Rate Target: $20m

Timeframe: Two years

Levied against all assessments

AAV: $902,589,700 all assessments
Rate in $: 0.0110 (all properties) per year for 2 years

AAV	Description	No. of Assessments 20-21	Amount to be raised per year for 2 years	Average Separate Rate per year (per assessment)
$251,493,600	Residential	16,098	$2,786,356	$173.09
$651,096,100	Commercial	10,167	$7,213,644	$709.52
$902,589,700		**26,265**	**$10,000,000**	

Rating Policy Review

Vacant Land

As at 30 June 2020, CoA has 0.2% of its assessments (40 rateable properties) classified as vacant land and this sector contributes 0.3% of total rate revenue.

The current differential rate applied to vacant land is the same rate as applied to all non-residential properties (0.1408).

For 2020-21 these properties realised rate income of $327,673.

Of the 40 properties currently rated as vacant, 29 have been held undeveloped for a period of five years or more.

Options for Discussion

1. Declare a differential vacant land rate on all vacant land holdings to:
    a) Provide a disincentive to withholding land from development
    b) Recognise the cost of surrounding infrastructure and services
2. Amend the rating policy to include a definition of 'long term vacant land'
3. Utilise the discretionary rebate powers under S166 of the *Local Government Act 1999* to provide a

rebate (rate relief) for the principal ratepayers of vacant land that is not within the definition of 'long term'.

Rating Policy Review

Discounts

As per S181(11) of the *Local Government Act 1999*

"A council may grant discounts or other incentives in order to encourage -

a) the payment of instalments of rates in advance; or

b) the prompt payment of rates"

For 2020-21, approximately 12% (3,321) of all assessments (26,265) were paid in full upfront.

Land Use Code	No. of Assessments	Rates Paid	Percentage share of rates paid	Average Discount per ratepayer
Residential	2110	$3,443,952.27	35.09%	$16.96
Commercial – Office	290	$3,078,434.35	31.37%	$93.84
Commercial – Shop	154	$698,093.50	7.11%	$80.28
Commercial – Other	701	$2,152,645.40	21.94%	$75.60
Industry – Light	21	$111,574.55	1.14%	$45.30
Vacant Land	8	$91,353.60	0.93%	$81.92
Other	37	$237,366.50	2.42%	$170.84
Total	**3321**	**$9,813,420.17**	**100.00%**	

<u>Option for Discussion</u>

Offer a 1% discount to encourage more ratepayers to pay rates upfront in full.

Rating Policy Review

Next Steps

More detailed modelling will be undertaken if Council indicates an interest in exploring any of the options.

Any recommended changes to the CoA rating policy will be subject to legal and governance review and consideration by the Audit Committee in March/April 2021.

Community consultation on any recommended changes will be undertaken as part of the 2021-2022 Business Plan & Budget process in April/May 2021.

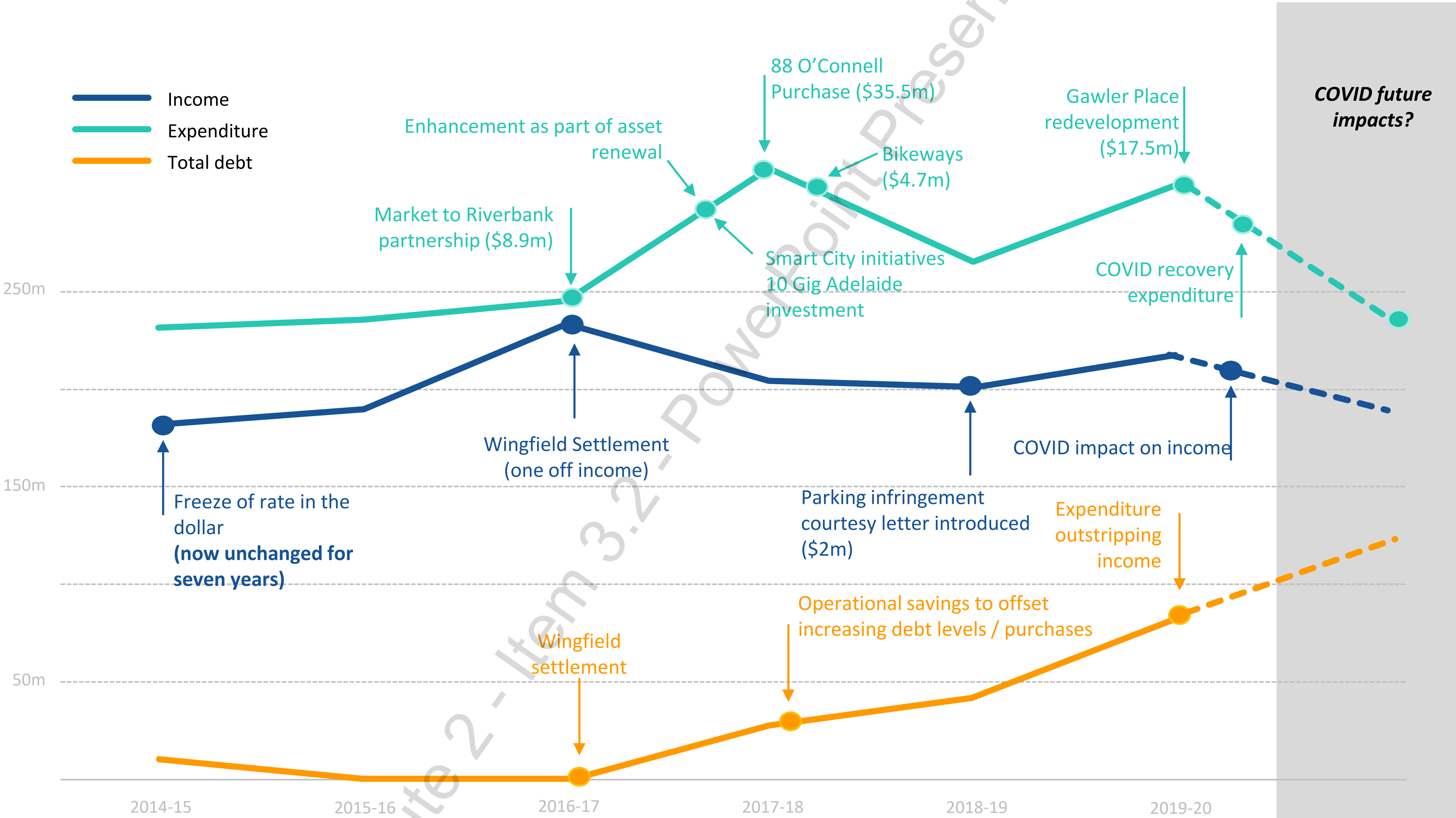
Update the CoA Rating Policy and seek adoption by Council in June 2021.

Enabling Priorities

**2021 - 2022 Business Plan and Budget
Setting the Scene**

Deputy CEO, Director Culture
Clare Mockler

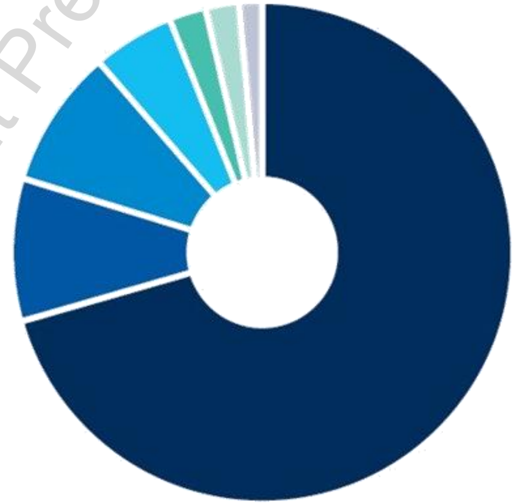
Recap – Financial Snapshot 2014-2020/21



Adopted 2020 – 2021 Budget

Where our budget comes from

Rates - non-residential	$87.0m / 37%
Rates - residential	$27.6m / 12%
Fees and charges	$62.3m / 26%
Borrowings	$35.5m / 15%
External funding (grants)	$18.9m / 8%
Other	$6.1m / 3%

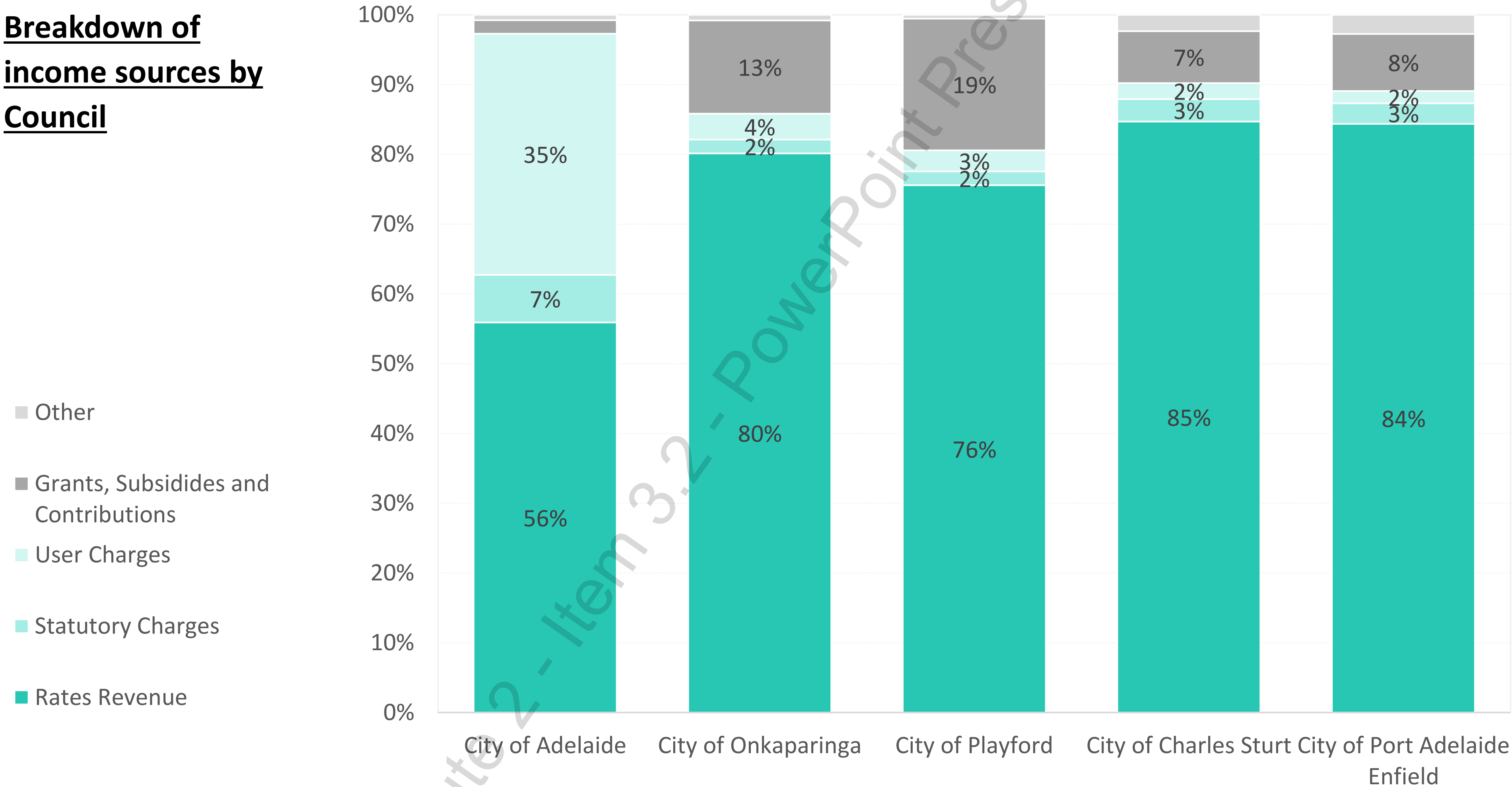


How our budget is spent

Delivery of services	$173.2m / 70%
Infrastructure - Renewals & Essential Works	$22.8m / 9%
Infrastructure - Major Projects	$22.1m / 9%
Strategic Projects	$13.0m / 5%
Infrastructure - Delivery resources	$5.8m / 2%
Subsidiary capital	$5.3m / 2%
Infrastructure - New & Significant Upgrade	$3.6m / 1%
Other	*–$8.4*

Income sources

Breakdown of income sources by Council



(2018/2019 Audited Financial Statements)

COVID impact

Actual per day income (average) for select City of Adelaide operations/businesses for the following periods

	July 2019	March 2020 (initial COVID impact)	July 2020 (gradual COVID recovery)	19-21 Nov (lockdown)
On-Street parking	**$35,700**	**$26,700**	**$32,400**	**$2,900**
Parking expiations	$32,900	$19,800	$23,600	$0
U-Park	**$69,700**	**$59,000**	**$53,900**	**$25,200**
Golf Course	$5,100	$6,700	$7,700	$0
Aquatic Centre	**$16,300**	**$12,800**	**$0**	**$0**
TOTAL (per day average)	**~$159,700**	**~$125,000**	**~$117,600**	**~$28,100**

Long Term Financial Plan Overview

Current vs forecast

The 2020 – 2021 Business Plan and Budget was built during the early stages of COVID-19. Revenue was impacted and expenditure was adjusted as a result. The LTFP adopted for the current financial year forecasts continuing impacts of COVID-19 – including an ongoing reduction in income.

Over the past few months as restrictions have eased, we have seen an increase in activity in the City, resulting in better than forecast income.

We know that the assumptions built within the LTFP require further updating, in particular to income and expenditure levers.

Long Term Financial Plan: current 2020, compared to forecast for 2021:

	Surplus / (Deficit)	Borrowings
Current 20/21	($39.0m)	$92.8m (53%)
forecast 21/22	**($4.7m)**	**$89.6m (50%)**

In the LTFP the current position is an operating deficit of ($39.0m) and the forecast position for 2021 – 2022 is a deficit of ($4.7m). This improvement is driven by:

Income – increase $12.6m

- Increase in rates income $4.9m based on new developments and CPI increase
- Fees and charges $10.2m as our revenue streams return to 85% of pre-COVID levels
- Reduction in Grant funding ($2.4m)

Expenditure – reduction $21.7m

- One off transition costs in 2020-21 of $14.4m
- WIP write off is assumed to reduce by $3.3m as capital expenditure reduces
- Grant expenditure reduction $2.7m to match reduced grant income
- Reduction in allocation for Strategic Projects $1.5m

further detail is provided in Appendix 1, Statement of Comprehensive Income

Long Term Financial Plan Overview

LTFP Assumptions

Rates valuation growth is assumed in line with forecast inflation, excluding the growth from new developments

Other revenue and expenditure growth is assumed in line with forecast inflation

Statutory charges reflect dollar or percentage increases as specified by statute

Salaries and wages forecasts are based on current enterprise agreements

Interest rates are relative to market expectations

Capital expenditure is in line with Asset Management Plans

Long Term Financial Plan: 2020 adopted, compared to current forecast:

	Surplus / (deficit)	Borrowings
forecast 21/22	**($4.7m)**	**$89.6m (50%)**
forecast 30/31	$6.7m	$165.3m (78%)

Based on the adopted LTFP, the following assumptions exist:

- Inflation 2%
- Growth from new developments 1%
- Interest rates 2%

The forecast position for 2021-22 in the current LTFP, based on the assumptions above is:

- Operating deficit of ($4.7m)
- $20m permanent ongoing reduction in operating expenditure
- Improvement to income of $10.2m in fees and charges.
- Borrowings forecast to be $89.6m, which is 50% of our current prudential limits.

Building the 2021 – 2022 BP&B requires a revision to the assumptions that underpin the LTFP. Decisions Council make regarding income and expenditure will have an impact on borrowings and Council's operating position.

Borrowings

Discussion point:

When Council increased the Prudential Limit in 2020 it was based on the principle that borrowings meet two of the following criteria:

- Have a positive return on investment
- Leverage external grant funding
- City shaping Projects with intergenerational equity

Borrowings should not be used to fund the

- Delivery of operational services
- Routine asset renewals

The current LTFP requires borrowings to fund major renewals by the end of the decade. Financial Sustainability principles would guide Council to not fund operations and asset renewals from borrowings.

CURRENT LTFP ASSUMPTION
Interest rates 2%
Inflation (CPI) 2%

REVISED LTFP FORECAST
Interest rates 1.35 - 2%
Inflation (CPI) 1.25 - 2%

TO NOTE
Economic forecasts guide us to believe that this position will remain for several years.

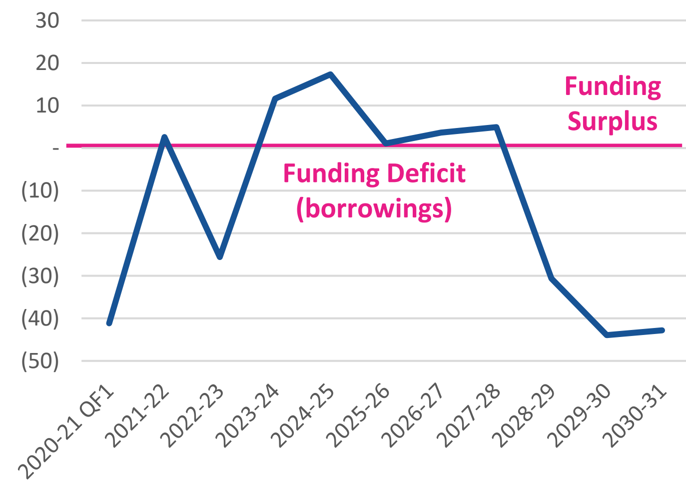
The LTFP has been updated to reflect lower interest which has resulted in less interest paid.

The revised forecast debt position is $194.6m (87% of prudential limit). This assumes no new and significant upgrades beyond Central Market Arcade redevelopment and that Council will borrow to fund significant asset renewals required in 2028 – 2030.

Based on this level of debt, there is limited capacity to respond to emerging priorities and it would not be paid off until 2050-51.

Other financial levers available to Council will alter this borrowing position.

A funding surplus is used to reduce borrowings (pay off debt)



Summary of financial levers

Recovery Principles

Our rates, fees and charges approach is fair and equitable

Financial borrowings adjusted to stimulate growth

Proceeds from selling assets will build a future fund

Asset renewals will be prioritised based on audit condition and risk

Asset enhancements will be delivered through partnerships

We will seek Government funding for new infrastructure

Our service delivery will reflect the needs of the community

Investment is prioritised to support recovery.

This workshop has presented a variety of LTFP assumptions that potentially influence the forecast in our longer term modelling. These are summarised as:

Rates

- Rates growth of 2.5%-3% from 2022 – 2023 in the LTFP
- New developments to increase in 2021 – 2022 by 1.24% and 1% there after
- **Rate in the dollar is a lever Council can consider**

Projects (Strategic, New and Significant upgrades)

Services

- Projects are forecast to increase by CPI (1.25-2%) in the LTFP
- Service level discussions required with Council and the community
- **Project funding and prioritisation is a lever Council can consider**
- ***For Council to review in 2021***

Fees + Charges

- **Fees and charges to increase by CPI (1.25-2%) in the LTFP**
- **Council has an ability to influence changes in some fees and charges**

Infrastructure Asset Renewals

- Infrastructure Levers will be investigated through Strategic Asset Management Planning

Summary of financial levers

Rates

- Rates growth of 2.5%-3% from 2022 – 2023 in the LTFP
- New developments to increase in 2021 – 2022 by 1.24% and 1% there after
- **Rate in the dollar is a lever Council can consider**

Potential Funding Scenarios

Freeze

- Continue to freeze the rate in the dollar
- Hold Valuations; New Developments 1.24%
- **$1.5m increase to income**

Breakeven

- $50 increase for residential (av. 2.95%); $100 increase for non-residential (av. 1.18%). Hold valuations; New developments 1.24%
- **$3.3m increase to income**

Surplus

- $100 increase for residential (av. 5.90%); $200 increase for non-residential (av. 2.36%). Hold valuations; New developments 1.24%
- **$5.1m increase to income**

Summary of financial levers

Fees and Charges

- **Fees and charges to increase by CPI (1.25-2%) in the LTFP**
- **Council has an ability to influence changes in some fees and charges**

Potential Funding Scenarios

Freeze

- Continue to freeze Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.0m increase to income**

Breakeven

- 5% increase to Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.5m increase to income**

Surplus

- 7.5% increase to Fees and Charges that Council can influence (income assumed at 85% pre-COVID levels)
- **$0.9m increase to income**

Council has the ability to influence the rates for many fees and charges. Some commercial fees are delegated to administration to allow for a change in market conditions.

Examples of fees and charges based on the above scenarios are provided in Appendix 3.

Summary of financial levers

Infrastructure Asset Renewals	Potential Funding Scenarios
▪ Infrastructure Levers will be investigated through Strategic Asset Management Planning	**Infrastructure Levers already pulled in 21/22** ▪ Reduce program to \$20m and prioritise on condition audit and risk ▪ Reduce sustainability ratio to 67% ▪ No New/Significant upgrade proposals (unless already committed) **Infrastructure Levers we will investigate through Strategic Asset Management Planning:** ▪ Review/Decrease Levels of Service to find optimal cost effectiveness ▪ Seek External Funding for new infrastructure ▪ Adjust Asset Sustainability Ratio (guide 90-110%) ▪ Council to Seek and Secure External Funding (State/Federal/Private) ▪ Divest/Externally fund assets such as Adelaide Bridge, Weir and Grenfell Currie – ability to reduce the overall cost burden ▪ Optimisation modelling to Stretch Council’s dollar further

Potential funding scenarios

In forming the 2021 – 2022 BP&B, Council has income and expenditure levers that it needs to makes decisions on, which will form discussions in the New Year. The below provides scenarios with approximate income and expenditure for 2021-22 only, and the impact on the LTFP, for discussion:

	Freeze	Breakeven	Surplus
Rates	Continue to freeze the rate in the dollar Hold Valuations; New Developments 1.24%	$50 increase for residential *(av. 2.95%);* $100 increase for non-residential *(av. 1.18%)*. Hold valuations; New developments 1.24%	$100 increase for residential *(av. 5.90%);* $200 increase for non-residential *(av. 2.36%)*. Hold valuations; New developments 1.24%
Fees and charges	Continue to freeze Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*	5% increase to Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*	7.5% increase to Fees and Charges that Council can influence *(income assumed at 85% pre-COVID levels)*
Infrastructure and assets	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*	As per LTFP and guided by SAMP *(Asset sustainability ratio at 67%)*
Projects / **Services**	As per LTFP approx. 2% increase in costs *(Strategic Projects approx. $6.7m, Services $198.8m)*	Reduce Strategic Project expenditure by $1.3m (to $5.4m)*(one off);* Reduce services by $3.2m (to $195.6m)*(ongoing)*	Reduce Strategic Project expenditure by $1.3m (to $5.4m)*(one off)*; Reduce services by $5.2m (to $193.6m)*(ongoing)*
LTFP impact	**Income increases by $1.5m (rates $1.5m, fees and charges $0.0m)**	**Income increases by $4.2m (rates $3.3m, fees and charges $0.5m) Expenditure reduced by $4.5m**	**Income increases by $6.0m (rates $5.1m, fees and charges $0.9m) Expenditure reduced by $6.5m**

Freeze

	Surplus/ (deficit)	Borrowings
21/22	**($6.9m)**	$92.0m (52%)
30/31	**($0.1m)**	$215.3m (96%)

Breakeven

	Surplus/ (deficit)	Borrowings
21/22	**$0.3m**	$84.8m (48%)
30/31	**$9.2m**	$137.6m (61%)

Surplus

	Surplus/ (deficit)	Borrowings
21/22	**$4.3m**	$80.8m (46%)
30/31	**$15.0m**	$89.0m (40%)