

Deputy Lord Mayor (Councillor Martin) - MoN - Future Fund Name

Tuesday, 10 October 2023
Council

Council Member

Deputy Lord Mayor, Councillor
Phillip Martin

Public

Contact Officer:

Clare Mockler, Chief Executive
Officer

MOTION ON NOTICE

Deputy Lord Mayor, Councillor Phillip Martin will move a motion and seek a seconder for the matter shown below to facilitate consideration by the Council:

'That Council;

Noting that there are no cash funds and never can be cash funds in the so called "Future Fund" identified in the Long Term Financial Plan, asks the Administration to seek advice on an alternative descriptor that could accurately and transparently record the value of City of Adelaide property assets sold and acquired since 2018 and whether such records should be recorded in the Long Term Financial Plan or an alternative document.'

ADMINISTRATION COMMENT

1. An "alternative descriptor" for the Future Fund should clearly reflect for the community the intent and use of the funds generated. For example the term *Strategic Investment Reserve* would reflect the strategic nature of investment-related activities, and the technical accounting treatment of the item as a Reserve (which can quarantine amounts set aside for specific purposes without having to physically represent the cash).
2. The Future Fund's transactions (timing and amount of funds received, and payments made) are accurately and transparently recorded within our accounting system, and then reflected in our Balance Sheet (refer Annual Financial Statements). All transactions are auditable. Any proceeds from the sale of assets are used to offset Council's borrowings to minimise the interest Council pays. If the funds were sitting in a bank account, it would earn less than the interest Council pays on its borrowings (currently 5.35%). It is therefore a better financial outcome to offset borrowings rather than hold cash in the bank.
3. The Long Term Financial Plan is the tool used to project out borrowings using known transactions, including those related to strategic property divestment and investment. It is not used to record actual financial transactions. This occurs through the accounting system and standard accounting instruments such as the Balance Sheet, Profit and Loss Statement etc.
4. From Quarter 1 2023/24, the intention is to report regularly on actual transactions and balances related to the Future Fund (Strategic Investment Reserve), including what our borrowings would be without the offset.
5. In summary, the intent and use of the fund, and the communication of this, is paramount. No matter what Council adopts as a name, the vehicle's intent and use needs to be consistent across this and future Council terms. A draft policy addressing the nature of the fund, its purpose, how it will be created, maintained and accessed and report to the public will be presented to City Finance and Governance Committee at its meeting on 17 October 2023.

Should the motion be carried, the following implications of this motion should be considered. Note any costs provided are estimates only – no quotes or prices have been obtained:

Public consultation	Not applicable
External consultant advice	Not applicable
Legal advice / litigation (eg contract breach)	Not applicable
Impacts on existing projects	Not applicable
Budget reallocation	Not applicable
Capital investment	Not applicable
Staff time in preparing the workshop / report requested in the motion	Not applicable
Other	Not applicable
Staff time in receiving and preparing this administration comment	To prepare this administration comment in response to the motion on notice took approximately 4.5 hours.