



# DISTRICT COUNCIL OF COOPER PEDY

*"Opal Capital of the World"*

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Hon Geoff Brock MP  
Minister For Local Government  
PO Box 1533  
ADELAIDE SA 5001

Dear Minister,

## REPORT BY INTERIM ADMINISTRATOR ON DISTRICT COUNCIL OF COOPER PEDY (DCCP)

The letter of appointment dated 2<sup>nd</sup> February 2023, requires that I provide a report to you at the end of my period as Interim Administrator that summarises my view of issues that must be addressed to place the Council into a stable and financially sustainable position in the future. This report was required to consider the recommendations of the report written by John Comrie entitled *DCCP's current and projected financial position & performance – assessment and implications* as updated 17 March 2023.

I provided a verbal report to you at a meeting held at your office on Friday 17<sup>th</sup> March 2023 in which I outlined the various issues that the District Council of Cooper Pedy needs to resolve in a timely manner. A summary of this verbal report is below under broad categories in order of priority:

### Financial Sustainability

#### *Cashflow*

The Council currently holds \$7.845m in borrowings with the Local Government Finance Authority (LGFA) (\$0.145m credit foncier debenture loans [with fixed instalments of principal and interest] and \$7.7m in interest-only cash advance debenture [CAD] loan maturing on 15 May 2023 [with the principal required to be repaid on maturity}).

There is no prospect of paying back the principal on the \$7.7m CAD loan as Council has no cash reserves. Council must therefore apply for a new interest-only CAD loan, effectively rolling over the borrowings into a new loan agreement. Council will seek a one year period, maturing in 2024. However, the LGFA is likely to continue approving only a short-term period. In the last application the LGFA did not ask for a principal payment on maturity, it is unknown if this condition will change.

Council's cash forecast shows a forward cash shortfall from May 2023 through to October 2023, which is forecasted to be a shortfall of \$1.8m in July 2023 (inclusive of a \$0.5m cash balance, which is the cash minimum balance that Council needs to hold to ensure it can continue to pay wages and other creditors). Therefore Council will be seeking an additional \$1.8m CAD loan from LGFA to support Council in paying its operational commitments.

The LGFA has security over several of Council's assets for the current CAD loan and it is anticipated that will continue into any new loan. Typically, council borrowings with the LGFA are secured over its annual rate revenue. This additional level of security is in place due to Council's ongoing level of debt (including amounts owed to its electricity provider), historical deficits and relatively low-rate base.

The new loans will increase the current CAD loan with the LGFA from \$7.7m to \$9.5m, if approved. If not approved, the Council would no longer be able to pay its creditors.



The forecasted cash deficit of \$1.8m noted above does not include any payments to EDL to which Council currently owes \$1.9m. The EDL debt is forecasted to increase to \$2.24m at the end of June 2023 and \$2.3m by December 2023. Council needs to repay the EDL debt in full (by increasing its borrowings from the LGFA). EDL not only charges substantial interest penalties but Council is in breach of its contract with EDL as well as in breach of the Deed of Grant with Remote Area Energy Supply (RAES). Council cannot continue to be knowingly in default. EDL is placing more and more pressure on Council to repay the full outstanding debt and has indicated that it will no longer tolerate being used as a default financier.

Council also requires further cash flow funds to replace a substantial portion of its plant and equipment which is unsafe and dangerous, and beyond economic repair. In a report to the January Ordinary Council meeting, it was identified that 16 items of plant required critical replacement at an approximate cost of \$2.8m. Council is currently in the process of arranging a tender for this equipment. This equipment is currently being hired at a substantial cost. There are a further 8 items of plant worth \$0.5m deemed necessary for Council operations. Council will need to borrow a further \$3.3m to finance the acquisition of these replacement assets. It should be noted that the assets being replaced could only be sold for scrap value which is of minimal cash flow value.

### *Budget Review 2*

Following a review of the Council's operations for the first six months of the 2022/23 financial year, an operating deficit of (\$2.15m) is anticipated compared to (\$1.4m) per Budget Review 1 and original budget deficit of (\$1.67m). The underlying deficit (the operating result adjusted for one-off items) is (\$1.05m) compared to the Budget Review 1 of (\$0.3m) and original budget deficit of (\$0.6m).

There are a number of changes that have been included in BR2. The below list is a high level summary of the material changes not previously included in BR1 that impact the cash position:

- Reduction in water consumption user fees (\$0.235m)
- Back pay to 1 July 2021 to 30 April 2023 (anticipated date of adoption by Commission) + Increase in EBA rate for May & June 2023 (\$0.335m)
- Prior period FBT liability + allowance for penalties (\$0.15m)
- Various other sundry movements (\$0.45m)
- Total movements (\$0.745m)

The Budget Review 2 has decreased the Council's anticipated closing cash position at the 30 June 2023 by \$0.66M to (\$0.5m).

More details on the above movements are included in the March 2023 Ordinary Meeting agenda papers.

Further changes are anticipated in Budget Review 3 which it is anticipated will result in the 2022/23 financial year deficit being (\$2.48m) with an underlying deficit of (\$1.38m). This is as a result of adding back depreciation for water and CWMS assets previously held as assets for sale on balance sheet, adjustment for GM salaries and inclusion of the State Government grant for Administrators.

### *Budget & Long Term Financial Plan*

As you are aware, I have been working with Michele Bennetts of .lgiQ on a Long Term Financial Plan (LTFP) for the District Council of Coober Pedy based on the current business model where Council continues to run both essential services of water and electricity.

The draft LTFP assumes that Council will continue to own and operate the water and electricity essential services (despite a tender being released for the water business) and provide the current level of municipal services.



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The current draft LTFP requires a 70% increase in revenue (\$1.27m) to maintain current municipal services delivered by Council and maintaining a cash balance of \$500k. The required increase in revenue could be offset by reducing expenses (which will probably relate to a reduction of services delivered) by a similar amount or a combination of both, which is the probable outcome.

Whilst the electricity business generates a small surplus, the water business requires a 31% increase in revenue (\$153k), at current consumption rates, to break even. Again, this could also be achieved by a reduction in expenses or a combination of both.

To begin reducing the LGFA borrowings before 2032, a further increase in revenue or decrease in expenses would almost certainly be required.

Further details on the above financial position can be found in the Council and Audit and Risk Committee agendas.

### *Plant & Equipment*

As mentioned above, Council's plant and equipment is unsafe and dangerous and beyond economic repair. In a report to the January Ordinary Council meeting, it was identified that 16 items of plant required critical replacement at an approximate cost of \$2.8m. Council is currently in the process of arranging a tender for this equipment. This equipment is currently being hired at a substantial cost. There are a further 8 items of plant worth \$0.5m deemed necessary for Council operations. Council will need to borrow a further \$3.3m to finance the acquisition of these replacement assets.

It should be noted that the assets being replaced could only be sold for scrap value which is of minimal cash flow value. Council is in the process of organising an auction for all the current unserviceable plant and equipment.

### *Assets*

Whilst technically DCCP has the required Infrastructure and Asset Management Plans (IAMP) (they exist as a very high level generic document), the IAMP is of little practical use in the management of assets. Michele Bennetts from .lgiQ is currently working on asset plans which should provide for a better understanding of the assets and a more robust evaluation of the status of these assets.

I also note that a formal valuation of the assets (with the exception of the water assets) has not been undertaken for some time and is therefore out of date. However, the cash forecast has prohibited this work being undertaken (approx.. cost \$40k- \$50k). Formal valuations should be undertaken as soon as possible for both accounting and insurance purposes.

### *John Comrie Report*

I am pleased to report that all recommendations in Appendix A (except Item 9 – Risk Register) have been actioned to some degree. The current draft LTFP and Budget Review 2 documents include the appropriate recommendations from the report. The Audit Work program will be updated to include these recommendations to ensure they are all actioned.

The report has not yet been made public and was deferred for consideration by the Audit Committee at the meeting held on 21 March 2023 as they did not have sufficient time to read the report. It is the intention for this document to be included in the next Audit and Risk Committee meeting for consideration.

Internal controls still require further action to finalise policies and procedures and the Internal Controls Framework



## **Task Force**

Prior to my tenure as Interim Administrator, the State Government Task Force, set up to assist DCCP with its ongoing concerns, had not met with representatives of DCCP. DCCP has now met twice with the Task Force and the process is back on track guiding DCCP forward.

The main discussion point for the Task Force is presently the tender for sale and operation of Coober Pedy's water supply. The tender is due to be released prior to 29 March 2023 for a 2 month period ending 1 June 2023. It is intended that a committee will be set up to evaluate the tenders and Council has advised the Task Force that they will be able to appraise the tenders and have input into the decision making process of Council for the tender. As there were 3 Expressions of Interest in the water business of Council initially, it is hoped all 3 will submit a tender.

## **Documentation**

I have reviewed many Council documents during my tenure and, whilst most of the required documents exist in some format, mostly they are out of date and not always available on Council's website.

However, I have recently found that the By-Laws were updated in 2021 and Council has followed the correct procedure to ensure they are valid. The By-Laws on the website are not current and need replacing urgently.

Delegations are dated 2020 but should be updated due to changes in legislation and staff.

Whilst most required policies exist, they are out of date and need urgent review. The CEO & I have been negotiating with the Local Government Association (LGA) to provide the templates and update the policies for DCCP use. This work should be undertaken as soon as practical.

The Strategic Management Plan needs review and updating. The new Administrator team should commence this process early in their tenure.

The Community Lands Management Plan is incomplete and fragmented in Council's records. This requires urgent work.

## **Communication**

Clearly the Council's very poor financial position has the potential to have a significantly negative impact on the Coober Pedy community, and I encourage you and the State Government to work constructively with the community and Council to determine a way forward to achieve the required increase in revenue/reduction in expenses.

I noted when I first arrived that communication between staff groups, and between Council and the community was poor. I have done my best to open up communication channels with the community and the CEO has been improving communication between staff groups. I believe the Coober Pedy Regional Times coverage of Council has been more positive since the CEO & I initiated fortnightly meetings with the editor.

I further believe the community and staff have the ability to offer some potential solutions for many problems facing Council if they were aware of the extent of those problems. I have spent some time talking with various members of the community and have been heartened by their forthrightness in those discussions.



## Anti-Social Behaviour & Transient Population

Council, and the community of Coober Pedy in general, have been struggling with worsening anti-social behaviour caused predominantly by transient people from the APY Lands and alcohol. The Department of Human Services recently held a forum in Coober Pedy to listen to the concerns of the community. The outcome of that meeting was a series of actions:

- A continued need for local leadership, cultural authority and collaboration between services and organisations was supported;
- Liquor Licencing – key matters raised by the community included hours of operation, restrictions on the number of sales in a given day and on selling of alcohol;
- Return to Country/Community - support to help visitors to leave Coober Pedy and return to community when appropriate and safe was strongly supported;
- A review of current services to identify gaps/operating hours was supported; and
- A safe place for visitors to gather and receive services prior to return to community or other outcomes was broadly supported.

Council has been liaising regularly with SAPol and has recently successfully combined forces with SAPol to move an illegal camp from near the children's playground. The use of SAPol was needed due to Council having no Authorised Officers correctly authorised.

## Summary

I thank you for the appointment as Interim Administrator and the opportunity to serve the community of Coober Pedy. I hope I have been able to meet your expectations.

I wish the new Administrator team great success!

Whilst the report above contains substantial bad news, I believe that if the Council, State Government and the community of Coober Pedy work together constructively, Coober Pedy will be able to move forward to a sustainable future. It will not be an easy undertaking, but with goodwill from all parties, I believe it is achievable.

If you require further detail, please do not hesitate to contact me.

If I can be of any further assistance in the future in the local government arena, I would be more than willing to assist.

Yours faithfully,



Colin Davies  
Interim Administrator

27 March 2023