



DISTRICT COUNCIL OF COOPER PEDY

“Opal Capital of the World”

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ADMINISTRATORS FOURTH REPORT ON THE ADMINISTRATION OF THE AFFAIRS OF THE DISTRICT COUNCIL OF COOPER PEDY TO THE MINISTER OF LOCAL GOVERNMENT 28 MARCH 2024

The Administrators of the District Council of Cooper Pedy (the **Council**) are required to provide reports to you on the administration of affairs of the Council at intervals of not more than every three months, pursuant to section 273 (13) of the *Local Government Act 1999* with the fourth report due by 28 March 2024 in accordance with your letter dated 12 April 2023.

Regarding the financial management of the Council and progress made since our appointment as Administrators, I provide the following information which should be read in conjunction with the previous reports, the most recent being that of 20 December 2023.

1. 2023-24 Financial Reporting

Regular monthly reports continue to be provided to the Council, highlighting positive and negative items, overall trends, and a forecasted 30th June 2024 result.

Key information presented is provided in the following table:

Forecast 30 June 2024 Position

	FY 24 Adopted Budget	Forecast FY24 – as at February 2024	Variance
Income	\$17,655,251	\$19,658,297	\$2,003,046
Expenditure	\$19,601,584	\$20,799,529	\$1,197,945
Internal Charges	(\$24,620)	(\$24,571)	\$49
Operating Result	(\$1,921,713)	(\$1,116,661)	\$805,052
Underlying Operating Result	(\$227,689)	\$535,081	\$762,770
Cash Position at 30 June 2024	(\$919,084)	\$4,996	\$924,080
Capital Expenditure	\$627,782	\$957,905	\$330,123

There has been an improvement in the forecast Operating Result and the Underlying Operating Result compared with the original budget. Council's performance remains vulnerable due to our limited cash reserves impacting our ability to maintain/replace aged and failing assets. As assets continue to fail Council must make decisions regarding continuity of service and value for money. Often Council is forced to select the option based on what it can do in the moment, which is not always the best decision financially or strategically in the long term.

Council is continuing to attempt to undertake service level reviews and is endeavoring to focus on constraining and reducing costs in our budget. However, this can also be to the detriment of our service level delivery, as we are operating on a very tight organisational structure and budget given the level of limited services that Council already provides.

This has a recurring aspect to the ongoing financial position of Council as we are not in a position to invest in asset renewal at a time when our assets have long been neglected, are impacting on our service delivery and are in desperate need for an injection of capital investment. This also includes the essential services of water and electricity supply plus our community wastewater disposal scheme (CWMS).

All monthly financial reports and budget reviews have continued to be distributed to the Local Government Finance Authority (the **LGFA**) and Office of Local Government (the **OLG**).

Cash Flow

The ongoing management of the cash flow of Council continues to be a tightrope and balancing act, which continues to be challenged by extra cost pressures being uncovered, including:

- EDL invoices – there was a part failure at the EDL managed plant that required additional diesel generation backup. The additional costs averaged \$100k each month for seven months. Council has assumed a budget adjustment will be approved by Remote Area Energy Supply (**RAES**) and that additional subsidy will be forthcoming before the end of the financial year. If there is a delay this could impact Council's ability to maintain target EDL outstanding balances.
- Capital purchases – Council has had multiple instances year-to-date where capital purchases have been required that were not initially budgeted for. Had Council not made the decision to purchase these capital items then the longer-term ramifications would have been increased costs to Council and even non-compliance with ESCOSA requirements.

Council has used conservative assumptions in regard to our cashflows, based on what it is confident will impact the cash balance. A revised cash flow forecast will continue to be reported each month (including to the OLG) based on updated information as it comes to hand.

Council recently applied to put in place temporary banking arrangements, in the form of an overdraft facility, that would have enabled Council to access funds in the short term should we find ourselves in a position where there is a gap cash shortfall in the second half of 2023-24. However, the bank declined Council's application, therefore Council's cash flow position, whilst being managed, remains vulnerable.

Regardless, the Council is committed to ensuring that the amount of Council's unpaid EDL invoices as at 30 June 2023 (i.e. \$2.7 million) is not exceeded at any time during 2023-24.

Any support your Office can assist with these endeavors, given the uniqueness of our remote regional council, would be greatly appreciated.

FBT Liability 2008-2018 (11 years)

As reported previously Council has been working with a specialist FBT consulting firm to review and prepare the FBT returns for the 11 years from 2008 to 2018. As previously reported, the lack of accurate and detailed record keeping in the past has meant this has been a complex and time-consuming task. It has required a detailed review of general ledger transactions to prepare these returns and sourcing original documents from archives, which due to historical poor record keeping was not always successful.

As previously reported, we have been provided with an estimate of the FBT liability owed by Council to the ATO totaling **\$811k**, which includes a General Interest Charge (**GIC**),. Since the last report, the Administrators have received a briefing from the FBT specialist on the FBT situation. Council was provided additional information during February 2024 and the specialist will now finalise the return based on the additional information provided. At the time of lodgment Council will apply to the ATO for a payment plan, requesting a start date from July 2024. We will also be seeking a remission on the GIC amount given we are self-reporting this oversight.

It is noted that there is no guarantee that there will be a remission of interest or that the payment plan will be approved. As such, the current position is that the outstanding amount would be due to be payable now. The amount of liability is still subject to review and assessment by the ATO.

Enterprise Bargaining Agreement – Backpay

In July 2023, the Council's Chief Executive Officer (**CEO**) approved an Enterprise Agreement which since has been endorsed by the South Australia Employment Tribunal. This resulted in backpay dating back to 1 July 2021. The backpay owing for FY22 and FY23 has been calculated and has now been processed, however, the actual amount of the backpay was \$444k which is higher than the original estimated amount of \$401k as provided for in the budget for 2023/24. Unfortunately, this has also had a negative impact on the cashflow position of Council.

As at the time of writing this report, there has still been no announcement of the State Wage Case and so additional backpay owing to staff commencing from 1 July 2023 has not yet been processed. Council provided for an increase of 5.2% in the 2023-24 budget.

2023-24 to 2032-33 Long-Term Financial Plan (LTFP)

The 2023-24 to 2032-33 Long-Term Financial Plan (**LTFP**) was adopted on 26 July 2023. The only changes made post public consultation and to the draft previously provided to you was to align the base year of 2023-24 with the 2023-24 Annual Business Plan and Budget (**ABP&B**).

Work is underway as part of the 2024-25 ABP&B process to update the 2024-25 to 2033-34 LTFP.

Internal Controls

Council continues to review and implement a new suite of Internal Controls to ensure a good level of governance moving forward. Recently, Council staff have developed an Internal Controls manual which documents Council's processes for internal controls based on the LGA's better practice model. The draft internal controls manual was tabled with the Audit & Risk Committee in November 2023 for initial review.

Outstanding Debtors

The outstanding debt for electricity has reduced from \$991k in June 2023 to \$790k in January 2024. However, Council is still very concerned with the growing outstanding debtors, particularly the electricity debtors. There are 60 accounts with an outstanding balance of \$410k who are experiencing hardship. This is an increase of 39 accounts and \$186k since Council's last report. While arrangements are in place for some account holders to make regular payments, the payments are not covering the average consumption and therefore their debt continues to increase. Under the essential services licence, Council is not authorised to cease provision of electricity whilst there is an active payment plan in place.

The outstanding debt for water has also reduced from \$546k in June 2023 to \$499k in January 2024. It should be noted that 37% (\$209k) of the January 2024 outstanding amount is owed by one commercial customer. We have been working with the OLG to have this matter addressed to avoid Council initiating legal debt recovery processes.

The outstanding debt for non-payment of Council rates has increased from \$166k in June 2023 to \$212k in January 2024. There is currently 13% of the outstanding balance identified as qualifying for auction and another 38% that is being managed by the debt collection agency.

While I note these issues severely impact Council's ability to manage our cashflow, it also suggests the impact of the rates increase on the community and their capacity to pay.

Local Government Finance Authority Loan Impairment

As previously reported communication from the LGFA was received on 14 September 2023 regarding its intent to record an impairment, per the Accounting Standards, on the Loan owing by Council. This does not constitute a waiving or forgiveness of this loan on the part of the LGFA. The LGFA remains committed to working with Council and the State Government to ensure that any debt servicing obligations imposed on the Council by the LGFA are met.. Notwithstanding this, it does mean that if the LGFA was to advance any funds to Council in the near future, it would need to impair this amount at the same time as the advance was made.

2. Progress on John Comrie Report March 2022 Recommendations Including Addendum of March 2023 – Updated March 2024

RECOMMENDATION No.1: *That Council develop and document an accounting policy specifying:*

- a) *arrangements for the application of corporate overheads in calculating the cost of water, sewer and electricity (WSE) and municipal services; and*
- b) *the basis of determining and levying overheads and their rate and rationale and it be reviewed by Council's audit committee before adoption.*

Status - Complete

A draft of this methodology was presented to the ARC at the July 2023 Meeting. The ARC requested further information and Council adopted a 'Overheads Allocation Methodology Policy' at the November 2023 Council meeting.

RECOMMENDATION No.2: *That Council satisfy itself that the asset base upon which it generates a cost of capital is an appropriate base given the best available information regarding the extent to which assets were gifted to it.*

Status - In Progress

Council has been reviewing documents to determine the Asset Base. A draft recommendation is to be presented to the ARC for review by April 2024 before recommendation is made to Council. Staff are endeavouring to have this adopted and included in the 2024-25 annual budget and LTFP. We have recently called for a tender for a consultancy to review our Assets Values but we do not have the funds to pay for this service so we approached the OLG for support (as was suggested might be an option when we last met with you). At this time we have not received a response from the OLG.

RECOMMENDATION No.3: *That Council develop an explicit policy that clearly details the rationale as to whether the revenue raised through the levying of a cost of capital charge in determining water, sewer and electricity charges be applied to offset the cost of municipal services.*

Status - In Progress

Linked with Recommendation no. 2, staff are endeavouring to have this adopted and included in the 2024-25 annual budget and LTFP.

RECOMMENDATION No.4: *That when reporting proposed, actual and projected financial performance in its Annual Business Plan, budget reviews, long-term financial plan and end of year financial statements (in the case of the financial statements as supporting notes) DCCP separately report on each of water, sewer and electricity and then disclose all of the remainder separately as municipal.*

Status - Completed

This recommendation has now been adopted both in the ABP&B and in the monthly reporting structure.

Further enhancements to this are to be delivered in the annual budget for 2024-25 where Management are presenting a statement of financial position view of the individual business units.

RECOMMENDATION No.5: *That Council review the financial indicators that it uses to report performance and the targets it sets for desired achievement and ensure through its revenue and expenditure decisions, that these targets are achieved (at least on average every 3 years) on an ongoing underlying basis. These targets also to be separately set and monitored for municipal and each of water, sewer and electricity activities.*

Status - In Progress

Targets are being drafted and a report is being prepared to submit to the ARC for review and recommendation prior to the end of the calendar 2024 year.

RECOMMENDATION No.6: *DCCP manage its water, sewer and electricity activities as separate 'business units' (as far as practically feasible) including giving consideration to formally establishing one or more subsidiaries for their oversight.*

Status – On Hold

Given the implications and resource investment required to establish subsidiaries this recommendation is on hold.

In the interim, changes were made to the management reporting structure in FY23 and beyond, which is enabling a more individual view of each of these business units.

It is suggested that this position should be reviewed should the Council move out of Administration and back to an Elected body of Council members.

RECOMMENDATION No. 7: *That DCCP, LGA of SA, LGFA and State Government representatives meet with a view to agreeing arrangements for DCCP to fully repay its arrears to EDL as soon as possible.*

Status - Ongoing

Cash Flow projections are produced every month and discussions are ongoing with various parties regarding Council's Cash Flow situation. Council has ensured that the repayment of the EDL liability continues to be the priority through the LTFP process. However, Council and the Audit & Risk Committee do not see the repayment occurring without further significant

increases in Council rates (which is not sustainable for the community), significant decreases in municipal service levels or by the sale of some Council assets or a combination of all or some of these options.

As at 08 March 2024, the outstanding amount owing to EDL is \$1.57m. During February 2024, Council made two payments totalling \$1.29m.

RECOMMENDATION No.8: *That DCCP's asset management plan and long-term financial plan be revised to ensure that proposed asset renewal expenditure in both documents is identical and up-to-date and reasonably reliable based on best estimates.*

Status – To be Commenced – *Refer to Recommendation 2 response.*

The current adopted Infrastructure and Asset Management Plan (**IAMP**) is outdated regarding several of the assets. Council's current version of the draft for the LTFP 2023-24 incorporates requirements based on cash flow and likely replacement.

Council will add the IAMP update to its work plan, with the date still to be confirmed.

Council requested quotes for the provision of revaluation services in January 2024. The request for quote had five serious offers. Council is now considering options regarding how to fund this work and the subsequent IAMP.

RECOMMENDATION No.9: *That DCCP develop a risk register and it be regularly updated as warranted and be monitored and reviewed at least annually by its audit committee.*

Status – In Progress

Council Administration have commenced work on developing a risk register. The initial workshop was held on 9 June 2023. It is now in the process of developing the detailed strategy and risk register.

The Risk register was presented to the Audit and Risk Committee at the February meeting, where the committee requested further details to be provided at a later date.

RECOMMENDATION No. 10: *That DCCP's audit committee develop a work program that addresses all legislatively supported and other warranted as appropriate responsibilities and that it monitors this program at each of its meetings. This work program should be included in each audit committee meeting agenda and the meeting minutes record the outcome of the committee's review of same.*

Status – Completed and Ongoing

The ARC work plan has been developed and has been tabled at each meeting.

The ARC is continuing to review and make recommendations at each meeting.

RECOMMENDATION No.11 *That given DCCP's current financial position and the uncertainty of the possible future sale of its water function, it bases its long-term financial plan and asset management plan, on having ongoing responsibility for the water function until it becomes otherwise certain and that it set its budget and financial strategies based on these documents.*

Status - Completed

The ABP&B for FY24 has assumed ongoing responsibility for the water and electricity assets.

RECOMMENDATION No.12: That Council considers the capacity for real increases in general rates or reductions in operating costs as a means to eliminate its municipal operating deficit.

Status - Completed

The FY24 Budget adopted by Council included a 20% increase to municipal rates and a 30% increase to water usage tariffs to ensure full cost recovery for the supply of water.

Council must also consider future rates and service charges increase expectations against ratepayers and community affordability as well as the capacity of ratepayers and the community to be able sustain future increases. As detailed in the ESCOSA Council advice scheme, as a common theme to all Councils, there is a real need to minimise the impact of future rate expectations on the community where possible.

3. Report on General Activities and Highlights

Recruitment of Chief Executive Officer (CEO)

Continuing on from our December 2023 report, it is still proving to be very difficult to attract a suitable candidate. To add to this challenge, the recent remuneration tribunal determination for CEO salaries includes the provision of both accommodation and a motor vehicle, in the total remuneration package, despite our unique remote challenges that we face in the outback. Following a Council resolution in February 2024, we have lodged a submission to the current review of the Remuneration Tribunals own review of the CEO salary Determination No.4 of 2023.

The District Council of Coober Pedy (**DCCP**) is classified as a level 8 Banded Council despite its remoteness and challenges in recruiting CEOs. Arguably this is one of the key fundamental weaknesses of the Council and has been for some years now.

Being able to attract and retain staff to Council is always a challenge, and this then requires other arrangements which can be very costly to Council and not sustainable.

Outgoing Acting CEO, Mr Mark Austin, has recently resigned (4 March 2024) having been appointed to the position of CEO at the District Council of Peterborough. It is noted that he was a highly desirable candidate for our CEO position but chose Peterborough over DCCP which reinforces the challenges that we face in this regard.

Fortunately, Council have been successful in obtaining the services of Mr Scott Reardon for an initial period of six months as the new Acting CEO. Mr Reardon commenced on 4 March 2024 following a handover of the key issues from Mr Austin on the same day.

Mr Reardon comes to DCCP following his recent stint of almost two years at the Town of Walkerville as their Acting CEO. Like Mr Austin, Mr Reardon comes to DCCP with some

considerable local government experience so we are hopeful that he will see it out for the six-month term and possibly consider a more permanent arrangement.

Staff Support

Attracting and retaining staff continues to be one of the challenges faced by the DCCP.

Council has been without an Executive Assistant (**EA**) to the Chief Executive Officer & Principal Administrator to assist with Council meetings agenda, minutes and correspondence now for almost seven months. Council has endeavoured to recruit for the role however, no suitable candidates have been identified. Council had previously undertaken a shared service arrangement with the Barossa Council for EA and Governance support on a temporary basis to assist covering this shortage in staff resources. The new Acting CEO is currently considering options and working conditions for recruitment into this role.

In early March 2024 the Manager Corporate Services (a key member of the Senior Leadership Team) tendered her resignation. Unfortunately, the unfair constant abuse from customers and others outside of Council, along with the uncertainty of the CEO position have been the primary causes for her move away from Coober Pedy. However, Noting the value in the manager as an asset to the organisation, the newly appointed Acting CEO immediately commenced negotiations with the Manager, which has now resulted in the retraction of her resignation and in lieu thereof of her taking an agreed 12-month leave of absence. Mr Reardon is currently working through resourcing requirements to back-fill this position for the 12 month period.

Filling these three important positions and Council's negative cash positions are Council's primary issues that we are dealing with at this time.

Relocation of Wastewater Dump Point

In the September 2023 Council Meeting, consideration was given to relocating or altering the wastewater disposal unit used by Recreational Vehicles. This project identified reducing Council's operating costs and it was decided that Council would not relocate the dump point. Instead, Council would modify the current dump point adjacent to the Council offices to feed it into Council's sewerage system, which would realise a savings of approximately \$10K per annum in pump out costs. These works commenced in January 2024 and are expected to be completed no later than 30 June 2024. The savings will be reflected in the budget as soon as the project is completed.

Storm Damage to Council Assets - Update

As you are aware, Council experienced a significant high windstorm event in November 2023 which caused some significant damage to assets, including:

1. Coober Pedy Drive-In Screen



2. Coober Pedy Gym/Sport Centre – part of the veranda was torn from the building.



3. A 20,000 litre water tank was torn off a raised tank stand at Councils field bore.



Council has lodged an insurance claim with Local Government Risk Services (**LGRS**) for all items listed above and is awaiting a determination, noting that there is potential for fund recovery from an insurance claim for the sport centre and the tank and a partial recovery of funds for the drive in screen damage and structure replacement,

Additionally, while Council is still waiting for the LGRS to deliver an outcome to Council regarding these matters, assessors and structural engineers have attended sites. They have assessed the damages and have subsequently raised concerns about the structural integrity of the existing structure for the Drive-In. As at the date of this report, further engineering reviews were being undertaken. It is anticipated that the LGRS will respond to Council in the coming weeks with a proposed course of action.

Australia Day and Citizenship Ceremonies

Council held a very successful Australia Day event on 26 January 2024 with awards being presented in the various categories:

- Citizen of the Year 2024
 - Jacqui Boland
- Young Citizen of the Year 2024
 - Gemma Hoad
- Community Event of the Year 2024
 - Coober Pedy Animals Second Chance and
 - Mini Gems Childrens Centre
- Active Citizen of the Year
 - Ariane M Roberge

On the day, Council held a Citizenship Ceremony which saw two conferees becoming Australian citizens.

The 'Welcome to Country' was given by Tanya Van Horen, and attendance was much higher than previous years; thanks to better advertising and communication to the community. The Australia Day Ambassador for Coober Pedy, Mr Ian Smith, visited Coober Pedy for four days and was able to share his experience and knowledge with the locals. Council's childcare centre and the Children and Parents Program (**CaPs**) organised kids' games and to close out the day a cricket match was held, played with 16 local participants.

Community Land Management Plans

Council has commenced a review of its Community Land Management Plans (**CLMPs**) by establishing some agreed categories and a template structure for the CLMPs. The planning process for this has begun but with the recent change in Acting CEO and the pending leave of absence of the Manager Corporate Services, priorities have had to shift. As such, it is anticipated that the review of the CLMPs will commence in the first half of the 2024-25 financial year.

4. **Urgent Capital Works**

Council's Administrators and the Acting CEO have been made aware of electricity capital works projects that need to occur as a matter of urgency. There are three primary projects needing urgent works, those being for McKenzie Road, Crystal Place and Hallion Street.

McKenzie Road (Priority 1) – during the November weather event, a resident's carport was lifted from its foundations and blown into one of Council's powerline poles on McKenzie Road. The impact moved the pole and has undermined the footing significantly. The pole is presently being supported by a concrete block and rope and is in a precarious position being only centimetres away from a deteriorating embankment. There is an immediate risk to the adjoining properties should this pole or supporting earth fail, and as such, its immediate relocation is necessary.



Crystal Place and Hallion Street (Priority 2) - it has been discovered that the power supply to these locations is below the minimum requirement set by the Office of the Technical Regulator (**OTR**). As such Council is not compliant as an electricity supplier which carries further implications under Council's ESCOSA licence. The voltage testing of these properties indicates that the electrical supply frequently drops below minimum standards (due to either insufficient transformers or old transformers) which increases the risk of fire and property damage. Council's electrician recently attended one of the properties and replaced a circuit breaker that had already started to burn itself from the inside out.



The lines, power supply and transformers in these areas need urgent works to mitigate the further risks. The works include the removal of a powerline pole located on a cliff's face above a residential dwelling (photo above).

The estimated total cost of these three projects adds up to \$275k but we have no funds to address these urgent issues.

At our March Council meeting on 27 March 2024 Council resolved to proceed with the proposed urgent works on McKenzie Road at an estimated cost of \$75,000. with the other two important projects to be considered as part of the 2024/25 budget preparation.

5. Other Matters

Overall, it has continued to be a challenging and busy three months since our last report, with our Council agendas being reasonably full of ongoing operational matters and new initiatives.

The forecast negative cashflow near the end of 2023-24 continues to be a major concern for Council with no identified solution.

This situation has only been made considerably worse by the outcome of the recent FBT Audit, Enterprise Bargaining Agreement backpay and now identification of the requirement for Council being subject to payroll tax (for providing essential services to the Community in Electricity and Water Supply).

All of the above provides further impacts to Council's cashflow problem and cash position and is a further liability that Council must account for in the future, on an already dire or perilous budget position.

There are non-conforming or outstanding matters identified that we are continuing to address as much as our limited resources allow us. The key areas include:

- Strategic Plan – This has not been reviewed since 2013 as per Council’s website.
- Records Management – Council has an electronic records system in place but not readily used by most staff and no formal practices are in place for managing records. In addition, Council has many old records in inadequate storage awaiting assessment for disposal or archiving. Council does not have the resources to implement the proper usage and commencement of its existing electronic records system.
- Policy and Codes review and update – not all policies have been reviewed in a timely manner and not all required policies are in place nor up to date. Administration has commenced work on this with the direct support of the Administrators and Council’s consulting finance team, most recently:
 - a review of Council’s Code of Practice for Access to Council and Committee Meetings; which has not been reviewed since 2012.
 - It is also noted that Council does not have our own Code of Practice for Meeting Procedures so work has also commenced on drafting such a Code.
 - In January 2024, Council adopted an amended Council’s Disposal of Land and Assets Policy.
- *Planning, Development and Infrastructure Act 2016* Delegations - these have not been reviewed since 2018. Council’s development applications are managed by the state government through Plan SA for planning and the City of Salisbury (building assessment) under a shared services agreement.
- Sub-delegations – General Delegations were reviewed and adopted in June 2023, but the sub-delegations have only been partially addressed to date. As a result, staff are not fully delegated to act accordingly.
- CEO Delegations – the CEO receives many delegations directly from a number of Acts but these need adding to Council’s publicised delegations. Council currently do not have the staff available to address this, but we are optimistic this can be completed in the current financial year if all of Council’s key vacant positions can be filled in a timely manner.
- Register Confidential Orders – Council has not managed a Register of its Confidential Orders since at least 2018, and no such register exists on Council’s website. Council’s Administrators have personally commenced work on establishing the required registers by working back through the minutes and considering some other historical information. This has partly been addressed and Council has endorsed the setting of a new review timing of six monthly intervals for the review of confidential orders, and has now a confidential Orders Register in place and on Council website.
- Authorisations – Council does not have a register of its Authorised Officers on its website, and we have limited confidence that one exists. An audit in how these are managed is required but Council lacks the resources to do this work in the short term.
- Audit & Risk Committee – with the recent update by the Local Government Association of the Financial Sustainability Information Paper No 3 relating to Audit & Risk Committees Council have commenced a review of Council’s Terms of Reference of

this Committee along with other practices relating to the role of the Committee to ensure this is delivering.

- External Auditor – the current term of engagement for Council’s existing external auditors expires at the end of this financial year of 2023-24. In February 2024 Council has resolved to commence a tender process to seek a new external auditor.

6. Sustainability

One of the major underlying issues that requires urgent consideration is the ongoing sustainability of Council.

It is well recognised through the ESCOSA Advice to Local Government program, that there are genuine concerns in relation to the financial sustainability of a number of Councils and in particular smaller rural regional Councils, whereby they are at risk of being financially unsustainable. This is due to ongoing operating losses and the lack of investment in asset renewal. This is of course magnified at the DCCP as we are required to also provide essential services (electricity and water) that are normally the domain of State Government.

This is also heightened as Council is required to provide other discretionary, however essential community services for this remote region, such as the Airport and Child Care Centre. All these services are provided from a rate base with a community that is already paying higher rates and water costs. Council must now consider any further increases to rates and service charges balanced with the affordability for ratepayers and the need to minimise the impact of future rate expectations on the community where possible.

The community simply cannot afford any further rate rises of a higher level and cannot afford the current increased water charges which are up to over 4 times higher than the price of water in Adelaide.

One major area that is of great concern is the inability of Council to be able to invest in asset renewal, especially given the age and condition of Council assets, examples of this include:

1. Essential services such as waste collection service delivery are impacted by ageing plant and equipment and ongoing breakdown of the waste trucks, whereby Council is unable to invest in purchasing this new plant.
2. Council cannot invest in renewal of plant and equipment and have to hire them.
3. Council’s water storage tanks are ageing; one is not able to be used, and others that we are having to assess the condition of them our financial position restricts being able to renew assets.

As we reported to you in December 2023 and discussed when we met with you in January 2024, Council had to replace two failed aerators for the Community Wastewater Treatment plant. We are pleased to report that this equipment has now been purchased and installed which is operating extremely well, producing good quality recycled water which can now be used on our oval and orchard areas, thus saving tens of thousands of dollars

In addition to this, Council has recently been required to replace an essential piece of electricity equipment in an Electricity Power Analyser which measures the electricity being provided across the network. It logs voltages, current and frequency on our distribution system and also allows the efficient and effective management of faults. The existing item had to be decommissioned as it is no longer measuring accurately and cannot be repaired. It is a

requirement of ESCOSA for Council to have this type of equipment in place. This was also reported to you following our meeting.

The matters above were outlined in our December 2023 report but since that time the Administrators and Acting CEO have been presented with a comprehensive state of the business from each of Council's four Business unit Managers. This occurred on 29 February 2024, which is summarised below:

Works Department

- A recent restructure and consolidation of roles has resulted in a 0.4FTE saving.
- A number of key road projects have been completed and the team are in the process of planning to finalise outstanding grant funded project by the end of the financial year.
- The main issues faced by the Works department relate to insufficient staffing numbers, and decommissioned plant machinery (due to age and wear-and-tear).

Corporate Services

- The department oversees tourism, recreation, cultural & economic development, planning & development, water retail, electricity retail, HR, records management, customer services, and financial services.
- The main challenges the department faces being:
 - existing software not appropriate for electricity and water retail, and not accurate water consumption invoiced;
 - ongoing aggressiveness and threatening behaviour from customers which has impacted staff mental health and wellbeing;
 - implementation of new initiatives.

Electricity Department

- A number of key projects have been planned for completion this financial year, including:
 - McKenzie Road works (as outlined above);
 - RAA fast Charging station;
 - Carrols Road works; and
 - Replacement of old meters with smart meters.
- Future necessary works include:
 - Crystal Place works (as outlined above);
 - Hallion Street works (as outlined above)

Water Department

- Two new Aerators have recently been replacement for water treatment.
- The main challenges the department faces being:
 - a large portion of our equipment is now running beyond reasonable life expectancy, requiring complete replacement or continuous maintenance work;

- high cost assets have not been budgeted for appropriately in the long term as a result; and
- electronic componentry is either outdated or non-functional.

Unfortunately, at this time we do not have cost estimates against each of these items but the Managers have been asked to provide that to us as a matter of priority.

Conclusion

We continue to seek Government support to assist in addressing some of our key priorities which are well beyond our funding and resources capabilities.

It would be useful to meet with you again, and separately with the Task Force in the very near future noting that we have not met with the Task Force since before the closure of the Water Tender back on 30 June 2023.

Please do not hesitate to contact me if you have any questions or requirements of us.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Geoff Sheridan', with a small mark above the 'd'.

Mr Geoff Sheridan

Principal Administrator