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**CONFIDENTIAL CORPORATE  
GOVERNANCE COMMITTEE MEETING**

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**CONFIDENTIAL MATTERS**

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Released 27 July 2021

## **9.1 FUTURE FUND UPDATE**

Contact Person: Mr James Pollock

### **Why is this matter confidential?**

Subject to an order pursuant to Section 90 (3) (b) of the Local Government Act 1999, this matter is confidential because disclosure of this information could reasonably be expected to prejudice the commercial position of Council due to the commercial activities to be undertaken under the Future Fund and the disclosure of any proposals discussed would be to the detriment of Council.

### **A. COUNCIL/COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE**

No action – this motion passed in the open section.

### **B. THE BUSINESS MATTER**

#### **9.1 Future Fund Update**

**Attachments :** 1. Future Fund Project Scope Statement

### **Why is this matter before the Council or Committee?**

Given the role and function of the Committee, administration wish to update the Committee about the Future Fund Project and seek the Committee's feedback.

**Presenters:** Mr James Pollock and Mr Edi Bergamin

**Purpose:** To discuss the financial model options for the Future Fund including the benefits / limitations of each option.

**Duration:** 30 Minutes

Due to the forecast high levels of growth over the next 30 years, this will increase the demands for capital works and services expenditure in the City of Playford.

Council will need to consider alternative funding models and use of land / asset disposal proceeds in addition to the current traditional funding sources such as rate revenue, government grants and asset sale / disposal.

## Project Scope Statement – Future Fund



Project Name:	City of Playford Future Fund	5 July 2016
Executive Champion:	James Pollock	
Project Manager:	Edi Bergamin	
Steering Group:		
James Pollock	General Manager Strategic Projects & Assets	
Sam Green	Deputy CEO	
Maggie Dowling	General Manager City Services	
Greg Pattinson	Senior Manager Strategy & Policy	
Anthony Spartalis	Senior Manager Finance	

### PROJECT PURPOSE AND JUSTIFICATION

The Playford Community Vision 2043 has been developed by the Playford community to respond to and manage the opportunities and projected population growth that is before the City of Playford over the next 30 years. As a consequence, the Strategic Plan is driven by the aspirations of the Playford Community Vision 2043 and outlines the key strategies and outcomes to be achieved over the next 5 years and beyond to bring the vision to reality.

To build the future of the City, the City of Playford Strategic Plan has adopted the following key strategies:

- Strategy 1 : Our foundations – services, city presentation and community pride.
- Strategy 2 : Securing Playford's future and building value.
- Strategy 3 : Elizabeth, Adelaide's Northern CBD.
- Strategy 4 : Securing Playford's position in the global economy.
- Strategy 5 : Building our capabilities.

The listed outcomes for each strategy will be funded from a range of sources; principally Council budgets, State / Federal Governments and commercial / private sector investment. The primary sources of Council income / budget is from traditional sources such as rate revenue, government grants, asset sale / disposal and investment. Regarding the sale / disposal of assets to contribute to the funding of the Strategic Plan outcomes, the disposal process is undertaken in accordance with Council's Sale and Disposal of Land and Other Assets Policy which was adopted in October 2015. The Policy also outlines that Council can allocate the net proceeds from the disposal of land / assets to:

- Reduce borrowings.
- Build cash reserves to fund future asset replacement or strategic land purchases.
- Construct new community assets.
- Fund equity in joint venture.
- Other purposes as Council sees fit.

Thus to achieve the outcomes and vision of the Strategic Plan and future funding of major capital projects, Council will need to consider alternative funding models and the use of net proceeds from land / asset disposal.

## Project Scope Statement – Future Fund

Also, due to the forecast high levels of growth over the next 30 years as forecast in both the State and Council Strategic Plans and Vision documents, this will increase demands for infrastructure and major capital works in the City of Playford. The latter pressures will place significant pressure on the City of Playford's funding capacity. These pressures also will have adverse effect on Council's ability to fund other projects in the capital budget program.

### SCOPE DESCRIPTION

The Future Fund will support and fund major capital projects such as strategic land acquisitions, development or redevelopment of key Council assets. The selection of major capital projects to be funded by the Future Fund will be based on meeting one or more of the following Future Fund criteria:

1. Alignment with City of Playford's Strategic Plan objectives.
2. Deliver citywide or wider community outcomes.
3. Be a multifaceted project with environmental, economic and social outcomes.
4. Increased opportunity for securing external funds from private or government sectors.
5. Increased opportunity for financial return and subsequent additional Future Fund revenue.

In the initial stages, the funding model for the Future Fund will be based primarily on allocating the net proceeds of all land / asset disposals to Future Fund revenue rather than Council general revenue or debt reduction as presently, however the Future Fund may offset debt.

The Future Fund project scope consists of the following key objectives:

- Property – revocation and disposal of land / assets.
- Open Space Strategy review.
- Sale and Disposal of Land / Other Assets Policy review.
- Establish financial model for Future Fund (both capital and operating budget).
- Community / stakeholder engagement.

### HIGH LEVEL REQUIREMENTS

The key deliverables / outcomes for the Future Fund project are:

- Establishment of a Future Fund.
- Open Space Strategy for City of Playford.
- The Sale and Disposal of Land and Other Assets Policy is amended to accommodate the Future Fund.
- Revocation of Council owned community land.
- Acquisition or consolidation of strategic sites.
- Selection and delivery of major capital projects which align with the Strategic Plan.
- Financial models for both capital and operating funds which support the Future Fund.
- Community / stakeholder engagement on Future Fund objectives.

### BOUNDARIES

The key deliverables / outcomes for the Future Fund will be limited to the agreed criteria and Council's statutory obligations within the Local Government Act 1999 and its Regulations. Capital projects that don't meet one or more of the criteria will not be funded by the Future Fund and will need to seek alternative funding sources.

## Project Scope Statement – Future Fund

### STRATEGY

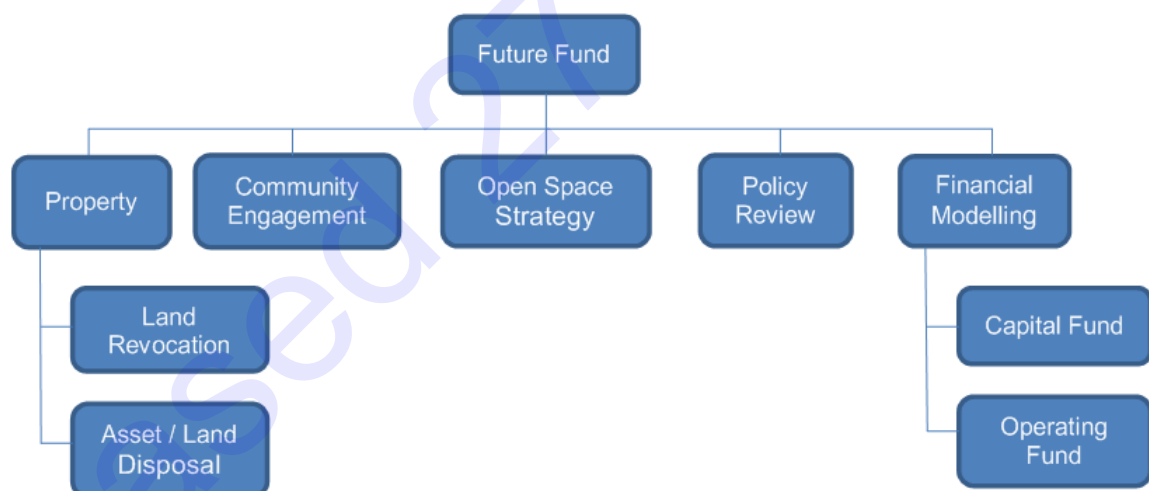
The establishment of the Future Fund for the City of Playford requires the implementation / delivery of the following key tasks:

- Council / Executive approval of the key principles of the Future Fund.
- Approval of the Future Fund selection criteria.
- Key policy amendments.
- Alternative financial funding model for major capital projects.
- Stakeholder engagement / advocacy.
- Establishment of a Project Control Group.
- Identification of surplus Council owned land / assets to provide an opportunity for Future Fund revenue.

The delivery of the Future Fund project will be overseen by the Project Control Group who will be primarily responsible for project governance, project performance, communication and selection of major capital projects in accordance with the Future Fund criteria.

Within existing Council resources, the Project Control Group will evaluate, prioritise and schedule major capital projects against each other based on compliance with the Future Fund criteria. The delivery of the selected major capital projects will be undertaken by an allocated Project Manager within an approved project management framework.

### WORK BREAKDOWN STRUCTURE



## Project Scope Statement – Future Fund

### PROJECT DELIVERABLES & ACCEPTED CRITERIA

The key project deliverables and acceptance criteria for each of the key tasks in the project work break down structure are as follows:

Key Project Task	Deliverables	Acceptance Criteria
<b>Property</b>	<ol style="list-style-type: none"> <li>1. Community Land revocation of Council owned properties.</li> <li>2. Sale / disposal of property and net proceeds allocated to Future Fund.</li> <li>3. Facilitation of strategic property development.</li> <li>4. Funding and delivery of major capital projects.</li> </ol>	<ol style="list-style-type: none"> <li>(a) Revocation of strategic Council owned properties.</li> <li>(b) Completion of major capital projects within project budget, program and quality.</li> <li>(c) Revenue for Future Fund.</li> <li>(d) Council and Executive approval.</li> </ol>
<b>Community Engagement</b>	<ol style="list-style-type: none"> <li>1. Prepare a stakeholder Management and Communications Plan.</li> <li>2. Identify stakeholders.</li> <li>3. Advocacy role with Council and community.</li> <li>4. Communication of benefits of Future Fund.</li> </ol>	<ol style="list-style-type: none"> <li>(a) Executive / PCG approval of Stakeholder and Communications Plan.</li> <li>(b) Community and Council acceptance of Future Fund.</li> </ol>
<b>Open Space Strategy Review</b>	<ol style="list-style-type: none"> <li>1. Review Open Space Strategy.</li> <li>2. Preparation of list of surplus reserves.</li> <li>3. Identification of reserves for asset disposal and redevelopment.</li> </ol>	<ol style="list-style-type: none"> <li>(a) Council and Executive approval of amended Open Space Strategy.</li> </ol>
<b>Policy Review</b>	<ol style="list-style-type: none"> <li>1. Review of Land / Asset Disposal Policy.</li> <li>2. Policy amendment to allocate all net proceeds from land / asset disposal to the Future Fund.</li> <li>3. Council / Executive acceptance of major capital project selection criteria for Future Fund.</li> <li>4. Establish governance structure for Future Fund.</li> <li>5. Inclusion of Future Fund in Council's Annual Budget / Business Plan process.</li> </ol>	<ol style="list-style-type: none"> <li>(a) Council and Executive approval of amended policy.</li> <li>(b) Decision to allocate net proceeds to Future Fund.</li> <li>(c) Future Fund selection criteria.</li> <li>(d) Establishment of Future Fund.</li> </ol>
<b>Financial Modelling</b>	<ol style="list-style-type: none"> <li>1. Investigation of alternative funding models for the Future Fund.</li> <li>2. Establish financial models for both capital and operating funds.</li> <li>3. Investment strategy for Future Fund revenue.</li> <li>4. Financial management of Future Fund complies with Local Government Act.</li> </ol>	<ol style="list-style-type: none"> <li>(a) Future Fund investment returns exceed Council's borrowing rate.</li> <li>(b) Compliance with Council's Financial Framework and Policies.</li> </ol>



## Project Scope Statement – Future Fund

### CONSTRAINTS

The key project constraints which need to be managed to ensure successful project delivery and establishment of the Future Fund are:

- **Financial** – Future Fund revenue will be dependent on net proceeds from sale of Council owned land / assets deemed surplus. The financial model based on the latter is finite due to the limited supply of surplus Council owned land / assets. Consequently, alternative funding sources for the Future Fund will need to be considered which will be at conflict with Council's current funding process and policy.
- **Fund Investment** – Investment of Future Fund revenue will need to be undertaken in accordance with Council's financial framework and governance structure. The approved financial model for the Future Fund will need to select investment funds with a higher rate of return greater than the current commercial loan borrowing rate for Council, but a higher risk exposure.
- **Strategic Plan Objectives** – selection of major capital projects will be bound by the City of Playford Strategic Plan outcomes / lighthouse projects.
- **Local Government Act Compliance** – The management and administration of the Future Fund will need to comply with Council's statutory obligations under the Local Government Act 1999 and Regulations.
- **Timing** – The funding and delivery of selected major capital projects will be delayed due to the time lag between the disposal of land / assets and availability of funds.
- **Council's Risk Adverse Attitude** – Challenging Council's risk adverse approach / attitude to alternative financial models for Future Fund and facilitation or undertaking of property projects.
- **Council Annual Budget Process** – The selection and funding of major capital projects selected for the Future Fund will bypass Council's annual budget process which increase potential risk associated with governance matters and stakeholder / Council engagement.

### ASSUMPTIONS

For the Future Fund, the following assumptions have been adopted:

- Council amend the Sale and Disposal of Land and Other Assets Policy.
- Future fund reserves to be allocated to major projects in accordance with agreed criteria.
- Council approval of the selection criteria for Future Fund capital funded projects.
- Management and auditing of Future Fund to comply with Local Government Act statutory requirements.
- In accordance with the Local Government Act, Council to approve the required delegations to the Project Control Group to administer / oversee the Future Fund.
- All net proceeds from future land disposal to be placed in the Future Fund.
- Major projects funded through the Future Fund will be selected via a separate decision making process to Council's annual budget process.
- The Future Fund project selection criteria will align with Council's Strategic Plan and Playford Community Vision 2043 documents.

## Project Scope Statement – Future Fund

### SPONSOR ACCEPTANCE

Approved by the Executive Champion:



Date: 5/7/16

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James Pollock  
General Manager Strategic Projects & Assets

**C. COUNCIL/COMMITTEE TO DECIDE HOW LONG ITEM 9.1 IS TO BE KEPT IN CONFIDENCE****Purpose**

To resolve how long agenda item 9.1 is to be kept confidential.

**STAFF RECOMMENDATION**

Pursuant to Section 90(2) and Section 91(7) of the Local Government Act 1999, the Council orders that the following aspects of Item 9.1 be kept confidential in accordance with Council's reasons to deal with this item in confidence pursuant to Section 90 (3) (b) of the Local Government Act 1999:

- Attachment(s) for Item 9.1
- Discussion for Item 9.1

This order shall operate until the establishment of the Future Fund and will be reviewed and determined as part of the annual review by Council in accordance with Section 91(9)(a) of the Local Government Act 1999.