



# AUDIT COMMITTEE

## MINUTES

for the Special meeting

Friday 7 June 2019

in the Colonel Light Room,  
Adelaide Town Hall



**Present -**

<b>Presiding Member</b>	Mr David Powell
<b>Deputy Presiding Member</b>	Mr Ross Haslam
<b>Members</b>	The Right Honourable the Lord Mayor [Sandy Verschoor] Councillor Martin Mr Sean Tu

**Apologies –**

<b>Proxy Members</b>	<i>Councillor Hyde [proxy for the Lord Mayor] Councillor Knoll [proxy for Councillor Martin].</i>
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**In Attendance**

Mr Mark Goldstone, Chief Executive Officer, City of Adelaide  
 Ms Tracie Dawber, Associate Director Finance & Procurement, City of Adelaide  
 Mr Alexander Brown, Manager Financial Planning & Analysis, City of Adelaide  
 Ms Sharee Trenerry, Senior Business Partner Financial Planning & Analysis, City of Adelaide  
 Ms Tracy Blaze, Senior Business Partner Financial Planning & Analysis, City of Adelaide

**Acknowledgement of Country**

The Presiding Member 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.’

**Reports**

## 1. Item 2.1 - 2019-20 Draft Integrated Business Plan and Long Term Financial Plan [2018/03947] [AC]

Ms Tracie Dawber, Associate Director Finance & Procurement, City of Adelaide provided an overview of the report. Mr Alexander Brown, Manager Financial Planning & Analysis, City of Adelaide, utilising a PowerPoint presentation, provided further information in relation to the draft 2019-20 Budget and Long Term Financial Plan.

Much discussion ensued during which:

- Mr Mark Goldstone, Chief Executive Officer, City of Adelaide, Ms Tracie Dawber and Mr Alexander Brown responded to questions.
- The Lord Mayor left the Colonel Light Room at 8.55am and re-entered at 8.57am.

It was then –

Moved by Mr Haslam,  
 Seconded by Councillor Martin –

THAT AUDIT COMMITTEE:

1. Receives and notes the report.

Carried

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

**Closure**

The meeting closed at 9.36 am.

Mr David Powell  
Presiding Member  
City of Adelaide Audit Committee

Document Attached Below for Reference

Minute 1 - Item 2.1 - 2019-20 Draft Integrated Business Plan and Long Term Financial Plan – PowerPoint Presentation

# Draft 2019-20 Budget & Long Term Financial Plan

## Workshop Purpose:

- To consider the draft 2019-20 Integrated Business Plan and revised Long Term Financial Plan
- Seeking input on the key assumptions and considerations for the Long Term Financial Plan (LTFP) including the impact of the economic and political environment.

# The Process in developing the 2019-20 Budget

- The Process
- The Outcome
- Draft Budget Summary
- Long Term Financial Plan
- Emerging Priorities

	Long Term Financial Plan	Projects	Infrastructure Program & Renewals	General and Business Operations
October	Process and Timetable communicated to Leadership Group week starting Monday 15/10			
November	LTFP updated following QF1	Portfolios develop summary list of funding priorities including Projects	Draft 2019-20 Infrastructure Program & Renewals developed (including Plant, Fleet & Equipment, and ICT Renewals)	General and Business Operations Budgets developed
	ELT reviews and considers emerging priorities	Directors sign-off draft list for ELT review 28/11	Directors sign-off draft programs for ELT Review 28/11	
December		ELT considers draft funding priorities		Finance consolidation and ELT Review
Christmas – New Year				
January	Finance undertake analysis and draft workshop packs			
	ELT review workshop working papers and presentation			Further ELT Review
February	LTFP & Funding Priorities Workshop – Tuesday 5 February 2019			
		One Page Summaries prepared & signed-off by Directors 20/2	Programs updated and signed-off by Directors 20/2	
Consolidated Pack Prepared for Workshops				
March	Committee Workshops May and April			

# The Process in reviewing the Budget with Elected Members

The Process
The Outcome
Draft Budget Summary
Long Term Financial Plan
Long Term Financial Plan
Emerging Priorities

- Monday 4 February ● Workshop on the Long Term Financial Plan
- Tuesday 5 March ● Workshops on the 2019-20 Integrated Business Plan and Budget including
  - Funding priorities for Projects and the Infrastructure Program & Renewals
  - General and Business Operations and Service Directory
  - The Subsidiaries: ACMA and RMMA
  - Balancing discussions
- Wednesday 10 April ●
- Tuesday 16 April ● Committee approved the draft 2019-20 Integrated Business Plan for Public Consultation
- Tuesday 30 April ● Council to approve the draft 2019-20 Integrated Business Plan for Public Consultation
- Current point in the process**
- Wednesday 8 May ● **Public Consultation** opens for 21 days
- Monday 13 May ● Public Forum to present the draft Budget
- Tuesday 28 May ● Public Meeting to hear submissions from the Community
- Wednesday 29 May ● Public Consultation closes at midnight
- Monday 4 June ● Consider Public Consultation submissions and consider final changes to 2019-20 Budget
- Tuesday 18 June ● Committee to consider the 2019-20 Integrated Business Plan in preparation for adoption
- Tuesday 25 June ● Council to adopt the 2019-20 Integrated Business Plan

# Summary of the Outcomes

The Process

The Outcome

Draft Budget Summary

Long Term  
Financial Plan

Emerging Priorities

- **A balanced underlying position** has been achieved where **Projects and the Infrastructure Program are fully funded by surpluses from General Operations and Business Operations**. This has been achieved through
  - Increase in forecast rate income of \$2.2m from valuation uplifts and new developments, noting the rate in the dollar has been frozen for the fifth consecutive year
  - Increase to on-street parking fees of 50c, increasing income by \$700k
  - Stretch target of \$1.5m for Business Operations
  - Efficiency target of \$0.5m for General Operations, in addition to \$4.1m of efficiencies incorporated in the budget
- **\$20.3m has been allocated for Projects** (non-infrastructure) to fund key priorities as outlined in the Project summary
  - \$4.6m increase above the Long Term Financial Plan Baseline
  - \$3.0m increase on 2018-19 Adopted Budget

This has increased the baseline for Projects in the LTFP going forward
- **\$43.0m has been allocated for the Infrastructure Program and Renewals**. This was based on the second of three funding scenarios considered, setting a lower base for the LTFP going forward
  - (\$1.3m) reduction on the LTFP Baseline (after a baseline adjustment from \$44.9m to \$44.3m)
  - \$0.5m increase on the 2018-19 Adopted Budget
- **\$28.7m net income from Commercial Opportunities**, noting \$30m income is dependent upon proceeds from property activities
- **\$3.3m of funding for Adelaide Central Market Authority capital program** through an internal loan.

# Efficiencies achieved to date

The Process

The Outcome

Draft Budget Summary

Long Term Financial Plan

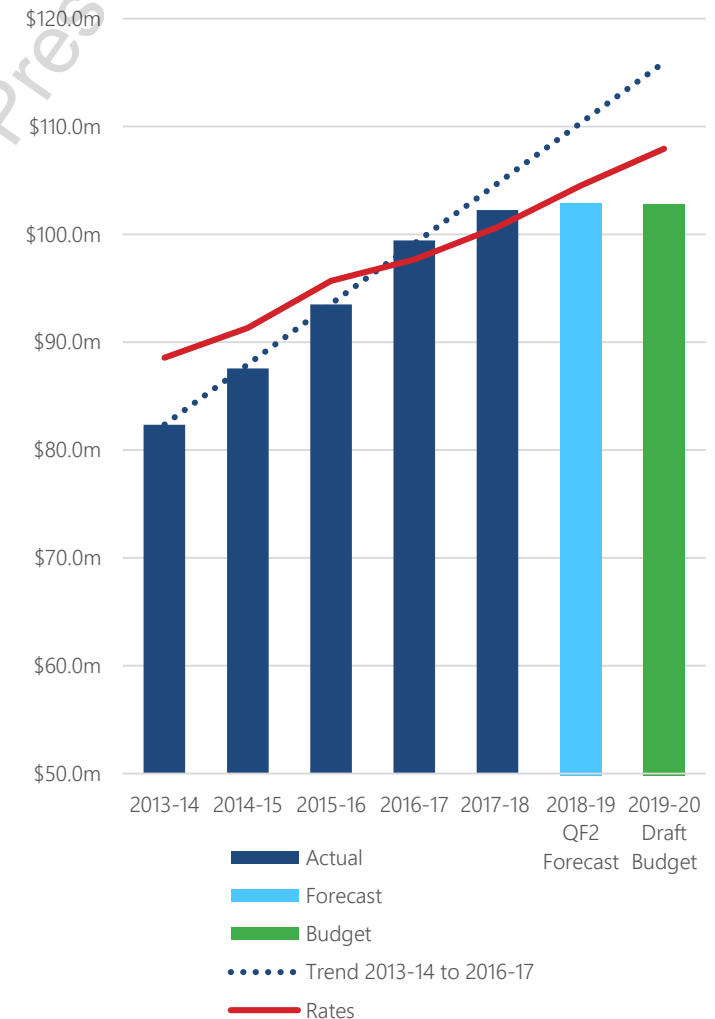
Emerging Priorities

- **2016-17: \$1.1m efficiencies**  
Efficiencies realised for organisational restructure in 2015-16
- **2017-18: \$2.5m efficiencies**  
Efficiencies incorporated from the Program Reviews \$2.5m
- **2018-19: \$2.4m efficiencies**  
Additional efficiencies from the Program Reviews \$0.2m  
Additional costs absorbed within General Operations \$2.2m
- **2019-20: \$4.1m efficiencies**
  - Reduction of FTEs and temporary labour \$0.9m
  - Reduction in consultancy and contract labour \$0.8m
  - Reduction in contractual services \$0.9m
  - Materials and other expenditure \$0.5m.
  - Off contract procurement spend \$0.8m
  - Utilities management \$0.2m

## 2019-20 Further targets of \$2.0m include

- **Efficiency target of circa \$0.5m**
- **Business Operations target of \$1.5m**

### Rates vs General Operations Expenditure





# Summary of the Draft Position for Public Consultation

The Process

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Draft Budget Summary

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Emerging Priorities

\$'m	2019-20 LTFP (QF2 Baseline)	Current Draft 2019-20 Budget	Variance to LTFP	Unfunded
Business Operations Surplus	26.7	26.3	(0.4)	
General Operations Surplus	33.9	37.0	3.1	
<b>Operating Surplus</b>	<b>60.6</b>	<b>63.3</b>	<b>2.7</b>	
Projects	(15.7)	(20.3)	(4.6)	
Infrastructure Program & Renewals	(44.9)	(43.0)	1.9	
<b>Underlying Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-</b>
Major Projects (City Transformation Investments)	(4.1)	(4.1)	-	
Business Projects (Aquatic, Golf & UPark)	-	-	-	(4.7)
Commercial Opportunities	-	(1.3)	(1.3)	
<i>Carry Forwards already approved as at Quarter 2 Revised Forecast</i>	(10.5)	(10.5)	-	
<b>City of Adelaide Surplus/(Deficit)</b>	<b>(14.6)</b>	<b>(15.9)</b>	<b>(1.3)</b>	<b>(4.7)</b>
Subsidiary Capital	(1.6)	(3.3)	(1.7)	
<b>Total Net Funding Surplus/(Deficit) before property proceeds</b>	<b>(16.2)</b>	<b>(19.2)</b>	<b>(3.0)</b>	<b>(4.7)</b>
Commercial Opportunities: Proceeds from potential property activities	30.0	30.0	-	
<b>Total Net Funding Surplus/(Deficit) after property proceeds</b>	<b>13.8</b>	<b>10.8</b>	<b>(3.0)</b>	<b>(4.7)</b>
Forecast borrowings at 30 June 2019	(78.1)	(78.1)	-	
<b>Total Cash/(Borrowings) at End of Year before property proceeds</b>	<b>(64.3)</b>	<b>(67.3)</b>	<b>(3.0)</b>	<b>(4.7)</b>

If potential property activities do not proceed in 2019-20, forecast borrowings (inclusive of the emerging pressures) would be \$97.3m.

# Summary of Projects

The Process

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Projects has been allocated \$4.6m above the Long Term Financial Plan (\$3.0m increase on 2018-19 Adopted Budget) to fund key priorities including:

- \$600k increase in Information Management for the Asset Management Transformation Program \$3.2m
- Increase in funding for Splash Adelaide (City Activation) \$510k (total \$1.0m)
- Master Plans for Melbourne, O'Connell and Hutt Streets \$370k
- Funding for a Cultural and Recreational Hub in Hutt Street \$210k
- Initiatives to support homelessness \$200k
- Waste Management Strategic Management Plan \$200k
- Implementation of Sustainable Events initiatives \$200k
- Funding to prepare the 2020-2024 Strategic Plan \$150k and to undertake the Representation Review \$100k

Proposed Projects \$'m	2018-19 Adopted Budget	2019-20 Draft Budget
Pre-Committed	1.1	1.2
Grants & Sponsorships	5.7	5.8
Economic Development	2.2	2.7
Carbon Neutral Adelaide	1.6	1.6
Information Management	2.6	3.2
Other	4.1	5.8
<b>Total Projects</b>	<b>17.3</b>	<b>20.3</b>

The forecast Asset Sustainability Ratio is 83%.

# Summary of Infrastructure Program & Renewals

The Process

The Outcome

Draft Budget Summary

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Financial Plan

Emerging Priorities

Three funding scenarios were considered for the Infrastructure Program and Renewals

- Scenario 1: \$44.3m in line with the LTFP (after \$0.6 adjustment)
- Scenario 2: \$39.3m incorporating \$5m additional capacity
- Scenario 3: \$34.3m incorporating \$10m additional capacity

Scenario 2 of \$43.0m was adopted with the following adjustments:

- Whitmore Square Safety Improvements \$800k
- Greening South West & North West \$800k
- Jeffcott Street \$1.7m (*noting a further increase of \$892k following a reallocation between programs in 2018-19 QF3*)
- Public Conveniences in Park 27B \$350k
- Community & Recreation Design Projects \$50k (\$50k to \$100k)

\$2.4m from the Program was allocated to the Gawler Place Development inline with the decision of Council when the Project was approved.

The forecast Asset Sustainability Ratio is 83%.

\$'m	2019-20 Draft Program
<b>Streets</b>	<b>7.2</b>
<b>Park Lands</b> (previously City Landscapes)	<b>3.0</b>
<b>City Works</b>	
Roads, Footpaths and Kerbs	7.0
Traffic Signals	1.2
Bridges	0.3
Lighting & Electrical	1.5
Water Infrastructure	2.1
Urban Elements	0.6
Park Land Renewals	1.1
Asset Management Services	-
Design Services	0.0
	<b>13.8</b>
<b>Buildings</b>	<b>6.9</b>
<b>Total Infrastructure Projects</b>	<b>30.9</b>
Plant and Fleet	1.0
ICT Renewals	1.4
<b>Infrastructure &amp; Renewals before overhead costs</b>	<b>33.3</b>
Capital Works Program Management	7.3
<b>Total Infrastructure &amp; Renewals (before Gawler Place)</b>	<b>40.6</b>
Allocation for Gawler Place	2.4
<b>Infrastructure &amp; Renewals incl. Gawler Place</b>	<b>43.0</b>

# Long Term Financial Plan Assumptions

The Process

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Draft Budget Summary

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Emerging Priorities

Key assumptions for the Long Term Financial Plan include:

- Rates growth 3.3% based on
  - 2.3% valuation increase (based on forward projections for CPI)
  - 1% growth in new development and additions
- Other Income 2.3% (based on forward projects for CPI)
- Operational expenditure 2.3% (based on forward projections for CPI)
- Projects and the Infrastructure Program and Renewals based on 2019-20 allocations, and indexed at 2% per annum
- Proceeds from property activities occurring in 2019-20 included (as forecast in the draft 2019-20 Budget)
- Property activities beyond 2019-20 excluded and subject to business case
- Subsidiaries fully funded beyond capital requirements in 2019-20

# Revised Long Term Financial Plan

The Process

The Outcome

Draft Budget Summary

Long Term  
Financial Plan

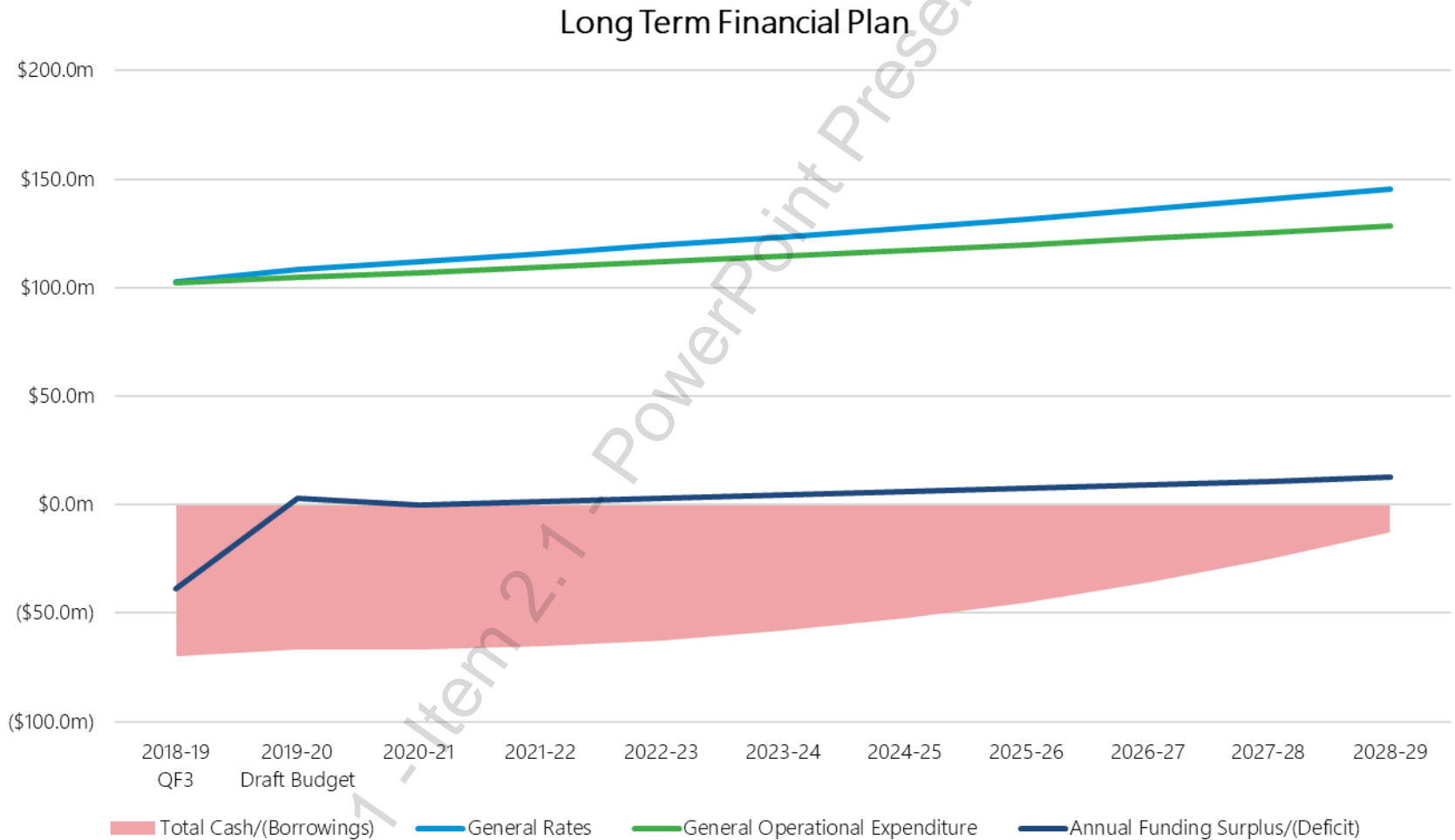
Emerging Priorities

\$'m	2018-19 QF3	2019-20 Draft Budget	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<b>General Operations</b>											
General Rates	102.8	108.4	112.0	115.7	119.5	123.4	127.5	131.7	136.1	140.6	145.2
Other Revenue	33.4	33.1	33.9	34.7	35.5	36.3	37.1	38.0	38.9	39.8	40.7
Expenditure	(102.4)	(104.5)	(107.0)	(109.4)	(111.9)	(114.5)	(117.1)	(119.8)	(122.6)	(125.4)	(128.3)
<b>General Operations Surplus</b>	<b>33.8</b>	<b>37.0</b>	<b>38.9</b>	<b>40.9</b>	<b>43.0</b>	<b>45.2</b>	<b>47.5</b>	<b>49.9</b>	<b>52.3</b>	<b>54.9</b>	<b>57.6</b>
<b>Business Operations</b>											
Revenue	45.3	48.5	49.6	50.8	52.0	53.2	54.4	55.6	56.9	58.2	59.6
Expenditure	(21.0)	(22.2)	(22.7)	(23.2)	(23.8)	(24.3)	(24.9)	(25.4)	(26.0)	(26.6)	(27.2)
<b>Business Operations Surplus</b>	<b>24.3</b>	<b>26.3</b>	<b>26.9</b>	<b>27.6</b>	<b>28.2</b>	<b>28.8</b>	<b>29.5</b>	<b>30.2</b>	<b>30.9</b>	<b>31.6</b>	<b>32.3</b>
<b>Amount available for Projects</b>	<b>58.1</b>	<b>63.3</b>	<b>65.9</b>	<b>68.5</b>	<b>71.2</b>	<b>74.1</b>	<b>77.0</b>	<b>80.1</b>	<b>83.2</b>	<b>86.5</b>	<b>89.9</b>
<b>Projects (inc. Grants &amp; Sponsorships)</b>	<b>(15.7)</b>	<b>(20.3)</b>	<b>(20.8)</b>	<b>(21.2)</b>	<b>(21.7)</b>	<b>(22.2)</b>	<b>(22.7)</b>	<b>(23.3)</b>	<b>(23.8)</b>	<b>(24.4)</b>	<b>(24.9)</b>
<b>Capital Works Program</b>											
Infrastructure Program	(28.9)	(30.9)	(33.4)	(34.2)	(35.0)	(35.8)	(36.6)	(37.5)	(38.3)	(39.2)	(40.1)
Other Asset Renewals	(3.6)	(2.4)	(3.1)	(3.2)	(3.2)	(3.3)	(3.4)	(3.5)	(3.6)	(3.6)	(3.7)
Capital Works Program Management	(6.4)	(7.3)	(7.5)	(7.6)	(7.8)	(8.0)	(8.2)	(8.4)	(8.6)	(8.8)	(9.0)
<b>Capital Works Program</b>	<b>(38.9)</b>	<b>(40.6)</b>	<b>(44.0)</b>	<b>(45.0)</b>	<b>(46.1)</b>	<b>(47.1)</b>	<b>(48.2)</b>	<b>(49.3)</b>	<b>(50.4)</b>	<b>(51.6)</b>	<b>(52.8)</b>
<b>Underlying Current Year Funding Surplus/(Deficit)</b>	<b>3.5</b>	<b>2.4</b>	<b>1.1</b>	<b>2.2</b>	<b>3.5</b>	<b>4.7</b>	<b>6.1</b>	<b>7.5</b>	<b>9.0</b>	<b>10.5</b>	<b>12.2</b>
City Transformation Investments	(2.6)	(6.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial Opportunities	(11.7)	28.7	(1.0)	(0.8)	(0.6)	(0.4)	(0.2)	(0.0)	0.1	0.2	0.5
<b>Current Annual Funding Surplus/(Deficit)</b>	<b>(10.8)</b>	<b>24.6</b>	<b>0.1</b>	<b>1.4</b>	<b>2.8</b>	<b>4.3</b>	<b>5.8</b>	<b>7.5</b>	<b>9.0</b>	<b>10.7</b>	<b>12.7</b>
Project retiming	(23.0)	(18.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Annual Funding Surplus/(Deficit) excl. Subsidiaries</b>	<b>(33.8)</b>	<b>6.3</b>	<b>0.1</b>	<b>1.4</b>	<b>2.8</b>	<b>4.3</b>	<b>5.8</b>	<b>7.5</b>	<b>9.0</b>	<b>10.7</b>	<b>12.7</b>
Subsidiaries	(4.7)	(3.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Annual Funding Surplus/(Deficit) incl. Subsidiaries</b>	<b>(38.5)</b>	<b>3.0</b>	<b>0.1</b>	<b>1.4</b>	<b>2.8</b>	<b>4.3</b>	<b>5.8</b>	<b>7.5</b>	<b>9.0</b>	<b>10.7</b>	<b>12.7</b>
<b>Total Cash/(Borrowings) at End of Year</b>	<b>(70.0)</b>	<b>(67.0)</b>	<b>(66.9)</b>	<b>(65.5)</b>	<b>(62.6)</b>	<b>(58.3)</b>	<b>(52.4)</b>	<b>(45.0)</b>	<b>(35.9)</b>	<b>(25.2)</b>	<b>(12.5)</b>

The Long Term Financial Plan is sensitive to assumptions to the forecast growth in general rate income relative to the indexation on expenditure.

# Revised Long Term Financial Plan

- The Process
- The Outcome
- Draft Budget Summary
- Long Term Financial Plan**
- Emerging Priorities

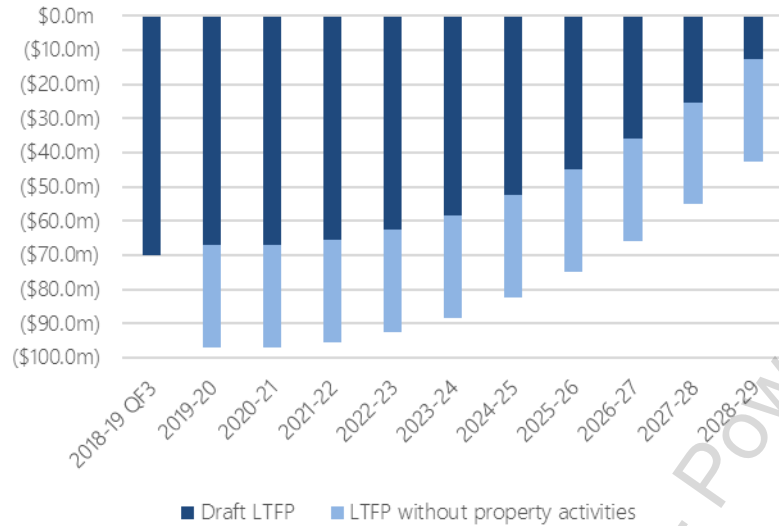


The Long Term Financial Plan is sensitive to assumptions to the forecast growth in general rate income relative to the indexation on expenditure.

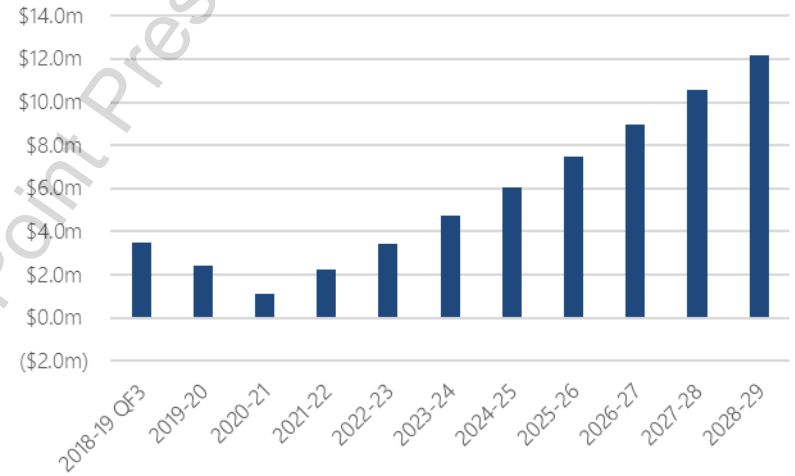
# Key Financial Indicators and Ratios

- The Process
- The Outcome
- Draft Budget Summary
- Long Term Financial Plan**
- Emerging Priorities

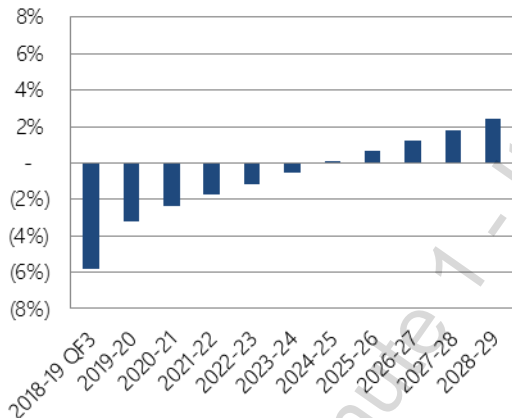
**Borrowings**



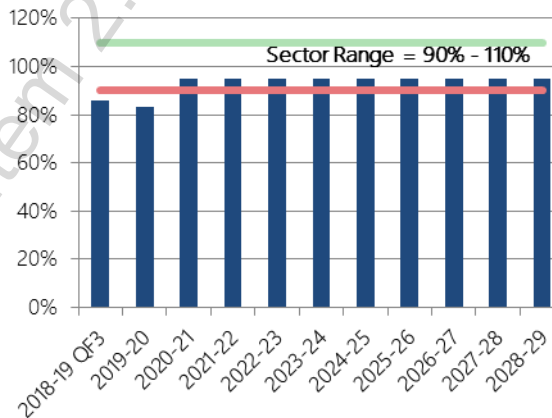
**Underlying Operating Surplus/(Deficit)**



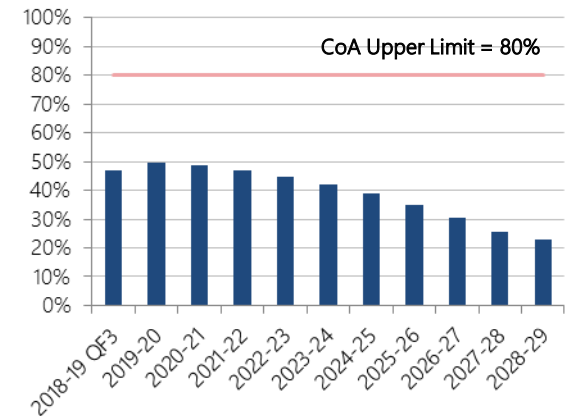
**Operating Surplus Ratio**



**Asset Sustainability Ratio**



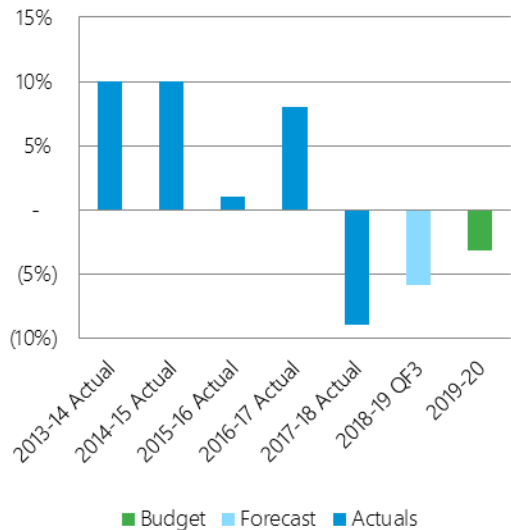
**Net Financial Liabilities Ratio**



# Key Financial Indicators and Ratios

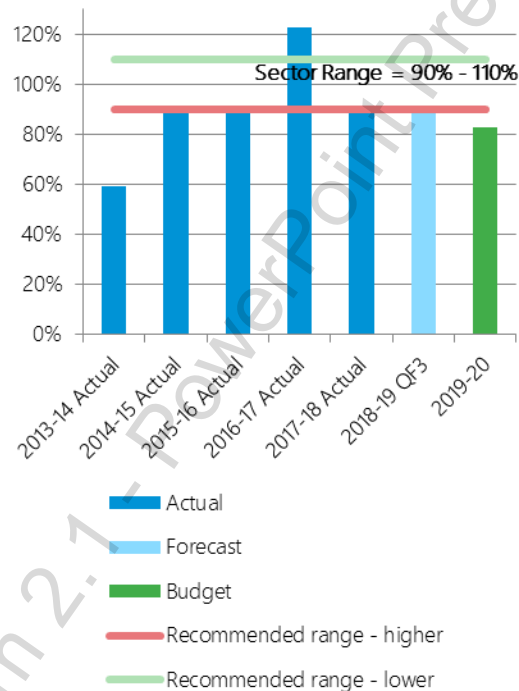
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### Operating Surplus Ratio



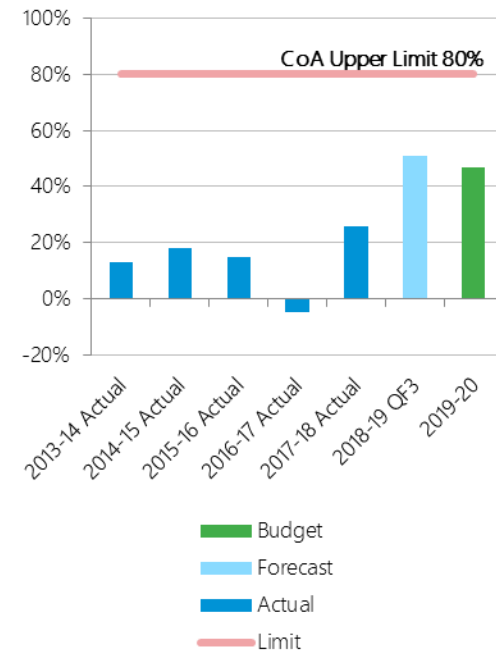
The ratio represents the operating surplus/(deficit) as a percentage of operating income including general rates (adjusted for discretionary rates rebates).

### Asset Sustainability Ratio



The ratio compares the planned capital expenditure on the renewal and replacement of assets against the Infrastructure and Asset Management Plan required expenditure for the same period.

### Net Financial Liabilities Ratio



The ratio represents the significance of the net amount owed compared with operating revenue. The ratio should be greater than 0% but no more than 80% of total operating revenue.



# Funding Levers

The Process

The Outcome

Draft Budget Summary

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Emerging Priorities

## Funding Levers

- Rates
- Fees and Charges
- Grants and Sponsorships
- Commercial Revenue
- Borrowings
- Sale of Assets

## Expenditure Levers

- Operational Expenditure
- Service Levels
- Infrastructure Program
- Initiatives & Projects Expenditure
- Major Projects

# Emerging Priorities

This is a draft list of emerging priorities, noting that it is not exhaustive nor presently inclusive of all suggestions.

Commercial Opportunities and Business Operations	Infrastructure		Other
	Enhancements	Renewals, Compliance, Safety	
<ul style="list-style-type: none"> <li>• Central Market Arcade Redevelopment</li> <li>• Golf Master Plan</li> <li>• Adelaide Aquatic Centre future state</li> <li>• Aquatic Centre: Short Term Operations</li> <li>• Golf Course Irrigation</li> <li>• Wyatt UPark Façade and Lift</li> </ul>	<p>Master Plans, Concept Plans and Strategies</p> <ul style="list-style-type: none"> <li>• Adelaide Park Lands Master Plan</li> <li>• Rundle Mall Master Plan</li> <li>• Rymill Park</li> <li>• Whitmore Square</li> </ul> <p>Streetscapes and Areas</p> <ul style="list-style-type: none"> <li>• Currie/Grenfell</li> <li>• Elder Park</li> <li>• Gilbert Place</li> <li>• Grote/Wakefield</li> <li>• Hindley Street</li> <li>• Hutt Street</li> <li>• Kintore Ave (East)</li> <li>• Lounders Riverbank Precinct</li> <li>• Melbourne Street</li> <li>• Moonta St/Chinatown</li> <li>• North Tce West</li> <li>• O'Connell Street</li> <li>• Park Lands</li> <li>• Park Lands Cycling Improvements</li> <li>• Synagogue Place</li> <li>• Victoria Park Water Feature</li> <li>• Victoria Square</li> </ul>	<p>Asset Management Plans</p> <ul style="list-style-type: none"> <li>• Roads, footpaths &amp; kerbs</li> <li>• Bridges including Adelaide Bridge and Victoria Bridge</li> <li>• Lighting (LED project)</li> <li>• Urban items</li> <li>• Buildings</li> </ul> <p>Compliance &amp; Safety</p> <ul style="list-style-type: none"> <li>• CCTV</li> <li>• Electrical</li> <li>• DDA</li> <li>• Public safety</li> </ul> <p>Specific Works</p> <ul style="list-style-type: none"> <li>• Central Market Arcade Contingency and Activation Improvements</li> <li>• Town Hall Works</li> </ul>	<ul style="list-style-type: none"> <li>• Commonwealth Games</li> <li>• Visitor Information Centre</li> <li>• Digital Strategy</li> <li>• CCTV Platform Upgrade</li> </ul>