



# AUDIT COMMITTEE

## AGENDA & REPORTS

for the meeting

Friday 19 June 2020  
at 8:30 am



<b>Membership:</b>	The Lord Mayor 1 Council Member 3 External Independent Members 2 Proxy Council Members
<b>Quorum:</b>	<b>3</b>
<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] Ms Paula Davies Councillor Hyde (Deputy Lord Mayor)
<b>Proxy Members</b>	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros [proxy for Councillor Hyde].</i>

## 1. Confirmation of Minutes – 1/5/2020

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 1 May 2020 be taken as read and be confirmed as an accurate record of proceedings.

## 2. Acknowledgement of Country

'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.'

## 3. Presiding Member Reports

## 4. Presentations

- 4.1. Presentation – Adelaide Central Market Authority
- 4.2. Presentation – Rundle Mall Management Authority
- 4.3. Presentation – Business Systems Roadmap [2015/01891] [Page 3]

## 5. Workshop

- 5.1. Workshop - 2020-21 Business Plan & Budget [2019/02431] [Page 11]

## 6. Reports

- 6.1. External Audit Interim Management Letter [2020/00273] [Page 63]
- 6.2. Internal Audit Plan 2020-21 [2020/00774] [Page 66]

**7. Emerging Key Risks****8. Independent Member Discussion****9. Other Business****10. Item Seeking Exclusion of the Public****10.1.** Exclusion of the Public to Consider [2018/04291] [Page 77]:

For the following items seeking consideration in confidence:

11.1 Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

11.2 Litigation Update [s 90(3) (i)]

**11. Confidential Items**

**11.1.** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [2012/00053] [Page 80]

**11.2.** Litigation Update [2016/00518] [Page 85]

**12. Closure**

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# Audit Committee June 2020

## Business Systems Roadmap – an enterprise approach

### Workshop Purpose:

To share with Audit Committee our journey of an enterprise approach for business IT systems and any answer questions.

A SMART CITY WITH  
A GLOBALLY  
CONNECTED AND  
OPPORTUNITY RICH  
ECONOMY



SMART

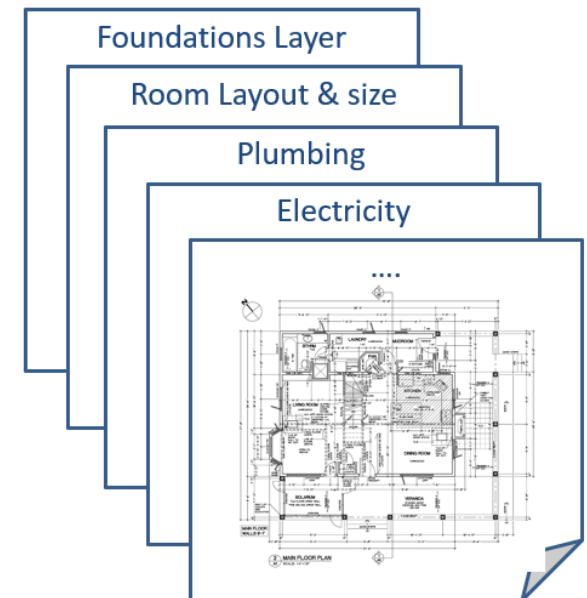
PROGRAM: INFORMATION MANAGEMENT

Audit Committee Meeting | Agenda | 19 June 2020 | PREPARED BY: Clare Mockler



## Enterprise Architecture (EA) is our blueprint

- It links:
  - Business functions
  - Relevant data standards
  - Common systems and services
  - Technology



An Enterprise Architecture approach introduced to provide a future standardised approach to IT systems and solutions.

Provides an outline of the core platforms required to;

- Perform the functions of CoA
- Enables the delivery of Council's Strategic Plan

Defines which platforms perform which roles (and which roles they do not)

- Modern systems often perform many functions
- Overlapping functions leads to duplicated processes, data, rules, etc.

Guides projects to ensure technology decisions contribute to rather than undermine the future technology landscape

## IT Architecture Vision

**Modular architecture with dedicated building blocks to perform dedicated business functions, whilst minimising overlap or duplication**

## TARGET STATE:

# APPLICATION ARCHITECTURE

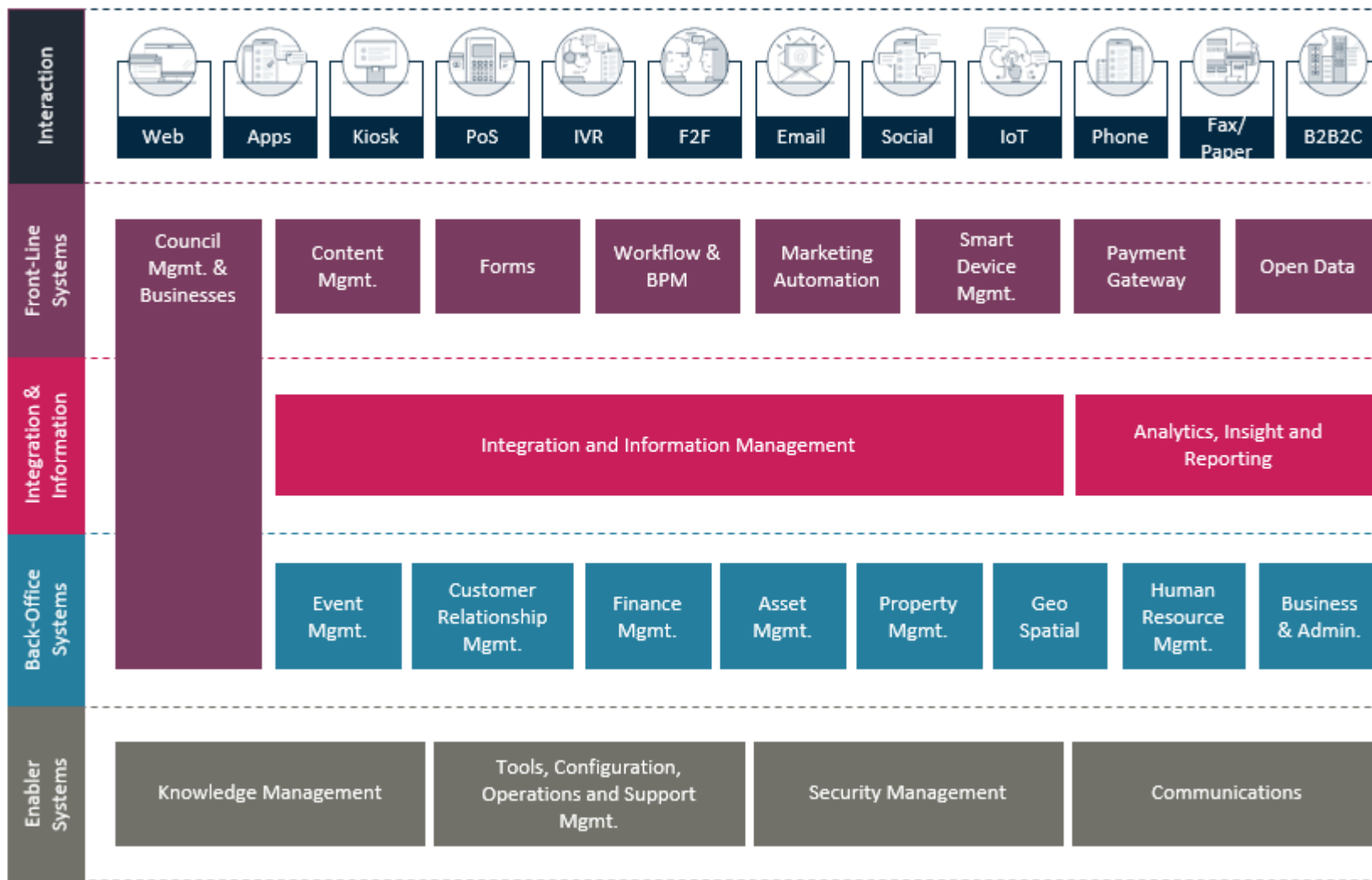
Define the architecture required to meet the organisation's needs before determining which applications are needed.



- **Strategic Alignment**
  - IT projects should be aligned with strategy
- **Customer Centric Focus**
  - Solutions should always seek to improve customer experience, keeping the customer at the centre of what we are doing
- **Long Term Focus**
  - Decisions should be based on long term strategy and should seek to minimise total cost of ownership
- **Build Business Capability**
  - IT projects should focus on building new business capabilities that meet the needs of numerous parts of the organisation, and therefore build up its overall capabilities
- **Leverage our solutions**
  - Reuse before buy. Buy before build
- **Simple Purpose-built Solutions**
  - We should keep systems simple and use them for their intended purpose
- **Agility**
  - Solutions should be designed to be flexible and to accommodate future change
- **Shared Internal Information**
  - Information is an asset and it should be shared across enterprise functions
- **Open Transparent Information**
  - Data should be accessible and inclusive of all types of customers, and available to both internal and external users.

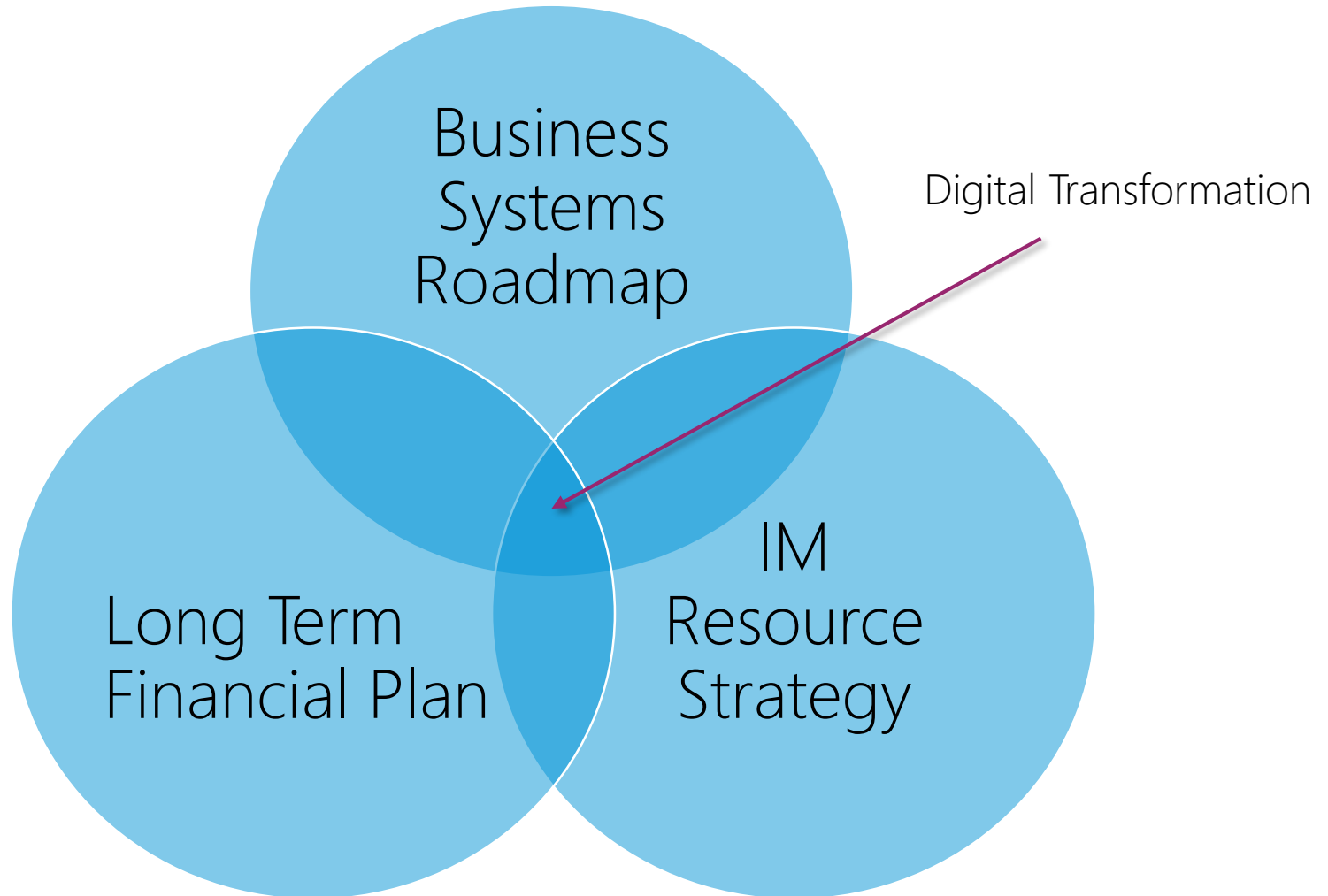
# Designing What We Want To Build <sup>9</sup>

Represents the blueprint for how our IT systems and platforms need to be organised, integrated and implemented to achieve our strategies



# How do we get to the target state?

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# City of Adelaide 2020-21 Business Plan & Budget **Building the Budget**

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## **Briefing Purpose:**

To consider the 2020-21 Business Plan and Budget

# Introduction

## Workshop Purpose

- Provide an overview of the approach to the Business Plan and Budget and summary of the discussions to date
  - Workshop 28 May - Recovery principles and funding levers
  - Workshop 15 June – Budget presentation
  - Council report on Rate Relief
- Provide an overview of the draft 2020-21 Budget, including operating position and financial indicators with context to
  - The impact of COVID-19 on Council’s income
  - \$20m reduction in operating expenditure
  - The reset of the Infrastructure Program
- Provide a breakdown of the key components of the Budget
  - Operations including Commercial Operations
  - Projects
  - Infrastructure
- Consider scenarios for the Long Term Financial Plan
- Seek your feedback on the revised Prudential Borrowing Limits and key principles for borrowings

## Next Steps

Feedback from this workshop will inform Council’s consideration of the:

- The Expenditure Framework and revised Treasury Policy to be considered on 23 June
- The draft 2020-21 Business Plan and Budget to be considered for Public Consultation on 30 June

The final proposed Business Plan and Budget will be presented to Audit Committee in late July prior to consideration by Council for Adoption in August.

# Budget Approach

## Two stages

### Timeframe for adoption

The Minister for Local Government has provided councils in South Australia a three month extension to 30 November 2020 to finalise their 2020-21 Business Plan and Budget.

However rates cannot be declared and rates notices cannot be issued until the budget is adopted.

Deferring the adoption of the budget will have significant cash flow implications.

***The recommended prudent approach is to proceed with consideration and adoption of the 2020-21 Business Plan and Budget as soon as practical.***

### Stage 1: Fees, Charges and Expenditure Framework

Council approval of the 2020-21 Fees and Charges and an Expenditure Framework by 30 June 2020 is proposed. This will enable the continuation of services to the community until the 2020-21 Business Plan and Budget is adopted in August 2020.

The Expenditure Framework incorporates:

- Operational expenditure based on the draft budget
- Retimed carry forward strategic projects and infrastructure works from 2019-20
- New strategic projects and infrastructure works to commence in July

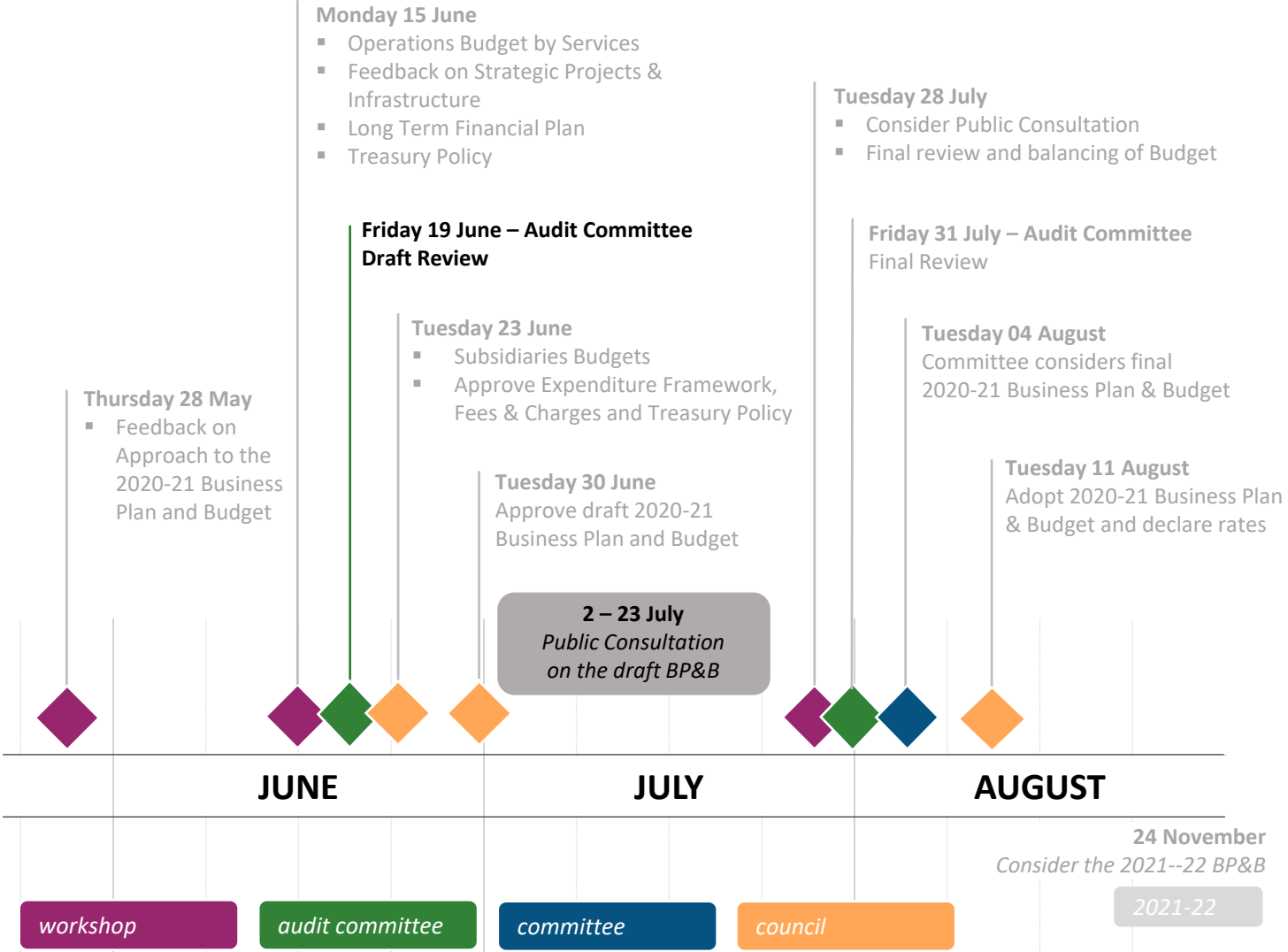
### Stage 2: Business Plan and Budget

Council will consider the draft 2020-21 Business Plan and Budget in June, enabling public consultation in July, and adoption in August.

Key components include:

- **Operations:** Income and Expenditure by Service Category
- **Strategic Projects:** Key priorities in the 2020–2024 Strategic Plan
- **Infrastructure:** Delivery of asset renewals based on condition audits and risk

# Budget Overview Timeline



# Overview Council Workshop 28 May

## Key Discussion Points

We held a Special Committee Workshop with the Council Members to discuss:

### Two Phase Budget Approach

#### Financial levers

- Recovery principles and approach
- Rates, fees and charges
- Borrowings
- Infrastructure
- General Operations

#### Funding Priorities

- Strategic Projects
- Infrastructure Program

## Recovery Principles

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- Our rates approach is fair and equitable
- Financial borrowings adjusted to stimulate growth
- Proceeds from selling assets will build a 'future fund'
- Asset renewals will be prioritised based on audit condition and risk
- Strategic enhancements will be delivered through partnerships
- We will seek Government funding for new Infrastructure
- Our service delivery will reflect the needs of the community
- Investment is prioritised to support recovery



# Overview Council Workshop 28 May

Lever	Key Questions	Feedback
<b>Rates, Fees &amp; Charges</b>	<p><b>How do Council Members wish to utilise rates, fees and charges?</b></p> <p>A. Continue to freeze the rate in the dollar and hold fees and charges at 2019-20 levels?</p> <p>B. Increase Council’s capacity to deliver services and fund strategic and infrastructure projects?</p>	<p><b>Rates</b></p> <ul style="list-style-type: none"> <li>Continue to freeze the rate in the dollar</li> <li>Consider options with the discretionary rate rebate</li> </ul> <p><b>Fees and Charges</b></p> <ul style="list-style-type: none"> <li>Hold fees and charges at 2019-20 levels for next six months</li> <li>Consider increase from January 2021</li> </ul>
<b>Borrowing Capacity</b>	<p><b>How do Council Members wish to utilise Council’s borrowing capacity?</b></p> <p>A. Maintain the existing Prudential Limits, restricting borrowings to approx. \$80m, limiting capacity to fund emerging priorities?</p> <p>B. Increase Prudential Limits as proposed, increasing borrowing capacity to approximately \$175m, to take advantage of opportunities to support the City’s recovery?</p> <p>C. Adjust Prudential Limits to an alternative level?</p>	<p><b>Borrowing Capacity</b></p> <p>Increase the borrowing capacity to take advantage of opportunities to support City’s recovery by funding City Shaping Projects and new income streams</p>
<b>Infrastructure Budget</b>	<p><b>How do Council Members wish to utilise Council budget for infrastructure?</b></p> <p>A. Deliver a full year program based on the existing asset management plans?</p> <p>B. Reset and prioritise completion of 2019-20 program and essential renewals utilising a risk based approach?</p>	<p><b>Infrastructure Program</b></p> <p>Reset and prioritise delivery of the 2019-20 program and essential renewals utilising a risk based approach</p>

# Overview Council Workshop 15 June

## Key Discussion Points

### Provided an overview of the draft 2020-21 Budget in the context of

- The recovery principles and funding levers
- The impact of COVID-19 on Council's income
- \$20m reduction in operating expenditure
- The reset of the Infrastructure Program
- The City's Recovery

### Presented scenarios for the Long Term Financial Plan

### Sort feedback on the

- Funding priorities for Strategic Projects and the Infrastructure Program
- Key principles for borrowings

## Key Feedback

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The feedback from the discussion will be presented in Audit Committee given the Council Workshop is after agenda distribution for Audit Committee

# City Recovery Rates

## Recovery principle:

Our rates approach is fair and equitable

## Rates

The City of Adelaide's current rates hardship provisions allow all ratepayers to make an [application for rate relief](#). Support measures introduced to assist businesses and residents impacted by the COVID-19 crisis include:

1. Postponement of payment for the 4<sup>th</sup> quarter rates (due 1 June 2020) for three months until 31 August 2020
2. Repayment arrangements (weekly, fortnightly or monthly) based on an agreed amount
3. No fines or interest to be charged on any 4<sup>th</sup> quarter outstanding rates (due 1 June 2020) until 31 August 2020
4. Fines and interest suspended on all outstanding historic rates until 31 August 2020
5. No new debt recovery action to be instigated for any business that enters into a financial arrangement with the City of Adelaide, including any pre-existing debt.

Q4 Rates issued	21 April 2020 (\$000)	Q4 Rates Hardship Applications	11 June 2020
Amount issued	\$25,742	Residential	46
Total Paid (10/6/20)	<b>\$18,578</b>	Commercial	<b>114</b>
Balance owing	\$7,164	Total	160
Total percentage paid	<b>72%</b>	% of total assessments	<b>1.82%</b>

## Draft Bill

Introduced to Parliament on 28 May 2020, the Draft Bill would see council rates waived for local businesses and not for profit organisations that have been forced to close as a result of Government directives in the wake of the COVID-19 crisis.

The waiver of rates would apply for the period between when the restrictions commenced and ended.

## Businesses Impacted

The table shows those businesses likely to have closed or otherwise significantly impacted as a result of COVID-19 (determining how long a particular business has been impacted, given the restrictions vary greatly, is challenging).

## Estimated Cost to CoA

Rate remissions to these businesses is estimated at approx **\$9.7m per quarter**.

Evidence to support a rate waiver would be required rather than a blanket application across all businesses.

# City Recovery Further Assistance Options

## Options to Provide Additional Assistance to City Residents and Businesses

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### **Extension of the existing \$4 million City Support package for a further 3 months (or some variation), including hardship assistance measures**

- Waiver of all rates for small businesses forced to close as a result of mandated Federal or State Government restrictions up until 31 August 2020
- A 50% deferral or waiver of all rates for small businesses that can demonstrate a reduction in trade/loss of income of 50%+ up until 31 August 2020
- Provide longer term assistance and allow small businesses a period of up to two years to pay their rates to help them rebuild
- Section 182 (3) of the *Local Government Act (1999)* allows Council to grant other or additional postponements of rates “to assist or support a business in its area” implying that financial hardship may not be the only criteria to be eligible for assistance
- Rates may be deferred for a longer period (the number of quarters to be determined by Council), and an encumbrance attached to the property which will be released upon sale of the property at which time the outstanding rates would be recovered. Interest would continue to accrue
- Reduce the special discretionary rebate, currently set at 10% to reduce the impact of an increase in rates as a result of an increased valuation. Properties that have had an alteration or an addition or is a new development site are not eligible for the rebate.
- A targeted package to support the hotel and accommodation sectors who have experienced significant loss of business and higher than normal vacancy rates through lost bookings as a result of South Australia’s strong border controls and restrictions on interstate and overseas travel. Estimated cost: approx. \$1.7 million per quarter – noting that some businesses have more capacity to pay and state borders should open soon

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# City of Adelaide 2020-21 BP&B **Budget Overview**

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## **Briefing Purpose:**

To consider the current indicators and measures regarding the City's Recovery

# Budget Overview

## Key Movements

### Recovery principle:

Our service delivery will reflect the needs of the community

### What's incorporated in 2020-21 Budget

#### Significant income impact from COVID-19

- (\$22m) reduction in income from parking, commercial businesses and property compared to pre-COVID levels
- High level of fixed costs

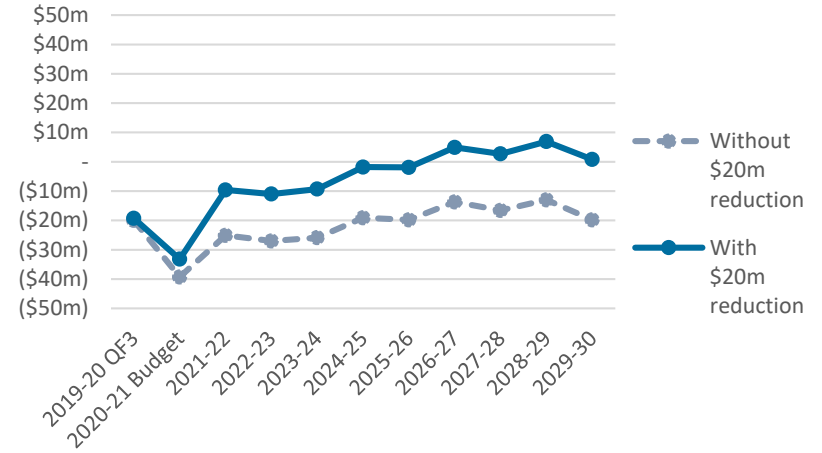
#### \$20m reduction in operational expenditure

- Incorporated a \$20m reduction in operating expenditure for 2020-21 and the Long Term Financial Plan
- One-off potential structural re-alignment costs of (\$14m) in 2020-21

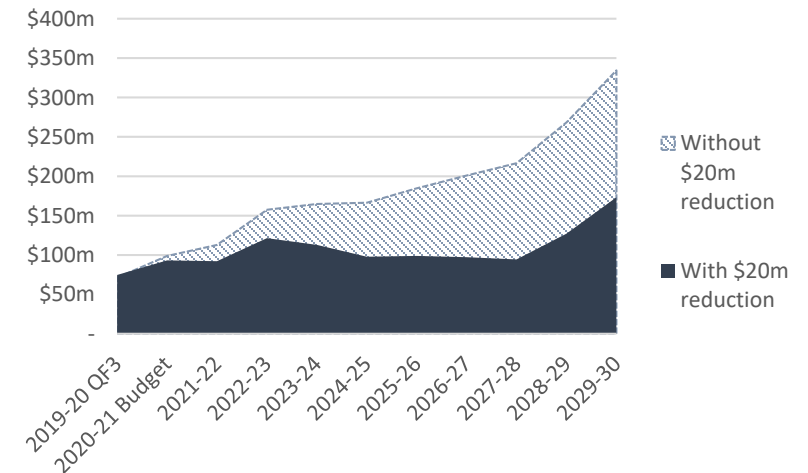
#### Creating capacity from reset of the Infrastructure Program

- \$23m reduction in the Infrastructure Program for 2020-21 to enable focus on delivery
- Increase in maintenance activities due to reduced renewals

### Forecast Operating Surplus/(Deficit)



### Forecast Borrowings



# Budget Overview Operating Position

\$m	Draft 2020-21 Budget	2019-20 Quarter 2 Forecast	2019-20 Quarter 3 Forecast
<b>Income</b>			
Rates	119.4	116.5	116.5
Statutory Charges	8.5	13.4	11.2
User Charges	54.3	71.7	59.3
Grants, Subsidies and Contributions	3.9	11.4	15.0
Investment Income	0.0	0.0	0.0
Reimbursements	0.7	0.5	0.5
Other Income	0.3	0.4	0.5
<b>Total Income</b>	<b>187.0</b>	<b>213.9</b>	<b>199.3</b>
<b>Expenses</b>			
Employee Costs	(64.9)	(77.9)	(77.3)
Materials, Contracts & Other Expenses	(84.7)	(97.9)	(86.0)
Depreciation, Amortisation & Impairment	(50.8)	(49.6)	(50.2)
Finance Costs	(5.8)	(6.5)	(5.8)
<b>Total Expenses</b>	<b>(206.2)</b>	<b>(231.9)</b>	<b>(219.1)</b>
<b>Operating Surplus/(Deficit) before transition costs</b>	<b>(19.2)</b>	<b>(17.9)</b>	<b>(20.0)</b>
Potential structural re-alignment costs	(14.4)	-	-
<b>Operating Surplus/(Deficit) after transition costs</b>	<b>(33.6)</b>	<b>(17.9)</b>	<b>(20.0)</b>
Asset Disposal & Fair Value Adjustments	(0.3)	(0.3)	-
Amounts received specifically for New or Upgraded Assets	4.6	0.4	0.4
<b>Total Comprehensive Income</b>	<b>(29.4)</b>	<b>(17.8)</b>	<b>(19.6)</b>

## Income

- **Rates:** 1% uplift in valuations, 2% growth in new developments, rate in the dollar
- **Statutory Charges:** Reduction primarily due to the reduction in expiation and related income streams (late payments and recoveries) (\$5.0m) aligned with expected reduction in on-street parking transactions and customer behaviour
- **User charges:** Reduction of (\$17.4m) due to Commercial Businesses (\$12.7m), On-street parking (\$3.0m), Events (\$0.2m) and Subsidiaries (\$1.3m)
- **Grants, Subsidies and Contributions:** Reduction due to one-off grants received in 2019-20 from SA Government for Major Projects and O'Connell Street.

## Expenditure

- **Employee Costs:** Incorporates \$20m reduction to be identified through service reviews, partially offset by Enterprise Agreement increases (\$1.5m), removal of recharges to Capital (\$4.5m) as a result of a reduced Infrastructure Program.
- **Materials, Contracts & Other Expenses:** reduction of \$13.2m driven by reduction to Capital WIP write-off \$9.2m as a result of a reduced program, Consultancy \$3.2m and Contractors \$1.6m.
- **Depreciation:** increase due to anticipated Asset Capitalisation through the completion of 2019-20 projects
- **Finance Costs:** AASB16 Lease Interest reduction of \$0.6m in 2020-21 due to Right of Use Asset utilisation. Interest expense in line with 2019-20 QF2

# Long Term Financial Plan Key Indicators

Financial Indicator	Target	2019-20 QF3	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Operating Surplus Ratio	0%-20%	(10%)	(18%)	(5%)	(6%)	(5%)	(1%)	(1%)	2%	1%	2%	-
Net Financial Liabilities	Less than 80%	42%	67%	63%	74%	68%	55%	54%	52%	49%	61%	78%
Asset Sustainability Ratio	90%-110%	37%	35%	67%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Maximum 25%	20%	26%	26%	33%	29%	26%	26%	25%	24%	31%	42%
Debt Service Coverage	Minimum 5 times	11.5	6.6	6.9	6.2	5.8	7.4	8.4	-	-	8.3	6.3
Leverage Test Ratio	Maximum 1.5 years	1.4	2.2	1.9	2.4	2.1	1.6	1.5	1.5	1.4	1.8	2.4
Borrowings (\$'m)	Within Prudential Limits	71.7	92.9	91.9	121.1	112.4	97.4	98.3	96.7	93.7	126.4	172.4
Operating Surplus (\$'m)	Financial sustainability	(20.0)	(33.6)	(10.2)	(11.6)	(9.9)	(2.4)	(2.5)	4.2	2.0	6.2	0.1

### Operating Surplus

Surplus generated in 2026-27. This Surplus will be utilised to repay debt, major renewals (Adelaide Bridge, Torrens Weir, Rundle UPark) and investment in other income generating assets

### Borrowings

Limit exceeded from 2020-21 through to 2025-26 and then again through 2028-29 and 2029-30.

### Asset Sustainability Ratio

Outside of Target Range due to reprioritisation of 2019-20 and 2020-21 Renewal Programs and anticipated reduced 2021-22 Program.



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# City of Adelaide 2020-21 BP&B **Budget Overview**

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## **Briefing Purpose:**

To consider the Operations Budget

# Budget Breakdown

## Budget Summary

When we introduced the budget process in December we outlined a simplified approach to presenting and categorising the budget, breaking it down into three components:

- Operations
- Projects
- Infrastructure

These are outlined on the right.

### Operations

- General and Business Operations
- Recurrent activities transferred to Operations (e.g. grants and sponsorships and City Connector Bus)
- Commercial Businesses
- Rolling renewal programs for plant, fleet and equipment – Refer to appendix 3

### Projects

- Strategic Projects identified through the delivery planning process for 2020-21
- Commercial Projects including Property Developments

### Infrastructure

- All Infrastructure Projects and Programs including
- Infrastructure Renewals
  - Infrastructure Enhancements (new and upgraded)
  - Major Projects (Moonta Street, Bikeways, Market to Riverbank, etc)

\$'m	2017-18 Actual	2018-19 Actual	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Draft Budget	Variance
<b>Operations</b>	41.3	42.5	46.0	38.1	<b>23.7</b>	(14.4)
<b>Projects</b>	(47.1)	(8.6)	(16.4)	(10.6)	<b>(10.6)</b>	-
<b>Infrastructure</b>	(47.0)	(46.9)	(58.8)	(32.3)	<b>(41.3)</b>	(9.0)
<b>Subsidiaries</b>	(4.6)	(4.3)	(5.1)	(5.0)	<b>(5.3)</b>	(0.3)
<b>Total</b>	<b>(57.4)</b>	<b>(16.3)</b>	<b>(34.3)</b>	<b>(9.8)</b>	<b>(33.4)</b>	<b>(23.6)</b>

# Operations Overview

## Summary by Service Category

Our operations including Commercial Businesses have been summarised into ten Service Categories as presented on the right.

**Appendix 1 provides a summary of each service category including the services delivered and their value proposition.**

### Recovery principle:

Our service delivery will reflect the needs of the community

Service Category	Full Time Equivalents	Income \$m	Expenditure \$m
Arts, Community Development & Civic Services	114.7	1.6	(20.3)
Asset Maintenance	229.7	1.2	(32.7)
Commercial Operations	65.5	25.4	(19.7)
Corporate Support Services	77.3	0.1	(22.0)
Economic Growth	65.4	13.1	(26.4)
Infrastructure & Asset Management	75.3	-	(18.9)
Policy & Planning Services	30.4	0.0	(5.9)
Property Management	13.1	8.5	(1.1)
Regulatory & Statutory Services	127.7	133.3	(19.8)
Waste, Natural Resources & Environmental Services	17.0	0.1	(6.2)
<b>Total</b>	<b>816.1</b>	<b>183.3</b>	<b>(173.0)</b>

Income and expenditure excludes capital works, plant, fleet & equipment renewals, 2019-20 corporate efficiencies, annual government grants, insurance distributions and proceeds from property investments.

# Operations Income

## Income Summary

COVID-19 has had a significant impact on operational income, primarily due to reductions in on street parking, expiations and commercial income including UPark.

The 2019-20 Quarter 3 revised forecast foreshadowed a significant reduction in operational income. This is reflected in the reduction between the original 2019-20 budget and Quarter 3 Forecast for User and Statutory Charges.

While income is anticipated to progressively recover in the coming months, budgeted income 2020-21 has been significantly reduced from the 2019-20 Q2 Forecast (Pre-COVID baseline):

- User charges (\$16m), (37%) reduction
- Statutory charges (\$5m), (27%) reduction

## Current assumptions

### Rates 3.1% increase

- No change to rate in the dollar
- 2.0% growth new developments/additions
- 1.0% valuation uplift

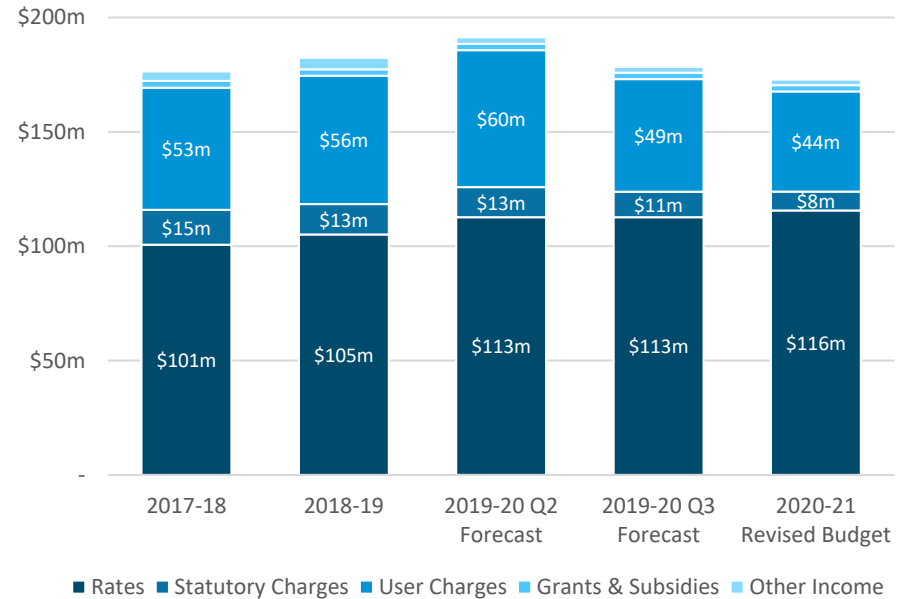
### Fees and Charges

- General user charges – no change
- Statutory charges – as set by government Commercial – no increase or variable (eg. UPark)

## Recovery principle:

Our rates approach is fair and equitable

## Operational income by category



# Operations Expenditure

## Expenditure Summary

Operational expenditure for the draft 2020-21 Budget is based on the cost of delivering existing services (as outlined in the summary by Service Category) with adjustments for:

- Enterprise agreements and contractual increases
- Changes in operations due to COVID 19 (eg. increased cleaning requirements)
- Initial operational savings identified in response to the tighter financial position

The basis for the reduction of \$20m in our ongoing operating expenditure has been reflected in the revised 2020-21 Budget noting the full savings will not be reflected until future financial years due to the one-off structural realignment costs of potentially (\$14m).

## Current assumptions

### Employee Costs – as per Enterprise Agreements

- Wages 2%
- Salaries 2%
- Leisure 2.5%
- UPark 2%

### Other Expenditure

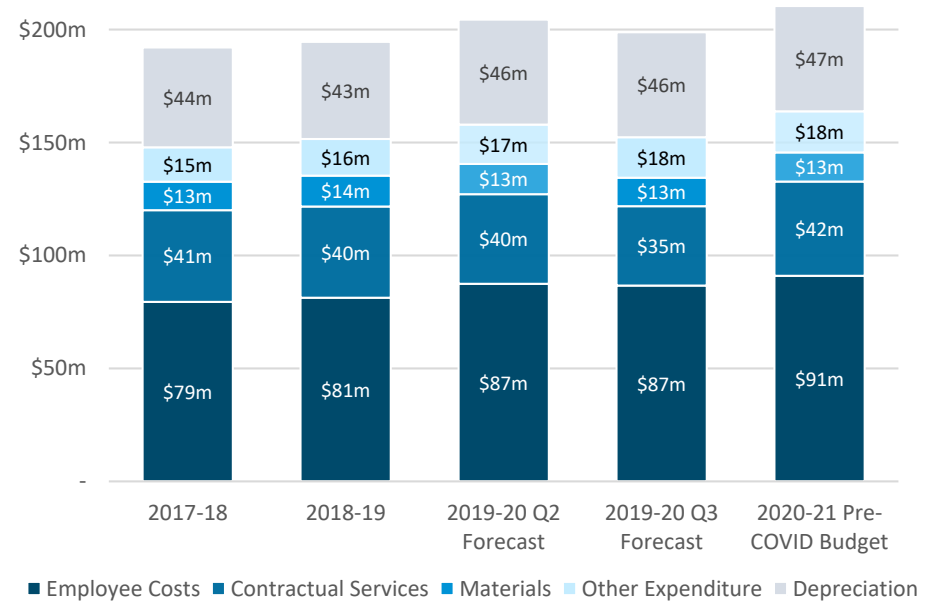
- Based on existing budget indexed by CPI presently 2.0%, unless there are specific and material variations
- Interest rates – 1.5%

## Recovery principle:

Our service delivery will reflect the needs of the community

## Operational expenditure by category

(excluding internal recoveries)



# Operations

## UPark

### Aquatic Centre

### Golf Course

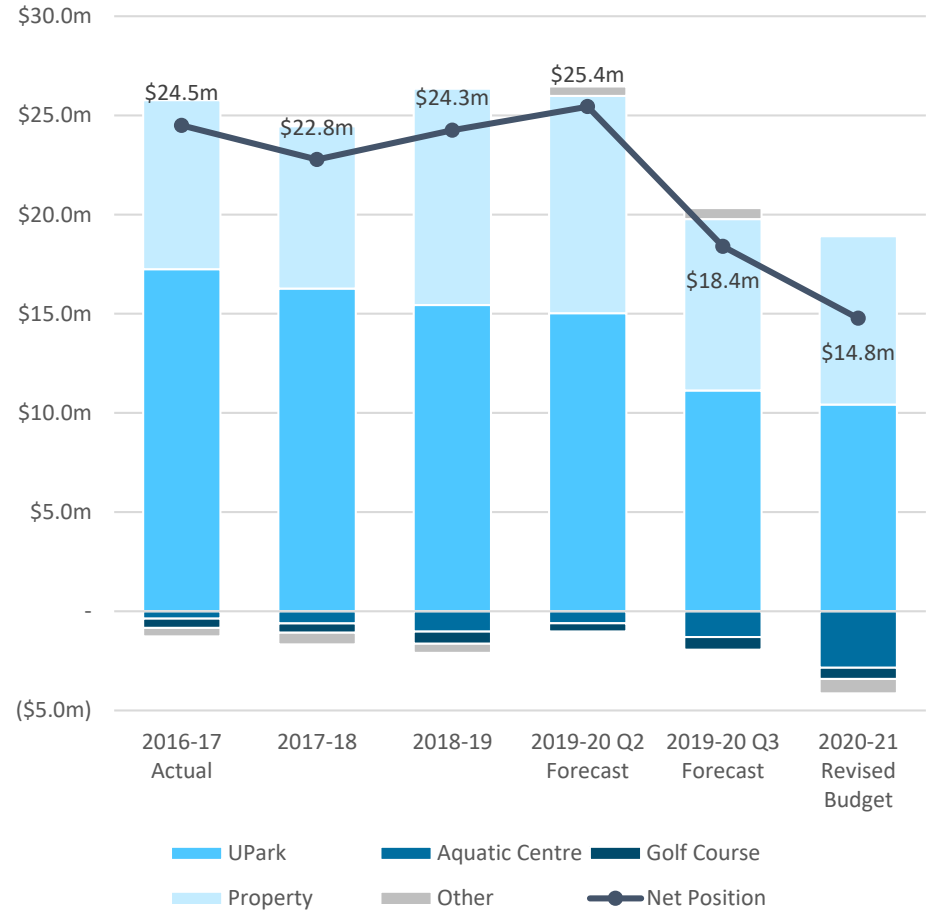
### Property Leases

## Summary

The 2019-20 Quarter 3 revised forecast foreshadowed a (\$7.5m) reduction in income from UPark, the Aquatic Centre, Golf Course and Property Leases compared to the original 2019-20 budget due to the reduced demand for U Parks and the Council's rent relief for its tenants.

Revenue is forecast to reduce by (\$9.4m) in 2020-21 compared to the draft budget prepared prior to COVID-19, primarily due to the ongoing impact on U Park's income and temporary closure of the Aquatic Centre.

## Net contribution



Operations  
**UPark**  
**Aquatic Centre**  
**Golf Course**  
**Property Leases**

	Forecast unfavourable impact	Current Status	Looking forward
<b>UPark</b>	<b>(\$5.2m)</b>	UPark Plus has supported the recovery in occupancy at a lower price point – Revenue down circa 50%	<ul style="list-style-type: none"> <li>▪ Leverage UPark Plus under delegation to maintain/grow market share</li> <li>▪ Phased approach to restoring sustainable pricing</li> </ul>
<b>Aquatic Centre</b>	<b>(\$2.1m)</b>	Centre presently closed due to social distancing requirements	Re-opening <ul style="list-style-type: none"> <li>▪ Re-engage workforce</li> <li>▪ Social distancing requirements reduce capacity and class size</li> <li>▪ Recover enrolments that were cancelled</li> </ul>
<b>Golf Course</b>	<b>(\$0.2m)</b>	Patronage has recovered since reopening in April	Recovery of function, retail and food income due to social distancing
<b>Property</b>	<b>(\$2.2m)</b> based on 20% vacancy rate and <u>before</u> consideration of further rental relief	3 months rent relief to small and medium enterprises	Minimise vacancy rates while balancing capacity to provide further rent relief where genuinely required

# Funding Priorates Projects and Infrastructure

## Overview

The following tables provide a summary of the funding priorities for projects, including the Strategic Projects, and the Infrastructure Program.

The draft 2019-20 Infrastructure Program has been revised to reset and prioritise completion of 2019-20 program and essential renewals utilising a risk based approach.

The revised Infrastructure Program for 2020-21 is \$11.1m including:

- Renewals \$10.3m
- New & Upgraded / Enhancements \$0.7m

Retimed projects of \$15.0m from 2019-20 will be completed.

The full list of individual projects is provided in Appendix 4.

The full list of infrastructure funding priorities is provided in Appendix 5.

\$'m	2017-18 Actual	2018-19 Actual	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Draft Budget	Variance
<b>Projects</b>						
Strategic Projects	(7.2)	(6.5)	(9.4)	(8.7)	(5.2)	3.5
Reprioritised	-	-	-	-	(0.4)	(0.4)
Commercial Projects	(39.9)	(2.1)	(7.0)	(1.9)	-	1.9
Retimed Projects	-	-		-	(5.0)	(5.0)
<b>Total</b>	<b>(47.1)</b>	<b>(8.6)</b>	<b>(16.4)</b>	<b>(10.6)</b>	<b>(10.6)</b>	<b>-</b>

\$'m	2017-18 Actual	2018-19 Actual	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Draft Budget	Variance
<b>Infrastructure</b>						
Renewals	(29.7)	(27.5)	(37.3)	(16.7)	(10.3)	5.7
Enhancements					(0.7)	
2019-20 Re-timed	-	-	-	-	(15.0)	(15.0)
Delivery Resources*	(7.0)	(7.1)	(7.3)	(7.3)	(7.2)	0.1
Major Projects	(10.3)	(12.3)	(14.3)	(8.4)	(8.1)	(0.3)
<b>Total</b>	<b>(47.0)</b>	<b>(46.9)</b>	<b>(58.8)</b>	<b>(32.3)</b>	<b>(41.3)</b>	<b>(9.0)</b>

\* Delivery resources is the budget for the contribution of internal asset management, design, project management, and administrative services that contribute to the delivery of infrastructure projects.



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# City of Adelaide 2020-21 BP&B **Long Term Financial Plan**

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## **Briefing Purpose:**

To consider the Long Term Financial Plan

# Long Term Financial Plan Scenarios

## Scenario 1

### LTFP without \$20m reduction to Operating expenditure

The draft 2020-21 Budget has an ongoing operating expenditure saving of \$20m imbedded in line with Council resolution to improve the Operating position. This scenario illustrates the impact on the LTFP without the \$20m expenditure saving, which results in ongoing Operating Deficits and Borrowings exceeding existing Prudential Limits.

Financial Indicator (\$'m)	Target	2019-20 QF3	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Borrowing	Within Prudential Limits	71.3	98.8	112.7	157.4	164.7	166.4	184.7	200.9	216.5	268.4	334.3
Operating Surplus	Financial sustainability	(20.0)	(39.3)	(25.1)	(27.0)	(25.9)	(19.1)	(19.8)	(13.7)	(16.6)	(13.0)	(19.8)

## Scenario 2

### LTFP without the revised Infrastructure plan

The draft 2020-21 Budget has a revised Infrastructure Plan based on the renewed focus on the quality and condition of our infrastructure and an increased cost to provide those services. Scenario 2 illustrates the impact on the LTFP as per the 2019-20 adopted LTFP with the inclusion of the River Torrens Weir & Rundle UPark building renewals. Consistent with that presented in QF3. Borrowings will be within the Prudential Limits from 2024-25 and Operating Surpluses will be achieved from 2026-27, building capacity to fund the significant renewals in 2028-29 and 2029-30.

Financial Indicator (\$'m)	Target	2019-20 QF3	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Borrowing	Within Prudential Limits	71.3	93.7	106.2	122.1	98.3	74.7	67.3	58.9	49.2	73.6	148.3
Operating Surplus	Financial sustainability	(20.0)	(33.6)	(11.6)	(10.2)	(8.4)	(1.5)	(1.7)	4.9	2.7	7.0	(2.8)

A Live demonstration to be provided during the Workshop with additional scenarios

# Long Term Financial Plan Scenarios

## Scenario 3

### LTFP incorporating the impact of the Draft Bill for Rate Relief

This scenario illustrates the impact on the Draft Bill where council rates are waved for local business and not for profit organisations that have been forced to close as a result of Government directives. A 6 month rate remission has been assumed in this scenario, where the 2019-20 Quarter 4 rates would be credited against future rates payable, and the 2020-21 Quarter 1 rates payable waived. The impact of this being recognised in 2020-21 and results in ongoing Operating Deficits through to 2025-26 and Borrowings exceeding existing Prudential Limits from 2020-21.

Financial Indicator (\$'m)	Target	2019-20 QF3	2020-21 Budget	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
<b>Borrowing</b>	Within Prudential Limits	71.3	112.2	111.6	141.1	132.8	118.2	119.5	118.2	115.7	148.7	195.2
<b>Operating Surplus</b>	Financial sustainability	(20.0)	(52.9)	(10.6)	(11.9)	(10.2)	(2.8)	(2.9)	3.8	1.6	5.8	(0.3)

A Live demonstration to be provided during the Workshop with additional scenarios

# Long Term Financial Plan Infrastructure

## Recovery principle:

Asset renewals will be prioritised based on audit condition and risk

Strategic enhancements will be delivered through partnerships

We will seek Government funding for new Infrastructure

## Long Term Financial Plan

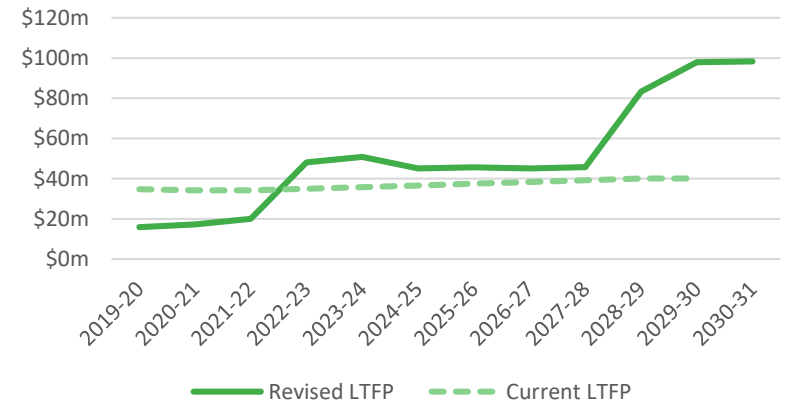
The Infrastructure and Asset Management Plans (AMPs) are being reviewed and updated including asset service levels, taking into account community needs, population density/growth impacts and asset management principles. They will be brought back to the elected body for endorsement.

There has been a renewed focus on the quality and condition of our infrastructure and an increased cost to provide those services.

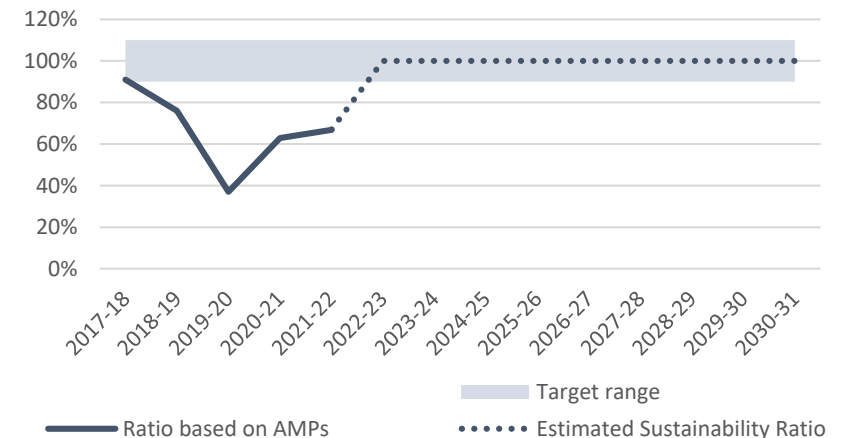
There are significant renewals required in the outer years of the long term financial plan which have not previously been identified:

- Adelaide Bridge
- Torrens Weir Structure
- Replacement of Rundle UPark
- Rymill Park Lake

## Revised LTFP for Infrastructure



## Forecast Asset Sustainability Ratio



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# City of Adelaide 2020-21 BP&B **Treasury Policy**

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## **Briefing Purpose:**

To consider the key principles for borrowings

# Funding Levers Borrowings

## Recovery principle:

Financial borrowings adjusted to stimulate growth

Investment is prioritised to support recovery

## Existing Limits

Current Prudential Limit	2019-20 QF3	2019-20 QF3	2020-21 Budget
Asset Test Ratio	21%	22%	22%
Leverage Test Ratio	1.4	1.3	1.1
Debt Service Coverage	11.7	10.0	12.4

### Asset Test

Maximum 25% sellable assets  
Borrowings as a percentage of total saleable property assets

### Leverage Test

Maximum of 1.5 years  
Total borrowings relative to funds available projects (funding surplus from operations)

### Debt Service Coverage Ratio

Minimum 5 times  
Number of times the funding surplus from Operations can fund annual debt (principle and interest) repayments

## Proposed Changes

Proposed Prudential limits	2019-20 QF3	2019-20 QF3	2020-21 Budget
Asset Test Ratio	21%	22%	22%
Leverage Test Ratio (revised)	0.6	0.7	0.6
Interest Expense Ratio	0.92%	1.49%	1.37%

### Asset Test

Maximum 50% of sellable assets  
Basis of the calculation unchanged

### Leverage Test

Maximum 1.5 of general rates revenue (rather than funds available for projects)  
General rates more consistent basis to measure capacity to repay borrowings

### Interest Expense Ratio

Maximum of 10% of general rates revenue  
This ratio measures the affordability of Council's debt and articulates the proportion of Council's general rate income that is being used to service debt. The ratio is consistent with the Local Government Financing Authority (LGFA) calculation

# Treasury Policy

## Borrowings

### Recovery principle:

Financial borrowings adjusted to stimulate growth

Investment is prioritised to support recovery

### Borrowing Principles for the Treasury Policy

**Borrowing extra funds to build capacity to respond to emerging opportunities, not to fund operations and asset renewals**

Borrowings should be reserved to fund projects that are aligned to Council's Strategic Plan and meet two of the following criteria:

- Have a positive return on investment
- Leverage external grant funding
- City shaping Projects with intergenerational equity

The level of borrowings held should consider Council's

- Capacity to service the interest and repay borrowings through present and forecast future income
- Capacity to respond to emerging opportunities and risks
- Be balanced with Council's foreseeable funding priorities identified in the Long Term Financial Plan
- 'Risk appetite', as defined by Council's prudential limits

Borrowings should not be utilised to fund the

- Delivery of operational services
- Routine asset renewals

### Key Question

Do Audit Committee Members have feedback on the proposed changes to the Prudential Borrowing Limits

### Options

- A. Maintain the existing Prudential Limits, restricting borrowings to approximately \$80m, limiting capacity to fund emerging priorities?
- B. Increase Prudential Limits as proposed, increasing borrowing capacity to approximately \$175m, to take advantage of opportunities to support the City's recovery?
- C. Adjust Prudential Limits to an alternative level?

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## Appendices

1. Long Term Financial Plan – Budgeted Financial Statements
  2. Service Category Summaries
  3. Plant, Fleet & Equipment
  4. Funding Priorities – Projects
  5. Funding Priorities – Infrastructure
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## Appendix 1

### Long Term Financial Plan – Budgeted Financial Statements

- 1.1 Uniform Presentation of Finances
  - 1.2 Statement of Comprehensive Income
  - 1.3 Statement of Financial Position
  - 1.4 Statement of Changes in Equity
  - 1.5 Statement of Cash Flows
-

## Uniform Presentation of Finances

\$'000s	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Budget	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
Income	211.0	196.4	186.1	201.4	206.6	211.9	225.1	231.1	237.0	242.9	249.0	255.2
less Expenses	(219.4)	(215.0)	(217.7)	(208.9)	(211.5)	(216.5)	(223.1)	(229.7)	(229.3)	(236.9)	(235.4)	(246.2)
<b>Operating Surplus / (Deficit) before Capital Amounts</b>	<b>(8.4)</b>	<b>(18.5)</b>	<b>(31.6)</b>	<b>(7.5)</b>	<b>(5.0)</b>	<b>(4.6)</b>	<b>2.0</b>	<b>1.5</b>	<b>7.7</b>	<b>6.1</b>	<b>13.6</b>	<b>9.0</b>
<b>less Net Outlays on Existing Assets</b>												
Net Capital Expenditure on Renewal & Replacement of Existing Assets	55.6	33.6	41.8	30.7	59.0	61.8	56.4	57.1	56.7	57.8	95.4	110.5
less Depreciation, Amortisation and Impairment	(49.6)	(50.2)	(50.8)	(49.9)	(49.0)	(50.2)	(50.9)	(54.7)	(50.7)	(54.6)	(49.1)	(55.4)
less Amounts received specifically for Existing Assets	(2.9)	(2.8)	(0.9)	-	-	-	-	-	-	-	-	-
<b>Net Outlays on Existing Assets</b>	<b>3.1</b>	<b>(19.4)</b>	<b>(9.9)</b>	<b>(19.2)</b>	<b>10.0</b>	<b>11.6</b>	<b>5.5</b>	<b>2.4</b>	<b>6.1</b>	<b>3.1</b>	<b>46.3</b>	<b>55.0</b>
<b>less Net Outlays on New and Upgraded Assets</b>												
Net Capital Expenditure on New and Upgraded Assets	29.1	13.2	28.0	16.7	14.2	-	-	-	-	-	-	-
less Amounts received specifically for New and Upgraded Assets	(6.5)	(2.5)	(16.2)	-	-	-	-	-	-	-	-	-
less Proceeds from Sale of Assets	-	-	-	-	-	(25.0)	(25.5)	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	<b>22.6</b>	<b>10.7</b>	<b>11.7</b>	<b>16.7</b>	<b>14.2</b>	<b>(25.0)</b>	<b>(25.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(34.0)</b>	<b>(9.8)</b>	<b>(33.4)</b>	<b>(5.0)</b>	<b>(29.2)</b>	<b>8.7</b>	<b>22.0</b>	<b>(0.9)</b>	<b>1.7</b>	<b>3.0</b>	<b>(32.7)</b>	<b>(46.0)</b>

## Statement of Comprehensive Income

\$'000s	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Budget	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
<b>Income</b>												
Rates Revenues	116.5	116.5	119.4	123.3	127.0	130.8	135.8	140.1	144.1	148.3	152.5	156.7
Statutory Charges	13.4	11.2	8.5	12.0	12.2	12.4	12.6	12.9	13.1	13.4	13.6	13.9
User Charges	71.7	59.3	54.3	62.0	63.2	64.5	72.3	73.7	75.2	76.7	78.2	79.8
Grants, Subsidies and Contributions	11.4	13.3	3.9	3.1	3.1	3.2	3.2	3.3	3.4	3.4	3.5	3.6
Investment Income	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements	0.5	0.5	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Other Income	0.4	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4
<b>Total Income</b>	<b>213.9</b>	<b>199.3</b>	<b>187.0</b>	<b>201.4</b>	<b>206.6</b>	<b>211.9</b>	<b>225.1</b>	<b>231.1</b>	<b>237.0</b>	<b>242.9</b>	<b>249.0</b>	<b>255.2</b>
<b>Expenses</b>												
Employee Costs	77.9	77.3	79.3	71.7	73.2	74.7	76.3	77.9	79.5	81.1	82.8	84.5
Materials, Contracts & Other Expenses	97.9	86.0	84.7	84.4	88.5	89.4	93.3	94.7	96.8	99.2	105.0	109.1
Depreciation, Amortisation & Impairment	49.6	50.2	50.8	49.9	49.0	50.2	50.9	54.7	50.7	54.6	49.1	55.4
Finance Costs	6.5	5.8	5.8	5.5	7.4	7.4	6.9	6.4	5.8	6.0	5.9	6.1
<b>Total Expenses</b>	<b>231.9</b>	<b>219.2</b>	<b>220.6</b>	<b>211.6</b>	<b>218.1</b>	<b>221.8</b>	<b>227.4</b>	<b>233.7</b>	<b>232.8</b>	<b>241.0</b>	<b>242.8</b>	<b>255.1</b>
<b>Operating Surplus / (Deficit)</b>	<b>(17.9)</b>	<b>(20.0)</b>	<b>(33.6)</b>	<b>(10.2)</b>	<b>(11.6)</b>	<b>(9.9)</b>	<b>(2.4)</b>	<b>(2.5)</b>	<b>4.2</b>	<b>2.0</b>	<b>6.2</b>	<b>0.1</b>
Asset Disposal & Fair Value Adjustments	-	-	(0.3)	-	-	3.6	(0.3)	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	0.4	0.4	4.6	-	-	-	-	-	-	-	-	-
<b>Net Surplus / (Deficit)</b>	<b>(17.5)</b>	<b>(19.6)</b>	<b>(29.4)</b>	<b>(10.2)</b>	<b>(11.6)</b>	<b>(6.3)</b>	<b>(2.7)</b>	<b>(2.5)</b>	<b>4.2</b>	<b>2.0</b>	<b>6.2</b>	<b>0.1</b>
<b>Total Comprehensive Income</b>	<b>(17.5)</b>	<b>(19.6)</b>	<b>(29.4)</b>	<b>(10.2)</b>	<b>(11.6)</b>	<b>(6.3)</b>	<b>(2.7)</b>	<b>(2.5)</b>	<b>4.2</b>	<b>2.0</b>	<b>6.2</b>	<b>0.1</b>

<b>Statement of Financial Position</b>												
\$'000s	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Budget	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and Cash Equivalents	2.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Trade & Other Receivables	10.8	25.3	9.4	10.2	10.5	10.7	11.4	11.7	12.0	12.3	12.6	12.9
Other Financial Assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Inventories	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
<b>Total Current Assets</b>	<b>13.5</b>	<b>26.8</b>	<b>11.0</b>	<b>11.8</b>	<b>12.0</b>	<b>12.3</b>	<b>12.9</b>	<b>13.2</b>	<b>13.5</b>	<b>13.8</b>	<b>14.1</b>	<b>14.4</b>
<b>Non-Current Assets</b>												
Financial Assets	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Equity Accounted Investments in Council Businesses	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Investment Property	2.9	2.9	2.9	3.0	3.0	3.0	3.0	3.1	3.1	3.1	3.2	3.2
Infrastructure, Property, Plant & Equipment	1,853.7	1,822.8	1,837.0	1,836.7	1,853.6	1,880.5	1,854.6	1,851.3	1,854.6	1,851.9	1,888.7	1,932.7
Other Non-Current Assets	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Total Non-Current Assets</b>	<b>1,859.2</b>	<b>1,828.2</b>	<b>1,842.4</b>	<b>1,842.1</b>	<b>1,859.1</b>	<b>1,886.0</b>	<b>1,860.1</b>	<b>1,856.8</b>	<b>1,860.1</b>	<b>1,857.5</b>	<b>1,894.3</b>	<b>1,938.3</b>
<b>TOTAL ASSETS</b>		<b>1,855.1</b>	<b>1,853.4</b>	<b>1,853.9</b>	<b>1,871.1</b>	<b>1,898.3</b>	<b>1,873.0</b>	<b>1,870.1</b>	<b>1,873.6</b>	<b>1,871.3</b>	<b>1,908.4</b>	<b>1,952.7</b>
<b>LIABILITIES</b>												
<b>Current Liabilities</b>												
Trade & Other Payables	21.8	16.7	26.9	26.4	26.4	33.4	26.8	26.8	26.8	26.8	26.3	26.4
Provisions	14.2	14.2	11.6	11.8	12.1	12.3	12.6	12.8	13.1	13.3	13.6	13.9
Other Current Liabilities	1.6	1.5	1.1	0.7	0.9	1.3	1.7	2.2	1.7	1.6	2.1	1.9
<b>Total Current Liabilities</b>	<b>37.5</b>	<b>32.4</b>	<b>39.6</b>	<b>39.0</b>	<b>39.4</b>	<b>47.0</b>	<b>41.1</b>	<b>41.8</b>	<b>41.6</b>	<b>41.8</b>	<b>42.1</b>	<b>42.1</b>
<b>Non-Current Liabilities</b>												
Trade & Other Payables	0.3	0.3	1.0	7.0	7.0	-	-	-	-	-	-	-
Borrowings	81.4	71.7	92.9	91.9	121.1	112.4	97.4	98.3	96.7	93.7	126.4	172.4
Provisions	2.0	2.0	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0
Other Non-Current Liabilities	15.2	14.2	13.2	19.4	18.5	17.2	15.5	13.4	14.5	12.9	10.8	8.9
<b>Total Non-Current Liabilities</b>	<b>98.9</b>	<b>88.3</b>	<b>108.7</b>	<b>120.0</b>	<b>148.3</b>	<b>131.4</b>	<b>114.7</b>	<b>113.6</b>	<b>113.1</b>	<b>108.6</b>	<b>139.2</b>	<b>183.4</b>
<b>TOTAL LIABILITIES</b>	<b>136.5</b>	<b>120.6</b>	<b>148.3</b>	<b>159.0</b>	<b>187.8</b>	<b>178.4</b>	<b>155.8</b>	<b>155.3</b>	<b>154.7</b>	<b>150.4</b>	<b>181.3</b>	<b>225.5</b>
<b>Net Assets</b>	<b>1,736.3</b>	<b>1,734.5</b>	<b>1,705.1</b>	<b>1,694.9</b>	<b>1,683.3</b>	<b>1,719.9</b>	<b>1,717.2</b>	<b>1,714.7</b>	<b>1,718.9</b>	<b>1,720.9</b>	<b>1,727.1</b>	<b>1,727.2</b>
<b>EQUITY</b>												
Accumulated Surplus	816.8	815.0	785.6	775.4	763.9	757.6	754.9	752.4	756.6	758.6	764.8	764.9
Asset Revaluation Reserves	917.8	917.8	917.8	917.8	917.8	960.7	960.7	960.7	960.7	960.7	960.7	960.7
Other Reserves	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Total Council Equity</b>	<b>1,736.3</b>	<b>1,734.5</b>	<b>1,705.1</b>	<b>1,694.9</b>	<b>1,683.3</b>	<b>1,719.9</b>	<b>1,717.2</b>	<b>1,714.7</b>	<b>1,718.9</b>	<b>1,720.9</b>	<b>1,727.1</b>	<b>1,727.2</b>

<b>Statement of Changes in Equity</b>												
<b>\$'000s</b>	<b>2019-20 Q2 Forecast</b>	<b>2019-20 Q3 Forecast</b>	<b>2020-21 Budget</b>	<b>2021-22 Plan</b>	<b>2022-23 Plan</b>	<b>2023-24 Plan</b>	<b>2024-25 Plan</b>	<b>2025-26 Plan</b>	<b>2026-27 Plan</b>	<b>2027-28 Plan</b>	<b>2028-29 Plan</b>	<b>2029-30 Plan</b>
<b>Balance at the end of previous reporting period</b>	1,754.1	1,754.1	1,734.5	1,705.1	1,694.9	1,683.3	1,719.9	1,717.2	1,714.7	1,718.9	1,720.9	1,727.1
a. Net Surplus / (Deficit) for Year	(17.8)	(19.6)	(29.4)	(10.2)	(11.6)	(6.3)	(2.7)	(2.5)	4.2	2.0	6.2	0.1
b. Other Comprehensive Income												
Total Comprehensive Income	(17.8)	(19.6)	(29.4)	(10.2)	(11.6)	(6.3)	(2.7)	(2.5)	4.2	2.0	6.2	0.1
Gain (Loss) on Revaluation of I, PP&E						42.9						
<b>Balance at the end of period</b>	<b>1,736.3</b>	<b>1,734.5</b>	<b>1,705.1</b>	<b>1,694.9</b>	<b>1,683.3</b>	<b>1,719.9</b>	<b>1,717.2</b>	<b>1,714.7</b>	<b>1,718.9</b>	<b>1,720.9</b>	<b>1,727.1</b>	<b>1,727.2</b>

## Statement of Cash flows

\$'000s	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Budget	2021-22 Plan	2022-23 Plan	2023-24 Plan	2024-25 Plan	2025-26 Plan	2026-27 Plan	2027-28 Plan	2028-29 Plan	2029-30 Plan
<b>Cash Flows from Operating Activities</b>												
<u>Receipts</u>												
Operating Receipts	216.7	187.4	203.7	200.6	206.3	211.6	224.4	230.8	236.7	242.6	248.7	254.9
<u>Payments</u>												
Payments to Employees	(77.6)	(77.0)	(82.2)	(71.4)	(72.9)	(74.5)	(76.0)	(77.6)	(79.2)	(80.8)	(82.5)	(84.1)
Payments for Materials, Contracts & Other Expenses	(89.9)	(91.3)	(72.9)	(82.9)	(86.6)	(88.4)	(92.2)	(93.5)	(95.0)	(97.6)	(99.2)	(101.3)
Finance Payments	(1.8)	(1.1)	(1.7)	(1.8)	(2.1)	(2.3)	(2.0)	(1.9)	(1.9)	(1.8)	(2.1)	(2.9)
Operating Payments to Suppliers and Employees	(169.2)	(169.4)	(156.9)	(156.1)	(161.6)	(165.1)	(170.2)	(173.0)	(176.1)	(180.2)	(183.8)	(188.3)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>47.4</b>	<b>18.0</b>	<b>46.8</b>	<b>44.5</b>	<b>44.7</b>	<b>46.5</b>	<b>54.2</b>	<b>57.9</b>	<b>60.5</b>	<b>62.4</b>	<b>64.9</b>	<b>66.5</b>
<b>Cash Flows from Investing Activities</b>												
<u>Receipts</u>												
Amounts Received Specifically for New/Upgraded Assets	0.4	0.4	4.6	-	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	-	-	1.0	6.0	-	25.0	18.5	-	-	-	-	-
<u>Payments</u>												
Expenditure on Renewal/Replacement of Assets	(55.6)	(33.6)	(41.8)	(30.7)	(59.0)	(61.8)	(56.4)	(57.1)	(56.7)	(57.8)	(95.4)	(110.5)
Expenditure on New/Upgraded Assets	(29.1)	(13.2)	(28.0)	(16.7)	(14.2)	-	-	-	-	-	-	-
Capital Contributed to Equity Accounted Council Businesses	0.0	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>(84.3)</b>	<b>(46.3)</b>	<b>(64.2)</b>	<b>(41.4)</b>	<b>(73.2)</b>	<b>(36.8)</b>	<b>(37.9)</b>	<b>(57.1)</b>	<b>(56.7)</b>	<b>(57.8)</b>	<b>(95.4)</b>	<b>(110.5)</b>
<b>Cash Flows from Financing Activities</b>												
<u>Receipts</u>												
Proceeds from Borrowings	34.0	24.3	18.9	-	29.2	-	-	-	-	-	32.7	46.0
<u>Payments</u>												
Repayment from Borrowings	-	-	-	(1.0)	-	(8.7)	(15.0)	0.9	(1.7)	(3.0)	-	-
Repayment of Principal portion of lease liability	(1.2)	(1.2)	(1.6)	(2.1)	(0.7)	(0.9)	(1.3)	(1.7)	(2.2)	(1.7)	(2.1)	(2.1)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>32.8</b>	<b>23.1</b>	<b>17.4</b>	<b>(3.0)</b>	<b>28.5</b>	<b>(9.7)</b>	<b>(16.2)</b>	<b>(0.8)</b>	<b>(3.8)</b>	<b>(4.6)</b>	<b>30.6</b>	<b>43.9</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>(4.1)</b>	<b>(5.3)</b>	<b>(0.0)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(0.0)</b>
plus: Cash & Cash Equivalents at beginning of period	6.1	6.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>2.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>

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## Appendix 2: Service Category Summaries

- Arts, Community Development & Civic Services
  - Asset Maintenance
  - Commercial Operations
  - Corporate Support Services
  - Economic Growth
  - Infrastructure & Asset Management
  - Policy & Planning Services
  - Property Management
  - Regulatory & Statutory Services
  - Waste, Natural Resources & Environmental Services
-

# Arts, Community Development & Civic Services

## Category Definition

**Services provided for community benefit, to respond to community needs and provide programs that deliver community experiences as well as meet civic responsibilities in representing the interests of the city.**

## Community value statement

**We have a community that feel connected, accessible, vibrant, safe and resilient, and who embrace cultural diversity and wellbeing.**

## Linked Strategic Plan Key Actions

### Thriving Communities

- 1.01 Leverage the Adelaide Park Lands to promote health, wellbeing and lifestyle experiences
- 1.02 Build and be guided by the Wellbeing Dashboard
- 1.04 Develop diverse places, and facilities with and for young people
- 1.06 Support volunteerism to build community capacity and connectedness
- 1.09 Pursue affordable, reliable links to airports, regions and suburbs

### Strong Economies

- 2.06 Support and develop diverse creative and social industry sectors
- 2.08 Facilitate creative uses of the public realm and underutilised city buildings
- 2.09 Activate main streets and develop unique precincts to support a diverse range of businesses and communities

### Dynamic City Culture

- 3.04 Support development of new cultural and civic infrastructure for the city
- 3.07 Deliver diverse parks and playspaces
- 3.08 Expand public art throughout the city in collaboration with the private sector
- 3.09 Connect City users to place through curated city experiences
- 3.10 Support community diversity, cultural expression, experiences and participation
- 3.11 Expand Adelaide's global reputation as a 'magnet city' and UNESCO City of Music, through world class events, live music, festivals and activation

### Environmental Leadership

-

### Enabling Priorities

- 5.02 Demonstrate bold governance leadership in the Local Government Sector
- 5.03 Build on effective advocacy and partnerships, locally, globally and nationally
- 5.09 Encourage and support new ideas and concepts

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Civic Collection Management	3.3	6	(401)	(394)	(351)	(12.2%)
Community Capacity Building ( <i>community centres, sport and recreation, community wellbeing and resilience</i> )	15.8	356	(3,375)	(3,020)	(2,912)	(3.7%)
Creative and Cultural Experiences ( <i>libraries, Town Hall, events</i> )	44.6	1,275	(8,559)	(7,285)	(6,533)	(11.5%)
Creative and Cultural Planning and Partnerships ( <i>cultural strategy, creative enterprises and social industries</i> )	10.1	0	(2,060)	(2,060)	(2,515)	18.1%
Customer Experience	32.1	1	(3,688)	(3,687)	(3,321)	(11.0%)
Lord Mayor and Elected Members Administration	7.4	0	(1,974)	(1,974)	(1,899)	(4.0%)
Partnerships and Intergovernmental Relations	1.1	0	(254)	(254)	(263)	3.4%
<b>Total Service Category</b>	<b>114.4</b>	<b>1,637</b>	<b>(20,311)</b>	<b>(18,674)</b>	<b>(17,794)</b>	<b>(4.94%)</b>

## Key variances / discussion:

- Increase in cost of Creative and Cultural Experiences to offset reduction in library grant funding and increased support to event customers
- Enhanced resourcing for the development of partnerships and relationships in Creative and Cultural Planning and Partnerships
- \$700k of City Activation – Splash classed as one off costs in 2020-21
- Customer Experience – review of team structure based on service expectation has resulted in a reallocation of FTE to this service



# Asset Maintenance

## Category Definition

Maintenance of the city's public infrastructure assets.

## Community value statement

We are provided with safe, clean and well maintained public spaces.

## Linked Strategic Plan Key Actions

### Thriving Communities

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### Strong Economies

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### Dynamic City Culture

-

### Environmental Leadership

4.01 Increase street tree canopies and green infrastructure in city hot spots and public spaces

4.05 Enhance biodiversity in the Park Lands and connect our community to nature

4.08 Protect and conserve the heritage listed Adelaide Park Lands

### Enabling Priorities

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Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Arboriculture	14.6	0	(2,267)	(2,267)	(2,162)	(4.9%)
Biodiversity	5.3	0	(592)	(592)	(575)	(3.0%)
Capital Works	0.0	0	0	0	1,201	(100.0%)
Cleansing	53.4	33	(7,410)	(7,377)	(6,800)	(8.5%)
Facilities Management	5.4	0	(583)	(583)	(794)	26.6%
Irrigation	4.7	5	(889)	(884)	(973)	9.2%
Lines and Signs	14.4	450	(2,417)	(1,967)	(1,347)	(46.0%)
Mowing	18.1	0	(2,503)	(2,503)	(2,237)	(11.9%)
Nursery	6.0	625	(1,137)	(512)	(522)	2.0%
Park Lands Maintenance	25.3	3	(2,993)	(2,990)	(2,629)	(13.7%)
Plant and Fleet Management	16.7	10	917	927	1,113	(16.7%)
Playground Maintenance	2.8	0	(345)	(345)	(355)	3.0%
Road and Footpath Maintenance	26.7	0	(4,233)	(4,233)	(3,440)	(23.1%)
Streetscape Maintenance	9.4	0	(2,708)	(2,708)	(1,161)	(133.3%)
Trade Services	11.9	102	(3,504)	(3,402)	(3,427)	0.7%
Urban Elements Maintenance	15.0	0	(2,029)	(2,029)	(1,871)	(8.4%)
<b>TOTAL Service Category</b>	<b>229.7</b>	<b>1,229</b>	<b>(32,690)</b>	<b>(31,462)</b>	<b>(25,978)</b>	<b>(21.11%)</b>

## Key variances / discussion:

- The Infrastructure Program has been revised to essential renewals utilising a risk based approach. As a result, there will be an increase in maintenance requirements. The Internal team previously delivering capital works projects (and charged to the relevant projects) has been redirected to work on maintenance activities. As such the Capital Works service along with the internal recovery of \$2.7m has ceased.
- Enhanced cleansing is needed on additional and upgraded assets – for example Market to Riverbank and Gawler Place (\$0.6m)
- Cost of water for irrigation has been reallocated from Infrastructure and Asset Solutions (Infrastructure and Asset Management category) to Streetscape Maintenance (\$1.4m)

# Commercial Operations

## Category Definition

**Council operated and maintained business operations.**

## Linked Strategic Plan Key Actions

### Thriving Communities

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### Strong Economies

2.05 Reduce and streamline Council policies, permits and fees to reduce the cost base of doing business in the City

### Dynamic City Culture

3.05 Upgrade major recreational facilities

### Environmental Leadership

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### Enabling Priorities

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## Community value statement

**Council businesses are sustainably and financially operated to meet community needs and drive increased visitation, participation and physical activity.**

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Aquatic Centre	32.4	█	█	█	█	█
Commercial Business Marketing and Communications	2.2	█	█	█	█	█
Golf Links	11.8	█	█	█	█	█
Off Street Parking	19.1	█	█	█	█	█
Off Street Parking - Park Lands	0.0	█	█	█	█	█
<b>TOTAL Service Category</b>	<b>65.5</b>	<b>25,398</b>	<b>(19,661)</b>	<b>5,738</b>	<b>13,884</b>	<b>(58.67%)</b>

## Key variances / discussion:

- Aquatic Centre temporary closed. Re-opening date to be confirmed with reductions in revenue expected across all services
- Golf Trade Days not expected to start until February 2021
- UPark not expected to return to previous levels in 20-21 budget
- Cancellation of Royal Show Parking

# Corporate Support Services

## Category Definition

**Internal enabling and supporting services for the organisation.**

## Community value statement

**We have trust and confidence in decision making through Council's effective governance and sustainable use of resources.**

## Linked Strategic Plan Key Actions

### Thriving Communities

-

### Strong Economies

-

### Dynamic City Culture

-

### Environmental Leadership

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### Enabling Priorities

5.01 Review and improve the way we collect and present data to share insights with the community

5.05 Develop new revenue opportunities for Council operations

5.06 Review Council services to balance efficiencies with meeting community expectations

5.07 Implement Sustainable (financial, environmental, social, cultural) Procurement Policy

5.09 Encourage and support new ideas and concepts

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Business Improvement	2.8	0	(431)	(431)	(725)	40.6%
Council Governance	3.8	0	(532)	(532)	(526)	(1.2%)
Council Print Services	1.0	0	(116)	(116)	(136)	14.5%
Emergency Management	1.1	0	(143)	(143)	(220)	34.7%
Financial Services	10.9	25	(3,024)	(2,999)	(3,667)	18.2%
Helpdesk & Application Support Services	9.1	40	(4,620)	(4,580)	(4,377)	(4.6%)
IT Business Engagement ( <i>internal</i> )	10.8	0	(4,449)	(4,449)	(1,351)	(229.2%)
Legal	1.1	0	(1,058)	(1,058)	(1,019)	(3.8%)
Network & Telecommunications Services	2.1	0	(1,017)	(1,017)	(905)	(12.3%)
People Experience	15.5	0	(2,972)	(2,972)	(2,737)	(8.6%)
Procurement and Contract Management	12.1	0	(1,526)	(1,526)	(1,139)	(33.9%)
Safety and Wellbeing	4.0	25	(883)	(858)	(893)	3.9%
Server and Cloud Administration	3.1	23	(1,254)	(1,232)	(849)	(45.1%)
<b>TOTAL Service Category</b>	<b>77.3</b>	<b>113</b>	<b>(22,025)</b>	<b>(21,912)</b>	<b>(18,545)</b>	<b>(18.16%)</b>

## Key variances / discussion:

- Cost of Financial Services reduced by \$0.6m due to a reduction in interest expense
- Procurement and Contract Management has increased to reflect the need for extra resource after the closure of Council Solutions. Savings expected in 19-20 were not achieved and are not included in the 20-21 budget
- Business Systems Roadmap now included as an Operational cost in IT Business Engagement
- Server and Cloud Administration increased as more services are moving to cloud support, requiring a higher level of FTE support which has been reallocated from standard application support
- Increases in software - particularly Microsoft suite has increased budget for Helpdesk and Application Support Services
- All Emergency Management tasks now facilitated by City of Adelaide rather than external service providers
- Greater Council & Committee meeting support required from Council Governance in response to significantly extended meeting duration and number of special meetings

# Economic Growth

## Category Definition

**Provision of services that aim to increase visitor and resident growth and provide economic benefit to the city**

## Community value statement

**We have increased visitors, residents, productivity and investment within the city.**

## Linked Strategic Plan Key Actions

### Thriving Communities

1.06 Support volunteerism to build community capacity and connectedness

### Strong Economies

2.03 Establish a Smart Visitor Experience Centre

2.04 Provide connections, opportunities and a supportive environment for start-ups to test, trial and innovate

2.06 Support and develop diverse, creative and social industry sectors

2.09 Activate main streets and develop unique precincts to support a diverse range of businesses and communities

2.10 Implement a City Wide Business Model

### Dynamic City Culture

3.09 Connect City users to place through curated city experiences

3.11 Expand Adelaide's global reputation as a 'magnet city' and UNESCO City of Music, through world class events, live music, festivals and activation

### Environmental Leadership

-

### Enabling Priorities

5.01 Review and improve the way we collect and present data to share insights with the community

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
ACMA Marketing & Events	2.7	14	(587)	(573)	(563)	(1.8%)
ACMA Operations & Leasing	3.0	8,736	(8,347)	389	1,123	(65.4%)
ACMA Strategic Management, Governance, Finance & Admin	2.1	49	(788)	(738)	(557)	(32.6%)
City Growth	6.3	2	(2,156)	(2,154)	(2,232)	3.5%
Content and Social Media	3.2	0	(474)	(474)	(234)	(102.3%)
Graphic Design	3.2	0	(336)	(336)	(198)	(69.6%)
Innovation	6.7	170	(1,622)	(1,452)	(1,524)	4.7%
Marketing Strategy, Brand and Consumer Insights	3.8	0	(676)	(676)	(550)	(23.0%)
Media Relations	3.8	0	(687)	(687)	(633)	(8.6%)
Programme Marketing and Communications	8.2	0	(1,410)	(1,410)	(1,239)	(13.8%)
(RMMA) Marketing Events and Activation	6.0	2,102	(2,615)	(513)	(574)	10.6%
(RMMA) Retail and General Operations	1.8	1,036	(998)	38	74	(47.9%)
(RMMA) Strategic Management and Governance	1.8	947	(472)	475	501	(5.1%)
Small Business Advice and Support	0.0	0	0	0	(224)	100.0%
Visitor Growth	9.2	0	(4,391)	(4,391)	(4,470)	1.8%
Web, digital and visual content	3.8	0	(851)	(851)	(617)	(38.0%)
<b>TOTAL Service Category</b>	<b>65.4</b>	<b>13,055</b>	<b>(26,410)</b>	<b>(13,355)</b>	<b>(11,920)</b>	<b>(12.04%)</b>

## Key variances / discussion:

- Reduction in income from Central Market car park (\$685k)
- Increase in software licencing costs as Marketing and Communications have taken on responsibility of managing marketing based software licencing reflecting investment in new website platform functionality, stability, security, speed and its extensibility (\$200k)
- Marketing costs to support projects now included in operational costs rather than recharged to projects (\$385k)

# Infrastructure and Asset Management

## Category Definition

**Development and management of the city's public infrastructure assets and delivery of the Council's Capital Projects.**

## Community value statement

**Community assets are designed, planned, delivered and operated in a safe and financially sustainable manner.**

## Linked Strategic Plan Key Actions

### Thriving Communities

- 1.01 Leverage the Adelaide Park Lands to promote health, wellbeing and lifestyle experiences
- 1.10 Support delivery of welcoming civic infrastructure / third spaces to foster community connections through the adoption of universal and sustainable design principles
- 1.11 Work with the State and Federal Government to future proof infrastructure for emerging modes of transport, and trial smart, sustainable forms of public transport

### Strong Economies

- 2.08 Facilitate creative uses of the public realm and underutilised city buildings

### Dynamic City Culture

- 3.04 Support development of new cultural and civic infrastructure for the city
- 3.05 Upgrade major recreational facilities
- 3.06 Develop asset management plans to provide for future generations
- 3.07 Deliver diverse parks and playspaces
- 3.08 Expand public art throughout the city in collaboration with the private sector

### Environmental Leadership

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### Enabling Priorities

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Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Asset Information Services	7.0	0	(914)	(914)	(675)	(35.5%)
Design Management	19.4	0	(2,514)	(2,514)	(1,079)	(132.9%)
Design Strategy	1.4	0	(254)	(254)	(1,234)	79.4%
Governance and Performance Office	7.7	0	(1,031)	(1,031)	(986)	(4.5%)
Infrastructure and Asset Planning	3.7	0	(643)	(643)	(526)	(22.1%)
Infrastructure and Asset Solutions	12.4	0	(8,858)	(8,858)	(10,318)	14.2%
Project Management	16.5	0	(2,339)	(2,339)	(1,988)	(17.7%)
Transport Operations	7.3	0	(2,389)	(2,389)	(1,917)	(24.6%)
<b>TOTAL Service Category</b>	<b>75.3</b>	<b>0</b>	<b>(18,940)</b>	<b>(18,940)</b>	<b>(18,724)</b>	<b>(1.16%)</b>

## Key variances / discussion:

- Transfer of irrigation costs from Infrastructure and Asset Solutions to Streetscape Maintenance (Asset Maintenance category) \$1.4m
- Due to the focus on renewals in our Infrastructure program for the next few years resources have been reallocated from Design Strategy to Design Management. Design Strategy may increase again in future years dependent on budget availability for new and upgrades, state funding and Council decisions.
- Extra resource required in Asset Information Services to support the improved service from the new Asset Management System
- Transport Operations has been combined with Transport Planning (Policy and Planning Services category)

# Policy and Planning Services

## Category Definition

Services that provide insights into city Planning, information and advice enabling Council to effectively set and implement policy as well as deliver strategic programs and projects.

## Community value statement

We have a city that is beautiful, inspiring, safe, sustainable and values its heritage.

## Linked Strategic Plan Key Actions

### Thriving Communities

- 1.01 Leverage the Adelaide Park Lands to promote health, wellbeing and lifestyle experiences
- 1.02 Build and be guided by the Wellbeing Dashboard
- 1.03 Continue support for the Adelaide Zero Project and other initiatives to achieve functional zero homelessness
- 1.05 Support health and housing for vulnerable people and young people
- 1.07 Develop plans to improve mobility and physical and digital access and connectedness
- 1.08 Implement City Access projects (walking, cycling and public transport) in partnership with the State Government, including the North-South and East-West city bikeways
- 1.09 Pursue affordable, reliable links to airports, regions and suburbs

### Strong Economies

- 2.07 Develop spatial plans to support the growth in the city
- 2.08 Facilitate creative uses of the public realm and underutilised city buildings

### Dynamic City Culture

- 3.01 Support, promote and share Aboriginal and Torres Strait Islander cultures and pay homage to the Kaurna people as traditional owners
- 3.02 Pursue world and State heritage listing for the Adelaide Park Lands and City Layout
- 3.03 Encourage smart, creative, adaptive reuse of heritage assets, including through incentives and promotion

### Environmental Leadership

- 4.08 Protect and conserve the heritage listed Adelaide Park Lands

### Enabling Priorities

- 5.01 Review and improve the way we collect and present data to share insights with the community
- 5.08 Implement new approaches to engaging the community in Council decision-making

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
City Insights and Evidence	2.4	0	(587)	(587)	(321)	(82.8%)
Community Engagement	3.8	0	(512)	(512)	(493)	(3.8%)
Community Planning and Strategy ( <i>social inclusion, reconciliation</i> )	5.7	45	(830)	(785)	(1,295)	39.4%
Heritage Management	5.6	0	(1,911)	(1,911)	(1,625)	(17.6%)
Park Lands Management	3.0	0	(726)	(726)	(520)	(39.6%)
Spatial Planning	6.5	0	(861)	(861)	(999)	13.8%
Strategy and Planning	3.4	0	(488)	(488)	(250)	(94.8%)
Transport Planning	0.0	0	0	0	(670)	100.0%
<b>TOTAL Service Category</b>	<b>30.4</b>	<b>45</b>	<b>(5,916)</b>	<b>(5,871)</b>	<b>(6,175)</b>	<b>4.92%</b>

## Key variances / discussion:

- Transport Planning has been combined with Transport Operations (Infrastructure and Asset Management category)
- Community Planning and Strategy \$0.5m
  - Reclassification of the Don Dunstan initiative within Community Planning and Strategy to projects \$0.3m
  - Structural realignment, combining two teams within Community, saving a manager's position with no impact on service delivery \$0.2m

# Property Management

## Category Definition

Services that manage a diverse portfolio of properties and provide an important source of funding in addition to rates revenue.

## Community value statement

We have access to beautiful and surprising places through the promotion, management and development of council owned property.

## Linked Strategic Plan Key Actions

### Thriving Communities

-

### Strong Economies

2.01 Develop 88 O'Connell Street

2.02 Redevelop Adelaide Central Market Arcade and Market District

2.08 Facilitate creative uses of the public realm and underutilised city buildings

### Dynamic City Culture

-

### Environmental Leadership

-

### Enabling Priorities

5.04 Implement Strategic Property Review

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Land Tenure Services	1.2	0	(207)	(207)	(200)	(3.2%)
Property Management	6.9	8,508	70	8,577	11,417	(24.9%)
Property Strategy	5.0	0	(1,000)	(1,000)	(1,496)	33.1%
<b>TOTAL Service Category</b>	<b>13.1</b>	<b>8,508</b>	<b>(1,137)</b>	<b>7,370</b>	<b>9,720</b>	<b>(24.18%)</b>

## Key variances / discussion:

- Property Management (\$2.8m)
  - Central Market Arcade will cease operations during 2020-21 with a net reduction of (\$1.4m).
  - Expectation of increased vacancies in Council commercial properties and potential deferral of rent increases to 21-22 (\$1.4m)
- Property Strategy - 88 O'Connell Development in final stages of negotiation and no activation budgeted for 20-21 \$0.5m

# Regulatory and Statutory Services

## Category Definition

Council is required to administer a range of regulatory and statutory functions prescribed by legislation for planning, access, amenity, and public health and safety.

## Community value statement

We have a safe, accessible and well planned city.

## Linked Strategic Plan Key Actions

### Thriving Communities

-

### Strong Economies

2.05 Reduce and streamline Council policies, permits and fees to reduce the cost base of doing business in the city

### Dynamic City Culture

-

### Environmental Leadership

-

### Enabling Priorities

5.01 Review and improve the way we collect and present data to share insights with the community

5.05 Develop new revenue opportunities for Council operations

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Building Assessment & Compliance	10.7	64	(1,271)	(1,208)	(1,247)	3.2%
Business Centre	11.2	1,951	(1,319)	631	306	106.4%
Community Safety	6.3	34	(767)	(733)	(721)	(1.7%)
Compliance	2.3	0	(425)	(425)	(568)	25.2%
Enterprise Risk	1.4	0	(1,171)	(1,171)	(1,118)	(4.7%)
Environmental Health	6.3	223	(912)	(690)	(632)	(9.0%)
External Reporting ( <i>financial, statutory reporting</i> )	3.3	0	(527)	(527)	(515)	(2.4%)
Financial Planning and Analysis	14.5	0	(1,935)	(1,935)	(1,932)	(0.1%)
On-Street Parking	44.1	14,935	(6,169)	8,766	17,399	(49.6%)
Planning Assessment	12.3	362	(1,553)	(1,191)	(877)	(35.7%)
Rating	6.8	115,706	(2,657)	113,049	108,068	4.6%
Records & Archival Management	8.4	6	(1,106)	(1,100)	(1,049)	(4.8%)
<b>TOTAL Service Category</b>	<b>127.7</b>	<b>133,280</b>	<b>(19,811)</b>	<b>113,469</b>	<b>117,113</b>	<b>(3.11%)</b>

## Key variances / discussion:

- Expected increase in city works permits income in the Business Centre
- Forecasted reduction in income from On-Street Parking ticket machines
- Increase of resource required in Planning Assessment due to changes in DPTI Planning Code
- A majority of the legislative compliance program and internal audit work is now completed in house



# Waste, Natural Resources and Environmental Services

## Category Definition

Council provides a range of services that deliver both strategic and operational management of waste as well as broader environmental services to ensure the long-term sustainability of our city.

## Community value statement

We are a sustainable city that minimises our environmental impact and prepares for a changing climate.

## Linked Strategic Plan Key Actions

### Thriving Communities

-

### Strong Economies

-

### Dynamic City Culture

-

### Environmental Leadership

4.01 Increase street tree canopies and green infrastructure in city hot spots and public spaces

4.02 Implement improvements to city-wide waste and recycling services to support transition to the circular economy

4.03 Educate and support our community to be zero-waste, water sensitive, energy efficient and adaptive to climate change

4.04 Support our community to transition to a low carbon economy through education, incentives and appropriate infrastructure

4.05 Enhance biodiversity in the Park Lands and connect our community to nature

4.06 Implement the Carbon Neutral Strategy for the city and achieve carbon neutral certification for our operations

4.07 Support all CBD businesses to be green accredited

### Enabling Priorities

5.02 Demonstrate bold governance leadership in the Local Government Sector

5.03 Build on effective advocacy and partnerships, locally, nationally and globally

5.09 Encourage and support new ideas and concepts

Services \$'000s	2020-21				2019-20 net	% variance
	FTE	Income	Expend.	Net		
Carbon Neutral and Efficient Organisation	4.1	0	(939)	(939)	(762)	(23.3%)
Supporting a Low Carbon City	4.5	0	(730)	(730)	(1,127)	35.3%
Sustainable and Climate Ready City	4.8	0	(1,127)	(1,127)	(911)	(23.7%)
Sustainable Event Support	0.0	0	0	0	(69)	100.0%
Waste and Recycling	2.6	0	(525)	(525)	(257)	(104.5%)
Waste Management	0.9	50	(2,921)	(2,871)	(2,766)	(3.8%)
<b>TOTAL Service Category</b>	<b>17.0</b>	<b>50</b>	<b>(6,241)</b>	<b>(6,192)</b>	<b>(5,892)</b>	<b>(5.08%)</b>

## Key variances / discussion:

- Sustainable Events service has ceased as guidelines have been completed and are available to all event holders
- Waste and Recycling has increased to include an Education Officer and corresponding expenditure to deliver ongoing services
- Climate Change Action Initiative Fund supports Carbon Neutral and Efficient Organisation, Supporting a Low Carbon City and Sustainable and Climate Ready City. Budget remains at 1% of rates income, however, activities have not been fully scoped yet. Focus may change each year across services to support strategic plan actions

## Appendix 3 Plant, Fleet & Equipment

Program	Description	\$'000s
<b>Public Realm – Plant, Fleet &amp; Equipment</b>		<b>1,700</b>
<b>ICT Renewals</b>		
Server Replacement	Ongoing program to maintain and upgrade on premise data centre and disaster recovery equipment consisting of servers, data storage equipment, power supply and backup devices. Equipment is replaced on a 5-year cycle, extended with warranty extensions where cost effective.	175
Network Connectivity & Security	Ongoing program to maintain and upgrade the corporate data network consisting of fibre optic connections, networking equipment (switches) and network security protection systems	536
Telecommunications	Ongoing program to maintain and upgrade the corporate telephone systems including desktop telephone handsets	144
PC Replacement	Ongoing program to maintain and upgrade the corporate desktop equipment fleet consisting of PCs, laptops and other desktop equipment (monitors, peripherals). PCs and laptops are replaced every 4 years on a rotating basis and peripherals are replaced when obsolete	348
Printer/MFD Replacement	Ongoing program to maintain and replace the corporate fleet of multi-function devices (MFDs) and printer equipment.	62
Corporate Applications	Ongoing program to maintain and upgrade corporate software applications, including replacement when the corporate software becomes obsolete or unsupported.	15
Handheld Equipment	Devices for Parking Information Officers and Environmental Health Officers	140
		<b>1,420</b>
<b>Commercial</b>		
UPark Operating System Replacement and Upgrade	Replacement of existing hardware in two UParks including software, licences and intercom system. Installation of licence plate recognition and QR code readers.	661
Golf Fit Out – Pro Shop	Pro Shop Fit out	50
Aquatic Centre	Replacement of pin loaded health club equipment and pool equipment	130
		<b>841</b>
<b>Total</b>		<b>3,961</b>

## Appendix 4.1 2020-21 Strategic Projects

### 2020-21 Strategic Projects

The following list provides further context to the Strategic Projects presented on 28 May.

We would like your feedback on these works in preparation to finalise the draft 2020-21 Business Plan and Budget for Public Consultation.

New projects / adjustments to the list presented on 28 May are in blue text.

Ref #	Project	\$000's		
		2020-21	2019-20	2018-19
<b>2020-21 Strategic Projects</b>				
<b>Strong Economies</b>				
SP-01	Adelaide Free Wi-Fi	900	-	-
SP-02	Eighty Eight O'Connell	150	789	-
<b>Total</b>		<b>1,050</b>		
<b>Dynamic City Culture</b>				
SP-03	Splash incorporating Winter Lights	710	710	390
SP-04	Christmas in the City	300	200	200
SP-05	Shared Arts & Cultural Grants (subject to SA Govt matched funding)	50	-	-
SP-06	Kaurna-led Stretch Reconciliation Plan 2018-21 Initiatives	100	83	-
SP-07	Kids on Country	40	-	-
SP-08	CoA Reconciliation Action Plan (RAP) 2021-2024 Build	15	-	-
SP-09	Central Market Arcade Redevelopment	500	270	500
SP-17	World Heritage listing	50	100	-
SP-18	Public Art	216	212	208
SP-19	New Winter Event	300	-	-
<b>Total</b>		<b>2,281</b>		
<b>Environmental Leadership</b>				
SP-10	City Wide Waste and Recycling Program	1,000	200	153
SP-11	Kirrawirra Park/River Torrens Wetlands and Urban Nature Space	300	-	-
<b>Total</b>		<b>1,300</b>		
<b>Thriving Communities</b>				
SP-12	Don Dunstan Foundation Strategic Partnership	115	313	111
SP-13	Men's Shed	30	-	-
SP-14	City Plan	200	100	-
SP-15	Park Lands Services	100	195	-
<b>Total</b>		<b>495</b>		
<b>Enabling Priorities</b>				
SP-16	Strategic Property Investigations	100	100	-
<b>Total</b>		<b>100</b>		
<b>Total 2020-21 Strategic Projects</b>		<b>5,226</b>		

## Appendix 4.2 Reprioritised & Retimed Projects

### 2020-21 Priorities

The following are the lists of the reprioritised projects and retimed projects from the Quarter 3 Forecast.

We would like your feedback on the progression of the revised projects in preparation to finalise the draft 2020-21 Business Plan and Budget for Public Consultation.

The retimed projects have been approved in the Quarterly Revised Forecasts, and are included for reference only.

Ref #	Project	\$000's		
		2020-21	2019-20	2018-19
<b>2019-20 Projects Reprioritised</b>				
	Melbourne, O'Connell & Hutt Streets Masterplan	232	370	-
	China Town and Market District Safety	50	50	-
	Shop Front Improvements	50	50	-
	Umbrella Winter Festival	40	40	40
	Welcoming City Places & Spaces	25	25	-
	Torrens Lake Weir Designs	16	25	-
<b>Total 2019-20 Projects Reprioritised</b>		<b>413</b>		

Ref #	Project	Retimed at Quarter 3 \$'000	Retimed since Quarter 3 \$'000	Net Budget
<b>Retimed Projects</b>				
<b>Retimed Strategic Projects</b>				
	Winter Splash	100	-	100
	Christmas in the City	200	-	200
	Representation Review	50	-	50
	Asset Management Transformation Program	442	-	442
	Rundle Mall Wayfinding	50	-	50
	Terrence Plowright Sculpture Installation	178	-	178
	Public Art 2018-19	36	-	36
	Vietnamese Boat People Memorial	20	-	20
		<b>1,076</b>	<b>-</b>	<b>1,076</b>
<b>Retimed Commercial Projects</b>				
	Ten Gigabit Milestone Payments	2,000	-	2,000
	Gawler UPark Upgrade	1,911	60	1,961
		<b>3,911</b>	<b>60</b>	<b>3,961</b>
<b>Total 2019-20 Retimed Projects</b>		<b>4,703</b>	<b>60</b>	<b>4,763</b>

## Appendix 5.1 Infrastructure 2020-21 Program

### 2020-21 Priorities

The following list provides further context to the funding priorities for Infrastructure Enhancements and Infrastructure Renewals as presented on 28 May.

**We would like your feedback on these priorities in preparation to finalise the draft 2020-21 Business Plan and Budget for Public Consultation.**

Program	Description	\$'000s
<b>Enhancements</b>		
City Dirt Masterplan	Detailed Design and cost planning for the enhancement of the BMX facility in Park 20 and connections to the TreeClimb facility in Park 20.	40
Greening in the City's North West and South West	Project to increase greening and tree canopy of the city's south west and north west	235
Hutt Street Project	Quick win of Hutt Street Masterplan, including infill street trees, revitalisation of the verge and median garden beds between South Terrace and Halifax Street, aligning with planned renewals (700k)	325
Flinders Street Pedestrian Crossing Improvements	Subject to the final route on the East-West bikeway being approved by Council, to prepare detailed design for cost estimation for kerb extensions on Flinders Street adjacent Pilgrim Lane for the further consideration of Council	10
North Terrace / George Street Cyclist Safety Measures	Detailed design and cost estimation for a bicycle hook turn and western pedestrian crossing at the intersection of North Terrace and George Street for Council's further consideration.	40
Kingston Terrace Stormwater	Stormwater Investigations and Design on Kingston Terrace – West for Council's further consideration	6
<b>Total</b>		<b>656</b>

<b>Renewals</b>		
Bridges	Investment in the Council's bridge infrastructure to ensure accessible and safe movement throughout the City, including replacing Victoria Bridge expansion joints as well renewing several minor footbridges in the park lands.	657
Buildings	The Buildings Program consists of Public Conveniences in Mary Lee Park (Park 27b), and Rymill Park (including changing places facility).	968
Lighting and Electrical	Essential works on Lighting and Electrical Infrastructure to support a safe, secure and continuous service to the residents, visitors and community.	953
Park Land and Open Space	Ensures that landscape features located within our streets and Park Lands are actively managed to enhance our streets giving consideration to legislative requirements and safety.	80
Transport	Essential roadworks to ensure we continue to provide a safe, efficient and accessible road and footpath network, including resurfacing Grote Street, Prospect Road and Main North Road.	4,173
Urban Elements	Essential Urban Elements works to ensure the provision of a safe, accessible, clean and well maintained urban environment including Public Art Refurbishment	565
Water Infrastructure	Essential works on Council's Stormwater Infrastructure including contribution to Brownhill Keswick Creek, Torrens Lake retaining structure and Francis Street Stormwater renewal.	1,886
Traffic Signals	Investment in Traffic Signal infrastructure to ensure accessible and safe movement throughout the City for residents, visitors and the public, including critical underground cables and conduits replacement works in West Terrace and Currie street.	1,003
<b>Total</b>		<b>10,280</b>

## Appendix 5.2 Infrastructure Retimed Works

### 2019-20 Retimed Projects

The Quarter 3 Revised Forecast identified \$12.3m of 2019-20 projects that were retimed to be completed in 2020-21. A further \$2.8m projects are now proposed to be retimed for completion in 2020-21.

**We would like your feedback regarding the progression of these projects in 2020-21**

\$'000	Retimed at Quarter 3	Retimed since Quarter 3	Net Budget
City Greening	131	10	141
Decorative Lighting Program	98	33	131
Grote Street (Morphett Street to West Terrace)	1,728	-	1,728
Hindley Street	231	-	231
Jeffcott Street Stage 2	1,990	-	1,990
Paxton's Walk and Vaughan Place Design	30	-	30
Union Street Streetscape	1,182	-	1,182
Whitmore Square Pedestrian Safety Improvements	710	-	710
Events Infrastructure Rundle Park	567	247	814
Place of Reflection	148	-	148
Wattle Grove Memorial	43	-	43
Colonel Light Centre Renewals	423	-	423
UPark Buildings – Rundle UPark	3,378	-	3,378
UPark Building – Topham Mall	-	50	50
Lighting and Electrical	704	-	704
Transport	712	789	1,507
Urban Elements	30	-	30
Water Infrastructure	80	88	168
Design Services	51	-	51
Bridge Program	-	96	96
Hazardous Material Removal Program	-	274	274
Tavistock Lane	-	150	150
Building Renewal and Compliance Program	-	126	126
Chesser Arbour	-	60	60
Hutt Street	-	59	59
Public Conveniences	-	216	216
Park Lands	-	400	400
Peace Park / Town Clerk's Walk	-	171	171
Field Street (Design)	-	20	20
Integrated Water Management	-	15	15
<b>Total</b>	<b>12,236</b>	<b>2,804</b>	<b>15,046</b>

## Appendix 5.3 Infrastructure Major Projects

### Strategic Priorities

The Quarter 3 Revised Forecast identified \$18.7m of Major Projects that were retimed to be completed in 2020-21. A further \$2.0m projects are now proposed to be retimed for progression in 2020-21.

Moonta Street \$2.2m and Whitmore Square Greening \$0.9m have been incorporated into the draft Budget for 2020-21 following confirmation of co-funding with the South Australian Government.

**We would like your feedback regarding the progression of these projects in 2020-21**

\$'000	Expenditure Budget				Net Budget
	Retimed		New Funding 2020-21	Total	
	Quarter 3	Since Quarter 3			
Moonta Street: <i>Joint Funded Project to establish Moonta Street as the next key linkage in connecting the Central Market to Riverbank Precinct through north-south road laneways.</i> SA Government contribution \$2.0m	-	-	2,200	2,200	200
Whitmore Square Greening (P&D Grant Funding): <i>Joint Funded Project to deliver the first stage of the master plan to establish pleasant walking paths and extend the valued leafy character of the square from its centre to its edges.</i> SA Government contribution \$0.9m	-	-	900	900	-
City of Adelaide Bikeways – East West	5,643	-	-	5,643	2,821
City of Adelaide Bikeways – North South	2,166	-	-	2,166	1,083
City Skate Park	2,829	68	-	2,897	-
Josie Agius Park/Wikaparntu Wirra (Park 22)	25	-	-	25	-
Market to Riverbank	6,349	-	-	6,349	3,147
Quentin Kenihan Inclusive Playspace	827	-	-	827	-
North Terrace Public Realm	700	-	-	700	700
Pityarilla/Pelzer Park (Park 19)	138	-	-	138	-
Gawler Place Development	-	316	-	316	316
Denise Norton Park/Pardipardinyilla (Park 2) East Enhancement	-	1,663	-	1,663	-
<b>Total</b>	<b>18,677</b>	<b>2,047</b>	<b>3,100</b>	<b>24,787</b>	<b>8,267</b>

# External Audit Interim Management Letter

**ITEM 6.1** 19/06/2020  
**Audit Committee**

2020/00273  
Public

**Program Contact:**  
Clare Mockler, Deputy CEO &  
Director Culture

**Approving Officer:**  
Clare Mockler, Deputy CEO &  
Director Culture

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## EXECUTIVE SUMMARY

Under *Section 129 of the Local Government Act 1999* the Auditor must provide to the Council a report on particular matters arising from the audit and specifically identify in the report, any irregularity in the Council's accounting practices or the management of the Council's financial affairs identified by the Auditor during the course of the audit.

BDO Chartered Accountants (BDO) completed their interim audit during the period May 18, 2020 through to May 29, 2020. As is normal practice and based on their work to date BDO have provided an "Interim Report on the 2020 External Audit" to the Presiding Member of the Audit Committee, Mr David Powell – view [here](#).

BDO's Interim Report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2020. A final report on matters arising from the audit will be provided to the Audit Committee on 2 October 2020.

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## RECOMMENDATION

That the Audit Committee:

1. Notes the report.
-



## IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 Strategic Plan	<b>Strategic Alignment</b> –Corporate Activities Financial sustainability is critical to achieving our vision and Council will carefully manage its revenue, costs, debt and assets.
Policy	Not as a result of this report.
Consultation	Not as a result of this report.
Resource	Not as a result of this report.
Risk / Legal / Legislative	Section 126(4)(c) of the <i>Local Government Act 1999</i> identifies the functions of an Audit Committee as: “ <i>Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis</i> ”.
Opportunities	Not as a result of this report.
19/20 Budget Allocation	Not as a result of this report.
Proposed 20/21 Budget Allocation	Not as a result of this report.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report.
19/20 Budget Reconsideration (if applicable)	Not as a result of this report.
Ongoing Costs (eg maintenance cost)	Not as a result of this report.
Other Funding Sources	Not as a result of this report.

## DISCUSSION

1. The external auditors for the Council are BDO Chartered Accountants (BDO). The role of the external auditor is to provide an opinion to Council with respect to the audited financial statements. In planning the audit, the auditor considers the internal controls in order to determine their audit procedures for the purpose of expressing their opinion on the financial statements and the effectiveness of the financial control environment.
2. Under Section 129 of the *Local Government Act 1999* the auditor must provide to the council a report on particular matters arising from the audit and specifically identify in the report, any irregularity in the council's accounting practices or the management of the council's financial affairs identified by the auditor during the course of the audit.
3. At the meeting of the Audit Committee on 7 February 2020, the Audit Committee endorsed the proposed 2019-20 End of Year financial reporting process and external audit timetable. The associated report highlighted that BDO had scheduled to carry out their audit in two parts with the interim audits conducted in May 2019 and the final phase of the audit concentrating on the Corporation's draft financial statements to be carried out at the end of August 2020.
4. BDO have now completed their planning and review of systems as part of the external audit for the year ended 30 June 2020 and have commenced the end of year phase of the audit. As is normal practice and based on their work to date, BDO have provided an "Interim Report on the 2020 External Audit" to the Presiding Member of the Audit Committee, which can be found [here](#).
5. BDO's Interim Report notes they have identified no material deficiencies in internal controls which would impact audit testing or expose the Council to risk of material misstatement of results for the year ended 30 June 2020.
6. Key issues identified during the audit planning process included:
  - 6.1. Revaluation, depreciation, useful lives and residual values of Infrastructure Assets
  - 6.2. Accounting treatment of Capital Work in Progress
  - 6.3. Accounting treatment for grant funding
  - 6.4. Management override of internal controls
  - 6.5. Disclosure impact of new Accounting Standards AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not for Profit Entities.
  - 6.6. Update on audit opinion in relation to internal controls
7. Subsequent to the presentation of their audit plan, BDO have also considered the presence and impact of COVID-19 on the control's environment,
8. It is appropriate that the Audit Committee notes the Interim Report on the 2020 External Audit.
9. In accordance with the agreed timetable endorsed by the Audit Committee at the 7 February 2020 meeting, BDO will present a final report on matters arising from the audit to the Audit Committee on 2 October 2020.

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## DATA & SUPPORTING INFORMATION

**Link 1** - Interim Report on the 2020 External Audit

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## ATTACHMENTS

Nil

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- END OF REPORT -

# Internal Audit Plan 2020-21

**ITEM 6.2** 19/06/2020  
**Audit Committee**

2020/00774  
Public

**Program Contact:**  
Rudi Deco, Manager Governance  
8203 7442

**Approving Officer:**  
Mark Goldstone, Chief Executive  
Officer

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## EXECUTIVE SUMMARY

This report contains the proposed one-year Internal Audit Plan (the Plan) for the City of Adelaide (CoA). The Plan was drafted in consultation with the Executive, the members of the executive Strategic Risk and Internal Audit Group (SRIA) and CoA's internal audit provider in consideration of CoA's strategic risks and key priorities.

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## RECOMMENDATION

### THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

#### That Council:

1. Approves the City of Adelaide one-year Internal Audit Plan, contained in Attachment A to Item 6.1 on the Agenda for the meeting of the Audit Committee held on 19 June 2020.
-

## IMPLICATIONS AND FINANCIALS

City of Adelaide 2016-2020 Strategic Plan	Strategic Alignment - Corporate Activities The role of the City of Adelaide is diverse and complex. Our core role is to deliver services to the community as a leader, service provider, regulator, advocate, facilitator and owner of assets.
Policy	Alignment with the City of Adelaide Risk Management Operating Guideline
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
Opportunities	Sound risk and opportunity management enables well informed decision making and supports the delivery of the Strategic Plan
19/20 Budget Allocation	Not as a result of this report
Proposed 20/21 Budget Allocation	\$70,000
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
19/20 Budget Reconsideration (if applicable)	Not as a result of this report
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

## DISCUSSION

1. The one-year (2020/21) Internal Audit Plan (the Plan) for the City of Adelaide (CoA) was drafted in consultation with the Executive, the members of the Strategic Risk and Internal Audit Group (SRIA) and CoA's internal audit provider in consideration of CoA's strategic risks and key priorities within the Strategic Plan. Independent Members of CoA's Audit Committee were asked via email on the 2 March 2020 to propose audits for consideration.
2. Due to the financial impacts of COVID-19 the Plan for 20/21 includes a number of audits that can be facilitated utilising existing CoA resources. External providers will be utilised for strategic and compliance audits where specialised skills and expertise are required. The intent of this approach is to ensure that appropriate assurance is provided to the Council in a way that achieves the best value for money, leveraging in-house capability.
3. The Plan covers a one-year period – 2020/21.
4. The following items are recommended in the Plan for 2020/21: -
  - 4.1. Legislative Compliance Framework
  - 4.2. Post Audit Implementation Review
  - 4.3. Project Management Review
  - 4.4. Employee Gifts and Benefits
  - 4.5. PCI Compliance
  - 4.6. Training and Development Internal Processes
  - 4.7. Software Licence Review
  - 4.8. Management of Leave Entitlements
  - 4.9. Record Keeping Audits
5. A brief draft scope for each review is included in **Attachment A**. A more comprehensive scope will be developed and presented to SRIA for approval prior to the audit being undertaken.

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## ATTACHMENTS

**Attachment A** – Internal Audit Plan 2020-21

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- END OF REPORT -

## **Internal Audit Plan 2020 – 2021**

### **1. Purpose**

The purpose of this document is to provide the City of Adelaide's (CoA) Executive and Strategic Risks and Internal Audit (SRIA) members and subsequently the CoA's Audit Committee (AC) a proposed one-year Internal Audit (IA) Plan (plan). The plan has been presented to the SRIA for endorsement prior to being submitted to the AC for approval. The IA Plan relates to all areas of CoA including the subsidiaries.

A detailed project scope document will be developed prior to the commencement of individual projects. This is not a static document and the IA plan will be periodically re-assessed to recognise CoA's changing risks, controls and internal audit requirements. Regular risk monitoring and communication with Executive and SRIA will be undertaken to keep key stakeholders informed of any potential changes to organisational risks profiles and facilitate the on-going alignment of Internal Audit activities with organisational objectives. IA is reported monthly to SRIA which includes new scopes, outcomes and a report on current or outstanding actions.

### **2. Why have audits been selected?**

The intention of the audits detailed in the IA plan are aligned to deliver value within CoA's context of its values, culture, customer service objective and Strategic Plan. The internal audits have been selected not to enable disciplinary action but rather as genuine opportunities in these areas to deliver value and internal audit will be a mechanism to help improve the likelihood of success.

It is envisaged that these internal audit projects, which are oriented towards opportunities to enhance Council services and the internal organisations services, will assist to contribute to achievement of strategic objectives, improving the risk culture at CoA and overall, assist CoA to deliver a better experience for the people living and working in the City of Adelaide. Audits selected have been identified by a number of stakeholders across the organisation including Executive and the broader leadership team. Identified audits have been included below and will be prioritised by SRIA to ensure high risk areas will be actioned accordingly.

Due to the financial impacts of COVID-19 the IA Plan for 20/21 includes a number of audits that can be facilitated utilising existing in-house CoA resources. External providers will be utilised for strategic and compliance audits where specialised skills and expertise are required.

### **3. Type of Audit**

<b>Operational</b>	To review the robustness of systems, policies and processes.
<b>Strategic</b>	To provide an independent examination of the strategic objective a program, function, operation or the management systems and procedures of council to assess whether the administration is achieving value for money, efficiency and effectiveness.
<b>Compliance</b>	To provide comfort that contractual or legislative / regulatory obligations are being met.

### **4. CoA Strategic Risks**

<b>Strategic Risks</b>	<b>Risk Description</b>	<b>Opportunity Description</b>
<b>Relationships</b>	Ineffective or weakened relationships with the City of Adelaide community and with the three tiers of government (Federal, State & Local)	To enhance stakeholder relationships which will assist in better partnerships and outcomes.
<b>Economic Outlook</b>	Downturn in economic outlook of the country, state and city resulting in reduced Council revenue impacting delivery of strategic objectives, rates, vibrancy of the city, population growth targets, etc.	Increased business attraction to the city. Meeting a number of objectives in Council's Strategic Plan regarding the vibrancy of the City.
<b>Service Delivery</b>	Projects and services being undertaken without consideration of stakeholders, project context and/or risk management; resulting in poor decision making and failure for successful service delivery. Balancing probity, quality, equity and compliance; whilst being innovative.	Effective and efficient projects and services being undertaken across the city and smaller projects being managed better internally. Stronger relationships with other government bodies to empower partnerships and growth for the state.
<b>Compliance</b>	Ensuring compliance with and understanding of Council policies and legislative requirements. Risk of failing risk	Best practice services and processes across all city operations.

	culture of fear of escalating risks throughout the organisation.	
<b>Organisational Culture</b>	Poor organisational culture contributing to loss of productivity, high employee turnover and missed innovative business opportunities.	Continuing to work towards a high performing culture via building strong and inspirational leadership that enables engaged and capable people.
<b>City Emergency</b>	Insufficient preparation on emergency situations that could affect the City; from large incidents, such as earthquakes to smaller incidents such as medical episode at a community event.	Council as a community leader in times of crisis and assisting authorities where possible.
<b>Reputation</b>	Loss of community faith and/or trust due to negative reputation of the City of Adelaide. Media, poor performance, not meeting strategic objectives and not delivering successful projects and services could increase this risk.	Becoming an Industry Leader in Local Government. Developing stronger relationships with the community and building trust.
<b>Financial Sustainability</b>	Building efficiencies in operations and understand where the City of Adelaide can add value. Long term financial sustainability to meet projects and visions in the Strategic Plan and deliver these for the community.	Long term financial stability which provides an allowance to undertake a number of innovative projects for the community. Meeting the three main indicators: (1) Operating Surplus; (2) Asset Sustainability Ratio, and (3) Net Financial Liabilities.
<b>Climate Change</b>	The climate is changing and will continue to change, in ways that will increasingly impact operations, infrastructure, services and the community at large.	That Council understands climate risks and integrates climate adaptation and mitigation opportunities across council operations.



### 5. Internal Audits Previously Completed

2019 / 2020	2018 / 2019	2017 / 2018
Budget Management	Rates Revenue Review	Procurement Compliance
Section 7 Statements	Records Management	Child Protection Framework
Employee Travel Expenditure	Credit Card Compliance	Stakeholder Relationship Management / Advocacy
Fraud Prevention	Environmental Health	Community Land Leasing (Parklands)
Events Sponsorship	Customer Focus	Legislative Compliance
Social Media	Stores Management	Insurance Audit
Park Lands Review	Confidentiality Orders Review	Cyber Security & Data Management
Legislative Compliance	Employee Reimbursements	
	Post-Audit Implementation	

### Proposed Internal Audits for 2020/21

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>Legislative Compliance Framework</b>	Service Delivery Compliance Organisational culture	All	Compliance	In-house	July 2020
On-going assessment of CoA's legislative compliance work plan, auditing one Act at a time with actions monitored and managed in Promapp. Within 2018/19 meeting regulations and ACMA/ RMMA Charters will be monitored to ensure compliance. Results will be monitored and actioned within Promapp.					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>Post Audit Implementation Review</b>	Service Delivery Compliance	All	Compliance	In-house	August 2020
This internal audit will focus on previous audits and how effectively controls have been managed and implemented. This will provide a level of comfort to Leadership and identify any gaps and/or delays in the implementation of controls.					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>Project Management Review</b>	Relationships Service Delivery Reputation	Place	Strategic	Provider	August 2020
This internal audit focuses on the governance, risks and controls in relation to a major project(s) and/or conduct a post implementation review. A major project would be chosen by Executive and/or SRIA and learnings/actions would be distributed across specific programs. The audit will analyse the project management methodology and how it is implemented at CoA.					
<i>Note: Deferred from Internal Audit Plan 2019-20</i>					

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>Employee Gifts and Benefits</b>	Reputation Compliance	CEO	Operational	In-house	October 2020
<p>This review will assess the appropriateness of employee gifts and benefits related expenses in accordance with approved policies and controls, including the assessment of current level of documentation and supporting information. In addition, assess the register to consider whether it is appropriately maintained and updated.</p> <p><i>Note: Previously audited as part of the Employee Gifts, Benefits, Hospitality Guidelines and Purchase Card Compliance Processes Internal Audit in 2012/13</i></p>					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>PCI Compliance</b>	Compliance Reputation	Culture	Compliance	Provider	November 2020
<p>The objective is that CoA requires a review of its compliance with the Payment Card Industry Data Security Standard (PCI DSS) and to report on this compliance by presenting its acquiring bank with a completed Self-Assessment Questionnaire (SAQ). This internal audit will provide CoA with an understanding of the level of PCI DSS compliance associated with the payment processing facilities, and to provide guidance in areas of required remediation following the assessment. The audit is required once a year.</p>					

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Completion Date
<b>Training and Development Internal Processes</b>	Reputation Organisational Culture	Culture	Operational	In-house	January 2021
<p>The internal audit project will include review of Council's learning and developing (training) processes, including:</p> <ul style="list-style-type: none"> <li>• Identification of training and development requirements and processes in relation to monitoring the currency of mandatory certification/licences</li> <li>• Induction processes, including on-boarding of new staff</li> <li>• Reporting and data management of training files</li> <li>• Budget management and approval process</li> </ul>					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Proposed Completion Date
<b>Software Licence Review</b>	Service Delivery	Culture	Strategic	Provider	January 2021
<p>Perform a review of significant software licence agreements (eg. ERPs) and evaluate the effectiveness of IM's software asset management process in practice. Assess opportunities for cost reduction from improving the management of software licence.</p> <p><i>Note: Deferred from Internal Audit Plan 2019-20</i></p>					

Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Proposed Completion Date
<b>Management of Leave Entitlements</b>	Financial Sustainability Compliance	Culture	Operational	In-house	May 2021
This review will assess the current leave entitlements, such as leave records and flexi time records, management of leave status and the financial impact on Council.					
Name of Audit	Strategic Risks	Portfolio	Type of Audit	In-house/ provider	Proposed Completion Date
<b>Record Keeping Audits</b>	Compliance	Culture	Compliance	In-house	May 2021
This internal audit will perform a random check on recordkeeping by sampling a selection of staff from each portfolio. This audit will be developed and facilitated in conjunction with Information Management as per requirements in the Record Keeping Operating Guideline					

# Exclusion of the Public

**ITEM 10.1** 19/06/2020  
**Audit Committee**

**Program Contact:**  
Rudi Deco, Manager  
Governance 8203 7442

2018/04291  
Public

**Approving Officer:**  
Mark Goldstone, Chief  
Executive Officer

## EXECUTIVE SUMMARY

It is the recommendation of the Chief Executive Officer that the public be excluded from this Audit Committee meeting for the consideration of information and matters contained in the Agenda.

For the following confidential items:

- 11.1** Update on Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]
- 11.2** Litigations Update [s 90(3) (i)]

The Order to Exclude for Items 11.1 and 11.2

1. Identifies the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence.
2. Identifies the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public.
3. In addition identifies for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.

## ORDER TO EXCLUDE FOR ITEM 11.1

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (i) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 19/6/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 11.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

#### Grounds and Basis

This Item is confidential nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information relates to actual litigation of council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 19/6/2020 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 11.1 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.

## ORDER TO EXCLUDE FOR ITEM 11.2

### THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in s 90(3) (i) and s 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 19/6/2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 11.2 [Litigation Update] listed on the Agenda.

#### Grounds and Basis

This Item is confidential nature because the report includes information on Council litigation.

The disclosure of information in this report could reasonably be expected to prejudice the outcome of Council's actual litigation.

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of this information relates to actual litigation of Council.

2. Pursuant to s 90(2) of the *Local Government Act 1999 (SA)* this meeting of the Audit Committee dated 19/6/2020 orders that the public (with the exception of members of Corporation staff and any person permitted to remain) be excluded from this meeting to enable this meeting to receive, discuss or consider in confidence Item 11.2 [Litigation Update] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in s 90(3) (i) of the Act.
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## DISCUSSION

1. s 90(1) of the *Local Government Act 1999 (SA)*, directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. s 90(2) of the *Local Government Act 1999 (SA)*, states that a Council Committee may order that the public be excluded from attendance at a meeting if the Council Committee considers it to be necessary and appropriate to act in a meeting closed to the public to receive, discuss or consider in confidence any information or matter listed in s 90(3).
3. s 90(3) prescribes the information and matters that a Council may order that the public be excluded from.
4. s 90(4) of the *Local Government Act 1999 (SA)*, advises that in considering whether an order should be made under s 90(2), it is irrelevant that discussion of a matter in public may:
  - 4.1 cause embarrassment to the council or council committee concerned, or to members or employees of the council; or
  - 4.2 cause a loss of confidence in the council or council committee.’
  - 4.3 involve discussion of a matter that is controversial within the council area; or
  - 4.4 make the council susceptible to adverse criticism.
5. s 90(7) of the *Local Government Act 1999 (SA)* requires that an order to exclude the public:
  - 5.1 Identify the information and matters (grounds) from s 90(3) of the *Local Government Act 1999 (SA)* utilised to request consideration in confidence;
  - 5.2 Identify the basis – how the information falls within the grounds identified and why it is necessary and appropriate to act in a meeting closed to the public; and
  - 5.3 In addition identify for the following grounds – s 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.
6. s 87(10) of the *Local Government Act 1999 (SA)* has been utilised to identify in the Agenda and on the Report for the meeting, that the following matters are submitted seeking consideration in confidence.
  - 6.1 Information contained in Item 11.1 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings
    - 6.2.1 Is not subject to an Existing Confidentiality Order
    - 6.2.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
      - (i) Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council
  - 6.2 Information contained in Item 11.2 – Litigation Update
    - 6.2.1 Is not subject to an Existing Confidentiality Order
    - 6.2.2 The grounds utilised to request consideration in confidence is s 90(3) (i)
      - (i) Information relating to the actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council

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## ATTACHMENTS

Nil

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- END OF REPORT -



## Confidential Item 11.1

Update on Activities of the Strategic Risk and Internal Audit Group Meetings

Section 90 (3) (i) of the *Local Government Act 1999 (SA)*

Pages 80 to 84

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## Confidential Item 11.2

Litigation Update

Section 90 (3) (i) of the *Local Government Act 1999 (SA)*

Pages 85 to 89

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