



AUDIT COMMITTEE

MINUTES

for the meeting

Friday 19 June 2020



Present -

Presiding Member	Mr David Powell
Deputy Presiding Member	Mr Ross Haslam
Members	The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde (Deputy Lord Mayor)
Proxy Member	Councillor Knoll [proxy for the Lord Mayor]

Apology -

Proxy Members	Councillor Couros [proxy for Councillor Hyde].
----------------------	--

In Attendance

Mr Mark Goldstone, Chief Executive Office, City of Adelaide
 Ms Clare Mockler, Deputy CEO & Director Culture, City of Adelaide
 Ms Jodie Kannane, General Manager, Adelaide Central Market Authority
 Ms Johanna Williams, General Manager, Rundle Mall Management Authority
 Mr Sonjoy Ghosh, Associate Director Information Management, City of Adelaide
 Mr Tom McCready, Associate Director Property & Commercial, City of Adelaide
 Mr Alex Brown, Manager Financial Planning & Analysis, City of Adelaide
 Ms Liz Packer, Manager Financial Accounting, City of Adelaide
 Ms Nicole Van Berkel, Senior Business Partner Financial Planning and Analysis, City of Adelaide
 Ms Jess Dillon, Team Leader Corporate Governance & Risk, City of Adelaide
 Mr Brett Kahland, Consultant Legal Governance, City of Adelaide
 Ms Annette Pianezzola, Risk & Audit Analyst, City of Adelaide
 Mr Andrew Tickle, Partner, BDO

At the commencement of the meeting the Presiding Member stated:

'I advise that the meeting of the Audit Committee will be streamed live to the City of Adelaide website and a recording will also be published to the internet.

Please note that an audio and visual recording is being taken of this meeting. This means that your presence at, and any contribution you make, to the meeting, may be collected, used, disclosed, or published publicly by the Council (including transferring outside Australia).'

Confirmation of Minutes

1. Item 1 - Confirmation of Minutes – 1/5/2020 [AC]

Moved by Mr Haslam,
Seconded by Ms Davies –

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

Carried

The Lord Mayor entered the meeting at 8.32 am.

Acknowledgement of Country

The Presiding Member stated:

‘Council acknowledges that we are meeting on traditional Country of the Kaurna people of the Adelaide Plains and pays respect to Elders past and present. We recognise and respect their cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kaurna people living today.

And we also extend that respect to other Aboriginal Language Groups and other First Nations who are present today.’

Presiding Member Reports

Nil

Presentations

2. Item 4.1 - Presentation – Adelaide Central Market Authority [AC]

Presenter:

Ms Jodie Kannane, General Manager, Adelaide Central Market Authority

Precis of topic:

Utilising a PowerPoint presentation, the Audit Committee was provided with an overview of the Adelaide Central Market Authority.

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

3. Item 4.2 - Presentation – Rundle Mall Management Authority [AC]

Presenter:

Ms Johanna Williams, General Manager, Rundle Mall Management Authority

Precis of topic:

Utilising a PowerPoint presentation, the Audit Committee was provided with an overview of the Rundle Mall Management Authority.

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

4. Item 4.3 - Presentation – Business Systems Roadmap [2015/01891] [AC]

Presenter:

Mr Sonjoy Ghosh, Associate Director Information Management, City of Adelaide

Precis of topic:

Utilising the PowerPoint presentation within the Agenda, the Audit Committee was provided with an update on the journey of an enterprise approach for business IT systems.

During the presentation:

- Mr Haslam left the meeting at 9.18 am and re-entered at 9.21 am
- Councillor Hyde (Deputy Lord Mayor) left the meeting at 9.18 am and re-entered at 9.22 am

Workshop

5. Item 5.1 - Workshop – 2020-21 Business Plan & Budget [2019/02431] [AC]

Discussion facilitators:

Ms Clare Mockler, Deputy CEO & Director Culture, City of Adelaide

Mr Alex Brown, Manager Financial Planning & Analysis, City of Adelaide

Precis of topic:

Utilising a PowerPoint presentation, the Audit Committee was provided with an overview of the approach to the Business Plan and Budget and summary of the discussions to date and an overview of the draft 2020-21 Budget.

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

During the presentation:

- Councillor Hyde (Deputy Lord Mayor) left the meeting at 9.29 am, re-entered at 9.33 am and left at 10.06 am

Reports

6. Item 6.1 - External Audit Interim Management Letter [2020/00273] [AC]

Mr Andrew Tickle, Partner, BDO provided an overview of the report and responded to questions.

Discussion ensued during which Councillor Hyde (Deputy Lord Mayor) re-entered the meeting at 10.06 am.

It was then –

Moved by Ms Davies,

Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE

1. Notes the report.

Carried

Discussion ensued

7. Item 6.2 – Internal Audit Plan 2020-21 [2020/00774] [AC]

Ms Jess Dillon, Team Leader Corporate Governance & Risk, City of Adelaide provided an overview of the report and responded to questions.

It was then –

Moved by Mr Haslam,

Seconded by Ms Davies –

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.

Carried

The Lord Mayor left the meeting at 10.16 am. Councillor Knoll was in attendance as proxy for the Lord Mayor.

Emerging Key Risks

Nil

Independent Member Discussion

Discussion ensued

Other Business

Nil

Exclusion of the Public

8. Item 10.1 - Exclusion of the Public to Consider [2018/04291] [TC]:

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)]

Order to Exclude for Item 11.1

Moved by Councillor Hyde (Deputy Lord Mayor),

Seconded by Mr Haslam –

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.

Carried

Order to Exclude for Item 11.2

Moved by Councillor Hyde (Deputy Lord Mayor),

Seconded by Mr Haslam –

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.

Carried

There were no members of the public present. Members of Corporation staff present not directly involved with Items 11.1 & 11.2 left the meeting at 10.21 am.

Confidential Item 11.1

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

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

Page 5

Confidential Item 11.2

Litigation Update

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

Page 5

Confidentiality Orders

Minute 9 - Item 11.1 – Update on the Activities of the Strategic Risk and Internal Audit Group Meetings [AC]

Resolution & Confidentiality Order

THAT THE AUDIT COMMITTEE

1. Notes the report.
2. Notes that the report is provided to the next meeting of the Council as part of the confidential report of Audit Committee meeting.
3. In accordance with Section 91(7) & (9) of the *Local Government Act 1999* and on the grounds that Item 11.1 listed on the Agenda for the meeting of the Audit Committee held on 19 June 2020 was received, discussed and considered in confidence pursuant to Section 90(3)(i) of the *Local Government Act 1999*, this meeting of the Audit Committee, do order that:
 - 3.1. The resolution becomes public information and included in the Minutes of the meeting.
 - 3.2. The report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
 - 3.3. The confidentiality of the matter be reviewed in December 2021.
 - 3.4. The Chief Executive Officer be delegated authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

Minute 10 - Item 11.2 – Litigation Update [AC]

Resolution & Confidentiality Order

THAT THE AUDIT COMMITTEE

1. Notes the report.
2. Notes that the report is provided to the next meeting of the Council as part of the confidential report of the Audit Committee meeting.
3. In accordance with Section 91(7) & (9) of the *Local Government Act 1999* and on the grounds that Item 11.2 listed on the Agenda for the meeting of the Audit Committee held on 19 June 2020 was received, discussed and considered in confidence pursuant to Section 90(3)(i) of the *Local Government Act 1999*, this meeting of the Audit Committee, do order that:
 - 3.1. The resolution becomes public information and included in the Minutes of the meeting.
 - 3.2. The report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2027.
 - 3.3. The confidentiality of the matter be reviewed in December 2021.
 - 3.4. The Chief Executive Officer be delegated authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

Closure

The meeting closed at 10.33 am.

Mr David Powell
Presiding Member
City of Adelaide Audit Committee

Documents Attached:

Minute 2 - Item 4.1 – Presentation – Adelaide Central Market Authority – PowerPoint Presentation

Minute 3 - Item 4.2 – Presentation – Rundle Mall Management Authority – PowerPoint Presentation

Minute 5 - Item 5.1 – Workshop – 2020-21 Business Plan & Budget – PowerPoint Presentation



Adelaide Central Market OVERVIEW

Audit Committee, June 2020



ACMA

- Subsidiary of Council set up under Section 42 of the Local Government Act
- Governed by a Charter and Board comprising Chairperson and 6 members including 1 Council Member and 1 Trader representative
- 4 replacement ACMA Directors (including commencing Chair)
- Operating with four year Strategic Plan and annual Business Plan and Budget
- Management team of 7 including General Manager, Operations, Retail and Leasing and Marketing. Duty Manager allocated to each trading day (emergency response)
- 5700 sqm of undercover retail space, housing 72 traders
- 1000 undercover carparks in Upark Central Market
- Approx 9M visitors annually



Minute 2 - Item 4.7 - POWERS



RISK & FINANCIALS

- Risk register formally reviewed biannually by the ACMA Finance, Audit and Risk Committee (FARC) & ACMA Board
- Operations and administration funded by tenant rent and car park revenue, Marketing funded by tenants contribution to marketing fund
- Financial reports presented every month to the Board
- Annual report and audited financial statements prepared and reported at the AGM in accordance with the ACMA Charter
- Audited Marketing Fund statements prepared and reported to Traders as per the Retail and Commercial Leases Act 1994





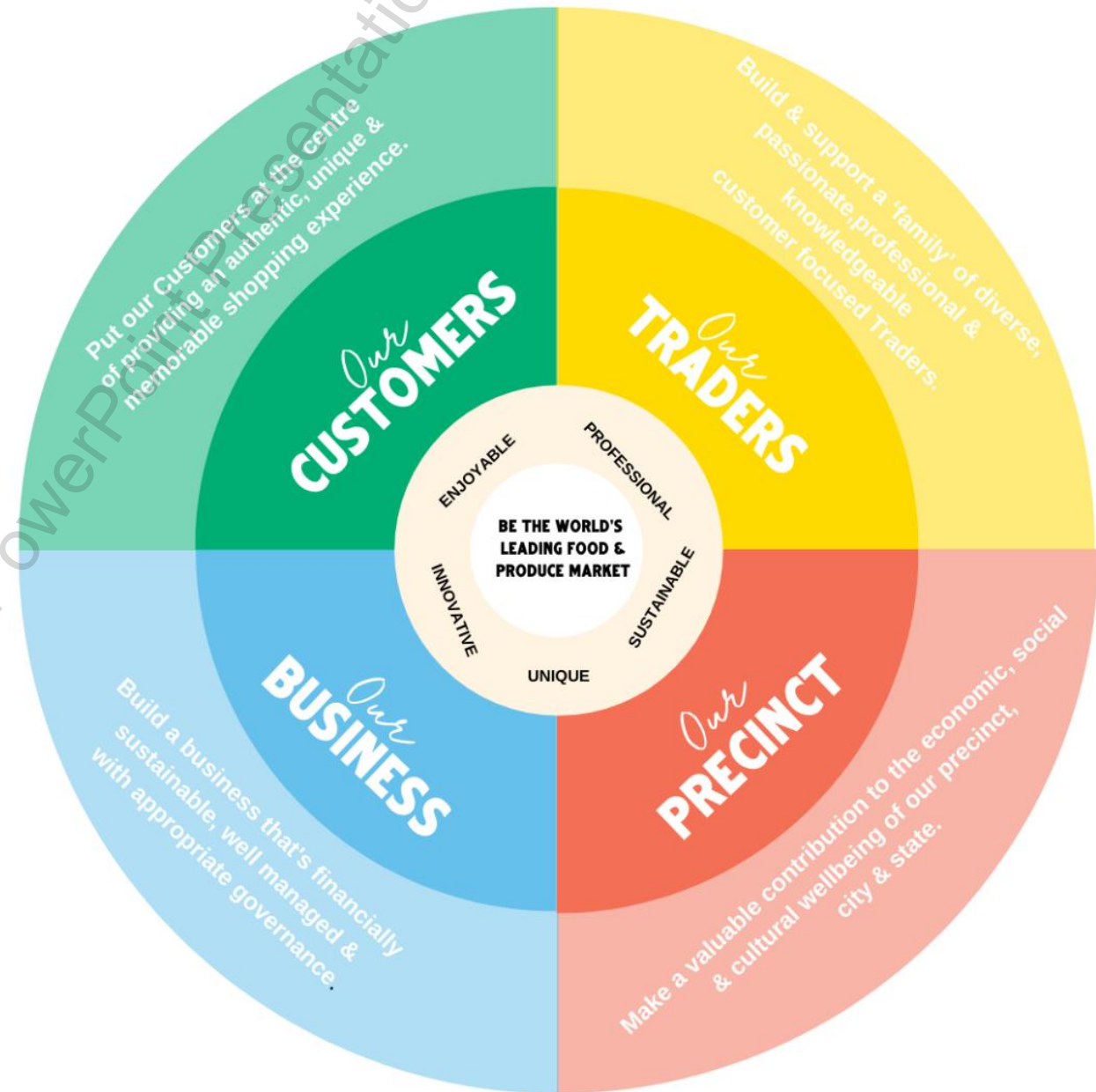
2019/20 Highlights

Our **MARKET.**

OBJECTIVES & PURPOSE

The primary objects and purpose as outlined in ACMA Charter are:

- Oversee the management and operation of the Market
- To be responsible for maintaining and enhancing the iconic standing of the Market for the benefit of all stakeholders;
- To be responsible for the Market becoming internationally recognised as a vibrant, diverse and unique fresh produce market community that is commercially sustainable for traders and the City of Adelaide.



OUR CUSTOMERS

To put our Customers at the centre of all that we do to provide them with an authentic, unique & memorable shopping experience.

- Introduction of Sunday trading trial
- Review of existing trading hours for Trader vote July 2020
- New traders secured for Stall 5/6 and Stall 43
- Implemented Community Engagement Plan
- Implemented family-focussed activities
- Initiated customer service support program for Traders including trend analysis, customer experience
- Event program including Bastille Day, Christmas, Refugee Week, World Gin Day, Seafood and Sounds, Big Issue Lunch, Market Mini's, school holiday program, Tasting Australia



OUR TRADERS

To build & support a market 'family' of diverse, passionate, professional & knowledgeable customer focused Traders.

- Delivered trader storytelling video series
- Engaged services of Retail Food and Visual Merchandising consultants to guide and support Traders
- Digital media and marketing support
- Regular briefing sessions and forums on key issues like Sunday trading
- Trader activation and sampling program in the Community Kitchen for customer conversion
- PR support to drive awareness, profile traders and unique product offering (achieved \$1.3M YTD)



Our **MARKET.**

OUR BUSINESS

15

To build a business that is financially sustainable, well managed & with appropriate governance.

- Continued engagement with Traders Advisory Group and Trader Association, including 3 annual meetings with ACMA Board
- Ongoing review of security and cleaning practices to ensure customer experience
- Trader fit outs and refurbishments in 2019/20 included Marino Meat Store, Atlas Continental Cafe, Angelakis Bros announced, Gewurzhaus (delayed due to COVID)
- Continued review and assessment of Upark Central Market tariffs and customer experience to visitation and return
- First Market in Australia to roll out Bindi Maps for vision impaired customers
- Completed \$3.4M capital works program including HVAC installation, glass lift refurbishment, entry bollards, fire pump and tanks, stall works.



Our MARKET.

OUR PRECINCT

16

To make a valuable contribution to the economic, social & cultural wellbeing of our precinct, city & state.

- Implemented District Strategy to engage with local area business and residents inc GPO Exchange opening (4000 employees)
- Continued engagement with Market District Reference group and precinct group
- Achieved 100% diversion from landfill in May 2020
- Continued engagement with the CoA on the primary outcomes sought for the Arcade Redevelopment
- Activation of north west corner and street frontages through lighting, dining and on-street food offering



Minute 2 - Item 4.7 - POW



Our **MARKET.**



Strategic Risk Register

Our **MARKET.**

STRATEGIC RISK	RISK DESCRIPTION	Current controls (what we do)	Additional Controls (what will we do)	Operational Strategic Risk Register Reference
Impact of Pandemic	Financial impact on parking revenue due to catastrophic decrease in car park transactions and dwell time Financial impact on rental revenue due to declining retail Cashflow implications due to trading deficit	<ul style="list-style-type: none"> Pandemic Working Group established and meets weekly. Pandemic Management Report regularly issued to Board Business Continuity Plan Regular updates from Council Incident Management Team (CoA CIMT) 	<ul style="list-style-type: none"> Review all capital projects Review all expenditure Digital initiative for online Market shopping Implement strategies to increase occupancy of car park Create recovery plan including updated marketing strategy 	
Relevance of the Adelaide Central Market →	Less people being attracted to and shopping at the Market caused by an increase in competitors providing fresh food and produce that better meet customer expectations resulting in traders and the market no longer being viable	<ul style="list-style-type: none"> Strategic Plan 2018-2022 Business Plan 2019-20 Events and activation program Marketing and PR Strategy 	<ul style="list-style-type: none"> Digital initiative to connect to and enhance the experience of customers Align trading hours to better meet customer expectations Attract best of best unique fresh food and produce offerings and service providers across all categories 	<ul style="list-style-type: none"> 2 5 6
Stakeholder Relationships →	Lack of effective and productive stakeholder relationships with traders and Council caused by a lack of understanding of strategy resulting in the Market not providing a unique, diverse and exciting fresh food shopping experience that enhances the district, city and state nor creating value and prosperity for traders, ACMA or the City of Adelaide	<ul style="list-style-type: none"> Lease documents incorporating Market Rules Regular Market Talk Traders Advisory Group Regular reporting to Council Administration and Council Elected Members Trader intranet portal 	<ul style="list-style-type: none"> Develop and implement trader communication and engagement strategy Charter review 	<ul style="list-style-type: none"> 1 9 13
Impact on the Adelaide Central Market caused by the Market Arcade Redevelopment →	The temporary leasing of competing shops prior to the redevelopment, disruption, implicated accessibility and loss of car parking during the redevelopment and the increased competition from the product and service offering in the new Market Arcade caused by the proposed redevelopment of the Market Arcade resulting in a loss of traders and customers at the Market thereby affecting the trader's and Market's viability	<ul style="list-style-type: none"> ACMA representation on district reference group City of Adelaide ownership Strategic Plan 2018-2022 Business Plan 2019-2020 Events and activation program Marketing and PR Strategy 	<ul style="list-style-type: none"> Digital initiative to connect to and enhance the experience of customers Align trading hours to better meet customer expectations Attract best of best unique fresh food and produce offerings and service providers across all categories 	<ul style="list-style-type: none"> 10
Safe and Secure Environment →	Increase in exposure to safety hazards and threat of terrorism or hostile events caused by a lack of investment in infrastructure maintenance and security measures resulting in the injury or death of staff, traders, visitors or customers and/or damage or destruction of infrastructure	<ul style="list-style-type: none"> On-site security and CCTV cameras Business Continuity, Disaster Recovery and Security Management Plans Regular evacuation exercise Hostile Vehicle Management Project Capital Works Program Preventative and reactive maintenance and cleaning programs SAPOL consultation – mass gathering 	<ul style="list-style-type: none"> Development of security Policy and Procedure Manual Undertake improvements and activities detailed in the Security & Risk Report 2017 	<ul style="list-style-type: none"> 4 15 18 19
Good Governance →	Non-compliance with legislative and Charter obligations caused by poor internal controls, ineffective policies, procedures and practices resulting in negative financial implications, loss of reputation and possible litigation and reduced efficiency	<ul style="list-style-type: none"> Charter and Head Lease Finance, Audit and Risk Committee Monthly Board Reporting Internal Finance Controls 	<ul style="list-style-type: none"> Finalise revised Charter and Head Lease Develop and implement Governance Framework including Code of Conduct, policies and procedures Roles and responsibilities document 	<ul style="list-style-type: none"> 3 7 11 14
Financial Sustainability →	Failure to operate in accordance with the Charter caused by a lack of financial discipline and not maximising the return from the assets resulting in not meeting ACMA's Strategic Purpose to provide a unique, diverse and exciting fresh food shopping experience that enhances the district, city and state nor creating value and prosperity for traders, ACMA or the City of Adelaide	<ul style="list-style-type: none"> External Financial Audit Asset condition reports Monthly reporting to Board Forward Capital Works Program Council Reporting 	<ul style="list-style-type: none"> Finalise revised Charter and Head Lease Implement strategies to increase occupancy of the car park Develop and implement project management framework Improved financial reporting framework 	<ul style="list-style-type: none"> 8 12 16 17

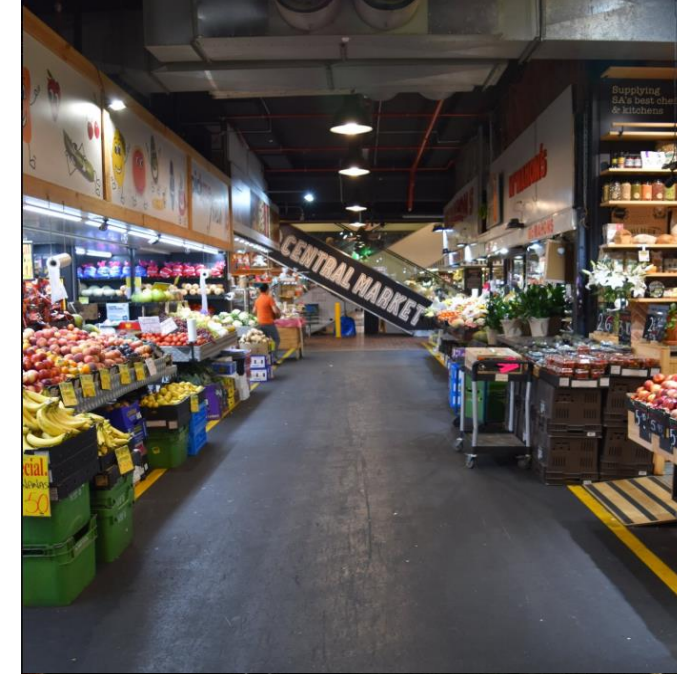


COVID-19 Response

Our **MARKET.**

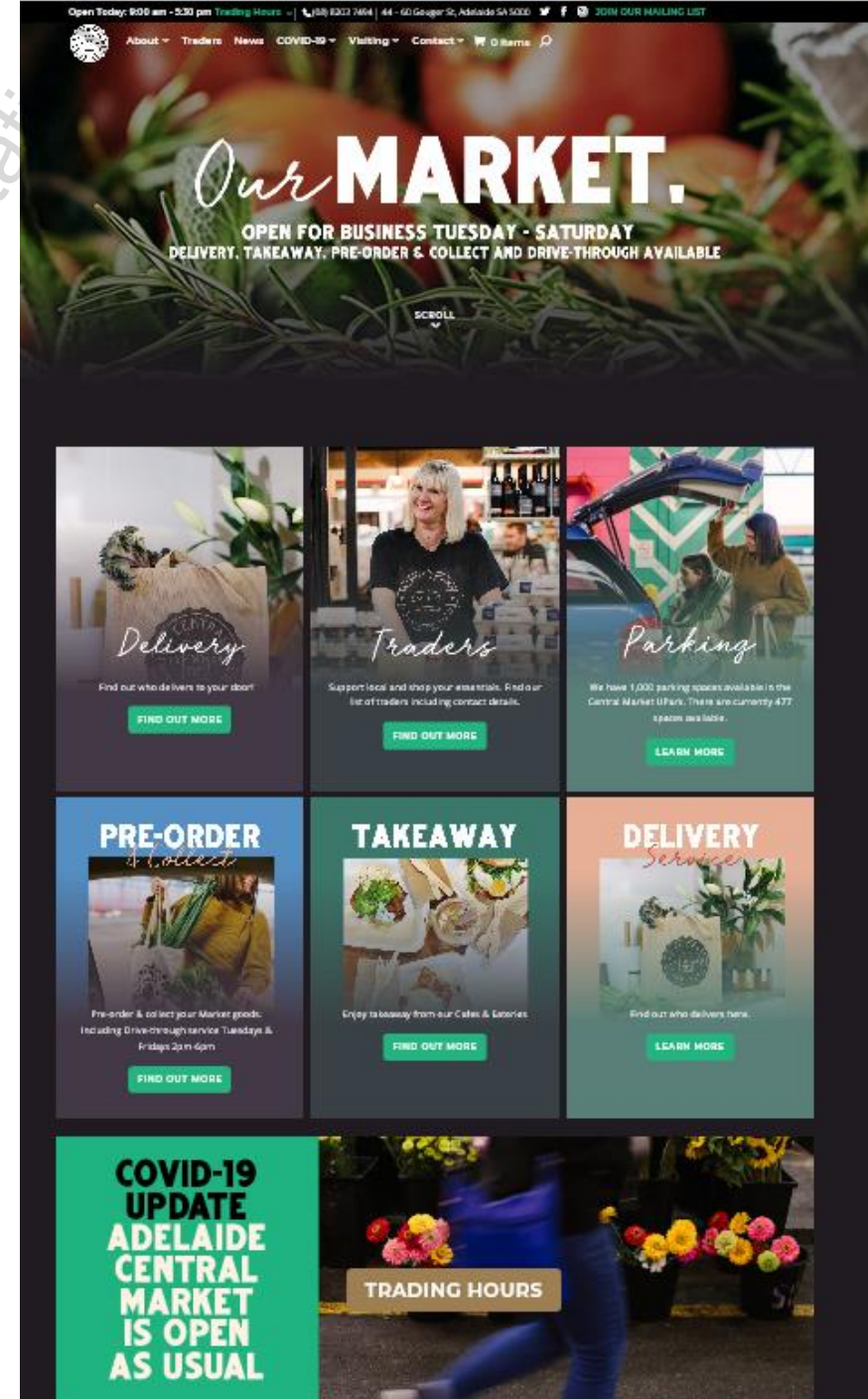
COVID-19 RESPONSE

- ACMA Covid-19 Working Group established 7 April and meets on weekly basis
- Covid-19 Management report provided at monthly ACMA Board meeting
- ACMA Strategic Risk Register updated
- CoA rent relief for Traders April-June 2020
- Communications:
 - Traders – e-newsletters *Market Talk* Covid reports from 4 March – issued 31 updates
 - Traders – videos updates from ACMA GM from 2 April – issued 7 videos
 - Customers – newsletter *Market Lovers* – issued 10 updates
 - Customers - High frequency digital and social customer communications including [‘Thank you’ video](#) which reached 40K users
 - Live read radio campaign and SA with Cosi social campaigns
- Market aisles cleared of carts, seating removed, tastings & Saturday produce sell off ceased
- Upark Plus offer implementation from 1 April to 30 June
- Trading hour flexibility - 1 hour beginning and end of day plus 7pm on Friday. Eateries optional.
- ACMA Management team initially split A & B Team working Market/from home
- Trader & staff wellbeing. RU OK?
- ACMA Management liaise with Melbourne based markets
- Regular meetings held with SAPOL



COVID-19 RESPONSE

- Implementation of pre-order and drive-through service (achieved over 1200 orders and \$80,000 in PR value)
- Compliance with *COVID-19 Emergency Response (Commercial Leases No 2) Regulations 2020* (Regulations)
- Safety and cleaning initiatives
 - Increased cleaning frequency of high touch points
 - Increased security, floor wardens and customer traffic management
 - Hand hygiene stations installed
 - Floor decals, common area signage, stall signage
 - Automated half hourly PA announcements for customers & traders to remind of social distancing requirements



RECOVERY PLAN

- Re-launch Sunday trading in October 2020 with family and leisure activities to drive visitation and spend
- Activation plan including
 - Bastille Day - July
 - Recommence live music program
 - Chilli Crab pop-up
 - Pre-schooler program Term 3
 - School holidays program Term 3
 - Community Kitchen cooking demonstrations and cultural events
- Extend Christmas campaign to commence 1 November 2020 and include high impact decorations
- Call to action marketing campaign including outdoor, radio, press and social/digital
- Ongoing trader support to drive innovation and financial sustainability



Rundle Mall Overview

Audit Committee, June 2020



Minute 3 - Item 4.2 - Powerpoint Presentation



RMMA

- Subsidiary of Council set up under Section 42 of Local Government Act
- Governed by a Charter and a Board of Directors including a Chairperson (Peter Joy) and 6 members including 1 Council Member
- Operating with a four year Strategic Plan and annual Business Plan and Budget
- Management team of 10 including the General Manager, Marketing, Events and Retail Operations
- Boundary includes North Terrace to Grenfell Street and King William Street to Pulteney Street
- 700 Retailers and 300 Services businesses in the Precinct
- 15 Arcades and Centres
- Approx. 24M visitors, and \$1B in retail sales annually



Minute 3 - Item 42 - Post Presentation



Risk & Financials

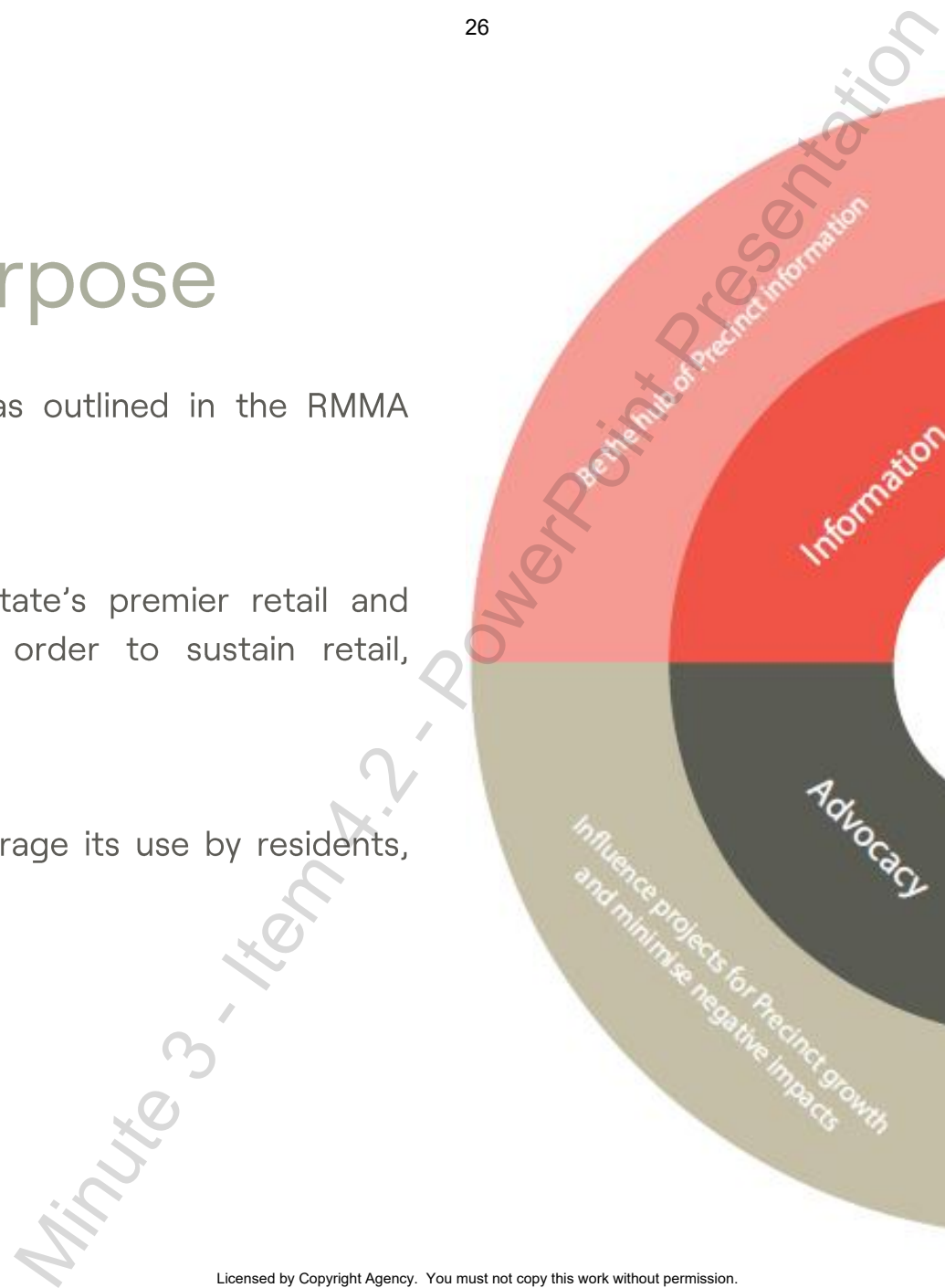
- Risk Register reviewed by the RMMA Board each month
- Current top 3 risks identified and mitigation approach include:
 - COVID-19
 - Economic & Retail industry impacts
 - Emergency & Crisis Management
- Funded by a separate rate levy, and supplementary income from on-Mall activations and events
- Financial reports presented each month to the Board
- Annual report and audited financial statements prepared and reported at the AGM in accordance with the RMMA Charter



Objectives & Purpose

The primary objectives and purpose as outlined in the RMMA Charter are:

- To position Rundle Mall as the State's premier retail and commercial shopping precinct in order to sustain retail, business and economic viability
- To promote Rundle Mall and encourage its use by residents, visitors and the community



2019/20 Highlights (Pre COVID-19)

Minute 3 - Item 4.2 - PowerPoint Presentation

Information & Advocacy

1. *Be the hub of precinct information*
2. *Influence projects for Precinct growth and minimise negative impacts*

- Measure consumer insights, traffic data & performance data
- Hosted retailer forums, electronic news updates, printed booklets and regular visits/meetings with key businesses
- Completion and launch of new Gawler Place redevelopment project including public art and green arbour installation
- Additional trading hours for Black Friday, Boxing Day, Superloop weekend and for COVID-19 support
- Opened several flagship stores including Mecca, Sephora, Forever New, Dr Martens, Vietnamese Laundry



Minute 3 - Item 4.2 - Powerpoint



Brand

Position Rundle Mall as the premier shopping precinct in South Australia

- New Creative & Digital Agency appointed – Simple Creative
- New Rundle Mall brand launched including new Rundle Mall website
- Growth in database and social media channels
- Brand advertising campaign in outdoor, TV, radio, print and digital
- Strong engagement and delivery of key PR stories



Minute 3 - Item 4.2 - Power



Visitor Experience

Support an easy and enjoyable visitor experience

- Working with CoA to deliver cleaning and asset management
- Partnering with SAPOL and security to ensure safety
- 14% increase in events and activations (to March)
- Major events delivered including:
 - Biggest Vogue Festival with 215K visitors and approx. \$37M in sales
 - Successful Christmas campaign including Black Friday & Boxing Day
 - Adelaide Festival Dolls House +25% traffic for launch weekend
 - Lunar New Year – lion dances, strong retail involvement and offers



COVID-19 Response

Minute 3 - Item 4.2 - PowerPoint Presentation

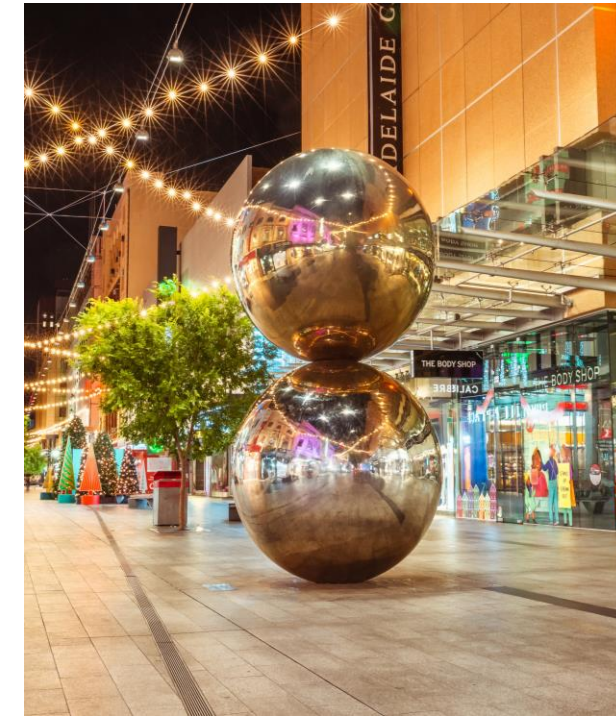
COVID-19 Response

- Business support
- Council decision to provide Rundle Mall Marketing Levy Rebate relief for Q4
- Essential services continued to operate
- Safety & Cleaning
 - Increased Security and SAPOL presence
 - Increased cleaning of high touch point areas
 - Hand sanitiser stations
- Social distancing and safety signage
- Support for CoA UPark Plus program in Gawler Place and Rundle Street carparks
- Regular digital communication to businesses and customers
- Digital and social media– Rundle Mall “At Home” campaign
- Pop Up Seating areas
- Music, PA Announcements and large format screens



Roadmap to Recovery

- Produced a “Roadmap to Recovery” booklet sent to all Rundle Mall businesses and stakeholders
- Focussed on placemaking and activation – staged, incremental approach
- Retail campaigns and support for businesses
- Fairy lights overhead and throughout the trees
- Green Walls, planter boxes and colourful flowers
- Pop Up Food and Beverage carts
- Colourful public art
- Strong support for Christmas season
- TV and digital advertising





Minute 3 - Item 4.2 - PowerPoint Presentation

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

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

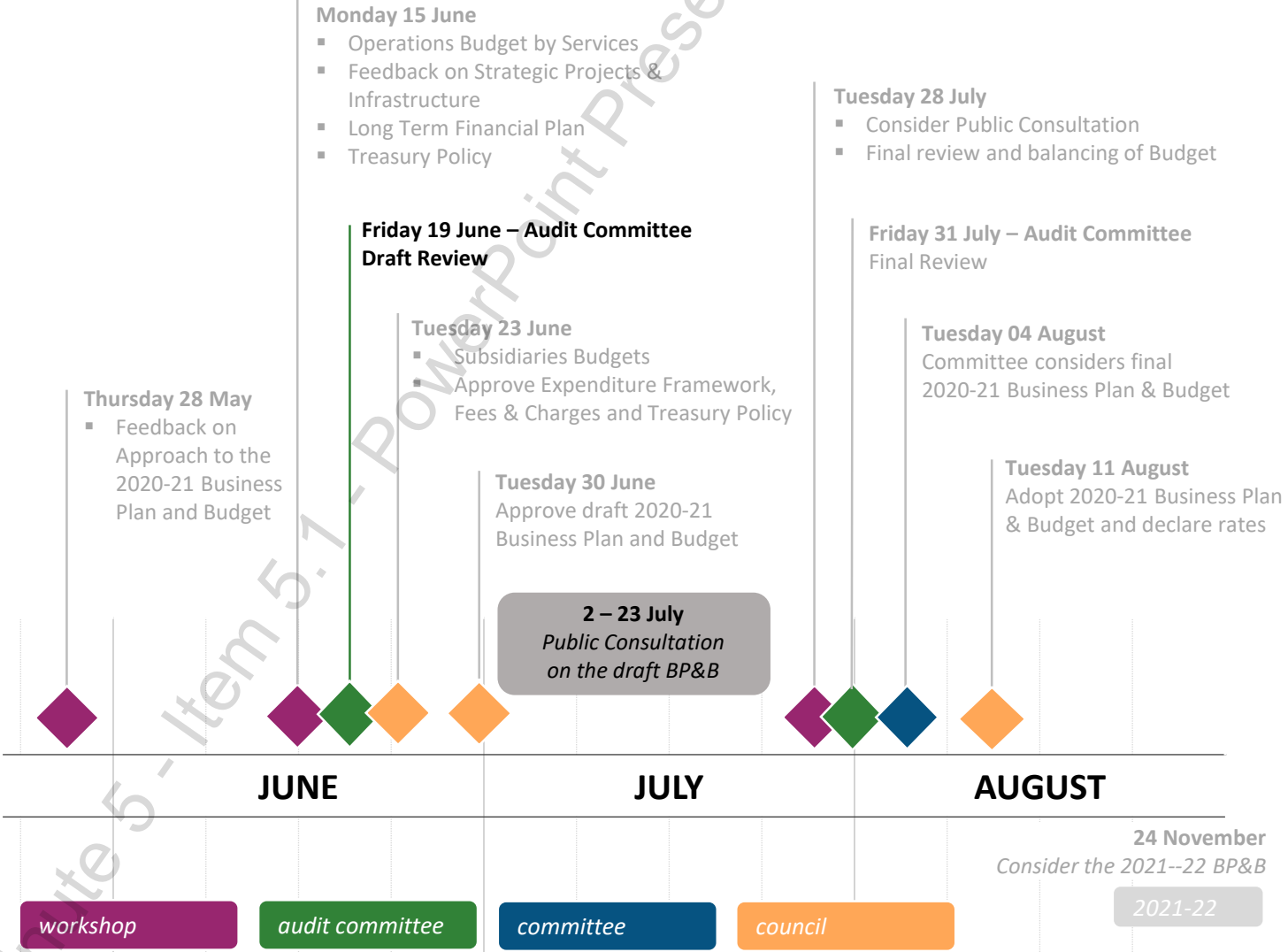
Stage 2: Business Plan and Budget

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

Recover Principles

- 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
Rates, Fees & Charges	<p>How do Council Members wish to utilise rates, fees and charges?</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>Rates</p> <ul style="list-style-type: none"> Continue to freeze the rate in the dollar Consider options with the discretionary rate rebate <p>Fees and Charges</p> <ul style="list-style-type: none"> Hold fees and charges at 2019-20 levels for next six months Consider increase from January 2021
Borrowing Capacity	<p>How do Council Members wish to utilise Council’s borrowing capacity?</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>Borrowing Capacity</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>
Infrastructure Budget	<p>How do Council Members wish to utilise Council budget for infrastructure?</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>Infrastructure Program</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

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 4th 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 4th 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)	\$18,578	Commercial	114
Balance owing	\$7,164	Total	160
Total percentage paid	72%	% of total assessments	1.82%

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

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

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

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

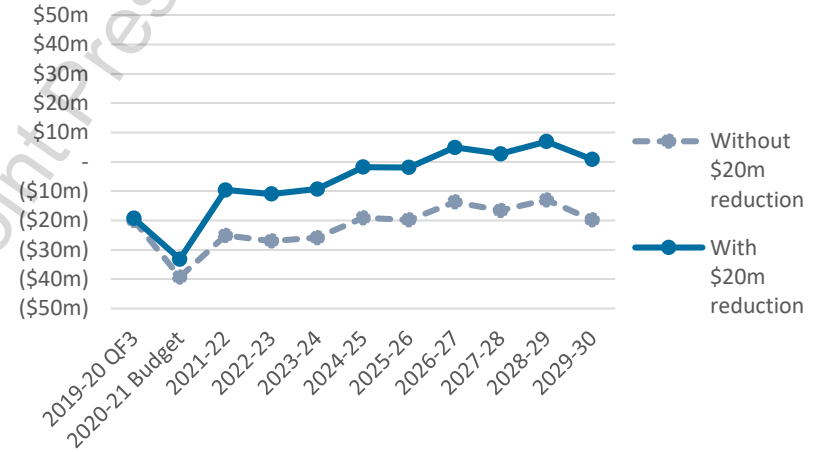
\$20m reduction in operational expenditure

- 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

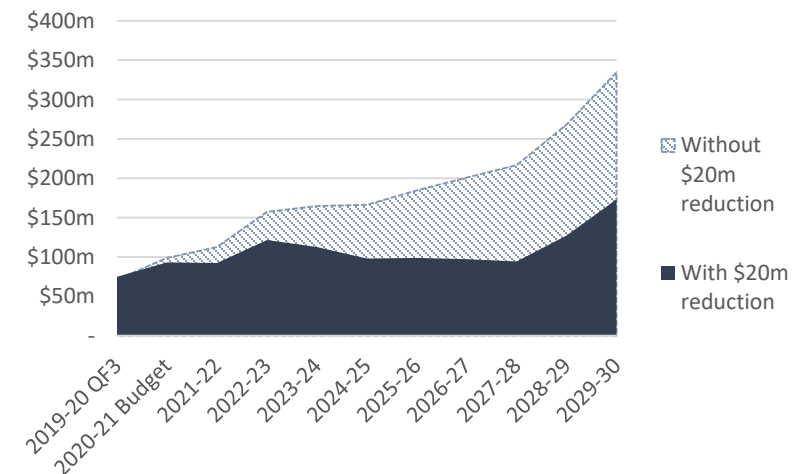
Creating capacity from reset of the Infrastructure Program

- \$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
Income			
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
Total Income	187.0	213.9	199.3
Expenses			
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)
Total Expenses	(206.2)	(231.9)	(219.1)
Operating Surplus/(Deficit) before transition costs	(19.2)	(17.9)	(20.0)
Potential structural re-alignment costs	(14.4)	-	-
Operating Surplus/(Deficit) after transition costs	(33.6)	(17.9)	(20.0)
Asset Disposal & Fair Value Adjustments	(0.3)	(0.3)	-
Amounts received specifically for New or Upgraded Assets	4.6	0.4	0.4
Total Comprehensive Income	(29.4)	(17.8)	(19.6)

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.

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

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
Operations	41.3	42.5	46.0	38.1	23.7	(14.4)
Projects	(47.1)	(8.6)	(16.4)	(10.6)	(10.6)	-
Infrastructure	(47.0)	(46.9)	(58.8)	(32.3)	(41.3)	(9.0)
Subsidiaries	(4.6)	(4.3)	(5.1)	(5.0)	(5.3)	(0.3)
Total	(57.4)	(16.3)	(34.3)	(9.8)	(33.4)	(23.6)

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)
Total	816.1	183.3	(173.0)

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

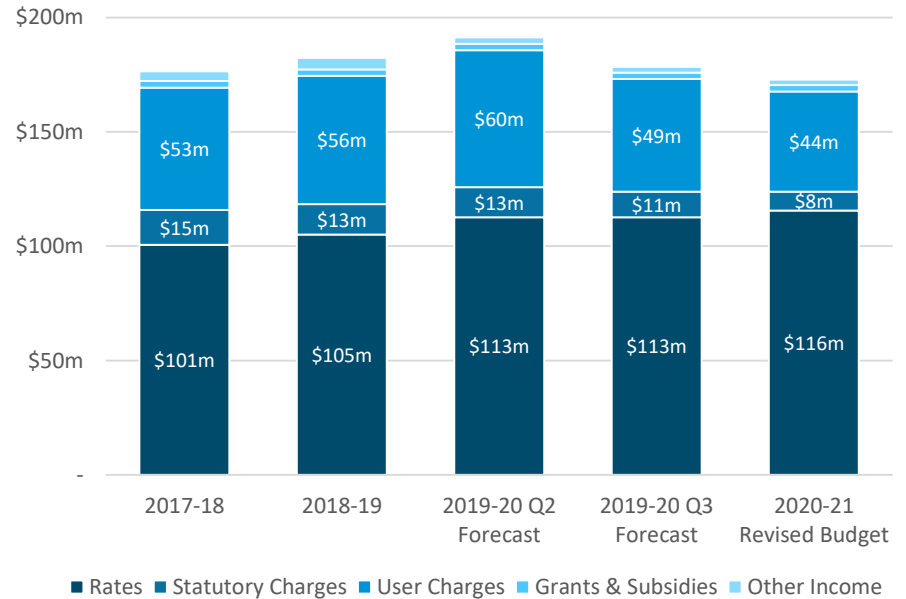
Fees and Charges

- 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

Recovery principle:

Our service delivery will reflect the needs of the community

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

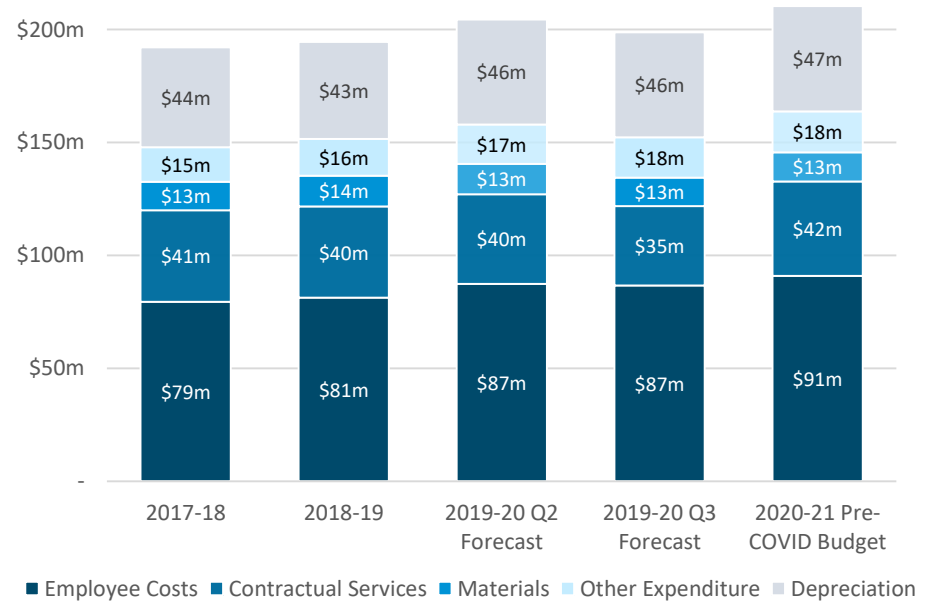
- Wages 2%
- Salaries 2%
- Leisure 2.5%
- UPark 2%

Other Expenditure

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

Operational expenditure by category

(excluding internal recoveries)



Operations

UPark

Aquatic Centre

Golf Course

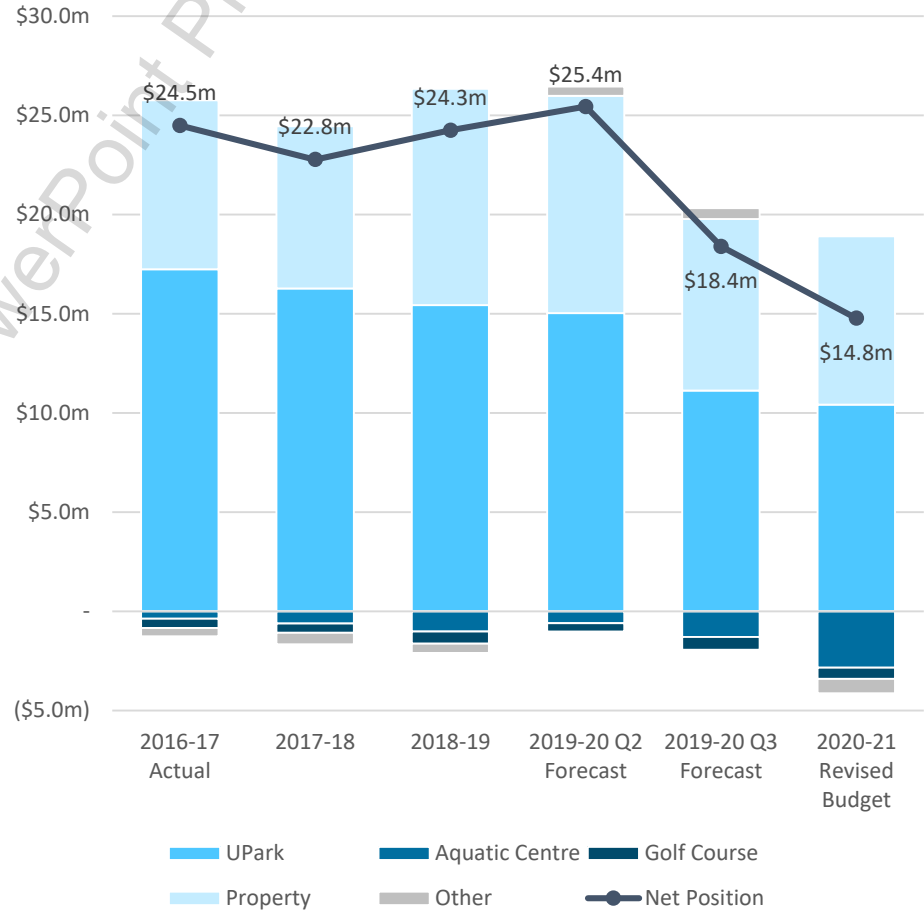
Property Leases

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
UPark	(\$5.2m)	UPark Plus has supported the recovery in occupancy at a lower price point – Revenue down circa 50%	<ul style="list-style-type: none"> ▪ Leverage UPark Plus under delegation to maintain/grow market share ▪ Phased approach to restoring sustainable pricing
Aquatic Centre	(\$2.1m)	Centre presently closed due to social distancing requirements	Re-opening <ul style="list-style-type: none"> ▪ Re-engage workforce ▪ Social distancing requirements reduce capacity and class size ▪ Recover enrolments that were cancelled
Golf Course	(\$0.2m)	Patronage has recovered since reopening in April	Recovery of function, retail and food income due to social distancing
Property	(\$2.2m) based on 20% vacancy rate and before 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
Projects						
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)
Total	(47.1)	(8.6)	(16.4)	(10.6)	(10.6)	-

\$'m	2017-18 Actual	2018-19 Actual	2019-20 Q2 Forecast	2019-20 Q3 Forecast	2020-21 Draft Budget	Variance
Infrastructure						
Renewals	(29.7)	(27.5)	(37.3)	(16.7)	(10.3)	5.7
Enhancements	-	-	-	-	(0.7)	(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)
Total	(47.0)	(46.9)	(58.8)	(32.3)	(41.3)	(9.0)

* 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.

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

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
Borrowing	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
Operating Surplus	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

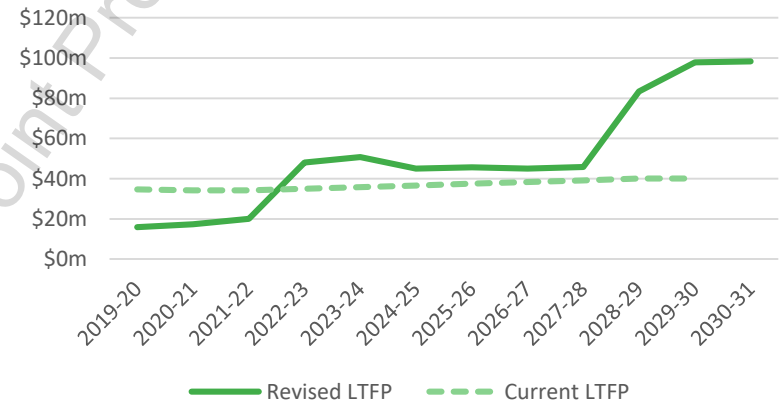
The Infrastructure and Asset Management Plans (AMPs) are being reviewed and updated including asset service levels, taking into account community needs, population density/growth impacts and asset management principles. They will be brought back to the elected body for endorsement.

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

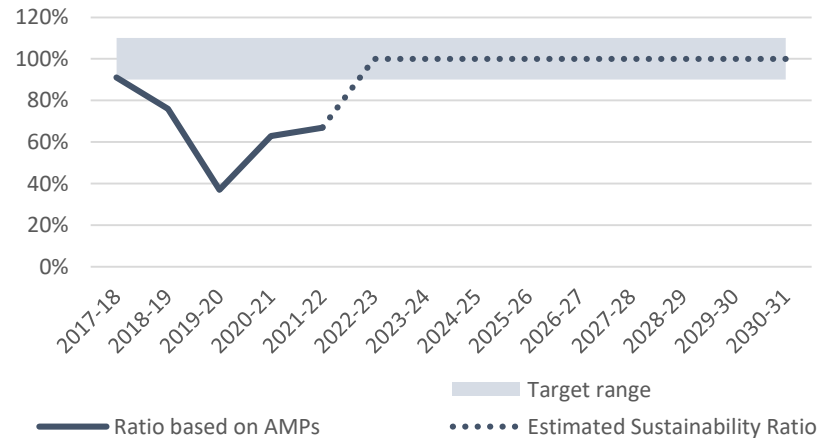
There are significant renewals required in the outer years of the long term financial plan which have not previously been identified:

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

Revised LTFP for Infrastructure



Forecast Asset Sustainability Ratio



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

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?

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
-

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)
Operating Surplus / (Deficit) before Capital Amounts	(8.4)	(18.5)	(31.6)	(7.5)	(5.0)	(4.6)	2.0	1.5	7.7	6.1	13.6	9.0
less Net Outlays on Existing Assets												
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)	-	-	-	-	-	-	-	-	-
Net Outlays on Existing Assets	3.1	(19.4)	(9.9)	(19.2)	10.0	11.6	5.5	2.4	6.1	3.1	46.3	55.0
less Net Outlays on New and Upgraded Assets												
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)	-	-	-	-	-
Net Outlays on New and Upgraded Assets	22.6	10.7	11.7	16.7	14.2	(25.0)	(25.5)	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(34.0)	(9.8)	(33.4)	(5.0)	(29.2)	8.7	22.0	(0.9)	1.7	3.0	(32.7)	(46.0)

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
Income												
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
Total Income	213.9	199.3	187.0	201.4	206.6	211.9	225.1	231.1	237.0	242.9	249.0	255.2
Expenses												
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
Total Expenses	231.9	219.2	220.6	211.6	218.1	221.8	227.4	233.7	232.8	241.0	242.8	255.1
Operating Surplus / (Deficit)	(17.9)	(20.0)	(33.6)	(10.2)	(11.6)	(9.9)	(2.4)	(2.5)	4.2	2.0	6.2	0.1
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	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(17.5)	(19.6)	(29.4)	(10.2)	(11.6)	(6.3)	(2.7)	(2.5)	4.2	2.0	6.2	0.1
Total Comprehensive Income	(17.5)	(19.6)	(29.4)	(10.2)	(11.6)	(6.3)	(2.7)	(2.5)	4.2	2.0	6.2	0.1

Statement of Financial Position												
\$'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
ASSETS												
Current Assets												
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
Total Current Assets	13.5	26.8	11.0	11.8	12.0	12.3	12.9	13.2	13.5	13.8	14.1	14.4
Non-Current Assets												
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
Total Non-Current Assets	1,859.2	1,828.2	1,842.4	1,842.1	1,859.1	1,886.0	1,860.1	1,856.8	1,860.1	1,857.5	1,894.3	1,938.3
TOTAL ASSETS		1,855.1	1,853.4	1,853.9	1,871.1	1,898.3	1,873.0	1,870.1	1,873.6	1,871.3	1,908.4	1,952.7
LIABILITIES												
Current Liabilities												
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
Total Current Liabilities	37.5	32.4	39.6	39.0	39.4	47.0	41.1	41.8	41.6	41.8	42.1	42.1
Non-Current Liabilities												
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
Total Non-Current Liabilities	98.9	88.3	108.7	120.0	148.3	131.4	114.7	113.6	113.1	108.6	139.2	183.4
TOTAL LIABILITIES	136.5	120.6	148.3	159.0	187.8	178.4	155.8	155.3	154.7	150.4	181.3	225.5
Net Assets	1,736.3	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	1,727.2
EQUITY												
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
Total Council Equity	1,736.3	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	1,727.2

Statement of Changes in Equity												
\$'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
Balance at the end of previous reporting period	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						
Balance at the end of period	1,736.3	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	1,727.2

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
Cash Flows from Operating Activities												
<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)
Net Cash provided by (or used in) Operating Activities	47.4	18.0	46.8	44.5	44.7	46.5	54.2	57.9	60.5	62.4	64.9	66.5
Cash Flows from Investing Activities												
<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	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(84.3)	(46.3)	(64.2)	(41.4)	(73.2)	(36.8)	(37.9)	(57.1)	(56.7)	(57.8)	(95.4)	(110.5)
Cash Flows from Financing Activities												
<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)
Net Cash provided by (or used in) Financing Activities	32.8	23.1	17.4	(3.0)	28.5	(9.7)	(16.2)	(0.8)	(3.8)	(4.6)	30.6	43.9
Net Increase (Decrease) in Cash Held	(4.1)	(5.3)	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)
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
Cash & Cash Equivalents at end of period	2.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8

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
-