



AUDIT COMMITTEE

AGENDA & REPORTS

for the meeting

Friday 6 November 2020
at 8.30 am

in the Colonel Light Room
Adelaide Town Hall



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

1. Confirmation of Minutes – 9/10/2020

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 9 October 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. Presentation

4.1. Service Planning and Performance [2017/03236] [Page 3]

5. Reports

5.1. Audit Committee Performance [2019/02483] [Page 20]

5.2. Capitalisation Process [2020/01521] [Page 24]

5.3. 2020-2021 Quarter 1 Finance Report [2020/00150] [Page 30]

6. Emerging Key Risks

7. Independent Member Discussion

8. Other Business

9. Item Seeking Exclusion of the Public (If required)

9.1. Exclusion of the Public to Consider [2018/04291] [Page 65]:

For the following items seeking consideration in confidence:

10.1 Appointment of External Auditor [s 90(3) (k)]

10. Confidential Item (if any)

10.1. Appointment of External Auditor [T2020/0038] [Page 67]

11. Closure



Enabling Priorities

Service Planning and Performance
Audit Committee | 6th November 2020

Senior Services Consultant, Strategy and Insights
Customer and People



Recap and Current Focus

Recap from the 7th August Audit Committee meeting

- Approach to Service Demand Management, what influences demand and how quantitative data is currently captured
- Summary of insights into Public Value across service categories through integration of service based information in the 2020-21 Business Plan and Budget.

Current Focus

- Further capture of available information relating to Service Demand and customer measures and performance
- Approach to measuring organisational performance

Service Demand Management Update



Service Demand Analysis

Since our last update, we have enhanced our Service demand analysis to capture the average and median time taken to close a customer request.

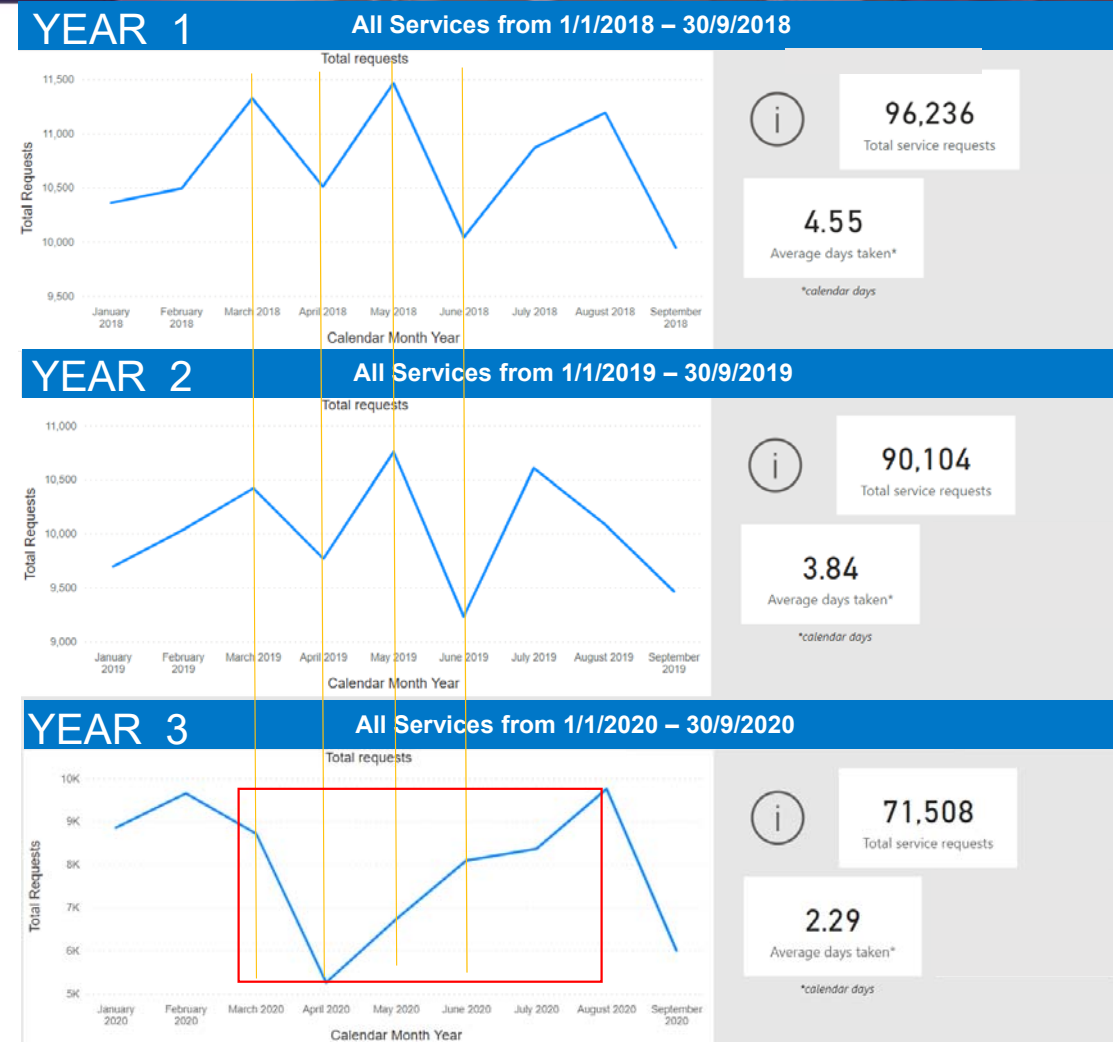
This paints a picture of organisation performance and allows us to anticipate periods of increased or decreased customer demand.

All services year on year analysis

- Consistent patterns are evident in the peaks and troughs of customer demand throughout 2018 and 2019, with a significant change in 2020 due to the impacts of COVID-19
- We have seen a decline of total service requests* over three years.

**example of service requests include on street parking payments and queries, rate queries, waste and hard rubbish inquires, development and planning inquiries.*

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Service level analysis example #1 – Community Safety

Analysing the changes in service demand and the impacts on our response times during peaks and troughs improves our ability to effectively plan for future demand and provides a measure of performance i.e. timeliness. This allows us to understand the frequency and time taken to respond to customer requests. As seen in the below example, the median time taken to close these requests is 1 day, which may provide an indicative level of service.

Year on year analysis allows us to see how our interactions are changing

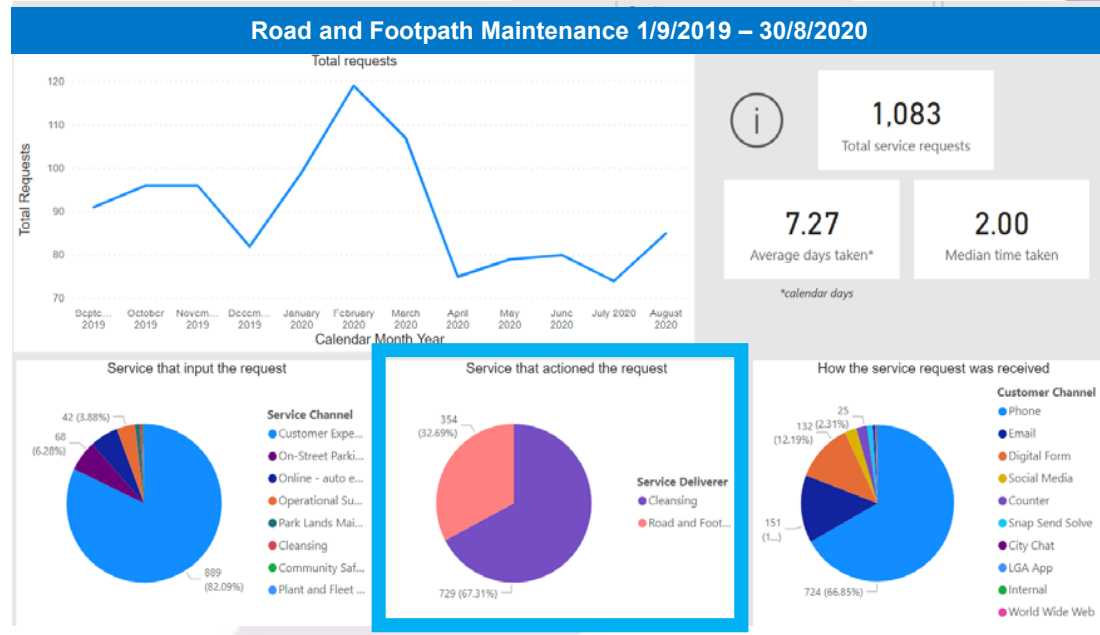
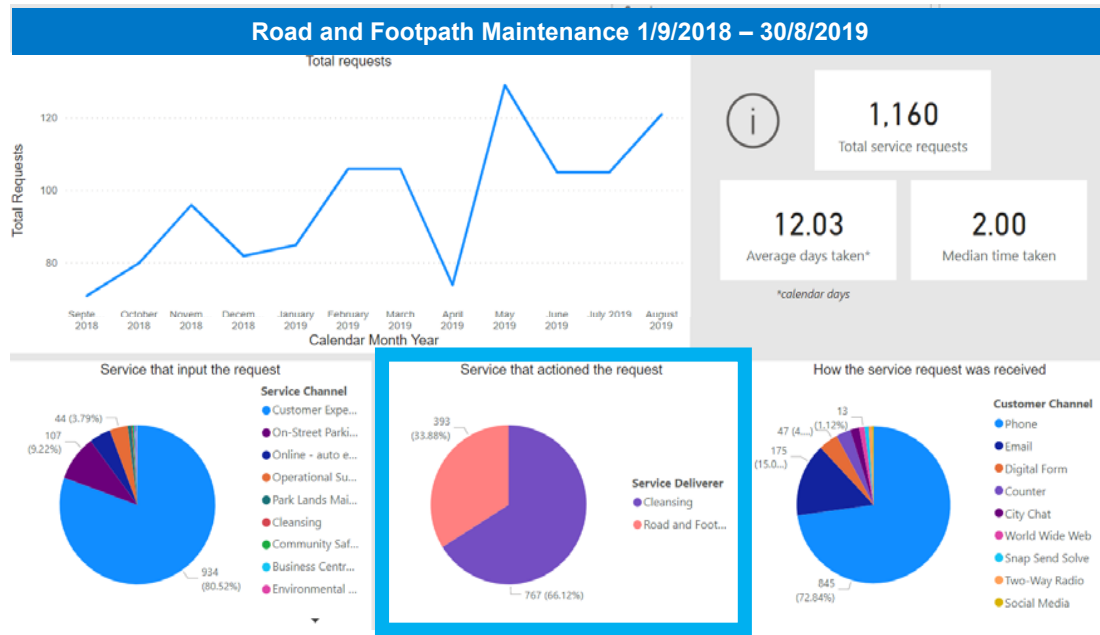
- Total service request numbers regarding Community Safety have remained consistent over the past 2 years, however the way in which customers have requested the service has shifted, with a reduction in email and phone calls, and an uptake of online forms.
- Enhancements to the way in which requests are closed could provide more reliable data on average days.



Service level analysis #2 – Road and Footpath Maintenance

The requests below are captured for a range of matters that relate to roads and footpaths, including catchpit issues, spills and road & footpath damage requiring maintenance. As seen below, the median time taken to close these requests is 2 days, which as previously suggested may provide an indicative level of service.

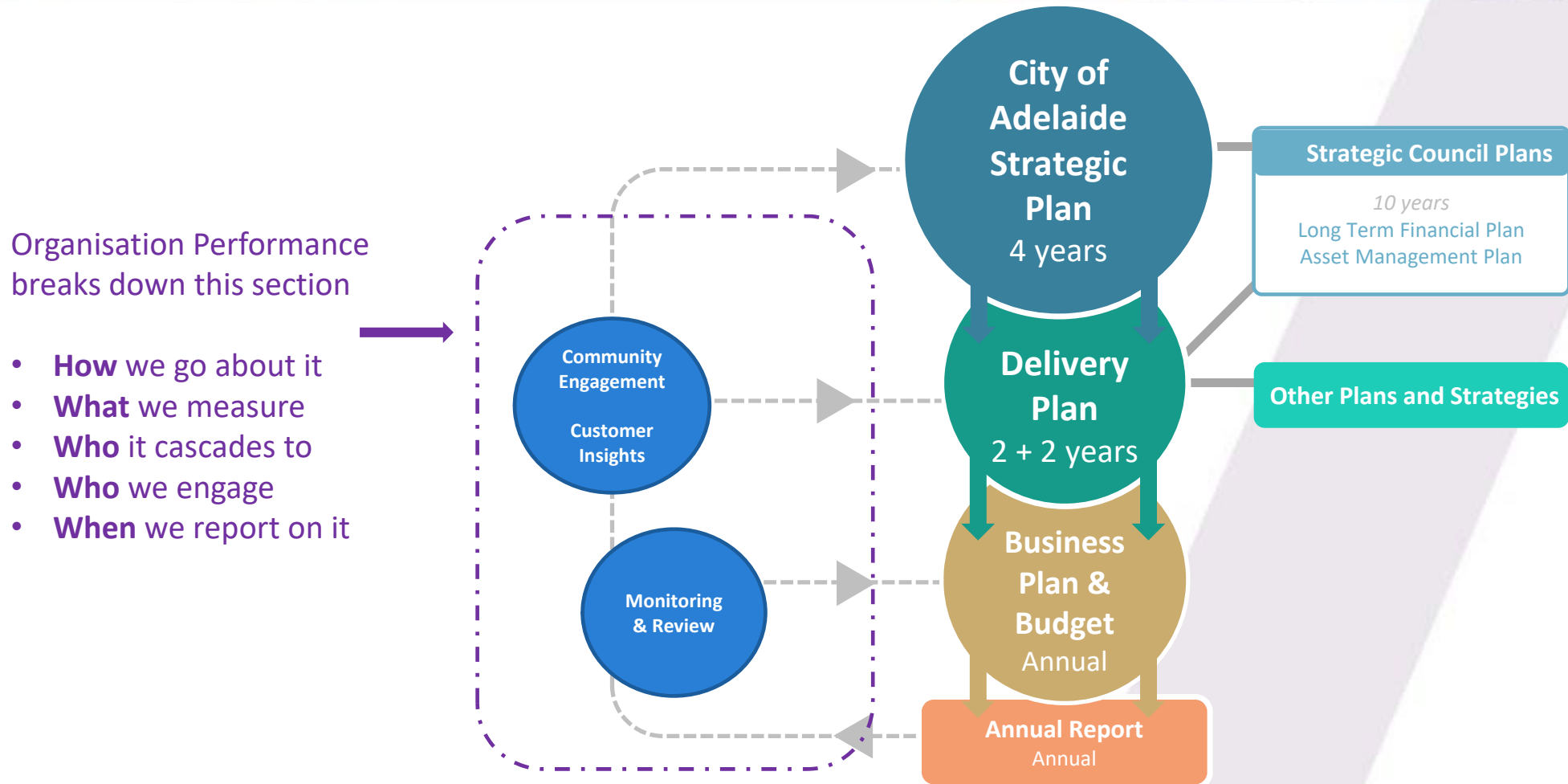
- The chart showing the service actioning the request demonstrates that the majority of requests relating to Roads and Footpaths were actioned by the Cleansing service.
- As with the Community Safety service, the use of digital forms has grown from 4% to 12% of requests, which may be contributing to the decline in average days taken to action a request.



Approach to Measuring Organisational Performance



Our Current Operating Environment



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Monitoring and Review



Monitoring & Review

Monitoring and Review as per our '*current operating environment*' (previous slide) considers how we monitor, measure and improve performance at an **Organisational**, **Service** and **Employee** level.

It is the piece of the puzzle that connects us to our strategic plan and assists in aligning our goals and objectives.

Building the framework has taken into consideration research specific to the Local Government sector with further consideration given to our ability to undertake comparable benchmarking.

Research has included:

- The SA Productivity Commission's 2019 Local Government Inquiry recommendations
- Victoria's state wide approach to service performance monitoring
- The Price Waterhouse Cooper's Performance Excellence Program
- The Momentum Partners report findings for CoA in relation to performance reporting

Proposed Framework Principles

Principles of the Framework

1. Measures to capture level of **appropriateness, effectiveness, efficiency and value for money**
2. Measures to be **cascading** from an organisation level, to service delivery and importantly to our employees
3. Contain focused **key performance indicators (KPIs)**
4. Organisational performance to be aligned to **key balanced scorecard pillars**
5. A combination of **Leading and Lagging** indicators are to be identified

Proposed Framework

In its simplest form the proposed Organisation Planning and Performance Framework demonstrates an integral connection between...

Organisation Performance – Service Performance – Employee Performance

Essentially ensuring we have oversight of the right key measures and indicators that demonstrate organisational performance.

- **Organisation Performance** will use a scorecard tool to monitor and measure strategic success, determine priorities, drive organisational change and ultimately provide accountability of the organisation.
- **Service performance** will measure how we deliver and how satisfied our customers are...
- **Employee performance** tracks our ability to effectively deliver “on the ground”...



Organisation Performance

Measured through the development of an organisation scorecard that will permeate through four key pillars that will cascade throughout the framework.

The four pillars of the Organisation Scorecard we propose are:

Effective Organisation

We adapt and improve our services to meet the needs of our customers

Customer Centric

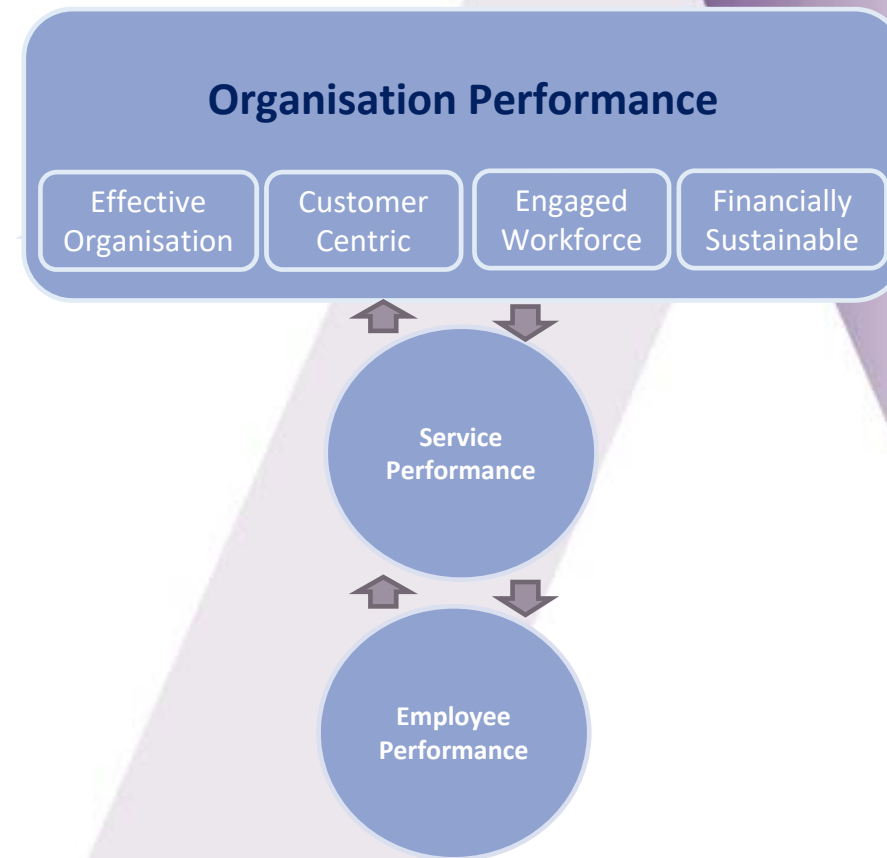
We deliver extraordinary customer experiences

Engaged Workforce

Our people are passionate ambassadors for Adelaide and contribute to the community by delivering valued services and outcomes

Financially Sustainable

We have the financial capacity to meet our long term commitments



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Organisation Scorecard

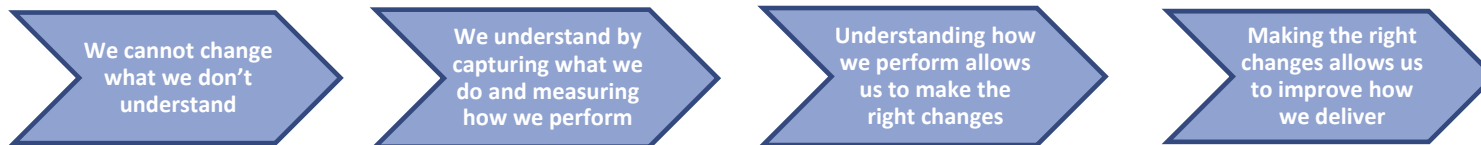
Our Vision				
A unique team creating an extraordinary city				
Our Values				
Achievement Collaboration Customer Commitment Integrity Innovation				
What does the outcome look like?	Effective Organisation	Customer Centric	Engaged Workforce	Financially Sustainable
	We adapt and improve our services to meet the needs of our customers and community	We deliver extraordinary customer experiences	Our people are passionate ambassadors for the City and contribute to the community by delivering valued services and outcomes	We have the financial capacity to meet our long term commitments
What do we do?	We continuously look for new and better ways to deliver Our delivery is aligned to our strategy Our decision making is evidence based We work together to deliver value for our customers and community	We recognise that we all have customers, we are here for our customers and we are all customers ourselves - Purposeful We empower our customers by building our services for them – Personalised We keep it simple We deliver what we say we will	We learn and grow with our customers, community and our city We provide an environment where our people thrive Our people are supported to reach their full potential	We operate in alignment with our Long Term Financial Plan We maintain our assets in accordance with Asset Management Plans We deliver in alignment with our Business Plan and Budget We maintain and generate diverse revenue streams
How do we know?	Strategic and Key Infrastructure Projects are delivered on time and on budget We meet operational efficiency targets identified in the Business Plan and Budget 90% of Strategic Plan actions achieved (4 years)	Customer Experience Strategy Measures Organisation Customer Satisfaction measure Service level Customer Satisfaction Customer Sentiment 80% satisfaction rating with the delivery of Business Plan and Budget Actions	People Metrics Employee Turnover meets acceptable target (%) Workforce availability targets met on a monthly basis 100% completion of WHS due diligence questionnaires Performance and Development Conversations occur on time, with 80% of Goals completed on time. Denison Culture Survey and Pulse Surveys score above the 50th percentile.	Long Term Financial Plan Measures: Operating Surplus Ratio between 0% and 20% Net Financial Liabilities less than 80% Asset Sustainability Ratio between 90% and 110% Borrowings are within prudential limits Rates revenue covers cost of general operations including asset renewals. Business Plan is delivered within planned budget

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Service Performance

Operating on the following premise....

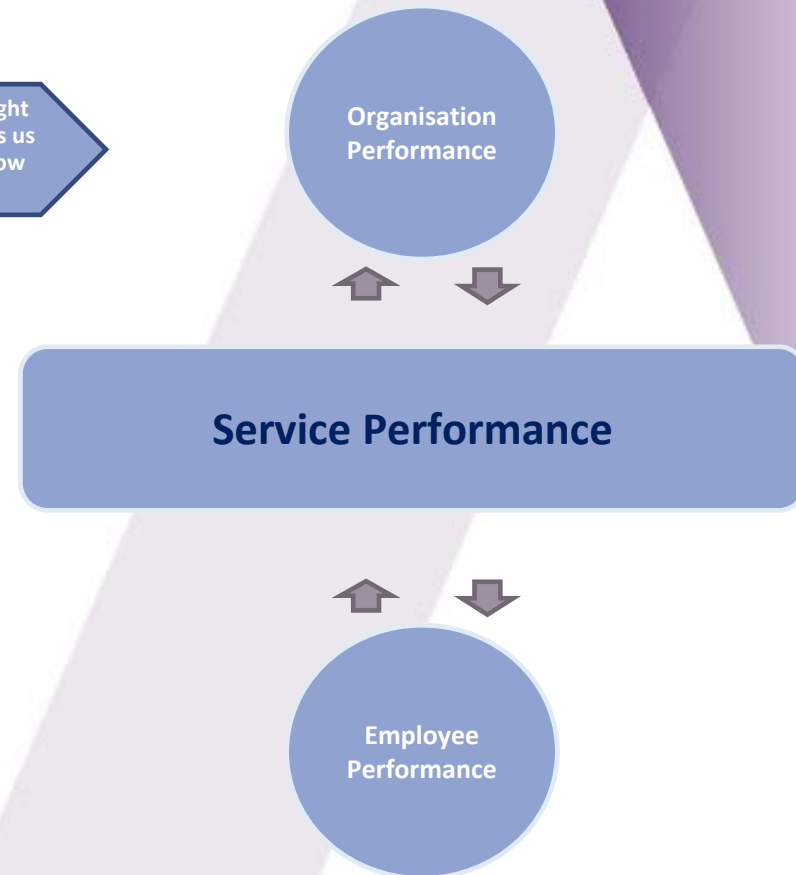


Service Performance measures our service delivery and how well we are meeting customer expectations and maintaining budgets by better understanding cost of service.

Service performance helps to understand:

- Appropriateness - are our objectives addressing the real issues?
- Effectiveness – are our objectives achieving our desired outcomes?
- Efficiency – are we investing the right amount of time, effort and resources, compared to what we are able to achieve?
- Value for money – are we spending time and money on the right things for our customers?

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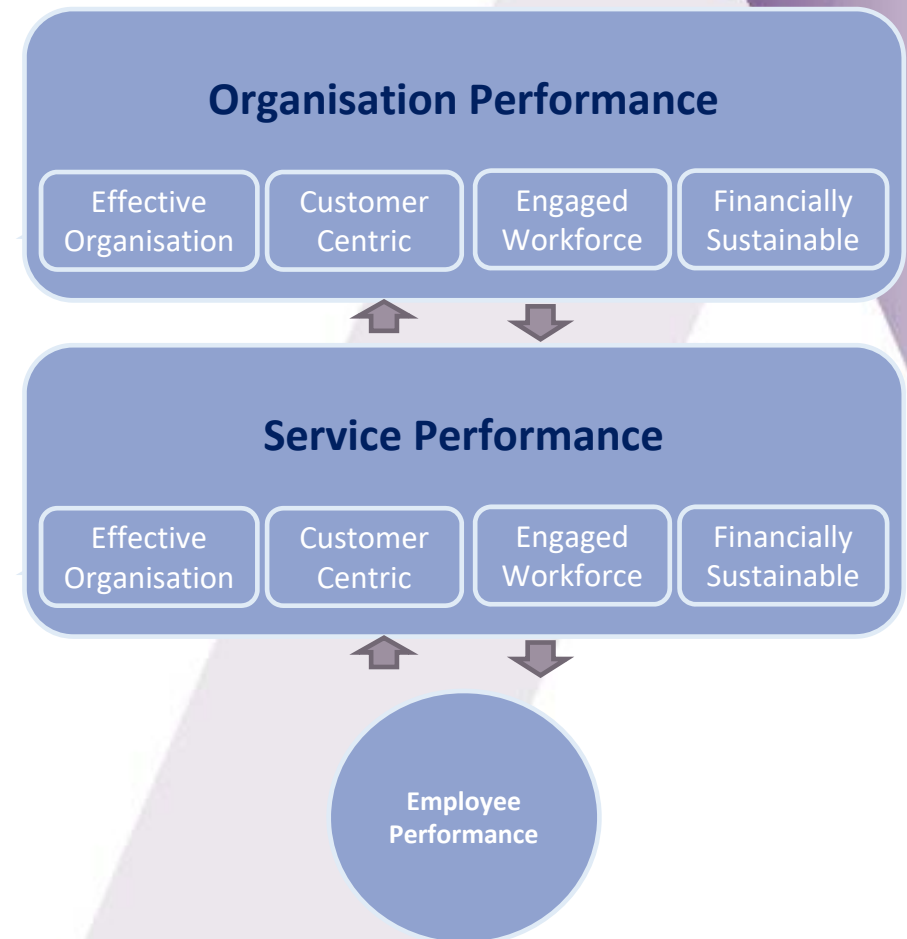


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Service Performance

Performance measures at a service level will flow through the same 4 pillars of the Organisation Planning and Performance Framework:

Effective Organisation	Customer Centric	Engaged Workforce	Financially Sustainable
How will we know?			
Service KPI's and Service Levels (timeliness, attendance, utilisation, frequency etc)	Customer feedback (satisfaction surveys, engagement, insights etc)	Denison Survey results cut by service	Service Cost, Planning and Resourcing

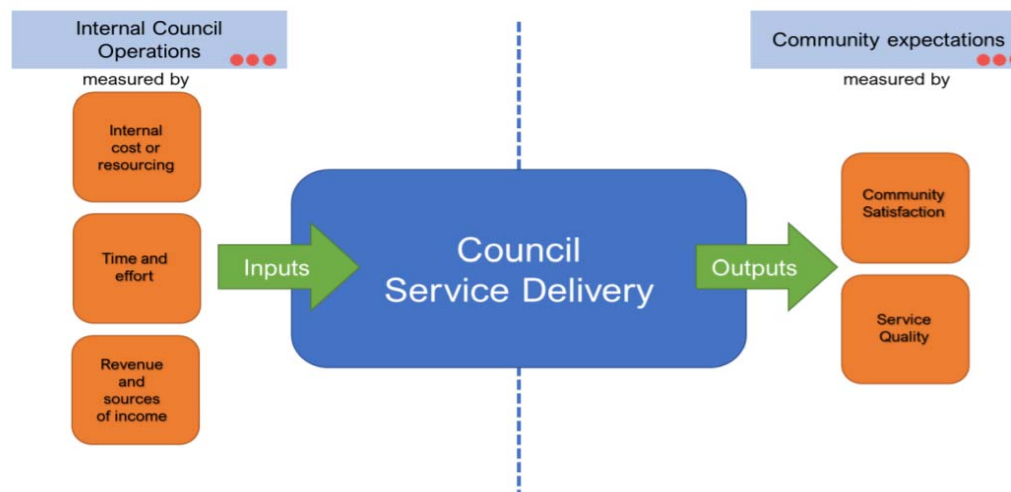


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Capturing Service Inputs and Outputs

- Guided by established Strategies, Policies, Guidelines
- Service Performance to measure both internal council operations and community expectations (Refer to figure below)
- Service Performance outcomes inform what changes are required to improve and or maintain targets and measures



Source: Local Government Better Practice Guide
Performance Reporting Framework Indicator Workbook 2019-20
Environment, Land, Water and Planning,
Victoria State Government

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Next Steps

1. Seek endorsement of the proposed Organisation Performance Framework
2. Finalise measures and indicators with Associate Directors and prepare to implement in alignment with outcomes from Reshaping the Organisation.
3. Build Service Delivery Plans in alignment with Strategic Plan objectives and integrate performance measures
4. Expand the sources of demand data, to increase visibility of customer requests and continually enhance our understanding and ability to feed data into future service planning.

Audit Committee Performance

ITEM 5.1 06/11/2020

Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:Rudi Deco, Manager Governance
8203 7442

2019/02483

Public

Approving Officer:Mark Goldstone, Chief Executive
Officer

EXECUTIVE SUMMARY

Pursuant to the Audit Committee's Terms of Reference, the Audit Committee shall at least once a year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness.

The Audit Committee Self-Performance Evaluation was sent to all Audit Committee Members on 12 October 2020. Three (3) responses were received.

This report outlines the results of the evaluation questionnaire.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Reviews the results of the Audit Committee Self-Performance Evaluation outlined in the report to Item 5.1 on the Agenda of the City of Adelaide Audit Committee held on 6 November 2020.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The role of the City of Adelaide is to uphold the values of integrity and accountability. To ensure that the Council delivers services to the community as a leader, advocate, and facilitator by maintaining a transparent decision-making process.
Policy	Alignment with the Audit Committee Terms of Reference
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	Not as a result of this report
Opportunities	The self-performance evaluation provides the opportunity to assess and strengthen the activities of the Audit Committee
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 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
20/21 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. At its meeting on Tuesday 19 November 2019, Council established the Audit Committee for the 2020-2023 term and endorsed the Audit Committee's [Terms of Reference](#) at its meeting on 14 May 2020.
2. Pursuant to section 9.6 of the Audit Committee's Terms of Reference, the Audit Committee shall at least once a year, review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness.
3. The Audit Committee Self-Performance Evaluation questionnaire was sent to all Audit Committee Members on 12 October 2020. Three (3) responses were received.
4. Overall results from the assessments of the Audit Committee were positive with further clarification and discussion required on several verbatim comments provided, as quoted below:
 - 4.1. Additional meetings as and when required have been held, however 4.1 in the Terms of Reference is insufficient
 - 4.1.1. Terms of Reference 4.1 – The Committee shall meet at least six (6) times per year, as determined by the Committee
 - 4.2. An effective approach has been implemented at the City of Adelaide to sufficiently manage risk however not opportunity
 - 4.3. Audit Committee to assist with the risk appetite discussion with the Risk Team, Strategic Risk and Internal Audit Group (SRIA) and Elected Members
 - 4.4. Audit Committee is informed about work in progress at end of financial year, which is deemed to be too late in the process
 - 4.5. Additional reporting to audit improvements to confirm what has been implemented
 - 4.6. Introduce a planning session to better inform timing, reports, content and context which would add more value to discussions
 - 4.7. Strengthen connection between Audit Committee and Council
 - 4.8. Utilise the Committee more strategically, targeted approach may assist in maximising its value
 - 4.9. Involvement in Service Level reviews
 - 4.10. Consider a more 'informal' setting to promote discussions

All results and comments provided are summarised within the report – view [here](#).
5. In response to the comments raised, management has implemented the following improvements:
 - 5.1. The audit plan, to be presented to Audit Committee at its meeting in February 2021 is scheduled to hold seven (7) meetings with one being finance only
 - 5.2. A meeting has been scheduled with the Manager Governance and the independent members of the audit Committee to hold a discussion on risk appetite
 - 5.3. More detailed WIP reporting in the quarterly reports will be presented to Audit Committee
 - 5.4. The quarterly Internal Audit Progress Update report, which is presented to the Audit Committee, identifies those internal audit actions that have been closed throughout that quarter
 - 5.5. Quarterly reporting on Service Reviews are continued to be scheduled in the work plan, to be presented to Audit Committee at its meeting in February 2021.

DATA AND SUPPORTING INFORMATION

Link 1 – Terms of Reference

Link 2 – Audit Committee Self-Performance Evaluation

ATTACHMENTS

Nil

- END OF REPORT -

Capitalisation Process

ITEM 5.2 06/11/2020
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Matthew Morrissey, AD
Infrastructure 8203 7462

2020/01521
Public

Approving Officer:
Klinton Devenish, Director Place

EXECUTIVE SUMMARY

At its meeting on 13 October 2020, Council requested a report to Audit Committee which reviews the Work In Progress (WIP)/Capitalisation process and provides suggestions for improvements to the process, including KPI's to be implemented and monitored by the Chief Executive Officer.

This report provides the Audit Committee with details of the process improvements that have been made to the capitalisation process to date, external challenges that the teams face in meeting reporting deadlines and provides suggestions on further improvements to reduce variation to forecast write off in the future.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report.
2. Notes the improvements to the capitalisation process already made and supports the further improvements noted in the report.
3. Notes the Chief Executive Officer will implement the recommended KPI's regarding financial capitalisation and financial reporting as listed in Item 5.2 on the Agenda for the meeting of the Audit Committee held on 6 November 2020.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	This report aligns to the Asset Accounting Policy and Asset Management Policy.
Consultation	Not as a result of this report
Resource	Not as a result of this report
Risk / Legal / Legislative	The measures included in this report will reduce the financial reporting risks highlighted by Audit Committee at its previous meeting.
Opportunities	Opportunities for further improvements to the capitalisation process are highlighted within the report.
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 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
20/21 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. At its meeting on 13 October 2020, Council requested a report from the Administration be provided to the Audit Committee from the infrastructure program on the following:
 - 1.1. Capital work in progress including specific examples and timelines and details on KPIs being implemented within the infrastructure team to deliver within those specified timelines.
 - 1.2. Improvements in the process of delivering capital works and financial reporting.

Historical Context

2. During the 2018/19 financial year, the Infrastructure and Finance team identified the following gaps and inconsistencies in the financial capitalisation process and financial reporting.
 - 2.1. No traceable link between the Technology Finance System and the Fixed Asset Register
 - 2.2. Inconsistent data being provided to enable capitalisation
 - 2.3. Unachievable timeframe to deliver at each stage of the process to enable the asset data required.
 - 2.4. Inconsistent application of the capital vs expense rules.
 - 2.5. Role clarity and responsibility for each stage of the process.
 - 2.6. Annual expected expense not forecast and tracked throughout the year.
 - 2.7. Accounting timeframes not aligned with realistic project delivery timeframes for more complex projects
3. To rectify these issues a working group was created, and the following process improvements were implemented:
 - 3.1. New Financial Capitalisation Process including role clarification at each stage ([Link 1](#))
 - 3.2. Project Asset Register was created which links the T1 transactions to the individual assets which have been delivered ([Link 2](#))
 - 3.3. New Capitalisation Dashboard which tracks and timestamps projects individually to enable monitoring and accountability ([Link 3](#))
 - 3.4. Implementation of a 10-week capitalisation timeline from Project Completion to Final Capitalisation.
 - 3.5. Additional finance touch point to peer review prior to Asset Systems Team finalising asset information into system (Assetic) to ensure alignment to the Asset Guidelines earlier in the process, reducing the need for rework later.
4. Following the expense deficit at the end of the 2018/19 financial year process further improvements were implemented:
 - 4.1. Asset Accounting Policy was endorsed by Council on 8 September 2020, this included a Fixed Asset Accounting Guideline which was prepared by the working group.
 - 4.2. Process to forecast expected expense per project within the infrastructure program ([Link 4](#))

Capitalisation Process Timeframe

5. As stated in the Fixed Asset Accounting Guideline, all capital projects should be capitalised as soon as practically possible after they have reached practical completion. The typical timeframe detailed in the guideline for CoA project capitalisation is as follows:
 - 5.1. Project Manager – 6 Weeks
 - 5.2. Asset Manager – 2 Weeks
 - 5.3. Finance – Initial Review – ½ Week
 - 5.4. Asset Data Systems – 1 week
 - 5.5. Finance Completion – ½ week

6. Examples of projects which have gone through the process are summarised below and can be found through this ([Link 5](#)).

Project	Practical Completion	Asset Manager Stage	Finance	Data Systems	Finance
Gladstone Street	13-May-20	23-Jun-20	10-Jul-20	14-Jul-20	16-Jul-20
Philip Street	30-Apr-20	2-Jun-20	19-Jun-20	23-Jun-20	25-Jun-20
Gawler Place	5-Dec-19	10-Jun-20	16-Jul-20	16-Jul-20	16-Jul-20

7. A report has been prepared which provides a summary of Council's capital works projects that have reached practical completion in Q1 2020-21 and their status within the WIP handover process ([Link 6](#)).

Challenges faced meeting the 10-week timeframe

8. The trigger to commence the capitalisation timeframe is Practical Completion (PC) which is defined within the City of Adelaide contracts as when the Works are substantially complete and fit for use and occupation by the Council for their intended use and purpose (as determined by the Council's Representative).
- 8.1. Practical completion is a contract term and is not reflective of the ability to commence capitalisation for the following reasons:
- 8.1.1. Practical completion is not a trigger that the project is financially complete, claims and payments against the contract are generally still required.
- 8.1.2. Internal costs and charges are on-going and not fully realised at the time of PC.
- 8.1.3. There may be multiple PC's within one project however capitalisation is unable to commence until the final practical completion is reached due to the need to apportion overheads and project wide costs across the entire project.
- 8.1.4. Historically there have been challenges in receiving the required information from contractors to enable capitalisation, i.e. As-Constructed Drawings
- 8.1.5. A significant amount of the infrastructure program is delivered in the final quarter of the financial year and there are competing priorities to finalise projects and capitalise whilst preparing for the next years projects.
- 8.1.6. The above challenges are particularly relevant to Major Projects due to their complex nature and it is often not practical to reach the 10-week target. Major Projects will be reviewed on an individual basis to determine the most efficient approach for completing their capitalisation.
- 8.2. This time leads to the financial processing being separated from the asset data processing in the Asset Management System, creating a data processing backlog. This is not standard practice and the impacts of not processing asset information in the Asset Management system may lead to poor predictive modelling on future capital investment and maintenance planning.
- 8.3. To address the above, Infrastructure and Finance will mitigate the challenges of not completing within the 10-week timeframe on a project by project basis and will continue to identify opportunities to improve the process and enable efficiency. Together with the Procurement team we will work with our contractors to receive information in a timely manner and escalate where there are challenges.

Asset Management Transformation Program

9. The Asset Management Transformation project was initiated in 2018 and through its implementation has realised the following benefits in relation to capitalisation:
- 9.1. Implementation of Assetic as the asset management software system.
- 9.2. Centralised system - source of truth for asset data, resulting in improved internal system, data quality and reporting.
- 9.3. Removal manual workarounds and process to manage the information flow between the Financial systems and the Asset Management System decreasing the processing time to enter data into Assetic.
- 9.4. All assets fully accounted for (including location, condition, status, etc), including the ability to determine whole of lifecycle costs, through the improvement in quality of and access to asset information.

10. Financial 'go-live' for the Assetic system was February 2020, following this there was a backlog of projects to process from the previous nine months, at the same time as processing the live projects reaching completion. The delayed start led to late capitalisations at the end of the financial year, however now that the system and processes are embedded the processing of assets into our asset system is more efficient and quicker.

Improvements identified following 2019/20 Annual Statements

11. The following improvements have been identified in response to the deficit in the 2019/20 financial statements:
- 11.1. Expense treatment to be actioned by finance at their first review, two steps earlier in the process to enable more time for review and consideration at the end of the year.
 - 11.2. Capital projects outside of the infrastructure program follow same expense forecast process throughout the year.
 - 11.3. Monthly meetings to review expense vs capital initiated with Finance and Infrastructure and quarterly reporting on forecast and variance through Quarterly Finance report, with oversight from the Strategic Risk and Internal Audit Group as requested by the Audit Committee.
 - 11.4. Continuous review and clarification of the Fixed Asset Accounting Guidelines to ensure accurate application.
 - 11.5. Overhead allocation forecast per project to ensure budgeted capitalised wages closely aligns to actual.
 - 11.6. We will continue to look for opportunities to refine and make the process more efficient.

Previous year data

12. The below table shows the previous year data for processing WIP within the 10-week timeframe (excluding Major Projects):

Year	Processed within 10-week timeframe	Processed outside 10-week timeframe
2018-19	25%	75%
2019-20	48%	52%

13. The below tables data taken from Note 7 of the Annual Financial Statements shows the variance between the Capital WIP Write Off at preliminary end of year and within the final annual financial statements:

Year	Forecast at PEOY	Actual in financial statements	Variance
2018-19	Not forecast	\$18.5m	N/A
2019-20	\$4.2m	\$8.0m	90%

Recommended KPI's to be implemented

14. Based on the data above we believe the below targets are stretch targets and have implemented the controls to ensure KPI's are met.
- 14.1. Finance and Infrastructure will work closely together to achieve accurate financial reporting.
 - 14.2. 75% of the number of projects in the CoA Capital Program (excluding Major Projects) will be capitalised within the 10-week timeframe.
 - 14.3. The variance between expected Capital WIP write off at preliminary end of year and in the annual financial statements will not increase by more than 10%.

DATA AND SUPPORTING INFORMATION

Link 1 - Capitalisation Process

Link 2 - Project Asset Register

Link 3 - Capitalisation Dashboard

[Link 4 - Write Off Process](#)

[Link 5 - Project WIP Examples](#)

[Link 6 - CW Projects Progress Update](#)

ATTACHMENTS

Nil

- END OF REPORT -

2020-2021 Quarter 1 Finance Report

ITEM 5.3 06/11/2020
Audit Committee

Strategic Alignment - Enabling Priorities

2020/00150
Public

Program Contact:
Sonjoy Ghosh, AD Strategic
Finance & Performance 8203
7655

Approving Officer:
Clare Mockler, Deputy CEO &
Director Culture

EXECUTIVE SUMMARY

The 2020-21 Quarter 1 Finance Report summarises:

- The year to date financial performance for the quarter ended 30 September 2020.
- Proposed adjustments to the 2020-21 Budget to fund emerging priorities and adjust income and expenditure in line with the 2020-21 Quarter 1 Revised Forecast.

The 2020-21 Business Plan and Budget was developed on the basis of best projections of the anticipated impact of COVID-19. It reflects Council's decision that the CEO identify \$20 million in permanent operating expenditure savings this financial year. The Quarter 1 Finance Report incorporates the permanent savings of \$2.576 million identified (post the enactment of our COVID-19 Business Continuity Plan) as an initial contribution to the \$20 million operational expenditure savings target set by Council (Phase 1), as reported to Council on 13 August 2020. Further savings that have either been achieved or identified as part of Reshaping Our Organisation will be shared with Council in November 2020.

Since the adoption of the 2020-21 Business Plan and Budget, additional initiatives and projects have been resolved by Council such as the purchase of a new property for the Southwest Community Centre and additional support to small and medium size businesses that has increased our operating deficit by \$0.85 million and our borrowings by \$2.4 million.

The impact of these **net** adjustments in the Quarter 1 reforecast to the end of year position are:

- an increase to Council's forecasted Operating Deficit for 2020-21 from (\$36.4) million to (\$39.0) million,
- increase to borrowings from (\$90.1) million to (\$92.8) million.

This projected level of borrowing as at 30 June 2021 is within our existing Prudential Borrowing Limits.

A workshop on the 2021-22 Business Plan and Budget will be facilitated with Council in November, which will build the context in which the budget is being set and provide Council the opportunity to discuss their strategic priorities to assist in prioritising work packages for the upcoming financial year. The workshop will also include a Rating Policy review to ensure a rating structure that has regard to the equity, benefit, ability-to-pay, efficiency and simplicity principles of taxation.

RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council:

1. Adopts the 2020-21 Quarter 1 Finance Report, including the proposed 2020-21 Quarter 1 Revised Forecast as summarised in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 6 November 2020.
2. Notes the 2020-21 Quarter 1 Finance Report includes adjustments of (\$0.85) million of increased operating costs and (\$1.5) million of increased borrowings as a result of Council decisions in Quarter 1.
3. Notes the updated Long Term Financial Plan, shown in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 6 November 2020.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The deliverables and objectives set out in the Quarter 1 Revised Forecast (QF1) document are directly aligned to the delivery of year 1 of the 2020-2024 City of Adelaide Strategic Plan.
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	The financial indicators have been included in Attachment A to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan.
Opportunities	The quarterly review meets Council's obligations under the <i>Local Government Act 1999</i> and <i>Local Government (Financial Management) Regulations 2011</i> .
20/21 Budget Allocation	Adjustments to the 2020-21 Budget are detailed throughout the Report and Attachment A
Proposed 21/22 Budget Allocation	Proposed re-timings from 2020-21 of \$150,000 for projects and infrastructure works.
Life of Project, Service, Initiative or (Expectancy of) Asset	Not as a result of this report
20/21 Budget Reconsideration (if applicable)	Adjustments to the 2020-21 Budget are detailed throughout the Report and Attachment A.
Ongoing Costs (eg maintenance cost)	Not as a result of this report
Other Funding Sources	Not as a result of this report

DISCUSSION

2020-21 Quarter 1 Financial Result

1. The year to date financial position for the quarter ended 30 September 2020 is an operating surplus of \$3.3 million which is \$7.8 million favourable compared to budget of (\$4.5) million. This is primarily due to:
 - 1.1. Lower than forecast expenditure driven by Contractual Services including Temporary Labour and Consultants and Materials including Water.
 - 1.2. Better than forecast fees and charges income from UPark, On Street Parking and Expiations. However, revenues are still \$2.2 million lower than the same time in 2019-20.
 - 1.3. Employee costs are higher than forecast due to the timing of operating savings including Phase 1 implementation, offset by our approach to managing vacancies.
2. Opportunities and Risks for the rest of the financial year include:
 - 2.1. UPark are downgrading future quarter expectations as Superloop Adelaide 500 has been cancelled and the Pageant is expected to draw a reduced crowd due to this year's COVID-19 safe format. Festivals will also be impacted across the peak period of February and March – with reduced numbers of participants – both artists and audiences.
 - 2.2. Town Hall has reduced its estimates of income from future events as COVID-19 restrictions continue to impact bookings.
 - 2.3. The Aquatic Centre is open and Swim School enrolments are better than forecast, however the overall forecast for the Aquatic Centre remains at a loss of (\$2.6) million before depreciation.

Cash flow from Rates Income

3. Rates notices were distributed later than in prior years and rate payers had until 30 September to make payment.
 - 3.1. As at 13 October, 80% of payments have been received and there have been 84 applications for hardship (4% of Q1 rates notices).

Improvements to financial reporting of Capital Projects

4. The Administration has committed to further improve our processes in the financial reporting of infrastructure projects by:
 - 4.1. Reviewing and refining the budgeting and forecasting capitalisation and write-off expense per project and review and resolve variances quarterly.
 - 4.2. Reviewing and refining the capital project overhead expenses allocation and adjust quarterly to reflect any changes to the infrastructure program overall.
 - 4.3. Process improvements have already been implemented to provide more accurate estimates of capital write-off expenses.

Proposed adjustments

5. An increase in the electricity budget of (\$1.2) million. While the PPA has resulted in a significant reduction in the cost of electricity consumption, there has been a 5.5% increase in volume (from 19.5GWh to 20.5GWh) and an increase in pass-through regulatory charges (including a 10% increase of SAPN network tariff). Some mandatory regulated charges and the 9.5% transmission and distribution loss factors (included in all electricity contracts, whether standard or PPA) were omitted from the original budget calculations.
6. Town Hall increase in deficit of (\$0.2) million which includes a reduction in forecast income of (\$0.3) million partially offset by a reduction in expenditure of \$0.1 million.
7. On Street Parking and Expiations fees and charges income increase of \$2.5 million.
8. Reduction in deficit of \$0.2 million for Aquatic Centre and \$0.2 million for Golf.

Infrastructure and Capital Projects Adjustments

9. Re-timing adjustments of \$150,000 for projects and infrastructure works from 2020-21 are proposed as detailed in **Attachment A** to the Quarter 1 Finance Report.
10. The Work in Progress (WIP) write-off has been adjusted by (\$2.1) million and is now forecasted to be (\$6.6) million as the projects further clarify the required elements being delivered for each project. This increase also includes projects that were re-timed at preliminary year end and would not have been included in the initial budget estimate.
11. Additionally, two projects have moved from capital to operating totalling \$670,000.

Additional adjustments as requested by Council

12. An allocation of (\$1.5) million to purchase the South West Community Centre by 31 December 2021.
13. Increase of (\$0.9) million to extend the Outdoor Activation Grants initially funded by a grant of \$0.3 million from State Government. A further contribution from State Government of \$375,000 will be sought.

Proposed Revised Quarter 1 Forecast

14. The revised forecast of the Operating Deficit at the end of the 2020-21 financial year is projected to increase by \$2.6 million, from (\$36.4) million to (\$39.0) million.
15. Council's borrowings (debt) as at 30 June 2021 is forecasted to increase by \$2.7 million from \$90.1 million to \$92.8 million.
16. The Revised Financial Statements are included as an Appendix to **Attachment A**.

Treasury Report

17. As per the requirements set out in the Treasury and Cash Investment Policy, the borrowing and cash investment performance for year to date as at 30 September 2020 is reported below.
18. Borrowings as at 30 September 2020 were \$53.1 million.

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 30 September 2020	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD* 554	\$30m	Variable	1.50%	\$30m	\$0.0m	16/12/2023	1.50%
LGFA CAD* 555	\$70m	Variable	1.50%	\$23.1m	\$1.5m	15/06/2033	1.50%

* The Local Government Finance Authority (LGFA) cash advance debenture (CAD) facilities are flexible and allows Council to convert all or part of it into a fixed rate interest only loan for a maximum of 5 years.

19. The Prudential Limits as at 30 September 2020 based on actual borrowings of \$53.1 million are below:

Prudential Limit Ratio	Comments	Limits	YTD Actual to September 2020
Interest Expense Ratio	Number of times annual General Rates Revenue (less Landscape Levy) can service the annual interest expense	Maximum 10%	1.5%
Leverage Test	Total borrowings relative to annual General Rates Revenue (Less Landscape Levy)	Max 1.5 years	0.5
Asset Test	The percentage of total borrowings to Council's saleable property assets.	Max 25%	15%

20. Interest Income / (Expenditure) against the Quarter 1 budget is a net favourable year to date variance of \$0.2 million.

Interest	Quarter Jul-Sep		Sep YTD		Annual	Administration Comments
	Actual	Budget	Actual	Budget	Budget	
Revenue	\$3,070	\$8,800	\$3,070	\$8,800	\$35,200	Interest revenue consists of interest earned on operating monies held in the NAB operating account.
Expense	(\$232,570)	(\$433,273)	(\$232,570)	(\$433,273)	(\$1,733,093)	Interest expense consists of LGFA CAD facility.

Forecast Financial Statements and Long Term Financial Plan

21. Council's Long Term Financial Plan has been updated to reflect the re-timing adjustments for projects and infrastructure works from the 2020-21 financial year, along with revised estimates for interest expense and borrowings.
22. Financial statements and the Long Term Financial Plan are provided in the appendices to **Attachment A**. These show the forecast operating surplus/(deficit), funding requirement and borrowings in 2020-21 and future years based on the proposed re-timing adjustments.

23. The financial indicators have been included in **Attachment A** to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan.
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ATTACHMENTS

Attachment A – 2020-21 Quarter 1 Finance Report

- END OF REPORT -

City of Adelaide 2020-21 Quarter 1 Finance Report

September 2020

Prepared for the City of Adelaide
by Strategic Finance and Performance

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Glossary

Asset Sustainability Ratio: Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans

Asset Test Ratio: Borrowings as a percentage of total saleable property assets

Debt Service Coverage: Number of times the funding surplus from Operations can fund annual debt (principle and interest) repayments

Leverage Test Ratio: Total borrowings relative to rates revenue (less NRM levy)

Interest Expense Ratio: Proportion of Council's general rate income that is being used to service debt (interest)

Liquidity: Measure of the Council's ability to cover its immediate and short-term debts and obligations

Net Financial Liabilities: Financial liabilities as a percentage of operating surplus

Operating Surplus Ratio: Operating surplus as a percentage of operating revenue

Uniform Presentation of Finances: Annual funding requirement to cover spend on operations and capital

Vacancy Management: Centralisation of vacancies across operations against an annual target of \$1.5m

Work in Progress (WIP): An unfinished project that has not yet been capitalised to our asset register

WIP write off: A portion of an unfinished project which cannot be capitalised and will be expensed once the project is capitalised

Executive Summary

Quarterly Update

Council's year to date financial position is an improvement to forecast budget, driven by greater than expected income and lower expenditure.

With people gradually starting to return to the City post-COVID-19, there has been some improvement to revenue, especially in parking. UPark are anticipating future income may be lower than budget as major events are cancelled, delayed or downsized. Town Hall has reduced its estimates of income from future events as COVID-19 restrictions continue to impact bookings.

The above has been considered and reflected in the Quarter 1 forecast.

Cash flow from Quarter 1 rates notices was due on 30 September. Currently 80% has been paid with 84 applications for hardship amounting to 4% of rates.

Expenditure is lower than budget year to date, however there are requests for funds in the Quarter 1 forecast for electricity and capital project write-offs. Savings have been identified to partially offset these requests.

Additional adjustments are required as a result of Council decisions estimated to cost \$2.4 million, for the purchase of a property for the South West Community Centre, and the extension of the Outdoor Activation Grant.

Although Adelaide Central Market Authority have seen a strong quarter on car park income, they are forecasting to remain on budget as rental income has been impacted by the extension of incentives into 2020-21. The next quarter will see the start of the Sunday trading trial leading up to Christmas.

Quarter 1 Operating Position

Council's quarter 1 financial position is an operating surplus of \$3.3 million which is \$7.8 million favourable compared to our COVID-19 Recovery budget of (\$4.5) million. This is primarily due to:

- Lower than forecast expenditure driven by savings across Temporary labour, Apprentices, Consultant fees, External Contractors and Water
- Better than forecast revenue from UPark, On Street Parking and Expiations, noting revenue is (\$2.2) million below quarter 1 2019-20.

End of Year Operating Position

The revised forecast of our Operating Deficit at the end of the 2020-21 financial year is projected to increase by (\$2.6) million, from (\$36.4) million to (\$39.0) million.

Borrowings

Council's borrowings at 30 September 2020 were \$53.1 million. This is within prudential limits.

The forecast end of year position has increased by \$2.7 million to \$92.8 million

Risk & Opportunities

Income Expectations

User Charges revenues are 19% higher than budget year to date although still (\$2.2) million lower than the same time in 2019-20.

The 2020-21 COVID-19 recovery budget was built assuming a gradual recovery of revenue. As we move into the second half of the year, the actual and budget income will be more closely aligned and there is a possibility budget may not be achieved in quarters 2 and 3 due to:

- Superloop Adelaide 500 has been cancelled and the Pageant is expected to draw a reduced crowd due to this year's COVID-19 safe format.
- Festivals will also be impacted across the peak period of February and March – with reduced numbers of participants – both artists and audiences.

Town Hall has also reduced its estimates of income from future events as COVID-19 restrictions continue to impact bookings.

Work in Progress write off

The revised Operating Position includes an increase to the Work in Progress (WIP) write off of (\$2.1) million.

There is an element of revision leading to a variance to forecast as project scopes are refined throughout the delivery of capital projects, however improvements have been made to the budgeting process for capital projects to reduce the variance in future years.

Financial Indicators

Explanation

The table below provides information about the key indicators of the Council's financial performance and financial position. A range of financial indicators have been included to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan. These are analysed on pages 16 to 19.

Financial Indicator	Explanation	Target	September Year to Date		Revised Forecast	
			2020-21 Actuals	2020-21 Budget	2020-21 Adopted Budget	Proposed 2020-21 Budget (QF1)
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	7%	(9%)	(20%)	(21%)
Net Financial Liabilities	Financial liabilities and a percentage of operating revenue	Less than 80%	N/A	N/A	67%	63%
Asset Sustainability Ratio	Asset renewal expenditure as a percentage of required expenditure forecast in the asset management plans	90%-110%	N/A	N/A	73%	74%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	15%	16%	26%	27%
Interest Expense Ratio	Number of times General Rates Revenue (less landscape Levy) can service the annual interest expense	Maximum 10%	1.6%	2.0%	1.3%	1.3%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less landscape Levy)	Maximum 1.5 years	N/A	N/A	0.8	0.8
Borrowings (\$'m)	Total borrowings	Within Prudential Limits	53.1	54.6	90.1	92.8
Operating Surplus (\$'m)	Operating Income less Expenditure	\$2m - \$10m	3.2	(4.5)	(36.4)	(39.0)

The year to date financial indicators are in line with the targets, and borrowings are within the prudential limits. The net financial liabilities and leverage test are marked as not applicable because they are based on annual rate income rather than year to date.

The asset sustainability ratio is also not applicable because it reflects the annual infrastructure renewal program spend against the asset management plan

Operating Summary

Explanation

The Operating Summary provides a breakdown of the key variances in operational income and expenditure between the year to date actuals and adopted budget.

This summary is presented in a format consistent with the Statement of Comprehensive Income.

\$'000s	Year to Date			Revised Forecast		
	2020-21 YTD Actuals	2020-21 YTD Budget	Variance	Full Year 2020-21 Budget (Adopted)	Proposed 2020-21 Budget (QF1)	Variance
Income						
Rates Revenues	32,206	32,429	(224)	118,455	118,454	(1)
Statutory Charges	2,675	2,193	481	8,900	9,369	469
User Charges	14,037	11,734	2,303	53,435	53,879	444
Grants, Subsidies and Contributions	878	1,058	(180)	4,510	5,469	958
Investment Income	4	9	(4)	35	35	-
Reimbursements	70	173	(103)	691	691	-
Other Income	109	(30)	138	299	349	50
Total Income	49,978	47,566	2,412	186,326	188,247	1,921
Expenses						
Employee Costs	18,609	18,134	(475)	78,274	78,130	143
Materials, Contracts & Other Expenses	14,331	19,869	5,539	88,296	93,076	(4,780)
Depreciation, Amortisation & Impairment	13,263	13,436	173	53,744	53,638	107
Finance Costs	517	640	123	2,423	2,412	11
Total Expenses	46,720	52,080	5,360	222,737	227,256	(4,519)
Operating Surplus / (Deficit)	3,258	(4,514)	7,772	(36,411)	(39,009)	(2,599)
Asset Disposal & Fair Value Adjustments	99	10	89	(300)	491	(791)
Amounts Received Specifically for New or Upgraded Assets	1,515	1,390	126	3,429	7,853	4,425
Net Surplus / (Deficit)	4,872	(3,114)	7,986	(33,282)	(30,665)	1,035
Total Comprehensive Income	4,872	(3,114)	7,986	(33,282)	(30,665)	1,035

Operating Summary

Year to Date

Rates Revenue (\$0.2) million due to corrections to original rating assumptions

Statutory Fees and Charges \$0.5 million Increased expiations and associated revenue

User Fees and Charges \$2.3 million

- UPark \$947k favourable. UPark Plus has assisted with a better than anticipated recovery post-COVID-19
- Aquatic Centre opened one month ahead of budget assumptions resulting in an additional \$206k revenue, \$301k YTD
- Golf \$267k favourable due to increased rounds across all courses and associated secondary spends
- On Street Parking fees and charges revenue increase \$650k as COVID-19 restrictions ease

Grants, Subsidies & Contributions (\$0.2) million

Delay in recognition of grants as this is matched with delayed expenditure

Reimbursements (\$0.1) million Reduced level of private works completed by Public Realm.

Other Income \$0.1 million Funding received to complete Building Audits \$90k

Expenditure

Employee Costs (\$0.5) million Employee costs are higher than forecast due to the timing of operating savings including Phase 1 implementation, offset by our approach to managing vacancies.

Materials, Contracts & Other Expenses \$5.5 million

- Driven by savings made across Temporary labour \$831k, Apprentices \$710k, Consultant fees \$664k, External Contractors \$734k
- Water \$188k, partly due to favourable position to 2019-20 accrued expenditure

Depreciation, Amortisation & Impairments \$0.2 million

lower depreciation due to the impairment of Right of Use Assets in 2019-20, that are adjusted in QF1

Finance Costs \$0.1 million Due to lower debt balance and impairment of Right of Use Assets.

End of Year Forecast

Statutory Fees and Charges \$0.5 million

Recognition of year to date favourable variance

User Charges \$0.4 million

- Aquatic Centre opened one month ahead of budget assumptions \$0.3 million
- Golf \$0.2 million due to increased rounds across all courses and associated secondary spends in quarter one
- On-Street Parking \$0.6 million in recognition of year to date favourable variance
- Town Hall (\$0.3) million reduced income from future events as restrictions have not lifted as soon as expected
- Offset partially by a reduction in revenue assumptions for Adshel and recognition of no rent increase for Central Market tenants made during budget review (\$0.4) million

Grants, Subsidies & Contributions \$1.0 million

Grants received for asset renewals, predominantly roads

Expenditure

Employee Costs \$0.1 million Includes a resource to continue the review of cladding funded by a grant

Materials, Contracts & Other Expenses (\$4.8) million

- Increase to electricity budget (\$1.2) million. 5.5% increase in volume (from 19.5GWh to 20.5GWh) and an increase in pass-through regulatory charges. Some mandatory regulated charges and the 9.5% transmission and distribution loss factors were omitted from the original budget calculations.
- Council Decision to extend the Outdoor Activation Grant (\$0.85) million
- Capital works write off (\$2.1) million, see slide 14
- Recognition of contribution to Brown Hill Keswick Creek and Digital Wayfinding as an expense (\$0.7) million
- Reduction in costs in Town Hall and Aquatic Centre \$0.2 million

Depreciation, Amortisation & Impairments \$0.1 million

Adjustment to AASB16 Leases following the finalisation of the 2019-20 Financial Statements

Uniform Presentation of Finances

Explanation

Uniform Presentation of Finances provides a breakdown of the key variances in operations, net outlays on existing assets and net outlays on new and upgraded assets between the year to date Actuals and Original Budget.

\$'000s	September Year to Date			Revised Forecast		
	2020-21 Actuals	2020-21 Budget	Variance	Full Year 2020-21 Budget (Adopted)	Proposed 2020-21 Budget (QF1)	Variance
Income	49,978	47,566	2,412	186,289	188,247	1,958
less Expenses	(46,720)	(52,080)	5,360	(223,118)	(227,256)	(4,138)
Operating Surplus / (Deficit) before Capital Amounts	3,258	(4,514)	7,772	(36,829)	(39,009)	(2,181)
Outlays on Existing Assets						
Capital Expenditure on Renewal & Replacement of Existing Assets	(6,878)	(10,250)	3,372	(41,885)	(32,613)	9,273
add back Depreciation, Amortisation and Impairment	13,263	13,436	(173)	53,744	53,638	(107)
add back Amounts received specifically for Existing Assets	-	-	-	864	-	(864)
add back Proceeds from Sale of Replaced Assets	-	-	-	-	751	751
Net Outlays on Existing Assets	6,385	3,186	3,199	12,724	21,776	9,052
Outlays on New and Upgraded Assets						
Capital Expenditure on New and Upgraded Assets	(2,605)	(3,075)	470	(25,999)	(31,817)	(5,818)
add back Amounts received specifically for New and Upgraded Assets	1,515	1,390	126	14,650	4,953	(9,697)
Net Outlays on New and Upgraded Assets	(1,090)	(1,686)	596	(11,349)	(26,864)	(15,515)
Net Lending / (Borrowing) for the Financial Year	8,554	(3,013)	11,566	(35,454)	(44,097)	(8,643)

Uniform Presentation of Finances

Year to Date

The year to date Net Lending / (borrowing) position of \$8.6 million is \$11.6 million favourable to the budget of (\$3.0) million. This is largely due to the favourable operating surplus position of \$7.8 million (refer to Page 6), and the timing of expenditure on the renewal and replacement of assets, and new and upgraded assets of \$3.8 million.

Renewal & Replacement of Existing Assets

Capital Expenditure \$3.4 million

- Rundle UPark building works \$230k, dilapidation to car park deck and drainage system halted works
- Grote St \$572k, contractor had resource constraints, second crew now on site
- Prospect Road \$210k, project finalised and final costs to be reconciled with Park 2 project
- Brownhill Keswick Creek \$210k, awaiting invoice, to be transferred to operating project in QF1
- Hazardous Material Removal Program \$126k, expected completion in October
- Linear Park \$125k, surface failure at Albert Bridge resolved, with expected completion in November
- Plant, Fleet & Equipment \$1,294k, favourable, major plant being procured

Depreciation, Amortisation & Impairments \$0.2 million lower depreciation due to the impairment of Right of Use Assets in 2019-20. Budget adjusted in QF1

New and Upgraded Assets

Capital Expenditure \$0.5 million

- Market to Riverbank (Bentham Street) \$656k, delayed start, finalising contract negotiations.
- Park 2 (\$202k), works completed ahead of budget forecast
- Quentin Kenihan Inclusive Playspace (\$308k), works completed ahead of budget forecast
- Gawler Place Upgrade \$125k - Awaiting installation of art piece in November

Amounts received (\$0.2) million

Timing, mainly due to Park 2 \$202k, Quentin Kenihan Inclusive Playspace \$303k, and Market to Riverbank (Bentham Street) (\$328k)

End of Year Forecast

The revised Net Lending / (Borrowing) position is (\$44.1) million, an increase of (\$8.6) million from the adopted budget, largely driven by the net outlays on assets as detailed below. A correction to the Operating Deficit was required following a review of methodology. The Uniform Presentation of Finances and Operating Statements are now aligned.

Renewal & Replacement of Existing Assets

Capital Expenditure \$9.3 million

- Transfer of delivery resources \$2.4 million, ACMA capital \$2.7 million, and other projects \$1.0 million to New Assets following the finalisation of project scope and review of capitalisation treatment.
- Correction to the Statement to accurately record the WIP write-off of \$0.5 million. An increase of (\$0.9) million for renewals following the review of capitalisation treatment, and a transfer of \$2.9 million to New and Upgrade.
- Net adjustment of (\$0.8) million due to additional Transport renewals of (\$1.3) million funded by grants and contributions, and transfer of Brownhill Keswick Creek to Operating Projects \$0.5 million

Amounts received specifically for Existing Assets (\$0.9) million due to the correction of methodology. This is now incorporated within Grants, Subsidies & Contributions and Proceeds from the disposal of Plant and Fleet below.

Proceeds from the Sale of Replaced Assets \$0.8 million Disposal of Plant and Fleet.

New and Upgraded Assets

Capital Expenditure (\$5.8) million

- Transfer of expenditure (\$6.1) million previously recorded in renewals, refer above.
- Correction of the Statement to accurately record the WIP write-off \$2.9 million.
- Purchase of South West Community Centre (\$1.5) million
- Roads (\$0.8) million of grant funded projects

Amounts received (\$9.8) million

Correction of methodology to reflect the cash flow of amounts received in previous years (\$10.5) million, offset by \$0.8 million additional grants received for Black Spot

Projects

Adjustments and re-timed

Project Explanation	Budget \$'000	Adjustment \$'000	Re-timed \$'000
Outdoor Activation Grant Program			
Council Decision to provide additional grant funding to businesses from Council funds	-	(850)	
Digital Wayfinding			
Movement of existing project from capital to operating to reflect scope	-	(125)	
Brown Hill Keswick Creek			
Movement of existing project from capital to operating to reflect scope	-	(545)	
ADM Technical Specification			
Movement of existing project from capital to operating to reflect scope	-	(3)	
Christmas Festival 2021			
Funds will be committed in this financial year but spent in 2021-22	(200)		150
South West Community Centre			
Council Decision to purchase a property for the South West Community Centre		(1,500)	
Total		(3,023)	150

Summary of Adjustments

The adjustments on the left reflect changes since Budget 2020-21 to the existing funding allocated to projects. The changes include:

- Movement of funds from capital to operating to reflect the nature of the expenditure
- Council Decision to extend the Outdoor Activation Grants initially funded by a grant of \$0.3 million from State Government.
- Council Decision to purchase a property for the South West Community Centre by December 2021. \$1 million is an indicative, conservative estimate for this project.

The net value of these adjustments (\$3.0) million have been funded from a combination of operational savings and borrowings.

Summary of Re-timed Projects

Re-time of funding for Christmas Festival 2021 to reflect the fact the funds need to be committed in this financial year, but the expenditure will be incurred in the 2021-22 financial year.

Infrastructure Program

Adjustments and re-timed

Project Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
New/Significant upgrades			
Peace Park/Town Clerk's Walk			
Scope increase to complete the removal of Paramatta grass (weed).	(261)	(53)	-
Bank St granite plinth			
New project to install a granite plinth in Bank Street to protect an existing tree.	-	(14)	-
Total		(67)	
Transport			
Chesser/Coromandel Street			
Funding received from Local Roads and Community Infrastructure grant to complete the capital works required to facilitate a shared use zone.	-	Expense (84)	-
		Income 84	-
Sussex Street			
Funding Received from the Local Roads and Community Infrastructure Program to fund the resurfacing of Sussex Street.	-	Expense (33)	-
		Income 33	-
Transport Program 20-21			
* Receipt of Financial Assistance Grant-Roads \$256k, Roads to Recovery grant \$256k and Supplementary Roads grant \$595k and converted to expense budget (net \$0), * Receipt of contributions for additional works in Grote Street \$64k and Winifred Street \$5k and converted to expense budget (net \$0), * Small overspend in Caldwell Lane.	(6,075)	Expense (1,191)	-
		Income 1,183	-
Total		(8)	
Traffic Signals			
Renewal of Traffic Lanterns & Signal Controllers			
Unrequired stock returned to contractor, small savings released.	(249)	8	-
Total		8	
Water Infrastructure			
Water Infrastructure			
Brownhill Keswick Creek contributions re-classified as operating project as not capital spend \$545k.	(1,960)	545	-
Total		545	
Urban Elements			
Urban Elements Program			
Scope reduced to release funds for the new Bank Street granite plinth project.	(346)	14	-
Total		14	

Summary of Adjustments

- Increase of \$0.1m to New/Significant Upgrade projects, to complete additional scope to the program.
- Grants received from the Local Roads and Community Infrastructure program resulting in an increase of \$0.1m
- Savings of \$8k released from the Traffic Signals Program to fund overspent in the Transport Program.
- Transfer of \$0.5m from Water Infrastructure to Operating projects for non-capital expenditure on Brown Hill Keswick Creek.
- Scope reduction of the Urban Elements program resulting in transfer of \$14k to the Bank Street Plinth project.

Infrastructure Program

Adjustments and re-timed

Project Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Park Lands and Open Spaces			
Park Lands Renewals			
Scope reduce to release funding for additional scope on Town Clerk's Walk/Peace Park.	(150)	17	-
Streetscape Renewals			
Scope reduce to release funding for additional scope on Town Clerk's Walk/Peace Park.	(296)	36	-
Total		53	
Buildings			
Buildings Program			
Receipt of a Changing Places grant \$150k for Rymill Park Public Convenience renewal.	(234)	Expense (150)	-
		Income 150	
Total			

Summary of Adjustments:

- Scope reduction in the Park Lands and Streetscape Renewal programs releasing \$56k to fund additional scope required in Town Clerk's Walk project.
- Funding Received from DHS for Changing Places Facility in Rymill Park.
- Additional essential scope added to the Buildings Design Program \$150k.

Major Projects

Adjustments and re-timed

Project Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Major Projects			
Smart City Connectivity - Wayfinding Movement of existing project from capital to operating to reflect scope	(125)	125	-
Blackspot - Hindley Street/Gray Street Intersection Receipt of Blackspot Funding from Federal Government.	-	Expense (555) Income 555	-
Halifax Street Footpath project Funding received from Local Roads and Community Infrastructure Program.	-	Expense (220) Income 220	-
Total		125	

Summary of Adjustments

- Transfer of \$0.1m to Operating Projects for Non-Capital project.
- Funds Received from Federal Government for Blackspot Funding.
- Funding Received from Federal Government for Local Roads and Community Infrastructure Program and transferred to projects:
 - Chesser, Coromandel and French shared used zone
 - Halifax Street Footpath Project
 - Sussex Street Road Reseal

Capital Works Write-off Adjustments

Project Explanation	Budget \$'000	Adjustment \$'000
Capital Projects		
Rundle Mall Wayfinding and People Counting - RMMA	-	(50)
Terrance Plowright Sculpture Installation	(9)	(45)
Public Art Program	(46)	(113)
Gawler UPark Facade	(1,911)	(53)
Christmas Festival	-	(37)
Total		(297)
Major Project		
Denise Norton Park/Pardipardinyilla (Park 2) East Enhancement	-	(121)
City Skate Park	(283)	(8)
Market to Riverbank	(70)	(33)
Moonta Street	(212)	(8)
Black Spot – Hindley Street/Gray Street intersection	-	(56)
Total		(225)
New/Significant Upgrades		
Turning Gray Street Green – Arbour	-	(54)
City Greening	(64)	(1)
Tavistock Lane	-	(150)
Peace Park/Town Clerk's Walk	-	(249)
Wattle Grove War Memorial	(20)	20
City Dirt Masterplan	(10)	(30)
Kingstone Terrace Stormwater	-	(6)
Total		(470)
Renewals		
Plant, Fleet and Equipment	-	(25)
Transport Program	(275)	(376)
Bridge Program	-	(8)
Lighting and Electrical Program	(800)	(177)
Water Infrastructure Program	(479)	444
Urban Elements Program	(9)	(83)
Park Lands and Open Spaces Program	-	(78)
Buildings Program	(35)	(4)
CITB Levy	-	(51)
Total		(358)
Delivery Costs		
Project Delivery Costs	-	(725)
Total Changes Capital to Expense		(2,074)

Expense Adjustments

- All capital project budgets are split between capital and non-capital when they are created in the finance system, this allows administration to forecast the expected non-capital (expense) value for the year.
- The 2020-21 capital program was loaded as above, however the carry forwards from Q4 were not loaded at the same time which represents \$1.1m of the variance. A process improvement to ensure all projects are loaded in the same way at the beginning of the year has been identified to rectify this in future.
- A process improvement was identified to forecast the expense value relating to overheads per project to ensure budgeted capitalised wages closely align with actual, this has resulted in \$0.7m increase however is now embedded in the process to consider at the beginning of the year.
- Further refinement of project scope has identified a further expense forecast of \$0.2m.
- Through the above process improvements we endeavour to have more accurate estimates in future budgets and future variances should be a result of scope refinement.

Infrastructure Update

Project Status

Project Explanation	Status
Quarter 1 Practical Completion	
Brownhill Keswick Creek (19/20 Contribution) The City of Adelaide is part of regional subsidiary that is responsible for the development and delivery of the Brown Hill Keswick Creek project which aims to mitigate significant flooding risk to properties in metropolitan Adelaide.	Delivered
CITB Levy Annual payment to CITB based on total construction value. Paid in September.	Delivered
Denise Norton Park / Pardipardinyilla (Park 2) East Enhancement Enhancements to meet the recreation and open space needs of the existing and growing communities in North Adelaide and surrounds.	Delivered
Cardwell Lane Continuation of renewal works on Cardwell Lane.	Delivered
Sussex St Road Resurfacing Road resurfacing Sussex Street.	Delivered
Prospect Road Kerb and Water Table Renewal Kerb and water table reconstruction between Fitzroy Terrace and O'Connell Street.	Delivered

Project Explanation	Status
Quarter 2 Planned Practical Completions	
Quentin Kenihan Inclusive Playspace (QKIP) Opportunity to create an exemplary regional playspace in Rymill Park / Murlawirrapurka (Park 14). Provision of social, active, cognitive and creative play and recreation opportunities for all ages, abilities and cultures serviced by the wider park facilities and amenities for the local and surrounding areas. 100% funded by the State Government.	Planned
Peace Park / Town Clerk's Walk Peace Park irrigation, turf management and tree succession planting. Infill tree planting along Town Clerks Walk.	Planned
Playground Renewals for QKIP Renewal of Playground located within Rymill Park / Murlawirrapurka (Park 14). Enhancements to meet the recreation and open space needs of the existing and growing communities in North Adelaide and surrounds.	Planned
Rymill Park Public Convenience Renewal Renewal of the east toilet block including change room facilities (Inc \$150k Changing Places Grant Funding).	Planned
Park 11 - Torrens Path (Albert Bridge to Behind Zoo) Construct new concrete footpath and retaining structures adjacent Torrens.	Planned
North Terrace (King William Road to Kintore Avenue) Continuation of footpath renewal works on North Terrace (King William Road to Kintore Avenue).	Planned
Pelzer Park/ Pityarilla (Park 19) Enhancement Final stage of Pityarilla / Pelzer Park (Park 19) upgrade.	Planned
Torrens Lake Weir 1 Gate seals replacement.	Planned
Torrens Lake Weir – Component Renewals Gate control system renewal.	Planned

Project Status

- In the first quarter six projects were delivered. Delivered refers to the construction phase projects being completed, the projects now move in to the close phase which includes handover and financial capitalisation.
- Three of these projects are part of the renewal program and one is Essential Works.
- The CITB Levy is an annual contribution for training for the construction industry.
- Denise Norton Park/ Pardipardinyilla (Park 2) East Enhancement is a Major Project funded by a grant contribution

Quarter Performance

financial indicators and performance

Dashboard

The table below provides information about the key indicators of the Council's financial performance and financial position. A range of financial indicators have been included to support Council's strategic decision making by comparing the financial sustainability, asset sustainability, liquidity and capacity to respond in the context of the Long Term Financial Plan (which is provided as Appendix B)

2020-21 Adopted Budget	2020-21 Q1 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Borrowings (\$'m) (Total borrowings)										
Target: Prudential Limits										
90.1	92.9	89.8	114.2	100.5	80.4	76.1	68.9	60.2	86.9	126.7
Operating Surplus (\$'m) (Funding surplus/(deficit))										
Target: Financial sustainability										
(36.4)	(39.1)	(4.7)	(4.9)	(4.4)	3.1	3.0	9.6	7.9	12.1	6.0
Operating Surplus Ratio (Operating surplus as a percentage of operating revenue)										
Target: 0%-20%										
(20%)	(21%)	(2%)	(2%)	(2%)	1%	1%	4%	3%	5%	2%
Net Financial Liabilities (Financial liabilities and a percentage of operating revenue)										
Target: Less than 80%										
67%	63%	60%	70%	62%	46%	43%	39%	35%	44%	59%
Asset Sustainability Ratio (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)										
Target: 90%-110%										
73%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio (Borrowings as a percentage of total saleable property assets)										
Target: Maximum 50%										
26%	27%	25%	31%	26%	21%	20%	18%	15%	21%	31%
Interest Expense Ratio (Number of times General Rates Revenue (less NRM Levy) can service the annual interest expense)										
Target: Maximum 10%										
1.3%	1.3%	1.4%	1.5%	1.5%	1.2%	1.0%	0.9%	0.7%	0.8%	1.2%
Leverage Test Ratio (Total borrowings relative to General Rates Revenue (Less NRM Levy))										
Target: Maximum 1.5 years										
0.8	0.8	0.7	0.9	0.8	0.6	0.6	0.5	0.4	0.6	0.8

Quarter Performance

financial indicators and performance

Local Government Indicators

These Financial Indicators have been calculated in accordance with *Information paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia

Operating Surplus Ratio (Operating surplus as a percentage of operating revenue)

Target: 0%-20%

(20%)	(21%)	(2%)	(2%)	(2%)	1%	1%	4%	3%	5%	2%
2020-21 Adopted Budget	2020-21 Q1 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30

This indicator represents the percentage by which the major controllable revenue source varies from day to day operating expenses. Financial sustainability is indicated where a council consistently achieves operating surpluses and has soundly based projections showing it can continue to do so in the future, having regard to asset management and the service level needs of its community.

Target: The Local Government Act target is to achieve an average operating surplus ratio between 0% and 15% over any five-year period. However, as a capital city council, the City of Adelaide has significant responsibilities in improving its public realm, and as such considers that an average operating surplus ratio between 0% and 20%, over any five-year period, is a more appropriate target.

Analysis: The 2020-21 through to 2023-24 financial years are forecasted to fall outside the target range, as a result of anticipated reduction of income from COVID-19. Council's response to remediate is to reduce operating expenditure by \$20m in the 2020-21 Financial Year. This ongoing saving improves the ratio, and overtime operating surpluses are generated to reduce borrowings and reinvest from 2024-25.

Net Financial Liabilities (Financial liabilities and a percentage of operating surplus)

Target: Less than 80%

67%	63%	60%	70%	62%	46%	43%	39%	35%	44%	59%
2020-21 Adopted Budget	2020-21 Q1 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30

This indicator represents the significance of the net amount owed compared with operating revenue. It measures the extent to which Council is managing its debt and highlights that borrowings are often an effective means of financial sustainability, rather than trying to fund all assets and services from operating income. A steady ratio means council is balancing the need to borrow against their affordability of debt. An excessive ratio means Council is borrowing beyond their means and cannot generate the income required to service assets and operations.

Target: The target for Net Financial Liabilities should normally be greater than zero. If not, then it implies that a council is willing to place a higher priority on accumulated financial assets than applying funds generated from ratepayers to the provision of services and/or infrastructure renewal. The target set by City of Adelaide is that liabilities as a percentage of total operating revenue will not exceed 80%.

Analysis: City of Adelaide's net financial liabilities are within the prescribed target.

Quarter Performance

financial indicators and performance

Asset Sustainability Ratio (Expenditure on asset renewals as a % of forecast required expenditure in the asset management plans)

Target: 90%-110%

73%	74%	67%	100%	100%	100%	100%	100%	100%	100%	100%
2020-21 Adopted Budget	2020-21 Q1 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30

This indicator expresses expenditure on asset renewals as a percentage of the projected funding required for asset renewal. It illustrates whether existing assets are being replaced or renewed at the rate they are being consumed and ensures consistent service delivery as determined by the Asset Management Plans (AMPs).

Target: A ratio lower than 100% suggests that Council is not maintaining assets and infrastructure in order to optimise asset lives. A ratio higher than 100% suggests that Council is replacing assets earlier than needed. Adoption of a target ratio between 90% and 110%, is in line with the *Local Government Act 1999*.

Analysis: The Infrastructure and Asset Management Plans (AMPs) are currently being reviewed and updated including asset levels of service, taking into account community needs, population density/growth impacts and asset management principles.

Impacts of reducing the Infrastructure Program in 2020-21 will increase the renewal funding required over the longer term (to enable the renewal backlog to be undertaken), reducing capacity to deliver new and significant upgrade projects, major projects and emerging priorities in the short to medium term.

As a result of the sustainability ratio falling below the target range for 2020-21 and 2021-22, consideration will need to be made for the Long Term Financial Plan funding to take a longer term view on asset replacement to ensure it does not interfere with renewals over the life of the plan.

Quarter Performance

financial indicators and performance

Treasury Report indicators

The Treasury and Cash Investment Policy sets the risk appetite of Council and the amount of borrowing it can sustain as defined by the Prudential Borrowing Limits, as calculated in the following 3 ratios

Asset Test Ratio (Borrowings as a percentage of total saleable property assets)

Target: Maximum 50%

26%	27%	25%	31%	26%	21%	20%	18%	15%	21%	31%
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Interest Expense Ratio (Number of times General Rates Revenue (less NRM Levy) can service the annual interest expense)

Target: Maximum 10%

1.3%	1.3%	1.4%	1.5%	1.5%	1.2%	1.0%	0.9%	0.7%	0.8%	1.2%
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Leverage Test Ratio (Total borrowings relative to General Rates Revenue (Less NRM Levy))

Target: Maximum 1.5 years

0.8	0.8	0.7	0.9	0.8	0.6	0.6	0.5	0.4	0.6	0.8
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2020-21 Adopted Budget	2020-21 Q1 Forecast	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
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The maximum level of debt is prescribed by Council by way of prudential limits. While Council does not place a physical monetary limit on the level of borrowings, and upper limit is determined through its financial indicators. When borrowing, Council will consider these indicators.

Target: The Prudential limits set within the Policy are:

Asset Test Ratio Maximum of 50%

Interest Expense Ratio Maximum of 10%

Leverage Test Ratio Maximum 1.5 Years

Prudential limits are breached when one of the ratios fall outside of the targets stipulated in the Treasury and Cash Investment Policy. The breach must be reported with remediation actions to the CEO immediately and reported quarterly within the borrowing and cash investment performance report.

Analysis: City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan

Appendix

A – Budgeted Financial Statements

B - Long Term Financial Plan

Item 5.3 - Attachment A

Appendix A

Budgeted Financial Statements

Statement of Comprehensive Income		
\$'000s	Consolidated 2020-21 Adopted Budget*	Consolidated 2020-21 Quarter 1 Forecast
Income		
Rates Revenues	118,455	118,454
Statutory Charges	8,900	9,369
User Charges	53,435	53,879
Grants, Subsidies and Contributions	4,510	5,469
Investment Income	35	35
Reimbursements	691	691
Other Income	299	349
Total Income	186,326	188,247
Expenses		
Employee Costs	78,274	78,130
Materials, Contracts & Other Expenses	88,296	93,076
Depreciation, Amortisation & Impairment	53,744	53,638
Finance Costs	2,423	2,412
Total Expenses	222,737	227,256
Operating Surplus / (Deficit)	(36,411)	(39,009)
Asset Disposal & Fair Value Adjustments	(300)	491
Amounts Received Specifically for New or Upgraded Assets	3,429	7,853
Net Surplus / (Deficit)	(33,282)	(30,665)
Total Comprehensive Income	(33,282)	(30,665)

Appendix A

Budgeted Financial Statements

Statement of Financial Position		
\$'000s	Consolidated 2020-21 Adopted Budget*	Consolidated 2020-21 Quarter 1 Forecast
ASSETS		
Current Assets		
Cash and Cash Equivalents	800	800
Trade & Other Receivables	14,789	13,340
Other Financial Assets	129	46
Inventories	707	576
Total Current Assets	16,424	14,762
Non-Current Assets		
Financial Assets	225	277
Equity Accounted Investments in Council Businesses	629	672
Investment Property	2,894	2,889
Infrastructure, Property, Plant & Equipment	1,867,041	1,871,426
Other Non-Current Assets	1,264	2,161
Total Non-Current Assets	1,872,053	1,877,425
TOTAL ASSETS	1,888,477	1,892,187
LIABILITIES		
Current Liabilities		
Trade & Other Payables	37,195	25,136
Provisions	11,320	12,064
Other Current Liabilities	3,290	3,290
Total Current Liabilities	48,515	40,490
Non-Current Liabilities		
Trade & Other Payables	1,000	1,293
Borrowings	90,125	92,754
Provisions	1,585	1,584
Other Non-Current Liabilities	33,745	33,745
Total Non-Current Liabilities	126,454	129,376
TOTAL LIABILITIES	178,259	169,866
Net Assets	1,710,219	1,722,321
EQUITY		
Accumulated Surplus	790,205	786,699
Asset Revaluation Reserves	918,355	934,010
Other Reserves	1,659	1,612
Total Council Equity	1,710,219	1,722,321

Appendix A

Budgeted Financial Statements

Statement of Changes in Equity		
\$'000s	Consolidated 2020-21 Adopted Budget*	Consolidated 2020-21 Quarter 1 Forecast
Balance at the end of previous reporting period	1,743,501	1,752,986
a. Net Surplus / (Deficit) for Year	(33,282)	(30,665)
b. Other Comprehensive Income	-	-
Total Comprehensive Income	(33,282)	(30,665)
Balance at the end of period	1,710,219	1,722,321

Appendix A

Budgeted Financial Statements

Statement of Cash flows

\$'000s	Consolidated 2020-21 Adopted Budget*	Consolidated 2020-21 Quarter 1 Forecast
Cash Flows from Operating Activities		
Receipts		
Operating Receipts	188,261	188,197
Payments		
Operating Payments to Suppliers and Employees	(158,805)	(166,950)
Net Cash provided by (or used in) Operating Activities	29,456	21,247
Cash Flows from Investing Activities		
Receipts		
Amounts Received Specifically for New/Upgraded Assets	3,429	4,953
Proceeds from Surplus Assets	1,000	1,000
Sale of Replaced Assets		751
Payments		
Expenditure on Renewal/Replacement of Assets	(41,885)	(32,613)
Expenditure on New/Upgraded Assets	(25,999)	(31,817)
Net Cash provided by (or used in) Investing Activities	(63,456)	(57,725)
Cash Flows from Financing Activities		
Receipts		
Proceeds from Borrowings	38,525	41,154
Payments		
Repayment from Borrowings	-	0
Repayment of Principal portion of lease liability	(4,853)	(4,820)
Net Cash provided by (or used in) Financing Activities	33,672	36,334
Net Increase (Decrease) in Cash Held	(328)	(145)
plus: Cash & Cash Equivalents at beginning of period	1,128	945
Cash & Cash Equivalents at end of period	800	800

Appendix A

Budgeted Financial Statements

Uniform Presentation of Finances

\$'000s	Consolidated 2020-21 Adopted Budget*	Consolidated 2020-21 Quarter 1 Forecast	Variance (Current Qtr)
Income	186,289	188,247	1,958
less Expenses	(223,118)	(227,256)	(4,138)
Operating Surplus / (Deficit) before Capital Amounts	(36,829)	(39,009)	(2,181)
less Net Outlays on Existing Assets			
Net Capital Expenditure on Renewal & Replacement of Existing Assets	(41,885)	(32,613)	9,273
less Depreciation, Amortisation and Impairment	53,744	53,638	(107)
less Amounts received specifically for Existing Assets	864	-	(864)
less Proceeds from Sale of Replaced Assets	-	751	751
Net Outlays on Existing Assets	12,724	21,776	9,052
less Net Outlays on New and Upgraded Assets			
Net Capital Expenditure on New and Upgraded Assets	(25,999)	(31,817)	(5,818)
less Amounts received specifically for New and Upgraded Assets	14,650	4,953	(9,697)
less Proceeds from Sale of Assets	-	-	-
Net Outlays on New and Upgraded Assets	(11,349)	(26,864)	(15,515)
Net Lending / (Borrowing) for Financial Year	(35,454)	(44,097)	(8,643)

Appendix B

Long Term Financial Plan

Statement of Comprehensive Income											
\$'000s	2020-21 Final Budget	2020-21 Quarter 1 Forecast	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	118,455	118,454	123,325	127,025	130,799	135,773	140,104	144,140	148,256	152,454	156,736
Statutory Charges	8,900	9,369	11,973	12,153	12,389	12,630	12,875	13,125	13,380	13,640	13,904
User Charges	53,435	53,879	61,470	63,055	64,377	72,280	73,743	75,208	76,700	78,220	79,771
Grants, Subsidies and Contributions	4,510	5,469	3,051	3,112	3,174	3,238	3,302	3,369	3,436	3,505	3,575
Investment Income	35	35	26	26	27	27	28	28	29	29	30
Reimbursements	691	691	705	719	733	748	763	778	794	809	826
Other Income	299	349	305	311	318	324	330	337	344	351	358
Total Income	186,326	188,247	200,855	206,402	211,817	225,020	231,145	236,985	242,937	249,008	255,200
Expenses											
Employee Costs	78,274	78,130	71,712	73,212	74,743	76,306	77,903	79,492	81,114	82,769	84,458
Materials, Contracts & Other Expenses	88,296	93,076	78,487	82,547	84,775	88,661	89,968	91,904	95,070	100,803	104,849
Depreciation, Amortisation & Impairment	53,744	53,638	52,834	52,527	53,757	54,412	58,196	54,149	57,255	51,722	57,690
Finance Costs	2,423	2,412	2,504	3,007	2,965	2,494	2,115	1,854	1,561	1,638	2,164
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	222,737	227,256	205,537	211,292	216,240	221,873	228,142	227,399	235,000	236,932	249,161
Operating Surplus / (Deficit)	(36,411)	(39,009)	(4,682)	(4,890)	(4,423)	3,146	3,004	9,585	7,937	12,076	6,039
Asset Disposal & Fair Value Adjustments	(300)	491	-	-	3,590	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	3,429	7,853	-	-	-	-	-	-	-	-	-
Operating Result of Discontinued Operation	-	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	(33,282)	(30,665)	(4,682)	(4,890)	(833)	3,146	3,004	9,585	7,937	12,076	6,039
Changes in Revaluation Surplus - I,PP&E	-	-	-	-	-	-	-	-	-	-	-
Net Actuarial Gains/(Loss) on Defined Benefit Plan	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	(33,282)	(30,665)	(4,682)	(4,890)	(833)	3,146	3,004	9,585	7,937	12,076	6,039

Appendix B

Long Term Financial Plan

Statement of Financial Position

\$'000s	2020-21 Budget	2020-21 Quarter 1 Forecast	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	800	800	800	800	800	800	800	800	800	800	800
Trade & Other Receivables	14,789	13,340	13,315	13,359	13,621	14,437	14,826	15,199	15,580	15,969	16,366
Other Financial Assets	129	46	41	37	33	30	27	24	22	20	18
Inventories	707	576	576	576	576	576	576	576	576	576	576
Total Current Assets	16,424	14,762	14,732	14,772	15,030	15,843	16,229	16,600	16,978	17,365	17,759
Non-Current Assets											
Financial Assets	225	277	249	225	202	182	164	147	133	119	107
Equity Accounted Investments in Council Businesses	629	672	672	672	672	672	672	672	672	672	672
Investment Property	2,894	2,889	2,917	2,947	2,976	3,006	3,036	3,066	3,097	3,128	3,159
Infrastructure, Property, Plant & Equipment	1,867,041	1,871,426	1,883,174	1,897,937	1,921,304	1,892,168	1,885,398	1,882,307	1,877,040	1,911,212	1,952,930
Other Non-Current Assets	1,264	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161	2,161
Total Non-Current Assets	1,872,053	1,877,425	1,889,174	1,903,941	1,927,315	1,898,188	1,891,431	1,888,353	1,883,103	1,917,293	1,959,030
TOTAL ASSETS	1,888,477	1,892,187	1,903,906	1,918,713	1,942,345	1,914,031	1,907,660	1,904,953	1,900,081	1,934,657	1,976,789
LIABILITIES											
Current Liabilities											
Trade & Other Payables	37,195	25,136	23,583	23,705	30,823	24,422	24,532	24,618	24,706	23,464	23,560
Provisions	11,320	12,064	12,305	12,551	12,802	13,058	13,320	13,586	13,858	14,135	14,418
Other Current Liabilities	3,290	3,290	5,093	5,140	5,276	5,434	5,504	4,513	3,291	4,144	3,473
Total Current Liabilities	51,805	40,490	40,982	41,397	48,902	42,914	43,356	42,716	41,855	41,743	41,450
Non-Current Liabilities											
Trade & Other Payables	1,000	1,293	7,293	7,293	293	293	293	293	293	293	293
Borrowings	90,125	92,754	89,593	113,983	100,314	80,242	75,895	68,720	60,028	86,747	126,569
Provisions	1,585	1,584	1,616	1,648	1,681	1,715	1,749	1,784	1,820	1,856	1,893
Other Non-Current Liabilities	33,745	33,745	46,782	41,642	36,366	30,932	25,428	20,915	17,624	13,480	10,007
Total Non-Current Liabilities	126,454	129,376	145,285	164,566	138,654	113,181	103,365	91,713	79,765	102,377	138,763
TOTAL LIABILITIES	178,259	169,866	186,267	205,964	187,556	156,096	146,720	134,429	121,619	144,120	180,213
Net Assets	1,710,219	1,722,321	1,717,639	1,712,749	1,754,789	1,757,935	1,760,939	1,770,524	1,778,461	1,790,537	1,796,576
EQUITY											
Accumulated Surplus	790,205	786,699	782,017	777,127	776,294	779,440	782,444	792,029	799,966	812,042	818,081
Asset Revaluation Reserves	918,355	934,010	934,010	934,010	976,883	976,883	976,883	976,883	976,883	976,883	976,883
Other Reserves	1,659	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Total Council Equity	1,710,219	1,722,321	1,717,639	1,712,749	1,754,789	1,757,935	1,760,939	1,770,524	1,778,461	1,790,537	1,796,576

Appendix B

Long Term Financial Plan

Statement of Changes in Equity

\$'000s	2020-21 Budget	2020-21 Quarter 1 Forecast	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	1,743,501	1,752,986	1,722,321	1,717,639	1,712,749	1,754,789	1,757,935	1,760,939	1,770,524	1,778,461	1,790,537
a. Net Surplus / (Deficit) for Year	(33,282)	(30,665)	(4,682)	(4,890)	(833)	3,146	3,004	9,585	7,937	12,076	6,039
b. Other Comprehensive Income											
Total Comprehensive Income	(33,282)	(30,665)	(4,682)	(4,890)	(833)	3,146	3,004	9,585	7,937	12,076	6,039
Gain (Loss) on Revaluation of I, PP&E					42,873						
Balance at the end of period	1,710,219	1,722,321	1,717,639	1,712,749	1,754,789	1,757,935	1,760,939	1,770,524	1,778,461	1,790,537	1,796,576

Appendix B

Long Term Financial Plan

Statement of Cash flows											
\$'000s	2020-21 Budget	2020-21 Quarter 1 Forecast	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											
<i>Receipts</i>											
Operating Receipts	188,261	188,197	200,881	206,358	211,555	224,203	230,756	236,611	242,556	248,619	254,803
<i>Payments</i>											
Operating Payments to Suppliers and Employees	(158,805)	(166,950)	(152,214)	(158,405)	(162,043)	(166,579)	(169,589)	(172,875)	(177,363)	(184,820)	(191,073)
Net Cash provided by (or used in) Operating Activities	29,456	21,247	48,667	47,953	49,512	57,624	61,168	63,736	65,193	63,799	63,730
Cash Flows from Investing Activities											
<i>Receipts</i>											
Amounts Received Specifically for New/Upgraded Assets	3,429	4,953	-	-	-	-	-	-	-	-	-
Proceeds from Surplus Assets	1,000	1,000	6,000	-	25,000	18,500	-	-	-	-	-
Sale of Replaced Assets	-	751	-	-	-	-	-	-	-	-	-
<i>Payments</i>											
Expenditure on Renewal/Replacement of Assets	(41,885)	(32,613)	(27,611)	(53,101)	(55,661)	(50,776)	(51,387)	(51,058)	(51,988)	(85,894)	(99,408)
Expenditure on New/Upgraded Assets	(25,999)	(31,817)	(18,840)	(14,188)	-	-	-	-	-	-	-
Net Cash provided by (or used in) Investing Activities	(63,456)	(57,725)	(40,451)	(67,289)	(30,661)	(32,276)	(51,387)	(51,058)	(51,988)	(85,894)	(99,408)
Cash Flows from Financing Activities											
<i>Receipts</i>											
Proceeds from Borrowings	38,525	41,154	-	24,390	-	-	-	-	-	26,720	39,822
<i>Payments</i>											
Repayment from Borrowings	-	-	(3,160)	-	(13,669)	(20,072)	(4,347)	(7,174)	(8,693)	(4,625)	(4,144)
Repayment of Lease Liabilities	(4,853)	(4,820)	(5,055)	(5,053)	(5,181)	(5,276)	(5,434)	(5,504)	(4,513)	(4,625)	(4,144)
Repayment of Bonds & Deposits	-	-	-	-	-	-	-	-	-	-	-
Net Cash provided by (or used in) Financing Activities	33,672	36,334	(8,216)	19,337	(18,850)	(25,348)	(9,781)	(12,679)	(13,205)	22,095	35,678
Net Increase (Decrease) in Cash Held	(328)	(145)	(0)	0	0	0	0	0	0	0	0
plus: Cash & Cash Equivalents at beginning of period	1,128	945	800	800	800	800	800	800	800	800	800
Cash & Cash Equivalents at end of period	800	800	800	800	800	800	800	800	800	800	800

Appendix B

Long Term Financial Plan

Uniform Presentation of Finances

\$'000s	2020-21 Final Budget	2020-21 Quarter 1 Forecast	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	186,289	188,247	200,855	206,402	211,817	225,020	231,145	236,985	242,937	249,008	255,200
less Expenses	(223,118)	(227,256)	(205,537)	(211,292)	(216,240)	(221,873)	(228,142)	(227,399)	(235,000)	(236,932)	(249,161)
Operating Surplus / (Deficit) before Capital Amounts	(36,829)	(39,009)	(4,682)	(4,890)	(4,423)	3,146	3,004	9,585	7,937	12,076	6,039
Net Outlays on Existing Assets											
Capital Expenditure on Renewal & Replacement of Existing Assets	(41,885)	(32,613)	(27,611)	(53,101)	(55,661)	(50,776)	(51,387)	(51,058)	(51,988)	(85,894)	(99,408)
add back Depreciation, Amortisation and Impairment	53,744	53,638	52,834	52,527	53,757	54,412	58,156	54,149	57,255	51,722	57,690
add back Amounts received specifically for Existing Assets	864	-	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Replaced Assets	-	751	-	-	-	-	-	-	-	-	-
Net Outlays on Existing Assets	12,724	21,776	25,222	(574)	(1,904)	3,636	6,769	3,091	5,267	(34,172)	(41,718)
Net Outlays on New and Upgraded Assets											
Capital Expenditure on New and Upgraded Assets	(25,999)	(31,817)	(18,840)	(14,188)	-	-	-	-	-	-	-
add back Amounts received specifically for New and Upgraded Assets	14,650	4,953	-	-	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets	-	-	-	-	25,000	25,500	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(11,349)	(26,864)	(18,840)	(14,188)	25,000	25,500	-	-	-	-	-
Net Lending / (Borrowing) for Financial Year	(35,454)	(44,097)	1,701	(19,652)	18,673	32,282	9,773	12,677	13,204	(22,096)	(35,679)

Exclusion of the Public

ITEM 9.1 06/11/2020
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:

10.1 Appointment of External Auditor [s 90(3) (k)]

The Order to Exclude for Item 10.1:

1. Identifies the information and matters (grounds) from section 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 – section 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.

ORDER TO EXCLUDE FOR ITEM 10.1

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (k) and section 90(2) & (7) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 6 November 2020 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1 [Appointment of External Auditor] listed on the Agenda.

Grounds and Basis

The confidential information in this Report contains information that could prejudice the commercial position of the Council in respect of its procurement process. Information released prior could compromise the outcome of the process.

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 a tender for the supply of external audit services.

2. Pursuant to section 90(2) of the Act this meeting of the Audit Committee dated 6 November 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 10.1 [Appointment of External Auditor] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in section 90(3) (k) of the Act.

DISCUSSION

1. Section 90(1) of the *Local Government Act 1999 (SA)* (the Act), directs that a meeting of a Council Committee must be conducted in a place open to the public.
2. Section 90(2) of the Act, 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 section 90(3).
3. Section 90(3) of the Act prescribes the information and matters that a Council may order that the public be excluded from.
4. Section 90(4) of the Act, advises that in considering whether an order should be made under section 90(2) of the Act, 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.
 - 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.
 - 4.4 Make the council susceptible to adverse criticism.
5. Section 90(7) of the Act requires that an order to exclude the public:
 - 5.1 Identify the information and matters (grounds) from section 90(3) of the Act 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.
 - 5.3 In addition identify for the following grounds – section 90(3) (b), (d) or (j) - how information open to the public would be contrary to the public interest.
6. Section 87(10) of the Act 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 10.1 – Appointment of External Auditor
 - 6.1.1 Is not subject to an Existing Confidentiality Order
 - 6.1.2 The grounds utilised to request consideration in confidence is section 90(3) (k)
 - (k) tenders for the supply of goods, the provision of services or the carrying out of works

ATTACHMENTS

Nil

- END OF REPORT -

Confidential Item 10.1

Appointment of External Auditor

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

Pages 67 to 71
