

Enabling Priorities

Financial Capitalisation Update

Finance / Infrastructure
JPKoekemoer



Capitalisation Update

Background

- 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. 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.
 2. Improvements in the process of delivering capital works and financial reporting.
- Infrastructure and Finance presented a report to Audit Committee on 6 November 2020 and the following KPI's were recommended to Council for approval:
 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 and the changes suggested by the Audit Committee as follows:
 - 3.1 Remove excluding major projects from KPI reference 14.2
 4. Requests an update at the first meeting in 2021 on the status of the improvements and progress on KPIs.
- Through the discussion, the Audit Committee also requested more detail regarding the process in the following areas:
 - Escalation process for when timeframes are not met
 - Timeframes on each individual step of the WIP process
 - Mechanisms we have in place to measure
 - Workflow triggers and escalation points through the process
 - How contracts can be changed to have a stages approach to capitalisation i.e. to have Gawler Place construction staging to align to its contract staging.

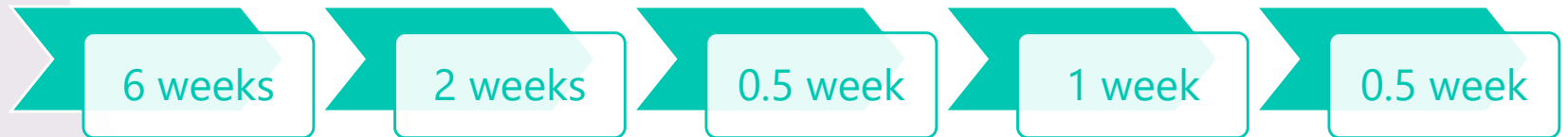
Financial Capitalisation Update Timeframes per stage



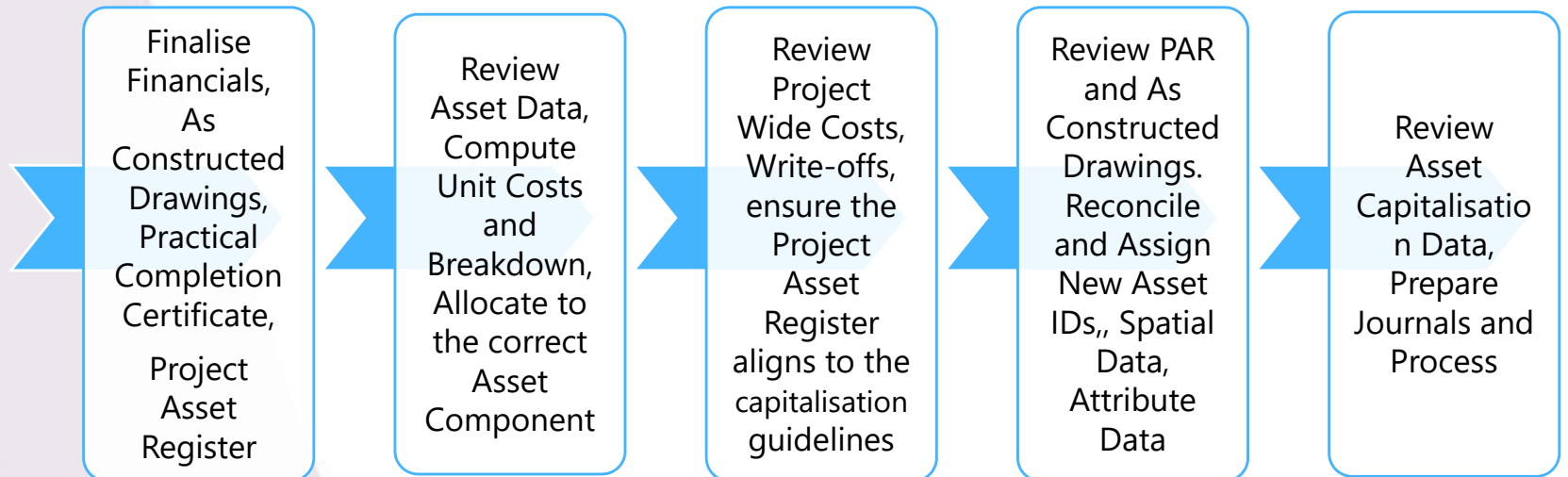
Team



Timeframe



Tasks



Financial Capitalisation Update

Workflow Form – used to manage the process

←
📄

X108 - LR: Sussex Street

Workflow Status: 06 - Completed

Project Name X108 - LR: Sussex Street	* Project Manager(s) Kylie May	* Asset Manager(s) Nicholas Morrow	Practical Completion 06/10/2020
* Handover Type Full Handover	* PAR TRIM Link ACC2020/172464	Cost Breakdown Complete? Yes	GIS Mapping Complete? Not Required
Date Initiated 23/11/2020	Asset Manager Date 23/11/2020	Initial Finance Review Date 25/11/2020	Asset Systems Date 26/11/2020
Project Manager Comment	Asset Manager Comment	Initial Finance Review Com...	Asset Systems Comment Service criteria complete
			Finance Date 08/12/2020
			Disposal Complete? Not Required
			Date Completed 08/12/2020
			Amount to be written-off .00

Road Block / Issues / Other Comments

Reason why WIP was not processed within 10 weeks of PC (for Audit Committee)

History

Manager
 25 November 2020 : Nicholas Morrow : Sent to Finance for Initial Review
 Thursday, November 26, 2020 : Danielle Pedler : Sent to Asset Systems
 08 December 2020 : Robin Houghton : Sent to Finance
 Tuesday, December 8, 2020 : Danielle Pedler : Workflow Complete

Reason for the Write-off (for Audit Committee)

N/A

Project Manager ✓

Asset Manager ✓

Initial Finance Review ✓

Asset Systems ✓

Finance ✓

Restart Workflow

Enable Workflow Restart

Click on arrows above to progress handover workflow

Financial Capitalisation Update

Capitalisation Dashboard

WIP Status

Project Description	Estimated PC	Balance	Processed	PM Stage	AM Stage	Finance Review Stage	AST Stage	Finance Stage	Total Weeks Elapsed
V373 - Caldwell Lane	17/09/2020	0.00	182,097.17	9 →	0 →	0 →	0 →	0	10
X334 - Prospect Road Resurfacing	17/09/2020	0.00	255,208.18	9 →	1 →	0 →	0 →	0	10
X331 - Main North Road Resurfacing	22/09/2020	0.00	312,426.94	9 →	1 →	0 →	0 →	0	10
V901 - CITB Levy	29/09/2020	-1,995.86	17,211.53	5 →	0 →	0 →	0 →	0	5
X108 - LR: Sussex Street	05/10/2020	0.00	27,933.05	7 →	0 →	0 →	2 →	0	9
V261 - Hazardous Material Removal Program	13/10/2020	693,191.01	0.00	9 →	0 →	0 →	0 →	0	9
V343 - North Terrace (King William Rd to Kintore)	02/11/2020	699,345.69	0.00	6 →	0	0	0	0	7
X257 - StR-North Terrace Tree Pits	02/11/2020	38,137.71	0.00	6 →	0	0	0	0	7
S710 - Gawler Place Development	05/11/2020	187,763.03	0.00	6 →	0	0	0	0	6
V266 - Upark Buildings - Topham Mall	08/11/2020	0.00	45,990.00	0 →	5 →	0 →	0 →	0	5
S786 - Market to Riverbank - Leigh St	29/11/2020	224,324.22	0.00	3	0	0	0	0	3
S717 - Pelzer Park/ Pityarilla (Park19) Enhancement	30/11/2020	193,515.81	0.00	3	0	0	0	0	3
V342 - Park 11 - Construction	06/12/2020	667,918.17	0.00	2	0	0	0	0	2
V125 - Francis Street	09/12/2020	4,629.99	0.00	1	0	0	0	0	1
V122 - Chesser Arbour	11/12/2020	21,237.72	0.00	1	0	0	0	0	1
V242 - PLR-Garden Bed Renewals	15/12/2020	62,495.00	0.00	1	0	0	0	0	1
U109 - Decorative Lighting Program	18/12/2020	301,721.49	0.00	0	0	0	0	0	0
V222 - Decorative Lighting Program	22/12/2020	37,767.77	0.00	0	0	0	0	0	0
U004 - Public Art	30/12/2020	64,878.99	0.00	0	0	0	0	0	0
V241 - PLR-Turf and Soil Health	31/12/2020	19,810.00	0.00	0	0	0	0	0	0
X256 - StR-Park 9 tennis court	11/01/2021	29,560.00	0.00	0	0	0	0	0	0

 Completed

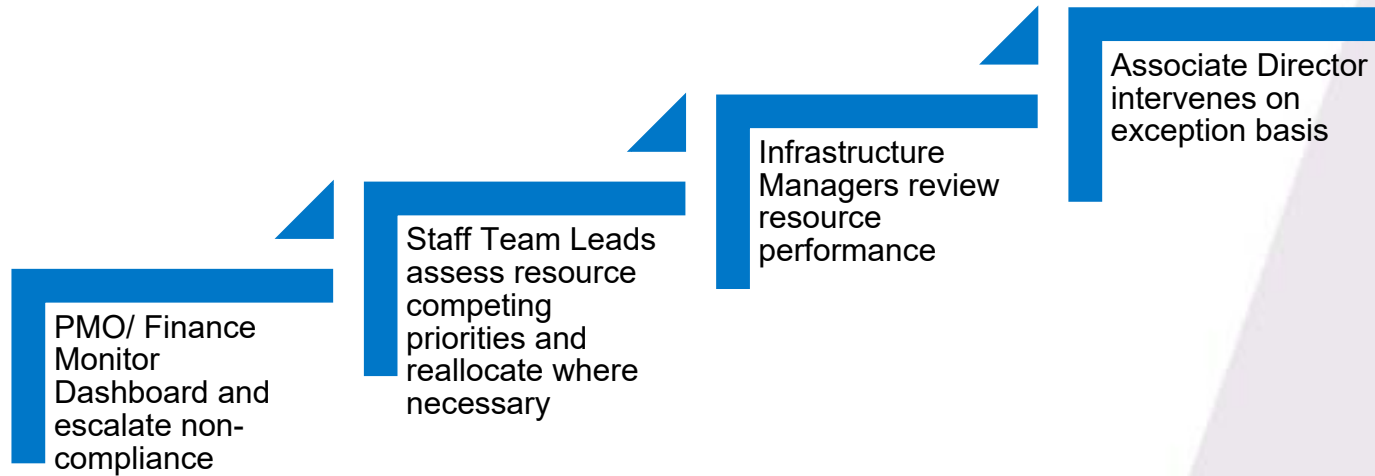
Dashboard

- Managed and governed by the PMO
- Easy visual reference for outstanding items
- Used for escalation and reporting

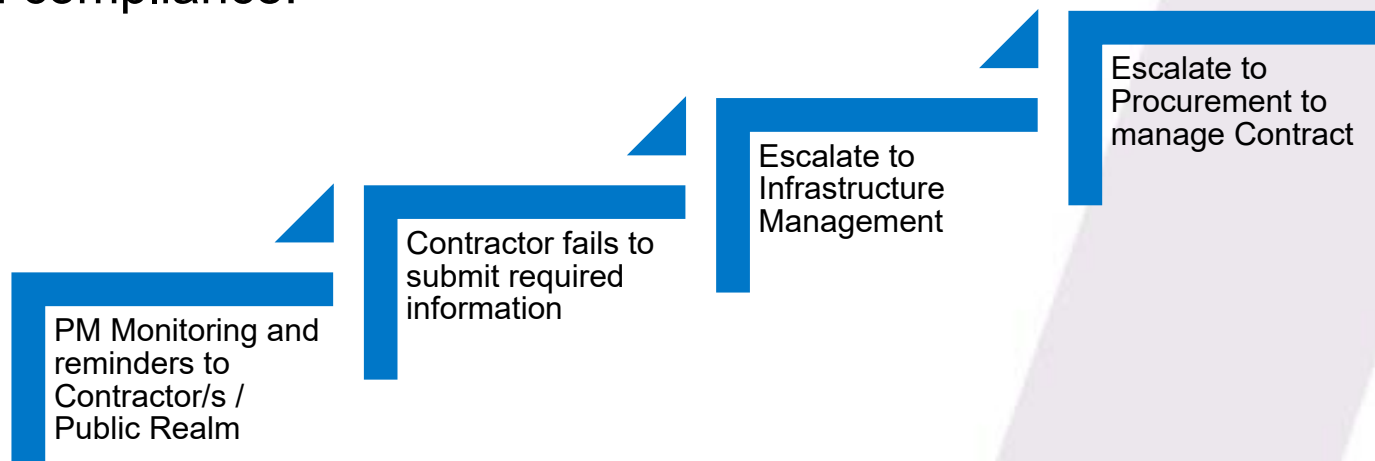
Financial Capitalisation Update

Escalation Paths

Internal resource deadline compliance:



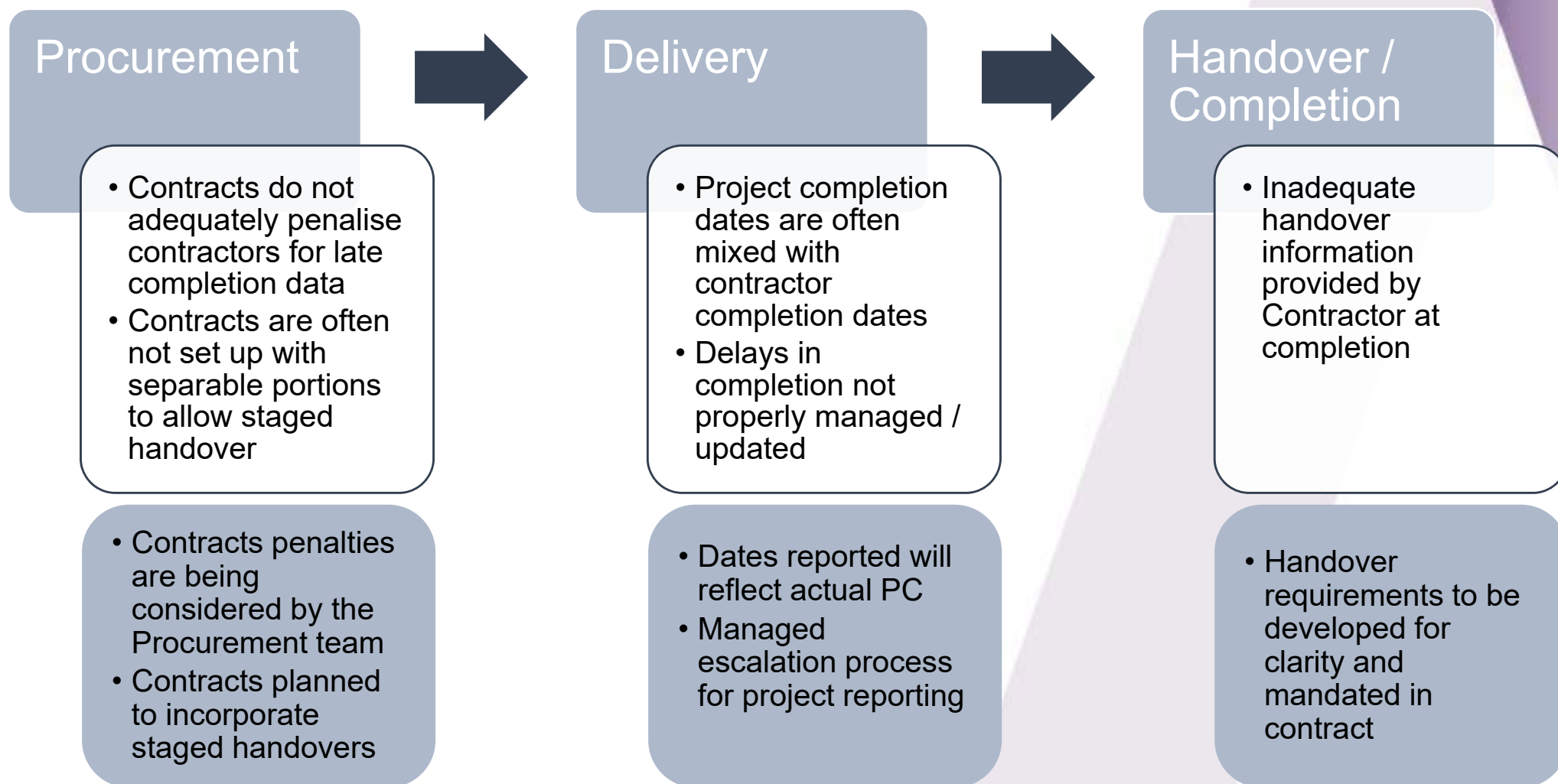
Contractor non compliance:



Financial Capitalisation Update

Root Cause Analysis

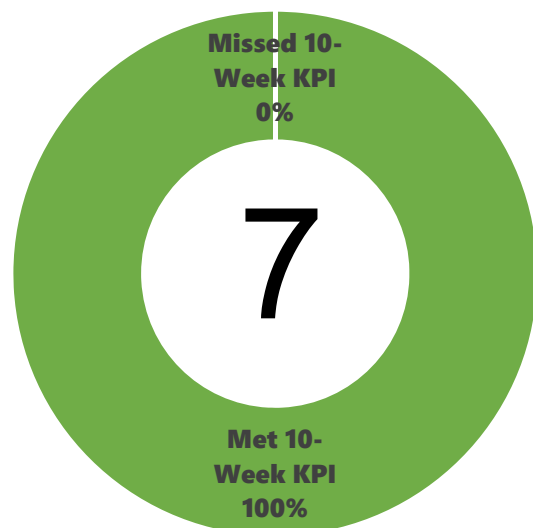
A review has been undertaken to identify issues that have contributed previously to extended capitalisation timeframes, and opportunities to improve timing:



Progress on KPIs – Since November 2020

KPI 1 - 75% of Projects capitalised within 10 Weeks

1. Since implementing the KPI, 7 projects were capitalised and all of them were capitalised within the 10-week timeframe



■ Met 10-Week KPI ■ Missed 10-Week KPI

KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement

1. Infrastructure and Finance have collectively reviewed the capital works program in detail to determine the budgeted WIP write off for each capital project.
2. A dashboard has been created to track WIP write off budgeted versus actual variance.
3. Budgeted WIP write off is forecast quarterly, updated through change management process (new process in 2021).
4. Monthly meetings are conducted between Infrastructure and Finance to review the current status of WIP, monitor progress and develop actions.
5. Strategic Risk and Internal Audit (SRIA) Group oversight implemented as requested
6. Reporting on current forecast and variance through Quarterly Finance report. Refer to Q2 Finance report within the published agenda.