



AUDIT COMMITTEE

MINUTES

for the meeting

Friday 5 February 2021

in the Colonel Light Room,
Adelaide Town Hall



Present -

| | |
|--------------------------------|---|
| Presiding Member | Mr David Powell |
| Deputy Presiding Member | Mr Ross Haslam |
| Members | The Right Honourable the Lord Mayor [Sandy Verschoor] Ms Paula Davies Councillor Hyde |
| Proxy Members | <i>Councillor Couros (Deputy Lord Mayor) [proxy for Councillor Hyde].</i> |

Apologies –

Councillor Knoll [proxy for the Lord Mayor]

In Attendance

Ms Clare Mockler, Acting Chief Executive Officer, City of Adelaide
Mr Klinton Devenish, Director Services, Infrastructure & Operations, City of Adelaide
Mr Matthew Morrissey, Associate Director Infrastructure, City of Adelaide
Mr Sonjoy Ghosh, Manager Information Management and Finance & Procurement, City of Adelaide
Mr Rudi Deco, Manager Governance, City of Adelaide
Mr Clint Aird, Manager Infrastructure Delivery, City of Adelaide
Mr Matthew Hulmes, Manager Strategy & Insights, City of Adelaide
Ms Marie Mulley, Team Leader PMO, City of Adelaide
Mr Jean-Pierre Koekemoer, Manager Infrastructure Planning, City of Adelaide
Ms Tracy Blaze, Senior Business Partner, City of Adelaide
Ms Annette Pianezzola, Risk & Audit Analyst, City of Adelaide
Ms Heather Martens, Manager, KPMG
Mr Justin Jamieson, Partner, KPMG
Mr Paul Gosnold, Partner, BDO
Ms Lihn Dao, Associate Director Audit & Assurance, BDO

Confirmation of Minutes**1. Item 1 - Confirmation of Minutes - 6/11/2020 & 24/11/2020 [AC]**

Moved by Mr Haslam,
Seconded by Ms Davies –

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 6 November 2020 and the Minutes of the Special meeting of the City of Adelaide Audit Committee held on 24 November 2020, be taken as read and be confirmed as an accurate record of proceedings.

Carried

Acknowledgement of Country

The Presiding Member stated:

'Council acknowledges that we are meeting on traditional Country of the Kurna 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 Kurna people living today.

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

Presiding Member Reports

The Presiding Member advised the meeting that this would be the last meeting attended by Mr Rudi Deco who is leaving the City of Adelaide after 15 years of service. The Presiding Member acknowledged his contribution, thanked him for his service and wished him all the best in his new role.

The Presiding Member advised the meeting that Item 5.5 would be considered as the first item of business.

2. Item 5.5 - Internal Audit Progress Update [2020/00774] [AC]

Mr Rudi Deco provided an overview of the report.

Ms Heather Martens and Mr Justin Jamieson addressed the meeting and responded to questions.

During the address the Lord Mayor & Councillor Hyde entered the Colonel Light Room at 8.36 am.

It was then –

Moved by Councillor Hyde,
Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.

Carried

The Presiding Member advised the meeting that Item 5.2 would be considered as the next item of business.

3. Item 5.2 - 2020/21 End of Year Financial Reporting Process & Proposed Timetable [2021/00122] [AC]

Mr Sonjoy Ghosh, Mr Paul Gosnold and Ms Lihn Dao addressed the meeting and responded to questions

It was then –

Moved by Ms Davies,
Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE

1. Endorses the proposed 2020/21 End of Year Financial Reporting process and external audit timetable as contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
2. Notes that the external audit plan as contained in Attachment C to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021 is consistent with the scope of the External Audit engagement and relevant legislation and standards.
3. Notes the external auditor's independence declaration in relation to the audit engagement for the year ended 30 June 2021 as detailed in Attachment A to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
4. Approves the External Audit terms of engagement as contained in Attachments A and B to Item 5.2 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.

Carried

The Lord Mayor left the Colonel Light Room at 8.57 am and re-entered at 8.58 am.

Presentation

4. Item 4.1 - Presentation – Capitalisation Update [2014/00395] [AC]

Presenters:

Mr Clint Aird and Ms Marie Mulley

Precis of topic:

Using the PowerPoint presentation published in the Agenda, the Audit Committee was provided with an update on financial capitalisation.

Discussion ensued during which Ms Clare Mockler and Mr Clint Aird responded to questions.

A/CEO Undertaking – Provision of Ongoing Capitalisation Updates [AC]

At the request of the meeting, the Acting CEO gave an undertaking to provide ongoing capitalisation updates to the Audit Committee.

5. Item 4.2 - Presentation – Strategic Asset Management Plan [2020/01521] [AC]

Presenters:

Mr Jean-Pierre Koekemoer and Mr Matt Morrissey

Precis of topic:

Utilising a PowerPoint presentation, feedback was sought from the Audit Committee on the proposed workshop to be presented to The Committee in relation to the Strategic Asset Management Plan

Discussion ensued during which Mr Jean-Pierre Koekemoer responded to questions.

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

6. Item 4.3 - Presentation – 2021 – 2022 Business Plan and Budget – Setting the Scene [2020/01920] [AC]

Presenters:

Mr Sonjoy Ghosh and Ms Tracy Blaze

Precis of topic:

Utilising a PowerPoint presentation, the Audit Committee was provided with an update on the long term financial plan.

Discussion ensued during which Ms Clare Mockler, Mr Sonjoy Ghosh and Ms Tracy Blaze responded to questions.

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

7. Item 4.4 - Presentation – Service Planning and Performance [2017/03236] [AC]

Presenter:

Mr Matt Hulmes

Precis of topic:

Using the PowerPoint presentation published in the Agenda, the Audit Committee was provided with an update on service planning and performance.

During the presentation the Lord Mayor left the Colonel Light Room at 10.05 am

Discussion ensued during which Mr Matt Hulmes responded to questions.

Reports

8. Item 5.1 - 2020-2021 Quarter 2 Finance Report [2020/00150] [AC]

Mr Sonjoy Ghosh provided an overview of the report.

Discussion ensued during which:

- Ms Clare Mockler, Mr Sonjoy Ghosh and Ms Tracy Blaze responded to questions.
- The Lord Mayor re-entered the Colonel Light Room at 10.20 am.

It was then –

Moved by Councillor Hyde,
Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Adopts the 2020-21 Quarter 2 Finance Report, including the proposed 2020-21 Quarter 2 Revised Forecast as summarised in Attachment A to Item 5.1 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.
2. Approves a further extension of the rates hardship assistance measures, which have been made available to all City ratepayers on application through the City Support Package, until 30 June 2021.
3. Notes the 2020-21 Quarter 2 Finance Report includes adjustments of (\$0.99) million of increased operating costs as a result of Council decisions in Quarter 2.
4. Notes the updated Long Term Financial Plan, shown in appendix 2 in the Quarter 2 Finance Report as Attachment A to Item 5.1 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.

Carried

9. Item 5.3 - Audit Committee Terms of Reference [2019/02483] [AC]

Moved by Mr Haslam,
Seconded by Ms Davies –

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Adopts the Terms of Reference as included in Attachment A to Item 5.3 on the Agenda for the meeting of the Audit Committee held on 5 February 2021.

Carried

10. Item 5.4 - 2021 Audit Committee Meeting Schedule and Work Plan [2019/02483] [AC]

Moved by Mr Haslam,
Seconded by Councillor Hyde –

THAT THE AUDIT COMMITTEE

1. Adopts the following meeting schedule for the City of Adelaide Audit Committee to be held in the Colonel Light Room, Town Hall, Adelaide at 8.30am on:
 - 1.1 Friday 26 March 2021 (finance reports only)
 - 1.2 Friday 30 April 2021
 - 1.3 Friday 18 June 2021
 - 1.4 Friday 30 July 2021
 - 1.5 Friday 1 October 2021 (finance reports only)
 - 1.6 Friday 29 October 2021
 - 1.7 Friday 4 February 2022
2. Approves the forward 2021 Work Plan as included in Attachment A to Item 5.4 on the Agenda for the meeting of the Audit Committee held on 5 February 2021 to assist the Administration in bringing forward reports as appropriate.

Carried

Emerging Key Risks

Nil

Independent Member Discussion

Nil

Other Business

Nil

Exclusion of the Public

11. Item 9.1 - Exclusion of the Public to Consider [2018/04291] [AC]:

For the following item seeking consideration in confidence:

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

Order to Exclude for Item 10.1

Moved by Councillor Hyde,
Seconded by Mr Haslam –

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (i) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 5 February 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 10.1[Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

Grounds and Basis

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

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

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

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 5 February 2021 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 [Update on Activities of the Strategic Risk and Internal Audit Group Meetings] listed in the Agenda, on the grounds that such item of business, contains information and matters of a kind referred to in section 90(3) (i) of the Act.

Carried

There were no members of the public present. Members of Corporation staff present not directly involved with Item 10.1 left the Colonel Light Room at 10.31 am.

Confidential Item 10.1

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

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

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The Colonel Light Room re-opened to the public at 10.35 am.

Confidentiality Order

Minute 12 - Item 10.1 – Update on Activities of the Strategic Risk and Internal Audit Group Meetings [AC]

Resolution & Confidentiality Order

THAT THE AUDIT COMMITTEE

1. Notes the report is provided to the next meeting of the Council as part of the confidential report of Audit Committee meeting.
2. In accordance with Section 91(7) & (9) of the *Local Government Act 1999 (SA)* and on the grounds that Item 10.1 listed on the Agenda for the meeting of the Audit Committee held on 5 February 2021 was received, discussed and considered in confidence pursuant to Section 90(3)(i) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee, do order that:
 - 2.1 The resolution become public information and included in the Minutes of the meeting.
 - 2.2 The report, the discussion and any other associated information submitted to this meeting and the Minutes of this meeting in relation to the matter remain confidential and not available for public inspection until 31 December 2028.
 - 2.3 The confidentiality of this matter be reviewed in December 2021.
 - 2.4 The Chief Executive Officer be delegated authority to review and revoke all or part of the order herein and directed to present a report containing the Item for which the confidentiality order has been revoked.

Closure

The meeting closed at 10.35 am.

Mr David Powell
Presiding Member
City of Adelaide Audit Committee

Documents Attached:

Minute 5 – Item 4.2 – Presentation – Strategic Asset Management Plan –PowerPoint Presentation

Minute 6 – Item 4.3 – Presentation – 2021-2022 Business Plan and Budget – Setting the Scene – PowerPoint Presentation

Enabling Priorities

Strategic Asset Management Plan
Audit Committee

Infrastructure

Jean-Pierre Koekemoer / Matthew Morrissey

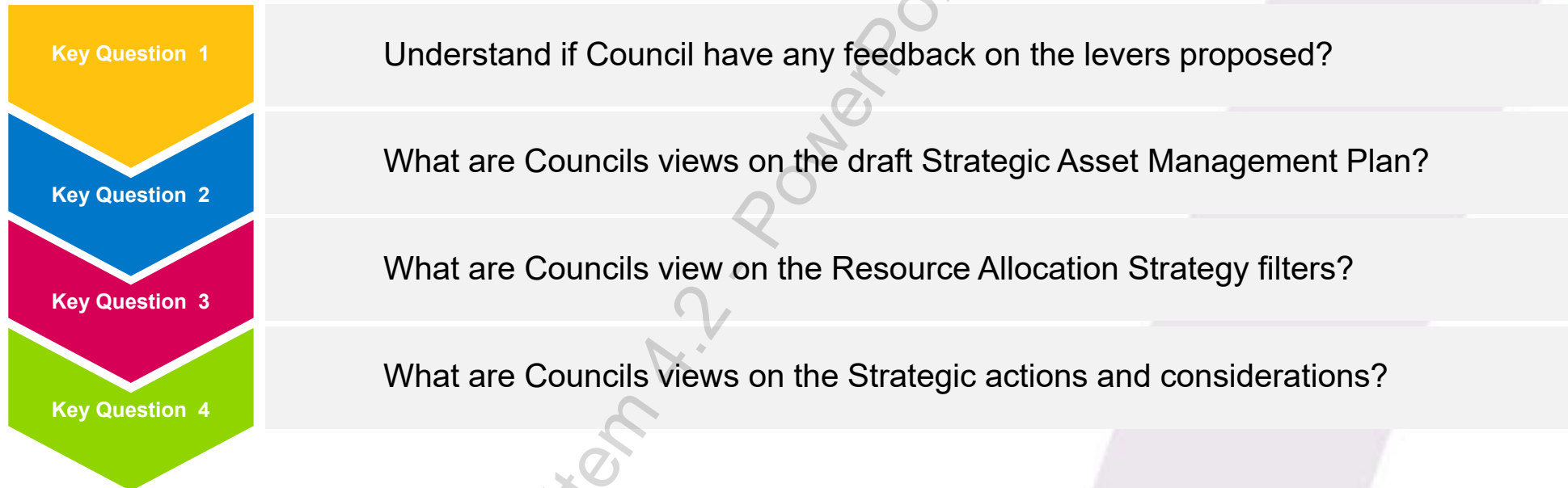


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Strategic Asset Management Presentation to Council

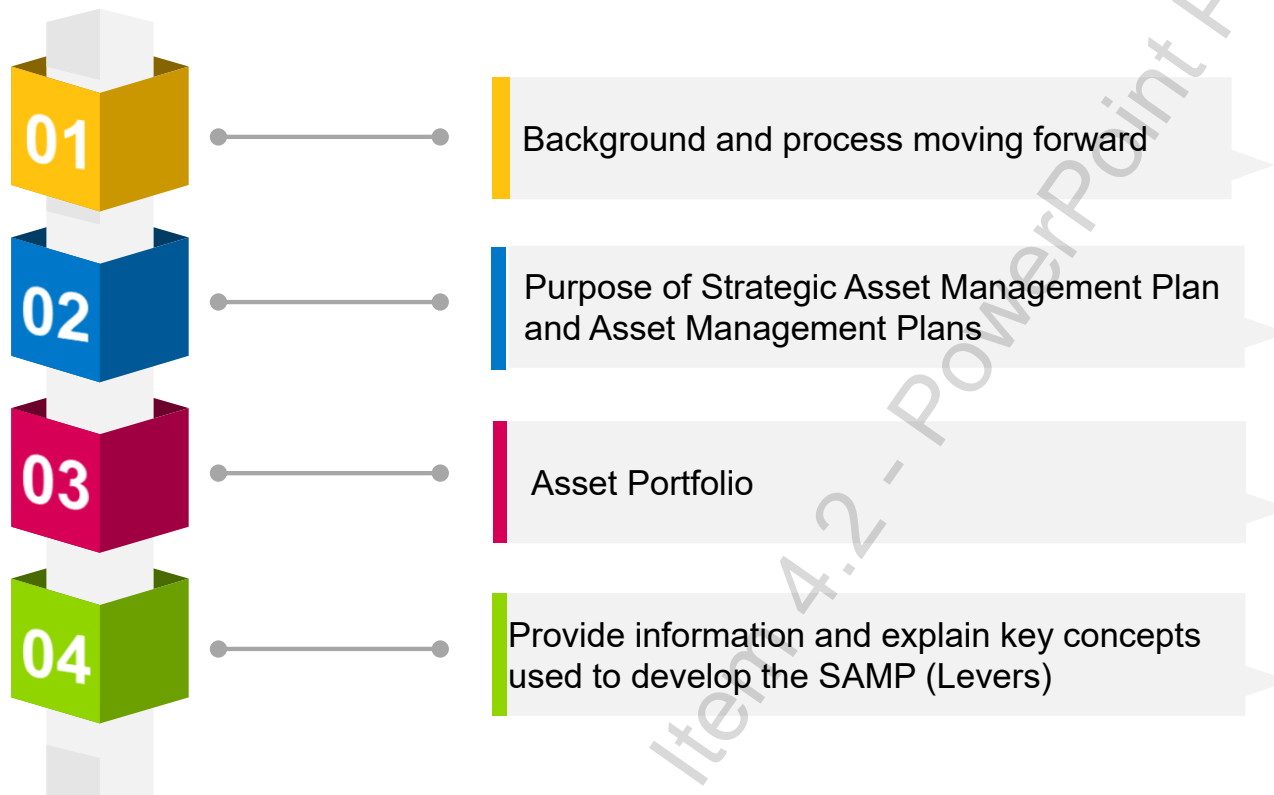
Purpose

Seek Audit Committee feedback on the workshop scheduled for Committee



Strategic Asset Management Presentation to Council

Presentation Structure



Strategic Asset Management Presentation to Council

Asset Management Levers

01

Benefits of the lever

02

How the levers could be applied

03

Potential impact on the LTFP

Levers

- Optimisation of renewals to stretch Council's dollar further
- Review and redefine Level or Service (LoS) to find optimal cost
- Asset Sustainability Ratio
- Divest and Accepting Assets
- Seek External Funding
- Resource Allocation Strategy

Strategic Asset Management Presentation to Council
Questions / Feedback

Questions / Feedback

Enabling Priorities

2021 - 2022 Business Plan and Budget Setting the Scene

Audit Committee 5 February 2021

Acting Manager, Finance &
Procurement
Sonjoy Ghosh



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Current vs forecast

The 2020 – 2021 Business Plan and Budget was built during the early stages of COVID-19. Revenue was impacted and expenditure was adjusted as a result. The LTFP adopted for the current financial year forecasts continuing impacts of COVID-19 – including an ongoing reduction in income.

Over the past few months as restrictions have eased, we have seen an increase in activity in the City, resulting in better than forecast income.

Council adopted expenditure and revenue targets based on a rate in the dollar freeze and a rise to fees and charges at CPI to enable the preparation of the draft 2021-22 BP&P on 15 December 2020

Revenue targets:

- Total Rates Revenue target of not less than \$121.1m, reflecting price movements in property valuations, revenue from new developments, a freeze in the rate in the dollar
- Total fees and charges revenue target of not less than \$73.0m reflecting all fees and charges, based on an increase in line with Consumer Price Index (CPI)

Expenditure targets:

- Strategic Project expenditure target not exceeding \$5.4m, based on 2020-21 commitments across multiple years
- Service Delivery expenditure target not exceeding \$193.6m including subsidiaries. This incorporates a further \$5.2m permanent operational expenditure saving in addition to the \$20 million to be identified in 2020-21

Capital Expenditure:

- Capital expenditure on Renewal and Replacement of Existing Assets of \$27.6m, with an Asset Sustainability ratio of 67%.
- Capital expenditure on New and Upgraded Assets of \$19.2m

Long Term Financial Plan Dashboard

The LTFP Dashboard reflects Council's position using the proposed parameters, expenditure and revenue targets to build the 2021-22 BP&B, as adopted by Council on 15 December 2020:

| Financial Indicator | Explanation | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|-----------------------------------|---|--------------------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Operating Surplus Ratio | Operating surplus as a percentage of operating revenue | 0%-20% | (18%) | (0%) | (1%) | (2%) | 2% | 2% | 4% | 4% | 5% | 3% | 3% |
| Net Financial Liabilities | Financial liabilities and a percentage of operating income | Less than 80% | 60% | 55% | 62% | 54% | 38% | 38% | 34% | 29% | 39% | 54% | 68% |
| Asset Sustainability Ratio | Expenditure on asset renewals as a percentage of forecast required expenditure in the asset management plans | 90%-110% | 74% | 67% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Asset Test Ratio | Borrowings as a percentage of total saleable property assets | Maximum 50% | 26% | 25% | 27% | 20% | 15% | 16% | 14% | 11% | 17% | 26% | 34% |
| Interest Expense Ratio | Number of times General Rates Revenue (less Landscape Levy) can service the annual interest expense | Maximum 10% | 1.1% | 1.2% | 1.0% | 1.2% | 1.0% | 0.8% | 0.8% | 0.7% | 0.8% | 1.2% | 1.7% |
| Leverage Test Ratio | Total borrowings relative to General Rates Revenue (Less Landscape Levy) | Maximum 1.5 years | 0.8 | 0.7 | 0.8 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 | 0.5 | 0.7 | 1.0 |
| Borrowings (\$m) | Total borrowings | Within Prudential Limits | 90.3 | 85.7 | 94.6 | 80.1 | 59.7 | 61.9 | 54.4 | 45.4 | 71.8 | 111.4 | 149.7 |
| | | | 52% | 50% | 55% | 42% | 31% | 32% | 27% | 22% | 35% | 53% | 70% |
| Operating Position (\$m) | Operating Income less Expenditure | \$2m - \$10m | (34.1) | (0.1) | (1.9) | (3.7) | 3.6 | 3.6 | 10.0 | 8.4 | 12.5 | 6.4 | 7.2 |
| Future Fund (\$m) | Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects | N/A | 0.1 | 2.2 | 8.7 | 33.7 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 |

Long Term Financial Plan Dashboard

A council’s long-term financial performance and position is sustainable where planned long-term service infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

| Financial Indicator | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|--------------------------------|--------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Operating Surplus Ratio | 0%-20% | (18%) | 0% | (1%) | (2%) | 2% | 2% | 4% | 4% | 5% | 3% | 3% |

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

- 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.
- The 2020-21 through to 2023-24 financial years are forecasted to fall outside the target range. Council’s response to remediate is to permanently reduce operating expenditure by \$20 million, to be identified in the 2020-21 Financial Year, and a further \$5.2 million in 2021-22. This ongoing saving improves the ratio, and overtime operating surpluses are generated to reduce borrowings and reinvest from 2024-25.

| Financial Indicator | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|----------------------------------|---------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net Financial Liabilities | Less than 80% | 60% | 55% | 62% | 54% | 38% | 38% | 34% | 29% | 39% | 54% | 68% |

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

- This indicator represents the significance of the net amount owed compared with operating revenue.
- City of Adelaide’s net financial liabilities are within the prescribed target.

Long Term Financial Plan Dashboard

| Financial Indicator | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|-----------------------------------|----------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Asset Sustainability Ratio | 90%-110% | 74% | 67% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

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

- This indicator expresses expenditure on asset renewals as a percentage of the projected funding required for asset renewal. It indicates 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).
- 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.
- The Sustainability ratio falls outside of 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.

| Financial Indicator | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|-------------------------------|-------------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Asset Test Ratio | Maximum 50% | 26% | 25% | 27% | 20% | 16% | 16% | 14% | 11% | 17% | 26% | 35% |
| Interest Expense Ratio | Maximum 10% | 1.1% | 1.2% | 1.0% | 1.2% | 1.0% | 0.8% | 0.8% | 0.7% | 0.8% | 1.2% | 1.7% |
| Leverage Test Ratio | Maximum 1.5 years | 0.8 | 0.7 | 0.8 | 0.6 | 0.5 | 0.5 | 0.4 | 0.3 | 0.5 | 0.7 | 1.0 |

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

- 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, an upper limit is determined through its financial indicators.
- Prudential limits are breached when one of the ratios fall outside of the targets stipulated in the Treasury and Cash Investment Policy.
- City of Adelaide's borrowings are within the prescribed targets across the Long Term Financial Plan

Long Term Financial Plan Dashboard

| Financial Indicator | Target | 2020-21 QF2 (Proposed) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 |
|--------------------------|--------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Future Fund (\$m) | N/A | 0.1 | 2.2 | 8.7 | 33.7 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 | 59.2 |

Future Fund (Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects)

- The Future Fund projections over the LTFP are based on existing decisions of Council to divest under performing assets
- There is currently no utilisation of the Future Fund built within the LTFP, nor corresponding increases in revenue or expenditure as a result of the income generating assets. An investment strategy is currently under development which will harness the funds to develop new revenue streams for the City, as directed by Council on the 15 December 2020.
- Utilisation of the Future Fund will result in a redraw of borrowings
- Council has resolved to develop an investment strategy which will harness the funds in order to develop new revenue streams for the City. This will include principles and guidelines for the evaluation of business cases to ensure that maximum benefits are realised.

Financial Sustainability over the LTFP

A council’s long-term financial performance and position is sustainable where planned long-term service infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services

Financial Sustainability is based on the principles that:

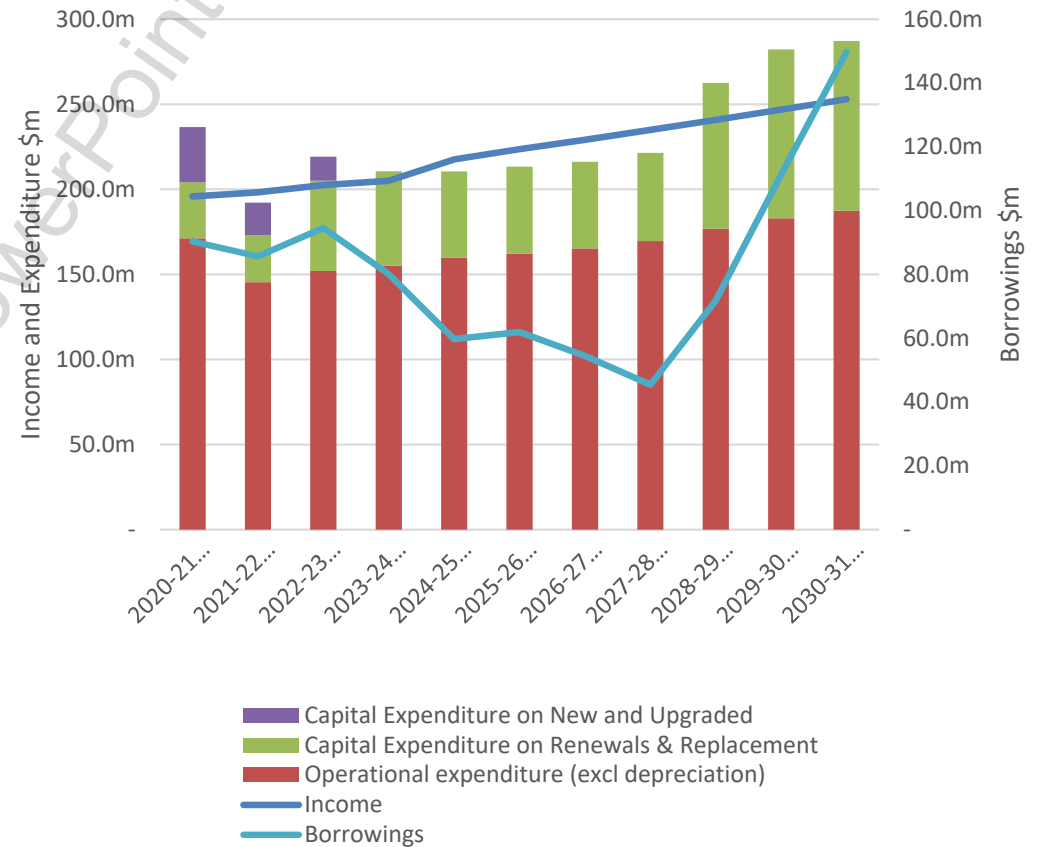
- The current generation are able to “pay their way” by funding the services and infrastructure they utilise
- Investments in new infrastructure and assets funded through borrowings will not over burden future generations

The current projections in the LTFP Based on Council’s current Asset register and projected expenditure to renew and replace these assets:

- Borrowings are required to fund major renewals in years 7-10 of the LTFP
- \$20m permanent reduction to our operating expenditure identified in 2020-21, with a proposed additional \$5.2m reduction in 2021-22 will require cuts or reductions to services

In order to improve our financial sustainability, Council has the opportunity to:

- Review and set levels of service for the Infrastructure Assets within the Asset Management Plans. This will include options to investigate divesting assets and/or to seek external funding.
- Increase rates revenue, and seek new revenue generating activities



LTFP – Operating Summary

The Operating Summary provides a breakdown of the operational income and expenditure and is presented in a format consistent with the Statement of Comprehensive Income.

| \$'000s | 2020-21 Quarter 2 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 | 2030-31 Plan |
|--|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income | | | | | | | | | | | |
| Rates Revenues | 118,454 | 121,123 | 124,150 | 127,680 | 132,250 | 136,698 | 140,643 | 144,667 | 148,772 | 152,958 | 157,228 |
| Statutory Charges | 9,886 | 11,869 | 11,976 | 12,173 | 12,373 | 12,576 | 12,819 | 13,068 | 13,322 | 13,580 | 13,852 |
| User Charges | 55,296 | 61,083 | 62,274 | 61,012 | 68,685 | 69,893 | 71,225 | 72,637 | 74,076 | 75,544 | 77,085 |
| Grants, Subsidies and Contributions | 5,419 | 3,029 | 3,074 | 3,128 | 3,182 | 3,238 | 3,303 | 3,369 | 3,436 | 3,505 | 3,575 |
| Investment Income | 35 | 25 | 26 | 26 | 27 | 27 | 28 | 28 | 29 | 29 | 30 |
| Reimbursements | 668 | 699 | 710 | 722 | 735 | 748 | 763 | 778 | 794 | 810 | 826 |
| Other Income | 327 | 303 | 308 | 313 | 318 | 324 | 331 | 337 | 344 | 351 | 358 |
| Total Income | 190,086 | 198,131 | 202,518 | 205,054 | 217,570 | 223,505 | 229,112 | 234,885 | 240,772 | 246,777 | 252,954 |
| Expenses | | | | | | | | | | | |
| Employee Costs | 77,896 | 71,712 | 73,285 | 74,854 | 76,458 | 78,096 | 79,689 | 81,315 | 82,974 | 84,667 | 86,405 |
| Materials, Contracts & Other Expenses | 91,079 | 71,497 | 76,309 | 77,739 | 81,229 | 82,123 | 83,829 | 86,762 | 92,255 | 96,130 | 98,001 |
| Depreciation, Amortisation & Impairment | 53,006 | 52,829 | 52,446 | 53,675 | 54,111 | 57,853 | 53,846 | 56,951 | 51,418 | 57,386 | 58,420 |
| Finance Costs | 2,162 | 2,192 | 2,376 | 2,462 | 2,144 | 1,863 | 1,732 | 1,505 | 1,602 | 2,148 | 2,911 |
| Total Expenses | 224,143 | 198,231 | 204,416 | 208,730 | 213,942 | 219,934 | 219,096 | 226,532 | 228,249 | 240,331 | 245,737 |
| Operating Surplus / (Deficit) | (34,057) | (101) | (1,898) | (3,677) | 3,628 | 3,570 | 10,016 | 8,353 | 12,524 | 6,446 | 7,217 |
| Asset Disposal & Fair Value Adjustments | 791 | (861) | 2,090 | 2,213 | - | - | - | - | - | - | - |
| Amounts Received Specifically for New or Upgraded Assets | 7,877 | 132 | - | - | - | - | - | - | - | - | - |
| Net Surplus / (Deficit) | (25,390) | (830) | 192 | (1,464) | 3,628 | 3,570 | 10,016 | 8,353 | 12,524 | 6,446 | 7,217 |
| Changes in Revaluation Surplus - I,PP&E | - | - | - | 42,873 | - | - | - | - | - | - | - |
| Net Actuarial Gains/(Loss) on Defined Benefit Plan | - | - | - | - | - | - | - | - | - | - | - |
| Total Other Comprehensive Income | - | - | - | 42,873 | - | - | - | - | - | - | - |
| Total Comprehensive Income | (25,390) | (830) | 192 | 41,409 | 3,628 | 3,570 | 10,016 | 8,353 | 12,524 | 6,446 | 7,217 |

LTFP – Uniform Presentation of Finances

The Uniform Presentation of Finances provides a summary of the operations, net outlays on existing assets and net outlays on new and upgraded assets.

| \$'000s | 2020-21 Quarter 2 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 | 2030-31 Plan |
|--|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Income | 190,086 | 198,131 | 202,518 | 205,054 | 217,570 | 223,505 | 229,112 | 234,885 | 240,772 | 246,777 | 252,954 |
| less Expenses | (224,143) | (198,231) | (204,416) | (208,730) | (213,942) | (219,934) | (219,096) | (226,532) | (228,249) | (240,331) | (245,737) |
| Operating Surplus / (Deficit) before Capital Amounts | (34,057) | (101) | (1,898) | (3,677) | 3,628 | 3,570 | 10,016 | 8,353 | 12,524 | 6,446 | 7,217 |
| Net Outlays on Existing Assets | | | | | | | | | | | |
| Capital Expenditure on Renewal & Replacement of Existing Assets | (32,898) | (27,563) | (53,004) | (55,539) | (50,627) | (51,210) | (50,878) | (51,804) | (85,707) | (99,217) | (99,806) |
| add back Depreciation, Amortisation and Impairment | 53,006 | 52,829 | 52,446 | 53,675 | 54,111 | 57,853 | 53,846 | 56,951 | 51,418 | 57,386 | 58,420 |
| add back Proceeds from Sale of Replaced Assets | 751 | - | - | - | - | - | - | - | - | - | - |
| Net Outlays on Existing Assets | 20,859 | 25,266 | (558) | (1,864) | 3,483 | 6,643 | 2,968 | 5,146 | (34,289) | (41,831) | (41,386) |
| Net Outlays on New and Upgraded Assets | | | | | | | | | | | |
| Capital Expenditure on New and Upgraded Assets | (32,467) | (19,190) | (14,188) | - | - | - | - | - | - | - | - |
| add back Amounts received specifically for New and Upgraded Assets | 4,977 | 132 | - | - | - | - | - | - | - | - | - |
| add back Proceeds from Sale of Surplus Assets | | 2,100 | 6,500 | 25,000 | 25,500 | - | - | - | - | - | - |
| Net Outlays on New and Upgraded Assets | (27,490) | (16,958) | (7,688) | 25,000 | 25,500 | - | - | - | - | - | - |
| Net Lending / (Borrowing) for Financial Year | (41,348) | 8,208 | (10,144) | 19,459 | 32,612 | 10,213 | 12,984 | 13,499 | (21,766) | (35,385) | (34,169) |

The complete set of Financial Statements are included in the Appendix

Next steps

Other relevant items

Over the next three months Council will also consider other components that make up the 21-22 Business Plan and Budget – from Strategic Projects, Infrastructure and Assets and Fees and charges.

Other relevant considerations running concurrently during this process include:

- Rating Policy review
- Long Term Financial Plan
- Strategic Asset Management Plan
- Ongoing work as part of the Strategic Property Review
- Investment Strategy (Future Fund) workshop

February

- LTFP update following QF2 approval
- Budget overview of Income and Expenditure
- Services introduction and budget summary by service

March

- Services conversation continued, including prioritised services for contestability
- Strategic Projects and Infrastructure and Assets workshops
- Subsidiary Business Plans and Budgets
- Early community engagement focused on informing the community of early budget conversations and outcomes

April

- Endorse Draft BP&B for consultation
- Adopt Fees and Charges
- 21 Day Public Consultation on Draft

May

- Public hearing on consultation (*pending legislation changes*)

June

- Adopt BP&B, LTFP and Rates