



AUDIT COMMITTEE

AGENDA & REPORTS

for the meeting

Friday 30 April 2021
at 8.30am

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
Proxy Members	<i>Councillor Knoll [proxy for the Lord Mayor]</i> <i>Councillor Couros (Deputy Lord Mayor) [proxy for Councillor Hyde].</i>

1. 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.'

2. Confirmation of Minutes – 19/3/2021

That the Minutes of the meeting of the City of Adelaide Audit Committee held on 19 March 2021 be taken as read and be confirmed as an accurate record of proceedings.

3. Presiding Member Reports

4. Reports

- 4.1. 2020-2021 Quarter 3 Finance Report [2020/00150] [Page 3]
- 4.2. Draft 2021-2022 Business Plan & Budget and Long Term Financial Plan Update [2020/01920] [Page 29]
- 4.3. Internal Audit Progress Update [2020/00774] [Page 33]
- 4.4. Financial Capitalisation Update [2021/00216] [Page 37]

5. Emerging Key Risks

6. Independent Member Discussion

7. Other Business

8. Item Seeking Exclusion of the Public

8.1. Exclusion of the Public to Consider [2018/04291] [Page 40]

For the following items seeking consideration in confidence:

- 9.1 Workshop – Service Contestability [s 90(3) (e)]
- 9.2 Workshop – Service Planning and Performance: Service Contestability Update and Approach [s 90(3) (e)]
- 9.3 Activities of the Strategic Risk and Internal Audit Group Meetings [s 90(3) (i)]

9. Confidential Items

9.1. Workshop – Service Contestability [2017/03236] [Page 43]

9.2. Workshop – Service Planning and Performance: Service Contestability Update and Approach [2017/03236] [Page 93]

9.3. Activities of the Strategic Risk and Internal Audit Group Meetings [2020/01604] [Page 101]

10. Closure

2020-2021 Quarter 3 Finance Report

ITEM 4.1 30/04/2021
Audit Committee

Strategic Alignment - Enabling Priorities

2020/00150
Public

Program Contact:
Grace Pelle, Manager, Finance &
Procurement 8203 7343

Approving Officer:
Justin Lynch, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

The 2020-21 Quarter 3 Finance Report summarises:

- The year to date financial performance for the quarter ended 31 March 2021.
- Proposed adjustments to the 2020-21 Budget to adjust income and expenditure in line with the 2020-21 Quarter 3 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 Chief Executive Officer identify \$20m in permanent operating expenditure savings this financial year. As at Quarter 3, the savings have been identified and implemented, however not all savings will be realised this financial year. In order to achieve the \$20m in expenditure savings, a transition costs provision of \$14.4m was included. We are currently forecast to be \$5m favourable to this provision, and as such, this is incorporated into the revised forecast as a saving.

The 2020-21 Quarter 3 Finance Report includes additional adjustments requested by Council resulting in additional spend of \$0.195m and the removal of East-West Bikeway of \$5.6m. The additional spend has been offset by other savings and increased income adjustments put forward.

The impact of these net adjustments in the Quarter 3 reforecast to the end of year position are a decrease to:

- Council's forecasted Operating Deficit for 2020-21 from \$34.1m to \$18.3m,
- Borrowings from \$90.3m to \$61.8m.

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

RECOMMENDATION

THAT THE AUDIT COMMITTEE RECOMMENDS TO COUNCIL

That Council

1. Adopts the 2020-21 Quarter 3 Finance Report, including the proposed 2020-21 Quarter 3 Revised Forecast as summarised in Attachment A to Item 4.1 on the Agenda for the meeting of the Audit Committee held on 30 April 2021.
2. Notes the 2020-21 Quarter 3 Finance Report includes additional adjustments requested by Council resulting in additional spend of \$0.195m and the removal of East-West Bikeway of \$5.6m. The additional spend has been offset by other savings and increased income adjustments put forward.
3. Notes the draft 2021-22 to 2030-31 Long Term Financial Plan (LTFP) is currently being consulted on with our community from the 16 April 2021 to 31 May 2021. The impacts of the Quarter 3 Revised Forecast on our LTFP will be updated for the final adoption of the LTFP in July 2021

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities The deliverables and objectives set out in the Quarter 3 Revised Forecast (QF3) 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 (SA)</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	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)	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 3 Financial Result

1. The year to date financial position for the quarter ended 31 March 2021 is an operating deficit of (\$2.3)m which is \$19.5m favourable compared to budget of (\$21.9)m. The favourable position is driven by a combination of better than expected income from user fees and charges and city businesses, and a delay in timing of expenditure and savings.

Better than expected Income

2. The 2020-21 COVID-19 Recovery budget was built assuming a gradual recovery of revenue to 85-90% of pre COVID-19 levels by 30 June 2021. For the month of March 2021, we achieved 98% of March 2019 parking and associated income. Our revenue streams will continue to be monitored throughout the remainder of the financial year.

Cash flow from Rates Income

3. Rates notices were distributed later than in prior years and rate payers had until 31 March to make payment.
4. As at 19 March 2021, 92% of payments have been received and there have been 91 applications for hardship (2% of Q3 rates notices).
5. The extension of the Rates Hardship Assistance Measures until 30 June 2021 will continue to provide additional support to those City ratepayers still impacted by COVID-19.

Reshaping Our Organisation

6. 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 \$20m in permanent operating expenditure savings this financial year.
7. The Quarter 1 Finance Report incorporated the permanent savings of \$2.576m identified (post the enactment of our COVID-19 Business Continuity Plan) as an initial contribution to the \$20m operational expenditure savings target set by Council (Phase 1), as reported to Council on 13 August 2020.
8. Through Quarter 2 a proposed new organisational structure was designed to be more efficient and integrated, allowing us to continue to provide quality services to our community while providing value for money for our ratepayers. The implementation of this new structure was completed in Quarter 3.
9. As at Quarter 3, the savings have been identified and implemented, however not all savings will be realised this financial year. In order to achieve the \$20m in expenditure savings, a transition costs provision of \$14.4m was included. We are currently forecast to be \$5m favourable to this provision, and as such this is incorporated into the revised forecast as a saving.

Proposed Revised Quarter 3 Forecast

10. The revised forecast of the Operating Deficit at the end of the 2020-21 financial year is projected to decrease by \$13.7m, from \$34.1m to \$18.3m.
11. Council's borrowings (debt) as at 30 June 2021 is forecasted to decrease by \$28.5m from \$90.3m to \$61.8m.
12. The Revised Financial Statements are included as an Appendix to **Attachment A**.
13. The draft 2021-22 to 2030-31 Long Term Financial Plan (LTFP) is out for community consultation until 31 May 2021. The impacts of the revised Quarter 3 forecast on our LTFP will be updated for the final adoption of the LTFP in July 2021.

The changes to the revised forecast are detailed below.

Additional adjustments as requested by Council

14. An allocation to replace the turf and investigate irrigation options along 164-192 Barton Terrace West \$0.025m increase cost.
15. An allocation of \$0.07m for the Place of Courage, new art work to commemorate Domestic Violence. This is funded through savings from the Terrance Plowright project.
16. The removal for the East-West Bikeway of \$5.6m and associated grant funding.
17. An allocation of additional costs of \$0.1m to fund the Supplementary Election following the resignation of Councillor Simms.

These requests are funded through a reprioritisation of existing budgets as detailed below.

Proposed adjustments to the Operating Position

18. Adelaide Aquatic Centre favourable income as a result of swim school and associated income \$1.1m.
19. North Adelaide Golf Course favourable income as a result of higher casual rounds and golf cart hire \$0.3m.
20. On Street Parking and Expiations fees and charges income increase of \$1.2m.
21. Property income of \$1.0m as a result of less vacancies across properties than anticipated.
22. UPark favourable income as a result of higher than expected income across multiple UParks \$1.4m.
23. Expenditure Savings as a result of:
 - 23.1. Projects anticipated to be delivered across multiple years \$1.43m, and those projects transferred to capital to reflect the nature of the project expenditure \$0.7m.
 - 23.2. Partnership and operating activity savings and reduced delivery of \$0.9m largely driven by the IM roadmap.
 - 23.3. Other Net operating savings of \$5.7m including the transition costs \$5.0m, offset by additional IT licences and subscriptions \$0.71m.
 - 23.4. Reduction of project related expenditure \$2.0m, largely due to Gawler UPark Façade, where the change in project scope has resulted in the project now being capitalised.

Infrastructure and Capital Projects Adjustments

24. Net savings in the Infrastructure Renewals Program of \$0.9m, where savings of \$1.6 funded emerging priorities of \$0.7m.
25. The removal of the East-West Bikeway and associated grant funding following the Council Decision \$5.6m expenditure, and \$2.7m grant funding.
26. Increase of new and upgraded assets due to the reduction of project related expenditure \$2.0m, largely due to Gawler UPark Façade.
27. Other net increases to new and upgraded assets of \$1.1m, including the transfer of projects from operations \$0.8m, Old Bus station temporary car park \$0.2m, and Whitmore Square Safety Improvements \$0.2m.
28. A number of capital projects have been identified to be carried forward into the 2021-22 financial year. At the time of building the draft 2021-22 budget, an estimate of \$21.6m had been identified, this has since been revised down to \$17.4m. Delivery of these projects is continuing and will endeavour to reduce the value of carry forwards in to 2021-22.
29. No adjustment to the budget in Quarter 3 is recommended for carry forwards given the estimate included in the draft 2021-22 Business Plan and Budget. As such, the carry forwards will be finalised and formerly adjusted in the Quarter 1 2021-22 budget review once actual spend is finalised.

Treasury Report

30. 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 31 March 2021 is reported below.
31. Borrowings as at 31 March 2021 were \$42.8m.

Borrowings Facility	Available	Interest Type	Interest Rate	Borrowing(s) Amount as at 31 December 2020	Change since previous report	Maturity Date	CAD Interest Rate
LGFA CAD* 554	\$30m	Variable	1.35%	\$30m	\$0.0m	16/12/2023	1.35%
LGFA CAD* 555	\$70m	Variable	1.35%	\$12.8m	(\$0.3)	15/06/2033	1.35%

* 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.

32. The Prudential Limits as at 31 March 2021 based on actual borrowings of \$42.8m are below:

Prudential Limit Ratio	Comments	Limits	YTD Actual to March 2021
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%	12%

33. Interest Income (Expenditure) against the Quarter 3 budget is a net favourable year to date variance of \$0.2m.

Interest	Quarter Dec-Mar		Mar YTD		Annual	Administration Comments
	Actual	Budget	Actual	Budget	Budget	
Revenue	\$2,884	\$2,083	\$8,941	\$18,750	\$25,000	Interest revenue consists of interest earned on operating monies held in the NAB operating account.
Expense	(\$150,205)	(\$370,848)	(\$670,408)	(\$897,800)	(\$1,280,300)	Interest expense consists of LGFA CAD facility.

ATTACHMENTS

Attachment A – 2020-21 Quarter 3 Finance Report

- END OF REPORT -

City of Adelaide 2020-21 Quarter 3 Finance Report

March 2021

Prepared for the City of Adelaide
by Finance and Procurement

Contents

Executive Summary

Financial Dashboard

Risks and Opportunities

Operational Summary

Uniform Presentation of Finances

Reforecast Adjustments and Re-times

Appendices

1. Budgeted Financial Statements

2. Long Term Financial Plan

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 the quarter 2 budget, driven by greater than expected income and lower expenditure.

The capital program is favourable to the quarter 2 budget due to net savings across the program identified, and the timing of project delivery, including those projects identified as to be carried forward into 2021-22.

Cash flow from Quarter 3 rates notices was due on 31 December. Currently 92% has been paid with 91 applications for hardship amounting to 2% of rates. The City of Adelaide hardship policy remains available.

Quarter 3 Year To Date Operating Position

Council's quarter 3 financial position is an operating deficit of (\$2.3) million which is \$19.5 million favourable compared to our COVID-19 Recovery budget of (\$21.9) million. This is primarily due to:

- Better than expected income from user fees and charges, including Adelaide Aquatic Centre, North Adelaide Golf Course, On-Street Parking and expiations, Property, and UPark.
- Lower than forecasted employee costs due to the management of vacancies and lower transitions costs from organisational reshaping. Other expenditure on partnerships and operating activities, maintenance costs, and utilities also finished the quarter with favourable variances.

End of Year Operating Position

The revised forecast of our Operating Deficit at the end of the 2020-21 financial year is projected to decrease by \$15.8 million, from (\$34.1) million to (\$18.3) million.

Borrowings

Council's borrowings at 31 March 2021 were \$42.8 million. This is within prudential limits.

The forecast end of year position has decreased by \$28.5 million to \$61.8 million

Risk & Opportunities

Income Expectations

The 2020-21 COVID-19 Recovery budget was built assuming a gradual recovery of revenue to 85-90% of pre COVID-19 levels by 30 June 2021. For the month of March 2021, we achieved 98% of March 2019 parking and associated income. Our revenue streams will continue to be monitored throughout the remainder of the financial year.

Reshape Update

The new organisational structure was implemented in quarter 3. Designed to be more efficient and integrated, it allows us to continue to provide quality services to our community while providing value for money for our ratepayers.

The 2020-21 budget reflects a \$20 million permanent operating expenditure target. As at quarter 3, the savings have been identified and implemented, however not all savings will be realised this financial year. In order to achieve the \$20 million in expenditure savings, a transition cost provision of \$14.4 million was included. We are currently forecast to be \$5 million favourable to this provision, and as such, this is incorporated into the revised forecast as a saving.

Projects Identified for Carry Forward

A number of capital projects have been identified to be carried forward into the 2021-22 financial year. At the time of building the draft 2021-22 budget, an estimate of \$21.6 million had been identified, this has since been revised down to \$17.4 million.

The projects are based on the latest estimates available at the time, and may vary between now and the end of the financial year. Carry forwards will be finalised and formerly adjusted in the quarter 1 2021-22 budget review.

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.

Financial Indicator	Explanation	Target	December Year to Date (YTD)		Revised Forecast	
			2020-21 Actuals	2020-21 Budget	2020-21 QF2 Budget	Proposed 2020-21 Budget (QF3)
Operating Surplus Ratio	Operating surplus as a percentage of operating revenue	0%-20%	(2%)	(15%)	(18%)	(9%)
Net Financial Liabilities	Financial liabilities and a percentage of operating revenue	Less than 80%	N/A	N/A	60%	42%
Asset Sustainability Ratio	Asset renewal expenditure as a percentage of required expenditure forecast in the asset management plans	90%-110%	N/A	N/A	74%	67%
Asset Test Ratio	Borrowings as a percentage of total saleable property assets	Maximum 50%	12%	18%	26%	18%
Interest Expense Ratio	Number of times General Rates Revenue (less landscape Levy) can service the annual interest expense	Maximum 10%	1.5%	1.8%	1.1%	0.8%
Leverage Test Ratio	Total borrowings relative to General Rates Revenue (Less landscape Levy)	Maximum 1.5 years	0.5	0.7	0.8	0.5
Cash flow from Operations	Operating income as a percentage of Operating Expenditure plus expenditure on renewal/replacement of assets	Greater than 100%	N/A	N/A	97%	103%
Borrowings (\$'m)	Total borrowings	Within Prudential Limits	42.8	62.4	90.3	61.8
Operating Surplus (\$'m)	Operating Income less Expenditure	\$2m - \$10m	(2.3)	(21.9)	(34.1)	(18.3)
Future Fund (\$'m)	Proceeds from the sale of Council assets to fund new income generating assets or new strategic capital projects	-	0.1	0.1	0.1	0.1

The YTD financial indicators are in line with the annual 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	2020-21 QF2 Budget	Proposed 2020-21 Budget (QF3)	Variance
Income						
Rates Revenues	89,853	89,763	90	118,454	118,354	(100)
Statutory Charges	8,068	7,684	384	9,886	10,355	469
User Charges	45,584	41,776	3,808	55,296	59,887	4,591
Grants, Subsidies and Contributions	2,864	2,759	105	5,419	5,419	-
Investment Income	63	26	37	35	80	45
Reimbursements	251	501	(250)	668	459	(209)
Other Income	226	394	(168)	327	138	(189)
Total Income	146,909	142,903	4,006	190,086	194,692	4,607
Expenses						
Employee Costs	57,278	63,323	6,045	77,896	72,616	5,280
Materials, Contracts & Other Expenses	50,757	59,987	9,230	91,079	85,570	5,509
Depreciation, Amortisation & Impairment	39,860	39,887	27	53,006	53,006	-
Finance Costs	1,340	1,569	230	2,162	1,776	386
Total Expenses	149,235	164,766	15,531	224,143	212,968	11,175
Operating Surplus / (Deficit)	(2,326)	(21,863)	19,537	(34,057)	(18,275)	15,782
Asset Disposal & Fair Value Adjustments	(1,299)	(30)	(1,269)	791	791	-
Amounts Received Specifically for New or Upgraded Assets	3,268	4,388	(1,120)	7,877	5,162	(2,714)
Net Surplus / (Deficit)	(357)	(17,506)	17,148	(25,390)	(12,322)	13,068
Total Comprehensive Income	(357)	(17,506)	17,148	(25,390)	(12,322)	13,068

Operating Summary

Year to Date

Income

Statutory Fees and Charges \$0.4 million Higher than expected expiations and associated revenue

User Fees and Charges \$3.8 million

- Adelaide Aquatic Centre \$0.7 million favourable largely driven by swim school and associated revenue.
- North Adelaide Golf Course \$0.3 million favourable due to increased rounds across all courses and associated secondary spends
- On Street Parking fees and charges revenue \$0.4 million favourable with better than anticipated recovery from COVID-19
- Property \$1.2 million favourable across tenant lease fees and property recoveries due to less vacancies than budgeted.
- UPark \$1.0 million favourable (including ACMA \$0.4 million). UPark Plus continues to assist with better than anticipated recovery from COVID-19

Reimbursements (\$0.3) million Reduced level of private works completed by City Operations.

Expenditure

Employee Costs \$6.0 million Employee costs are lower than forecast due to the management of vacancies and lower than forecast transition cost.

Materials, Contracts & Other Expenses \$9.2 million including:

- \$1.3 million of operational and maintenance costs that are adhoc in nature
- \$2.3 million of partnerships and operating activities where funding is still required to achieve 2020-21 Business Plan
- Energy and Water Utilities \$1.5 million
- Quarter 3 proposed net savings of \$4.1 million.

Finance Costs \$0.2 million Due to lower debt balance.

End of Year Forecast

Income

Statutory Fees and Charges \$0.5 million

Recognition of year to date favourable variance in expiations and associated revenue.

User Charges \$4.6 million

Recognition of year to date favourable variance and improved EOY forecast in UPark \$1.4 million, Adelaide Aquatic Centre \$1.1 million, Property \$1.0 million, On-Street Parking \$0.7 million and North Adelaide Golf Course \$0.3 million.

Reimbursements (\$0.2) million

Recognition of reduced private works completed by City Operations.

Expenditure

Employee Costs \$5.3 million

Recognition of lower than anticipated transition costs.

Materials, Contracts & Other Expenses \$5.5 million including:

- Project funding incorporated into the draft 2021-22 budget for projects anticipated to be delivered across multiple years, including: Mainstreet Revitalisation, Energy Assessment Pilot Program, City Activation, Adelaide Free Wi-Fi (2022-23), see slide 10.
- Project funding transferred to capital due to the nature of the expense of \$0.7m including Brown Hill and Keswick Creeks contribution and Illuminate.
- Partnership and operating activity savings and delayed delivery of \$0.9 million largely driven by the IM roadmap.
- Additional funding requirements for the Supplementary Election (\$0.1) million, Council Decision for Barton Terrace West turf and irrigation (\$0.25) million, and IT licences and subscriptions (\$0.71) million
- Reduction of project related expenditure \$1.976 million, largely due to Gawler UPark Façade, see slide 15.
- Other savings based on year to date favourable position \$0.3 million.

Finance Costs \$0.4 million

Reduced due to lower expected debt levels

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	March Year to Date			Revised Forecast		
	2020-21 Actuals	2020-21 Budget	Variance	2020-21 QF2 Budget	Proposed 2020-21 Budget (QF3)	Variance
Income	146,909	142,903	4,006	190,086	194,692	4,607
less Expenses	(149,235)	(164,766)	15,531	(224,143)	(212,968)	11,175
Operating Surplus / (Deficit) before Capital Amounts	(2,326)	(21,863)	19,537	(34,057)	(18,275)	15,782
Outlays on Existing Assets						
Capital Expenditure on Renewal & Replacement of Existing Assets	(17,438)	(25,127)	7,689	(32,898)	(32,006)	892
add back Depreciation, Amortisation and Impairment	39,860	39,887	(27)	53,006	53,006	-
add back Proceeds from Sale of Replaced Assets	596	942	(346)	751	751	-
Net Outlays on Existing Assets	23,018	15,701	7,317	20,859	21,751	892
Outlays on New and Upgraded Assets						
Capital Expenditure on New and Upgraded Assets	(8,289)	(9,060)	771	(32,467)	(30,484)	1,983
add back Amounts received specifically for New and Upgraded Assets	3,268	4,388	(1,120)	4,977	2,263	(2,714)
Net Outlays on New and Upgraded Assets	(5,021)	(4,672)	(348)	(27,490)	(28,222)	(731)
Net Lending / (Borrowing) for the Financial Year	15,671	(10,835)	26,505	(40,688)	(24,746)	15,943

Uniform Presentation of Finances

Year to Date

The year to date Net Lending / (borrowing) position of \$15.7 million is \$26.5 million favourable to the budget of (\$10.8) million. This is largely due to the favourable operating surplus position of \$19.5 million (refer to Page 6), and the timing of expenditure on the renewal and replacement of assets of \$7.7 million.

Renewal & Replacement of Existing Assets

Capital Expenditure \$7.7 million including:

- Jeffcott Street \$0.8million – project impacted by COVID
- CLC Renewals \$0.5 million – Contract awarded with work commencing in April
- Angas Street \$0.3 million – construction underway.
- Torrens Lake Retaining Structure \$0.3 million – construction underway.
- Plant, Fleet & Equipment \$1.3 million favourable, Purchases have been delayed due to waiting on tender completions.
- ACMA capital \$1.2 million – timing across all projects.

Amounts received (\$0.3) million

Timing of sale of plant and fleet

New and Upgraded Assets

Capital Expenditure \$0.8 million including:

- City Skate Park \$1.1 million – construction underway.
- Whitmore Square safety improvements \$0.2 million – construction underway.
- Tavistock Lane \$0.2 million – Deed signed with contribution paid.

Amounts received (\$1.1) million

Timing, mainly due to City Skate Park (\$1.1) million.

End of Year Forecast

The revised Net Lending / (Borrowing) position is (\$24.7) million, a decrease of \$15.9 million from the Quarter 2 Revised Budget, driven by a favourable operating position of \$15.8 million, and the net outlays on assets of \$0.2million as detailed below.

Renewal & Replacement of Existing Assets

Capital Expenditure \$0.9 million

- Net savings in the Infrastructure Renewals Program of \$0.9 million, with savings of \$1.6 funding emerging priorities of (\$0.7) million, including the Traffic Controller replacement program brought forward from the 2021-22 program, as detailed on slides 11 to 13.

New and Upgraded Assets

Capital Expenditure \$2.0 million

- East-West Bikeway \$5.6 million – following Council Decision to remove the project and associated grant funding.
- Net increase to new and upgraded assets of (\$1.1) million, including the transfer of projects from operations (\$0.8) million, Old Bus station temporary car park (\$0.2) million, and Whitmore Square Safety Improvements (\$0.2) million as detailed on slide 11
- Increase due to the reduction of project related expenditure (\$2.0) million, largely due to Gawler UPark Façade, see slide 15.

Amounts received (\$2.7) million

- East-West Bikeway (\$2.7) million – following Council Decision to remove the project and associated grant funding.

Operating Projects

Adjustments

Project Explanation	Budget \$'000	Adjustment \$'000	Re-timed \$'000
Adelaide Free Wi-Fi Multi-year project to be completed over 2021-22 and 2022-23. Funding allocated in 2021-22	(900)	900	-
Brown Hill and Keswick Creeks Contribution Movement of the capital portion of the contribution from operating to capital to reflect the capitalisation of the contribution.	(545)	451	-
Central Market Arcade Investigation – Redevelopment Options Project savings identified due to the timing in the commencement of construction of the new arcade.	(600)	300	-
Illuminate Legacy Art Movement of existing project from operating to capital to reflect scope.	(300)	295	-
Mainstreet Revitalisation Project delivery to continue into 2021-22 following recent Council workshop on options. Funding allocated in 2021-22	(232)	200	-
Energy Assessment Pilot Program Program has commenced and expected to be delivered into 2021-22. Funding allocated in 2021-22	(400)	185	-
City Activation – Core Splash Winter events to be delivered into 2021-22. Funding allocated in 2021-22	(635)	100	-
Park Lands Services Savings identified due to external grant not received	(100)	75	-
Digital Wayfinding Project completed with savings	(125)	76	-
Welcoming City Places & Spaces Project delivery to continue into 2021-22. Funding allocated in 2021-22	(25)	25	-
Recover & Reimagine Project completed with savings	(311)	23	-
Barton Terrace West Extra Turf Council Decision to replace the turf and investigate irrigation along 164-192 Barton Terrace West	-	(25)	-
2021 Supplementary Election Supplementary Election costs following the resignation of Councillor Simms	-	(100)	-
Driller Mural Movement of existing project from capital to operating to reflect scope. Project to be delivered in 2021-22	-	(15) 15	-
Total		(2,636)	-

Summary of Adjustments

The adjustments on the left reflect the proposed changes to the 2020-21 QF3 Budget. The changes include:

- Projects identified in the draft 2021-22 budget as at risk of carry forward \$0.51 million
- Council Decision to replace the turf and investigate irrigation options along 164-192 Barton Terrace West
- Supplementary Election costs
- Movement of funds from operating to capital to reflect the nature of the expenditure

The net value of these adjustments of \$2.6 million has reduced the Operating Deficit and funding requirement for 2020-21.

Infrastructure Program

Adjustments

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
New/Significant upgrades			
Terrance Plowright Sculpture Installation Art work has been taken on by State, project was given up savings which were predominantly allocated to Illuminate (\$100k) and Place of Courage (\$70k).	(178)	178	-
Illuminate 2021 - Grote St artwork New art work installation for the Illuminate Festival. \$295k transferred from GenOps to Capital with \$100k added from savings from Terrance Plowright project.	-	(395)	-
Public Art 20-21 \$15k for mural installation transferred to a new operating project and \$22k contribution to Place of Courage project.	(216)	37	-
Place of Courage New art work to commemorate Domestic Violence. \$70k transferred from savings from Terrance Plowright project and \$22k contributed from Public Art project. Council Decision 20756	-	(92)	-
Welcoming Spaces As part of the operating project, items were purchased which can be capitalised hence a transfer to a new Capital project was initiated.	-	(45)	-
Old Bus station-temporary car park New project to build a temporary car park at the old Bus station site to compensate for loss of parking during the Arcade redevelopment project.	-	(199)	-
Brown Hill and Keswick Creeks Contribution Movement of the capital portion of the contribution from operating to capital to reflect the capitalisation of the contribution.	-	(451)	-
Field Street (Design) Re-design required due to SAPN installing powerlines in the street.	(43)	(45)	-
Peace Park/Town Clerk's Walk Project completed with saving.	(322)	33	-
Whitmore Square Safety Improvements Additional costs incurred due to design deficiencies and latent conditions.	(762)	(150)	-
Decorative lighting Program – Hurtle Square Project completed with additional funds required.	(30)	(4)	-
Total		(1,125)	
Transport			
Transport Program 20-21 * projects completed with savings: Torrens Path \$49k, North Terrace footpath \$29k and Halifax Street Design \$5k * grant attribution (Financial Assistance Grant) released savings: Main North Road resurfacing \$256k * Urgent Works provision release \$429k * Design fully scoped, release \$68k * Carrington Street removed \$174k * new projects funded: Leigh Street footpath (\$160k) and North Terrace (Lot 14) footpath (\$54k)	(4,791)	796	-
Total		796	

Summary of Adjustments

- Transfer of Illuminate (\$0.295) million and Brown Hill Keswick Creeks Contribution (\$0.451) million from Operating to Capital to reflect the nature of the expense
- Additional funds required to build a temporary car park at the old Bus station site (\$0.2) million, and Whitmore Square Safety Improvements due to design deficiencies and latent conditions (\$0.15) million

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Infrastructure Program

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Lighting and Electrical			
Lighting and Electrical Renewal Program			
Release of Urgent Works provision \$229k. Offset by bringing forward Traffic Controller replacement from 21/22 Program (\$456k).	(1,071)	(227)	-
Building Management System and CCTV			
CCTV replacement project completed with savings.	(152)	42	-
Total		(185)	
Water Infrastructure			
Torrens Lake Submerged Earth Retaining Structures (Design)			
Project completed with savings.	(3)	1	-
Water Infrastructure Renewal Program			
Francis Street delayed into 21/22 Program \$447k, release of Urgent Works provision \$50k, Hack Street completed with savings \$5k. Offset by bringing South Terrace Stormwater forward (\$30k).	(1,565)	472	-
Total		473	
Buildings			
Hazardous Material Removal Program			
Project completed with savings.	(727)	129	-
Design Program and Urgent Works - Buildings			
2 Design projects provided savings \$15k. Offset by new CLC ceiling tile rectification project (\$50k).	(384)	(35)	-
Building Asset replacement (FM)			
Several items in the Facilities Maintenance space had to be replaced. Funding transferred from General Operations for capitalisation of assets.	-	(72)	-
Total		22	
Traffic Signals			
Renewal of Traffic Lanterns & Signal Controllers			
Tender pricing above budget.	(331)	(115)	-
Total		(115)	
Bridges			
Bridges - Assorted Design and Urgent Works			
Release of Urgent Work provision \$115k and Design provision \$92k offset by small increase in Weir 2 handrail design project (\$2k).	(253)	204	-
Total		204	
Urban Elements			
Urban Elements Program			
Project completed with saving.	(320)	6	-
		6	

Summary of Adjustments:

- Traffic Controller replacement program brought forward from 2021-22 (\$0.5) million to replace the Francis Street project \$0.4 million to reflect project delivery readiness

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Infrastructure Program

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Park Lands and Open Spaces			
Park Lands Renewals			
Project completed with savings.	(133)	22	-
Streetscape Renewals			
Project completed with savings.	(253)	40	-
Total		62	
CITB Levy			
CITB levy			
Project completed with savings	(51)	16	-
Total		16	
Delivery Resources			
Project Delivery Costs			
Increase to Project Management due to Phase 2 restructure	(5,828)	(300)	-
Total		(300)	

Summary of Adjustments:

- Increase to Project Management due to Phase 2 restructure (\$0.3) million to recognise the design resources and projects to be delivered in-house.

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Major Projects

Adjustments and re-timed

Project* Explanation	Budget \$'000	Adjustment \$'000	Retimed \$'000
Major Projects			
City of Adelaide Bikeways – East-West Project cancelled following Council Decision. Project YTD spend of \$191k to be expensed to the Operating Position	(2,913)	Expense 5,635 Income (2,913)	-
Denise Norton Park/Pardipardinyilla (Park 2) East Enhancement Interest accumulated on the grant released into project \$120k	-	Expense (120) Income 120	-
Total		2,722	

Summary of Adjustments

- Recognition of the project savings of the East-West Bikeway following Council Decision to cancel the project and remove the budget.

* The project adjustments include capital amounts and WIP write-off amounts expensed to the Statement of Comprehensive Income

Capital Works Write-off Adjustments

Project	Budget \$'000	Adjustment \$'000
Savings/Additional funds		
Community Capital project	(249)	53
Lighting & Electrical Renewals	(329)	42
Bridge Renewals	(7)	7
Total		103
Forecasting adjustment		
Major Projects	(963)	(511)
Community Capital project	(249)	(14)
New/Upgrade	(2,574)	(1,576)
Building Renewals	(39)	94
Bridge Renewals	(7)	(15)
Lighting & Electrical Renewals	(329)	35
Urban Renewals	(122)	(11)
Park Land Renewals	(44)	(106)
Commercial Assets	(25)	25
Total		(2,079)
Total changes Expense to Capital	-	(1,976)

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 Renewals Program was again reviewed during the quarter, resulting in a net decrease of non-capital expense of (\$1.976) million. This is largely due to:
 - The change in scope of the Gawler UPark Façade, where the project can now be capitalised.
 - The cancellation of the East-West Bikeway project, where the year-to-date spend on the project of \$0.2 million has been expensed in the quarter.

Appendix

A – Budgeted Financial Statements

Item 4.1 - Attachment A

Appendix A

Budgeted Financial Statements

Statement of Comprehensive Income				
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast	Consolidated 2020-21 Quarter 3 Forecast
Income				
Rates Revenues	118,455	118,454	118,454	118,354
Statutory Charges	8,900	9,369	9,886	10,355
User Charges	53,435	53,879	55,296	59,887
Grants, Subsidies and Contributions	4,510	5,469	5,419	5,419
Investment Income	35	35	35	80
Reimbursements	691	691	668	459
Other Income	299	349	327	138
Total Income	186,326	188,247	190,086	194,692
Expenses				
Employee Costs	78,274	78,130	77,896	72,616
Materials, Contracts & Other Expenses	88,296	93,076	91,079	85,570
Depreciation, Amortisation & Impairment	53,744	53,638	53,006	53,006
Finance Costs	2,423	2,412	2,162	1,776
Total Expenses	222,737	227,256	224,143	212,968
Operating Surplus / (Deficit)	(36,411)	(39,009)	(34,057)	(18,275)
Asset Disposal & Fair Value Adjustments	(300)	491	791	791
Amounts Received Specifically for New or Upgraded Assets	3,429	7,853	7,877	5,162
Net Surplus / (Deficit)	(33,282)	(30,665)	(25,390)	(12,322)
Total Comprehensive Income	(33,282)	(30,665)	(25,390)	(12,322)

Appendix A

Budgeted Financial Statements

Statement of Financial Position				
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast	Consolidated 2020-21 Quarter 3 Forecast
ASSETS				
Current Assets				
Cash and Cash Equivalents	800	800	800	800
Trade & Other Receivables	14,789	13,340	13,470	13,797
Other Financial Assets	129	46	46	46
Inventories	707	576	576	576
Total Current Assets	16,424	14,762	14,892	15,219
Non-Current Assets				
Financial Assets	225	277	277	277
Equity Accounted Investments in Council Businesses	629	672	605	605
Investment Property	2,894	2,889	2,574	2,574
Infrastructure, Property, Plant & Equipment	1,867,041	1,871,426	1,872,993	1,852,641
Other Non-Current Assets	1,264	2,161	2,161	2,161
Total Non-Current Assets	1,872,053	1,877,425	1,878,610	1,858,258
TOTAL ASSETS	1,888,477	1,892,187	1,893,502	1,873,477
LIABILITIES				
Current Liabilities				
Trade & Other Payables	37,195	25,136	24,584	20,025
Provisions	11,320	12,064	12,064	12,064
Other Current Liabilities	3,290	3,290	3,290	3,290
Total Current Liabilities	48,515	40,490	39,938	35,379
Non-Current Liabilities				
Trade & Other Payables	1,000	1,293	293	293
Borrowings	90,125	92,754	90,345	61,812
Provisions	1,585	1,584	1,584	1,584
Other Non-Current Liabilities	33,745	33,745	33,745	33,745
Total Non-Current Liabilities	126,454	129,376	125,967	97,434
TOTAL LIABILITIES	178,259	169,866	165,906	132,813
Net Assets	1,710,219	1,722,321	1,727,596	1,740,664
EQUITY				
Accumulated Surplus	790,205	786,626	791,901	804,969
Asset Revaluation Reserves	918,355	934,010	934,010	934,010
Other Reserves	1,659	1,612	1,612	1,612
Future Fund Reserve	-	73	73	73
Total Council Equity	1,710,219	1,722,321	1,727,596	1,740,664

Appendix A

Budgeted Financial Statements

Statement of Changes in Equity				
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast	Consolidated 2020-21 Quarter 3 Forecast
Balance at the end of previous reporting period	1,743,501	1,752,986	1,752,986	1,752,986
a. Net Surplus / (Deficit) for Year	(33,282)	(30,665)	(25,390)	(12,322)
b. Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(33,282)	(30,665)	(25,390)	(12,322)
Gain (Loss) on Revaluation of I, PP&E	-	-	-	-
Balance at the end of period	1,710,219	1,722,321	1,727,596	1,740,664

Appendix A

Budgeted Financial Statements

Statement of Cash flows				
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast	Consolidated 2020-21 Quarter 3 Forecast
Cash Flows from Operating Activities				
<u>Receipts</u>				
Operating Receipts	188,261	188,197	189,905	194,186
<u>Payments</u>				
Operating Payments to Suppliers and Employees	(158,805)	(166,950)	(164,338)	(157,722)
Net Cash provided by (or used in) Operating Activities	29,456	21,247	25,567	36,463
Cash Flows from Investing Activities				
<u>Receipts</u>				
Amounts Received Specifically for New/Upgraded Assets	3,429	4,953	4,977	2,263
Proceeds from Surplus Assets	1,000	1,000	-	-
Sale of Replaced Assets	-	751	751	751
<u>Payments</u>				
Expenditure on Renewal/Replacement of Assets	(41,885)	(32,613)	(32,898)	(26,838)
Expenditure on New/Upgraded Assets	(25,999)	(31,817)	(32,467)	(18,175)
Net Cash provided by (or used in) Investing Activities	(63,456)	(57,725)	(59,637)	(42,000)
Cash Flows from Financing Activities				
<u>Receipts</u>				
Proceeds from Borrowings	38,525	41,154	38,745	10,212
<u>Payments</u>				
Repayment from Borrowings	-	-	-	-
Repayment of Principal portion of lease liability	(4,853)	(4,820)	(4,820)	(4,820)
Net Cash provided by (or used in) Financing Activities	33,672	36,334	33,925	5,392
Net Increase (Decrease) in Cash Held	(328)	(145)	(145)	(145)
plus: Cash & Cash Equivalents at beginning of period	1,128	945	945	945
Cash & Cash Equivalents at end of period	800	800	800	800

Appendix A

Budgeted Financial Statements

Uniform Presentation of Finances				
\$'000s	Consolidated 2020-21 Adopted Budget	Consolidated 2020-21 Quarter 1 Forecast	Consolidated 2020-21 Quarter 2 Forecast	Consolidated 2020-21 Quarter3 Forecast
Income	186,289	188,247	190,086	194,692
less Expenses	(223,118)	(227,256)	(224,143)	(212,968)
Operating Surplus / (Deficit) before Capital Amounts	(36,829)	(39,009)	(34,057)	(18,275)
less Net Outlays on Existing Assets				
Net Capital Expenditure on Renewal & Replacement of Existing Assets	(41,885)	(32,613)	(32,898)	(26,838)
less Depreciation, Amortisation and Impairment	53,744	53,638	53,006	53,006
less Proceeds from Sale of Replaced Assets	-	751	751	751
Net Outlays on Existing Assets	12,724	21,776	20,859	26,919
less Net Outlays on New and Upgraded Assets				
Net Capital Expenditure on New and Upgraded Assets	(25,999)	(31,817)	(32,467)	(18,175)
less Amounts received specifically for New and Upgraded Assets	14,650	4,953	4,977	2,263
Net Outlays on New and Upgraded Assets	(11,349)	(26,864)	(27,490)	(15,913)
Net Lending / (Borrowing) for Financial Year	(35,454)	(44,097)	(40,688)	(7,269)

Draft 2021-2022 Business Plan & Budget and Long Term Financial Plan Update

ITEM 4.2 30/04/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Grace Pelle, Manager, Finance &
Procurement 8203 7343

2020/01920
Public

Approving Officer:
Justin Lynch, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

The draft 2021-2022 Business Plan & Budget and draft Long Term Financial Plan (LTFP) were considered and approved by Council on 13 April 2021 to be released for public consultation. Consultation commenced on 16 April and will conclude on 10 May 2021 for the draft Business Plan and budget and 31 May for the LTFP.

The draft versions for consultation are included at [link 1](#) and [link 2](#) and vary from the draft budget presented to the Audit Committee last month.

The purpose of this report is to provide you with an update following these changes which were made as a direct result of decisions of Council originating from Council Member motions.

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report.
-

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	<p>Strategic Alignment – Enabling Priorities</p> <p>The deliverables and objectives set out in the draft 2021-2022 Annual Business Plan & Budget document are directly aligned to the delivery of year 2 of the 2020-2024 City of Adelaide Strategic Plan.</p>
Policy	The draft 2021-2022 Annual Business Plan & Budget has been prepared in accordance with Council's current Long-Term Financial Plan (LTFP) assumptions and endorsed Financial Policies. The approved public consultation is being undertaken in accordance with Council's Public Communication and Consultation Policy.
Consultation	A public consultation process on the draft 2021-2022 Annual Business Plan & Budget and LTFP commenced on Friday 16 April 2021 and will conclude on Monday 10 May 2021.
Resource	Not as a result of this report
Risk / Legal / Legislative	Council's draft 2021-2022 Annual Business Plan & Budget is developed in accordance with section 123 of the <i>Local Government Act 1999</i> (SA) (the Act), and sections 6 and 7 of the <i>Local Government (Financial Management) Regulations 2011</i> (the Regulations). Council's draft LTFP is developed in accordance with section 122 of the Act, and section 5 of the Regulations.
Opportunities	Public consultation is a key part of the Annual Business Plan & Budget process providing the community with an opportunity to provide feedback issues that affect them with the commitment of Council to provide pathways for their input.
20/21 Budget Allocation	Not as a result of this report
Proposed 21/22 Budget Allocation	The draft 2021-2022 Annual Business Plan & Budget provides the proposed budget for the 2021-2022 financial year.
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. The Audit Committee was presented with the draft budget on 19 March 2021. This budget presented a \$4.8M deficit operating position. Feedback from the Audit Committee was noted and actioned in the draft Business Plan and budget and draft LTFP provided to The Committee on 6 April 2021.
2. The draft Business Plan and budget and draft LTFP (the Plans) were considered by Council on 13 April 2021 and approved for release for public consultation. The plans were altered based on Council decisions made at that same meeting.
3. A summary of the changes to the Plans included in the draft versions for consultation are summarised as follows:
 - 3.1. Central Market Arcade Redevelopment to be funded by the newly established Future Fund. This did not impact the borrowings level as there is insufficient funds in the Future Fund Reserve. The equity position in the draft budget and LTFP reflects a negative balance in the Future Fund Reserve as a result of this change.
 - 3.2. Removal of all renewals for Adelaide Aquatic Centre after 2023-24 financial year. This has reduced the renewal spend and borrowings in the LTFP. Additional commentary has been provided in the written LTFP to provide explanation with regards to the change in assumption.
 - 3.3. Removal of UPark Rundle replacement in year 9 of the LTFP. This has reduced the renewal spend and borrowings in the LTFP. Additional commentary has been provided in the written LTFP to provide explanation with regards to the change in assumption.
 - 3.4. Introduction of a budget repair item to ensure a balanced budget for 2021-22. This has been entered into the draft budget with an even split between revenue and expenses to the value of \$4.75M.
 - 3.5. Council also stated it strongly urges the Administration consider the following in returning us to an operating surplus:
 - 3.5.1. Driving patronage of the City's commercial operations such as Council's UParks and Golf Course, while maintaining highly competitive charges for these services above what was already resolved in the December meeting of Council
 - 3.5.2. Undertaking vacancy management practices for the roles still left vacant after the organisational restructure
 - 3.5.3. Accelerating the contestability work already underway and overseen by the Audit Committee
 - 3.5.4. Performing further reviews on programs delivered by the City of Adelaide, and in particular assessing historical programs for their relevance and community benefit in delivering services to a standard that reflects community needs and expectations in a modern context.
 - 3.6. The amendment of UPark Pirie in the Strategic Property Review assumptions with regards to income post the sale of the asset. Council requested that sale of the site should not reduce income generated in its current state and as such should introduce an income target for the site post sale to ensure the same income level is maintained. This presented favourably to the LTFP with additional revenues included after a sale at full market value.
 - 3.7. The removal of East West Bikeway project for \$5.8M while awaiting a decision from State Government with regards to funding reallocations.
 - 3.8. The deferral of renewal works for Adelaide Town Hall, set for \$2M in 2021-22 and \$2.5M in 2022-23, updated as a result of the motion to reflect an estimated \$2M spend in 2022-23 and \$2.5M in 2023-24. This deferral reduced renewal expenditure in 2021-22 and as such the asset sustainability ratio is also decreased to 60% from the 67% parameter initially set by Council. In addition, borrowings were also reduced.

4. Below is the LTFP dashboard of key financial indicators which include the resulting impact of all the amendments as carried by Council and included in the draft for public consultation.

Financial Indicator	Target	2021-22 Draft	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Operating Surplus Ratio	0%-20%	0%	0%	0%	4%	4%	6%	5%	7%	7%	5%
Net Financial Liabilities	Less than 80%	55%	60%	51%	33%	31%	24%	17%	24%	17%	28%
Asset Sustainability Ratio	90%-110%	60%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Asset Test Ratio	Maximum 50%	25%	27%	19%	13%	12%	8%	4%	9%	5%	12%
Interest Expense Ratio	Maximum 10%	0.9%	1.1%	1.1%	0.8%	0.6%	0.5%	0.3%	0.4%	0.4%	0.5%
Leverage Test Ratio	Maximum 1.5 years	0.7	0.8	0.6	0.4	0.3	0.2	0.1	0.3	0.1	0.3
Cash Flow fom Operations Ratio	Greater than 100%	110%	100%	98%	107%	104%	109%	110%	94%	109%	91%
Borrowings	Within Prudential Limits	86.5	92.8	76.7	49.5	46.4	33.4	16.6	37.1	19.5	49.9
		50%	54%	41%	26%	24%	17%	8%	18%	9%	23%
Operating Position	\$2m - \$10m	0.0	0.2	0.4	7.9	8.1	14.7	13.2	17.6	17.2	13.7

5. The full version of the draft plans are available to view at [link 1](#) and [link 2](#).

DATA AND SUPPORTING INFORMATION

Link 1 – Draft 2021-2022 Business Plan & Budget

Link 2 – Draft Long Term Financial Plan

ATTACHMENTS

Nil

- END OF REPORT -

Internal Audit Progress Update

ITEM 4.3 30/04/2021
Audit Committee

Strategic Alignment - Enabling Priorities

Program Contact:
Kerry Loughhead, Manager
Governance 8203 7014

2020/00774
Public

Approving Officer:
Justin Lynch, Chief Operating
Officer, Corporate Services

EXECUTIVE SUMMARY

To provide the Audit Committee with a progress update on the Internal Audit program, findings and recommendations.

.....

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the Internal Audit Progress Update report.
-

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	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	Not as a result of this report
Opportunities	The Internal Audit program provides advice to the Audit Committee on assurance related activities to meet best practice standards.
20/21 Budget Allocation	\$70,000
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

- The role of Internal Audit is to assist Council, Audit Committee and the Chief Executive Officer in meeting their assurance obligations relating to corporate governance, the system of internal controls and identifying areas for more efficient processes.
- Pursuant to the Audit Committee's Terms of Reference, approved by Council on 5 February 2021, the Audit Committee shall receive reports on all Internal Audit projects and shall review and monitor management's responsiveness to the findings and recommendations of the Internal Auditors (KPMG) and inhouse advice. At the request of the Audit Committee, full copies of all completed audit reports are included at [link 1](#).
- The Internal Audit Plan (the Plan) 2020/2021 was endorsed by Audit Committee at its meeting on 19 June 2020. The Audit Committee can at all times consider an amendment to the plan in context of operational needs and priorities.
- A summary of internal audits, strategic reviews and internal investigations for the period February 2021 to March 2021 is provided below:

Completed projects:	Training and Development Internal Processes
Continuing projects:	Software Licences
Projects commenced:	Management of Leave Entitlements

- Recommendations arising from Internal Audit and Strategic Reviews are reported to the executive Strategic Risk and Internal Audit Group (SRIA). Associate Directors are involved (as appropriate) in the reviews and assist in drafting the management responses, agree on actions, and have overall responsibility of the completion dates.
- Recommendations, agreed actions, responsibilities and timeframes for implementation are recorded centrally in Council's process mapping software, Promapp. The implementation status of recommendations is tracked and reported to the Audit Committee.
- Since the last Internal Audit Progress Update reported to the Audit Committee at its meeting on 5 February 2021, 20 internal audit recommendations have been completed and 77 recommendations are in progress (refer to [link 2](#)), as summarised in the table below:

Risk	Definition	Overdue	In Progress	Total
High	Issue represents a control weakness which could have or is having major adverse effect on the ability to achieve project objectives. Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.	0	6	6
Moderate	Issue represents a control weakness which could have or is having a moderate effect on the ability to achieve process objectives. Requires a detailed plan of action to be put in place within 90 days with an expected resolution date and a substantial improvement within 6-9 months.	7	20	27
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve project objectives. Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months	3	28	31
	Total	11	53	64
N/A	Improvement Opportunity	3	10	13

DATA AND SUPPORTING INFORMATION

Link 1 – Completed Audit Reports

Link 2 – Progress Summary of Recommendations Report

ATTACHMENTS

Nil

- END OF REPORT -

Financial Capitalisation Update

Strategic Alignment - Enabling Priorities

ITEM 4.4 30/04/2021

Audit Committee

2021/00216

Public

Program Contact:

Matthew Morrissey, Associate
Director, Infrastructure 8203 7462

Approving Officer:

Klinton Devenish, Director
Services, Infrastructure &
Operations

EXECUTIVE SUMMARY

The purpose of the report is to provide the monthly financial capitalisation update to the Audit Committee Meeting.

On 5 February 2021 the Acting Chief Executive Officer gave an undertaking to provide ongoing capitalisation updates to the Audit Committee based on key performance indicators (KPIs).

This report provides an update on the Capitalisation KPI's.

1. KPI 1 - 85% of Projects capitalised within 10 Weeks (Target above 70%)
2. KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement

RECOMMENDATION

THAT THE AUDIT COMMITTEE

1. Notes the report.

IMPLICATIONS AND FINANCIALS

City of Adelaide 2020-2024 Strategic Plan	Strategic Alignment – Enabling Priorities
Policy	This report is in line with the Fixed Asset Guideline and Asset Accounting Policy.
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	Not as a result of this 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. **KPI 1 - 85% of Projects capitalised within 10 Weeks**
 - 1.1. Since previous report, an additional 15 projects were capitalised and 12 meeting the KPI.
 - 1.2. This brings the total number of projects processed to 27 with 23 meeting the KPI (85%).
 - 1.3. The 3 projects which missed the KPI was
 - 1.3.1. Park 19
 - 1.3.2. Park 2
 - 1.3.3. Event Infrastructure
 - 1.4. Park 19 and Park 2 was delayed due to the complexity of the projects and delays in receiving the final documentation and invoices.
 - 1.5. Event Infrastructure project also introduced some new types of infrastructure that required further investigation on how to best componentise to meet our operational and financial requirements before processing.
2. **KPI 2 - < 10% Variance between Preliminary Year End and Annual Financial Statement**
 - 2.1. The final KPI can only be determine once we have the final Annual Financial Statement, however as per the QF3 report, we improved our write-off position by \$1.95million compared to QF2. Our current year-end position is \$3.9million write-off spend in the capital ledger.
 - 2.2. To further improve our position the Finance and PMO Teams have reviewed general ledger spend and removed \$0.1million from general operations to capital for assets purchased.
 - 2.3. Monthly meetings are conducted between Infrastructure and Finance to review the status of WIP, monitor progress and develop actions.
 - 2.4. A working group was also created to enable notification of key projects requiring capitalisation to Team Leaders. Meetings are held fortnightly, increasing to weekly as we approach year end.
 - 2.5. Reporting on current forecast and variance is through the Quarterly Finance report.
 - 2.6. The non-capital component of projects is recognised earlier within the capitalisation process.
 - 2.7. Accrual adjustments for projects yet to be capitalised at year-end brought forward from August to early July to meet preliminary year-end deadline.

ATTACHMENTS

Nil

- END OF REPORT -

Exclusion of the Public

ITEM 8.1 30/04/2021
Audit Committee

Program Contact:
Kerry Loughhead, Manager
Governance 8203 7014

2018/04291
Public

Approving Officer:
Clare Mockler, Acting Chief
Executive Officer

EXECUTIVE SUMMARY

Section 90(2) of the *Local Government Act 1999 (SA)* (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) of the Act.

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

- 9.1** Workshop – Service Contestability [section 90(3) (e) of the Act]
- 9.2** Service Planning and Performance Workshop: Service Contestability Update and Approach [section 90(3) (e) of the Act]
- 9.3** Activities of the Strategic Risk and Internal Audit Group Meetings [section 90(3) (i) of the Act]

The Order to Exclude for Items 9.1, 9.2 and 9.3

1. Identifies the information and matters (grounds) from section 90(3) of the Act 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) of the Act - how information open to the public would be contrary to the public interest.

ORDER TO EXCLUDE FOR ITEM 9.1

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (e) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 30 April 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.1 [Workshop - Service Contestability] listed on the Agenda.

Grounds and Basis

This item is of a confidential nature as the disclosure of information within this report could reasonably impact the employees of the council where a service and or function that the employees deliver is discussed within the presentation.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 30 April 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 9.1 [Workshop – Service Contestability] 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) (e) of the Act.

ORDER TO EXCLUDE FOR ITEM 9.2

THAT THE AUDIT COMMITTEE

1. Having taken into account the relevant consideration contained in section 90(3) (e) and section 90(2) & (7) of the *Local Government Act 1999 (SA)*, this meeting of the Audit Committee dated 30 April 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.2 [Service Planning and Performance Workshop: Service Contestability Update and Approach] listed on the Agenda.

Grounds and Basis

This item is of a confidential nature as the disclosure of information within this report could reasonably impact the employees of the council where a service and or function that the employees deliver is discussed within the presentation.

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 30 April 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 9.2 [Service Planning and Performance Workshop: Service Contestability Update and Approach] 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) (e) of the Act.

ORDER TO EXCLUDE FOR ITEM 9.3

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 30 April 2021 resolves that it is necessary and appropriate to act in a meeting closed to the public for the consideration of Item 9.3 [Activities of the Strategic Risk and Internal Audit Group Meetings] listed on the Agenda.

Grounds and Basis

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

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

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

2. Pursuant to section 90(2) of the *Local Government Act 1999 (SA)* (the Act), this meeting of the Audit Committee dated 30 April 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 9.3 [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.

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) of the Act.
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 to exclude the public under section 90(2) of the Act, it is irrelevant that discussion of a matter in public may -
 - (a) *cause embarrassment to the council or council committee concerned, or to members or employees of the council; or*
 - (b) *cause a loss of confidence in the council or council committee; or*
 - (c) *involve discussion of a matter that is controversial within the council area; or*
 - (d) *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) of the Act - 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 9.1– Workshop – Service Contestability
 - 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) (e) of the Act
 - (e) matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person
 - 6.2. Information contained in Item 9.2 - Workshop – Service Planning and Performance: Service Contestability Update and Approach
 - 6.2.1 Is not subject to an Existing Confidentiality Order
 - 6.2.2 The grounds utilised to request consideration in confidence is section 90(3) (e) of the Act
 - (e) matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person
 - 6.3 Information contained in Item 9.3 – Activities of the Strategic Risk and Internal Audit Group Meetings
 - 6.3.1 Is not subject to an Existing Confidentiality Order
 - 6.3.2 The grounds utilised to request consideration in confidence is section 90(3) (i) of the Act
 - (i) information relating to actual litigation, or litigation that the council or council committee believes on reasonable grounds will take place, involving the council or an employee of the council

ATTACHMENTS

Nil

Confidential Item 9.1

Workshop – Service Contestability

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

Pages 43 to 92

Confidential Item 9.2

Workshop – Service Planning and Performance: Service Contestability Update and Approach

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

Pages 93 to 100

Confidential Item 9.3

Activities of the Strategic Risk and Internal Audit Group Meetings

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

Pages 101 to 104
