

AGENDA

**FOR BUDGET AND FINANCE COMMITTEE MEETING TO BE HELD ON
20 NOVEMBER 2017 AT CONCLUSION OF POLICY AND PLANNING
COMMITTEE**

IN THE COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY

MEMBERS

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr D Balaza
Cr S Bedford
Cr B Brug
Cr D Bryant
Cr C Buchanan
Cr G Caruso
Cr L Caruso
Cr R Cook
Cr E Gill (Deputy Chairman)
Cr D Pilkington
Cr D Proleta
Cr S Reardon
Cr G Reynolds
Cr J Woodman
Cr S White

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
General Manager City Infrastructure, Mr M van der Pennen
General Manager Community Development, Ms P Webb
Manager Communications and Customer Relations, Mr M Bennington
Team Leader Corporate Communications, Mr C Treloar
Manager Governance, Mr M Petrovski
Governance Support Officer, Ms K Boyd

APOLOGIES

Apologies have been received from Cr C Buchanan and Cr G Caruso.

LEAVE OF ABSENCE

Leave of absence for this meeting was previously granted to Cr R Cook.

PRESENTATION OF MINUTES

Presentation of the Minutes of the Budget and Finance Committee Meeting held on 16 October 2017.

Presentation of the Minutes of the Confidential Budget and Finance Committee Meeting held on 16 October 2017.

REPORTS

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CLOSE



**MINUTES OF BUDGET AND FINANCE COMMITTEE MEETING HELD IN THE
COUNCIL CHAMBER, 12 JAMES STREET, SALISBURY ON**

16 OCTOBER 2017

MEMBERS PRESENT

Cr R Zahra (Chairman)
Mayor G Aldridge
Cr D Balaza
Cr S Bedford
Cr D Bryant
Cr G Caruso
Cr L Caruso
Cr E Gill (Deputy Chairman)
Cr D Pilkington
Cr D Proleta
Cr S Reardon
Cr G Reynolds
Cr J Woodman
Cr S White

OBSERVERS

Nil.

STAFF

Acting Chief Executive Officer, Mr C Mansueto
General Manager City Development, Mr T Sutcliffe
Acting General Manager City Infrastructure, Ms K Pepe
General Manager Community Development, Ms P Webb
Manager Communications and Customer Relations, Mr M Bennington
Manager Governance, Mr M Petrovski
Governance Coordinator, Ms J Rowett
PA to General Manager Community Development, Mrs B Hatswell

The meeting commenced at 6:44 pm

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

Apologies have been received from Cr B Brug and Cr C Buchanan.

LEAVE OF ABSENCE

Leave of absence for this meeting was previously granted to Cr R Cook.

PRESENTATION OF MINUTES

Moved Cr D Pilkington
Seconded Cr G Caruso

The Minutes of the Budget and Finance Committee Meeting held on 18 September 2017, be taken and read as confirmed.

CARRIED

REPORTS

Administration

6.0.1 Future Reports for the Budget and Finance Committee

Moved Cr L Caruso
Seconded Cr J Woodman

1. The information be received.

CARRIED

6.0.2 Minutes of the Program Review Sub Committee meeting held on Monday 9 October 2017

Moved Cr D Bryant
Seconded Cr G Caruso

With the amendment to the minutes to reflect Cr D Bryant as an apology for the meeting, the information contained in the Program Review Sub Committee minutes of the meeting held on 9 October 2017 be received and noted with respect to the following recommendations contained therein to be adopted by Council:

CARRIED

6.0.2-PRSC1 Future Considerations of Program Review Sub Committee

Moved Cr D Bryant
Seconded Cr G Caruso

1. That staff bring back a further report based on Part 6 of this report (PRSC 09/10/2017, PRSC1 Future Considerations of Program Review Committee), including options for a new name for the Sub Committee and membership details to include the Mayor and one Elected Member from each ward with the other Elected Member from each ward as proxy, together with draft Terms of Reference for further consideration.

CARRIED

Finance

6.1.1 Budget Timetable 2018/19

Moved Cr D Pilkington
Seconded Cr D Proleta

1. Information be received.
2. Council endorse the timetable for the preparation and presentation of the 2018/19 budget, subject to adoption of meeting schedule by Council at the November Council meeting.
3. That the proposed weekend workshop in February 2018 be held locally and not as a residential workshop.

CARRIED

OTHER BUSINESS

Nil.

CONFIDENTIAL ITEMS

6.9.1 Action of Rate Accounts Outstanding under Section 184 of the Local Government Act 1999

Moved Mayor G Aldridge
Seconded Cr S Bedford

1. *Pursuant to Section 90(2) and (3)(a) of the Local Government Act 1999, the principle that the meeting should be conducted in a place open to the public has been outweighed in relation to this matter because:*
 - *it relates to information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).*
2. *In weighing up the factors related to disclosure,*
 - *disclosure of this matter to the public would demonstrate accountability and transparency of the Council's operations*
 - *Non-disclosure of the matter and discussion of this item in confidence would protect information related to the personal affairs of any person (living or dead) and proposed action by Council where the rates for a property have been outstanding for a period of not less than three years.*

*On that basis the public's interest is best served by not disclosing the **Action of Rate Accounts Outstanding under Section 184 of the Local Government Act 1999** item and discussion at this point in time.*
3. *Pursuant to Section 90(2) of the Local Government Act 1999 it is recommended the Council orders that all members of the public, except staff of the City of Salisbury on duty in attendance, be excluded from attendance at the meeting for this Agenda Item.*

CARRIED

The meeting moved into confidence at 7:02 pm

The meeting moved out of confidence at 7:03 pm

The meeting closed at 7:03 pm.

CHAIRMAN.....

DATE.....

ITEM	6.0.1
	BUDGET AND FINANCE COMMITTEE
DATE	20 November 2017
HEADING	Future Reports for the Budget and Finance Committee
AUTHOR	Michelle Woods, Projects Officer Governance, CEO and Governance
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This item details reports to be presented to the Budget and Finance Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

- 1.1 Historically, a list of resolutions requiring a future report to Council has been presented to each committee for noting.

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 Report authors and General Managers.
- 2.2 External
 - 2.2.1 Nil.

3. REPORT

- 3.1 The following table outlines the reports to be presented to the Budget and Finance Committee as a result of a Council resolution:

Meeting Item	- Heading and Resolution	Officer
29/04/2013 6.4.4	Fees and Charges Report - Waste Transfer Station 3. Subject to endorsement of the creation of the Program Review Sub Committee, the Program Review Sub Committee consider the cost structure and fee structure for residents/commercial vs. non-Salisbury residents/commercial accessing services at the Waste Transfer Station. Due: December 2017	Sam Kenny
28/11/2016 6.0.2-PRSC2	Program Review Update 3. Following the conclusion of the current schedule of program review activity a report outlining the status of work undertaken by the Program Review Committee, including achievements, benefits and issues encountered through the course of the program review process be prepared. Due: December 2018	Charles Mansueto
24/04/2017 6.2.1	Financial Indicators 2. The Operating Ranges for Financial Sustainability Indicators be reviewed as part of considering future Long Term Financial Plan updates. Due: April 2018	Kate George
24/04/2017 6.8.1	Project Budget Delegations 4. The Project Budget Delegation be reviewed during the 2018/19 Budget process. Due: April 2018	Kate George
23/10/2017 6.0.12-PRSC1	Future Considerations of Program Review Sub Committee 1. That staff bring back a further report based on Part 6 of this report (PRSC 09/10/2017, PRSC1 Future Considerations of Program Review Committee), including options for a new name for the Sub Committee and membership details to include the Mayor and one Elected Member from each ward with the other Elected Member from each ward as proxy, together with draft Terms of Reference for further consideration. Due: January 2018	Charles Mansueto

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Budget and Finance Committee have been reviewed and are presented to Council for noting.

CO-ORDINATION

Officer: EXEC GROUP
Date: 13/11/2017

INFORMATION ONLY 6.0.2

BUDGET AND FINANCE COMMITTEE

DATE 20 November 2017

HEADING Building Upgrade Agreements

AUTHOR Greg Ratsch, Manager Economic Development & Urban Policy, City Development

CITY PLAN LINKS 2.1 Capture economic opportunities arising from sustainable management of natural environmental resources, changing climate, emerging policy direction and consumer demands.

SUMMARY On 6 November 2017, the Chief Executive Officer entered into a Building Upgrade Agreement with Your DC Investments Pty Ltd and declared an associated Building Upgrade Charge. This report has been provided for information purposes in response to the resolution that the CEO provide a report to Council of the exercise of powers delegated under Schedule 1B - Building Upgrade Agreements at the next appropriate Council meeting following exercise of the delegation.

RECOMMENDATION

1. That the information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

1.1 At its meeting on 28 August 2017, Council resolved:

1. *That the City of Salisbury participate in the Building Upgrade Finance mechanism, by offering to enter into Building Upgrade Agreements as defined by Schedule 1B of the Local Government Act 1999.*
2. *The Building Upgrade Agreements Policy as set out in Attachment 1 to this Report (Item 1.2.1, Policy and Planning Committee, 21/08/2017) be endorsed.*
3. *In exercise of the power contained in Section 44 of the Local Government Act 1999 the following powers and functions under Schedule 1B—Building upgrade agreements:*
 - 2—*Enter into a building upgrade agreement;*
 - 6—*Declaration of building upgrade charge; and*
 - 13—*Register of building upgrade agreements.*

are hereby delegated from the 29th of August 2017 to the person occupying the office of Chief Executive Officer which the Chief Executive Officer cannot further sub-delegate.

4. *The schedule of fees and charges provided in paragraph 3.13 of this Report (Item 1.2.1, Policy and Planning Committee, 21/08/2017) be endorsed.*
5. *That it be noted that staff will continue to work with the State Government and the Local Government Association to develop administrative procedures to ensure implementation is consistent with Council's obligations and mitigates potential risks arising from participating in the scheme, with the objective of the scheme being operational by 1 October 2017.*
6. *That the CEO provide a report to Council of the exercise of powers delegated under Schedule 1B - Building Upgrade Agreements at the next appropriate Council meeting following exercise of the delegation.*

[Resolution 1966/2017]

2. CONSULTATION / COMMUNICATION

- 2.1 Internal
 - 2.1.1 Nil
- 2.2 External
 - 2.2.1 Nil

3. REPORT

- 3.1 As foreshadowed in previous reports on this matter, Council had received a request from a property owner in Edinburgh Parks who wished to utilise the building upgrade finance mechanism to bring forward investment in solar power infrastructure, significantly reducing reliance on the electricity grid and reducing CO2 emissions by 167 tonnes per annum.
- 3.2 The CEO has exercised his delegated powers to enter into a building upgrade agreement and declare the building upgrade charge in relation to the building located at 23-27 Woomera Avenue Edinburgh that is owned by Your DC Investments Pty Ltd and operated by the company as a data centre. The Building Upgrade Charge was declared on 6 November 2017 with the agreement having a 10 year term.
- 3.3 The application by Your DC Investments Pty Ltd is for the purpose of installing a 199.13kW solar PV system that is estimated to provide an environmental benefit of 163,000 kg CO2e reduction in year one and a reduction of 3.7m kg of CO2e over the 25 year life of the panels.
- 3.4 This Building Upgrade Charge is the first declared in South Australia. Staff from Council's Communication Division are liaising with the Department of Environment, Water and Natural Resources, the finance provider and Your DC regarding promotion of the declaration and Council's positioning as a place for investment.
- 3.5 As required by legislation, the Building Upgrade Agreement between Council, Your DC Investments Pty Ltd and Eureka Funds Management (the finance provider) has been entered onto a register of building upgrade agreements required to be maintained by Council.

4. CONCLUSION / PROPOSAL

- 4.1 This report has been provided for information purposes in response to the resolution that the CEO provide a report to Council of the exercise of powers delegated under Schedule 1B - Building Upgrade Agreements at the next appropriate Council meeting following exercise of the delegation.

CO-ORDINATION

Officer: EXECUTIVE GROUP

Date: 13.11.17

ITEM	6.0.3
	BUDGET AND FINANCE COMMITTEE
HEADING	Minutes of the Program Review Sub Committee meeting held on Monday 13 November 2017
AUTHOR	Charles Mansueto, General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	The minutes and recommendations of the Program Review Sub Committee meeting held on Monday 13 November 2017 are presented for Budget and Finance Committee's consideration.

RECOMMENDATION

1. The information contained in the Program Review Sub Committee Minutes of the meeting held on 13 November 2017 be received and noted and that the following recommendations contained therein be adopted by Council:

PRSC1 CEO and Governance Program Review - Final Report

1. The CEO and Governance Program Review report be received and noted.
2. The Manager Governance undertakes to achieve full compliance in those areas identified in the recommendations of the Legislative Compliance Audit at the earliest opportunity.
3. The Chief Executive work with the Manager Governance to identify further opportunities to improve and strengthen Council's governance processes, but in particular take action to:
 - a. Implement the proposed changes to the Code of Conduct for Council Members - Dealing with Complaints Procedure as contained in Attachment 4 to this report.
 - b. Present to an Informal Strategy session the proposed examples of new Council and Committee report templates before proceeding with implementation.
 - c. Trial the use of legal resources for a period of 3 months to assist in the training and support for Elected Members and staff in the conduct of a Council meeting and report the outcomes of the trial to Council at the Elected Member Annual workshop.
 - d. A new contract resource with appropriate skills be appointed to the Governance Division to assist in the further development of the corporate governance function and an expanded audit and risk management capability.

- e. Develop a program of Elected Member training, and source appropriate training provision options for putting to the Elected Members to determine level of interest for each training subject.
 - f. Staff bring back an implementation plan to transition to the delivery of digital agendas and minutes for Elected Members and staff.
4. Funding and headcount for the new contract position as noted in recommendation 3(d) will be from existing budgets.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Minutes Program Review Sub Committee - 13 November 2017

CO-ORDINATION

Officer: GMBE
Date: 15/11/2017



**MINUTES OF PROGRAM REVIEW SUB COMMITTEE MEETING HELD IN
COMMITTEE ROOMS, 12 JAMES STREET, SALISBURY ON**

13 NOVEMBER 2017

MEMBERS PRESENT

Cr E Gill (Chairman)
Mayor G Aldridge
Cr D Bryant
Cr L Caruso (Deputy Chairman)
Cr R Zahra
Cr J Woodman (*for Cr S Bedford*)
Cr D Pilkington (*via remote access for Cr G Caruso*)

OBSERVERS

Nil

STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
Manager Governance, Mr M Petrovski
Governance Support Officer, Ms K Boyd

The meeting commenced at 7:05pm.

The Chairman welcomed the members, staff and the gallery to the meeting.

APOLOGIES

Apologies were received from Cr S Bedford, Cr B Brug, Cr G Caruso and Cr D Proleta.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr L Caruso
Seconded Mayor G Aldridge

The Minutes of the Program Review Sub Committee Meeting held on 09 October 2017, be taken and read as confirmed.

CARRIED

REPORTS

Suspension of Meeting

Moved Cr D Pilkington
Seconded Cr L Caruso

That the Program Review Sub Committee meeting be suspended to enable informal discussion on Item PRSC1.

CARRIED

The meeting was suspended at 7:07pm.

The meeting resumed at 9:21pm.

PRSC1 CEO and Governance Program Review - Final Report

Moved Mayor G Aldridge
Seconded Cr J Woodman

1. The CEO and Governance Program Review report be received and noted.
2. The Manager Governance undertakes to achieve full compliance in those areas identified in the recommendations of the Legislative Compliance Audit at the earliest opportunity.
3. The Chief Executive work with the Manager Governance to identify further opportunities to improve and strengthen Council's governance processes, but in particular take action to:
 - a. Implement the proposed changes to the Code of Conduct for Council Members - Dealing with Complaints Procedure as contained in Attachment 4 to this report.
 - b. Present to an Informal Strategy session the proposed examples of new Council and Committee report templates before proceeding with implementation.
 - c. Trial the use of legal resources for a period of 3 months to assist in the training and support for Elected Members and staff in the conduct of a Council meeting and report the outcomes of the trial to Council at the Elected Member Annual workshop.

- d. A new contract resource with appropriate skills be appointed to the Governance Division to assist in the further development of the corporate governance function and an expanded audit and risk management capability.
 - e. Develop a program of Elected Member training, and source appropriate training provision options for putting to the Elected Members to determine level of interest for each training subject.
 - f. Staff bring back an implementation plan to transition to the delivery of digital agendas and minutes for Elected Members and staff.
4. Funding and headcount for the new contract position as noted in recommendation 3(d) will be from existing budgets.

CARRIED

OTHER BUSINESS

Nil

CLOSE

The meeting closed at 9:29 pm.

CHAIRMAN.....

DATE.....

ITEM	6.1.1
	BUDGET AND FINANCE COMMITTEE
DATE	20 November 2017
HEADING	Council Finance Report - October 2017
AUTHORS	Kate George, Manager Financial Services, Business Excellence Tim Aplin, Senior Accountant, Business Excellence
CITY PLAN LINKS	4.2 Develop strong capability and commitment to continually improve Council's performance. 4.3 Have robust processes that support consistent service delivery and informed decision making.
SUMMARY	This report provides key financial data as at 31 October 2017 for the information of Council.

RECOMMENDATION

1. The information be received.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

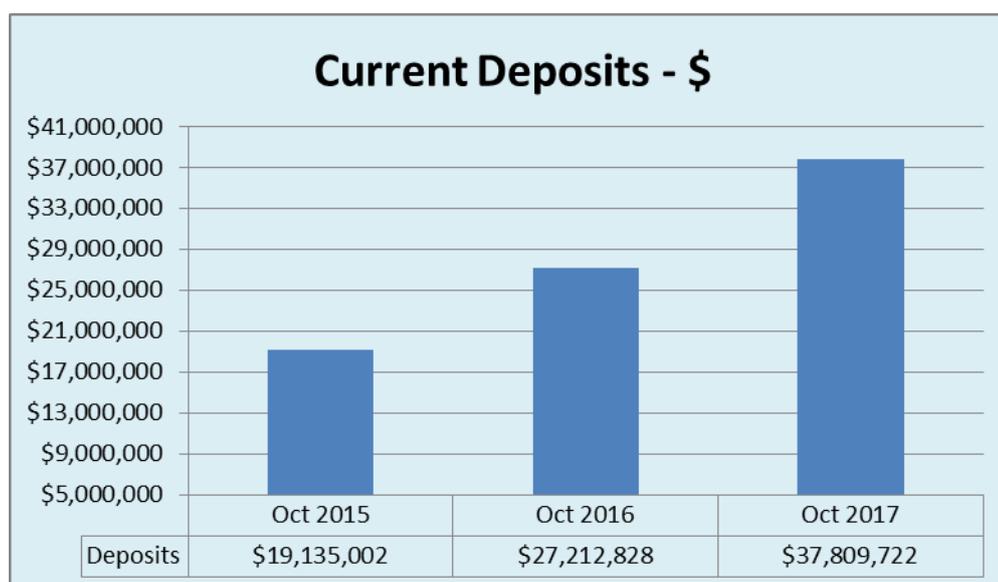
- 1.1 Council's Treasury Policy requires that a report be prepared detailing fixed borrowings and variable borrowings at the end of the preceding month, together with all investments held, their terms and interest rates. Also included is a summary of Reserve Balances and Rates and Debtor Information. The policy requires that the timing of these reports be November, February and May, with the end of year report as soon as practical as part of the end of financial year reporting.

2. REPORT

- 2.1 Council funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings are invested in accordance with Council's Treasury Policy. These investments are split between short term deposits with the Local Government Finance Authority (with variable maturity dates from 30-60 days) or at call with the National Australia Bank. Investments are selected taking into account which delivers the best value, having regard to investment returns, transaction costs and other relevant factors.

2.2 Investments as at 31 October 2017

Date	Institution	%	Term-Days	Maturity	Value
5-Oct-2017	LGFA	1.65%	32 Days	6-Nov-2017	3,000,000
16-Oct-2017	LGFA	1.65%	31 Days	16-Nov-2017	4,400,000
18-Oct-2017	LGFA	1.65%	30 Days	17-Nov-2017	4,800,000
31-Oct-2017	LGFA	1.50%	At Call	31-Oct-2017	3,382
31-Oct-2017	NAB	2.00%	At Call	31-Oct-2017	25,606,340
31-Oct-2016	27,212,828				37,809,722



- 2.3 An increased level of cash investments on hand at 31 October 2017, when compared to prior years is primarily a result of Property Development Sales, specifically at the Boardwalk Project with the majority of sales totaling \$6.4M occurring post October 2016. Further impacting is the Federal Government decision to pay two quarters of the 2017/18 Financial Assistance Grant and Untied Local Roads Funding in advance in June 2017 totaling \$3,995k, noting this was not paid in advance in 2016 Financial Year. Another contributing factor is the timing of the spend of the Capital Works Program with \$3.7M spent year to date however it is expected this spend will increase significantly over the upcoming quarters, with further details contained in Budget and Finance Committee Item 6.5.1 First Quarter Budget Review 2017/18 on tonight's agenda.

2.4 Reserves as at 31 October 2017

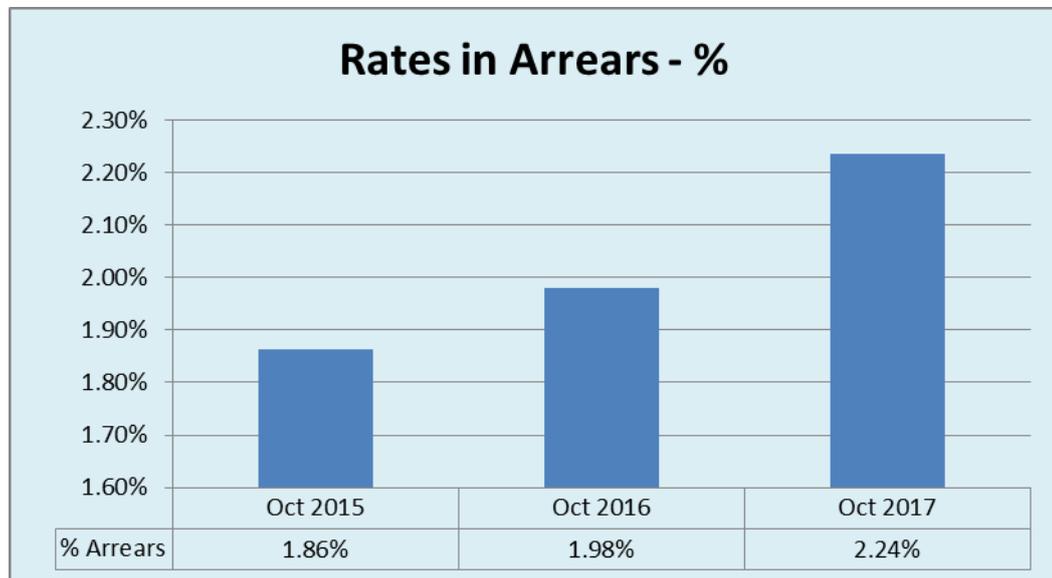
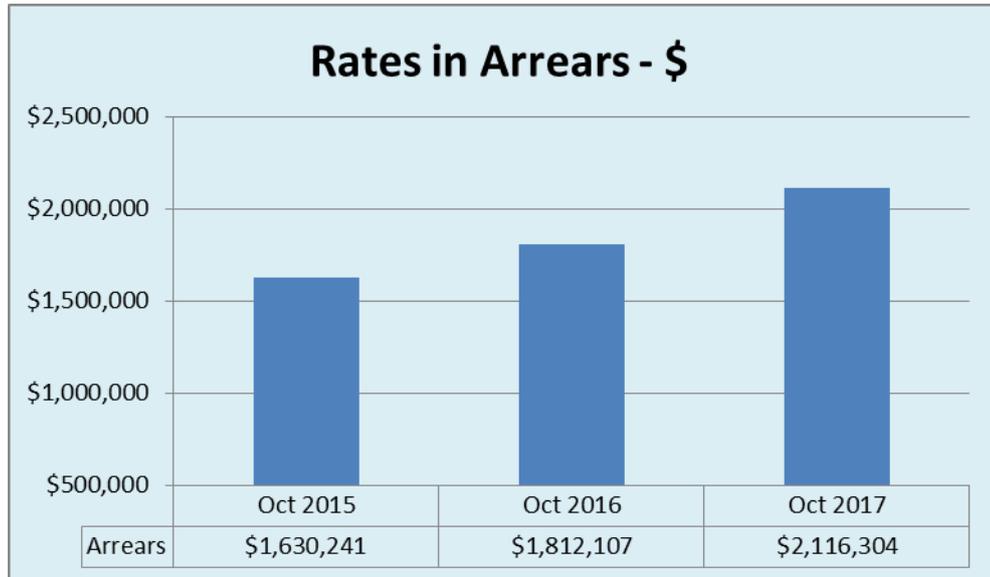
	Opening Balance as 1/07/2016	Transfer to Reserves	Transfer from Reserves	Current Balance
Plant Replacement Reserve	350,000	0	0	350,000
Open Space Reserve	1,045,422	113,463	0	1,158,884
Car Parking Reserve	958,210	4,853	0	963,063
Salisbury Water Business Unit Reserve	1,881,424	0	0	1,881,424
Property Disposal Reserve	3,901,386	0	0	3,901,386
Development & Public Infrastructure Reserve	1,603,447	24,095	98,486	1,529,056
Cemetery Maintenance Reserve	879,279	4,453	0	883,732
Mausoleum Perpetual Care Fund	772,492	20,573	0	793,065

- 2.5 Reserves are a device used to ensure that Council has sufficient funds allocated for specific purposes. Transfers to the Reserves represent amounts received as contributions, indicative interest adjustments and property disposal proceeds. Transfers from the Reserves represent the funding being applied to specific projects, or to reduce loan borrowing requirements.
- 2.6 At 31 October 2017 the most significant movements are the transfers from the Development and Public Infrastructure Reserve of \$98k, being New Initiative Bids relating to Developer Street Tree and Footpath Programs totaling \$84k, all endorsed as part of the 2017/18 Budget and an allocation from the reserve representing an amount transferred to the Reserve in 2004 for Land Development Fees that should have been recognised as income at the time. The only other material movement is a transfer to the Open Space Reserve totaling \$113k which relates to two contributions received from private developers totaling \$108k and interest allocations of \$5k.
- 2.7 Other smaller movements include amounts transferred to the Development and Public Infrastructure Reserve \$24k (minor contributions received of \$16k and interest allocated of \$8k), Mausoleum Perpetual Care Fund \$21k (minor contributions received of \$17k and interest allocated of \$4k) and interest allocations of \$5k and \$4k respectively to the Car Parking and Cemetery Maintenance Reserve.
- 2.8 It should be noted that Interest is apportioned on the balances of the Reserves on a monthly basis, with the Plant Replacement, Property Disposal and the Business Unit Reserves being the only exceptions.

2.9 Recovery of Rates

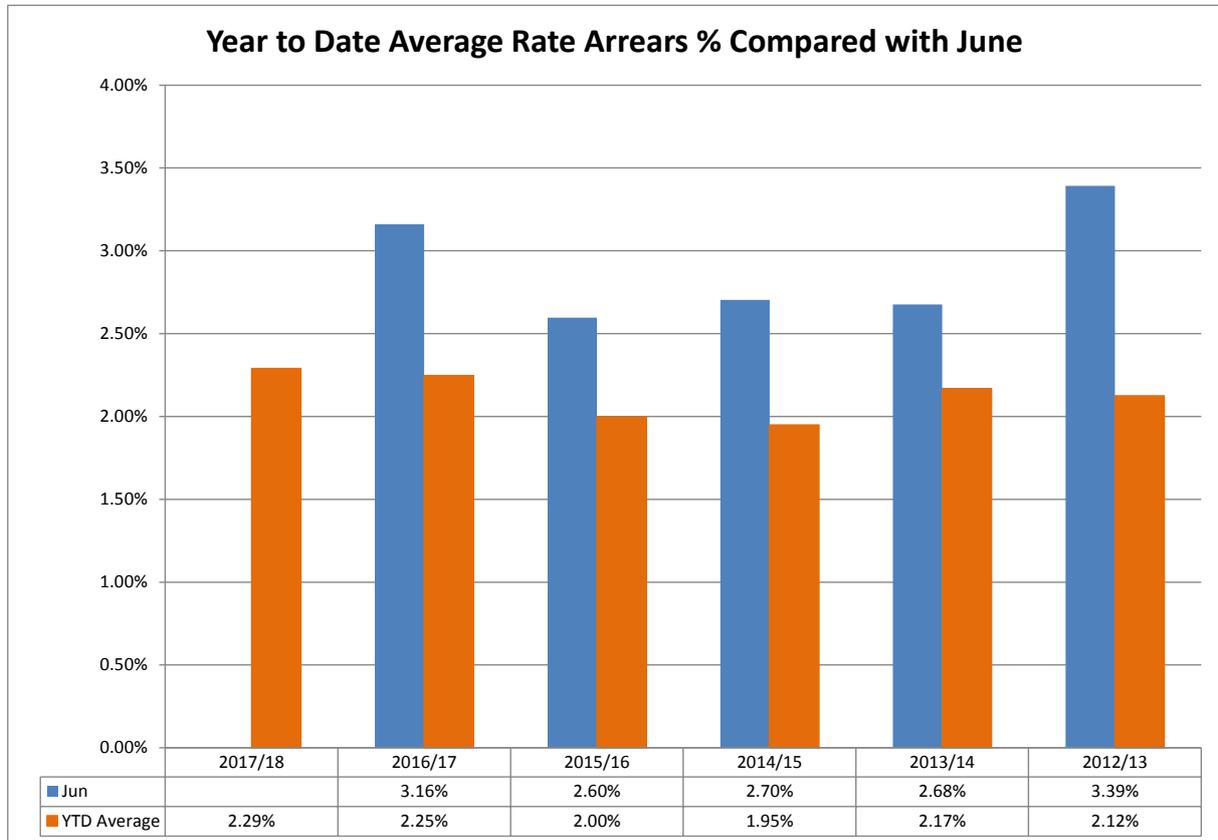
Item 6.1.1

	No of Accounts	\$	%
Outstanding Balance as at 31 October 2017		58,457,878	61.74%
Outstanding Balance as at 31 October 2016		56,299,958	61.64%
Outstanding Rates Arrears as at 31 October 2017	4,211	2,116,304	2.24%
Outstanding Rates Arrears as at 31 October 2016	4,326	1,812,107	1.98%



2.10 The level of Council Rates in arrears at 31 October 2017 is 2.24%. The aim is to have a maximum level for Rates Arrears of 2.5% and the current level is below this. The standard process is that Rates Arrears are followed up on a daily basis and quarterly files are sent to Council's debt collection agency.

2.11 Rate arrears are cyclical in that they peak in the month rate installments fall due, and then trend down for the next two months, meaning that rate arrears at a point in time may be distorted, and that the average rate arrears normalizes the cyclical impacts. The graph below depicts the Average Year to Date Rate Arrears, with the average to October being 2.29%, which is also below the target of 2.5%.



2.12 Other Debtors as at 31 October 2017

Debtor Type	Current	30 – 60 days	60 - 90 days	Over 90 days	Total
Sundry	293,040	12,877	10,014	21,870	337,802
Salisbury Water	0	147,950	6,872	0	154,823
Inflammable Undergrowth	0	0	0	0	0
Additional Bins	1,063	115	529	231	1,938
Health Licensing Fees	7,949	1,947	484	1,672	12,052
Property Management	49,310	21,815	9,889	3,182	84,197
TOTAL	302,052	191,577	11,027	23,773	590,811

2.13 The above aged analysis represents Councils other debtors as at 31 October 2017. The Sundry Debtors current total of \$293,040 includes two large debtors, being Adelaide and Mount Lofty Natural Resources Board \$60,225 for their quarterly grant contribution, \$66,499 from the City of Tea Tree Gully representing income from small business services provided at the Polaris Centre. All of these invoices are expected to be paid in the upcoming period. The remaining balance is comprised of numerous small invoices.

2.14 The above aged analysis also represents Councils debts outstanding as at 31 October 2017. Debts outstanding greater than 90 days account for 4.02% of the total outstanding balance. Debts that are outstanding for greater than 30 days are subject to council's debt collection procedures, which include internal follow up and ultimately legal action through Councils debt collection agency.

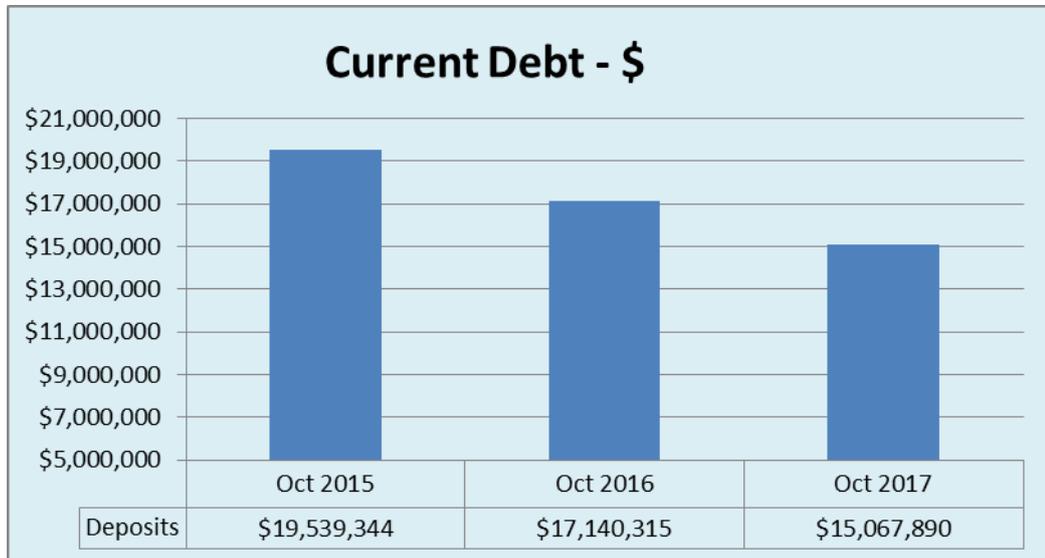
2.15 Loan Schedule as at 31 October 2017

Debenture Loans	
Principal Outstanding as at 1 July 2017	15,067,890
Loans Raised Year to Date	0
Repayments of Principal Year to Date	0
Loan Principal Outstanding - Debenture Loans	15,067,890
Comparative figure – 31 October 2016 -\$17,140,315	
Cash Advance Debenture Borrowings (CADs)	
Total CAD's available	25,197,000
Current CAD's drawdown amount year to date	0
Balance of CAD's available	25,197,000
Interest Payments (Debenture Loans and CADs)	
Interest Payments - Debenture Loans	334,693
Interest Payments - CAD's	0
Total Interest Payments	334,693

2.16 The above Loan Schedule summarises the position on loans taken for Council purposes. Fixed Term Borrowings detail total movements this financial year, with payments to be made half yearly, the first payment to be made in December 2017 and another due in June 2018. As at 31 October 2017 there have been no drawdowns in relation to CAD's primarily due to Council's working capital and cash position associated with Property Development Sales that have occurred.

2.17 Not included in the above loan schedule is the \$500,000 Debenture Loan secured for special purpose borrowings, which is offset by a \$500,000 Loan Receivable.

2.18 The table below shows the level of drawn down debt held by Council at the same time for the last three financial years and demonstrates a steady decrease in debt. This has resulted from Council’s decision to utilise property development proceeds to offset borrowing requirements.



2.19 Net Financial Liabilities Ratio Comparison



2.20 The graph above shows the net financial liabilities ratio comparison for the 2017 and 2018 financial years, starting with the previous years end of financial year result and then at the time of preparation of each Council Finance Report. Council’s endorsed range for the net financial liabilities ratio is less than 40%, which is represented by the green shaded area on the graph.

- 2.21 It should be noted that when the ratio is below zero, that this represents a net financial assets position, which is when the financial assets (cash, receivables and financial assets) are greater than total liabilities. Effectively this means that a negative ratio is favourable. When financial assets are less than total liabilities it results in a net financial liability position, and a positive ratio.
- 2.22 The graph initially shows a significant movement from a net financial liability position to a net financial asset position in each year for the period between the prior year's end of financial year result and the October month end result. This is primarily due to the varying levels of Receivables outstanding at the time of preparing each ratio. The balance for the prior year end of financial years result for Receivables was \$6.7M as compared to \$60.3M as at October month end. This is normal and results primarily from rates receivable reflecting the full 2017/18 rate amount, which will decline with each quarter rates cycle.
- 2.23 As can be seen the trend is that early in both financial years Council is in a strong net financial assets position at the October month end with 49.5% and 68% for 2016/17 and 2017/18 respectively. This reflects higher levels of cash holdings and trade receivables than levels of trade payables and debt. As the financial year progresses, cash holdings are spent as the capital program is delivered, and last financial year Council moved into a minor net financial liabilities position at the end of financial year with a ratio of 2.0%, which is well within the endorsed range. It is anticipated that the same trend will continue throughout this financial year and Council's Net Financial Liabilities is still anticipated to fall within the endorsed range, noting the 2017/18 budget Net Financial Liabilities Ratio is 27.9%.

3. CONCLUSION / PROPOSAL

- 3.1 The analysis above demonstrates that Council is in a sound financial position with appropriate levels of debt and investments.

CO-ORDINATION

Officer: Executive Group
Date: 13/11/2017

ITEM	6.5.1
	BUDGET AND FINANCE COMMITTEE
DATE	20 November 2017
HEADING	First Quarter Budget Review 2017/18
AUTHORS	Kate George, Manager Financial Services, Business Excellence Sam Zhang, Assistant Accountant, Business Excellence
CITY PLAN LINKS	4.2 Develop strong capability and commitment to continually improve Council's performance.

SUMMARY**RECOMMENDATION**

1. The budget variances identified in this review and contained in the Budget Variation Summary (Appendix 1) be endorsed and net operating \$1,010,980 be credited, net capital \$241,600 be debited to the Sundry Project Fund. This will bring the balance to \$1,252,580.
2. Funds be allocated for the following **non-discretionary** net bids:

OPERATING

▪ Australia Day Celebrations January 2018	\$ 35,000
▪ Salisbury Secret Garden 2018	\$ 45,000

CAPITAL

▪ Construction of New Public Road – Mallee Road	\$ 69,100
▪ Tree Screen Renewal Program – Bardsley Avenue	\$ 70,000
▪ Replacement of an Expander Slasher	\$ 30,000
▪ Public Lighting Program	\$ 70,000
▪ Mawson Lakes Fitness Loop	\$ 30,000
▪ Traffic Management Device Program	\$ 75,000
▪ Fairbanks Reserve/Byron Bay Traffic	\$ 20,000

TOTAL \$ 444,100

(NB: If parts 1 & 2 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to \$808,480.)

3. Funds be allocated for the following **discretionary** net bids:

OPERATING

▪ Digital Strategy Consultancy	\$ 12,000
▪ Dogs and Cats Management Levy	\$ 163,000
▪ Costs associated with Reduction of Floorspace at Polaris Business	\$ 36,000

CAPITAL

▪ Stormwater Management Plan	\$ 70,000
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TOTAL \$ 281,000

(NB: If parts 1,2 & 3 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to \$527,480.)

4. Council approve the following transfers:

- a. Transfer of \$17,600 income and \$123,000 expenditure operating budgets from Field Services to Inspectorial Services as a result of an operational review undertaken that determined this function should be managed out of Inspectorial Services.
- b. Transfer of \$69,450 Social Planning budget from Community Planning and Vitality to Community Development Administration as per divisional restructure.
- c. Transfer of \$49,140 Wages and Salaries from within Salisbury Memorial Park and Business Support to Recreation Contract Management and Sports Development for the revised allocation of the Project Support Officer.
- d. Transfer of \$20,500 consultancy budget from Business Excellence Administration to Computing for TechnologyOne Financials Upgrade.
- e. Transfer of \$53,220 Wages and Salaries to contractual services \$50,000 and materials \$3,220 within Native Landscapes as per services review.

5. Investments / Borrowings be varied to reflect the bids and transfers endorsed by Council detailed in parts 1 to 5 of this resolution.

(NB: If parts 1 to 5 of this resolution are moved as recommended investments in 2017/18 will increase by \$527,480.)

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. First Quarter Budget Review 2017/18

1. BACKGROUND

- 1.1 In accordance with Part 2 of the Local Government (Financial Management) Regulations 2011, Financial Accountability, the attached First Budget Review for the financial year 2017/18 has been prepared.

2. CONSULTATION / COMMUNICATION**2.1 Internal**

- 2.1.1 The processes of preparing the budget review requires extensive internal consultation to ensure that commentary reflects the operations of Council, and to identify funding needs, which typically have been subject of various council reports leading up to the review.

2.2 External

- 2.2.1 N/A

3. REPORT

- 3.1 The original budget was for an operating surplus of \$3,859k, which has been revised to a forecast deficit of \$104k at this review, predominately due to early receipt of 2017/18 Financial Assistance Grant and Untied Local Road Grant in 2016/17, and 2016/17 carry forwards, which are largely offset by 2017/18 estimated carry forwards. It should be noted that the final result for the year will be further impacted through other variations throughout our operations.
- 3.2 Budget Review Operating Bids total \$291k, with Capital Bids totalling \$434k. All bids except one capital bid, being Storm Water Management Plan \$70k, and three operating bids, being Digital Strategy Consultancy \$12k, Dogs and Cats Management Levy \$163k and Costs Associated with Reduction of Floor Space at Polaris business Centre \$36k, have been subject of separate reports to council with recommendations to refer to this Review.
- 3.3 The original budget for loan borrowings was \$21,306k to deliver the approved budget initiatives. The reinstatement of timing adjustment projects of \$5.2M increased loan borrowings to \$26,505k. Each budget is prepared with the borrowings required to deliver the budget. The 2017/18 original budget requires \$21,306k in borrowings, which is increased by \$5.2M due to the reinstatement of timing adjustment projects. This budget review results in a decrease in loan borrowings of \$527k, and borrowings are estimated to be \$25,978k. Our actual borrowings will depend on the 2017/18 starting cash position, the level of carry forwards, and property development proceeds. These elements form part of Long Term Financial Plan which for 2017/18 showed a CAD draw down of \$6.4M for 2017/18.

- 3.4 The original expenditure budget for the capital program was \$60M and has been increased by carry forwards and grant funds to become \$79M. The table below provides percentage completed details.

		% of Original Budget (\$60M)	% of Revised Budget (\$79M)
Spent to Date	\$3.8M	6.3%	4.8%
Spend + Commitments	\$14.2M	23.6%	18%

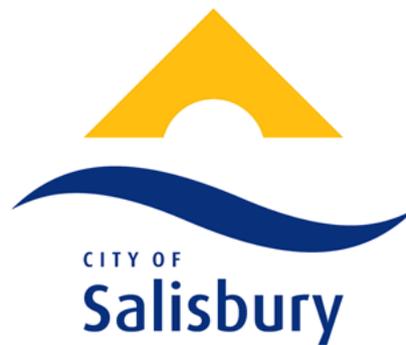
- 3.5 Further detail is provided in the attached report.

4. CONCLUSION / PROPOSAL

- 4.1 It is proposed that Council consider the First Budget Review 2017/18 Report attached and endorse the Recommendations as detailed on pages 13 and 14 of the attached document, and above.

CO-ORDINATION

Officer: Executive Group
Date: 13/11/2017



FIRST QUARTER BUDGET REVIEW
2017/18 REPORT

For the period ended
30 September 2017

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1. Executive Summary

We commenced 2017/18 with a budgeted operating surplus of \$3,859k and as a result of this budget review our operating position has changed from a surplus to a deficit of \$104k.

Consolidated Funding Statement

This statement (Section 3.3) details the movement between the original budget and our budget position following the adoption of this review, with the summary of operating surplus/(deficit) detailed below:-

2017/18 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	3,859
Early Receipt of FAG and ULR in 2016/17	(3,995)
2016/17 Operating Carry Forward Funds	(2,046)
2017/18 Operating Carry Forward Funds - Estimated	1,200
First Quarter Budget Review Adjustments	877
Forecast Operating Surplus / (Deficit)	(104)

This year's operating budget has been significantly impacted by the early receipt of the Federal Financial Assistance Grant and Untied Local Roads funding, resulting in a reduction in the current year income of \$3.99M. These funds were unexpectedly received last financial year in June, and although related to this financial year had to be brought to account in 2016/17 financial year as required by the Local Government Act and Accounting Standards. This had a favourable impact on our cash and surplus for the previous financial year, with an equal reduction in our income and surplus in 2017/18. From a forecast perspective it is appropriate to be conservative and therefore we have not included any financial assistance payments due for 2018/19 in this year's operating results.

The operating surplus/(deficit) is also adversely impacted by the carry forward of prior year projects of \$2,046k into the current year. These projects were funded in last year's operating budget and are being spent during 2017/18. Similarly we have estimated that there will be carry forwards of \$1,200k from this year into 2018/19. These impacts bring the operating result to a deficit of \$982k. However, adjustments totalling \$877k included in this Budget Review will bring the operating deficit to \$104k.

Capital Works Program

The Capital Works spend to date is \$3.8M or 6.3%, and inclusive of commitments is \$14.2M or 23.6% of the original capital budget of \$60.3M. The original capital expenditure budget of \$60.3M has been increased to \$79.1M. This includes the reinstatement of budget for timing adjusted projects from 2016/17 of \$5.2M and carry forwards fund of \$14.7M, which includes budgets for property development projects of \$4.6M. In addition to changes resulting from grant funded projects and other adjustments within this budget review. The Capital Works spend to date is \$3.8M or 4.8% of the revised budget and \$14.2M or 18% inclusive of commitments. Detailed analysis of the capital program and the status of individual projects is contained within Appendix 4.

Sundry Projects Fund

The overall impact of budget variations is a favourable \$1,253k as detailed in Appendix 1. New budget bids total \$444k non-discretionary and \$281k discretionary, with \$434k being Capital bids. This budget review results in a decrease in loan borrowings of \$527k, with further details contained in Section 3.2.

Loan Borrowings / Investments

The original budget for loan borrowings was \$21,306k to deliver the approved budget initiatives. The reinstatement of timing adjustment projects of \$5.2M increased loan borrowings to \$26,505k.

Each budget is prepared with the borrowings required to deliver the budget. The 2017/18 original budget requires \$21,306k in borrowings, which is increased by \$5.2M due to the reinstatement of timing adjustment projects.

Our actual borrowings will depend on the 2017/18 starting cash position, the level of carry forwards, and property development proceeds. These elements form part of Long Term Financial Plan which for 2017/18 showed a cash draw down of \$6.4M for 2017/18.

This budget review results in a decrease in loan borrowings of \$527k, and borrowings are estimated to be \$25,978k. Further details are contained in Section 4.

2. New Bid Proposals

New/Additional Capital Bids	Expenditure	Funding	Net Bid
	\$	\$	\$
NON DISCRETIONARY – CAPITAL BIDS			
Construction of Mallee Road, Paralowie <i>(Item 2.6.2, Resolution 1912/2017, July 2017)</i> A budget of \$69,100 for the construction of Mallee Road, Paralowie as a public road connection be endorsed with funding to be approved as a non-discretionary budget review item at the First Quarter Budget Review.	69,100		69,100
Tree Screen Renewal Program - Bardsley Avenue, Parafield Gardens <i>(Item 2.6.1, Resolution 1972/2017, August 2017)</i> Following clearance works completed by Railway Authorities along the railway line adjacent Bardsley Avenue, Parafield Gardens, it became apparent the requirement to renew the tree screen along the section of Council property. The area is also subject to high levels of customer enquiries and illegal dumping and therefore approval was given to commence the works in 2017/18 and allocation of an additional \$70,000 to the program to do so.	70,000		70,000
Replacement of an Expander Slasher <i>(Item 2.6.1, Resolution 2057/2017, September 2017)</i> The replacement of an expander slasher due to failure was required to be brought forward.	30,000		30,000
Public Lighting Program - Unforeseen Lighting Request <i>(Item 2.6.1, Resolution 1972/2017, August 2017)</i> An additional \$70,000 is required for the Public Lighting Program to assist with unforeseen requests. This was omitted in error as part of the annual budget bid process.	70,000		70,000
Mawson Lakes Fitness Loop <i>(Item 2.6.1, Resolution 2104/2017, October 2017)</i> An additional expenditure incurred with the installation of the new fitness loop equipment at Mawson Lakes, a \$30,000 non-discretionary bid is required. The project encountered unplanned expenses due to the time invested redesigning and managing the project, Also drainage, irrigation and the requirement to relocate some pieces of equipment added to the construction costs above the original budget of \$76,500.	30,000		30,000
Traffic Management Devices Program <i>(Item 2.6.1, Resolution 2104/2017, October 2017)</i> The application for grant funding for traffic modifications within Greenfields Industrial area was unsuccessful. Therefore the initial \$75,000 income budget needs to be reduced to \$0 as this income will now not be realised. Within this same program, RM Williams/Wright Road Eastern Roundabout incurred unplanned additional expenditure due to the requirement to relocate Telstra and NBN infrastructure. It is therefore requested to retain the \$75,000 Council contribution from PR24042 Greenfields for this project.	75,000		75,000
Fairbanks Reserve / Byron Bay Traffic <i>(Item 2.6.1, Resolution 2104/2017, October 2017)</i> An additional \$20,000 is required to enable completion of the new fitness equipment installation, to address drainage and structural requirements.	20,000		20,000
TOTAL - NON-DISCRETIONARY - CAPITAL BIDS	364,100		364,100

New/Additional Capital Bids	Expenditure	Funding	Net Bid
	\$	\$	\$
DISCRETIONARY – CAPITAL BIDS			
Stormwater Management Plan <i>(Item 2.6.1, Resolution 2104/2017, October 2017)</i> Council has been able to negotiate Little Para/Edinburgh Park Stormwater Management Plan grant agreement with a series of parties; - CoS \$70,000 - Town of Gawler \$18,000 - City of Playford \$284,000 - NRM \$80,000 - SMA \$214,000 With the main works residing within City of Playford it has been agreed that they will run this project and manage the associated grants. The impact for City of Salisbury is change in Income and Expenditure Budget (Refer to Appendix 1 Budget Variation Summary item 24, where \$60k has been returned) and with this bid of \$70k to cover Council contribution.	70,000		70,000
TOTAL - DISCRETIONARY - CAPITAL BIDS	70,000		70,000
TOTAL CAPITAL BIDS	434,100		434,100

New/Additional Operating Bids	Expenditure	Funding	Net Bid
	\$	\$	\$
NON DISCRETIONARY - OPERATING BIDS			
Australia Day Celebrations January 2018 <i>(Item 1.1.1, 1961/2017, August 2017)</i> A non-discretionary budget bid of \$35,000 to deliver Australia Day celebrations in January 2018 be endorsed, with staff authorised to progress this work from the date of this resolution.	35,000		35,000
Salisbury Secret Garden 2018 <i>(Item 1.1.3, 2044/2017, September 2017)</i> Salisbury Secret Garden incorporate revised format that includes: - One weekend of ticketed shows at community centres and other venues across the City of Salisbury (for example in Mawson Lakes, Ingle Farm, Para Hills, Burton, St Kilda - One weekend of activities and performances in Salisbury Civic Square (Friday night opening night, Saturday night music night and Sunday family fun day) - Performances at schools linked with a promotion for families to visit Salisbury Civic Square for the free weekend program Staff are authorised to commence implementation of the program from the date of this resolution.	45,000		45,000
TOTAL - NON-DISCRETIONARY - OPERATING BIDS	80,000		80,000

New/Additional Operating Bids	Expenditure	Funding	Net Bid
	\$	\$	\$
<u>DISCRETIONARY - OPERATING BIDS</u>			
Digital Strategy Consultancy This is to fund consultancy cost for the Digital Strategy, which had been included in the 2016/17 Budget and was missed from the carry forward process, consequently approval is sought to adjust the 2017/18 budget to reinstate these funds.	12,000		12,000
Dogs and Cats Management Levy The Dog and Cat Management Levy is payable to the Dog and Cat Management Board at a rate of 20% from dog registration income received by Council. Council pays contributions in arrears, paying the 20% in September from the previous year's dog registrations. The 2017/18 contributions will now be payable during the 17/18 period due to the changes with the introduction of Dogs and Cats Online (DACO), which will see all dog registrations payable to a central portal state wide. The implementation of DACO will mean that the DCMB contribution will be payable as payments are made and not in arrears.	163,000		163,000
Costs Associated with Reduction of Floorspace at Polaris Business Centre Council currently leases 600m2 In Innovation House for staff based at Polaris. Current operations, with some expansion space, could be accommodated within 375-450m2. Program review endorsed reducing accommodation expenses by rationalising space occupied by the Polaris centre in current location or identifying alternative sites to operate from. Renewal SA has considered reduction of floorspace to 425m2. For a three year lease, rental costs would reduce by approximately \$80k per annum. Cost of make good to the area being surrendered, reconfiguration of retained area and refresh of public spaces is estimated to be in the vicinity of \$63k. Of this \$27k can be funded out of the existing 2017-18 budget (through rental savings from February 2018 onwards). To enable the works to occur this financial year the shortfall of \$36k is proposed to be funded as a budget variance request. Total cost savings over the three year lease term is in the vicinity of \$190k	36,000		36,000
TOTAL - DISCRETIONARY - OPERATING BIDS	211,000		211,000
TOTAL OPERATING BIDS	291,000		291,000

3. Budget Review

3.1 Policy and Context

In considering the various aspects of this review, Council has adopted the following policy in relation to the Sundry Projects Fund, contained within the Treasury Policy.

1. Any surplus contained within the Sundry Projects Fund following adjustments for variations to existing estimates is applied in the first instance to a reduction in borrowings.
2. Any new bids/projects arising through the year are to be referred to the budget planning process for the subsequent year unless they are of sufficient urgency, in which case Council may finance such project by reducing/cancelling an existing budgeted project or approving an increase to the borrowing or reducing investments.
3. The Surplus Community Land Policy requires that net property development proceeds be offset against current or future borrowings.

3.2 Sundry Projects Fund

The Sundry Projects Fund (SPF) represents a mechanism or ‘clearing house’ for dealing with budget variations and urgent bids. In a sense its balance represents the projected surplus for the year but it must be remembered that there are variations through the budget and the final result will be a combination of the Sundry Projects Fund and these other variations. The current status of the Sundry Projects Fund as a result of this review is represented below:

Original Budget 1st July 2017	\$ -
Recommendations – First Quarter Budget Review:	
Variations to Sundry Projects Fund – Appendix 1 Budget Variation Summary (Recommendation 1)	
Operating Variations	1,010,980
Capital Variations	197,000
Property Development Program Variation	44,600
Balance after Variations to the Sundry Projects Funds	1,252,580
Allocations arising from bids contained in Section 2	(725,100)
Movements in General Loan Borrowings / Investments:	
Decrease in Loan Borrowings due to bids offset by Operating & Capital Variations	527,480
Net Movements in General Loan Borrowings / Investments	527,480
Balance Remaining	-

As part of establishing the 2017/18 budget Council determined a need to build capacity to fund future significant projects, and consequently sought to minimise loan borrowings through a higher operating surplus and the utilisation of property development proceeds to keep debt levels low. When the original budget was formed it was on the basis that \$5,211k would be transferred from the Property Disposal Reserve to offset the loan borrowings that would otherwise have been required. As a result of improved position through this review loan borrowings will decrease by \$527k to \$25,978k.

3.3 Consolidated Funding Statement

Consolidated Funding Statement as at 30th September 2017

Consolidated Funding Statement	First Quarter Revised Budget	Original Budget 2017/2018
	\$'000	\$'000
PART 1 - OPERATING		
Operating Revenue - Original Budget	117,379	117,379
Proposed First Quarter Adjustments:		
Operating Income Gains (Appendix 1)	921	
Operating Income Losses (Appendix 1)	(4,054)	
Operating Income Budget Variations (Appendix 1)	109	
Interest on Reserves	14	
Developer Contributions	143	
Operating Revenue	114,512	117,379
Operating Expenditure - Original Budget	113,520	113,520
Proposed First Quarter Adjustments:		
Operating Expenditure Savings and Declarations (Appendix 1)	(149)	
Operating Expenditure Budget Variations (Appendix 1)	109	
Operating New Bids (Considered as part of this Review)	291	
Operating Prior Year Carry Forwards Funds	2,046	
Operating Expenditure	115,817	113,520
Estimated 2017/18 Operating Carry Forwards	1,200	
Operating Surplus/(Deficit)	(104)	3,859
PART 2 - CAPITAL AND OTHER ADJUSTMENTS		
Capital Revenue - Original Budget	7,066	7,066
Proposed First Quarter Adjustments:		
Capital Income Gains (Appendix 1)	107	
Other Capital Income Budget Variations (Appendix 1)	(81)	
Capital Revenue	7,092	7,066
Net Surplus/(Deficit) Resulting From Operations	6,987	10,925
Capital Expenditure - Original Budget	60,313	60,313
Proposed First Quarter Adjustments:		
Capital Expenditure Savings and Declarations (Appendix 1)	(135)	
Capital Prior Year Carry Forwards Funds	14,744	
Capital New Bids (Considered as part of this Review)	434	
Other Capital Expenditure Budget Variations (Appendix 1)	(81)	
Reinstate Budget for Timing Adjusted Projects 2016/17	5,200	
Capital Expenditure	80,476	60,313
Principal Repayments	(2,350)	(2,350)
Net Transfers to and from Reserves	3,630	3,788
Prior Year Carry Forward Funds	16,790	
Timing Difference in Financial Assistance Grant	3,995	
Estimated Current Year Operating Carry Forward Funds	(1,200)	
Add Back Depreciation of Non-Current Assets	26,645	26,645
Cash Surplus/(Deficit/Borrowings)	(25,978)	(21,305)
Proposed / Investment Balance/(Loan Borrowings)	(25,978)	(21,306)

The Consolidated Funding Statement (CFS) provides comparison between the original budget and the revised position should this review be adopted. The statement identifies the projected Operating Surplus / (Deficit) which is a primary indicator of financial sustainability. The original budget was for an operating surplus of \$3,859k, which has been revised to a forecast deficit of \$104k at this review. Timing differences of \$3,995k are a significant impact in the current year, and are caused by the 2017/18 Financial Assistance Grant and Untied Local Roads Grant being paid in advance. This early receipt was reflected in our operating result in 2016/17, and in our cash holdings at the end of the financial year, so is purely a timing issue, rather than an operating concern, and has no impact on our financial sustainability.

Also impacting on the surplus are 2016/17 carry forwards of \$2,046k, which is partially offset by our estimate of 2017/18 operating carry forward projects of \$1,200k. This review also produces a favourable adjustment of \$877k, after variations and new bids. A reconciliation of the changes to our budgeted operating surplus/(deficit) is shown below, however, it should be noted that the final result for the year will be further impacted through other variations throughout our operations.

2017/18 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	3,859
Early Receipt of FAG and ULR in 2016/17	(3,995)
2016/17 Operating Carry Forward Funds	(2,046)
2017/18 Operating Carry Forward Funds - Estimated	1,200
First Quarter Budget Review Adjustments	877
Forecast Operating Surplus / (Deficit)	(104)

The Consolidated Funding Statement provides a summary of changes to capital income and capital expenditure, with the most significant impact being Capital Carry Forwards of \$14.7M. Other impacts on cash are also considered, to arrive at the overall projected borrowings / investment balance. As this is a snapshot for the financial year, it shows that there is a decrease in cash requirements, with a decrease in loan borrowings of \$527k to \$25,978k, as a result of this review.

3.4 Transfer of Funds – (Chief Executive Officer Delegation)

The Wages & Salaries Provision Account has a balance of \$201k as at 30 September 2017, with \$228k savings identified in the September Quarter. There has been a total allocation of \$186k, with the significant amounts being the allocation for a 12 month contract Procurement Resources of \$89k, Community Hub short term resourcing of \$50k, and consultancy cost to fund the Para Hill change management consultancy cost of \$46k.

3.5 Transfer of Funds Requests

It is proposed that the following transfer of budgets be incorporated as part of this review:-

1. Transfer of \$17,600 income and \$123,000 expenditure operating budgets from Field Services to Inspectorial Services as a result of an operational review undertaken that determined this function should be managed out of Inspectorial Services.
2. Transfer of \$69,450 Social Planning budget from Community Planning and Vitality to Community Development Administration as per divisional restructure.
3. Transfer of \$49,140 Wages and Salaries from within Salisbury Memorial Park and Business Support to Recreation Contract Management and Sports Development for the revised allocation of the Project Support Officer.
4. Transfer of \$20,500 consultancy budget from Business Excellence Administration to Computing for TechnologyOne Financials Upgrade.
5. Transfer of \$53,220 Wages and Salaries to contractual services \$50,000 and materials \$3,220 within Native Landscapes as per services review.

For reference there has been no utilisation in the First Quarter of the project budget delegation provided to General Managers to transfer funds between projects contained within the same category and type of spend, consequently there is no associated report required to the Budget and Finance Committee.

4. Loan Borrowings/Investments and Reserves

Details of the movement in the current year investments / borrowings:

	\$
Original Budget 1st July 2017	
Net Borrowings/(Investment)	21,305,878
Reinstate Timing Adjustments Projects	5,200,000
Net Borrowings/(Investment)	26,505,878
First Quarter Budget Review 2017/18	
Variation to (General Borrowing Requirements)/Investments recommended	(527,480)
Revised (Borrowings)/Investments 2017/18 Subject to this Review	25,978,398

As part of establishing the 2017/18 budget Council determined a need to build capacity to fund future significant projects, and consequently sought to minimise loan borrowings through a higher operating surplus and the utilisation of property development proceeds to keep debt levels low.

Borrowings required for 2017/18 are \$25,978k to deliver the approved budget initiatives, with the first quarter budget review showing a decrease in loan borrowings of \$527k.

Our actual borrowings will depend on the 2017/18 starting cash position, the level of carry forwards, and property development proceeds. These elements form part of Long Term Financial Plan which for 2017/18 showed a cash draw down of \$6.4M for 2017/18.

Reserves

Details	Year to Date Actual \$000's	Full Year	
		Rev.Bud \$000's	Orig.Bud \$000's
Transfers to Reserves	158	4,453	4,296
Transfers from Reserves	70	8,084	8,084
Total	88	(3,631)	(3,788)

The above table summarises movements within Council's Reserve Accounts e.g. Drainage Reserve, Open Space, Property Disposals Reserve etc., and are in line with budget expectations. Details of balances of Reserves are contained in periodic Finance Reports. The Year to Date Budget represents the Full Year Revised Budget, although the funds will be transferred from the Reserves when required by individual projects.

5. Recommendations

1. The budget variances identified in this review and contained in the Budget Variation Summary (Appendix 1) be endorsed and net operating \$1,010,980 be credited, net capital \$241,600 be debited to the Sundry Project Fund. This will bring the balance to \$1,252,580.
2. Funds be allocated for the following **non-discretionary** net bids:

OPERATING

▪ Australia Day Celebrations January 2018	\$ 35,000
▪ Salisbury Secret Garden 2018	\$ 45,000

CAPITAL

▪ Construction of New Public Road – Mallee Road	\$ 69,100
▪ Tree Screen Renewal Program – Bardsley Avenue	\$ 70,000
▪ Replacement of an Expander Slasher	\$ 30,000
▪ Public Lighting Program	\$ 70,000
▪ Mawson Lakes Fitness Loop	\$ 30,000
▪ Traffic Management Device Program	\$ 75,000
▪ Fairbanks Reserve/Byron Bay Traffic	\$ 20,000

TOTAL **\$ 444,100**

(NB: If parts 1 & 2 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to \$808,480.)

3. Funds be allocated for the following **discretionary** net bids:

OPERATING

▪ Digital Strategy Consultancy	\$ 12,000
▪ Dogs and Cats Management Levy	\$ 163,000
▪ Costs associated with Reduction of Floorspace at Polaris Business	\$ 36,000

CAPITAL

▪ Stormwater Management Plan	\$ 70,000
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TOTAL **\$ 281,000**

(NB: If parts 1,2 & 3 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to \$527,480.)

4. Council approve the following transfers:
 1. Transfer of \$17,600 income and \$123,000 expenditure operating budgets from Field Services to Inspectorial Services as a result of an operational review undertaken that determined this function should be managed out of Inspectorial Services.
 2. Transfer of \$69,450 Social Planning budget from Community Planning and Vitality to Community Development Administration as per divisional restructure.
 3. Transfer of \$49,140 Wages and Salaries from within Salisbury Memorial Park and Business Support to Recreation Contract Management and Sports Development for the revised allocation of the Project Support Officer.
 4. Transfer of \$20,500 consultancy budget from Business Excellence Administration to Computing for TechnologyOne Financials Upgrade.
 5. Transfer of \$53,220 Wages and Salaries to contractual services \$50,000 and materials \$3,220 within Native Landscapes as per services review.

5. Investments / Borrowings be varied to reflect the bids and transfers endorsed by Council detailed in parts 1 to 5 of this resolution.

(NB: If parts 1 to 5 of this resolution are moved as recommended loan borrowings in 2017/18 will decrease by \$527,480.)

Appendix 1 – Budget Variation Summary as at 30 September 2017

Budget Variation Summary as at 30 September 2017				
Item	Details	Expense Increase/ (Decrease)	Revenue Increase/ (Decrease) <i>Includes Expenditure Recoveries</i>	Net Increase/ (Decrease) <i>Sundry Projects Fund</i>
OPERATING VARIATIONS				
Expenditure Savings				
1	E-Planning levies to State Government	(36,000)		36,000
2	Pest and Weed Control	(39,900)		39,900
3	Native Landscape	(72,980)		72,980
Income Gains				
4	Planning Assessment		80,000	80,000
5	Building Rules Certification Unit		20,000	20,000
6	Scrap Metal		15,000	15,000
7	Financial Assistance Grant		765,600	765,600
8	Untied Local Road Grant		40,100	40,100
Income Losses				
9	Financial Assistance Grant - Advance Payment Received in 16/17		(3,209,800)	(3,209,800)
10	Untied Local Road Grant - Advance Payment Received in 16/17		(785,600)	(785,600)
11	Workers Compensation Rebate Inside Staff		(13,100)	(13,100)
12	Workers Compensation Rebate Field Staff		(9,400)	(9,400)
13	Dogs Licence		(36,100)	(36,100)
Adjustments - Nil Effect				
14	Adult Community Education****	77,550	77,550	0
15	National Science Week****	2,000	2,000	0
16	Recreation Services****	11,900	11,900	0
17	Community Centre Grant Indexation****	13,200	13,200	0
18	Duke of Edinburgh Program****	4,500	4,500	0
Net Impact to Operating Result - Transfer to Sundry Projects Fund		(39,730)	(3,024,150)	(2,984,420)
Add back Timing Difference (FAG and ULR Grant)				3,995,400
Adjusted Net Impact Excluding Timing Difference (FAG&ULR Grant)				1,010,980
CAPITAL VARIATIONS				
Expenditure Savings				
19	Little Para/Edinburgh Park Stormwater Management Plan(Works and Services Item 2.6.1)	(60,000)		60,000
20	Greenfields Industrial (Works and Services 16 October 2017, Item 2.6.1)	(75,000)		75,000
Income Gains				
21	Structural Integrity Levee Bank - Income from Coastal Protection Board		15,000	15,000
22	Ingle Farm Recreation Centre - Income from Strata Management Corporations		35,000	35,000
23	Salisbury West Library - Income from Strata Management Corporations		12,000	12,000
Adjustments - Nil Effect				
24	Little Para/Edinburgh Park Stormwater Management Plan (Works and Services Item 2.6.1)	(60,000)	(60,000)	0
25	Greenfields Industrial (Works and Services 16 October 2017, Item 2.6.1)	(75,000)	(75,000)	0
26	Fairbanks Reserve/Byron Bay Traffic (Works and Services 16 October 2017, Item TBA)	53,900	53,900	0
Net Impact to Capital Program		(216,100)	(19,100)	197,000
Total Variation				1,207,980
PROPERTY DEVELOPMENT VARIATIONS				
Income Gains				
27	Walpole Road Stage 3 Boardwalk - GST reduction (SPDSC September 2017)		44,600	44,600
Net Impact to Property Development Program		0	44,600	44,600
Transfer To / (From) Sundry Project Fund				1,252,580
NB **** Adjustment to budgets already processed				

Appendix 2 – Budget Timing Adjustments

Policy Statement

Where there are projects that are funded in the current year budget that are unable to be progressed in the timeframes originally planned due to external factors, including delays in external funding approvals, negotiations with third parties, community consultation, and development approval processes. It is important that the community is aware of the status of these projects which is included in Appendix 5 Capital Expenditure Report. No current year project timing adjustment at the First Quarter Budget Review, there are no projects that fall into this category.

Prior Year Projects Timing Adjustments:

The following projects had adjusted timing last financial year. These changes are also reflected in our cash requirements through a reduction in borrowings in the last financial year, and will then be funded in current year's borrowings, and reflected in this budget review. These projects were excluded from our 2016/17 cash requirements and consequently will need to be funded in the 2017/18 borrowings.

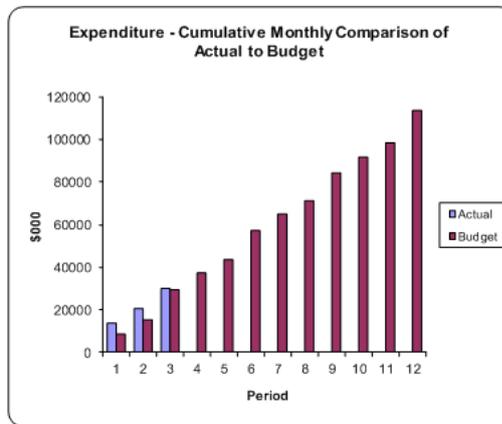
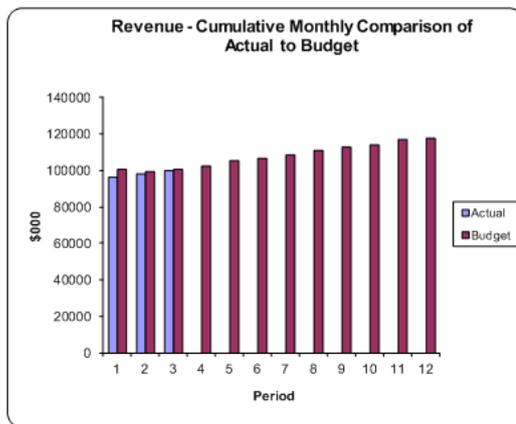
	Reinstatement of Budget Timing Adjustment \$000
Mawson Lakes Interchange - Pedestrian & Cycle	2,300
Salisbury Community Hub	1,500
Para Hills Community Hub	1,400
Total	5,200

Appendix 3 –Statement of Comprehensive Income



City Of Salisbury
Statement of Comprehensive Income
For the Period Ending 30 September 2017

	Year to Date			Full Year	
	Actual \$000	Rev Bud \$000	Variance \$000	Rev Bud \$000	Org Bud \$000
INCOME					
Rates	94,746	94,565	180	94,745	94,745
Statutory Charges	1,420	1,285	135	2,792	2,792
User Charges	1,178	1,186	(9)	5,918	5,902
Grants, Subsidies & Contributions	1,961	2,770	(809)	13,067	12,848
Investment Income	104	45	59	168	142
Reimbursement	56	34	22	152	140
Other Revenue	630	641	(12)	812	810
Total Income	100,093	100,527	(434)	117,655	117,379
EXPENSES					
Employee Costs	11,029	11,808	779	37,810	37,444
Materials, Contracts and Other Expenses	12,119	12,642	523	49,577	47,789
Finance Costs	250	335	85	1,512	1,512
Depreciation, amortisation & impairment	6,691	6,689	(2)	26,775	26,775
Total Expenses	30,090	31,473	1,384	115,675	113,520
Operating Surplus/(Deficit) before Capital Amounts	70,004	69,054	950	1,980	3,859
Amounts specifically for new or upgraded assets	14	545	(531)	3,005	3,005
Physical resources received free of charge	0	0	0	4,000	4,000
Other Comprehensive Income	0	0	0	0	0
Total Comprehensive Income	70,017	69,599	419	8,985	10,864



The Operating Surplus / (Deficit) before Capital Amounts reflects the Original Budget, revised for the impact of 2016/17 operating carry forwards of \$2M, and whilst provision is made in the consolidated funding statement for the potential carry forward from 2017/18 into 2018/19, this will not be reflected in the Operating Surplus until the end of Financial Year, when specific projects and budget lines are known. Also included are First Quarter "nil effect" adjustments as indicated in Appendix 1- Budget Variation Summary. Following Council endorsement the revised budget will reflect all changes contained in this review.

Commentary – Statement of Comprehensive Income

Year to Date: Actual v Revised Budget

The commentary on the Statutory Report is designed to explain the variations greater than \$50k but no actions are required as, where necessary, they are picked up elsewhere in the report.

Revenue

Rates – Favourable Variance \$180k

The favourable variances is predominantly as a result of higher rate revenue of \$75k, and lower than anticipated Compulsory Rate Rebates of \$63k.

Statutory Charges – Favourable Variance \$135k

The favourable variance predominantly relates to higher than anticipated income received within Development Services, being Building Fees \$53k and Planning Application Income \$136k. This is offset by lower Dog Licence Income \$58k.

Grants, Subsidies & Contributions– Unfavourable Variance \$809k

The unfavourable variance is primarily resulting from the early payment of the Financial Assistance Grant and Untied Road Grant \$3,995 received last financial year and reflects a reduction of \$1M each quarter this year. This is slightly offset by an increase of \$806k for 2017/18 (or \$200k each quarter) which is higher than the original anticipated budget. Refer Appendix 1 – Budget Variation Summary Item 7, 8, 9 and 10.

Investment Income– Favourable Variance \$59k

The favourable variance is primarily the result of higher than anticipated interest received on our investment activity due to higher deposits predominately related to Strategic Property Development sales.

Expenditure

Employee Costs - Favourable Variance \$779k

The favourable variance predominantly represents Wages and Salaries savings from various divisions that have been allocated to the Wages and Salaries Provision, which currently has a balance of \$201k. In addition, a number of positions are being backfilled by contractors / agency staff \$534k, with contractor costs reported in Materials, Contracts and Other Expenses below, but offset by other favourable variances.

Materials, Contracts and Other Expenses – Favourable Variance \$523k

The favourable variance is predominantly the result of the timing of payments and the timing of the delivery of various programs. The most significant variances relates to the Operating Component of Capital bids totalling \$543k, of which \$368k was carried forward from last financial year, and the Council Building Renewal Program of \$94k. Also contributing to this variance are contractual services of \$219k including Northern Adelaide Stormwater Yield Analysis Study \$50k, Economic Development Policy \$30k, and the timing of payments for Electricity \$72k.

The favourable variances are offset by contract labour costs, which are required to be classified as contractual services for reporting purposes, but budgeted for in employee costs. This results is from a number of operational positions being backfilled by contractors \$534k.

Finance Costs – Favourable Variance \$85k

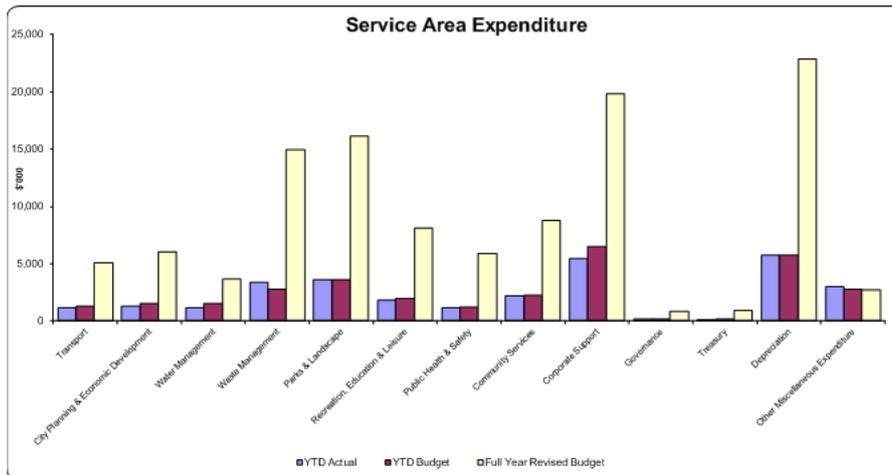
The favourable variance is predominantly the result of lower interest payments associated with no requirements for the drawdown of CAD's as a result of Council's working capital and cash position resulting from primarily property development sales.

Appendix 4 –Statement of Financial Performance – Key Directions



City of Salisbury
Statement of Financial Performance by Key Direction
For the Period Ending September 2017

	Year to Date			Full Year	
	Actual \$000's	Budget \$000's	Variance \$000's	Rev Budget \$000's	Orig Budget \$000's
NET OPERATING RESULT					
Surplus/(Deficit)	70,017	69,599	419	8,985	10,864
Represented By:					
KEY DIRECTION REVENUE					
The Prosperous City:					
Transport	195	395	(200)	3,742	3,742
City Planning & Economic Development	583	399	184	1,330	1,330
The Sustainable City:					
Water Management	285	293	(8)	2,669	2,669
Waste Management	387	372	15	1,479	1,479
Parks & Landscape	10	26	(18)	88	88
The Living City:					
Recreation, Education & Leisure	133	109	24	696	605
Public Health & Safety	928	983	(55)	1,653	1,653
Community Development	962	947	15	3,770	3,752
Enabling Excellence:					
Corporate Support	844	855	(12)	1,584	1,584
Governance	0	0	0	1	1
Treasury	104	45	59	168	142
Grants Commission	786	1,398	(611)	5,590	5,590
Rates	94,746	94,565	180	94,745	94,745
Other Miscellaneous Revenue	131	138	(7)	141	0
Total Operating Revenue	100,093	100,527	(434)	117,655	117,379
Capital Contributions	14	545	(531)	7,005	7,005
Total Revenue	100,107	101,072	(965)	124,660	124,384
KEY DIRECTION EXPENDITURE					
The Prosperous City:					
Transport	1,144	1,329	185	5,041	5,041
City Planning & Economic Development	1,297	1,514	217	6,005	5,214
The Sustainable City:					
Water Management	1,142	1,504	362	3,632	3,521
Waste Management	3,350	2,772	(578)	14,897	14,897
Parks & Landscape	3,614	3,569	(45)	16,104	16,054
The Living City:					
Recreation, Education & Leisure	1,804	1,925	121	8,124	8,001
Public Health & Safety	1,133	1,221	88	5,895	5,912
Community Development	2,186	2,291	105	8,815	8,679
Enabling Excellence:					
Corporate Support	5,434	6,490	1,057	19,817	18,922
Governance	179	190	11	822	796
Treasury	134	195	60	950	950
Depreciation	5,710	5,710	0	22,839	22,839
Other Miscellaneous Expenditure	2,962	2,763	(199)	2,733	2,691
Total Expenditure	30,090	31,473	1,384	115,675	113,520

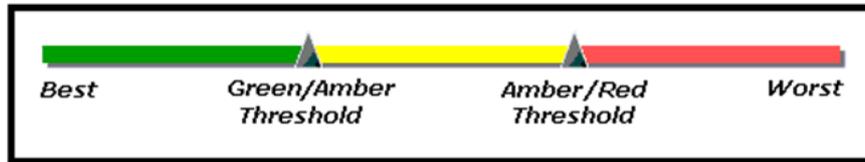


Full Year revised budget includes revisions to expenditure budgets for funds carried forward from 2016/17 into 2017/18. We anticipate a carry forward from 2017/18 into 2018/19, however, at this time specific programs cannot be identified, and this will be brought to account at the end of financial year.

How to interpret the performance indicator gauges

The performance indicators and explanations provide non-financial information supporting the variance analysis commentary contained within the Statement of Financial Performance – Key Directions.

PIs - Values



Green:- OK - Performance above target - denotes current value is between the amber/green threshold and the best value.

Amber:- Warning - Performance below target (within 20% of target) - denotes current value is between the amber/red threshold and the amber/green threshold.

Red:- Alert - Performance significantly below target - denotes current value is between the amber/red threshold and the worst value.

Cumulative result for 2015/16 as of Q1 2015/16



Minimum/Maximum Value

These are the values shown at the extreme ends of the scale on the gauge; they do not represent quarterly or annual target values.

eg. The minimum value of 0 is on the left hand side of the gauge and the maximum value of 60,000 is on the right hand side of the gauge.

Red/Amber Thresholds

The Red/ Amber Threshold are set at 20% below the quarterly target.

eg. The quarterly target is 40,000 units therefore the Red/Amber Threshold is 32,000 units (ie 20% below the quarterly target.)

Quarterly Target

The quarterly target is shown on the gauge at the Green/Amber Threshold.

eg the quarterly target value is 40,000 units.

Performance Indicator Result

The performance indicator result for the period is shown by the needle on the gauge with the value recoded at the bottom of the gauge.

eg The performance indicator value is 35,196 which is represented in the amber range of the gauge as the value is lower than but within 20% of the quarterly target of 40,000.

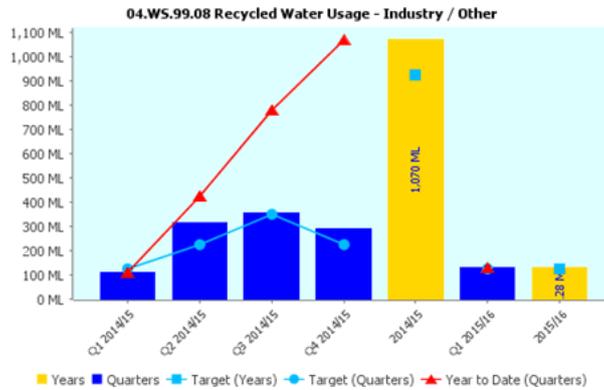
Annual Target

The annual target is not represented on the gauge until the fourth quarter when it becomes the quarterly target.

Nb: - Sometimes the gauges are inverted depending whether the best result is to maximize or minimize the outcome.

How to interpret the trend graphs

Trend Chart



The trend chart is a graphical and historical view of a performance indicator.

Blue Bar

The Blue Bar represents the Quarterly result for the relevant period, which is measured on the left hand side of the chart.

Yellow Bar

The Yellow Bar represents the Annual result for the relevant period and is an aggregation of the relevant Quarterly Blue Bars.

Target (Years)

The Target (Years) appears above the Yellow Bar on the chart and represents the Annual Target for the Performance Indicator as outline within initial Business Plans.

Target (Quarters)

The Target (Quarters) appears above each Blue Bar on the chart and represents the Quarterly Target for the Performance Indicator. The Target (Quarterly) is also joined by a light blue line to each subsequent quarter within the relevant year. In this particular example, the level of activity is higher in the first quarter than subsequent quarters and this is also reflected in the Target (Quarterly).

Year to Date (Quarters)

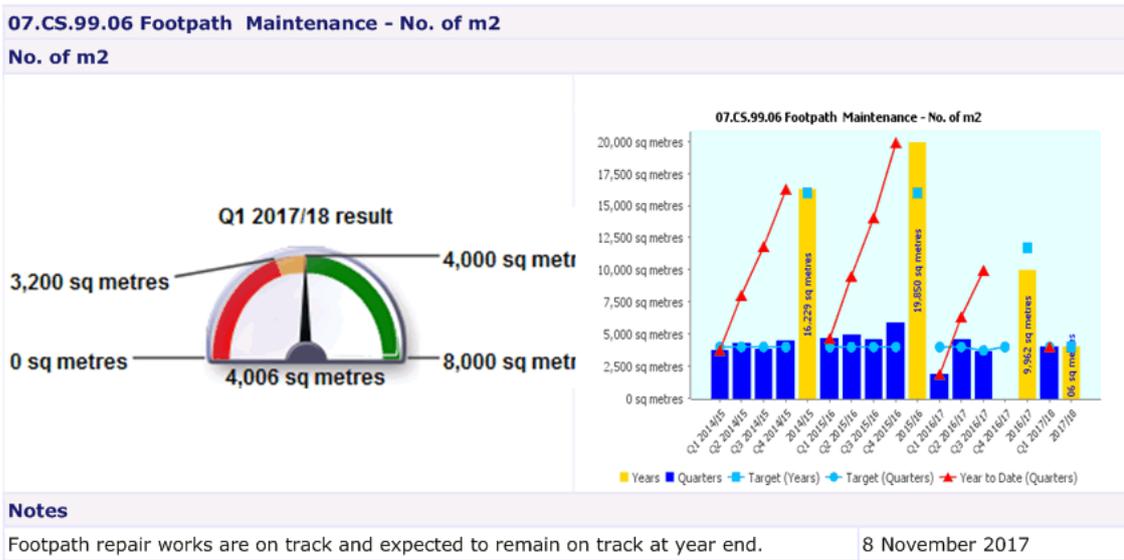
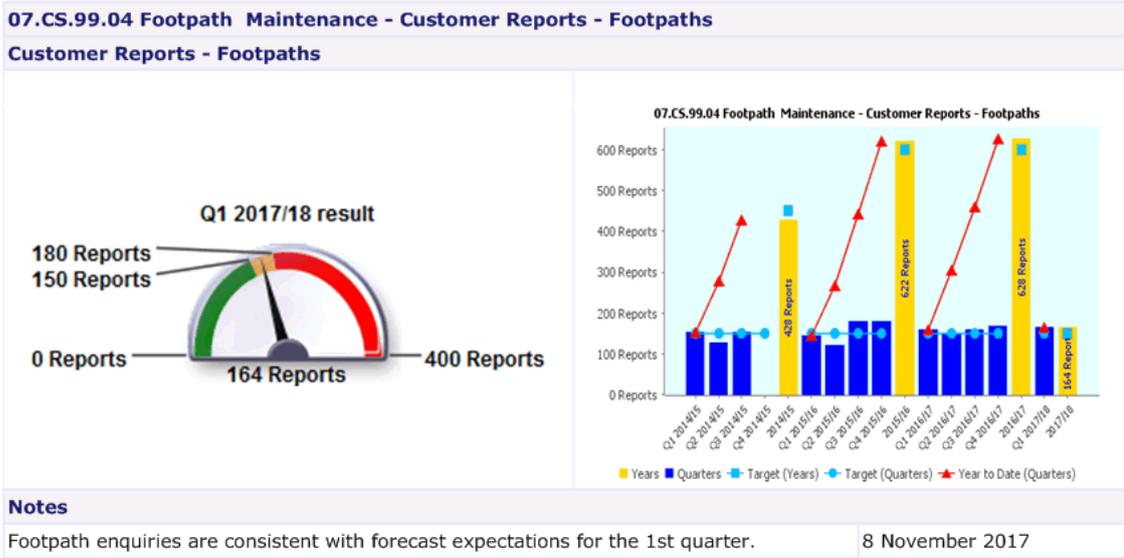
The Year to Date (Quarters) is a red line that appears above the Blue Bars on the chart and represents the aggregation of the Quarterly Result.

Commentary – Key Direction**The Prosperous City - Net Favourable Variance \$386k****Transport - Net Unfavourable Variance \$15k****Revenue Unfavourable Variance \$200k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Roadworks	GMCI	(186)	(745)	The unfavourable variance primarily related to overall Untied Local Road Grant funding for 2017/2018 is \$40k higher than budget; however the City of Salisbury was paid \$786k in advance in June 2017. The net impact for the year is unfavourable \$745k with impact September being unfavourable (one quarter of the total) \$186k.	Debit \$40,100 to Sundry Projects Fund, and Credit Sundry Project fund with \$785,600 Refer Appendix 1 Budget Variation Summary Item 8 & 10

Expenditure - Favourable Variance \$185k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Road	GMCI	77		The favourable variance is a result of the timing of contractual expenditure within Kerb & Gutter Replacement and it is anticipated that the program will align to budget by the end of the financial year.	Nil
Footpath Maintenance	GMCI	54		The favourable variance is predominantly related to the timing of programmed works associated with Footpath Paver Maintenance and it is anticipated that the program will align to budget by the end of financial year.	Nil

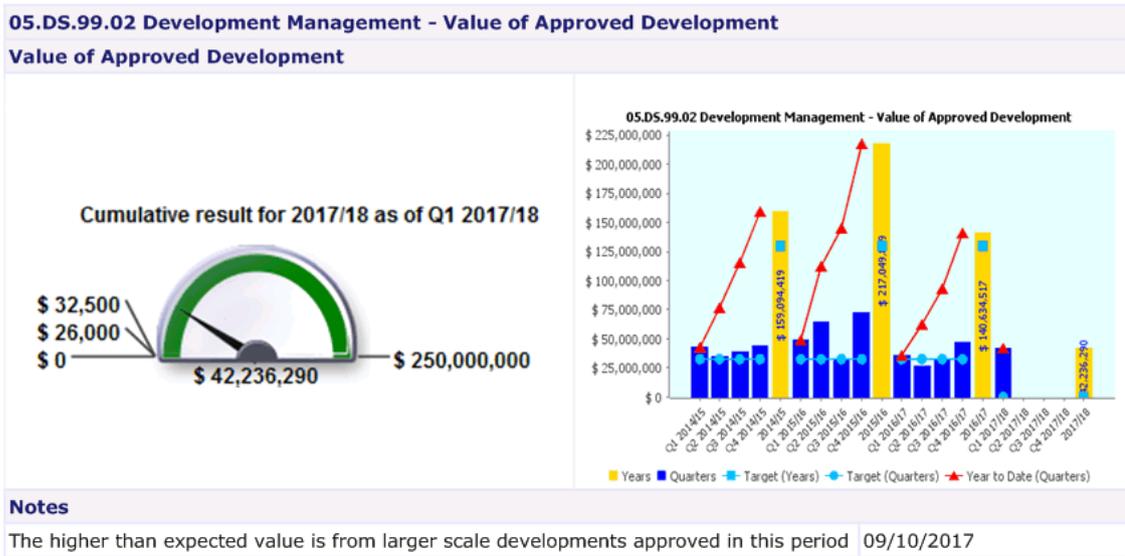
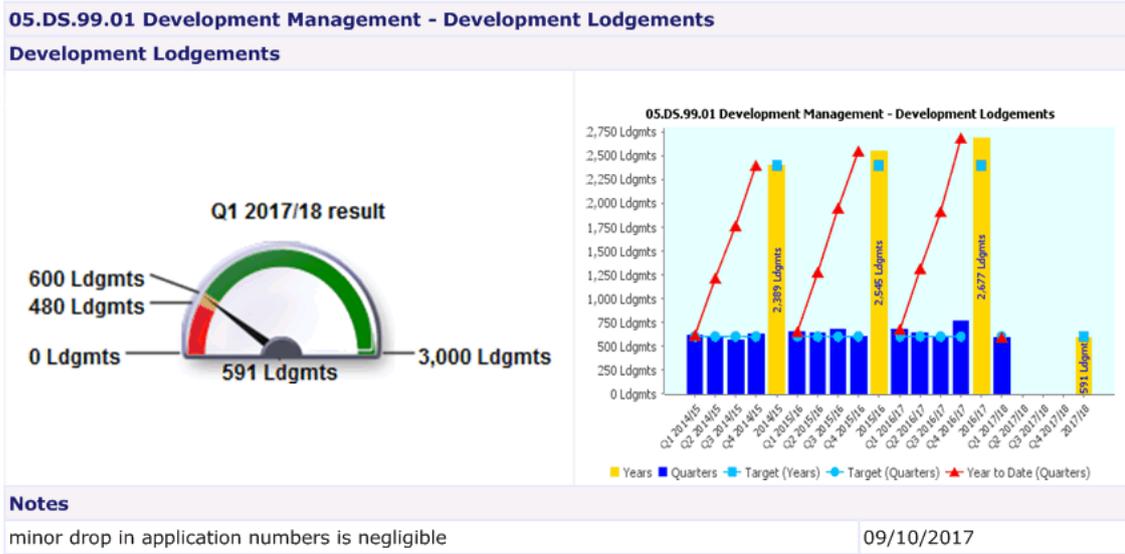


City Planning and Economic Development - Net Favourable Variance \$401k**Revenue - Favourable Variance \$184k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Planning Assessment	GMCID	134	80	Favourable variance primarily related to higher than average application fees associated with large developments at Kings Road and Mawson Lakes being received during the quarter.	Debit \$80,000 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 4
Building Rules Certification Unit	GMCID	40	20	The favourable variance is primarily related to increase in more complex external applications result in higher dollar value fees received than anticipated \$40k, with 429 processed as at 30 September 2017 compared to 505 at the same time last financial year.	Debit \$20,000 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 5

Expenditure - Favourable Variance \$217k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Building Rules Certification Unit	GMCID	43		The favourable variance is associated with timing of insurance and Government levy payment \$15k and timing of expenditures in external client services \$27k.	Nil
Economic Development	GMCID	46		The favourable variance is related to timing of contractual service in International Business Growth \$13k; Wages and Salaries in Northern Adelaide Industry Development \$19k due to late commencement of new position.	Nil
Strategic Development Projects	GMCID	37		The favourable variance is related to timing expenditure of carry forward fund.	Nil

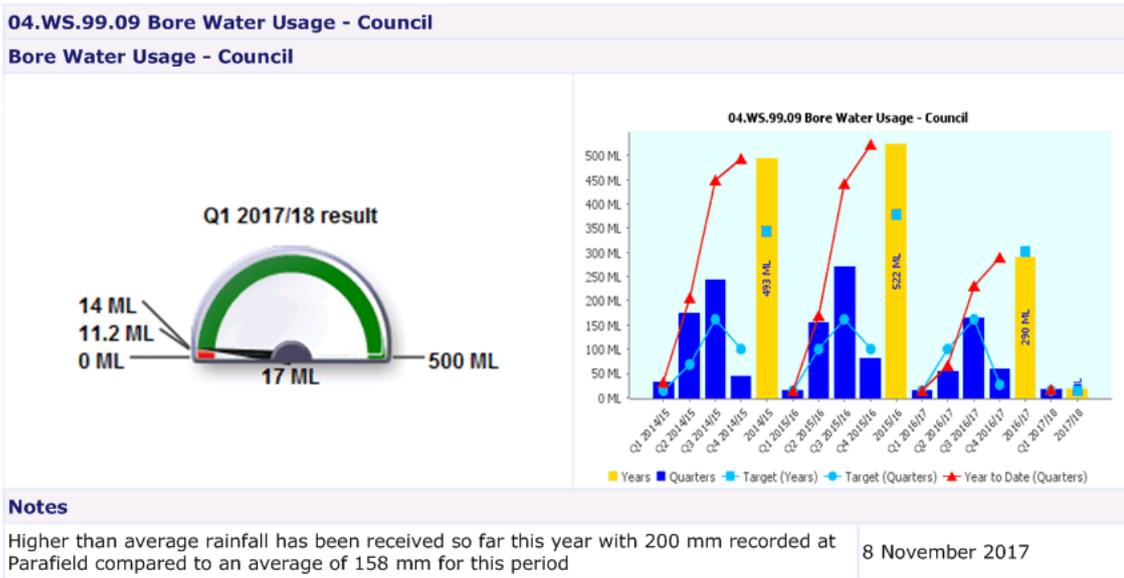
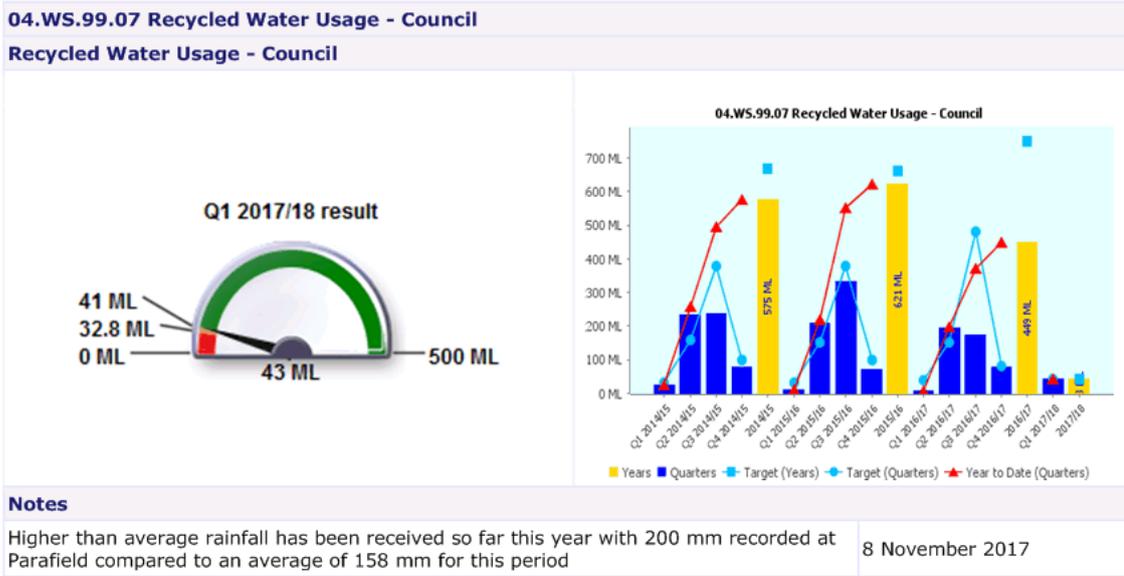


The Sustainable City - Net Unfavourable Variance \$197k**Water Management - Net Favourable Variance \$354k****Revenue – Unfavourable Variance \$8k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Salisbury Water	GMBE	(38)		The unfavourable variance is predominantly attributable to higher than anticipated rainfall during the first quarter. This will be monitored to assess full year impact should sales not increase in upcoming periods.	Nil

Expenditure – Favourable Variance \$362k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Salisbury Water	GMBE	175		The favourable variance is predominantly related to timing of electricity costs of \$53k, timing of Strategic Review \$50k, Water Treatment and Monitoring contractual services \$46k. It is anticipated that the program will align to budget by the end of financial year.	Nil
Drainage Systems	GMCI	108		The favourable variance predominantly relates to contractual expenditure on reactive underground drainage maintenance works and open drain maintenance and it is anticipated that budget will align to budget by the end of the financial year.	Nil

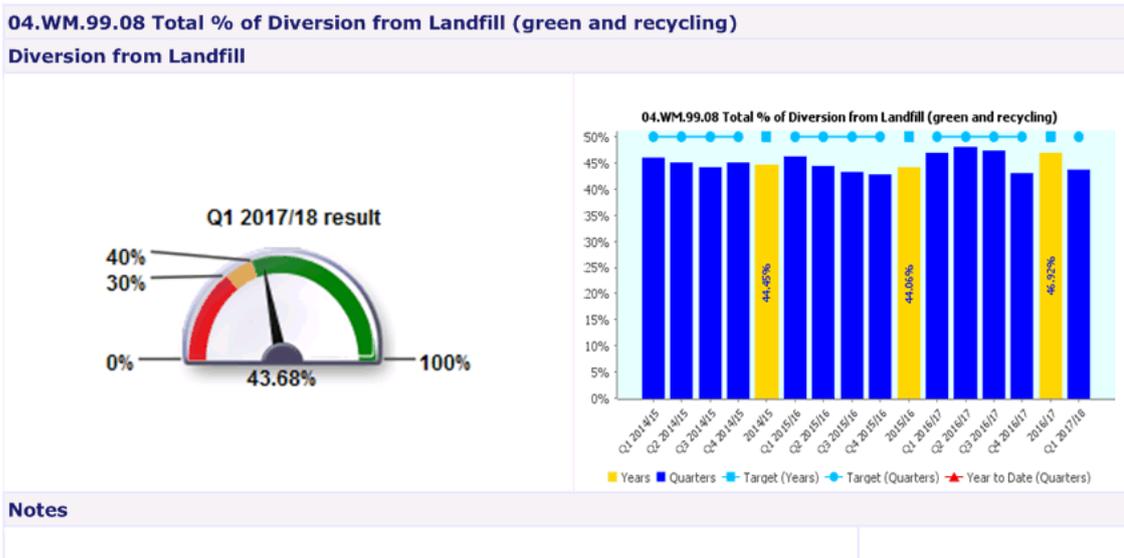
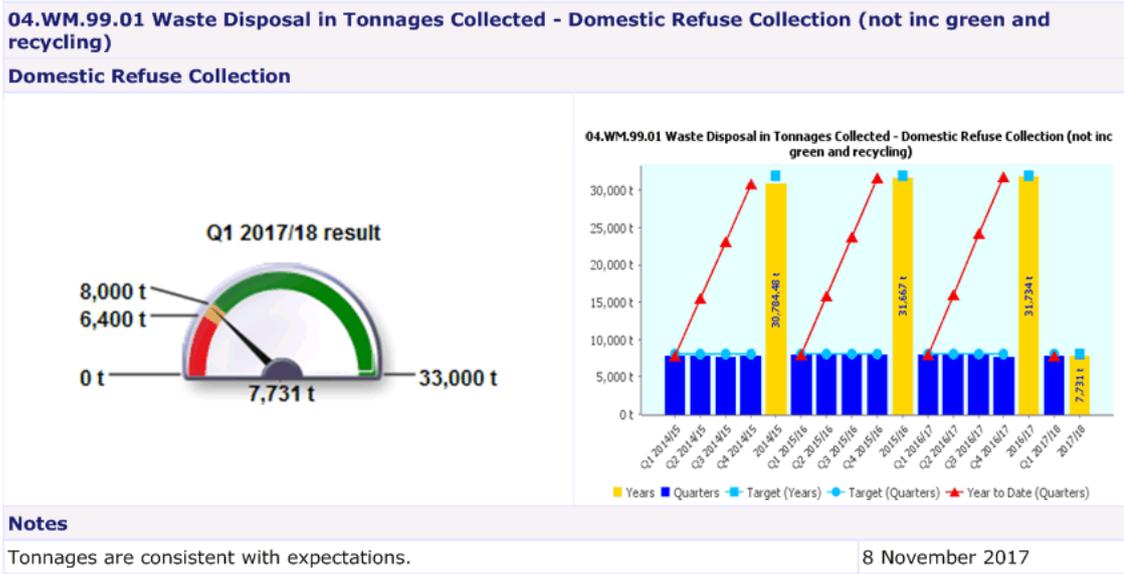


Waste Management - Net Unfavourable Variance \$563k**Revenue - Favourable Variance \$15k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Transfer Station Operations	GMCI	15	15	The favourable variance is related to higher than anticipated income for scrap metal \$13k.	Debit \$15,000 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 6

Expenditure – Unfavourable Variance \$578k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Kerbside Recycling	GMCI	506		The unfavourable variance is related to timing of expenditure of Domestic Refuse Collection \$197k, Green Waste Kerbside Service \$166k and Kerbside Recycling \$95k. It is anticipated that budget will align to budget by the end of the financial year.	Nil



Parks and Landscape - Net Unfavourable Variance \$63k

Revenue - Unfavourable Variance \$18k

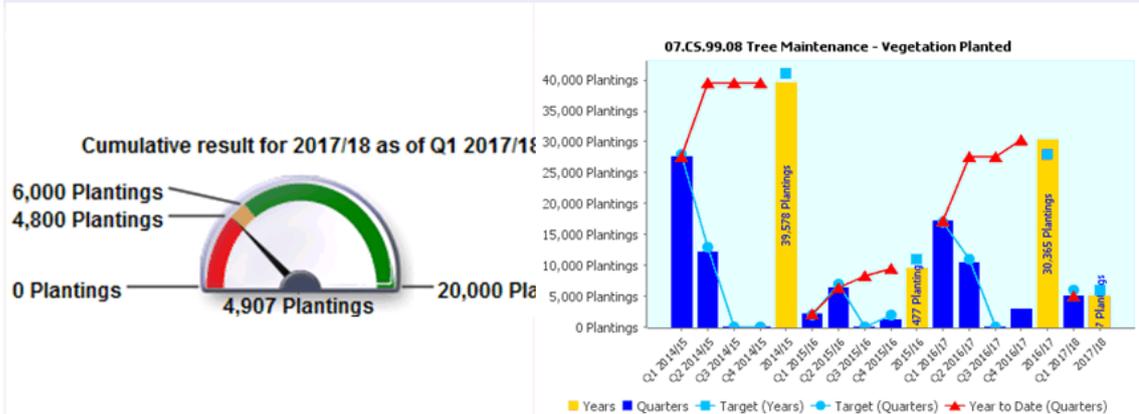
Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Tree Management	GMCI	(15)		The unfavourable variance is predominately resulting from lower income from Tree and Stump Removal due to less requests received.	Nil

Expenditure – Unfavourable Variance \$45k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Reserves and Playgrounds	GMCI	(42)		The unfavourable variance is predominantly related to the timing of playground maintenance and reserve furniture; however this is expected to align by the end of the financial year.	Nil

07.CS.99.08 Tree Maintenance - Vegetation Planted

Vegetation Planted



Notes

The tree planting program is on target and is expected to remain on target at year end. 08/11/2017

The Living City - Net Favourable Variance \$298k**Recreation, Education and Leisure - Net Favourable Variance \$145k****Revenue – Favourable Variance \$24k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Library Services	GMCD	18		The favourable variance is related reimbursement of Corporate Strata fee of Salisbury West Library.	Nil

Expenditure - Favourable Variance \$121k

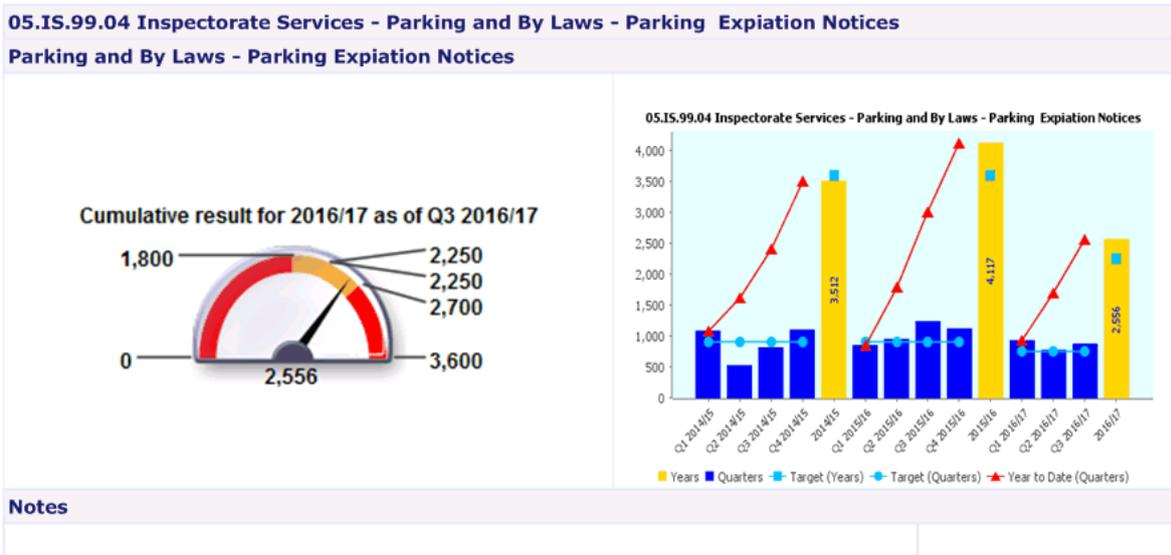
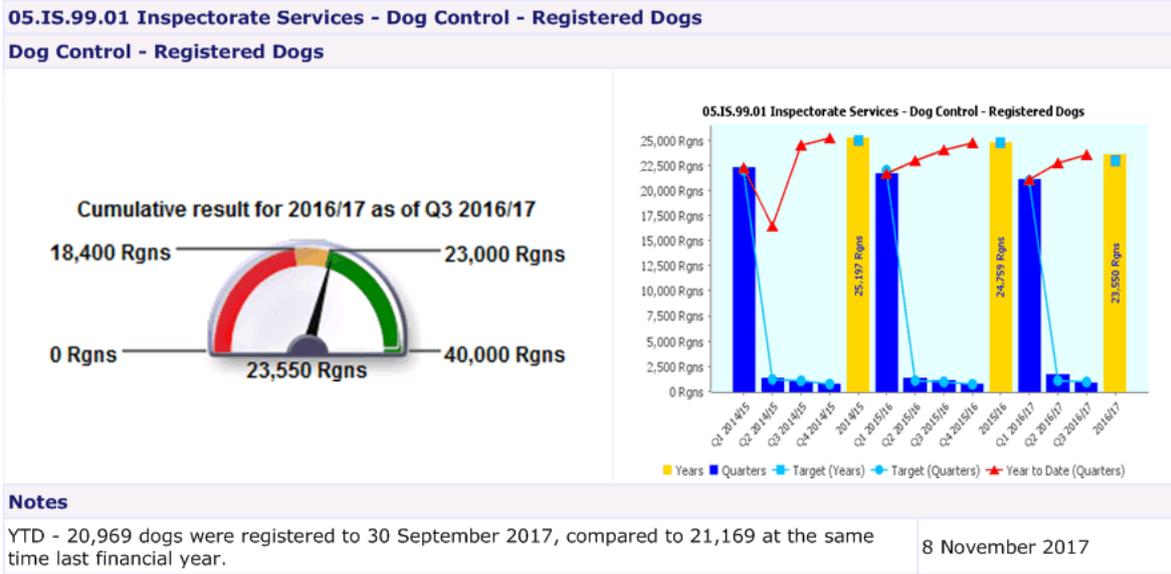
Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Community Capacity and Learning	GMCD	46		The favourable variance is predominantly a result of lower Wages & Salaries \$28k due to higher level of Leave taken, and timing of electricity for September \$19k for all library branches. It is anticipated the budget will align by the end of the financial year.	Nil
Recreation Centres	GMCD	28		The favourable variance is predominantly resulting from the timing of Building Maintenance across the Recreation Centre facilities.	Nil
Community Sport & Club Facilities	GMCD	41		The favourable variance predominantly relates to Turf and Irrigation \$15k and lower usage of internal water as a result of high rainfall during the first quarter, timing of Building Maintenance across sporting clubs facilities \$31k also contribute to the favourable variance.	Nil

Public Health and Safety - Net Favourable Variance \$33k**Revenue – Unfavourable Variance \$55k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Dog Control	GMCID	(67)	(36)	The unfavourable variance is predominantly resulting from the mix of the different Fees and Charges for Dog Registrations. Also there is a decrease in dog registrations with a total of 20,969 dogs registered to 30 September 2017, compared to 21,169 at the same time last financial year.	Credit \$36,100 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 13

Expenditure – Favourable Variance \$88k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Crime Prevention and Repair	GMCID	38		<p>The favourable variance is predominantly related to a lower numbers of volunteers within Volunteer Graffiti Removal Team and lower than anticipated requirements for reactive works in Graffiti Removal \$27k.</p> <p>There is also a favourable variance within Insurance – Vandalism \$11k relating to lower than anticipated requirements for reactive works.</p> <p>It is anticipated that the program will meet budget expectations by the end of the financial year.</p>	Nil



Community Development - Net Favourable Variance \$120k

Revenue - Favourable Variance \$15k

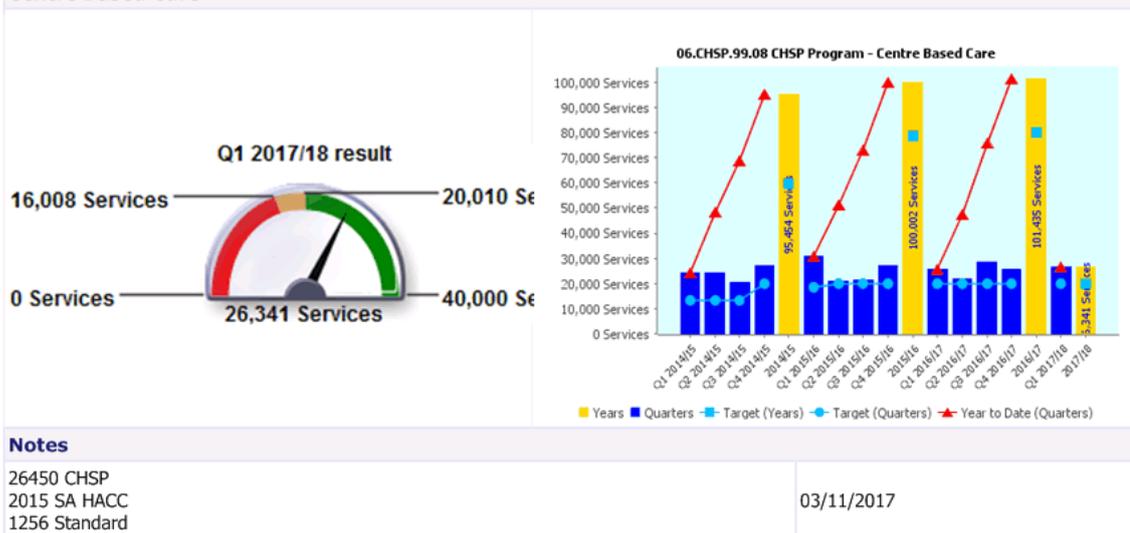
Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Home and Community Services Program	GMCD	11		No significant variances to report.	Nil

Expenditure – Unfavourable Variance \$105k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Positive Ageing	GMCD	70		<p>The favourable variance is predominantly related to vacancies back filled by agency staff and leave taken. \$23k of wages savings has been identified and will be transferred to the Wages and Salary Provision.</p> <p>It is anticipated that the program will meet budget expectations by the end of the financial year.</p>	Nil
Neighbourhood Development	GMCD	27		The favourable variance is related to the timing of building maintenance across Community Centres \$16k.	Nil

06.CHSP.99.08 CHSP Program - Centre Based Care

Centre Based Care



Enabling Excellence – Net Unfavourable Variance \$538k**Corporate Support – Net Favourable Variance \$1,045k****Revenue – Unfavourable Variance \$12k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		Timing \$000	Permanent \$000		
People & Culture	GMBE	(13)	(13)	Unfavourable variance is related to lower than anticipated Workers Compensation Rebate received \$13k.	Credit \$13,100 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 11

Expenditure - Favourable Variance \$1,057k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		Timing \$000	Permanent \$000		
Business Excellence	GMBE	422		<p>The favourable variance relates to the timing of expenditure for:-</p> <p>Business Support and Systems Operating Component of Capital Project \$104k.</p> <p>Wages and Salaries is underspent in Business Excellence \$165k with People & Culture \$55k and Financial Services \$72k due to vacancies and leave taken.</p> <p>Training and Organisational Development \$39k and Occupational Health and Safety \$47k within People and Culture.</p> <p>It is anticipated that these budgets will meet expectations by the end of the financial year.</p>	Nil
Executive	CEO	22		The favourable variance is primarily related to the timing of the contractual services for Organisation Review \$23k.	Nil
City Infrastructure	GMCI	626		The favourable variance is related to the operating components of capital bids within Operating Projects \$330k and Council Building Renewal Program \$194k.	Nil.

Governance – Net Favourable Variance \$11k**Expenditure – Favourable Variance \$11k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Council	CEO	11		No significant variance to report	Nil

Treasury – Net Favourable Variance \$119k**Revenue – Favourable Variance \$59k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Treasury	GMBE	58		The favourable variance is the result of higher than anticipated interest received on our investment activity.	Nil

Expenditure – Favourable Variance \$60k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Treasury	GMBE	84		The favourable variance is predominantly the result of lower interest costs associated with not having to utilise CAD's.	Nil

Rates and other Miscellaneous – Net Unfavourable Variance \$637k**Revenue – Unfavourable Variance \$438k**

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Rates	GMBE	158		The favourable variance is related to higher rate income of \$75k and lower than anticipated Government Rate Rebates \$63k.	Nil
Grants Commission	GMBE	(611)	(2,444)	Overall the Financial Assistance Grant funding for 2017/18 is \$766k higher than budget; however the City of Salisbury was paid \$3,210k in advance in June 2017. The net impact for the year is unfavourable \$2,444, with impact to September being unfavourable \$611k (one quarter of the total)	Debit 765,600 to Sundry Projects Fund, and Credit \$3,209,800 to Sundry Projects Fund Refer Appendix 1 Budget Variation Summary Item 7 & 9

Expenditure – Unfavourable Variance \$199k

Program/Budget Area	General Manager	Variance		Comment	Action Required
		YTD \$000	Permanent \$000		
Building Maintenance	GMCI	70		The favourable variance is predominantly related to the timing of contractual expenditure in Building Maintenance and it is anticipated that this will meet budget by the end of the financial year.	Nil
Salaries and Wages Provision	CEO	201		The favourable variance represents Wages and Salaries savings from various divisions that have been allocated to the Provision, offset by any allocations made from the Provision. Refer 3.4 Transfer of Funds (Chief Executive Officer Delegation).	Nil
Staff Oncosts and Recovery	GMBE	(296)		<p>The unfavourable variance is primarily related to the on-cost component of vacancies \$397k which is offset by favourable variances across the Organisation.</p> <p>Favourable variance in Annual Leave & Leave Loading \$122k is partly offsetting the unfavourable variance in the on-cost component.</p> <p>This area is constantly reviewed in line with wage and salary expenses incurred within the other Service Areas.</p> <p>It is anticipated that this will align to budget by the end of the financial year.</p>	Nil

Appendix 5 – Capital Expenditure Report as at September 2017

	Original Budget	Revised Budget	Actuals	Commitments	Balance Remaining
EXPENDITURE					
Drainage & Waterways	2,804,000	2,755,717	232,522	129,073	2,394,121
Fleet	3,285,000	3,921,201	43,384	1,931	3,875,886
Parks & Streetscapes	3,563,000	4,753,756	614,190	1,058,663	3,080,903
Property & Buildings	4,407,000	7,138,750	400,759	3,650,889	3,087,102
Strategic Projects - Other	28,824,500	2,182,162	-	3,049	2,179,113
Transportation	15,421,590	17,910,423	1,893,890	1,222,909	14,793,625
Total City Infrastructure	58,305,090	38,662,010	3,184,746	6,066,514	29,410,750
Information Technology	35,000	1,111,995	52,686	82,156	977,153
Salisbury Water Business	1,112,400	1,889,664	28,107	271,371	1,590,186
Strategic Projects - SCH		32,690,859	365,215	2,661,668	29,663,976
Strategic Property	860,980	4,701,237	142,455	1,357,141	3,201,641
Total Other	2,008,380	40,393,756	588,464	4,372,336	35,432,956
	60,313,470	79,055,765	3,773,209	10,438,850	64,843,706
INCOME					
				10,438,850	
Drainage & Waterways	- 60,000	- 168,182	-	-	168,182
Fleet	- 599,800	- 1,326,045	-	-	1,326,045
Parks & Streetscapes	- 225,000	- 225,225	-	-	225,225
Property & Buildings	- 45,000	- 11,250	- 12,456	-	1,206
Strategic Projects - Other	- 50,000	- 50,000	-	-	50,000
Transportation	- 2,025,000	- 2,702,211	-	-	2,702,211
Total City Infrastructure	- 3,004,800	- 4,482,913	- 12,456	10,438,850	- 4,470,456
Strategic Property	- 4,061,115	- 9,502,379	- 1,027,502	-	8,474,877
Total Other	- 4,061,115	- 9,502,379	- 1,027,502	-	8,474,877
	- 7,065,915	- 13,985,292	- 1,039,958	10,438,850	- 12,945,334
NET	53,247,555	65,070,474	2,733,251	20,877,700	51,898,373

Note: In accordance with the delegation provided to General Managers to transfer program budgets within Asset Categories: there have been no transfer requests in the first quarter of 2017/18.

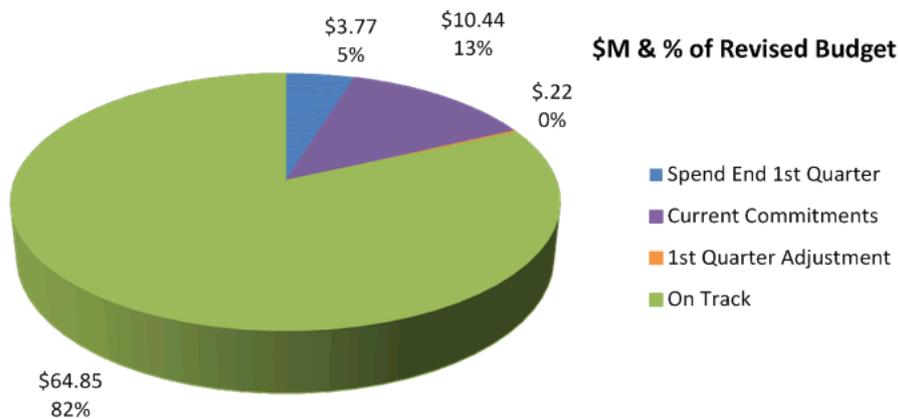
Capital Expenditure

As at the end of the First Quarter, the revised capital expenditure budget for 2017/18 is \$79.1M including the reinstatement of budget timing adjusted projects from 2016/17 \$5.2M and carry forward funds of \$14.7M, with \$3.8M or 4.8% spend to date and \$14.2M or 18.0% inclusive of commitments.

Capital Income

The capital works income revised budget for 2017/18 is \$14M which mainly comprises \$9.5M (whole of project life) for Strategic Property, with commentary provided within "Strategic Property".

INFRASTRUCTURE CAPITAL CATEGORIES



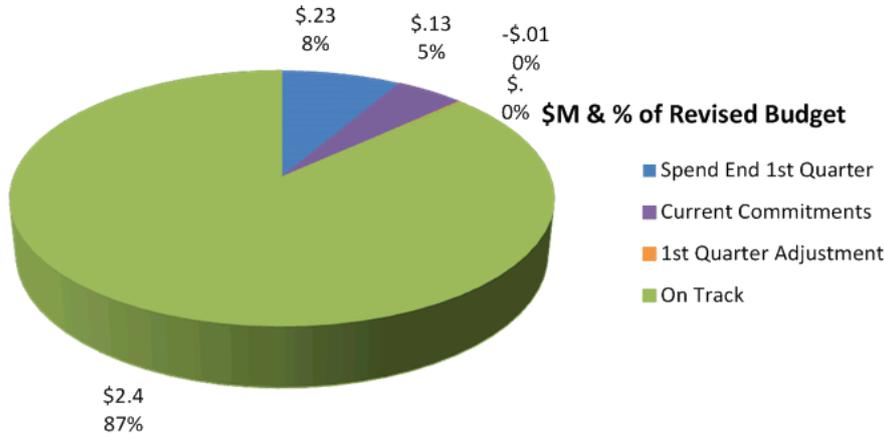
The 2017/18 Capital Program commenced this quarter with a significant portion of projects having their scopes clearly defined and progressing well into the design phase. As part of this it can include conducting site investigations, survey and progressing into to community consultation.

Key achievements to note include;

- Contract award for the construction of the Para Hills Community Hub
- The amenity upgrade and drainage work at Pitman Park, Salisbury, recently reached Practical Completion. This has aided to improve the visual appearance of the site and address water drainage issues.
- The demolition of St Jays was completed in preparation for redevelopment
- Construction of a new roundabout at RM Williams / Wright Road, Walkley Heights, eastern junction was completed in the first quarter. This project was jointly funded by City of Salisbury and State Black Spot funding.
- Following the demolition of the Burton Park Preschool, the construction of new car parking facilities and landscape works in the location was completed in early 2017/18.
- As part of the Major Flood Mitigation Program, drainage infrastructure works were completed as per the design at Prince Street, Salisbury East. Construction at Post Avenue, Salisbury is scheduled to commence in the second quarter.

DRAINAGE & WATERWAYS

(8.4% spent / 13.1% inclusive of commitments)



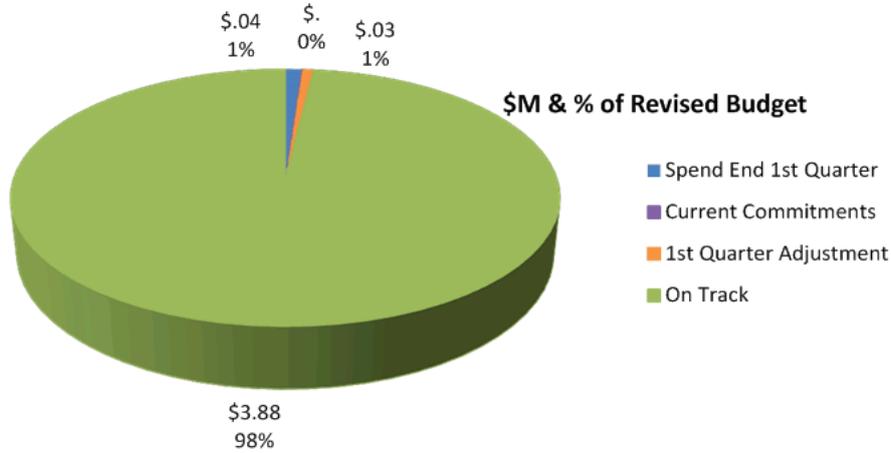
 <u>PROGRAM AMENDMENT</u>	Revised Budget \$000	First Quarter Adjustment \$000	Forecast Carry Forward \$000
<p><u>Watercourse Management Works</u> Works to maintain the waterways within the City continues to be progressively delivered. Construction and gabion works are programmed to commence during the drier months of summer with the associated planting where required not commencing autumn. There is a nominal carry forward forecast due to the capital expenditure associated with plant establishment periods.</p>	1,287	0	0

 **ON TRACK**

- Major Flood Mitigation Program - The flood mitigation construction works associated with Prince Street, Salisbury East, were completed in the first quarter. In addition the design of Post Avenue, Salisbury, was also completed and soon to progress to the procurement phase.
- Local Flooding Program - The Local Flooding Program is a larger program of works in 2017/18 due to an additional \$200k added to the program. This additional funding is to address issues which became evident in December 2016 / January 2017 when severe weather conditions were encountered. Project scoping and detail design has commenced with most construction works forecast in the summer season.
- Watercourse Management Works - Works to maintain the waterways within the City continues to be progressively delivered. Construction and gabion works are programmed to commence during the drier months of summer with the associated planting where required not commencing autumn. A nominal carry forward forecast due to the capital expenditure associated with plant establishment periods.

FLEET

(1.1% spent / 1.2% inclusive of commitments)



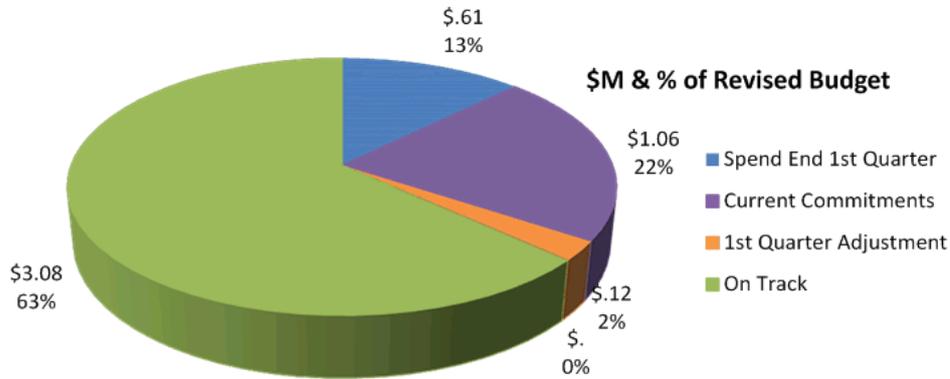
 <u>PROGRAM AMENDMENT</u>	Revised Budget	First Quarter Adjustment	Forecast Carry Forward
	\$000	\$000	\$000
<u>Plant and Fleet Replacement Program</u> This program of works is progressively ordered and delivered. There have been minor changes requested to the program however these are currently not forecast to impact final delivery of the program. The additional \$30k required was to bring forward the replacement of an expander slasher as reported via Works and Services Committee, September 2017.	3,035	30	0

 **ON TRACK**

- Fleet Purchase - This program converts vehicles from leased arrangements to purchased and is anticipated to delivered this financial year.

PARKS & STREETScape

(12.9% spent / 35.2% inclusive of commitments)



 <u>PROJECT AMENDMENTS</u>	Revised Budget \$000	First Quarter Adjustment \$000	Forecast Carry Forward \$000
<p><u>Tree Screen Renewal Program</u> Following clearance along the railway line adjacent Bardsley Avenue, Parafield Gardens, it became apparent that the tree screen along this corridor required urgent renewal. As a result a \$70k non-discretionary budget bid was approved to include this work within the program.</p>	201	70	0
<p><u>Mawson Lakes Fitness Loop & Equipment</u> Following completion of public consultation, the design and installation of new fitness equipment at Mawson Lakes commenced construction. It was during this phase when new community feedback was received and the project required returning to the design phase. As a consequence of this, the project encountered additional expenditure to relocate some items of equipment, address drainage and irrigation issues and cover internal design and project wages. Net result for Council was the provision of an additional \$30k budget.</p>	75	30	0

PARKS & STREETScape Continued

<p><u>Fairbanks Drive Reserve</u> Following completion of the oval reserve works at Fairbanks Drive Reserve, recreational reserve works were completed including the installation of a fitness loop for the community. During construction, site issues arose which resulted in the project encountering an additional \$20k of expenditure to address drainage issues ensuring footings not be undermined. The facility has been completed and helps to promote and embrace a healthy and active lifestyle.</p>	100	20	0
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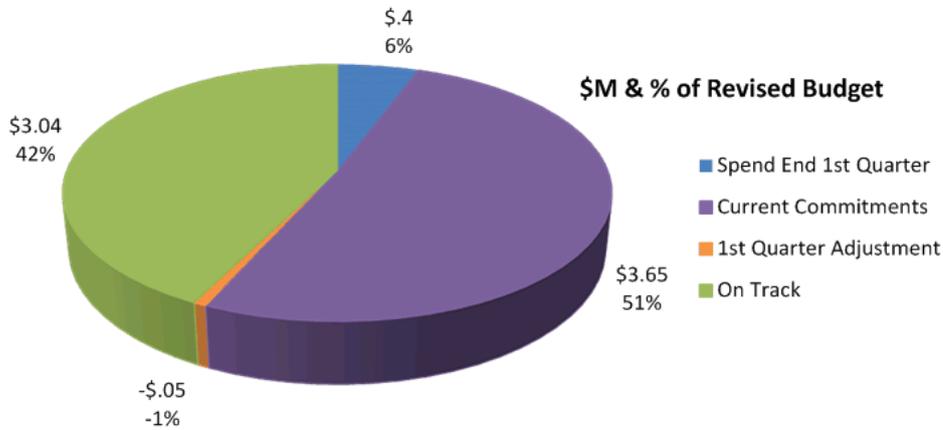


ON TRACK

- Play Space / Playground Renewal Program – This program has commenced design and currently forecast for most construction to commence early 2018, following school holidays. One project is pending grant funding, Autism Friendly Play Space, which is hoped the outcome to be known prior to Christmas.
- Irrigation Renewal Program – This program of works is managed successfully across financial years with design only in the first year and construction following in the second year. The main site of construction in 2017/18 is Reg Groth Reserve which commenced this quarter.

PROPERTY & BUILDINGS

(5.6% spent / 56.8% inclusive of commitments)



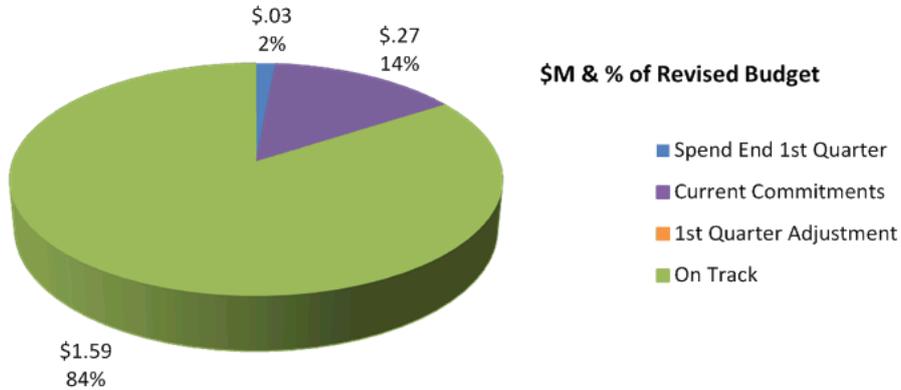
 PROGRAM AMENDMENT	Revised Budget	First Quarter Adjustment	Forecast Carry Forward
	\$000	\$000	\$000
<p><u>Council Building Renewal Program</u> As reported in September 2017, via Works & Services Committee, income has been received for this program in accordance with Strata Management Agreements. The 2017/18 Council Building Renewal Program is well underway with detailed scoping and procurement to commence in the second quarter. The program is currently scheduled to be completed this financial year.</p>	1,694	(47)	0

 **ON TRACK**

- **Building Upgrade Program** – Within this program the main focus of delivery in 2017/18 is construction of the Para Hills Community Hub. The contract for the works has been successfully awarded with a current forecast completion date of May 2018.
- **CCTV Works** – With the award of grant funding towards CCTV infrastructure and upgrades at Parafield Gardens Recreation Centre, Burton Community Centre and Bagster Community Centre, works are now well advanced.

SALISBURY WATER BUSINESS

(1.5% spent / 15.8 % inclusive of commitments)

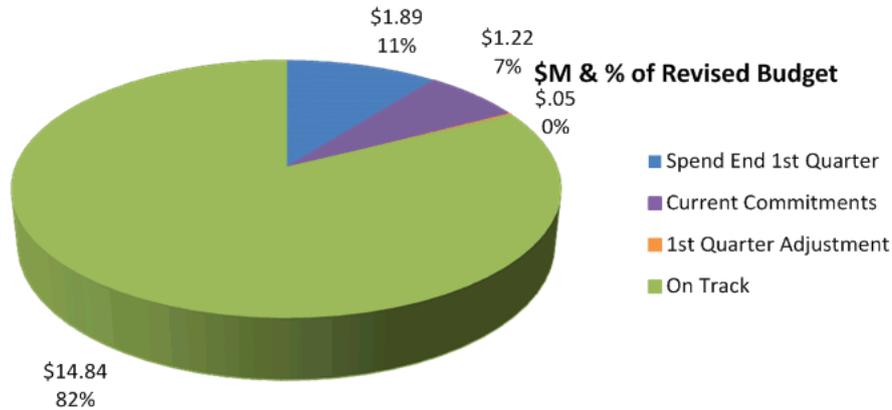


 **ON TRACK**

- Salisbury Water Disinfection System - Performance of installed systems is currently being monitored. It is anticipated that some instrumentation and programming modifications will occur in 2017/18.
- Distribution Main Links - Portions of directional boring and associated works has been awarded in the first quarter with construction well underway in quarter two.
- Groundwater Community Bores Tank and Pump Upgrades – orders placed for the fit out of 2 new community bore tank and pump upgrades.

TRANSPORTATION

(10.6% spent / 17.4% inclusive of commitments)



 <u>PROJECT AMENDMENTS</u>	Revised Budget \$000	First Quarter Adjustment \$000	Forecast Carry Forward \$000
<p><u>Traffic Improvement Program</u> Within this program, a grant application for funding towards traffic improvements within Greenfields Industrial was unsuccessful. Therefore an adjustment to the proposed income budget is required as no funding will now be received. Via Works & Services, October 2017, approval was sought to retain the Council contribution from this project of \$75k to assist mitigate the additional expenditure incurred as part of the RM Williams Drive / Wright Road, eastern roundabout due to the requirement to relocate Telstra and NBN infrastructure.</p>	150	(75)	0
<p><u>Fairbanks Reserve & Byron Bay Drive Traffic</u> As part of the traffic improvement works along Byron Bay Drive and reserve upgrade works at Fairbanks Drive Reserve, City of Salisbury worked closely with Bethany Christian School and Temple College to complete the scope of works. Within this program of works, variations and scope additions were agreed between the three parties with the net result of an additional \$54k income towards the program.</p>	107	54	0

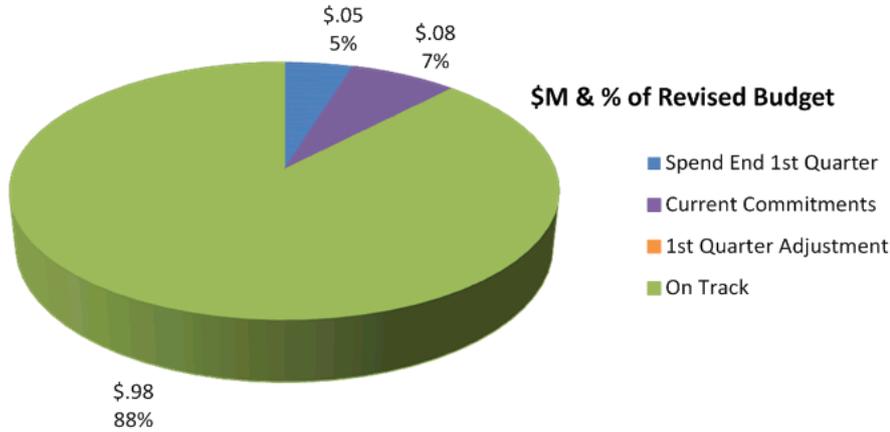
TRANSPORTATION Continued

<p><u>Public Lighting Program</u> As reported in October, via the Works & Services Committee, an error was made within the Public Lighting Program whereby the initial budget bid omitted an allowance for unforeseen. This first quarter adjustment enables prompt action where possible to address issues.</p>	262	70	0
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OTHER CAPITAL CATEGORIES

INFORMATION TECHNOLOGY

(4.7% spent / 12.1% inclusive of commitments)

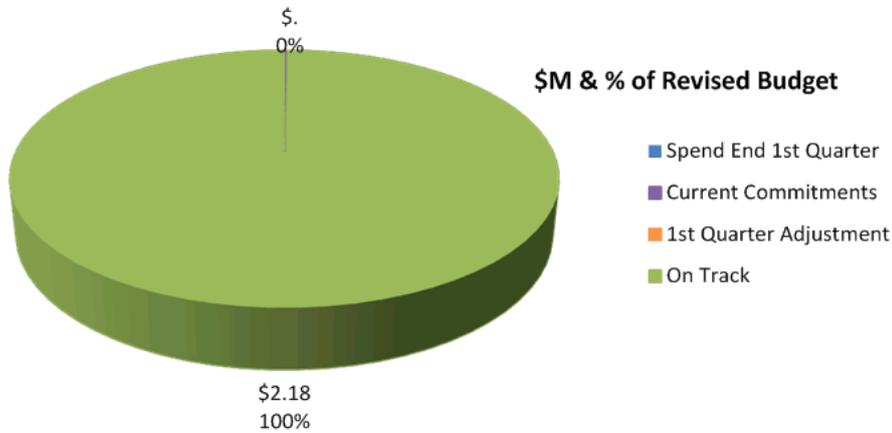


ON TRACK

- Asset Management Work Order Mobilisation & Strategic Asset Management (SAM) Support Project - This multifaceted project continues to be progressively delivered. In alignment with the Business case, project resourcing has now been increased to aid development and delivery.
- Budget Bid System - This new system has progressed to production development with the software scheduled to undergo testing mid-October. The project is tracking well and currently proposed to be active for the 2018/19 new initiative bid process.
- Divisional Planning Software - Following the roll out of new initiative bid system in November, it is anticipated the business planning software development will commence. With the needs and scope well defined it is expected early 2018 this new software will be ready for testing prior to complete implementation.
- Time, Recording, Attendance Process - This project is underway with a quote provided by Empower to introduce Timefiler. The timeframe for implementation to be agreed in alignment with the asset management implementation plan.

STRATEGIC PROJECTS - OTHER

(0% spent / 0.1% inclusive of commitments)



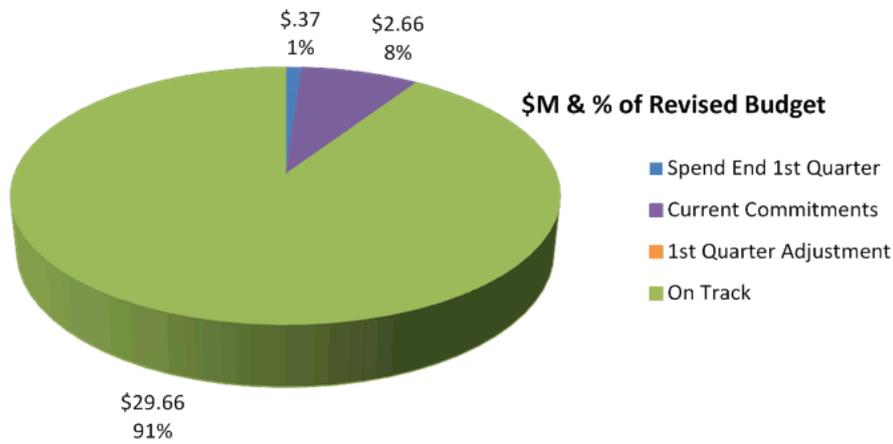
✓ ON TRACK

- Salisbury Oval Master Plan Implementation – In alignment with the Salisbury Oval Master Plan, design has commenced for the new change room facilities, grandstand renewal, fencing, stormwater upgrade and car park modifications. Fencing work and grandstand renewal is expected to move into procurement phase in the second quarter.
- Bridgestone Park Redevelopment –The redevelopment of Bridgestone Park has continued to be maintained with the turf now well established. Additional seating and shelters are scheduled to be installed in the second quarter to complement the playground and existing infrastructure.

NB: Whilst the Strategic Property Program is currently forecast to continue to be successfully progressively delivered, the complex nature of this program can result in timelines extending across multiple years.

STRATEGIC PROJECTS – SALISBURY COMMUNITY HUB

(1.1% spent / 9.3% inclusive of commitments)

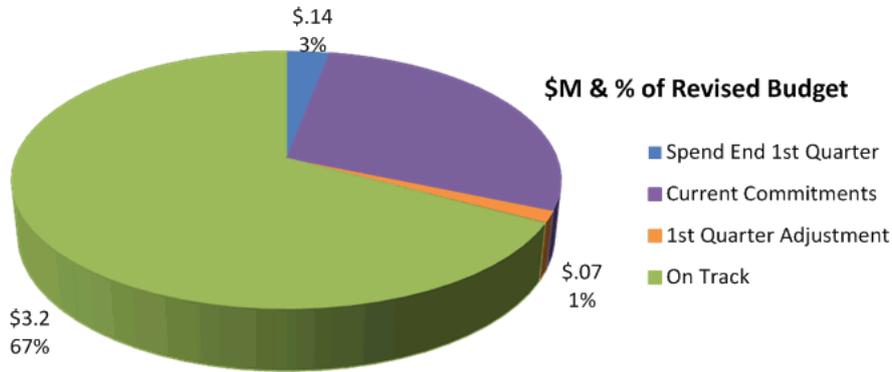


ON TRACK

- Salisbury Community Hub – Detail design was approved to commence in quarter 2 with this completed works proposed to be reported back to Council in December 2017.

STRATEGIC PROPERTY

(2.5% spent / 31.4% inclusive of commitments)



 **ON TRACK**

- Tranche 1 – Riverwalk, Emerald Green and Greentree Walk are currently in the midst of being finalised and close out. Final settlements associated with The Reserve, Diment Road, are being administered with project closure expected this financial year.
- Tranche 2 – The Boardwalk at Greentree continues to be progressively sold with land settlements following closely behind.
- Salisbury Oval Residential – The demolition of the St Jays building was completed this first quarter making way for future site development and enhancements.

NB: Whilst the Strategic Property Program is currently forecast to continue to be successfully progressively delivered, the complex nature of this program can result in timelines extending across multiple years.

Appendix 6 – Business Units

Salisbury Memorial Park

Details	Year to Date			Full Year		
	Actual \$'000s	Budget \$'000s	Variance \$'000s	Rev.Bud \$'000s	Orig.Bud \$'000s	Forecast \$'000s
Revenue	130	128	2	511	511	511
Expenditure	105	113	7	409	409	409
Surplus/(Deficit)	25	15	10	102	102	102

The overall net result for Salisbury Memorial Park as at the First Quarter shows a surplus of \$25k compared to the budgeted surplus of \$15k. The positive position for revenue is attributed to consistent sales in burials and inurnments during this quarter. Total new burial leases for the quarter were 10 with total burials for the quarter reaching 22. Total new cremation leases for the quarter were 9, with 26 ashes inurnments carried out.

Cemetery Services will continue to look at new ways of marketing Salisbury Memorial Park, the Cemetery Expo held in June 2017 was very successful, lifting the public awareness of Salisbury Memorial Park and the services it provides. Along with another Expo we will be publishing a quarterly newsletter that will be distributed to Retirement Villages, Nursing Homes, Funeral Directors, Libraries and Community Centres. We have planned a monthly radio session with PBA FM discussing various aspects of the Cemetery, these will commence on the 21st October 2017.

The revenue outlook for the end of June 2018 is expected to be \$511k and expenditure \$409k resulting in a net surplus of \$102k.

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Building Rules Certification Unit

Details	Year to Date			Full Year		
	Actual \$'000s	Budget \$'000s	Variance \$'000s	Rev.Bud \$'000s	Orig.Bud \$'000s	Forecast \$'000s
Revenue	175	135	41	508	508	528
Expenditure	85	128	44	471	471	471
Surplus/(Deficit)	90	7	83	37	37	57

Actual income to the end of the First Quarter has exceeded the budget by 30% as a result of an increase in more complex external applications above Business Plan predictions. Overall application activity is consistent with Business Plan projections. Lower than predicted expenditure is mainly due to payments for insurance and levies which will be now be paid in next period.

Salisbury Water

Details	Year to Date			Full Year		
	Actual \$'000s	Budget \$'000s	Variance \$'000s	Rev.Bud \$'000s	Orig.Bud \$'000s	Forecast \$'000s
External Income	230	246	(15)	2,525	2,525	2,525
Internal Income	152	141	11	2,817	2,817	2,817
Total Income	382	387	(5)	5,342	5,342	5,342
Expenditure	1,020	1,183	164	5,121	5,010	5,121
Surplus/(Deficit)	(638)	(796)	158	221	332	221

The business unit completed the 1st Quarter of the 2017/18 Financial Year with a favourable variance against budget of \$158k.

Income totalling \$382k has been received to date, which is \$5k below the YTD budget. This result is normal for this period.

Operational expenditure was \$164k below the YTD budget due to a variety of small impacts including lower interest charges and slightly lower electricity charges. The most significant cause is a delay in invoicing from the Water Quality contractor.

The current full year outlook has reduced from a \$332k surplus to a \$221k surplus. This is due to budget carry forwards: MAR Risk Management Review - \$43,000; Compliance Auditing for Customer Supply - \$20,000; Research & Development Projects - \$25,000; and the EPA Raingarden Project - \$22,500.

A total of 200 ML of water was distributed to internal (60 ML) and external (140 ML) customers during the first quarter. Internal consumption for the period is slightly higher than anticipated. External consumption was also slightly higher than anticipated, but was skewed to industry customers on discounted pricing, resulting in less income than predicted.

Higher than average rainfall has been received so far this year with 200 mm recorded at Parafield compared to an average of 158 mm for this period. The Bureau of Meteorology is currently predicting "Near equal chances of wetter or drier three months (Oct-Dec) for most of Australia." Hence no change is expected in customer supply for the next quarter.

The steady rainfall received in the past 3 months has provided a strong harvest result. A total 1,729 ML was harvested, bringing the aquifer balance to 11,879ML, with available credits of 9,503ML.

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Waste Transfer Station (excluding Hard Waste Collection Service)

Details	Year to Date			Full Year		
	Actual \$'000s	Budget \$'000s	Variance \$'000s	Rev.Bud \$'000s	Orig.Bud \$'000s	Forecast \$'000s
External Income	369	354	14	1,393	1,393	1,408
Internal Income	112	118	(7)	472	472	472
Total Income	481	472	7	1,865	1,865	1,880
Expenditure	463	334	(129)	1,701	1,701	1,701
Surplus/(Deficit)	18	138	(120)	164	164	179

Total revenue for the first three months is \$7k favourable (\$481k compared to the YTD budget of \$472k). Scrap metal income is \$13k higher than anticipated due to higher pricing in the first quarter. The industry advises that scrap metal prices are expected to soften but that they are remain higher than originally budgeted for the remainder of the financial year. An income gain will be declared and the price of scrap metal will continue to be monitored. An additional \$15k has been reflected in the full year forecast. Internal income is slightly unfavourable due to lower volumes.

Expenditure for the corresponding period is unfavourable by \$129k (\$463k against the YTD budget of \$334k). Wages & Salaries was \$31k unfavourable primarily due to the ongoing use of labour hire and internal field staff required to cover vacancies to provide staffing flexibility until the program review process is completed. In addition contractual expenditure on bin cartage and construction and demolition material recycling have increased due to the higher customer volumes. This is in line with the increase in general gate revenue discussed previously.

Overall the Transfer Station ended the first quarter with a surplus of \$85k, and \$22k favourable to budget. Variances will continue to be monitored and it is anticipated that the forecast net position for 2017/18 will be met.

Appendix 7 – Budgeted Financial Statements

*The Budgeted Financial Statements presented in this Appendix are as originally budgeted.
Adopted recommendations resulting from this Budget Review will be incorporated subsequently.*

BUDGETED BALANCE SHEET

	2018 Budget Year 1 \$000's
YEAR ENDING 30 JUNE	
ASSETS	
Current Assets	
Trade & Other Receivables	5,072
Total Current Assets	5,072
Non-Current Assets	
Financial Assets	988
Equity Accounted Investments in Council Businesses	4,030
Infrastructure, Property, Plant & Equipment	1,442,767
Other Non-Current Assets	16,061
Total Non-Current Assets	1,463,846
TOTAL ASSETS	1,468,918
LIABILITIES	
Current Liabilities	
Trade & Other Payables	13,314
Borrowings	8,954
Provisions	7,227
Total Current Liabilities	29,495
Non-Current Liabilities	
Trade & Other Payables	1,581
Borrowings	9,715
Provisions	91
Total Non-Current Liabilities	11,387
TOTAL LIABILITIES	40,882
NET ASSETS	1,428,036
EQUITY	
Accumulated Surplus	346,021
Asset Revaluation Reserve	1,057,276
Other Reserves	24,739
TOTAL EQUITY	1,428,036

BUDGETED STATEMENT OF CHANGES IN EQUITY

	2018 Budget Year 1 \$000's
YEAR ENDING 30 JUNE	
ACCUMULATED SURPLUS	
Balance at end of previous reporting period	334,673
Net Result for Year	11,963
Transfers to Other Reserves	(1,507)
Transfers from Other Reserves	892
Balance at end of period	346,021
ASSET REVALUATION RESERVE	
Land	321,232
Land Improvements	21,980
Buildings	38,311
Infrastructure	673,063
Library Books	2,338
Joint Ventures - Other comprehensive income	352
Balance at end of period	1,057,276
OTHER RESERVES	
Balance at end of previous reporting period	24,124
Transfers from Accumulated Surplus	1,507
Transfers to Accumulated Surplus	(892)
Balance at end of period	24,739
TOTAL EQUITY AT END OF REPORTING PERIOD	1,428,036

BUDGETED STATEMENT OF CASH FLOWS

YEAR ENDING 30 JUNE	2018 Budget Year 1 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	
Operating Receipts	117,290
Investment Receipts	142
Payments	
Operating Payments to Suppliers and Employees	(84,414)
Finance Payments	(1,510)
Net Cash provided by (or used in) Operating Activities	31,508
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts	
Amounts Specifically for New /Upgraded Assets	3,005
Sale of Real Estate Developments	4,296
Repayments of Loans by Community Groups	4
Payments	
Expenditure on Renew al/Replacement of Assets	(17,765)
Expenditure on New /Upgraded Assets	(41,431)
Net Cash Provided by (or used in) Investing Activities	(51,891)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments	
Repayments of Borrow ings	(2,325)
Net Cash provided by (or used in) Financing Activities	(2,325)
Net Increase/(Decrease) in cash held	(22,708)
Cash & Cash Equivalents at Beginning of Period	16,295
Cash & Cash Equivalents/Movements in Borrowings at End of Period	(6,413)

BUDGETED UNIFORM PRESENTATION OF FINANCES

	2018 Budget Year 1 \$000's
YEAR ENDING 30 JUNE	
Operating Revenues	117,379
less Operating Expenses	113,520
Operating Surplus/(Deficit) before Capital Amounts	3,859
Less: Net Outlays on Existing Assets	
Capital Expenditure on Renewal/Replacement of Existing Assets	17,765
less Depreciation, Amortisation & Impairment	26,775
	(9,010)
Less: Net Outlays on New and Upgraded Assets	
Capital Expenditure on New /Upgraded Assets	41,431
less Amounts Specifically for New /Upgraded Assets	3,005
less Proceeds from Sale of Surplus Assets	4,296
	34,130
Net Lending / (Borrowing) for Financial Year	(21,261)

ITEM	6.8.1
	BUDGET AND FINANCE COMMITTEE
DATE	20 November 2017
HEADING	Financial Policy Review (Not Treasury or Fixed Assets)
AUTHOR	Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.5 To apply business and resource management that enables excellent service delivery and financial sustainability

RECOMMENDATION

1. The Open Space Reserve Fund Policy as set out in attachment 1 to this report (Item No.6.8.1, Budget and Finance Committee, 20/11/2017) be endorsed.
2. The Business Unit Surplus Policy as set out in attachment 2 to this report (Item No.6.8.1, Budget and Finance Committee, 20/11/2017) be endorsed.
3. That 2017/18 financial results incorporate the transfer of the 2016/17 Salisbury Water Business Unit deficit of \$895,868 from the general surplus to the Salisbury Water Business Unit Reserve.

ATTACHMENTS

This document should be read in conjunction with the following attachments:

1. Open Space Reserve Fund Policy
2. Business Unit Reserve Policy

1. BACKGROUND

- 1.1 Council's Policy Framework provides for Council Policies to be reviewed every two years, and in the first 12 months following Council general election, consequently a number of policies are now due for review.

2. REPORT

- 2.1 Policies covered within this report are:
 - 2.1.1 Open Space Reserve Fund
 - 2.1.2 Business Unit Surplus Policy
- 2.2 The **Open Space Reserve Fund Policy** has been reviewed with minor changes only being proposed as reflected in the document attached.

2.3 **Business Unit Reserve Policy** has had the following change made:

Treatment of Deficits

- 2.3.1 Previously the policy was titled the Business Unit Surplus Policy, and only surpluses were able to be transferred to the Reserve. It is proposed to change the policy to enable deficits to be transferred to the Reserve up to the balance of the reserve. The rationale is that
- provided surpluses are usually made, occasional deficits can be absorbed by the reserve;
 - if deficits are not transferred to the reserved they are funded by Council's other operations, and ultimately are funded by ratepayers;
 - if there are ongoing deficits then the respective business unit is not commercially viable, and should not continue to be treated as a business unit;
 - if deficits are not transferred to the reserve it overstates the success of the operations of the business unit overtime, and also makes available greater funds for business unit specific purposes;
 - transfer of deficits to the respective reserve is consistent with truly commercial activities.

Policy Application

- 2.3.2 Other than the proposed change to the treatment of deficits there are no other significant changes proposed, however, given the complexity of the policy it is appropriate to detail the application and rationale of the policy.
- 2.3.3 Salisbury Water is the only business unit that the policy applies to. The rationale for this application is that Salisbury Water has significant infrastructure which will require reinvestment in the future and this should be funded by its operations. Further Salisbury Water is expected to generate significant returns which should not be used to offset councils normal cost of operations without council decision to do so. Transferring these returns to the reserve provides visibility of the returns made by the business unit and enables Council to make strategic decisions in relation to how these funds can be best applied for the benefit of the community.
- 2.3.4 City of Salisbury has business units that are not subject to this policy; these business units together with the rationale for their exclusion is detailed below:
- Building Rules Certification Unit – as there is no capital investment required to support this business unit the returns are used to reduce the rating impact to our community.
 - Salisbury Memorial Park has a maintenance fund (provision account) provided which is reviewed annually and increased to reflect the expected future outlays to maintain the cemetery. Should the Salisbury Memorial Park provide a return over these amounts then these are treated as general revenue as calculations indicate that the current approach is sufficient to meet our future liabilities.

Suggest:

- Waste Transfer Station has in recent years generated returns that have offset other council expenditure, and resulted in lower rates for the community. Council has also provided some funds for upgrade to the site, with these funds being somewhat less than the returns made, supporting that the current approach is appropriate

Retrospective Adjustment

2.3.5 Salisbury Water Business Unit (SWBU) made an operating deficit of \$895,868 in 2016/17, and this has been transferred to the Council general surplus. Should Council support the policy change so that deficits can be transferred to the specific business unit reserve, it would be appropriate to adjust the treatment of the 2016/17 deficit, so that we have consistency of treatment over the life of the SWBU reserve. This would be affected by transferring the deficit from the general surplus to the SWBU reserve in the 2017/18 financial year.

3. CONCLUSION / PROPOSAL

- 3.1 Policies have been reviewed and are provided for Councils consideration. Minor editorial changes have been made to both policies. Also the Business Unit Reserve Policy has been updated to enable the allocation of deficits to the respective business unit reserve to more accurately reflect to ongoing performance of business units and extend commercial principals.
- 3.2 A recommendation has been included so that the deficit of the SWBU for the 2016/17 financial year can be transferred to the SWBU reserve in 2017/18 so that we have consistency of treatment across for the duration of SWBU reserve.

CO-ORDINATION

Officer: Executive Group
Date: 13/11/2017



Open Space Reserve Fund Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2008/1207, 2011/327, 2013/1927, 2015/0688
Approval Date:	27 April 2011	Last Reapproval Date:	26 October 2015
Review Date:	October 2017	Internal Reference No.:	
Department:	Business Excellence	Division:	Financial Services
Function:	7 - Financial Management	Responsible Officer:	Manager Financial Services

A - PREAMBLE

1. Council and the community value open space for leisure and recreation, biodiversity, fresh air and the amenity and aesthetics it provides. The City is relatively abundant with open space compared with many cities and this establishes a positive point of difference which the community appreciates.
2. The Salisbury City Plan 2030 contains the following objectives relevant to the provision of open space:
 - 2.1. Key Direction 1: The Prosperous City
 - To enhance and create quality urban areas with high amenity and integrated infrastructure
 - 2.2. Key Direction 2: The Sustainable City
 - To have sustainable and resilient natural environments that support biodiversity and contribute to quality amenity
 - To have sustainable and resilient built environments that contribute to quality amenity
 - 2.3. Key Direction 3 – The Living City
 - To have a community that embraces healthy and active lifestyles
 - To have a city where a quality of life is achievable
3. The city operates an Open Space Reserve Fund for the purpose of receiving cash contributions from developers in lieu of the provision of actual open space as required under Section 50 (10) of the *Development Act 1993*.

B - SCOPE

1. This policy applies to the operation of the Open Space Fund.

C – POLICY PURPOSE/OBJECTIVES

1. This policy sets out the basis on which the Open Space Reserve Fund is to be administered and for what purpose the funds can be applied.

D - DEFINITIONS

1. **Financial Reserve** - an accounting treatment that ‘reserves’ (sets aside) part of council’s equity for a specific purpose.
2. **Open Space** – Council owned or controlled areas which are permanently set aside and/or used for public recreation and/or reserved to protect or buffer natural areas.

E - POLICY STATEMENT

1. All open space cash contributions received under Section 50(10) of the *Development Act 1993* must be allocated to the financial reserve account ‘Open Space Reserve Fund’ as soon as practicable but no later than one month after receipt.
2. The Open Space Reserve Fund is treated as a financial reserve in the financial statements but there is no separate bank account established.
3. Interest is to be applied to the monthly balance in the fund at a rate equal to the LGFA twenty four hour call rate on the first of the month.
4. The funds may only be applied to projects following formal approval by Council, either through the budget, or budget review.
5. The funds may only be used ‘for the purposes of acquiring or developing land as open space’ *S50(10)(a) Development Act 1993*.
6. Acquisition and development for the purposes of this policy may include:
 - 6.1. The purchase of land for parks or open space generally;
 - 6.2. Developing land as open space may include:
 - Seating/spectator cover
 - Grass areas/ovals
 - Public toilets
 - Landscaping
 - Barbeque facilities
 - Play equipment
 - Pathways/walking trails
 - Fencing
 - Carparking
 - Signs relating to recreation pursuits
 - Reticulation/irrigation systems
 - 6.3. Other purposes designed to increase the use and unrestricted access by the community.

F - LEGISLATION

Development Act 1993

•	Document Control	•	
•	Document ID	•	Open Space Reserve Fund Policy
•	Prepared by	•	Kate George
•	Release	•	3.00
•	Document Status	•	Current
•	Date Printed	•	15/11/2017



Business Units Reserves Policy

Policy Type:	Policy		
Approved By:	Council	Decision No:	2008/1206, 2011/522, 2013/1927, 2015/0688
Approval Date:	25 July 2011	Last Reapproval Date:	26 October 2015
Review Date:	October 2017	Internal Reference No.:	
Department:	Business Excellence	Division:	Financial Services
Function:	7 - Financial Management	Responsible Officer:	Manager Financial Services

A - INTRODUCTION

1. Business Units are discrete areas of the organisation that operate on commercial or business principles. That is, they operate in an environment of selling goods or services, setting prices and managing costs in order to provide a return or minimise the cost to Council. As such, a Business Unit is not necessarily defined by being a 'profit making' operation and can be deficit funded to provide services, albeit in a 'commercial like' environment. Business Units should be fully costed including finance, depreciation and a share of corporate costs. They are expected to develop good business cases for capital investment decisions.
2. The application of these disciplines enables Council to assess the performance of Business Units in commercial terms, examine pricing issues, asset utilisation, and the extent of subsidisation. It encourages managers to consider all costs when looking at revenue targets, as well as improving marketing analysis and techniques, and asset utilisation. This practice also protects Council from allegations of unfair competition by private operators of similar business.

B - SCOPE

1. This Policy applies to the following Business Units:
 - a. Water Business Unit
2. The Policy may also apply to Business Units (subject to Council resolution) for which the following questions can be answered in the affirmative:
 - a. Is the Business Unit sufficiently large to justify a process of retained earnings?
 - b. Is the Business Unit expected to make significant surpluses on a regular basis?

- c. Is there a purpose for utilising retained earnings in the Business Unit (eg future business investment needs, asset replacement, offset losses, dividend distribution etc)?

C – POLICY PURPOSE/OBJECTIVES

1. This Policy:
 - a. Establishes the use of Retained Earning Funds (Reserve Account) to prevent Business Units from inadvertently subsidising general council operations and compromising the rating effort needed to support normal services;
 - b. Specifies the purposes for which a Retained Earnings Fund may be used.

D - DEFINITIONS

1. **Business Unit** – discrete areas of the organisation that operate on commercial or business principles.
2. **Retained Earnings Fund** – a Reserve Account into which actual surpluses and deficits from a Business Unit are transferred at the conclusion of each financial year.
3. **Surplus** – a positive result after all operating income and expenditure has been accounted for, including finance, depreciation, provisions, and a share of corporate costs.
4. **Deficit** – a negative result after all operating income and expenditure has been accounted for, including finance, depreciation, provisions, and a share of corporate costs.

E - POLICY STATEMENT

1. The use of a Retained Earnings Fund will be limited to Business Units specified within this Policy.
2. A Retained Earnings Fund may be used for the purposes detailed below following Council resolution:
 - a. Reinvesting in the business of the Business Unit;
 - b. Assisting in the replacement of assets of the Business Unit;
 - c. Offsetting future deficits up to but not exceeding the available balance
 - d. Distributing ‘dividends’ to Council general operations.
3. A Retained Earnings Fund may be comprised of one or more accounts (for example one for retained earnings and one for asset renewal) with separate transaction records maintained for each account.
4. Where borrowings exist for a Business Unit, in the first instance, cash generated from the funding of depreciation will be allocated to reduce those borrowings. Where borrowings have been eliminated, any cash generated from the funding of depreciation may be allocated to any account within the Retained Earnings Asset Renewal Account.
5. Ongoing Deficits which exceed the available balance for the respective business unit indicates that the operations are no longer commercially viable, and this policy should therefore not apply.

F - LEGISLATION

1. *Local Government Act 1999*

- 2. *Local Government (Financial Management) Regulations 2011.*

G - REFERENCES

- 1. City of Salisbury Financial Reporting Process

- **Document Control**

• Document ID	• Business Units Surplus Policy
• Prepared by	• Kate George
• Release	• 3.00
• Document Status	• Current
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