



AGENDA

**FOR FINANCE AND CORPORATE SERVICES COMMITTEE MEETING TO BE
HELD ON**

**21 FEBRUARY 2022 AT CONCLUSION OF POLICY AND PLANNING
COMMITTEE**

**IN LITTLE PARA CONFERENCE ROOMS, SALISBURY COMMUNITY HUB,
34 CHURCH STREET, SALISBURY**

MEMBERS

Cr D Proleta (Chairman)
Mayor G Aldridge
Cr M Blackmore
Cr L Braun
Cr B Brug
Deputy Mayor, Cr C Buchanan
Cr A Duncan
Cr K Grenfell
Cr N Henningsen
Cr D Hood
Cr P Jensen (Deputy Chairman)
Cr S Ouk
Cr S Reardon
Cr G Reynolds
Cr J Woodman

REQUIRED STAFF

Chief Executive Officer, Mr J Harry
General Manager Business Excellence, Mr C Mansueto
General Manager City Infrastructure, Mr J Devine
General Manager Community Development, Mrs A Pokoney Cramey
General Manager City Development, Ms M English
Manager Governance, Mr R Deco
Team Leader Corporate Governance, Mr B Kahland
Governance Support Officer, Ms K Boyd

APOLOGIES

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Finance and Corporate Services Committee Meeting held on 17 January 2022.

REPORTS

Administration

- 2.0.1 Future Reports for the Finance and Corporate Services Committee (please note there are no forward reports as a result of a Council resolution to be listed at this time)

For Decision

- 2.1.1 Second Quarter Budget Review 2021/22 9
- 2.1.2 Council Finance Report - January 2022 73
- 2.1.3 NAWMA (Northern Adelaide Waste Management Authority) First Quarter Budget Review 2021/2022 81

OTHER BUSINESS

QUESTIONS WITHOUT NOTICE

MOTIONS WITHOUT NOTICE

CONFIDENTIAL ITEMS

2.4.1 Update on Action on Rates Assessment Outstanding under Section 184 of the Local Government Act 1999

Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

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*
 - *a*

*On that basis the public's interest is best served by not disclosing the **Update on Action on Rates Assessment 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.*

2.4.2 Rent Abatement Request

Recommendation

Pursuant to section 83(5) of the *Local Government Act 1999* the Chief Executive Officer has indicated that, if Council so determines, this matter may be considered in confidence under Part 3 of the *Local Government Act 1999* on grounds that:

1. *Pursuant to Section 90(2) and (3)(d)(i) and (d)(ii) 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 commercial information of a confidential nature (not being a trade secret) the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and*
 - *commercial information of a confidential nature (not being a trade secret) the disclosure of which would, on balance, be contrary to the public interest.*
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 confidential information relating to proposed Council's commercial position.*

*On that basis the public's interest is best served by not disclosing the **Rent Abatement Request** 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.*

CLOSE



**MINUTES OF FINANCE AND CORPORATE SERVICES COMMITTEE MEETING
HELD IN THE LITTLE PARA CONFERENCE ROOMS, SALISBURY COMMUNITY
HUB, 34 CHURCH STREET, SALISBURY ON**

17 JANUARY 2022

MEMBERS PRESENT

Mayor G Aldridge
Cr M Blackmore
Cr L Braun
Cr B Brug
Cr C Buchanan
Cr A Duncan
Cr K Grenfell
Cr D Hood
Cr S Ouk (*via Teams VC*)
Cr S Reardon
Cr G Reynolds
Cr J Woodman

STAFF

Chief Executive Officer, Mr J Harry
A/General Manager Business Excellence, Mr B Kempster
General Manager City Infrastructure, Mr J Devine
General Manager Community Development, Mrs A Pokoney Cramey
General Manager City Development, Ms M English (*via Teams VC*)
Manager Governance, Mr R Deco
Team Leader Corporate Governance, Mr B Kahland
Governance Support Officer, Ms K Boyd

The meeting commenced at 7.30 pm.

The Chief Executive Officer welcomed the members, staff and the gallery to the meeting and called for a nomination for Acting Chairman of the meeting in the absence of Cr D Proleta (Chairman) and Cr P Jensen (Deputy Chairman).

Appointment of Acting Chairman

Moved Mayor G Aldridge
Seconded Cr L Braun

That Cr C Buchanan be appointed Acting Chairman for the Finance and Corporate Services Committee meeting held on 17 January 2022.

CARRIED

APOLOGIES

Apologies were received from Cr D Proleta, Cr N Henningsen and Cr P Jensen.

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr J Woodman
Seconded Cr G Reynolds

The Minutes of the Finance and Corporate Services Committee Meeting held on 13 December 2021, be taken as read and confirmed.

CARRIED

REPORTS

Administration

2.0.1 Future Reports for the Finance and Corporate Services Committee

Moved Cr G Reynolds
Seconded Cr B Brug

That Council:

1. Notes the report.

CARRIED

For Decision

2.1.1 City of Salisbury E-sports program review

Moved Cr M Blackmore
Seconded Cr J Woodman

That Council:

1. Notes that budget bid OPN000211 for E-Sports program delivery from 2019-2021 has now been completed.
2. Notes that the program was very successful with the delivery of 28 events engaging over 650 participants, online tournaments and significant social connections, learning opportunities and key partnerships.
3. Notes that given the success of the program that the continuation of the E-Sports program be considered as part of the 2022/23 budget process.

CARRIED

OTHER BUSINESS

Nil

The meeting closed at 7.34 pm.

CHAIRMAN.....

DATE.....

ITEM	2.1.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	21 February 2022
HEADING	Second Quarter Budget Review 2021/22
AUTHORS	Kate George, Manager Financial Services, Business Excellence Joe Scordo, Senior Management Accountant, Business Excellence
CITY PLAN LINKS	4.4 We plan effectively to address community needs and identify new opportunities
SUMMARY	This report provides a high-level summary of the financial impacts of the Budget Review contained in Attachment 1, and seeks Council's approval of associated budget review adjustments. The attachment provides an update on Council's delivery of both the operating and capital budgets through the program view and capital summary. It also provides context to the budget review adjustments contained in this covering item.

RECOMMENDATIONThat Council:

1. Notes the 2021/22 Second Quarter Budget Review report.
2. Approves the budget variances identified in this review and contained in the Budget Variation Summary as included in Appendix 1 (Finance and Corporate Service Committee, 21 February 2022, Item no ##) and approves that net capital and operating \$43,170,600 be credited to the Sundry Project Fund. This will bring the balance to \$43,170,600 prior to the allocation of approved net bids.
3. Approves the allocation of funding for the following non-discretionary net bids:

OPERATING

Capitalisation Amendment Strategic Development Projects	\$265,000
Community Bus Trial	\$61,158
Recreation Services Contract Payment	\$24,300

CAPITAL

Revised Capital Infrastructure Program Escalation Allowance	\$3,300,000
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TOTAL**\$3,650,458**

NB: If parts 1, 2 & 3 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to \$39,520,142.

4. Approves the following transfers:

City Growth Provisional Sum Dispersal	\$228,000
KIK Innovation and 42 Adelaide Partnership	\$25,000

NB: If parts 1, 2, 3, & 4 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to a balance of \$39,520,142.

5. Approves the variation of Loan Borrowings to reflect the bids and transfers endorsed by Council detailed in parts 1 to 4 of this resolution.

(NB: If parts 1 to 5 of this resolution are moved as recommended, loan borrowings in 2021/22 will reduce by \$39,520,142.

ATTACHMENTS

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

1. 2021/22 Second Quarter Budget Review

1. BACKGROUND

- 1.1 In accordance with Part 2 of the *Local Government (Financial Management) Regulations 2011*, Financial Accountability, the attached Second Budget Review for the financial year 2021/22 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 the subject of various council reports leading up to the review.

2.2 External

- 2.2.1 Not Applicable

3. REPORT

Operating Surplus

- 3.1 The attached 2021/22 Second Quarter Budget Review shows marginal improvement in Council's operating financial position from the first quarter budget review position, but remains in deficit compared with an original budget operating surplus.
- 3.2 The original budget was for an operating surplus of \$1,684k, revised to a forecast deficit of \$2,327k following adoption of the 2021/22 first quarter review. The forecast position, should Council approve the proposed 2021/22 second quarter budget review, is improved by \$68k to an operating deficit of \$2,259k. The early receipt of 2020/21 Financial Assistance Grant and Untied Local Roads Grant in 2019/20, and 2019/20 carry forwards impacts the operating result. The revised forecast deficit has assumed the 2021/22 payment for Financial Assistance Grant

and untied Local Roads Grant will be made in the 2021/22 financial year as there is no certainty that ongoing early receipt will continue into the future, and should the funds be received early they are intended for the subsequent year and should not be allocated to expenditure in the current financial year. It should be noted that the final result for the year will be further impacted through other variations throughout our operations.

Budget Bids

- 3.3 Budget Review Operating Bids total \$350k, with Capital Bids totalling \$3,300k, with most of these items subject to separate reports to Council and resolutions to refer to this budget review as referenced within the bid details.

Borrowings and Net Financial Liabilities

- 3.4 Loan Borrowing requirements for 2021/22 were considered in September 2021, with the original budget indicative net loan borrowings being \$38.9M, and when adjusted for reinstatement of 2020/21 timing adjustment projects of \$7.2M increased indicative loan borrowings to \$46.1M. Offsetting this were Project Returned Funds of \$12.9M, Surplus Facilities from 2020/21 of \$8.5M and application of Property Disposal Reserve funds of \$1.5M to loan reduction, resulting in indicative net borrowings of \$23.2M.
- 3.5 The outcome from First Quarter Budget Review variations was an increased indicative loan borrowings position of \$779k. The loan borrowings position as proposed as part of the 2021/22 second quarter review, should it be approved by Council, will result in a reduction in indicative loan borrowings of 39.5M.

Infrastructure Program

- 3.6 The original expenditure budget for the capital program of \$88M had grown to \$130M by October 2021, the result of bringing forward future year's capital works in response to the economic conditions created by the COVID-19 pandemic.
- 3.7 Recognising that delivery of a successful program of this order would be unlikely, Council considered and subsequently endorsed a revision of the capital expenditure budget, reducing 2021/22 programs and expenditure to \$78M. The table below provides percentage completed details.

		% of Original Budget (\$88M)	% of Revised Budget (\$78M)
Spent to Date	\$20.3M	23%	25%
Spend + Commitments	\$43.7M	50%	53%

- 3.8 Further detail to the Capital Expenditure program is provided in Attachment 1.

4. CONCLUSION / PROPOSAL

- 4.1 It is proposed that Council consider the Second Quarter Budget Review 2021/22 Report attached and approve the Recommendations as detailed on pages 11 and 12 of the attached document, and above.



**2021/22 SECOND QUARTER BUDGET REVIEW
REPORT**

**For the period ended
31 December 2021**

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1. Executive Summary

Council's financial position following the second quarter budget review remains an operating deficit with a marginal improvement over the first quarter budget review position. The revision of the capital expenditure program for financial year 2021/22 results in a significant reduction in borrowings requirements due to deferred, declared and cash timing adjustments relating to the program.

The Budget Review is a legislative requirement under Part 9 of the Local Government (Financial Management) Regulations 2011, and Council's approach to managing its budget throughout the year has been set within the Treasury Policy, Part E – Policy Statement, paragraph 1.2:

Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- *Maintain target ranges for its Net Financial Liabilities ratio;*
- *Generally only borrow funds when it needs cash and not specifically for particular projects;*
- *Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.*
Budget Review Process/Funding Requests Arising throughout the financial year
- *Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings.*
- *To ensure ongoing financial sustainability and appropriate deliberation of arising matters, it is imperative that wherever possible any new bids/projects arising through the year are to be referred to the budget process for the subsequent year as this enables Council to consider the merits of these proposals with all other bids/projects.*
- *To be considered for funding during the year the project must be urgent or advantageous to Council, and where possible Council should consider options for cancelling or deferring existing projects to enable funds to be made available. It should be considered a last resort to add to the program and increase borrowings as this does not enable Council to consider the merits of the specific project in light of all other proposed projects.*
- *From time to time a matter may be referred to the next quarterly budget review as a 'Non-discretionary Budget Review Bid'. This mechanism is only to be used when funds must be expended without delay, and consequently should be regarded as an extraordinary situation or advantageous to Council.*

This policy position has been set to strike a balance between being responsive to emerging issues, and ensuring that budget Financial Targets are achieved.

Financial Sustainability Targets

Council commenced 2021/22 with a budgeted operating surplus of \$1,684k. At the 2021/22 first quarter review Council endorsed budget variations taking the projected operating position to an operating deficit of (\$2,309k). If the recommendations of the 2021/22 second quarter budget review as proposed are endorsed by Council, the projected operating position as at 2021/22 second quarter budget review will be an operating loss of (\$2,259). The current forecast position with respect to the financial sustainability indicators is detailed in the table below.

	Target	Budget	Current Forecast	Current Forecast (adj)
Operating Surplus		1,684	(2,259)	2,478
Operating Surplus Ratio	0.5%-5%	1.30%	(1.78%)	1.89%
Net Financial Liabilities	<70%	78.23%	79.99% *	73.54% *
Asset Renewal Funding Ratio	90%-110%	108%	145% *	145% *
* These ratios reflect First Quarter Budget Review resolution, and will be further adjusted following the adoption of the Second Quarter Budget Review				

Note: Current Forecast includes Operating Carry Forwards of \$2.0M, Capital Carry Forwards of \$23.3M and Capital Timing Adjustments of \$7.2M. Current Forecast (adj) uses the Current Forecast Assumptions and adds back the early receipt of the Financial Assistance Grant in calculating the Operating Surplus Ratio, which is consistent with EOFY disclosures.

The improvement in the operating position results from a number of budget changes reflected through this budget review. Operating Prior Year Carry Forwards Funds \$3,381k and early receipt of 2021/22 Financial Assistance Grants \$4,737k have significant impacts on the operating position as reflected at this Review. Early receipt of Financial Assistance Grants is partially offset by additional 2021/22 grant funding allocated \$970k. The current forecast for the Operating Surplus / (Deficit) results in an operating surplus ratio outside of Council's financial targets, which reduces the capacity for Council to make further changes to its budget without moving further outside its endorsed financial targets.

Consolidated Funding Statement

This statement (expanded upon in Section 3.3) details the movement between the original budget and Council's budget position following the adoption of this review:

2021/22 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	1,684
2020/21 Operating Carry Forward Funds	(3,399)
2021/22 Operating Carry Forward Funds - Estimated	2,000
First Quarter Budget Review Adjustments	(2,612)
Second Quarter Budget Review Adjustments	68
Forecast Operating Surplus/(Deficit)	(2,259)

The operating budget deficit forecast is \$2,259k following adoption of this review, inclusive of estimated 2021/22 carry forwards of \$2,000k and adjusting for timing of Financial Assistance and Local Roads Grants unfavourable \$4,737. This is a marginal improvement over the first quarter budget review operating deficit forecast of \$2,327.

The 2021/22 operating budget is significantly impacted by the early receipt of the Federal Financial Assistance Grant, resulting in a reduction in the current year income of \$4.7M. These funds were received in June 2021, and although they relate to the 2021/22 financial year, had to be recognised in the year of receipt as required by the Local Government Act and relevant Accounting Standards. This had a favourable impact on our cash and surplus for the 2020/21 financial year, with a corresponding reduction in 2021/22. The forecast has assumed the 2022/23 payment will be made in the 2022/23 financial year as there is no certainty that ongoing early receipt will continue into the future, and should the funds be received early they are intended for the subsequent year and should not be allocated to expenditure in the current financial year.

The operating surplus is adversely impacted by the carry forward of prior year projects of \$3,381k into the current year. These projects were funded in last year's operating budget and are being spent during 2021/22. Similarly, our estimate is there will be carry forwards of \$2,000k from this year into 2022/23, based on historical carry forward amounts over the past 5 years.

Capital Works Program

The 2021/22 Capital Works Program at the end of the second quarter was reduced to \$78.7M following endorsement of budget revisions in November 2021, Resolution 1157/2021. Previous to this decision Council had in place a \$130M program at 2021/22 quarter one, updated from the original adopted budget of \$87.6M. At the conclusion of 2021/22 second quarter, spend to date was \$20.3M (25.8%) or \$43.6M (55.5%) inclusive of commitments.

Detailed analysis of the capital program and the status of individual projects are contained within Appendix 5.

Sundry Projects Fund

The overall impact of budget variations from this review is favourable \$39,520k, comprised of favourable operating budget variations of \$345k (detailed in Appendix 1), allocations arising from net bids of \$3,650k contained in Section 2 of this review, and favourable capital variations of \$43,171k, including the revision of the 2021/22 capital expenditure program as per resolution 1157/2021, and detailed in Appendix 1.

Loan Borrowings / Investments

Loan Borrowing requirements for 2021/22 were considered in September 2021, with the original budget indicative net loan borrowings being \$38.9M, and when adjusted for reinstatement of 2020/21 timing adjustment projects of \$7.2M increased indicative loan borrowings to \$46.1M. Offsetting this were Project Returned Funds of \$12.9M, Surplus Facilities from 2020/21 of \$8.5M and application of Property Disposal Reserve funds of \$1.5M to loan reduction, resulting in indicative net borrowings of \$23.2M.

Subsequent to the endorsement by Council of returned funds as per the Carry Forward Report (resolution number 1097/2021) it was found that returned funds relating to the Salisbury Community Hub had been over-stated by \$134k. An adjustment was included in the 2021/22 first quarter budget review to recognise this, with loan borrowings adjusted as a result.

First Quarter Budget Review variations, adjustments and new bids resulted in an increase in loan borrowings of \$0.8M (resolution number 1152/2021).

The outcome from Second Quarter Budget Review variations contained in Appendix 1 and new bids detailed in Section 2, results in a reduction in loan borrowings of \$39.5M. This is predominantly the result of the revised 2021/22 Capital Expenditure program, which reduces loan funding required in the current financial year and defers the loan funding requirement into future years. Further details are contained in Section 4 of this review.

2. New Bid Proposals

2.1 Proposals

New/Additional Capital Bids	Expenditure	Funding	Net Bid
NON DISCRETIONARY - CAPITAL BIDS			
Revised Capital Infrastructure Program Escalation Allowance NB0118 In accordance with Resolution 1157/2021, allocate \$3.3M to the Capital Infrastructure Program to assistance with the current escalation being encountered. (resolution number 1157/2021)	3,300,000	0	3,300,000
TOTAL - NON DISCRETIONARY - CAPITAL BIDS	3,300,000	0	3,300,000
TOTAL - DISCRETIONARY - CAPITAL BIDS	0	0	0
TOTAL CAPITAL BIDS	3,300,000	0	3,300,000

New/Additional Operating Bids	Expenditure	Funding	Net Bid
NON DISCRETIONARY - OPERATING BIDS			
Capitalisation Amendment Strategic Development Projects NB0117 The Strategic Development Projects team is predominantly working in the pre-feasibility stage of the next tranche of investigation parcels. The existing trading projects are in the final stages of delivery including Hoyle Green (Irving Place) and Boardwalk at Greentree and require minimal staff time and input. Until Council approval of the next tranche of projects is achieved salaries are not able to be capitalised at the rate previously expected. There is no cash impact as a result of this bid as these costs were previously budgeted to capital projects.	265,000	0	265,000
Community Bus Trial NB0092 Additional budget required to cover costs associated with increasing the passenger capacity and disability access within Council's Community Bus Trial, and increasing the service days of operation to incorporate full service on Sundays for the duration of the Trial. (resolution number 1198/2021)	61,158	0	61,158
Recreation Services Contract Payment NB0091 Subsidised user fees for community members using Belgravia sites from January 2021 - March 2021, which were overlooked at end of financial year 2021.	24,300	0	24,300
TOTAL - NON DISCRETIONARY - OPERATING BIDS	350,458	0	350,458
TOTAL - DISCRETIONARY - OPERATING BIDS	0	0	0
TOTAL OPERATING BIDS	350,458	0	350,458

3. Budget Review

3.1 Policy and Context

The Budget Review is a legislative requirement under Part 9 of the Local Government (Financial Management) Regulations 2011, and Council's approach to managing its budget throughout the year has been set within the Treasury Policy, Part E – Policy Statement, paragraph 1.2:

- 1.2 Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets. This means Council will:

- Maintain target ranges for its Net Financial Liabilities ratio;
- Generally only borrow funds when it needs cash and not specifically for particular projects;
- Apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.
- Apply surplus contained within the Sundry Projects Fund, following adjustments for variations to existing estimates, to a reduction in borrowings. 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 projects by reducing/cancelling an existing budgeted project, or approving an increase to the borrowing requirement.

3.2 Sundry Projects Fund

The Sundry Projects Fund (SPF) represents a mechanism for dealing with budget variations and urgent bids. 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 SPF and these other variations. The current status of the SPF as a result of this review is represented below:

Original Budget 1 July 2021	\$ -
Additions:	
First Quarter Budget Review (Resolution 1152/2021)	(2,554,122)
Allocations:	
First Quarter Budget Review (Resolution 1152/2021)	1,734,609
Impact on Loan Borrowings:	
Increase in borrowings - First Quarter Budget Review (Resolution 1152/2021)	819,513
Balance prior to the consideration of bids	-
Recommendations – Second Quarter Budget Review:	
Variations to Sundry Projects Fund – Appendix 1 Budget Variation Summary (Recommendation 2)	
Operating Variations	345,200
Capital Variations	42,825,400
Balance after Variations to the Sundry Projects Funds	43,170,600
Allocations arising from bids contained in Section 2	(3,650,458)
Movements in General Loan Borrowings / Investments:	
Decrease in Borrowings due to bids and Operating & Capital Variations	(39,520,142)
Net Movements in General Loan Borrowings	(39,520,142)
Balance Remaining	-

Favourable operating budget variations of \$345k (detailed in Appendix 1), allocations arising from net bids of \$3,650k contained in Section 2 of this review, and revision of the 2021/22 capital expenditure program as per resolution 1157/2021 and included in Appendix 1 - totalling 42,825K - result in a positive adjustment of \$39.520M, reducing indicative loan borrowings as detailed in Section 4, noting that much of the \$42,825k has been deferred to 22/23 and consequently borrowings have effectively been deferred as well.

3.3 Consolidated Funding Statement

Consolidated Funding Statement	Second Quarter Revised Budget 2021/22	Original Budget 2021/22
PART 1 - OPERATING		
Operating Revenue - Original Budget	129,286	129,286
First Quarter Budget Review Adjustments	(2,018)	
Proposed Second Quarter Adjustments:		
Operating Income Gains (Appendix 1)	215	
Operating Income Losses (Appendix 1)	(358)	
Operating Income Nil Effect Adjustments (Appendix 1)	(127)	
Developer Contributions	69	
Interest on Reserves and Developer Contributions	5	
Operating Revenue	127,071	129,286
Operating Expenditure - Original Budget	127,602	127,602
First Quarter Budget Review Adjustments	3,993	
Proposed Second Quarter Adjustments:		
Operating Expenditure Savings (Appendix 1)	(488)	
Operating Expenditure Nil Effect Adjustments (Appendix 1)	(127)	
Operating New Bids (Considered as part of this Review)	350	
Operating Expenditure	131,330	127,602
Estimated 2021/22 Operating Carry Forwards	2,000	
Operating Surplus/(Deficit)	(2,259)	1,684
PART 2 - CAPITAL AND OTHER ADJUSTMENTS		
Capital Revenue - Original Budget	17,043	17,043
First Quarter Budget Review Adjustments	(2,163)	
Proposed Second Quarter Adjustments:		
Capital Income Nil Effect Adjustments (Appendix 1)	1,447	
Capital Revenue	16,327	17,043
Net Surplus/(Deficit) Resulting From Operations	14,069	18,727
Capital Expenditure - Original Budget	87,617	87,617
First Quarter Budget Review Adjustments	30,229	
Proposed Second Quarter Adjustments:		
Capital Expenditure Savings and Declarations (Appendix 1)	(42,825)	
Capital New Bids (Considered as part of this Review)	3,300	
Capital Expenditure Nil Effect Adjustments (Appendix 1)	1,447	
Capital Expenditure	79,768	87,617
Principal Repayments	(1,735)	(1,735)
Net Transfers to and From Reserves	(939)	(424)
Net Gain on Disposal of Assets	2,100	2,100
Prior Year Carry Forward Funds and Carry Forward Review	26,089	
Timing Difference in Financial Assistance Grant	4,737	
Estimated Current Year Operating Carry Forward Funds	(2,000)	
Add Back Depreciation of Non Current Assets	30,061	30,061
Add Back Cash and Facilities applied	46,129	
Cash Surplus/(Deficit/Borrowings)	38,742	(38,888)
Facilities Applied		
Proposed Investment Balance/(Loan Borrowings)	38,742	(38,888)
Funding Surplus/(Deficit)	0	0

The Consolidated Funding Statement (CFS) provides a 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 \$1,684k, revised to a forecast deficit of \$2,309k following adoption of the 2021/22 First Quarter review. The forecast position, should Council endorse the proposed 2021/22 second quarter budget review, is improved by \$68k to an operating deficit of \$2,259k.

This year's operating budget has been significantly impacted by the early receipt of the Federal Financial Assistance Grants, resulting in a reduction in the current year income of \$4.7M. These funds were received in June 2021, and although they relate to the 2021/22 financial year, had to be recognised in the year of receipt as required by the Local Government Act and relevant Accounting Standards. This had a favourable impact on our cash and surplus for the 2020/21 financial year, with a corresponding reduction in 2021/22. The forecast has assumed the 2022/23 payment will be made in the 2022/23 financial year as there is no certainty that ongoing early receipt will continue into the future, and should the funds be received early they are intended for the subsequent year and should not be allocated to expenditure in the current financial year.

Also impacting on the deficit are 2020/21 carry forwards of \$3,381k, which is partially offset by our estimate of 2021/22 operating carry forward projects of \$2,000k.

Adjustments totalling favourable \$68k, incorporating variations and new operating bids at second quarter budget review, will result in a forecast operating deficit of \$2,259k. A reconciliation of the changes to Council's budgeted operating surplus / (deficit) is shown below.

2021/22 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	1,684
2020/21 Operating Carry Forward Funds	(3,399)
2021/22 Operating Carry Forward Funds - Estimated	2,000
First Quarter Budget Review Adjustments	(2,612)
Second Quarter Budget Review Adjustments	68
Forecast Operating Surplus/(Deficit)	(2,259)

The Consolidated Funding Statement also provides a summary of changes to capital income and capital expenditure and other impacts on cash are also considered, to arrive at the overall projected borrowings / investment balance. If this budget review is endorsed, we move from indicative borrowings of \$23.3M, to being able to manage the delivery of the current year program within existing facilities.

3.4 Transfer of Funds – Chief Executive Officer Delegation

The Wages and Salaries Provision has a post commitments balance of \$494k as at 31 December 2021. This balance includes wages and salaries savings identified during the first and second quarters of 2021/22, plus an amount of \$121,500 carried forward from the 2020/21 financial year, which is tied to ongoing allocations. A total of \$267k has been allocated to the Provision over the second quarter taking the year to date allocation to \$972k. No allocations were made from the Provision during the second quarter and year to date allocations from the Provision as authorised by the CEO total \$416k. A further \$184k is committed, but not yet allocated from the provision for Community Experience Staffing requirement, which will be utilised in quarters three and four of FY22.

3.5 Transfer of Funds Requests

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

Item	Details	Transfer Amount
Transfer of Funds Requests		
City Growth Provisional Sum Dispersal		
TR0102	Transfer of Park Maintenance City Growth Provisional Sum to: Field Services - Operations \$75k; Drainage Systems - Open Drain Maintenance \$20k; Urban Structures - Playground Maintenance \$20k; Drainage Systems - Side Entry Pit Cleaning \$18k; Sportsfield Cutting - Turf Renovation \$80k; Roads Maintenance - Line Marking \$15k	228,000
KIK Innovation and 42 Adelaide Partnership		
TR0115	Transfer of Salaries and Wages to Contributions in accordance with council resolution 1197/2021 to fund contribution to KIK Innovation and 42 Adelaide partnership.	25,000

4. Loan Borrowings/Investments and Reserves

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

	\$
Original Budget 1 July 2021	
Net Borrowings / (Investment)	38,888,197
Reinstate Timing Adjustments Projects	7,200,000
Project Returned Funds (Finance and Corporate Services - September 2021)	(12,948,000)
Surplus Facilities 2019/20 (Finance and Corporate Services - September 2021)	(8,480,774)
Property Disposal Reserve (Finance and Corporate Services - September 2021)	(1,500,000)
Net Borrowings / (Investment)	23,159,423
Cash and Facilities applied (Finance and Corporate Services - September 2021)	(23,200,000)
First Quarter Budget Review 2021/22	
Variation to General Borrowing Requirements resolved 1152/2021	819,513
Second Quarter Budget Review 2021/22	
Variation to General Borrowing Requirements recommended	(39,520,142)
Revised Increase / (Decrease) in Borrowing Requirements	(38,741,206)

Loan Borrowing requirements for 2021/22 were considered in September 2021, with the original budget indicative net loan borrowings being \$38.9M, and when adjusted for reinstatement of 2020/21 timing adjustment projects of \$7.2M increased indicative loan borrowings to \$46.1M. Offsetting this were Project Returned Funds of \$12.9M, Surplus Facilities from 2020/21 of \$8.5M and application of

Property Disposal Reserve funds of \$1.5M to loan reduction, resulting in indicative net borrowings of \$23.2M.

The outcome from First Quarter Budget Review variations was an increased indicative loan borrowings position of \$779k.

The loan borrowings position as proposed as part of the 2021/22 second quarter review, should it be endorsed by Council, will result in a reduction in indicative loan borrowings of 39.5M, noting that the majority of this borrowing requirement is deferred into the 2022/23 year in alignment with the revised program of Capital Expenditure.

Reserves

	Year to Date Actual \$000's	Full Year	
		Rev. Bud \$000's	Orig. Bud \$000's
Transfers to Reserves	738	737	0
Transfers from Reserves	424	424	424
Total	314	313	(424)

The table above summarises movements within Council's Reserve Accounts, e.g. Public Infrastructure and Developments, Open Space, Property Disposals etc., and are in line with budget expectations. Details of balances of Reserves are contained in Finance Reports presented periodically throughout the year to Finance and Corporate Services Committee, with the reporting cycle typically the same as for the budget review. 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

That Council:

- Notes the 2021/22 Second Quarter Budget Review report.
- Approves the budget variances identified in this review and contained in the Budget Variation Summary (Appendix 1) be endorsed, and net capital and operating \$43,170,600 be credited to the Sundry Project Fund. This will bring the balance to (\$43,170,600), prior to the allocation of approved net bids.
- Approves the allocation of funding for the following **non-discretionary** net bids:

OPERATING

Capitalisation Amendment Strategic Development Projects	\$265,000
Community Bus Trial	\$61,158
Recreation Services Contract Payment	\$24,300

CAPITAL

Revised Capital Infrastructure Program Escalation Allowance	\$3,300,000
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TOTAL

\$3,650,458

NB: If parts 1, 2 & 3 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to a balance of \$39,520,142.

4. Approves the following transfers:

City Growth Provisional Sum Dispersal	228,000
KIK Innovation and 42 Adelaide Partnership	25,000

NB: If parts 1, 2, 3, & 4 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to a balance of \$39,520,142.

5. Approves the variation of Loan Borrowings to reflect the bids and transfers endorsed by Council detailed in parts 1 to 4 of this resolution.

(NB: If parts 1 to 5 of this resolution are moved as recommended, loan borrowings in 2021/22 will reduce by \$39,520,142.

Appendix 1 – Budget Variation Summary as at 31 December 2021

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				
ES0127	Disability Program Expenditure (refer also Income Losses IL0114)	(13,000)		13,000
ES0131	Interest savings on LGFA Cash Advances (refer also ES0103 Salisbury Water - Interest Savings)	(46,000)		46,000
ES0132	Internal Interest Recovery (refer also ES0103 Salisbury Water - Interest Savings)	46,000		(46,000)
ES0103	Salisbury Water - Internal Interest Savings	(46,000)		46,000
ES0100	Streetsweeper, Backhoe and Irrigation Van - operating costs (depreciation, fuel, maintenance etc.)	(170,900)		170,900
ES0128	Twelve25 Expenditure (refer also Income Losses IL0113)	(37,800)		37,800
ES0122	Urban Services Committee November 2021 Schedule 2 - 2021/22 Declared Funds Operating Component (refer also capital Expenditure Savings ES0125) (resolution number 1157/2021) ****	(90,500)		90,500
ES0123	Urban Services Committee November 2021 Schedule 3 - Project Deferrals Operating Component (refer also capital Expenditure Savings ES0126) (resolution number 1157/2021) **** <i>Note: Schedule 3 - Project Deferrals Operating Component was endorsed by 1157/2021 for \$70,000. This was under-stated due to the incorrect classification of OPN000875 Additional Maintenance & Monitoring of High Risk Reserve Trees project budget \$60,000 as capital. This was subsequently corrected when processed to the budget and the correct value of operating deferrals \$130,000 is now reported.</i>	(130,000)		130,000
Total Expenditure Savings		(488,200)		488,200
Income Gains				
IG0104	Building Rules Certification Unit - Building Fees		20,000	20,000
IG0093	Confidential Item 1 (resolution number 0650/2020)		135,000	135,000
IG0112	Para Hills Community Hub - User Charges		10,000	10,000
IG0105	Planning Fees		50,000	50,000
Total Income Gains			215,000	215,000
Income Losses				
IL0107	ARTS SA Library Subsidy - operations, materials, local purchase		(91,000)	(91,000)
IL0114	Disability Program Income (refer also Expenditure Savings ES0127)		(59,000)	(59,000)
IL0119	Dog and Cat Expiation Fees		(40,000)	(40,000)
IL0121	Food Premises Inspection Fees		(12,000)	(12,000)
IL0120	Parking expiations		(100,000)	(100,000)
IL0113	Twelve25 User Charges (refer also Expenditure Savings ES0128)		(56,000)	(56,000)
Total Income Losses		0	(358,000)	(358,000)
Adjustments - Nil Effect				
NG0108	ARTS SA Digital Literacy Programs Grant ****	57,200	57,200	0
NL0109	CHSP Revenue Loss	(57,000)	(57,000)	0
NL0111	Operation Bounce Back Grant Funding	(10,000)	(10,000)	0
NG0116	Recreation Services Utility Reimbursement ****	25,600	25,600	0
NL0101	Streetsweeper, Backhoe and Irrigation Van - Internal Charges	(170,900)	(170,900)	0
NG0098	Walkley Heights Asphalt Path City of Port Adelaide Enfield Contribution (resolution number 1102/2021)	8,544	8,544	0
NG0110	Wellbeing SA Grant ****	19,500	19,500	0
Total Nil Effect Adjustments		(127,056)	(127,056)	0
Net Impact to Operating Result - Transfer to Sundry Projects Fund		(615,256)	(270,056)	345,200
**** Adjustments to budgets already processed.				

Item	Details	Expense Increase/ (Decrease)	Revenue Increase/ (Decrease) <i>Includes Expenditure Recoveries</i>	Net Increase/ (Decrease) Sundry Projects Fund
CAPITAL VARIATIONS				
Expenditure Savings				
ES0124	Urban Services Committee November 2021 Schedule 1 - Cash Flow Recast (resolution number 1157/2021) **** <i>Note: Schedule 1 - Cash Flow Recast was endorsed by 1157/2021 for \$39,094,000, which was overstated due to an incorrect cash flow recast of \$9,700,000 that cannot be cash flow recast, as a budget review bid for this project has not yet been processed. This was subsequently corrected when processed to the budget and the correct value of cash flow recast \$29,394,000 is now reported.</i>	(29,394,000)		29,394,000
ES0125	Urban Services Committee November 2021 Schedule 2 - 2021/22 Declared Funds Capital Component (refer also operating Expenditure Savings ES0122) (resolution number 1157/2021) ****	(5,547,800)		5,547,800
ES0126	Urban Services Committee November 2021 Schedule 3 - Project Deferrals Capital Component (refer also operating Expenditure Savings ES0123) (resolution number 1157/2021) **** <i>Note: Schedule 3 - Project Deferrals Capital Component was endorsed by 1157/2021 for \$8,176,600. This amount was over-stated by \$293,000 due to (a) Reserve Upgrade projects, St Albans Reserve; Bolivia Crescent; and Camelot Reserve having been previously declared at the 2021/22 First Quarter Budget Review (item ES0051 Reserve Upgrade Program - Deferred Projects - Declared Savings \$233,000), and (b) the incorrect allocation of OPN000875 Additional Maintenance & Monitoring of High Risk Reserve Trees project budget \$60,000 as capital rather than operating. These anomalies were subsequently corrected when processed to the budget and the correct deferral value of \$7,883,600 is now reported.</i>	(7,883,600)		7,883,600
Total Expenditure Savings		(42,825,400)		42,825,400
Adjustments - Nil Effect				
NG0096	Electronic Scoreboard - Club Contribution (resolution number 0923/2021)	29,443	29,443	0
NG0088	Locals Roads & Community Infrastructure, Phase 3, New Federal Government Grant Funding (resolution number 1157/2021)	3,367,692	3,367,692	0
NL0097	Paddocks Master Plan Removal of Grant Income Not To Be Received (resolution number 1157/2021)	(1,500,000)	(1,500,000)	0
NL0099	Removal of Grant Income not to be received within the Major Traffic Improvement Program (resolution number 1217/2022)	(450,000)	(450,000)	0
Total Nil Effect Adjustments		1,447,135	1,447,135	0
Net Impact to Capital Program		(41,378,265)	1,447,135	42,825,400
Transfer To / (From) Sundry Project Fund				43,170,600
**** Adjustments to budgets already processed.				

Appendix 2 – Capital Budget Timing Adjustments

Policy Statement

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 but not limited to 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 are included in Appendix 1 Budget Variations and Appendix 5 Capital Expenditure Report. The table below summarises timing differences resulting from external factors for the purposes of adjusting the current year and future years' budget. These changes are also reflected in our cash requirements through a reduction in borrowings in the current year, and will then be funded in future years.

Appendix 3 – Statement of Comprehensive Income

	Year to Date			Full Year	
	Actual \$000's	Budget \$000's	Variance \$000's	Rev Budget \$000's	Orig Budget \$000's
INCOME					
Rates	106,443	106,198	245	106,336	106,336
Statutory Charges	2,128	1,925	203	3,091	3,003
User Charges	2,294	2,448	(153)	5,409	5,358
Grants, Subsidies & Contributions	6,867	6,981	(114)	11,327	13,435
Investment Income	74	71	3	103	94
Reimbursement	111	157	(47)	285	229
Other Revenue	642	520	122	870	831
Total Income	118,558	118,299	259	127,420	129,286
EXPENSES					
Employee Costs	20,415	21,308	893	40,540	40,135
Materials, Contracts and Other Expenses	25,275	25,550	275	59,592	56,184
Finance Costs	223	612	389	1,222	1,222
Depreciation, amortisation & impairment	14,770	14,813	44	30,081	30,061
Total Expenses	60,683	62,284	1,601	131,435	127,602
Operating Surplus/(Deficit) before Capital Amounts	57,876	56,016	1,860	(4,016)	1,684
Net gain (loss) on disposal or revaluation of assets	42	0	42	2,940	2,940
Amounts specifically for new or upgraded assets	2,846	2,818	28	14,880	15,779
Physical resources received free of charge	0	0	0	1,000	1,000
Other Comprehensive Income	0	0	0	0	0
Total Comprehensive Income	60,764	58,834	1,929	14,804	21,403

Note: - The above Statement of Comprehensive Income does not include the budget adjustments recommended within this Budget Review, however these adjustments have been reflected in the revised Financial Statements as contained within Appendix 8 Budgeted Financial Statements.

Commentary – Statement of Comprehensive Income

Year to Date: Actual compared to Revised Budget

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

Revenue

Rates – Favourable Variance \$245k

Rate revenue is favourable with marginally higher rate revenue generated than budgeted, the result of lower than anticipated rebates and tier remissions and higher growth within the city.

Statutory Charges – Favourable Variance \$203k

The favourable variance in Statutory Charges revenue is from favourable variances in Building Fees \$202k; PDI Act Application & Compliance Fees \$267k; and PDI Compliance Fees Income \$105k. Offsetting these favourable variances are unfavourable variances relating to Development Lodgement Fees \$94k; Dog Registration Fees \$51k; and Planning Application Income \$168k. Income Losses have been declared for the second quarter budget review at Appendix 1 for Dog and Cat Expiation Fees, IL0119, 40k; Food Premises Inspection Fees, IL0121, \$12k; and Parking Expiations, IL0120, \$100k. Conversely, Income Gains for Building Fees, IG0104, \$20k and Planning Fees, IG0105, \$50k are also declared at Appendix 1.

User Charges – Unfavourable Variance \$153k

Most User Charges income lines report minor unfavourable variances with the exception being Twelve25 User Charges, which is \$56k unfavourable. An adjustment is made as part of this budget review (refer Appendix 1, Income Losses IL0113 \$56k, noting this is partially offset by Expenditure Savings ES0128 \$37.8k). Hall Hire Fees \$16k, Kiosk Sales \$17k and Rent-Sport/Recreation/Community Groups \$20k are all favourable.

Grant, Subsidies and Contributions - Unfavourable Variance \$114k

The unfavourable variance is comprised of a number of minor unfavourable variances across several grants' income lines. An Income Loss of \$91k has been declared for the ARTS SA Digital Literacy Programs Grant at Appendix 1, Item IL0107 along with several nil effect adjustments whereby loss of income is equally offset by reduction in expenditure

Other Revenue – Favourable Variance \$122k

Other Revenue is favourable due to unbudgeted Miscellaneous Minor Land Sales \$135k. An income Gain budget variation, IG0093 – Confidential Item 1 is included in this quarterly review.

Expenditure

Employee Costs - Favourable Variance \$893k

The Employee Costs favourable variance of \$893k is comprised of combined Wages & Salaries and Wages & Salaries – On cost favourable variances of \$798k which is largely offset by Wages & salaries - Agency \$712k as reported in materials, Contract & Other. Overtime is \$74k unfavourable against a YTD budget of \$67k.

Materials, Contracts and Other Expenses – Favourable Variance \$275k

Materials, Contracts and Other Expenses is \$275k favourable against budget at the conclusion of second quarter 2021/22. The dominant favourable variance is from Contractual Services, which is \$582k favourable, offset by unfavourable variances in Wages & Salaries – Agency \$712k and Additional Hours \$54k, while Electricity expense is \$112k favourable.

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Finance Costs – Favourable Variance \$389k

The favourable variance \$389k is the continuing result of a lower than anticipated requirement to drawdown on CAD's during the 6 months to 31 December 2021.

Appendix 4 – Statement of Financial Performance – Key Directions

	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)	60,764	58,834	1,929	14,804	21,403
Represented By:					
<u>KEY DIRECTION REVENUE</u>					
The Living City:					
Recreation, Education & Leisure	746	888	(142)	1,086	787
Public Health & Safety	929	1,097	(167)	1,668	1,695
Community Development	2,650	2,696	(46)	4,237	4,135
The Sustainable City:					
Water Management	901	950	(49)	2,601	2,601
Waste Management	540	534	7	790	790
Parks & Landscape	52	42	10	81	81
The Prosperous City:					
Transport	1,583	1,592	(9)	4,116	3,328
City Planning & Economic Development	1,346	1,037	309	1,811	1,631
Enabling Excellence:					
Corporate Support	1,137	1,037	100	1,738	1,695
Governance	1	1	(0)	2	2
Treasury	74	71	3	103	94
Grants Commission	1,645	1,645	(0)	2,333	6,100
Rates	106,443	106,198	245	106,336	106,336
Other Miscellaneous Revenue	512	512	(1)	518	12
Total Operating Revenue	118,558	118,299	259	127,420	129,286
Capital Contributions	2,888	2,818	69	18,820	19,719
Total Revenue	121,446	121,118	328	146,240	149,005
<u>KEY DIRECTION EXPENDITURE</u>					
The Living City:					
Recreation, Education & Leisure	4,239	4,426	186	9,596	9,132
Public Health & Safety	2,686	2,847	161	6,103	6,096
Community Development	4,538	4,806	268	9,645	9,270
The Sustainable City:					
Water Management	2,456	2,327	(129)	3,611	3,373
Waste Management	7,489	7,692	203	18,766	18,630
Parks & Landscape	9,087	9,069	(17)	19,262	19,345
The Prosperous City:					
Transport	1,626	1,517	(109)	3,815	3,808
City Planning & Economic Development	2,560	2,756	196	5,585	5,475
Enabling Excellence:					
Corporate Support	11,175	11,158	(18)	25,102	23,503
Governance	348	400	52	1,261	920
Treasury	132	497	365	967	967
Depreciation	12,210	12,210	0	24,846	24,846
Other Miscellaneous Expenditure	2,135	2,577	442	2,876	2,237
Total Expenditure	60,683	62,284	1,601	131,435	127,602

The Full Year Revised Budget includes revisions to expenditure budgets for funds carried forward from 2020/21 to 2021/22. We anticipate a carry forward from 2021/22 to 2022/23, however, at this time specific programs cannot be identified, and this will be brought to account at the end of financial year.

Commentary – Key Direction**The Living City – Net Favourable Variance \$260k****Recreation, Education & Leisure – Net Favourable Variance \$44k****Revenue – Unfavourable Variance \$142k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Library Administration and Policy	Community Development	(47)	The unfavourable variance relates to lower than budgeted grant funding received for the Library Operating Subsidy. It is not anticipated that this will be met over the upcoming periods and a variation associated with this loss has been included as part of this review.	Refer Appendix 1 Income Losses IL0107 ARTS SA Library Subsidy – operations, materials, local purchase \$91k income loss declaration, of which \$50k relates to Library Administration and Policy
Community Learning Program	Community Development	(106)	The unfavourable variance relates to lower than budgeted grant funding received for the Library Operating Subsidy. It is not anticipated that this will be met over the upcoming periods and a variation associated with this loss has been included as part of this review. Delayed receipt of funding for the ACE program of \$60k will revert in future periods.	Refer Appendix 1 Income Losses IL0107 ARTS SA Library Subsidy – operations, materials, local purchase \$91k income loss declaration, of which 40k relates to the Community Learning Program

Expenditure – Favourable Variance \$186k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Library Information and Access	Community Development	108	The favourable variance relates to materials of \$65k and local history purchases of \$22k due to the timing of expenditure. It is anticipated that this will align to budget over the upcoming periods.	

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Community Learning Program	Community Development	27	The favourable variance relates to the timing of expenditure for the ACE Program. It is anticipated that this will align over the upcoming periods.	
Sportsfield Cutting	City Infrastructure	32	The favourable variance is due to SA Water \$55k and internal water \$47k (combined \$102k), which is expected to align once invoices and billing are received. Offsetting this is an unfavourable variance in contractual services, \$81k which is timing of costs incurred and is expected to align in future periods.	
Maintenance- SCH	City Infrastructure	34	Minor favourable variance	
Maintenance - Sports and Community Facilities	City Infrastructure	(48)	The unfavourable variance is primarily related to contractual services as a result of higher maintenance jobs performed. This is anticipated to align to budget forecasts in future periods.	

Public Health & Safety – Net Unfavourable Variance \$6k**Revenue – Unfavourable Variance \$167k**

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Immunisation	City Development	(56)	The unfavourable variance relates to the timing of reimbursement for the School Immunisation Program. This is expected to align to budget when reimbursement is received in the coming months.	
Animal Control	City Development	(109)	Overall income is lower than anticipated, the ongoing impact of COVID-19 resulting in an inability to perform scheduled assessments and inspections. Dog Registration income is unfavourable \$107k due to timing of receipt of funds from DACO. Whilst this situation will revert in future periods income for the year is anticipated to remain unfavourable and a 3rd quarter review declaration will be made.	Refer Appendix 1 Income Losses IL0119 Dog and Cat Expiation Fees \$40k income loss declaration
Urban Built Assets	City Infrastructure	29	The favourable variance is from receipts of insurance claims not budgeted. This is offset by additional expenditure in repairs of damaged infrastructure.	

Expenditure – Favourable Variance \$161k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Animal Control	City Development	30	The favourable variance is the result of minor timing variance across several budget items and these are expected to align over future periods.	
Vandalism	City Infrastructure	40	The favourable variance is primarily related to the timing of expenditure as a result of the unpredictable and ad-hoc nature of the program.	
Building Maint Graffiti	City Infrastructure	65	The favourable variance is due to lower levels of work out of the Graffiti Removal Program, noting that this program is highly reactive and unpredictable in nature.	

Community Development – Net Favourable Variance \$222k**Revenue – Unfavourable Variance \$46k**

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Salisbury Memorial Park Cemetery	Community Development	(20)	The variance largely relates to lower than budgeted burial fees during the first and second quarter. It is anticipated that this will align with budget over the coming periods.	
Disability Program	Community Development	(22)	The unfavourable variance is related to lower than budgeted NDIS income as a result of COVID-19 restrictions and a decline in uptake of services. It is not anticipated that this will be met over the upcoming periods and a variation associated with this loss has been included as part of this review.	Refer Appendix 1 Income Losses IL0114 Disability Program Income \$59k income loss declaration
Youth Enterprise Centre - "Twelve25"	Community Development	(36)	The unfavourable variance is related to lower than budgeted hall hire and other program income received this financial year. It is not anticipated that this will be met over the upcoming periods and a variation associated with this loss has been included as part of this review.	Refer Appendix 1 Income Losses IL0113 Twelve25 User Charges \$56k income loss declaration
Para Hills Community Hub	Community Development	23	The favourable variance relates to higher than budgeted hall hire fees received. A variation associated with this gain has been included as part of this review.	Refer Appendix 1 Income Gains IL0112 Para Hills Community Hub – User Charges \$10k income gain declaration

Expenditure – Favourable Variance \$268k

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Community Development Administration	Community Development	(38)	The unfavourable variance mostly relates to the timing of expenditure for the Community Grants Program. It is anticipated this will align to budget in the coming periods.	
Community Grants	Business Excellence	25	The favourable variance relates to the timing of expenditure for Youth Sponsorship. This budget is likely to finish with a favourable spend by year end with a declaration to be considered at the third quarter budget review.	
HCSP - Home and Community Services Program	Community Development	99	The favourable variance relates to staff vacancies and variations in hours worked during the first quarter as a result of restricted programs due to COVID-19. It is not anticipated that this will revert over the upcoming periods and a variation associated with this has been included as part of this review.	Refer Appendix 1 Adjustments – Nil Effect NL0109 CHSP Revenue Loss \$57k income loss declaration with the opposing expenditure saving impacting this line
Youth Enterprise Centre - "Twelve25"	Community Development	37	The favourable variance is a result of several reduced expenditure items related to the reduced uptake of services caused by COVID-19. It is not anticipated that this will align to budget over the upcoming periods and a variation associated with this has been included as part of this review.	Refer Appendix 1 Expenditure Savings ES0128 Twelve25 Expenditure Savings \$38k expenditure savings declaration
Recreation Planning	Community Development	24	The favourable variance relates to the timing of expenditure for the Sports Development Framework which is anticipated to be align in future periods.	

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Social Planning	Community Development	46	The favourable variance relates to the timing of expenditure for several programs. It is anticipated that expenditure will align to budget in the coming periods.	

The Sustainable City – Net Favourable Variance \$25k**Water Management – Net Unfavourable Variance \$178k****Revenue – Unfavourable Variance \$49k****Expenditure – Unfavourable Variance \$129k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Salisbury Water Production - Water Factory	Business Excellence	79	The favourable variance mainly relates to Electricity due to the timing of invoicing, plus contractual services due to the timing of programmed works.	
Salisbury Water Distribution - Network Manager	Business Excellence	50	The favourable variance is from Contractual Services due to the timing of work with limited major works required during the second quarter.	
Salisbury Water Retail - Marketing / Sales	Business Excellence	(74)	The unfavourable variance is primarily related with the timing of contractual services works which has occurred earlier than forecasted.	
Drainage Systems	City Infrastructure	(238)	The unfavourable variance is mainly due to contractual services expenditure in Side Entry Pit Cleaning/Repair \$134k and underground drainage maintenance \$67k.	

Waste Management – Net Favourable Variance \$210**Revenue – Favourable Variance \$7k****Expenditure – Favourable Variance \$203k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Cleansing and Waste	City Infrastructure	185	Primarily related to \$126k Internal Vehicle charges as a result of the operating cost for a new backhoe and sweeper being budgeted in full for the 2021/22 year however has not been purchased as yet. An adjustment has been included in the Second Quarter Budget Review.	Refer Appendix 1 Expenditure Savings ES0100 Expenditure Savings – Streetsweeper, Backhoe and Irrigation Van \$342k expenditure savings declaration Income Losses IL0101 Income Losses – Streetsweeper, Backhoe and Irrigation Van \$171k income losses declaration

Parks & Landscape – Net Unfavourable Variance \$7k**Revenue – Favourable Variance \$10k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Urban Structures	City Infrastructure	25	Primarily insurance recoupments, offset by costs incurred.	

Expenditure – Unfavourable Variance \$17k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Tree Management	City Infrastructure	(107)	The unfavourable variance is chiefly related to \$71k in reactive works. There is continuing pressure on reactive works, however it is expected that contractual expenditure will align.	
Field Services Administration	City Infrastructure	(46)	Mainly related to agency costs that have been incurred of \$296k, noting this is partly offset by employee costs as well as lower than expected internal recovery of labour which is related to the vacancies. Given the difficulties with engaging contract labour, contractual services are being used to continue service provision	
Urban Structures	City Infrastructure	(71)	Whilst currently unfavourable this is purely timing with all the work issued for the year and it is expected the program will align over the coming quarter.	
Pest	City Infrastructure	(56)	The unfavourable variance is related to the timing of the program which is expected to align in future periods.	

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Verges (Road Reserves)	City Infrastructure	246	The favourable variance is primarily related to the timing of invoices associated with Verge Mowing and is expected to align by EOFY.	
Maintenance - Public Toilets	City Infrastructure	(41)	The unfavourable variance is mostly related to higher than anticipated contractual services as a result of various damages that are unable to be claimed by insurances as well as various failures of items.	

The Prosperous City – Net Favourable Variance \$387k**Transport – Net Unfavourable Variance \$118k****Revenue – Unfavourable Variance \$9k****Expenditure – Unfavourable Variance \$109k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Infrastructure Assets	City Infrastructure	29	The favourable variance relates to timing of leave taken, which will align in future periods, and to favourable on-cost variances from vacancies.	
Roads	City Infrastructure	(84)	The unfavourable variance mostly relates to the timing of expenditure associated with Linemarking Maintenance.	
Signs	City Infrastructure	43	The favourable variance relates mainly to contractual services within Reserve Sign Maintenance and is expected to align in future periods as the program is delivered.	
Footpath Maintenance	City Infrastructure	(108)	The unfavourable variance is related to \$138k contractual services expenditure mostly within footpath maintenance pavers and block pavers. Note that this year it is anticipated this program will be overspent, however currently reviewing other budget lines to offset this.	

City Planning & Economic Development – Net Favourable Variance \$505k**Revenue – Favourable Variance \$309k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Planning	City Development	90	The favourable variance mainly relates to higher than anticipated PDI Act revenue due to the higher value of development applications and an income gain has been included as part of this review. However, it should be noted that the first two quarters of the year were inflated due to the stimulus and applications are now starting to normalise.	Refer Appendix 1 Income Gains IG0105 Declaration of Income Gain - Planning \$50k income gain declaration
Building Rules Certification Unit	City Development	198	Consistent with the trend, development application income from private clients has been higher than anticipated in the first half of the year and an income gain is included as part of this review. This upward trend, however, has dropped recently and therefore, increased income moving forward is less certain.	Refer Appendix 1 Income Gains IG0104 Declaration of Income Gain – Building Rules \$20k income gain declaration

Expenditure – Favourable Variance \$196k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
City Development Administration	City Development	60	The favourable variance is mostly related to less than budgeted requirements for legal services, noting this is highly reactive and unpredictable in nature.	

Strategic Development Projects	City Development	(63)	The unfavourable variance is primarily related to lower levels of staff time being capitalised to projects, with projects mostly not progressed beyond the feasibility stage. A \$265k non-discretionary bid for reduced staff capitalisation has been proposed for this budget review. This is partly offset by the \$60k favourable variance in Wages and Salaries due to the late backfilling of vacancies in Oct 21.	Refer Section 2. New Bid Proposals Non-Discretionary Operating Bids NB0117 Capitalisation Amendment Strategic Development Projects \$265k
Urban Policy	City Development	112	The favourable variance is mostly related to the delayed recruitment of Sustainability Strategic Co-Ordinator.	
Economic Development	City Development	31	The favourable variance is mostly related to the timing of advertising and promotional expenditure related to the Business Network Program which has been delayed due to COVID-19. This is anticipated to align to budget forecasts over the coming months as the program progresses.	
Business Advisory Services	City Development	24	The favourable variance stems from a reduction in Business Advisor FTE, which is anticipated to be offset by contractual/consulting costs. There are also savings from business advisory costs, which are expected to align in future periods.	

Enabling Excellence – Net Favourable Variance \$1,118k**Corporate Support – Net Favourable Variance \$82k****Revenue – Favourable Variance \$100k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Capital Works Admin	City Infrastructure	28	The favourable variance is from receipts of insurance claims not budgeted. This is offset by additional expenditure in repairs of damaged infrastructure.	
Property Management	City Infrastructure	53	Unfavourable variance in St Kilda Boat Ramp Fees due to seasonality and the timing of invoicing for commercial rent. This is offset by the unbudgeted income from the sale of land Lot 8 Third Avenue Mawson Lakes which is being declared as part of this budget review.	Refer Appendix 1 Income Gains IG0093 Income from Sale Lot 8 Third Avenue Mawson Lakes (resolution number 0650/2020) \$135k income gain declaration
Fleet Services Administration	City Infrastructure	(173)	The unfavourable variance is primarily related to the under recovery of fleet charges associated with a backhoe and sweeper that have been budgeted for but not yet purchased due to external delays, noting these were 2022 Budget Bids. Adjustments are included as part of this Second Quarter Budget Review.	Refer Appendix 1 Expenditure Savings ES0100 Expenditure Savings – Streetsweeper, Backhoe and Irrigation Van \$342k expenditure savings declaration Income Losses IL0101 Income Losses – Streetsweeper, Backhoe and Irrigation Van \$171k income losses declaration

Expenditure – Unfavourable Variance \$18k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Security/Courier	City Infrastructure	(39)	The unfavourable variance is comprised of a number of smaller, immaterial variances. Awaiting reimbursement of some expenditures, which will be transacted in future periods.	

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Events	Business Excellence	50	The favourable variance relates to the timing of events expenditure with some events postponed.	
Strategic Procurement	Business Excellence	(28)	The unfavourable variance relates to Consulting of \$30k which is due to Contract Management framework invoices, with reimbursement for costs to be sought from LGMLS.	
Organisation Development	Business Excellence	60	The favourable variance relates to Consulting Services of \$34k and Staff training of \$15k due to timing of training.	
Information Management Services	Business Excellence	35	The favourable variance relates to the timing of Postage invoicing and other minor variances which will be offset in future periods.	
Computing	Business Excellence	27	The favourable variance relates to Telephone Costs, due to a delay in invoices being received, and leased PC's due to current supply shortages, which result in delays replacing leased devices with owned devices.	
Promotion	Business Excellence	39	The favourable variance relates to Shaping the Future of \$25k and Tourism and Marketing of \$9k due to timing of spend which will occur in the coming months.	
Urban Built Assets	City Infrastructure	(69)	The unfavorable variance is related to the timing of Employee costs expenditure, with most of this expected to align over future periods.	

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Fleet Services Administration	City Infrastructure	62	Primarily related to contractual services in heavy vehicle and general maintenance \$54k and light \$24k, however offset by other smaller items. This expenditure can be unpredictable in nature.	

Governance – Net Favourable Variance \$52k**Expenditure – Favourable Variance \$52k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Council	Chief Executive Office	41	The favourable variance relates to Elected member training due to the timing of training which is expected to occur in future periods.	

Treasury – Net Favourable Variance \$368k

Revenue – Favourable Variance \$3k

Expenditure – Favourable Variance \$365k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Treasury	Sundry	365	The favourable variance is primarily related to CAD Interest expenditure, which is below budget expectations due to no loan drawdowns required to date this financial year. It is anticipated that as the infrastructure program continues and outgoings increase, the need to draw on these funds will also increase. Continue to monitor over the upcoming period.	

Misc – Net Favourable Variance \$686k**Revenue – Favourable Variance \$244k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Rates	Sundry	245	The favourable variance is primarily related to lower than anticipated rebates and tier remissions and growth within the city.	

Expenditure – Favourable Variance \$442k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Wages & Salaries Provision	Sundry	678	This balance represents Wages and Salaries savings identified over the first and second quarter of 2021/22, plus an amount of \$121,500 Carried Forward from the 2020/21 financial year which is tied to ongoing allocations. A total of \$267k has been allocated to the Provision over the second quarter, with \$61k allocated from the Provision as authorised by the CEO with the main contributor being Community Experience staffing.	Refer Section 3.4 Transfer of Funds – Chief Executive Officer Delegation
Inside Staff On costs	Sundry	(197)	The unfavourable variance is related to the timing of actual versus budgeted annual leave, parental leave and sick leave taken during the first two quarters. Lower than budgeted on-costs recovered resulting from staff vacancies during the first two quarters are also contributing to the unfavourable variance.	
City Infrastructure Field Staff	Sundry	(43)	The unfavourable variance is comprised of various minor variances across the area. Continue to monitor.	

Appendix 5 – Capital Expenditure Report as at 31 December 2021

Description	Revised Budget	Actuals	Commitments	Total Actuals / Commitments	Balance Remaining	Budget & Timing Adjustments
EXPENDITURE						
Transportation	28,456,261	5,055,001	5,411,859	10,466,860	17,989,401	(441,456)
Property & Buildings	14,128,200	4,052,793	3,779,062	7,831,854	6,296,346	164,443
Drainage & Waterways	3,057,700	1,273,186	580,056	1,853,242	1,204,458	
Parks & Streetscapes	7,714,857	3,249,482	1,769,198	5,018,680	2,696,178	
Fleet	3,259,300	589,629	2,517,898	3,107,528	151,772	
Strategic Projects	14,800,700	4,050,229	8,147,401	12,197,630	2,603,070	1,867,692
Total City Infrastructure	71,417,018	18,270,320	22,205,474	40,475,794	30,941,224	1,590,679
Information Technology	2,363,184	537,134	724,098	1,261,232	1,101,952	
Salisbury Water Business	3,965,300	1,321,596	302,948	1,624,544	2,340,756	
Strategic Property	918,200	141,239	118,309	259,548	658,652	
Total Other	7,246,684	1,999,968	1,145,355	3,145,323	4,101,361	0
	78,663,702	20,270,289	23,350,829	43,621,117	35,042,585	1,590,679
INCOME						
Transportation	(3,122,900)	(1,124,009)	0	(1,124,009)	(1,998,891)	441,456
Property & Buildings	(8,735,000)	(517,500)	0	(517,500)	(8,217,500)	(154,443)
Drainage & Waterways	0	(2,727)	0	(2,727)	2,727	
Parks & Streetscapes	(175,000)	0	0	0	(175,000)	
Fleet	124,600	0	0	0	124,600	
Strategic Projects	(2,972,000)	(1,222,050)	0	(1,222,050)	(1,749,950)	(1,867,692)
Total City Infrastructure	(14,880,300)	(2,866,286)	0	(2,866,286)	(12,014,014)	(1,580,679)
Strategic Property	0	(186,364)	0	(186,364)	186,364	
Total Other	0	(186,364)	0	(186,364)	186,364	0
	(14,880,300)	(3,052,650)	0	(3,052,650)	(11,827,650)	(1,580,679)
NET	63,783,402	17,217,639	23,350,829	40,568,468	23,214,935	10,000

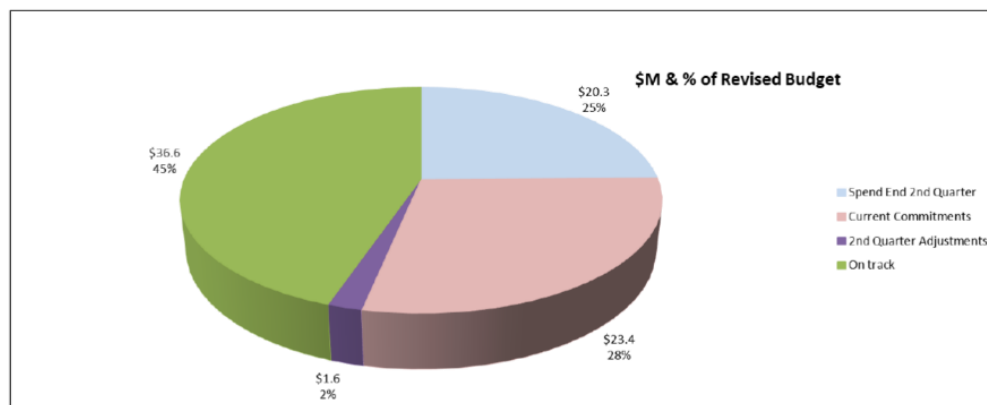
Capital Expenditure

At the end of the second quarter, the revised capital expenditure budget for 2021/22 was \$78.7M following the processing of the revision to the Capital Infrastructure Program, which was approved in November 2021, Resolution 1157/2021. This results in the \$130M program from quarter one reducing to \$78.7M at the end of quarter two, with \$20.3M (25.8%) spend to date or \$43.6M (55.5%) inclusive of commitments.

Capital Income

The capital income revised budget for 2021/22 is \$14.4M which mainly comprises \$8.7M for Property and Building associated projects and \$3M for Strategic Projects.

TOTAL CAPITAL PROGRAM



Capital Program

In response to the COVID-19 pandemic, Council set out to undertake a two-year COVID-19 Capital Infrastructure Program at an initial value of \$100M over two years, commencing in 2020/21. Approximately \$24M of works were brought forward from future years and new works were included into the program. By October 2021 the program had grown to \$130M for a single year. It was recognised that successful program delivery of this magnitude was unlikely, and as result options were explored for the reduction of the program.

In November 2021, Council was presented with an alternative program from which approval was granted to reduce the current 2021/22 Revised Budget from \$130M to \$78M, addressing both industry and financial considerations. The emergence of various stimulus programs in response to the pandemic resulted in the construction industry moving into a state of high demand. This together with the ongoing impacts associated the pandemic have seen shortages in materials and supplies, resourcing, price escalation and significant delays associated with the supply chain, including shipping and delivery of goods.

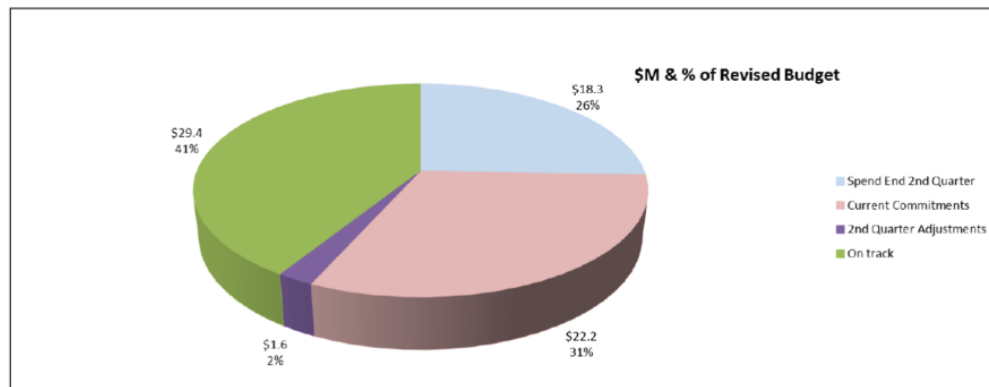
Whilst programs continue to be hampered by the pandemic, particularly with the recent Omicron variant outbreak, best endeavours continue to minimise the impact to the Capital Infrastructure Program.

Awarding of the construction of new clubroom and change room facilities at The Paddocks, Para Hills West, and Yalumba Drive Reserve, Paralowie ensued. Both these new facilities are part funded through State Government contributions. The new Burton Community Hub continues to take shape and expected to be completed mid-2022.

Procurement for the upgrade to Church Street and John Street, Salisbury, commenced in the second quarter with construction expected across this and the coming financial year, and completion anticipated in the first quarter of the new financial year.

The reduced \$78M program is at a 55.5% spend inclusive of commitments. For the same period last financial year, the 2020/21 program of \$89M was at 29% spend inclusive of commitments.

CITY INFRASTRUCTURE

**KEY ACHIEVEMENTS**

Significant work has taken place in the second quarter to revise and reduce the capital program, managing it in a continuously changing and evolving environment. The outbreak of the Omicron COVID variant has added further challenges to the delivery of the program, and staff and contractors continue to work collaboratively to deliver works in accordance with SA Health directives.

Significant projects have progressed, including the new Burton Community Hub with the slab and structural steel in place, and the upgrade of the Operations Centre construction set to be completed in the first quarter of 2022. The tender process has occurred for the construction of new clubroom facilities at Yalumba Drive Reserve, Paralowie, and The Paddocks, Para Hills West, both of which will start to take form on site in the first quarter of 2022. The Salisbury Aquatic Centre continues to take design form following community engagement, with the demolition works tender now awarded.

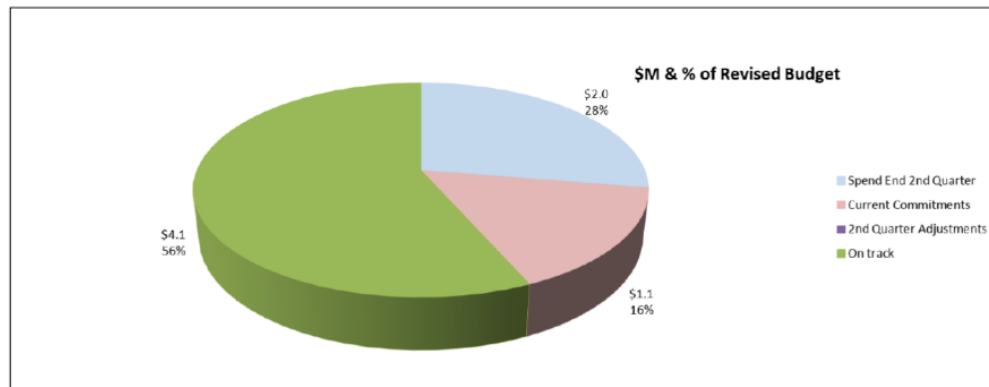
Council has been awarded \$3.3M of Federal Government funding as part of Phase 3 of the Local Roads and Community Infrastructure (LRCI) program, which is included this quarter. This funding has been approved for the delivery of an amenity upgrade and improvements to Church and John Streets, Salisbury, (between to Ann Street and Commercial Road, and Wiltshire Street and Park Terrace), and upgrade to the Salisbury Recreation Precinct entry and carpark at Happy Homes, Salisbury. This complements Council funding for works adjacent to these locations.

As part of Phase 2, LRCI, Federal Government funding, the new Main North Road exit from Technology Drive, Mawson Lakes has transitioned to construction. This initiative supports economic development for the City. Included in this phase of funding are the building and landscape improvements at Twelve25, Salisbury, which continue to take shape and will provide an inviting outdoor space for the use of visitors of the centre.

The building renewal works at Unity Park, Pooraka, and Twel Green, Para Hills, accelerated through construction this quarter, transforming the clubroom and change facilities. These community sporting facilities assist the community by way of opportunity to participate in recreational sports.

Commitments were recently raised for the next round of new fitness equipment into community reserves. These will be delivered across the financial years, noting current supply delays. New fitness stations will be installed at Dineen Road Reserve, Parafield Gardens, RM Williams Drive Reserve, Walkley Heights, The Paddocks, Para Hills West and St Kilda Adventure Park.

INFRASTRUCTURE OTHER



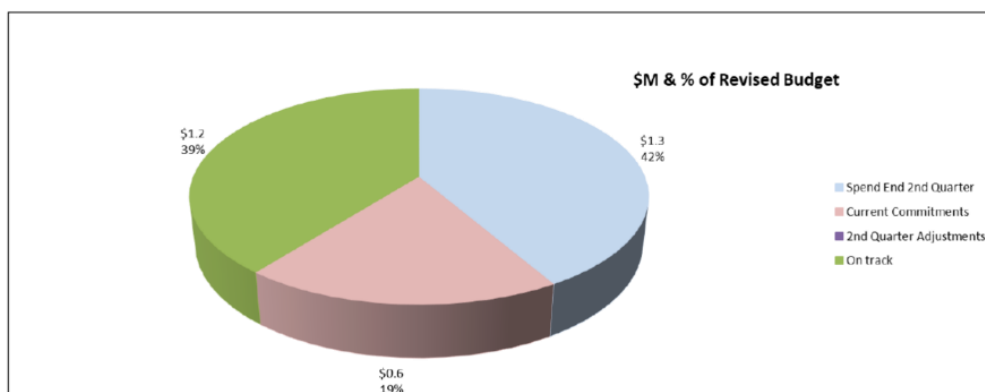
KEY ACHIEVEMENTS


The Infrastructure Other category encompasses organisational initiatives such as information technology system improvements, Water Business Unit capital projects and strategic property development projects. This broad category has had several achievements including:

- Within the Strategic Property Program, Practical Completion has been reached for civil works, public lighting and landscaping at Irving Place, Para Hills, and the first resident has moved in.
- Business Systems & Solutions (Information Technology) continue to progress a number of initiatives including the CCTV systems pilot, desktop asset renewal, a new IT Service Management Tool, new AV equipment, the cyber security program and streamlining the delivery of software to computers and ensure these systems remain up to date.

DRAINAGE & WATERWAYS

(41.6% spent / 60.6% inclusive of commitments)



 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within the Drainage and Waterways asset category	\$0	\$0

KEY ACHIEVEMENTS**Major Flood Mitigation Program**

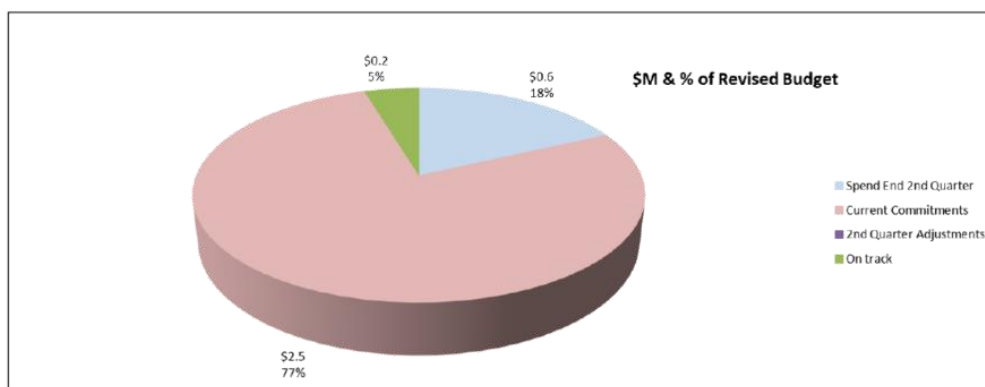
The completion of detail design for Dry Creek, Pooraka, was approved for deferral to next financial year, with construction to follow in subsequent year/s. Kiekebusch Reserve, Gulfview Heights Flood Mitigation works are now near complete as works have progressed during drier weather.


Watercourse Management Works

This program includes erosion control and desiltation works for Dry Creek, Little Para, Cobbler Creek and Edinburgh/Helps Road Drain. This program assists to maintain the City's waterways. Construction is underway on works associated with Edinburgh/Helps Road Drain systems. Where possible, works associated with this program occur over the spring/summer months during which typically the waterways are drier.

FLEET

(18.1% spent / 95.3% inclusive of commitments)



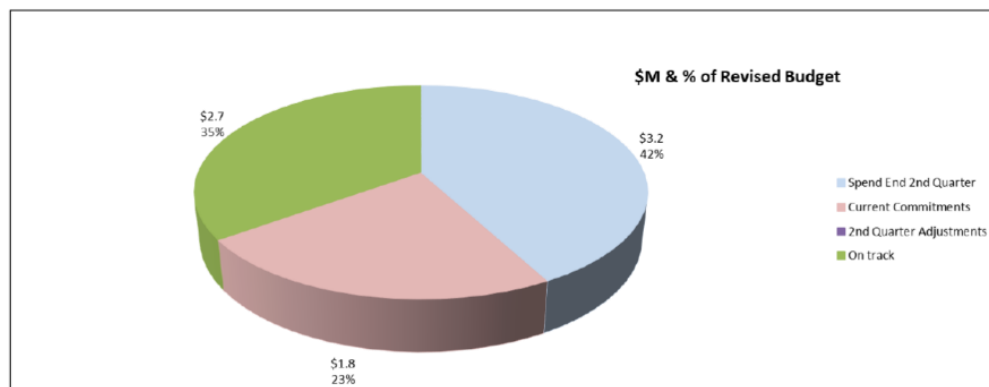
 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within the Fleet asset category	\$0	\$0


KEY ACHIEVEMENTS**Plant and Fleet Replacement Program**

As part of the Fleet Asset Category, plant and fleet items are renewed and upgraded. This program provides equipment to enable staff to deliver services to the community. Following the gathering of requirements and specification detail last quarter, orders were able to be raised for plant and fleet items. The ordering of fleet items has been complicated by current limited availability and delays with delivery. This is being monitored and managed accordingly within the changing parameters associated with the Pandemic.

PARKS & STREETSCAPE

(42.1% spent / 65.1% inclusive of commitments)



 <u>BUDGET ADJUSTMENTS</u>	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within the Parks and Streetscape asset category	\$0	\$0

KEY ACHIEVEMENTS**The Little Para Native Forest**

The Little Para Native Forest was successfully delivered with funding from City of Salisbury and State Government. The project provided many opportunities for the community to participate in propagating and planting events and has now reached Practical Completion.

Irrigation Program

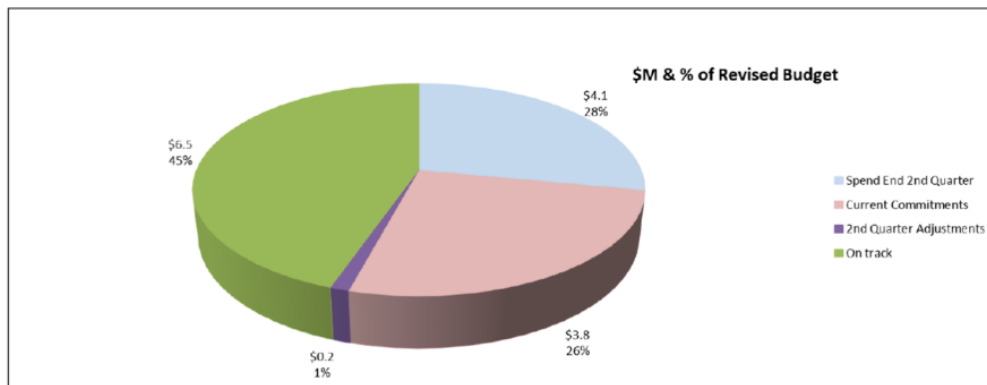
Salisbury North Oval and Davey Oval, Salisbury East, form the two main sites for delivery as part of the 2021/22 Irrigation Program. The renewal and upgrade at Salisbury North Oval are now complete with the works at Davey Oval, Salisbury East scheduled to commence in early 2022. Works at Davey Oval are being coordinated with reserve lighting upgrade also occurring at this reserve.


Playspace Program

The 2020/21 Playspace Program was significantly impacted by supply chain issues associated with COVID-19, however many sites are now transitioning to completion. Sites include Dunkley Green, Valley View; Amsterdam Crescent Reserve, Salisbury Downs; Bromley Green, Ingle Farm; Canterbury Drive Reserve, Salisbury Heights and Orinoco Street Reserve, Paralowie. As part of the November 2021 revision to the Capital Infrastructure Program, 2021/22 Playspace Program funds were cash flowed from 2021/22 into 2022/23 to align with revised delivery schedules based upon expected supply chain delays. This will see the 2021/22 Playspace Program finalised in the first quarter of 2022/23.

PROPERTY AND BUILDINGS

(28.7% spent / 55.4% inclusive of commitments)



 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
<u>Confidential Item</u> Resolution 0650/2020	\$0	\$135
<u>Minor Capital Works Grants Program</u> As reported in April 2021 via the Community Wellbeing and Sport Committee, Salisbury North Football Club were awarded \$50k via the Minor Capital Works Grants Program towards the construction of a new electronic signboard with the club contribution of \$29k club included this quarter as per Resolution 0923/2021	\$50	\$29

KEY ACHIEVEMENTSBuilding Upgrade Program

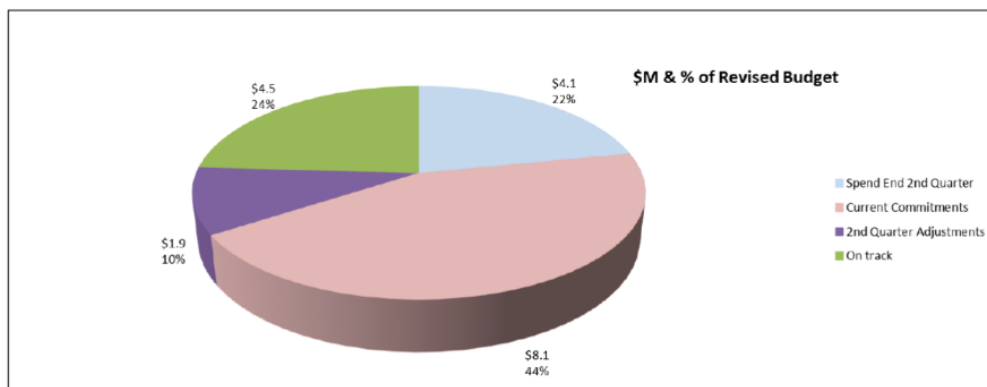
The upgrade to the Operations Centre is progressing and is scheduled for a revised completion in early 2022. This upgrade will assist in the delivery of services to the community by way of improvement in technology and infrastructure and streamlining of access to equipment. The construction of new community clubroom and change facilities at Yalumba Drive Reserve, Paralowie, moved through procurement this quarter to enable awarding of detail design and construction. This project is supported in part by State Government funding.


Building Renewal Program

The works associated with 2020/21 Building Renewal Program are being successfully handed over following improvements to the community sport clubrooms at Unity Park, Pooraka, and Twell Green, Para Hills. The renewal of the community sports clubrooms at Reg Groth, Parafield Gardens, which is the key site for the 2021/22 Building Renewal Program was moved into procurement this quarter.

STRATEGIC PROJECTS

(27.4% spent / 82.4% inclusive of commitments)



 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
<u>Paddocks Master Plan Implementation</u> As reported to the Urban Services Committee, September 2021, given current market conditions funding was not sought for the construction of a second new Community Sports Clubroom facility at the Paddocks, Para Hills West. The existing clubrooms which are currently leased by the Para Hills Knights Soccer Club were approved to undergo renewal works in lieu. This budget variation addresses the reduction in income associated with this project, as endorsed within Resolution 1157/2021.	\$1,500	(\$1,500)
<u>Revision to the Capital Infrastructure Program</u> As endorsed within Resolution 1157/2021, due to current market conditions and constraints, an escalation allowance was approved to assist with managing the large program of works.	\$0	\$3,300
<u>Local Roads and Community Infrastructure Phase 3</u> As per Resolution 1157/2021, Council approved the allocation of Phase 3 of the Local Roads and Community Infrastructure Program to the Salisbury Recreation Precinct Entry and Carpark Upgrade, and Amenity Upgrade and Improvements John Street and Church Street, Salisbury, extending to Park Terrace and Commercial Road, with this budget variation formally acknowledging the expected income.	\$0	\$3,367

KEY ACHIEVEMENTS**Burton Community Hub**

Following the turning of the sod ceremony in 2021, the construction of the new Burton Community Hub commenced. The existing facility has been demolished, the foundation laid and structural steel framework erected. This new community facility is scheduled for a mid-year completion.

Paddocks Master Plan

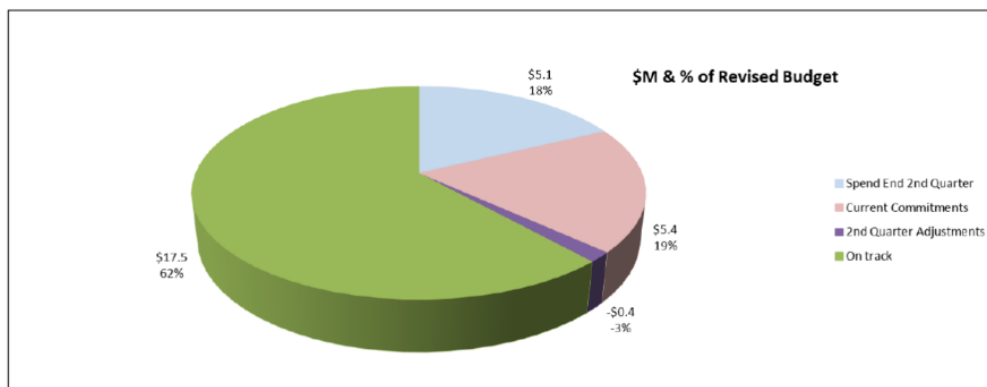
The new playspace at the Paddocks is nearing completion. This new district playspace is adjacent the community sporting facilities, dog park, wetlands and trail network. The detailed design and construction of the new community clubrooms and change facilities at the Paddocks has been awarded with site temporary fencing now in place.


Salisbury Aquatic Centre

This new facility continues to take design form based upon the completed community consultation. Documentation of specifications and requirements forms an important part of this process. The contract for demolition has been awarded, commencing in 2022 with the disconnection of services in progress.

TRANSPORTATION

(17.8% spent / 36.8% inclusive of commitments)



 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
Major Traffic Improvement Program As reported in November 2021 via the Urban Services Committee, as part of the Revised Capital Infrastructure Program, planned traffic improvement works in the Greenfields Industrial Estate will be deferred to a future year, noting the associated grant funding had not been secured. Accordingly, this variation reflects the adjustment of \$450k of income which will not be received for this project, as per Resolution 1157/2021.	\$450	(\$450)
Bituminous Paths Program As per Resolution 1102/2021, Council are set to receive \$8k contribution towards path works completed at Walkley Heights from the adjoining City of Port Adelaide Enfield.	\$0	\$8

KEY ACHIEVEMENTSRoad Reseal / Reconstruction Program

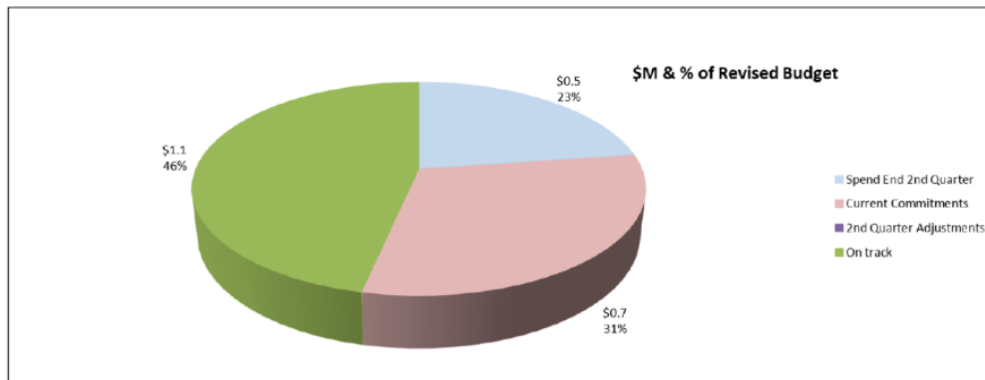
The Road Reseal Program is progressively delivered across the financial year. A significant renewal being delivered as part of the 2021/22 program is the renewal of Mawson Lakes Boulevard, which has been predominantly occurring at night in an effort to minimise the impact to the community.


Major Traffic Improvement Program

Following the successful awarding of grant funding in quarter one for the upgrade to the roundabout at the intersection of Ryans and Martins Roads, Greenfields, the project has progressed through detail design and into procurement. This project is expected to be awarded early 2022 for a construction completion mid-2022.

OTHER CAPITAL CATEGORIES**INFORMATION TECHNOLOGY**

(22.7% spent / 53.4% inclusive of commitments)



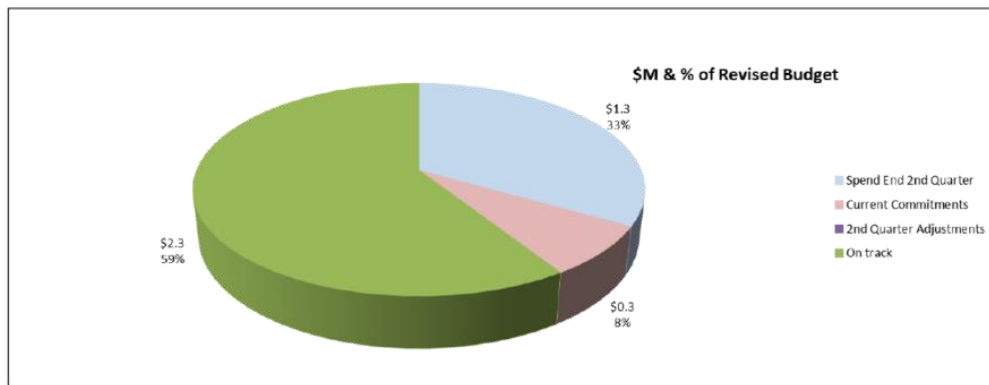
 <u>BUDGET ADJUSTMENTS</u>	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within the Information Technology asset category	\$0	\$0


KEY ACHIEVEMENTS

- Progressing the enabling of central management of CCTV systems, with the pilot site almost complete.
- The desktop asset renewal work has commenced, and after nearly 12 months of delays due to COVID, we are starting to get new devices arriving.
- Work is also continuing on the implementation of the new IT Service Management Tool with the rollout due soon. This tool will introduce a new portal for IT support enabling smarter workflows and more self-help.
- New AV equipment has been installed across various rooms at the Salisbury Community Hub enabling greater access to video conferencing equipment.
- The cyber security program has been progressing with 3 of 7 components awarded and the remaining 4 tenders all being reviewed.
- Significant work to streamline the delivery of software to computers and ensure these systems remain up to date.

SALISBURY WATER BUSINESS

(33.3% spent / 41% inclusive of commitments)



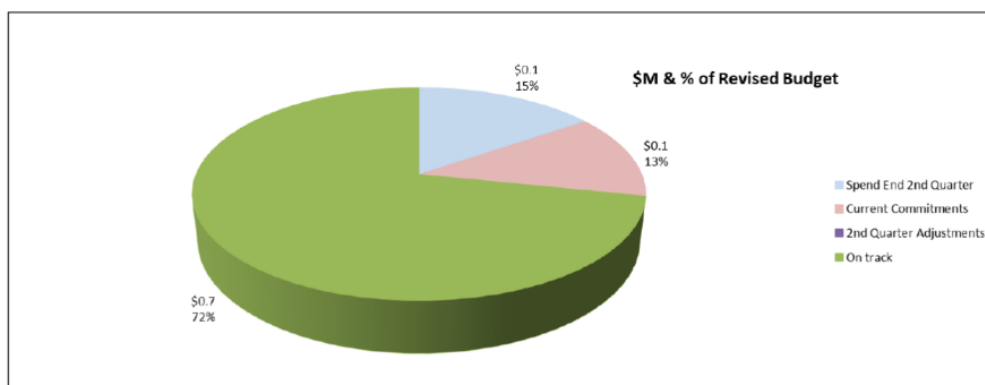
 <u>BUDGET ADJUSTMENTS</u>	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within the Salisbury Water Business	\$0	\$0


KEY ACHIEVEMENTS

- Capital works for the Salisbury Water Business Unit continues to be focused on asset renewal (electrical/Scada upgrade program) and continuation of work at Dry Creek – Greenfields MAR Upgrade with works progressing on the installation of distribution tanks, electrical and connecting pipework.
- Recycled water connection provisions are also now available at Bayview Parade Reserve, Leonard Street Reserve, Kiekebusch Road Reserve and Cordoba Avenue Reserve.

STRATEGIC PROPERTY

(15.4% spent / 28.3% inclusive of commitments)



 BUDGET ADJUSTMENTS	Revised Budget	Second Quarter Adjustment
	\$000	\$000
There were no budget adjustments this quarter within Strategic Property.	\$0	\$0

KEY ACHIEVEMENTS

- Civil and landscape construction is complete on the first of the Tranche 2 projects, Boardwalk at Greentree with 82% of the project site now sold. The remaining Tranche 1 projects are complete, with all sales and settlements finalised. Practical completion has been reached for civil works, public lighting and landscape at Hoyle Green (Irving Place). All allotments have now settled and the first resident has moved in. Further investigations are being undertaken at Walkleys Road Corridor. An Expression of Interest seeking a builder partner was released for Lake Windemere and the results are currently being evaluated. Further investigations are being undertaken on various parcels.

It should be noted that the complex nature of this program can result in timelines extending across multiple years.

Appendix 6 – Savings from Budget Bids

During the preparation of the 2021/22 budget the following bids were approved which had associated savings. These operational savings have been included into the 2021/22 budget.

Budget Bid	2021/22 Savings
WBN000626 Salisbury Water - Solar PV	\$100,000
ITN000656 Asset refresh of client-facing productivity and collaboration equipment	\$31,000
TOTAL	\$131,000

Appendix 7 – Business Unit Reporting

Salisbury Memorial Park

	Year to Date			Full Year		
	Actual	Budget	Variance	Orig.Budget	Rev.Budget	Forecast
Salisbury Memorial Park	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue	250	270	(20)	500	500	500
Expenditure	223	230	7	471	465	465
Surplus/(Deficit)	27	40	(13)	29	35	35

The overall position of the Salisbury Memorial Park at the end of Q2 shows a surplus of \$27,000 versus a budgeted surplus of \$40,000. There were 11 new cremation leases sold during this period (compared to 8 in the same period last year) and 15 new burial leases (versus 18 in the previous year). In both categories, we have seen a significant shift towards leases being purchased at the time of need rather than 'pre-need' sales.

Reduced revenue from the sale of sites in the lawn section and the shrub garden is the major contributor to the current unfavourable revenue variance. Sales in both of these areas has been slower in both Q1 and Q2. There has been a reduction in expenditure that corresponds with the slower sale rate.

The unpredictable nature of sales of both cremation and burial leases makes it difficult to predict whether this deficit will be recouped through the remaining two quarters.

Building Rules Certification Unit

	Year to Date			Full Year		
	Actual	Budget	Variance	Orig.Budget	Rev.Budget	Forecast
Building Rules Certification Unit	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenue	514	465	49	736	786	806
Expenditure	263	272	9	506	497	497
Surplus/(Deficit)	251	193	58	230	288	309

Income for the period is 10% (\$49k) above predictions as a result of increased development application activity from external clients. A portion of this increased revenue (\$20k) has been declared in this quarter and as per the forecast result, potential additional revenue may be declared in the next quarter, subject to the level of development activity.

Salisbury Water

	Year to Date			Full Year		
	Actual	Budget	Variance	Orig.Budget	Rev.Budget	Forecast
Salisbury Water	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
External Revenue	790	839	(49)	2,381	2,381	2,381
Internal Revenue	1,047	1,001	45	3,338	3,338	3,338
Total Income	1,837	1,840	(3)	5,719	5,719	5,719
Expenditure	2,421	2,597	177	5,126	5,126	5,087
Surplus/(Deficit)	(584)	(757)	173	593	593	632

The Salisbury Water Business Unit (SWBU) completed the second quarter of the 2021/22 financial year with a favourable variance of \$173k against the revised budget. With interest rates remaining low, the current full year outlook is a budget surplus of \$632k. Forecasts are largely dependent on weather conditions as the SWBU water supply is highly geared to irrigation and wetter than average conditions are predicted.

Excluding the budgeted depreciation allowance of \$1,948k, it is anticipated that the business will deliver a positive net cash equivalent position of \$2,581k for the year.

Income of \$1,837k has been received to date, which is \$3k below the YTD budget. Operational expenditure was \$177k below the YTD budget due largely to lower operating costs associated with ongoing low interest charges and no significant operational issues, e.g. pipe bursts that are usually associated with dry clay soils.

A total of 816 ML of water was distributed to Salisbury Water customers during the first half of the year. Of this 376 ML was supplied to irrigate Council reserves, sporting ovals and facilities across the City and 440 ML was supplied to external customers including industry, schools and residents. Water supplied to Council facilities for the period is higher than anticipated and can be attributed to an earlier start to the irrigation season during the first quarter. External water use was slightly lower than anticipated and is linked to schools and private community groups who tend to start their irrigation much later than Council. This is a strong result given above average rainfall conditions during the second quarter period.

Good rainfall was received in the first 6 months of this year with 250mm recorded at Parafield Airport which is right on target with the average of 250mm for this time of year. Good rainfall events during October and November contributed significantly towards this result. It is predicated that weather conditions may be slightly wetter and cooler across the remainder of the financial year but no significant impact is expected at this stage.

Rainfall received across the last 6 months has resulted in a total harvest of 2,378 ML (compared to 1,664 ML for this time last year), bringing the combined aquifer balance to 12,600 ML (11,221 ML last year), with available credits of 10,080 ML.

Appendix 8 – Budgeted Financial Statements

The Budgeted Financial Statements and ratios presented in this Appendix reflect **First Quarter Budget Review** resolution, and adopted recommendations resulting from the Second Quarter Budget Review will be incorporated subsequently.

City of Salisbury
Long Term Financial Plan Model
Budgeted Statement of Comprehensive Income

	2022 Budget Revised \$000's	2022 Original Budget \$000's
YEAR ENDING 30 JUNE		
INCOME		
Rates Revenues	106,336	106,336
Statutory Charges	3,115	3,003
User Charges	5,428	5,358
Grants, Subsidies & Contributions	11,202	13,435
Investment Income	98	94
Reimbursements	229	229
Other Income	860	831
Total Income	127,268	129,286
EXPENSES		
Employee Costs	40,587	40,135
Materials, Contracts & Other Expenses	59,725	56,184
Depreciation, Amortisation & Impairment	30,061	30,061
Finance Costs	1,222	1,222
Total Expenses	131,595	127,602
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(4,327)	1,684
Asset Disposal & Fair Value Adjustments	2,940	2,940
Amounts Received Specifically for New or Upgraded Assets	14,880	15,779
Physical Resources Received Free of Charge	1,000	1,000
NET SURPLUS/(DEFICIT)	14,493	21,403
OTHER COMPREHENSIVE INCOME		
Changes in Revaluation Surplus - I, PP&E	41,104	41,671
Total Other Comprehensive Income	41,104	41,671
TOTAL COMPREHENSIVE INCOME	55,597	63,074

Note the above operating deficit does not match the estimated operating surplus of \$2,327k contained within Section 3.3 'Consolidated Funding Statement' as that Statement estimates current year carry forwards of \$2,000k. This estimate cannot be reflected in these Statements as they are required to be prepared in accordance with the Australian Accounting Standards

City of Salisbury
Long Term Financial Plan Model
Budgeted Statement of Financial Position

YEAR ENDING 30 JUNE	2022 Budget Revised \$000's	2022 Original Budget \$000's
ASSETS		
Current Assets		
Trade & Other Receivables	5,970	6,087
Inventories	2,276	2,255
Total Current Assets	8,246	8,342
Non-Current Assets		
Financial Assets	354	354
Equity Accounted Investments in Council Businesses	3,000	3,000
Infrastructure, Property, Plant & Equipment	1,696,478	1,701,083
Intangible Assets	210	210
Other Non-Current Assets	17,810	17,810
Total Non-Current Assets	1,717,852	1,722,457
TOTAL ASSETS	1,726,098	1,730,799
LIABILITIES		
Current Liabilities		
Cash Advance Debentures	72,561	70,951
Trade & Other Payables	17,728	16,779
Borrowings	1,321	1,321
Provisions	9,875	9,875
Total Current Liabilities	101,485	98,926
Non-Current Liabilities		
Borrowings	6,471	6,471
Provisions	2,189	2,189
Total Non-Current Liabilities	8,660	8,660
TOTAL LIABILITIES	110,145	107,586
NET ASSETS	1,615,953	1,623,213
EQUITY		
Accumulated Surplus	399,159	405,852
Asset Revaluation Reserves	1,190,569	1,191,135
Other Reserves	26,225	26,226
TOTAL EQUITY	1,615,953	1,623,213

ITEM	2.1.2
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	21 February 2022
HEADING	Council Finance Report - January 2022
AUTHORS	Sadaf Hashim, Assistant Accountant, Business Excellence Melissa Hamilton, Team Leader Revenue, Business Excellence
CITY PLAN LINKS	4.4 We plan effectively to address community needs and identify new opportunities
SUMMARY	This report provides key financial data as at 31 January 2022 for the information of Council.

RECOMMENDATION

That Council

1. Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

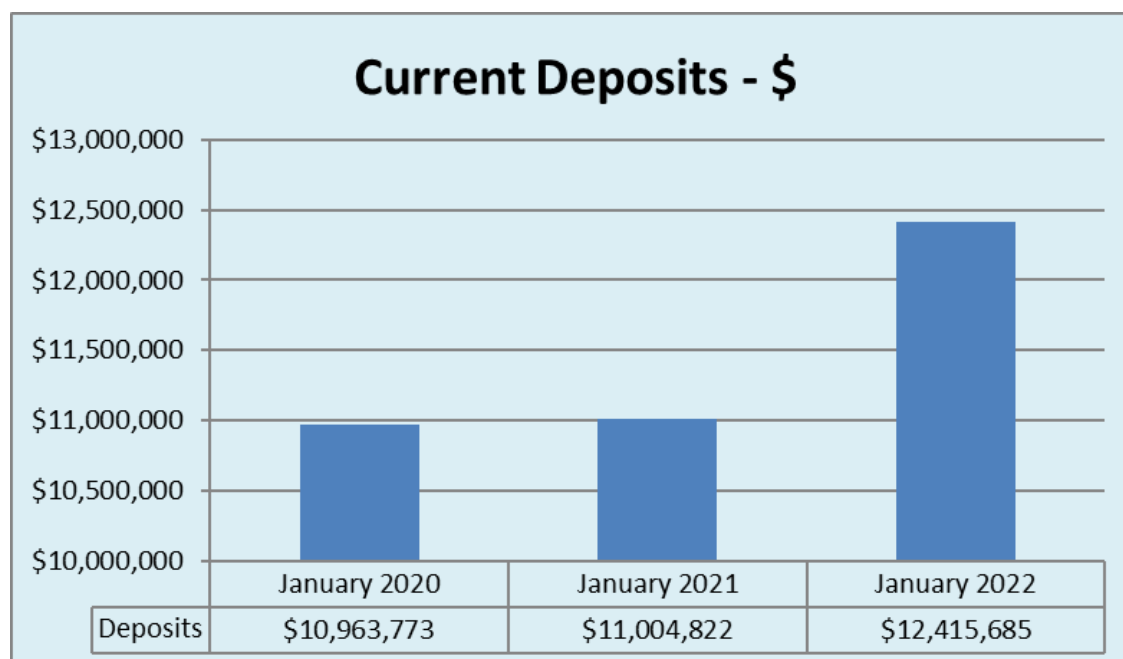
- 1.1 The Treasury Policy requires that a report be prepared detailing fixed borrowings and variable borrowings at the end of the preceding month, together with all investments held, their terms and interest rates. Also included is a summary of Reserve Balances and Rates and Debtor information. The policy 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 as at 31 January 2022

Date	Institution	%	Term-Days	Maturity	Value
31-Jan-2022	LGFA	0.30%	At Call	31-Jan-2022	103,772
31-Jan-2022	NAB	0.60%	At Call	31-Jan-2022	12,311,913
31-Jan-2021	11,004,822			31-Jan-2022	12,415,685



- 2.2 Cash has increased slightly compared to January 2021, primarily as a result of the timing of the delivery of the Infrastructure program and higher levels of capital income received at the end of 2021 relating to specific infrastructure programs. Whilst there are cash holdings, it should be noted that there is significant expenditure to come due to the scale of the Infrastructure program which will gradually reduce this cash balance. Compared to cash holdings reported in Item 2.1.2 October 2021 Finance Report (Resolution 1152/2021), cash has already reduced \$6.4M from \$18.8M to the current level.
- 2.3 As at 31 January 2022, Council has not needed to draw down on existing cash advance debenture facilities (CAD's) for the 2021/22 year. The Council's cash holdings and borrowings will be monitored closely and when necessary we will draw down on the existing CAD facilities, noting there are appropriate levels of facilities available to manage any cash shortfalls. With the reduction in the Infrastructure Program for 2021/22 of \$43.0M (as resolved by Council through Urban Services Committee Report November 2021 Item 4.1.6 and reflected in the Second Quarter Budget review on tonight's agenda) borrowing requirements will be reduced in 2021/22 with higher borrowings in 2022/23 as a result of changes in project cashflows and project deferrals.

2.4 Reserves as at 31 January 2022

	Opening Balance as 1/07/2021	Transfer to Reserves	Transfer from Reserves (Budgeted)	Current Balance
Open Space Reserve	1,481,156	34,909	-	1,516,065
Car Parking Reserve	951,131	1,682	-	952,813
Property Disposal Reserve	2,436,573	-	-	2,436,573
Mausoleum Perpetual Care Fund	875,275	23,590	-	898,865
Salisbury Memorial Park Reserve	915,135	1,618	-	916,753
Developer and Public Infrastructure Reserve	1,755,644	678,852	424,000	2,010,496
Salisbury Water Business Unit Reserve	3,064,469	-	-	3,064,469

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 these amounts being applied to specific projects, or to reduce loan borrowing requirements.

2.6 At 31 January 2022 the most significant movements are the transfers to the Developer and Public Infrastructure Reserve of \$628k with significant items being a contribution of \$406k relating to the Vicinity Stage 3 development and \$222k returned to the Reserve relating to the Developer Funded Infrastructure program works that were either not required or not completed in the 2020/21 year. Transfers from the Developer and Public Infrastructure Reserve of \$424k relate to funding associated with the Developer Funded Infrastructure Program for the 2021/22 year, which was endorsed as part of the original budget.

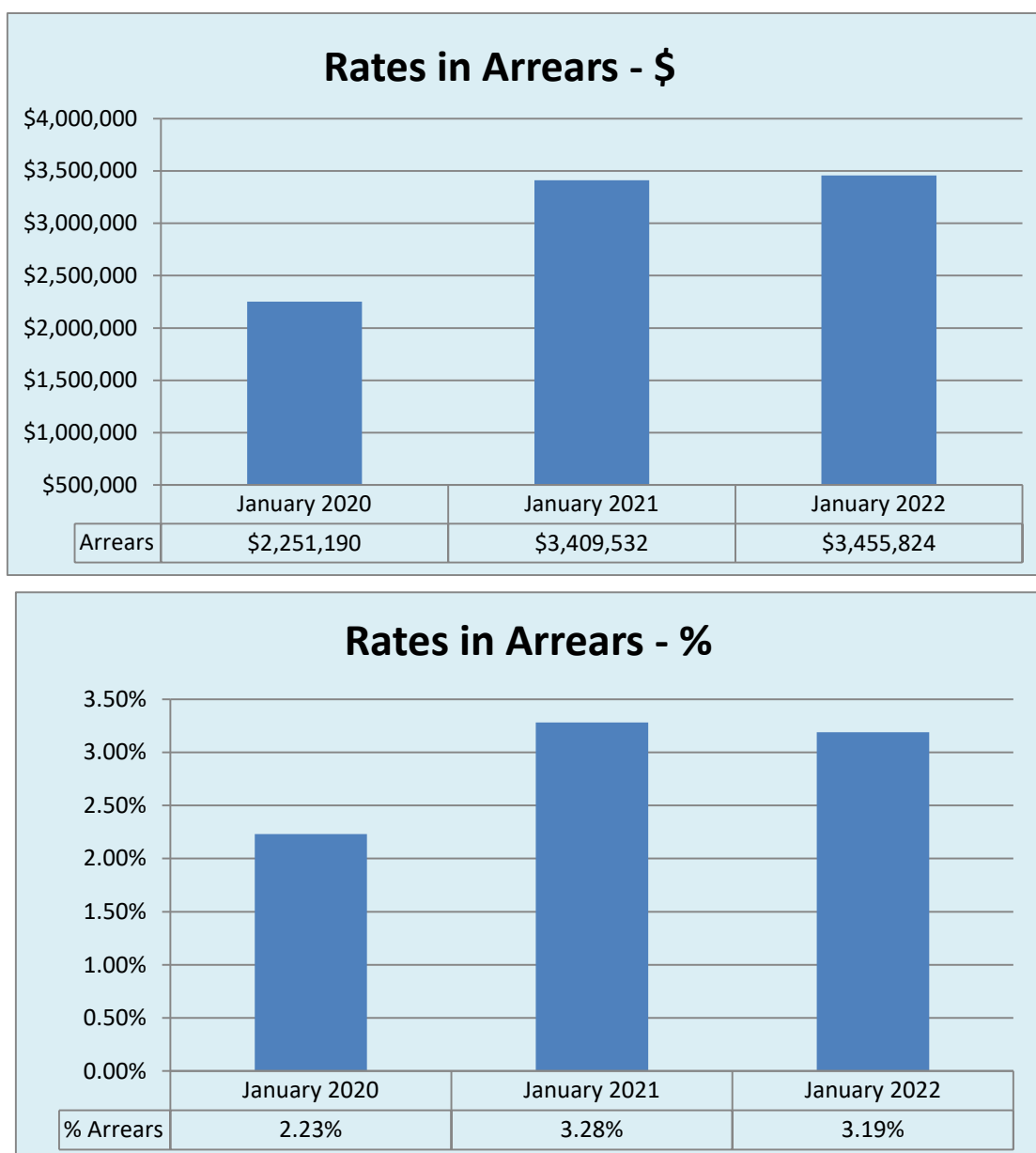
2.7 Other smaller movements include a transfer to the Open Space Reserve of \$33k which also relates to the Vicinity Stage 3 development, \$22k contributions received to the Mausoleum Perpetual Care Fund, other various smaller contributions towards the Developer and Infrastructure Reserve \$49k and interest allocations totaling \$8.5k across all the reserves.

2.8 It should be noted that interest is apportioned on the balances of the Reserves on a monthly basis based on the LGFA at call rate at the beginning of the month, with Salisbury Water Business Unit Reserve and the Property Disposal Reserve being the only exceptions.

2.9 Recovery of Rates as at 31 January 2022

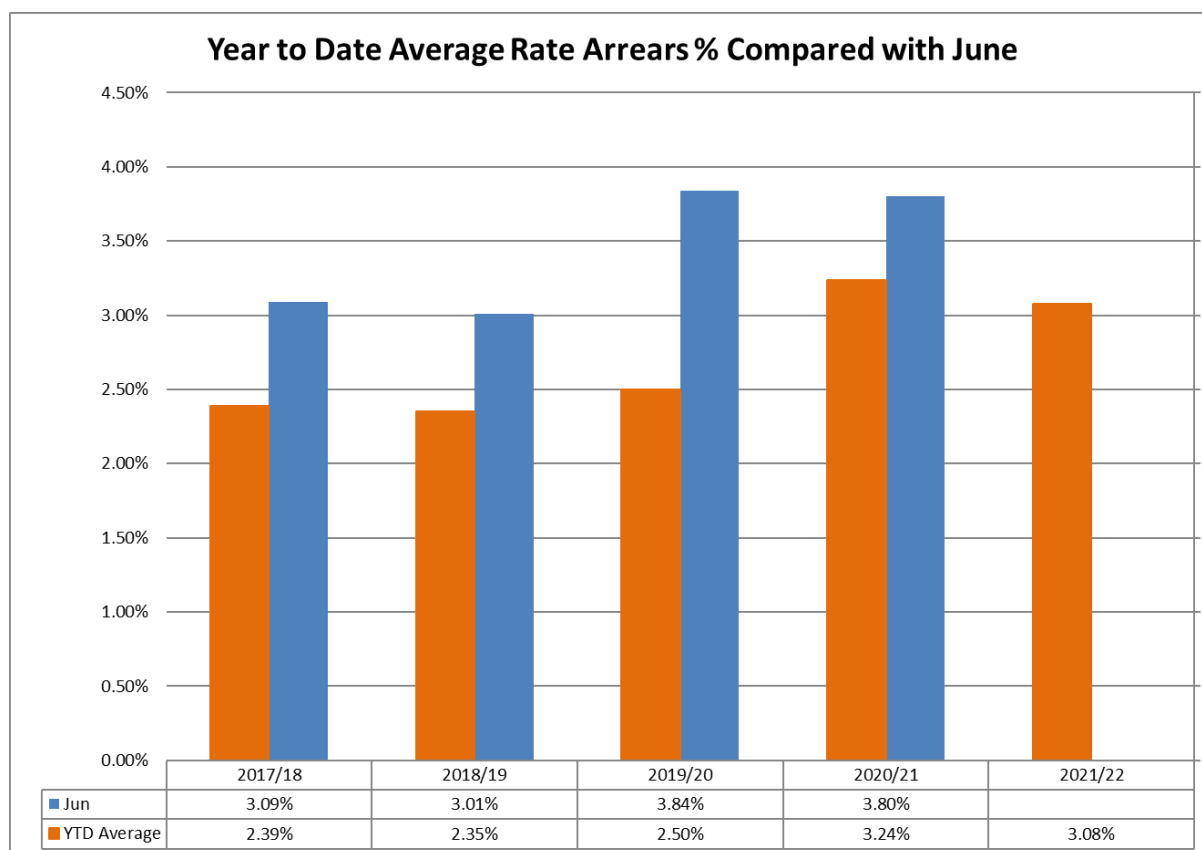
	No of Accounts	\$	%
Outstanding Balance as at 31 January 2022*		40,845,282	38.43%
Outstanding Balance as at 31 January 2021*		40,533,347	39.81%
Outstanding Rates Arrears as at 31 January 2022	4,890	3,455,824	3.19%
Outstanding Rates Arrears as at 31 January 2021	5,128	3,409,532	3.28%

**The calculation of the outstanding balance is comprised of the amount outstanding at the time of the report, offset by payments that have been received in advance. In previous reports, these amounts had also included Water Debtors and comparisons have been adjusted accordingly.*



- 2.10 The level of Council Rates in arrears at 31 January 2022 is 3.19% which is above the target maximum level for Rates Arrears of 2.5%. It was anticipated that the level of arrears would increase as a result of the extended payment date for the June fourth quarter rates in the 2020 financial year and also into the 2021 financial year for the first and second quarter installments, for those meeting the COVID-19 Hardship Policy.
- 2.11 As part of the ongoing focus on greater customer engagement, a solution was implemented that better supports customers with long outstanding rate debts. The solution utilises technology to be more customer driven in that the ratepayer chooses how their engagement occurs. The process is managed by our debt collectors Credit Solutions, with communications co-branded with City of Salisbury. The first campaign was conducted between the period May 2021 and September 2021 and was well received by the cohort of ratepayers and proved an effective tool in reducing rate arrears. This process will be embedded into standard collection practices going forward.

- 2.12 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 normalises the cyclical impacts. The graph below depicts the average year to date rate arrears, with the average to January being 3.08%.



2.13 Other Debtors as at 31 January 2022

Debtor Type	Current	30 – 60 days	60 - 90 days	Over 90 days	Total
Sundry	135,400	364,000	81,300	61,533	642,233
Salisbury Water	-	12,822	-	-	12,822
Health Licensing Fees	2,489	1,769	1602	10,764	16,624
Property Management	77,447	20,887	39,821	13,655	151,810
Inflammable Undergrowth	0	0	0	1,554	1,554
TOTAL	215,336	399,478	122,723	87,506	825,043

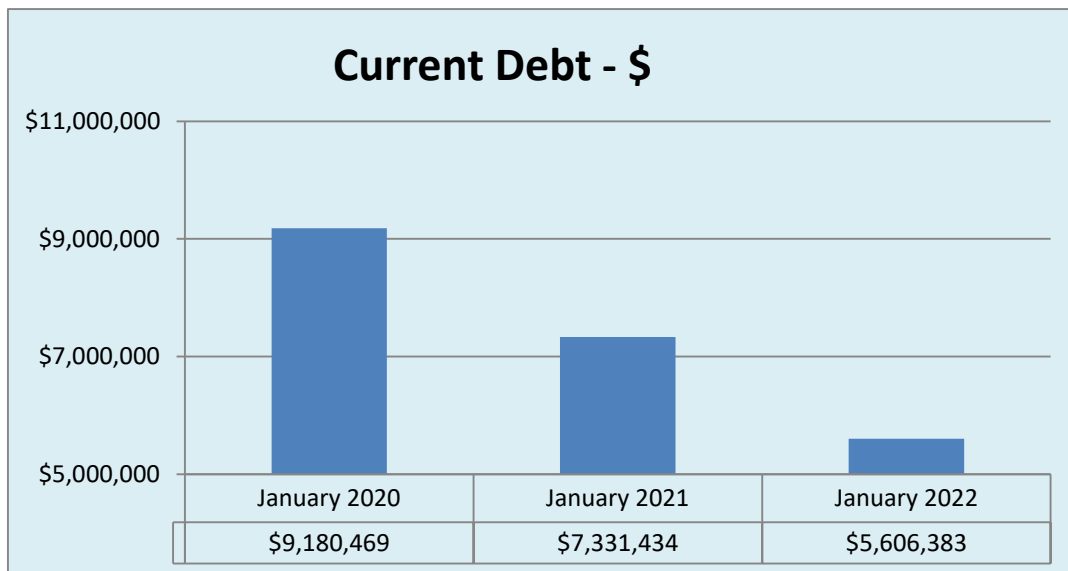
- 2.14 The above aged analysis represents Councils other debtors as at 31 January 2022. The total debtors current balance is \$215,336 and includes various invoices raised in the standard course of business. All of these invoices are expected to be paid in the upcoming periods.

- 2.15 The aged analysis also represents Council's other debts outstanding as at 31 January 2022. Debts outstanding greater than 90 days account for 10.6% 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 Council's debt collection agency.

2.16 Loan Schedule as at 31 January 2022

Debenture Loans	
Principal Outstanding as at 1 July 2021	6,444,861
Loans Raised Year to Date	-
Repayments of Principal Year to Date	838,478
Loan Principal Outstanding - Debenture Loans	5,606,383
Cash Advance Debenture Borrowings (CADs)	
Total CAD's available	50,317,000
Current CAD's drawdown amount year to date	0
Balance of CAD's available	50,317,000
Interest Payments (Debenture Loans and CADs)	
Interest Payments - Debenture Loans	247,509
Interest Payments - CAD's	
Total Interest Payments	247,509

- 2.17 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 in December 2021 and another due in June 2022. There has been no drawdown on CAD's for the 2021/22 year as at 31 January 2022.
- 2.18 Not included in the above loan schedule is the \$365k Debenture Loan secured for special purpose borrowings, which is offset by a Loan Receivable. It should be noted that this loan receivable was equivalent to the Debenture loan payable of \$365k, however as loan repayments were deferred by Council for a period of 6 months with interest capitalized during this period (resolution 0492/2020), the Loan Receivable is now higher at \$378k.
- 2.19 The table below shows the level of fixed term loans and drawn down debt held by Council at the same time for the last three financial years and demonstrates a steady decrease in fixed term debt. This has resulted from Council's decision to utilise property development proceeds to offset borrowing requirements in prior years, and the shift to CADs which are drawn down as required.



2.20 Net Financial Liabilities Ratio Comparison



2.21 The graph above shows the net financial liabilities ratio (NFL) comparison for the 2021 and 2022 financial years as at the time of preparation of each Council finance report, with the 2021 end of financial year result updated to the audited amount. Council's endorsed range for the NFL is less than 70% as approved for the 2021/22 budget year which is represented by the green shaded area on the graph.

2.22 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.

- 2.23 As can be seen the trend is that early in both financial years Council is in a strong net financial assets position. 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 infrastructure program is delivered. At the end of the 2020/21 year Council was in a net financial liability position with a ratio of 11.3% which is in the endorsed range.
- 2.24 As part of setting the 2022 Budget and Long-Term Financial Plan, Council took the decision to support economic recovery following the COVID-19 pandemic, via a range of initiatives including an expanded infrastructure program. This has resulted in sitting outside of the approved target range for this indicator for the first three years of the plan and then within the range for the rest of the life of the plan. Sitting above the range for a short period is not an issue as the plan reflects that it is short term, and in response to extraordinary circumstances.
- 2.25 The budgeted ratio for 2021/22 is for a net financial liabilities position of 78.2%. Currently the actual ratio is a net financial asset position of 27.1%, however it is expected that over the upcoming quarters as the expanded Infrastructure program is delivered, cash holdings will be depleted and the levels of trade payables and debt will increase as drawdowns are made on the CAD facilities, resulting in the Ratio trending upwards significantly towards the budgeted figure. However, with the reduction in the Infrastructure Program for 2021/22 of \$43.0M (as resolved by Council through Urban Services Committee Report November 2021 Item 4.1.6 and reflected in the Second Quarter Budget Review on tonight's agenda) borrowing requirements will be reduced in 2021/22 and the net financial liabilities ratio will be below (favourable) to the budgeted expectation.

3. CONCLUSION / PROPOSAL

- 3.1 The analysis above demonstrates that Council is currently in a sound financial position, considering the adverse impacts on our cash holdings early in the year. It should be noted that Council has appropriate levels of borrowing facilities to manage any cash shortfalls that may result.

ITEM 2.1.3

FINANCE AND CORPORATE SERVICES COMMITTEE

DATE 21 February 2022

HEADING NAWMA (Northern Adelaide Waste Management Authority) First Quarter Budget Review 2021/2022

AUTHORS Kate George, Manager Financial Services, Business Excellence
Joe Scordo, Senior Management Accountant, Business Excellence

SUMMARY

Northern Adelaide Waste Management Authority have provided their First Quarter Budget Review 2021/2022, and this report provides Council the opportunity to consider these budget revisions.

RECOMMENDATION

That Council

1. Approves the First Quarter Budget Review of the Northern Adelaide Waste Management Authority as contained in Attachment 1 to this report (Finance and Corporate Services 21/02/2022, Item No. 2.1.3).

ATTACHMENTS

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

1. NAWMA Budget Review One

1. BACKGROUND

- 1.1 NAWMA have prepared their First Quarter Budget Review which was considered by their Audit Committee and Board 25 November 2021.
- 1.2 The *Local Government (Financial Management) Regulations 2011* Part 9 – Review of budgets, requires regional subsidiaries to prepare quarterly budget reviews. Also, the *Local Government Act 1999* Schedule 2, Provisions applicable to subsidiaries, Part 2 – Regional subsidiaries established by two or more councils, Section 25 Budget states

(3) A subsidiary may, with the approval of the council, amend its adopted budget for a financial year at any time before the year ends
- 1.3 Consequently, it is a requirement of the Act and Regulations that Council must review and considers whether the Budget Review will be approved.

2. CONSULTATION / COMMUNICATION

Not applicable

3. REPORT

- 3.1 NAWMA First Quarter Budget Review, Attachment 1, forecasts a reduction in operating surplus from the original budget position of \$97k surplus, to a revised \$34k surplus. Revised income is forecast to increase \$2.425M through increased revenue from the sale of recycled paper and cardboard, \$2.05M and a new service contract, \$365k. This is offset by forecast increased expenditure of \$2.487M associated with future project costs, \$2.22M, removal of the Gate Fee to Constituent Council's, \$80k and a provision for consulting and legal costs \$187k.
- 3.2 Budget Reviews are an opportunity for councils and regional subsidiaries to consider changes required to the original budget to make the budget more relevant given changes in the operating environment, and to support adjusting plans and associated resources to meet objectives.
- 3.3 Where NAWMA's revisions are appropriate to reflect into City of Salisbury's Budget this will occur at our next budget review, and we will seek further information to enable this to occur. Typically, we budget for regional subsidiaries to break even.

4. CONCLUSION / PROPOSAL

- 4.1 Given the importance of having a revised budget position to set achievable goals and meet objectives, Council are encouraged to consider and approve NAWMA's First Quarter Budget Review 2021/22.



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And our Client Rural and Regional Councils

Agenda Item 8.1

Report Subject:	FY21/22 Budget Review One (BR1)	Report Author:	Chief Financial Officer
Meeting Date:	25 November 2021	Report Type:	Information report (governance, financial)
Attachments:	8.1.1 – FY20/21 Budget Review One (BR1) Uniform Presentation of Finances		

RECOMMENDATION

That the Board endorses Budget Review One (BR1) financial reports for the 2021/2022 financial year, noting that the revised budget consists of:

- A total estimated operating income of \$46.66M,
- A total estimated operating expenditure of \$46.62M, and;
- An operating surplus of \$34k.

Purpose of the Report

To provide the Board with the opportunity to review Budget Review One (BR1) for any changes in circumstances and priorities since the adoption of the Budget in June 2021.

Background

NAWMA must reconsider its Budget between 30 September and 31 May (inclusive) in each Budget Year as required by the Local Government (Financial Management) Regulations 2011 and reinforced in the Authority Charter.

This Report contains Budget Review One (BR1) for the 2021/2022 financial year. Subsequent Reports scheduled for February 2022, and April 2022 will contain Budget Review Two (BR2) and Budget Review (BR3) respectively.

Report

The Original Budget was drafted by NAWMA Administration in February 2021, and endorsed by the NAWMA Board in late June 2021. Since then, there have been a number of material changes and sustainable revenue improvements which are required to be updated in Budget Review One (BR1).

Operating Budget

The operating surplus has been slightly adjusted from \$97k in the Original Budget to \$34k in Budget Review One (BR1). Table 1 summarises the impact of the Budget Review Items in each category.

Table 1: Key Adjustment – Budget Review One (BR1) vs Original Budget

Operating Position	Amount (\$)	Note
Original Budget 2021/2022	<u>97k</u>	



Increased revenue from the sales of recycled paper and cardboard	2.05M	A strong rebound on the sale prices of Recycled Paper and Cardboard since early months of this financial year. It is anticipated by the Market Intelligence (RISI) that the sale prices of Recycled Paper and Cardboard would remain favourable to the pricing included in the Original Budget. NAWMA remains cautious of the volatility of this market due to dropping market prices more recently, and has implemented rise and fall service contracts with client Councils to assist in mitigating this risk
New Service Contract	375k	Ongoing increase in gate fee revenue. New contract began in early this financial year.
Cost associated with Critical Paths (Landfill Alternative Project)	(2.22M)	The expenditure endorsed by the NAWMA Board in relating to the Critical Path Gateways of the Landfill Alternative Project around June 2021. The Project Manager expects the projected costs for Gateway 1 & Gateway 2 of the Critical Path (approx. \$2.2M) to be incurred within the 2021/2022 financial year. (The cost breakdown is outlined in the separate agenda item 8.1)
Removal of \$5 gate fee for Constituent Councils, effective from 1 st of September	(80k)	This temporary Gate Fee to Constituent Councils has been reduced from \$5 to \$0 from the 1 st of September 2021, providing direct cost relief to our Constituent Councils
Provision for the consulting and legal cost	(187k)	The associated legal costs are estimated about \$60k, along with approx. \$127k of the consulting and S&W costs.
Total Key Budget Variations	(62k)	Unfavourable
Total BR1 Operating Position	<u>\$34k</u>	

The Uniform Presentation of Finances Statements are appended for the information of the Board at Attachment 8.1.1.

Capital Budget

In this Budget Review One (BR1) the Capital Expenditure to 30 June 2022 is expected to be \$1.51M, which remains the same as the Original Budget. It has consisted of Research Road Resource Recovery Centre Upgrades and Business ICT Systems Upgrade.



Northern Adelaide Waste Management Authority**Uniform Presentation of Finances**

2020/21 \$000 Actual		2021/22 \$000 Adopted Budget	2021/22 \$000 Proposed BR1
45,926	Operating Revenues	44,305	46,656
(44,112)	Operating Expenses	(44,208)	(46,622)
1,814	Operating Surplus / (Deficit)	97	34
Net Outlays on Existing Assets			
-	Capital Expenditure on renewal and replacement of Existing Assets	(10)	(10)
3,250	Depreciation, Amortisation and Impairment	3,083	3,083
-	Proceeds from Sale of Replaced Assets	-	-
3,250		3,073	3,073
less Net Outlays on New and Upgraded Assets			
(27)	Capital Expenditure on New and Upgraded Assets	(1,500)	(1,500)
77	Amounts received specifically for New and Upgraded Assets	-	-
-	Proceeds from Sales of Replaced Assets	-	-
50		(1,500)	(1,500)
5,114	Net Lending / (Borrowing) for Financial Year	1,670	1,607

Northern Adelaide Waste Management Authority**Statement of Comprehensive Income**

2020/21 \$000 Actual		2021/22 \$000 Adopted Budget	2021/22 \$000 Proposed BR1
Income			
45,571	User Charges	43,898	46,161
240	Investment Income	167	167
-	Reimbursements	-	-
115	Other	240	328
45,926	Total Income	44,305	46,656
Expenses			
3,827	Employee Costs	3,961	3,961
36,523	Materials, Contracts and Other Expenses	36,734	39,148
3,250	Depreciation, Amortisation and Impairment	3,083	3,083
512	Finance Costs	430	430
-	Other Expenses	-	-
44,112	Total Expenses	44,208	46,622
1,814	Operating Surplus / (Deficit)	97	34
-	Net Gain / (Loss) on Disposal of Assets	-	-
77	Amounts received specifically for new/upgraded assets	930	930
1,891	Net Surplus / (Deficit)	1,027	964
Other Comprehensive Income			
-	Other Comprehensive Income	-	-
1,891	Total Comprehensive Income	1,027	964

Northern Adelaide Waste Management Authority

Statement of Cash Flows

2020/21 \$000 Actual		2021/22 \$000 Adopted Budget	2021/22 \$000 Proposed BR1
Cash Flows from Operating Activities			
45,358	Operating Receipts	44,138	46,489
240	Investment Receipts	167	167
(39,439)	Operating Payments	(40,755)	(43,109)
(462)	Finance Payments	(430)	(430)
<u>5,697</u>	Net cash provided by (used in) operating activities	<u>3,120</u>	<u>3,117</u>
Cash Flows from Investing Activities			
77	Amounts specifically for new or upgraded assets	-	-
-	Sale of Replaced Assets	-	-
-	Expenditure on Renewal/Replacement Assets	(10)	(10)
(27)	Expenditure on New/Upgraded Assets	(1,500)	(1,500)
<u>50</u>	Net cash provided by (used in) investing activities	<u>(1,510)</u>	<u>(1,510)</u>
Cash Flows from Financing Activities			
-	Proceeds from Borrowings	900	900
(891)	Repayment of Borrowings	(1,248)	(1,205)
(1,493)	Repayment of Lease Liabilities	(1,589)	(1,589)
<u>(2,384)</u>	Net cash provided by (used in) financing activities	<u>(1,937)</u>	<u>(1,894)</u>
3,363	Net Increase (Decrease) in cash held	(327)	(287)
3,804	Cash & Cash Equivalents at the beginning of the period	4,170	7,167
<u><u>7,167</u></u>	Cash & Cash Equivalents at the end of the period	<u><u>3,843</u></u>	<u><u>6,880</u></u>

Northern Adelaide Waste Management Authority

Statement of Financial Position

2020/21 \$000 Actual		2021/22 \$000 Adopted Budget	2021/22 \$000 Proposed BR1
Current Assets			
7,167	Cash & Cash Equivalents	3,843	6,880
4,167	Trade & Other Receivables	3,848	4,167
27	Stock on Hand	25	27
11,361	Total Current Assets	7,716	11,074
Non-Current Assets			
-	Financial Assets	-	-
22,914	Infrastructure, Property, Plant and Equipment	19,116	21,341
22,914	Total Non-Current Assets	19,116	21,341
34,275	Total Assets	26,832	32,415
Current Liabilities			
6,667	Trade & Other Payables	5,296	5,737
2,527	Borrowings	1,442	1,442
366	Provisions	255	366
9,560	Total Current Liabilities	6,993	7,545
Non-Current Liabilities			
-	Trade & Other Payables	-	-
5,388	Provisions	3,442	5,388
10,512	Borrowings	8,817	9,703
15,900	Total Non-Current Liabilities	12,259	15,091
25,460	Total Liabilities	19,252	22,636
8,815	Net Assets	7,580	9,779
Equity			
8,155	Accumulated Surplus	6,920	9,119
660	Asset Revaluation Reserve	660	660
8,815	TOTAL EQUITY	7,580	9,779

Northern Adelaide Waste Management Authority

Statement of Changes in Equity

2020/21 \$000 Actual		2021/22 \$000 Adopted Budget	2021/22 \$000 Proposed BR1
Accumulated Surplus			
6,264	Balance at beginning of period	5,893	8,155
1,891	Net Surplus / (Deficit)	1,027	964
-	Transfers from reserves	-	-
-	Transfers to reserves	-	-
-	Distribution to Councils	-	-
<u>8,155</u>	Balance at end of period	<u>6,920</u>	<u>9,119</u>
Asset Revaluation Reserve			
660	Balance at beginning of period	660	660
-	Gain on Revaluation of Property, Plant and Equipment	-	-
-	Transfers from reserve	-	-
<u>660</u>	Balance at end of period	<u>660</u>	<u>660</u>
<u>8,815</u>	Total Equity	<u>7,580</u>	<u>9,779</u>