



AGENDA

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

**20 FEBRUARY 2023 AT THE CONCLUSION OF THE POLICY AND PLANNING
COMMITTEE**

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

MEMBERS

Cr B Brug (Chairman)
Mayor G Aldridge
Cr G Bawden
Cr L Brug (Deputy Chairman)
Deputy Mayor, Cr C Buchanan
Cr S Burner
Cr J Chewparsad
Cr A Graham
Cr K Grenfell
Cr D Hood
Cr P Jensen
Cr M Mazzeo
Cr S McKell
Cr S Ouk

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 Council Governance, Ms J O'Keefe-Craig
Governance Support Officer, Ms K Boyd

APOLOGIES

Apologies have been received from Cr D Hood and Cr M Mazzeo.

LEAVE OF ABSENCE

PRESENTATION OF MINUTES

Presentation of the Minutes of the Finance and Corporate Services Committee Meeting held on 23 January 2023.

REPORTS

Administration

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For Decision

2.1.1	Second Quarter Budget Review 2022/23	7
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2.1.3	NAWMA (Northern Adelaide Waste Management Authority) First Quarter Budget Review 2022/23	77

QUESTIONS ON NOTICE

There are no Questions on Notice.

MOTIONS ON NOTICE

There are no Motions on Notice.

OTHER BUSINESS

(Questions Without Notice, Motions Without Notice, CEO Update)

CLOSE



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

23 JANUARY 2023

MEMBERS PRESENT

Cr Beau Brug (Chairman)
Mayor G Aldridge
Cr Lauren Brug (Deputy Chairman)
Cr C Buchanan
Cr J Chewparsad
Cr A Graham
Cr K Grenfell
Cr D Hood
Cr P Jensen
Cr M Mazzeo
Cr S McKell
Cr S Ouk
Cr S Reardon

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
Governance Support Officer, Ms K Boyd

The meeting commenced at 8.20 pm.

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

APOLOGIES

There were no apologies.

NOT PRESENT

Cr S Burner and Cr G Bawden

LEAVE OF ABSENCE

Nil

PRESENTATION OF MINUTES

Moved Cr S Reardon
 Seconded Cr P Jensen

The Minutes of the Finance and Corporate Services Committee Meeting held on 17 October 2022, be taken as read and confirmed.

CARRIED
 UNANIMOUSLY

REPORTS

Administration

2.0.1 Future Reports for the Finance and Corporate Services Committee

Moved Cr L Brug
 Seconded Cr K Grenfell

That Council:

1. Notes the report.

CARRIED
 UNANIMOUSLY

QUESTIONS ON NOTICE

Nil

MOTIONS ON NOTICE

Nil

OTHER BUSINESS

(Questions Without Notice, Motions Without Notice, CEO Update)

Nil

The meeting closed at 8.22 pm.

CHAIRMAN.....

DATE.....

ITEM	2.0.1
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	20 February 2023
HEADING	Future Reports for the Finance and Corporate Services Committee
AUTHOR	Hayley Berrisford, PA to General Manager Business Excellence, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This item details reports to be presented to the Finance and Corporate Services Committee as a result of a previous Council resolution. If reports have been deferred to a subsequent month, this will be indicated, along with a reason for the deferral.

RECOMMENDATIONThat Council:

1. Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

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

2. CONSULTATION / COMMUNICATION

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

3. REPORT

- 3.1 The table below outlines the reports to be presented to the Finance and Corporate Services Committee as a result of a Council resolution.

Meeting Item	- Heading and Resolution	Officer
28/02/2022 2.4.1 Due:	Update on Action on Rates Assessment Outstanding under Section 184 of the Local Government Act 1999 Council has previously resolved this resolution to be confidential. April 2023	Melissa Hamilton
27/06/2022 4.1.10 Due: Deferred to: Reason:	New Grant funding for Infrastructure Projects 5. Authorises the Chief Executive Officer to distribute the \$1.1M across the grant related projects stated in paragraphs 4.2.2 and 4.2.4 of the report (Item 4.1.10 – New Grant Funding for Infrastructure Projects – Urban Services Committee, 20 June 2022) with these allocations to be summarised within the following Quarterly Budget. February 2023 February 2024 The approved \$1.1M budget allocation relating to New Grant Funding for Infrastructure Projects is included in the second quarter budget review report being considered by the Finance and Corporate Services Committee in February 2023.	Christy Martin
22/08/2022 5.1.3 Due: Deferred to: Reason:	Proposed Event Calendar 2023-2025 4. Notes that a New Initiative Bid be considered for the balance of the event calendar for 2023/24 and 2024/25 February 2023 March 2023 This will be presented to Council as part of the budget process for 2023/24 as a Budget Bid in March 2023.	Michelle Dagger

4. CONCLUSION / PROPOSAL

- 4.1 Future reports for the Finance and Corporate Services Committee have been reviewed and are presented for noting.

ITEM	2.1.1 FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	20 February 2023
HEADING	Second Quarter Budget Review 2022/23
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 2022/23 Second Quarter Budget Review report.
2. Approves the budget variances identified in this review and contained in the Budget Variation Summary (Appendix 1) (Item No. 2.1.1, Finance and Corporate Service Committee, 20 February 2023), and net capital and operating \$2,326,608 be credited to the Sundry Project Fund. This will bring the balance to \$2,326,608.
3. Approves the allocation of funding for the following non-discretionary net bids:

OPERATING

Church / John Street Service Level Provision	\$99,250
Cobbler Creek Trail Maintenance	\$11,000
Community Bus	\$105,000
Membership Fee Adelaide Coastal Councils Network managed by the LGA	\$5,500
New Events Calendar	\$68,000
Residual Current Device Installation Works	\$60,000
Transfer of Land and Buildings - Salisbury Bowling Club In	\$95,000

CAPITAL

Burton Community Hub Door Upgrades	\$150,000
Burton Park New Signage	\$15,000
City Centre Revitalisation - Church & John Street Upgrade	\$900,000
City of Salisbury Funding in Alignment with State Government	\$1,100,000
Infrastructure Project Grant Funding	
Lindblom Park, Pooraka, Sportsfield Lighting Renewal	\$238,000
St Albans Drive Reserve, Salisbury Heights, Playspace Additional Funding	\$112,000
TOTAL	\$2,958,750

NB: If parts 1, 2 & 3 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to (\$632,142).

4. Approves the allocation of funding for the following Discretionary net bids:

OPERATING

Fleet Fuel Budget	\$150,000
Tree Pruning & Removal Budget	\$200,000
Insurance Premiums	\$66,000

TOTAL **\$416,000**

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 (\$1,048,142).

5. Approves the following transfers:

Bowls SA Open Pairs Event Sponsorship	\$30,000
Lindblom Park, Pooraka, Sportsfield Lighting Renewal	\$200,000
Organisational Development Initiatives	\$89,400
Project Budget Transfer Between Yalumba Drive Res & Paddocks New	\$389,000
Clubrooms in Alignment with Contract Values	
Transfer of funds for Climate Change Risk Assessment	\$20,000
Transfer of funds for Salisbury City Centre Consulting & Legal Fees	\$147,000
Transfer of Consulting Fees Fund from CEO to Strategic Property	\$15,000
Acquisition of Salisbury Bowling Club	\$25,000

NB: If parts 1, 2, 3, 4 & 5 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to a balance of (\$1,048,142).

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

(NB: If parts 1 to 5 of this resolution are moved as recommended, loan borrowings in 2022/23 will increase by \$1,048,142.

ATTACHMENTS

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

- 2022/23 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 2022/23 has been prepared.

2. CONSULTATION / COMMUNICATION

2.1 Internal

- 2.1.1 The processes of preparing the Budget Review requires 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 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 due to favourable operating budget variations (Appendix 1) included in this review.
- 3.2 Being in deficit means that our operating income is exceeded by our planned expenditure. As a result care should be exercised in considering any further increases to expenditure or expansion of services as this will result in a larger deficit than is currently forecast.
- 3.3 The original budget was for an operating surplus of \$1,229k, revised to a forecast deficit of \$6,662k following adoption of the 2022/23 first quarter review. The early receipt of the 2022/23 Financial Assistance Grant and Untied Local Roads Grant in 2021/22, and 2021/22 carry forwards has a material impact to the operating result. The revised forecast position, should Council approve the proposed 2022/23 second quarter budget review, is improved by \$1,025k to an operating deficit of \$5,637k.
- 3.4 The revised forecast deficit has assumed the 2022/24 payment for Financial Assistance Grant and untied Local Roads Grant will be made in the 2023/24 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

- 3.5 Budget Review Operating Bids total \$860k, and Capital Bids total \$2,515k, with most of these items supported by separate reports to Council and resolutions where appropriate are referenced throughout the report and within bid details.

Borrowings and Net Financial Liabilities

- 3.6 Loan Borrowing requirements for 2022/23 were considered in August 2022, with the original budget indicative net loan borrowings being \$38.4M. Offsetting this were Surplus Facilities from 2021/22 of \$38M, resulting in indicative net borrowings of \$0.4M, with Council noting there is no need to establish additional facilities at this time (resolution 1440/2022).

- 3.7 The outcome from First Quarter Budget Review variations was an indicative net investment position of \$741k. The loan borrowings position as proposed in the 2022/23 second quarter review, should it be approved by Council, will result in an indicative net borrowings position of \$307k.

Infrastructure Program

- 3.8 The original expenditure budget for the capital program of \$74.4M has increased to \$107M, the result of carry forward funds and changes resulting from grant funded projects.
- 3.9 The table below provides percentage completed details.

		% of Original Budget (\$74.4M)	% of Revised Budget (\$107M)
Spent to Date	\$27.4M	37%	26%
Spend + Commitments	\$71.9M	97%	67%

- 3.10 While there was a reduction in progress on the Capital Program during the second quarter of this year, due mainly to supply related matters, good progress has been made at the start of quarter three; this particularly relates to the contract award of the road reseal program. Typically quarters three and four have the highest spend, with a year end result expected to be similar to previous years; that is around 80% committed or delivered. Many of the remaining projects that will be in progress at year end are due to seasonal related delivery, or long supply chains delays.
- 3.11 Further detail to the Capital Expenditure program is provided at Appendix 5 in Attachment 1.

4. CONCLUSION / PROPOSAL

- 4.1 It is proposed that Council consider the Second Quarter Budget Review 2022/23 Report, attached, and approve the Recommendations as detailed in Section 5 on pages 15 and 16 of the attached document, and above.



2022/23 SECOND QUARTER BUDGET REVIEW REPORT

**For the period ended
31 December 2022**

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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 due to favourable operating budget variations (Appendix 1) included in this review.

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 2022/23 with a budgeted operating surplus of \$1,229k. At the 2022/23 First Quarter Budget Review Council endorsed budget variations taking the projected operating position to an operating deficit of (\$6,662k). If the recommendations of the 2022/23 Second Quarter Budget Review as proposed are endorsed by Council, the projected operating position as at 2022/23 Second Quarter Budget Review will be an operating deficit of (\$5,637k). 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		1,229	(5,637)	1,069
Operating Surplus Ratio	0.5%-5%	0.90%	(4.28%)	0.81%
Net Financial Liabilities	<70%	60.82%	54.79%	54.79%
Asset Renewal Funding Ratio	90%-110%	100%	123%	123%

Note: Current Forecast includes Operating Carry Forwards of \$2.2M and Capital Carry Forwards of \$27.4M. 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 decline in operating position results from a number of budget changes from the first two quarters. Significant adjustments from First Quarter Budget Review included Operating Prior Year Carry Forward Funds \$4,639k and early receipt of 2022/23 Financial Assistance Grants \$6,706; resulting in a declined operating position of \$6,662k.

The operating position is slightly improved from a number of changes reflected through this budget review, comprised of favourable operating budget variations of \$1,810k (detailed in Appendix 1), offset by allocations arising from operating bids of \$860k contained in Section 2 of this review, resulting in an operating deficit of \$5,637k.

The current forecast for the Operating Surplus / (Deficit) results in an operating surplus ratio outside of Council's financial targets. The Operating Surplus Ratio reverts to within established tolerances when adjusted for the early receipt of 2022/23 Financial Assistance Grants.

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:

2022/23 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	1,229
2021/22 Operating Carry Forward Funds	(4,639)
2022/23 Operating Carry Forward Funds - Estimated	2,200
First Quarter Budget Review Adjustments	(5,452)
Second Quarter Budget Review Adjustments	1,025
Forecast Operating Surplus/(Deficit)	(5,637)

The operating budget deficit forecast is \$5,637k following adoption of this review, inclusive of estimated 2022/23 carry forwards of \$2,200k. This is a marginal improvement over the First Quarter Budget Review operating deficit forecast of \$6,662k.

The 2022/23 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 \$6.7M. These funds were received in the last quarter of the 2021/22, and although they relate to the 2022/23 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 2021/22 financial year, with a corresponding reduction in 2022/23. The forecast has assumed the 2023/24 payment will be made in the 2023/24 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 \$4,639k into the current year. These projects were funded in last year's operating budget and are being spent during 2022/23. Similarly, our estimate is there will be carry forwards of \$2,200k from this year into 2023/24, based on historical carry forward amounts over the past 5 years.

Capital Works Program

The Capital Program spend to date is \$27.4M or 25.6% of the revised capital budget of \$107M. A further \$44.5M of expenditure is committed as at the conclusion of the second quarter, bringing total expenditure and commitment to \$71.9M or 67.2% of the revised budget.

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

Sundry Projects Fund

The overall impact of this review is an unfavourable adjustment of \$1.0M, comprised of favourable operating budget variations of \$1.8M (detailed in Appendix 1), allocations arising from net bids of \$3.4M contained in Section 2 of this review, and favourable capital variations of \$0.5M as detailed in Appendix 1.

Loan Borrowings / Investments

Loan Borrowing requirements for 2022/23 were considered in August 2022, with the original budget indicative net loan borrowings being \$38.4M. Offsetting this were Surplus Facilities from 2021/22 of \$38M, resulting in indicative net borrowings of \$0.4M, with Council noting that there was no need to establish additional facilities at that time (resolution 1440/2022).

First Quarter Budget Review variations and adjustments resulted in a decrease in loan borrowings of \$1,161k (resolution number 1532/2022). As a consequence of second quarter budget variations contained in Appendix 1 and new bids detailed in Section 2, loan borrowings will increase by \$1,048k, bringing the total adjustment to a decrease of \$113k across the two quarters, 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			
Burton Community Hub Door Upgrades NB0355 To increase accessibility for users to manoeuvre into and through out the Burton Community Hub, upgrade doors with automation in accordance with Urban Services, 23 January 2023, Item 4.1.3, and Resolution 1472/2022, August 2022, where administration was requested to provide a report regarding accessibility for mobility impaired users of the Burton Community Hub. (Resolution number 0100/2023 January 2023)	150,000	0	150,000
Burton Park New Signage NB0377 In accordance with Urban Services Committee, Item 4.1.3, allocate \$15k towards new signage at Burton Park Sports Centre. (Resolution number 0101/2023 January 2023)	15,000	0	15,000
City Centre Revitalisation - Church & John Street Upgrade NB0338 To enable completion of the upgrades associated with the City Centre Revitalisation including laneway enhancements, lighting controls, luminaire supplies, and contractual fees. (Resolution number 0045/2022 November 2022)	900,000	0	900,000
City of Salisbury Funding in Alignment with State Government Infrastructure Project Grant Funding NB0368 As presented June 2022, via Urban Services Committee, Item 4.1.10, State Government infrastructure project grant funding was awarded following the State Election with \$1.1M allocated towards the following programs of works by City of Salisbury to support their delivery. - Playground, RM Williams, Walkley Heights - Change Facilities, Pooraka Football Club - New Pitch Lighting, Para Hills West Soccer Club (Resolution number 1375/2022 June 2022)	1,100,000	0	1,100,000
Lindblom Park, Pooraka, Sportfield Lighting Renewal NB0295 In May 2022, Council endorsed the Strategic Master Plan presented for Lindblom Park, Pooraka, noting that works would occur in stages subject to funding. As part of the noted stage one works, the renewal and upgrade of the sports field lighting was identified as a priority, therefore August 2022 approval to bring forward \$238k was endorsed to assist with funding this. (Resolution number 1442/2022 August 2022)	238,000	0	238,000
St Albans Drive Reserve, Salisbury Heights, Playspace Additional Funding NB0297 To meet the outcomes of consultation and the Playspace Policy, an additional \$112k capital budget is required to contribute towards the delivery of the playspace at St Albans Drive Reserve, Salisbury Heights. (Resolution number 1442/2022 August 2022)	112,000	0	112,000
TOTAL - NON DISCRETIONARY - CAPITAL BIDS	2,515,000	0	2,515,000

New/Additional Operating Bids	Expenditure	Funding	Net Bid
NON DISCRETIONARY - OPERATING BIDS			
Church / John Street Service Level Provision NB0337 As approved November 2022, provision of a non-discretionary Operating budget bid of \$99,250 to enable the approved level of service to be delivered and maintained as outlined in section 4.29 of the report (Item GB14 – City Centre Revitalisation – Church/John Street Project, Council Meeting, 28 November 2022). (Resolution number 0041/2022 November 2022)	99,250	0	99,250
Cobbler Creek Trail Maintenance NB0298 Non-discretionary Second Quarter 2022/23 Budget Review Bid to reflect the new \$11k annual operating budget allocation, as per resolution number 1239/2022, to support the maintenance of the Cobbler Creek Trail between Bridge Road and Main North Road. (Resolution number 1442/2022 August 2022)	11,000	0	11,000
Community Bus NB0376 The City of Salisbury has established a fixed route community bus pilot service linking the greater Salisbury area to the suburbs west of Pt Wakefield Road. The pilot, which commenced in October 2021, has maintained steady passenger numbers over this duration. Given the success of the program, this variation is for an extension until 30 June 2023. (Resolution number 0109/2023 January 2023)	105,000	0	105,000
Membership fee Adelaide Coastal Councils Network managed by the LGA NB0318 As per Council Resolution 1455/2022 August 2022, membership fee for Council to be a member of the Adelaide Coastal Councils Network (ACCN) formally Metropolitan Seaside Councils Committee.	5,500	0	5,500
New Events Calendar NB0363 Additional budget for new Events as outlined in the updated Events Calendar endorsed by Council. New events include Open Air Cinema, Mawson Long Lunch, Projection in the Park and Race Day at the Hub. (Resolution number 1446/2022 August 2022)	68,000	0	68,000
Residual Current Device Installation Works NB0335 As a safety and compliance initiative, works have commenced to install Residual Current Device (RCD) safety devices across various Council owned sites within the City. These devices are designed to switch off electricity when a fault occurs. This requires a licensed tradesperson to undertake the assessment and installation. Due to the value expected per site being below capitalisation thresholds, an operating budget is requested to cover this cost, noting works commenced during caretaker period. (Resolution number 0059/2022 December 2022)	60,000	0	60,000
Transfer of Land and Buildings - Salisbury Bowling Club Inc NB0354 An initial operating budget adjustment is required of \$95,000 to cover ongoing maintenance costs such as reactive/preventative building maintenance, sportsfield lighting, carpark maintenance, irrigation and gardening maintenance. (Resolution number 1480/2023 August 2023)	95,000	0	95,000
TOTAL - NON DISCRETIONARY - OPERATING BIDS	443,750	0	443,750

New/Additional Operating Bids	Expenditure	Funding	Net Bid
DISCRETIONARY - OPERATING BIDS			
Fleet Fuel Budget NB0341 The cost of fuel has continued at a level well above the estimate during budget formulation, so while consumption of fuel has been relatively steady, the cost to deliver our services has increased significantly.	150,000	0	150,000
Tree Pruning & Removal Budget NB0374 Reactive tree pruning and removal, mainly as a result of community requests, have shown significant increases during the year and placed significant pressure on existing budgets if service levels are to be maintained. To continue this reactive tree service a budget review of \$200k is being sought. Customer enquiries for tree removal and pruning have increased by approximately 200 request per year.	200,000	0	200,000
Insurance Premiums NB0381 Additional funding required due to a rise in insurance premiums associated with higher asset values this financial year.	66,000	0	66,000
TOTAL - DISCRETIONARY - OPERATING BIDS	416,000	0	416,000
TOTAL OPERATING BIDS	859,750	0	859,750

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 2022	\$ -
Additions:	
First Quarter Budget Review (Resolution 1532/2022)	(5,545,022)
Allocations:	
First Quarter Budget Review (Resolution 1532/2022)	6,705,849
Impact on Loan Borrowings:	
Decrease in borrowings - First Quarter Budget Review (Resolution 1532/2022)	(1,160,827)
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	1,810,324
Capital Variations	516,284
Balance after Variations to the Sundry Projects Funds	2,326,608
Allocations arising from bids contained in Section 2	(3,374,750)
Add back timing difference (FA Grant and ILR Grant)	-
Movements in General Loan Borrowings / Investments:	
Increase in Borrowings due to bids and Operating & Capital Variations	1,048,142
Net Movements in General Loan Borrowings	1,048,142
Balance Remaining	-

The net favourable operating budget variations of \$1,810k (detailed in Appendix 1), allocations arising from net bids of \$3,375k contained in Section 2 of this review, and revision of the 2022/23 capital expenditure totalling \$516k (detailed in Appendix 1), resulting in an unfavourable adjustment of \$1,048k, increasing indicative loan borrowings as detailed in Section 4.

3.3 Consolidated Funding Statement

<i>Consolidated Funding Statement</i>	<i>Second Quarter Revised Budget 2022/23</i>	<i>Original Budget 2022/23</i>
PART 1 - OPERATING		
Operating Revenue - Original Budget	135,926	135,926
First Quarter Budget Review Adjustments	(5,467)	
Proposed Second Quarter Adjustments:		
Operating Income Gains (Appendix 1)	1,094	
Operating Income Losses (Appendix 1)	(11)	
Operating Income Budget Variations (Appendix 1)	2	
Interest on Reserves and Developer Contributions	74	
Operating Surplus Initiatives		
Operating Revenue	131,618	135,926
Operating Expenditure - Original Budget	134,697	134,697
First Quarter Budget Review Adjustments	4,624	
Proposed Second Quarter Adjustments:		
Operating Expenditure Savings (Appendix 1)	(727)	
Operating Expenditure Budget Variations (Appendix 1)	2	
Operating New Bids (Considered as part of this Review)	860	
Operating Expenditure	139,456	134,697
Estimated 2022/23 Operating Carry Forwards	2,200	
Operating Surplus/(Deficit)	(5,637)	1,229
PART 2 - CAPITAL AND OTHER ADJUSTMENTS		
Capital Revenue - Original Budget	2,940	2,940
Proposed Second Quarter Adjustments:		
Other Capital Income Budget Variations (Appendix 1)	3,805	
Capital Revenue	6,745	2,940
Net Surplus/(Deficit) Resulting From Operations	1,108	4,169
Capital Expenditure - Original Budget	74,354	74,354
First Quarter Budget Review Adjustments	28,631	
Proposed Second Quarter Adjustments:		
Capital Expenditure Savings and Declarations (Appendix 1)	(516)	
Capital New Bids (Considered as part of this Review)	2,515	
Other Capital Expenditure Budget Variations (Appendix 1)	3,805	
Capital Expenditure	108,789	74,354
Principal Repayments	(1,321)	(1,321)
Net Transfers to and From Reserves	(518)	(400)
Net Gain on Disposal of Assets	1,670	1,670
Prior Year Carry Forward Funds	33,222	
Timing Difference in Financial Assistance Grant	6,706	
Estimated Current Year Operating Carry Forward Funds	(2,200)	
Add Back Depreciation of Non Current Assets	31,856	31,856
Cash Surplus/(Deficit/Borrowings)	(38,266)	(38,379)
Facilities Applied	37,959	
Proposed / Investment Balance/(Loan Borrowings)	(307)	(38,379)

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 \$1,229k, revised to a forecast deficit of \$6,662k following adoption of the 2022/23 First Quarter Review. The forecast position, should Council endorse the proposed 2022/23 Second Quarter Budget Review, is improved by \$1,025k to an operating deficit of \$5,637k.

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 \$6.7M. These funds were received in April 2022, and although they relate to the 2022/23 financial year, these funds were required 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 2021/22 financial year, with a corresponding reduction in 2022/23. The forecast has assumed the 2023/24 payment will be made in the 2023/24 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 2021/22 carry forwards of \$4,639k, which is partially offset by our estimate of 2022/23 operating carry forward projects of \$2,200k.

Adjustments totalling favourable \$1,025k, incorporating variations and new operating bids at Second Quarter Budget Review, will result in a forecast operating deficit of \$5,637k. A reconciliation of the changes to Council's budgeted operating surplus / (deficit) is shown below.

2022/23 Operating Budget Forecast	\$'000
Original Budgeted Operating Surplus	1,229
2021/22 Operating Carry Forward Funds	(4,639)
2022/23 Operating Carry Forward Funds - Estimated	2,200
First Quarter Budget Review Adjustments	(5,452)
Second Quarter Budget Review Adjustments	1,025
Forecast Operating Surplus/(Deficit)	(5,637)

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, the decrease in cash requirements from the original budget position will be \$113k.

3.4 Transfer of Funds – Chief Executive Officer Delegation

The Wages and Salaries Provision has a post commitments balance of \$393k as at 31 December 2022. This balance includes wages and salaries savings identified during the first and second quarters of 2022/23. A total of \$625k has been allocated to the Provision over the second quarter taking the year to date allocation to \$819k. Allocations made from the Provision during the second quarter total \$208k and year to date allocations from the Provision as authorised by the CEO total \$285k. A further \$141k is committed, but not yet allocated from the provision for Community Experience Staffing requirement, which will be utilised in quarters three and four of FY23.

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		
TR0320	Bowls SA Open Pairs Event Sponsorship Re-purpose the remaining portion of committed funds (\$30,000) to support Bowls SA to deliver the Open Pairs Event in 2023, 2024 and 2025 through an annual \$10,000 sponsorship payment over a three-year term (2023-25 in lieu of the two annual payments of \$15,000 that were remaining on the existing committed arrangement with Bowls SA).	30,000
TR0296	Lindblom Park, Pooraka, Sportfield Lighting Renewal - Transfer In May 2022, Council endorsed the Strategic Master Plan presented for Lindblom Park, Pooraka, noting that works would occur in stages subject to funding. As part of the noted stage one works, the renewal and upgrade of the sports field lighting was identified as a priority, therefore Aug 2022, approval was given to transfer \$200k from the 22/23 Public Lighting Program towards the delivery of this renewal work.	200,000
TR0373	Organisational Development Initiatives budget Revert to the Learning and Development organisational development budget, funds carried forward from Learning and Development that were initially transferred to CEO Consulting Funds as part of the 2021/22 carry forward budget process.	89,400
TR0372	Project Budget Transfer Between Yalumba Dve Res & Paddocks New Clubrooms in Alignment with Contract Values With the tendering of the design and construction of new clubrooms at Yalumba Drive Reserve and The Paddocks as a single tender, as per endorsed Resolution 1412/2022, transfer \$389k to align with contract award.	389,000
TR0366	Transfer of funds for Climate Change Risk Assessment \$20k transfer of funds for the Climate Change Risk Assessment Consulting Fees out of City Admin Legal funds.	20,000
TR0325	Transfer of funds for Salisbury City Centre Consulting & Legal Fees Salisbury City Centre Consulting fees funding as below. - \$100k from CEOs Consulting Fees - \$37k from City Development Admin Legal Fees - \$10k from City Development Admin Legal Fees to fund Salisbury City Centre Legal Costs	147,000
TR0327	Transfer of Consulting Fees Fund from CEO to Strategic Property CEO approved to fund \$15k Consulting Fees for the Strategic Property Advisory Services. Budget variation is to transfer the budget from CEO to Strategic Property Development's Consulting Fees budget.	15,000
TR0380	Acquisition of Salisbury Bowling Club Transfer of funds from the Land Acquisition Project for Conveyancing costs and Lands Titles Office Lodgement fees associated with the Salisbury Bowling Club. Stamp Duty is not payable as the land is for community use. It was expected that the costs involved would be minor and could be accommodated within existing budgets however due to Council paying for the vendors costs as well as an unexpected Registration Fee on Transfer a Budget Bid is now required.	25,000

4. Loan Borrowings/Investments and Reserves

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

Original Budget 1 July 2022	\$
Net Borrowings / (Investment)	38,379,197
Reinstate Timing Adjustments Projects	-
Surplus Facilities 2021/22 (Finance and Corporate Services - August 2022)	(37,959,522)
Net Borrowings / (Investment) at August 2022	419,675
First Quarter Budget Review 2022/23	
Variation to General Borrowing Requirements resolved 1152/2022	(1,160,827)
Second Quarter Budget Review 2022/23	
Variation to General Borrowing Requirements recommended	1,048,142
Revised Increase / (Decrease) in Borrowing Requirements	(112,685)
Net Borrowings / (Investment) at conclusion of Second Quarter	306,990

Loan Borrowing requirements for 2022/23 were considered in August 2022, with the original budget indicative net loan borrowings being \$38.4M. Offsetting this is Surplus Facilities from 2021/22 of \$38M, resulting in indicative net borrowings of \$420k.

The outcome from First Quarter Budget Review variations was a decrease in borrowing requirements of \$1,161k.

The loan borrowings position as proposed as part of the 2022/23 Second Quarter Review, should it be endorsed by Council, will result in an increase in borrowing requirements of \$1,048k, bringing the total adjustment to a decrease of \$113k across the two quarters. This results in net borrowings position of \$307k at the conclusion of Second Quarter.

Reserves

	Year to Date Actual \$000's	Full Year	
		Rev. Bud \$000's	Orig. Bud \$000's
Transfers to Reserves	497	497	0
Transfers from Reserves	400	400	400
Total	97	97	(400)

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:

1. Notes the 2022/23 Second Quarter Budget Review report.
2. Approves the budget variances identified in this review and contained in the Budget Variation Summary (Appendix 1), and net capital and operating \$2,326,608 be credited to the Sundry Project Fund. This will bring the balance to \$2,326,608.
3. Approves the allocation of funding for the following **non-discretionary** net bids:

OPERATING

Church / John Street Service Level Provision	\$99,250
Cobbler Creek Trail Maintenance	\$11,000
Community Bus	\$105,000
Membership fee Adelaide Coastal Councils Network managed by the LGA	\$5,500
New Events Calendar	\$68,000
Residual Current Device Installation Works	\$60,000
Transfer of Land and Buildings - Salisbury Bowling Club In	\$95,000

CAPITAL

Burton Community Hub Door Upgrades	\$150,000
Burton Park New Signage	\$15,000
City Centre Revitalisation - Church & John Street Upgrade	\$900,000
City of Salisbury Funding in Alignment with State Government	\$1,100,000
Infrastructure Project Grant Funding	
Lindblom Park, Pooraka, Sportsfield Lighting Renewal	\$238,000
St Albans Drive Reserve, Salisbury Heights, Playspace Additional Funding	\$112,000

TOTAL **\$2,958,750**

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 (\$632,142).

4. Approves the allocation of funding for the following **Discretionary** net bids:

OPERATING

Fleet Fuel Budget	\$150,000
Tree Pruning & Removal Budget	\$200,000
Insurance Premiums	\$66,000

TOTAL **\$416,000**

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 (\$1,048,142).

5. Approves the following transfers:

Bowls SA Open Pairs Event Sponsorship	\$30,000
Lindblom Park, Pooraka, Sportsfield Lighting Renewal	\$200,000
Organisational Development Initiatives	\$89,400
Project Budget Transfer Between Yalumba Drive Res & Paddocks New Clubrooms in Alignment with Contract Values	\$389,000
Transfer of funds for Climate Change Risk Assessment	\$20,000
Transfer of funds for Salisbury City Centre Consulting & Legal Fees	\$147,000
Transfer of Consulting Fees Fund from CEO to Strategic Property	\$15,000
Acquisition of Salisbury Bowling Club	\$25,000

NB: If parts 1, 2, 3, 4 & 5 of this resolution are moved as recommended this will bring the balance of the Sundry Projects Fund to a balance of (\$1,048,142).

6. 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 2022/23 will increase by \$1,048,142.

Appendix 1 – Budget Variation Summary as at 31 December 2022

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				
ES0367	2021/2022 Carry Forward Budget Corrections - Operating	(22,135)		22,135
ES0323	Animal Relocations	(10,000)		10,000
ES0326	BS&S Budget Correction ****	(653,597)		653,597
ES0324	Dog Pound/Shared Use Agreement	(25,000)		25,000
ES0343	Separate Rate - Salisbury Town Centre	(16,195)		16,195
Total Expenditure Savings		(726,927)		726,927
Income Gains				
IG0331	Bridgestone Athletics Centre - Increased Revenue		20,000	20,000
IG0340	External Client Services - Development Income Gain		200,000	200,000
IG0352	Para Hills Income from Hire		10,000	10,000
IG0339	PDI Act Planning Application Income Gain		50,000	50,000
IG0319	Reimbursement of staff costs		6,000	6,000
IG0329	Salisbury Memorial Park - Revenue Increase		25,000	25,000
IG0316	Supplementary Local Road Funding 2022/2023		783,397	783,397
Total Income Gains			1,094,397	1,094,397
Income Losses				
IL0322	1109 - Food Premises Inspection Fees		(11,000)	(11,000)
Total Income Losses		0	(11,000)	(11,000)
Adjustments - Nil Effect				
NL0378	BB000670 Greenwaste Service Level - Account Correction ****	(118,800)	(118,800)	0
NG0332	Bridgestone Athletics Centre - Increased Revenue & Cost of Goods	30,000	30,000	0
NG0350	Heart Foundation grant	10,000	10,000	0
NG0351	Para Hills Community Hub - Hire Income	10,000	10,000	0
NG0317	Recreation Services Utility Reimbursement ****	45,800	45,800	0
NG0330	Salisbury Memorial Park - Burials and Lease Sales	25,000	25,000	0
NG0358	Salisbury Water - Internal Interest Charges	200,000	200,000	0
Total Nil Effect Adjustments		202,000	202,000	0
Net Impact to Operating Result - Transfer to Sundry Projects Fund		(524,927)	1,285,397	1,810,324
**** 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				
ES0364	2021/2022 Carry Forward Budget Corrections - Capital ****	(136,284)		136,284
ES0360	Major Traffic Improvement Program - Unsuccessful Grant Funding (resolution number 1422/2022 August)	(380,000)		380,000
Total Expenditure Savings		(516,284)		516,284
Adjustments - Nil Effect				
NG0333	Bicycle Network Improvement Program Successful Grant Funding (resolution number 0059/2022 December)	50,000	50,000	0
NL0334	City Wide Trails Unsuccessful Income (resolution number 0059/2022 December)	(400,000)	(400,000)	0
NG0365	Department for Infrastructure & Transport - Infrastructure Grant Funding Projects (resolution number 1375/2022 June)	2,575,000	2,575,000	0
NL0305	Major Traffic Improvement Program - Unsuccessful Grant Funding (resolution number 1442/2022 August)	(450,000)	(450,000)	0
NG0371	Office for Recreation, Sport & Racing - Infrastructure Grant Funding Projects (resolution number 1375/2022 June)	2,030,000	2,030,000	0
Total Nil Effect Adjustments		3,805,000	3,805,000	0
Net Impact to Capital Program		3,288,716	3,805,000	516,284
Transfer To / (From) Sundry Project Fund				2,326,608
****	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.

There are no capital timing adjustments emanating from external factors to be declared at the 2022/23 Second Quarter Budget Review.

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	112,103	111,923	180	112,011	112,011
Statutory Charges	2,224	1,762	462	2,848	2,848
User Charges	2,371	2,395	(23)	5,430	5,410
Grants, Subsidies & Contributions	4,544	3,731	814	8,687	14,317
Investment Income	168	154	14	182	71
Reimbursement	123	101	22	335	289
Other Revenue	518	501	18	968	980
Total Income	122,052	120,567	1,485	130,460	135,926
EXPENSES					
Employee Costs	20,887	21,801	914	42,609	42,534
Materials, Contracts and Other Expenses	27,313	26,541	(772)	62,655	58,862
Finance Costs	165	486	321	1,444	1,444
Depreciation, amortisation & impairment	15,693	15,697	4	31,886	31,856
Total Expenses	64,058	64,525	468	138,594	134,697
Operating Surplus/(Deficit) before Capital Amounts	57,994	56,041	1,953	(8,134)	1,229
Net gain (loss) on disposal or revaluation of assets	0	0	0	2,440	2,440
Amounts specifically for new or upgraded assets	8,172	8,160	12	1,770	1,770
Physical resources received free of charge	0	0	0	1,000	1,000
Other Comprehensive Income	0	0	0	0	0
Total Comprehensive Income	66,166	64,201	1,965	(2,925)	6,439

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 \$180k

Rate revenue is favourable with marginally higher rate revenue generated than budgeted and favourable variance on tier remissions.

Statutory Charges – Favourable Variance \$462k

The favourable variance in Statutory Charges revenue is from favourable variances in Building Fees \$256k; and PDI Act Application Fees \$169k. Income Gains have been declared for the Second Quarter Budget Review at Appendix 1 for External Client Services (Building Fees), refer IG0340, \$200k; and PDI Act Planning Application Income, refer IG0339, \$50k.

Grant, Subsidies and Contributions - Favourable Variance \$814k

The favourable variance is comprised of Supplementary Local Roads funding for 2022/23. An income gain has been declared for the Second Quarter Review at Appendix 1, Supplementary Local Road Funding 2022/2023, refer IG0316, \$783k.

Expenditure

Employee Costs - Favourable Variance \$914k

The Employee Costs favourable variance of \$914k is comprised of combined Wages & Salaries and Wages & Salaries – On cost favourable variances of \$1,591k due to vacant positions during the first half of the year. This is partly offset by Wages & Salaries - Agency \$555k as reported in Materials, Contract & Other Expenses. Overtime is \$103k unfavourable against a year to date budget of \$83k, unbudgeted COVID-19 Special Leave of \$227k has been incurred, and higher than budgeted Workers Compensation Insurance costs of \$155k. In addition, recovery of wages from capital projects is \$198k unfavourable with higher than anticipated staff time being spent on operational programs.

Materials, Contracts and Other Expenses – Unfavourable Variance \$772k

Materials, Contracts and Other Expenses is \$772k unfavourable against budget at the conclusion of second quarter 2022/23. The unfavourable variance is comprised of Wages & Salaries – Agency \$555k which is offset by savings in substantive employee costs detailed above, Contractual Services \$261k, and Insurance Premiums \$53k due to an increase in insured value of assets, refer NB0381, \$66k; offset by favourable variances in Consulting Services \$86k, and Electricity \$80k.

Finance Costs – Favourable Variance \$321k

The favourable variance \$321k is the continuing result of a higher cash holdings than forecasted during the 6 months to 31 December 2022, which has resulted in Council not being required to draw down on existing cash advance debenture facilities.

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)	66,166	64,287	1,879	(2,925)	6,439
Represented By:					
<u>KEY DIRECTION REVENUE</u>					
The Living City:					
Recreation, Education & Leisure	838	727	111	850	736
Public Health & Safety	972	949	23	1,554	1,533
Community Development	2,428	2,227	201	4,464	4,464
The Sustainable City:					
Water Management	676	965	(289)	2,737	2,737
Waste Management	102	95	7	307	426
Parks & Landscape	18	30	(12)	60	81
The Prosperous City:					
Transport	939	160	778	1,918	3,332
City Planning & Economic Development	1,357	917	440	1,698	1,698
Enabling Excellence:					
Corporate Support	1,085	1,058	27	1,965	1,965
Governance	1	1	(0)	2	2
Treasury	168	154	14	182	71
Grants Commission	1,353	1,353	0	2,706	6,871
Rates	112,103	111,923	180	112,011	112,011
Other Miscellaneous Revenue	14	7	6	7	0
Total Operating Revenue	122,052	120,567	1,485	130,460	135,926
Capital Contributions	8,172	8,160	12	5,210	5,210
Total Revenue	130,224	128,727	1,497	135,670	141,136
<u>KEY DIRECTION EXPENDITURE</u>					
The Living City:					
Recreation, Education & Leisure	4,112	4,353	241	9,531	9,388
Public Health & Safety	2,700	2,898	197	6,507	6,363
Community Development	4,791	4,786	(5)	10,232	9,884
The Sustainable City:					
Water Management	3,279	2,589	(689)	4,328	4,028
Waste Management	8,109	8,060	(49)	19,138	18,984
Parks & Landscape	8,812	9,122	310	19,687	19,735
The Prosperous City:					
Transport	1,694	1,598	(95)	4,026	4,020
City Planning & Economic Development	2,749	2,784	36	5,821	5,874
Enabling Excellence:					
Corporate Support	11,949	11,648	(302)	27,265	25,398
Governance	801	834	32	1,423	923
Treasury	(25)	375	400	1,182	1,182
Depreciation	13,088	13,084	(3)	26,595	26,595
Other Miscellaneous Expenditure	1,999	2,394	394	2,860	2,325
Total Expenditure	64,058	64,525	468	138,594	134,697

The Full Year Revised Budget includes revisions to expenditure budgets for funds carried forward from 2021/22 to 2022/23. We anticipate a carry forward from 2022/23 to 2023/24, 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 \$768k****Recreation, Education & Leisure – Net Favourable Variance \$352k****Revenue – Favourable Variance \$111k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Bridgestone Athletics Centre	Community Development	93	The favourable variance relates to higher than anticipated kiosk sales and facility hire revenue with an increase in events held this financial year due to the recent closure of the Mile End Athletics Facility. Noting that the increased revenue has also driven higher than anticipated expenditure for Kiosk Supplies and Staffing. Given the seasonal nature of Athletics and recent reopening of Mile End, a conservative gain has been declared as part of this review. This will be monitored over the coming months and should the trend continue, further surplus funds will be included in the next quarterly review.	Refer Appendix 1 Adjustments – Nil Effect NG0332 Bridgestone Athletics Centre – Increased Revenue & Cost of Goods \$30k Income Gain IG0331 Bridgestone Athletics Centre – Increased Revenue \$20k income gain declaration

Expenditure – Favourable Variance \$241k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Recreation Services Contract Management	Community Development	31	The favourable variance is mostly related to lower than anticipated internal water usage for irrigation due to above average rainfall. This is offset by an unfavourable variance for internal water sales in Salisbury Water.	

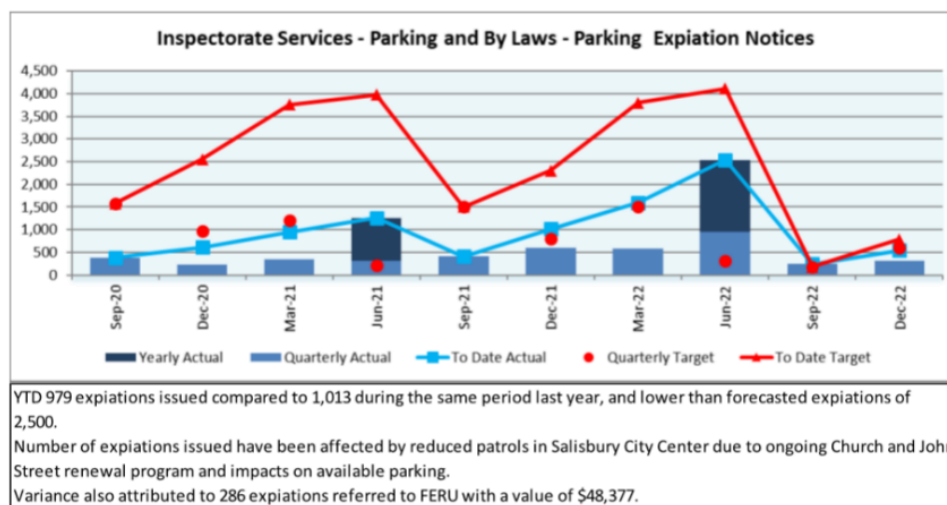
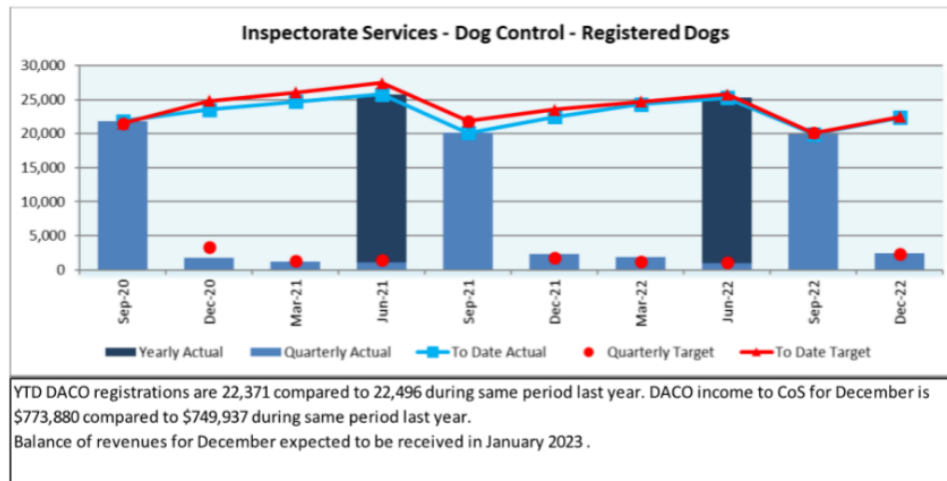
Budget Area	Department	Variance YTD '000s	Comment	Action Required
Bridgestone Athletics Centre	Community Development	(45)	The unfavourable variance is related to additional requirements for Kiosk Supplies and Staffing with increased usage of the facility which is fully offset by increased revenue. A budget variation associated with this additional expenditure is included in this review.	Refer Appendix 1 Adjustments – Nil Effect NG0332 Bridgestone Athletics Centre – Increased Revenue & Cost of Goods \$30k
Building Maintenance Sport and Community Facilities	City Infrastructure	29	The favourable variance is primarily related to contracted building maintenance with only minor maintenance requirements during the first two quarters.	
Sportsfield Cutting	City Infrastructure	289	The favourable variance is related to the timing of contractual services \$97k which is anticipated to align in future periods. In addition, internal water expenditure \$204k is also favourable due to above average rainfall. This is offset by internal income in Salisbury Water.	
Salisbury Community Hub	City Infrastructure	32	The favourable variance is related to the timing of invoicing for cleaning, building maintenance and electricity. It is anticipated this will align in future periods.	
Maintenance-Sports and Community Facilities	City Infrastructure	(34)	The unfavourable variance relates to contractual services for air conditioning, sewer and roofing repairs and maintenance, noting the reactive nature of the work completed. This will be managed within the total program budget for the remainder of the financial year.	

Public Health & Safety – Net Favourable Variance \$220k**Revenue – Favourable Variance \$23k**

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Community Compliance	City Development	34	The favourable variance mostly relates to higher than anticipated By-Laws and Litter fees (\$52k), however, this is expected to reduce over the coming periods. This is partly offset by lower parking expiations (\$26k) income due to the Church and John Street renewal.	

Expenditure – Favourable Variance \$197k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Animal Control	City Development	66	The favourable variance mostly relates to the delay of the new animal pound facility which has resulted in lower than anticipated costs year to date. As a result, savings have been declared as part of this review for animal relocations and shared use facility costs.	Refer Appendix 1 Expenditure Savings ES0323 Animal Relocations \$10k expenditure savings declaration Expenditure Savings ES0324 Dog Pound/Shared Use Agreement \$25k expenditure savings declaration
Community Compliance	City Development	25	The favourable variance is mostly related to the timing of expenditure for contractual services which is expected to align to budget over the coming periods.	
Building Maint Graffiti	City Infrastructure	85	The favourable variance is primarily the result of lower levels of works and requests within the Graffiti Removal Program.	

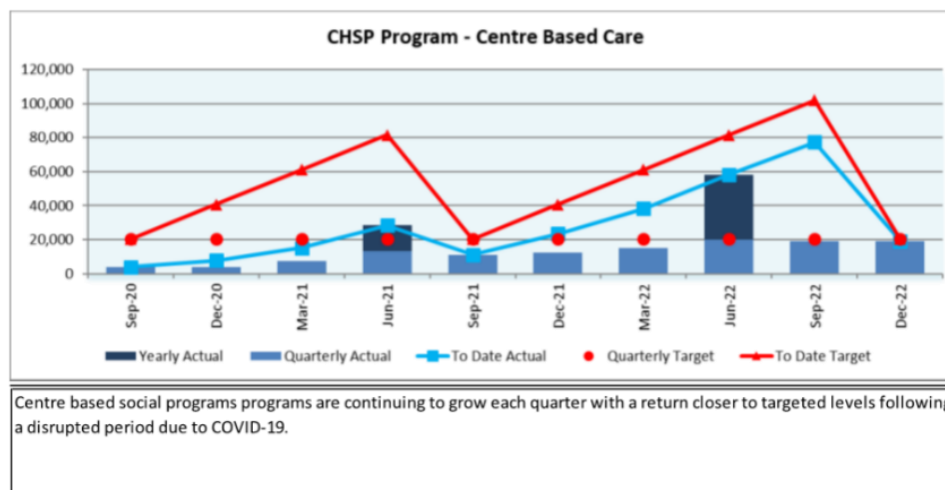


Community Development – Net Favourable Variance \$196k**Revenue – Favourable Variance \$201k**

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Salisbury Memorial Park Cemetery	Community Development	141	The favourable variance is related to above average sales for Burials and Vaults throughout the first and second quarter. A conservative gain has been declared as part of this review. This will be monitored over the coming months and should the trend continue, further surplus funds will be included in the next quarterly review.	Refer Appendix 1 Adjustments – Nil Effect NG0330 Salisbury Memorial Park – Burials and Lease Sales \$25k Income Gain IG0329 Salisbury Memorial Park – Revenue Increase \$25k income gain declaration

Expenditure – Unfavourable Variance \$5k

Budget Area	General Manager	Variance YTD '000s	Comment	Action Required
Events	Community Development	(4)	Nothing material to disclose.	



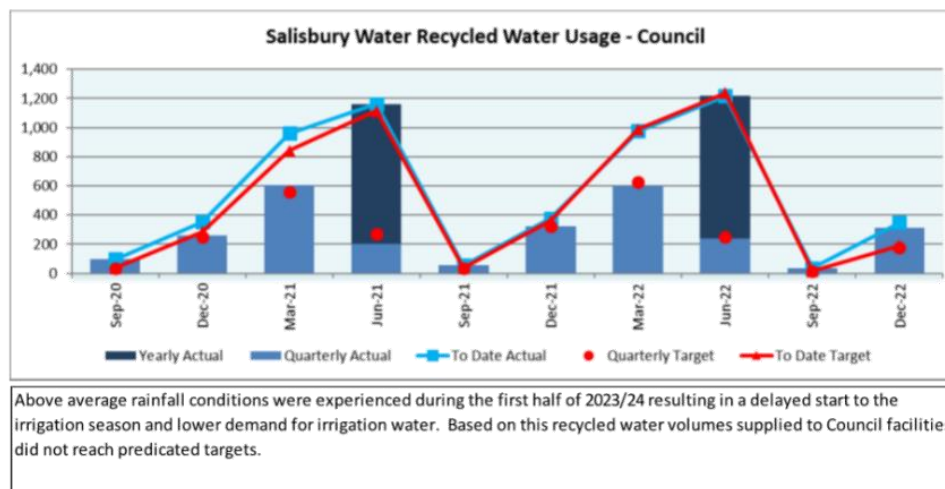
The Sustainable City – Net Unfavourable Variance \$722k**Water Management – Net Unfavourable Variance \$978k****Revenue – Unfavourable Variance \$289k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Salisbury Water Distribution - Network Manager	Business Excellence	22	The favourable variance mostly relates to higher than forecasted water connections in the first two quarters. This is anticipated to align to budget in future periods.	
Salisbury Water Retail - Marketing / Sales	Business Excellence	(777)	The unfavourable variance is the result of above average rainfall conditions and a mild summer with wetter than average conditions experienced so far this year. Conditions moving forward should see rain and irrigation demand return to a more typical pattern consistent with budget predictions.	

Expenditure – Unfavourable Variance \$689k

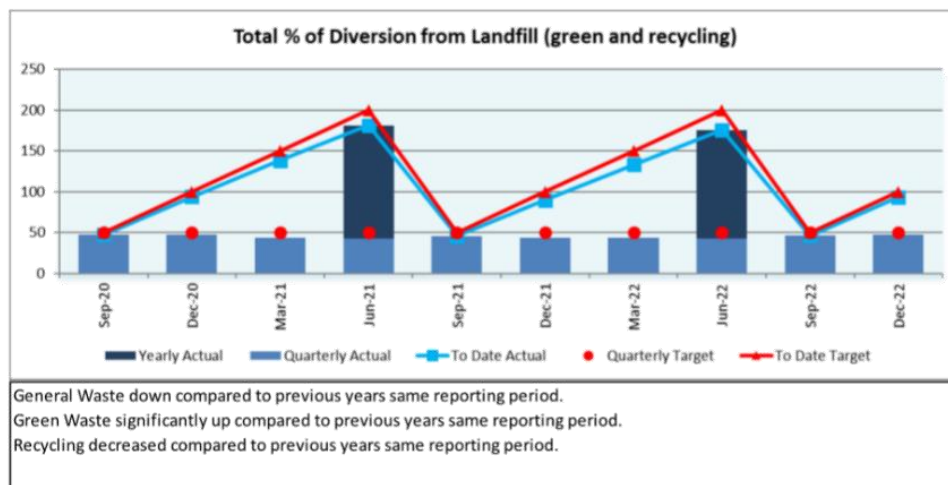
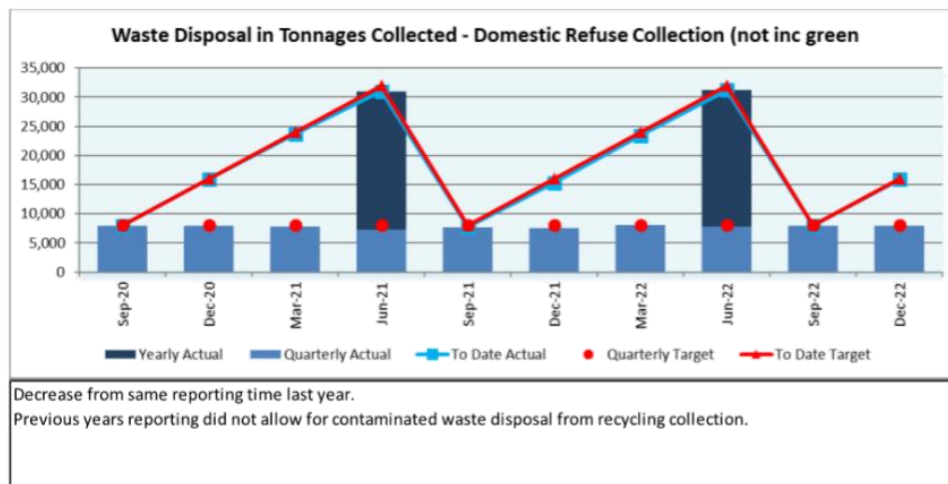
Budget Area	Department	Variance YTD '000s	Comment	Action Required
Salisbury Water Production - Water Factory	Business Excellence	(152)	The unfavourable variance is mostly related to higher than anticipated contractual services (\$86k) requirements year to date for production, which is offset in other areas of the Water Business Unit. Additional finance costs (\$42k) due to recent interest rate rises also contribute to the variance. A variation associated with this expenditure is included in this review.	Refer Appendix 1 Adjustments – Nil Effect NG0358 Salisbury Water – Internal Interest Charges \$200k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Salisbury Water Retail - Marketing / Sales	Business Excellence	60	The favourable variance is primarily related to lower than anticipated contractual services for the retail program year to date. This is offset by unfavourable variances elsewhere within the Water Business Unit.	
Drainage Systems	City Infrastructure	(148)	The unfavourable variance mostly relates to contractual services for higher than anticipated underground drainage maintenance for root cutting works. This will continue to be managed within the total program budget for the remainder of the financial year, and should further funds be required, a variation will be included at third quarter review.	



Waste Management – Net Unfavourable Variance \$42k**Revenue – Favourable Variance \$7k****Expenditure – Unfavourable Variance \$49k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Cleansing and Waste	City Infrastructure	47	The favourable variance relates to Loose Litter Collection contractual services \$22k favourable and Internal Labour \$22k favourable. This is offset by internal income in Field Services Administration.	
Waste Management	City Infrastructure	(93)	The overall unfavourable variance is 1.4% of total budget for the year to date. Material Costs net unfavourable variance of \$82k consists of unfavourable variances across most waste types totalling \$225k, which are offset by favourable variances in Domestic Waste Collection \$91k and Kerbside Greenwaste \$54k. Some of the variance will be offset through the future allocation of grant funds (Kitchen Caddies project) and a recommendation to bring forward future budgets of the FOGO project due to higher take up, will be declared at third quarter budget review.	



Parks & Landscape – Favourable Variance \$298k**Revenue – Unfavourable Variance \$12k****Expenditure – Favourable Variance \$310k**

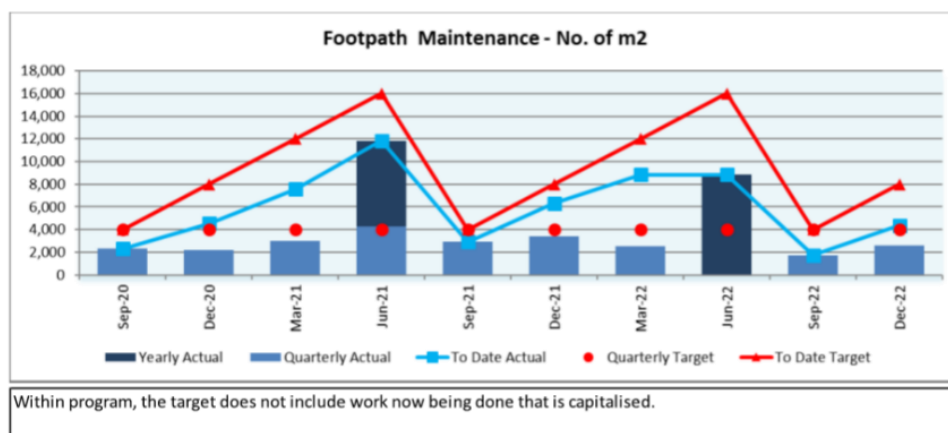
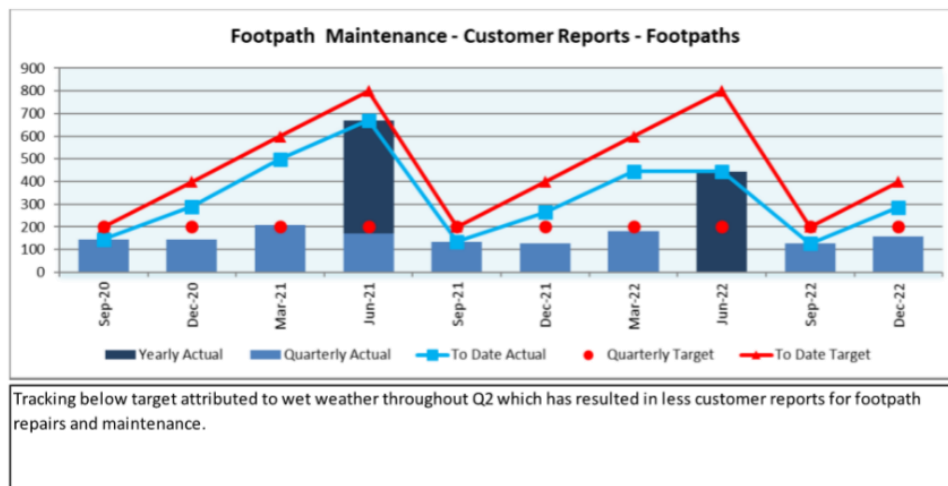
Budget Area	Department	Variance YTD '000s	Comment	Action Required
Minor Capital Works Parks & Landscape	City Infrastructure	39	The favourable variance is related to lower than anticipated contractual services expenditure, noting this program is reactive in nature.	
Public Toilets	City Infrastructure	77	The favourable variance is related to the timing of invoicing for December \$20k, and lower than anticipated expenditure for COVID-19 Cleaning. This will continue to be monitored with any savings to be included in Third Quarter Budget Review.	
Field Services Administration	City Infrastructure	(173)	The unfavourable variance is mostly a result of lower than anticipated recoverable labour due to vacancies during the first half of the year, with challenges securing ongoing employees and agency backfill. This has resulted in lower internal labour recovery year to date.	
Urban Structures	City Infrastructure	(42)	The unfavourable variance largely relates to materials and supplies. The items are currently under review for potential transfer to the capital program.	
Park Maintenance	City Infrastructure	362	The favourable variance is primarily related to internal water expenditure of \$209k and external water supply of \$79k due to above average rainfall which is offset by internal income in Salisbury Water.	

The Prosperous City – Net Favourable Variance \$1,159k**Transport – Net Favourable Variance \$683k****Revenue – Favourable Variance \$778k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Untied Road Grants	City Infrastructure	783	The favourable variance is due to additional Supplementary Local Road Funding for FY2022/23 as notified by the Grants Commission during October 2022. An income gain has been included as part of this review.	Refer Appendix 1 Income Gains IG0316 Supplementary Local Road Funding 2022/2023 \$783k income gain declaration

Expenditure – Unfavourable Variance \$95k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Minor Capital Works Civil	City Infrastructure	30	The favourable variance is related to lower than anticipated contractual services expenditure, noting this program is reactive in nature.	
Roads	City Infrastructure	(175)	The unfavourable variance is mostly related to the timing of maintenance Linemarking. The Linemarking program is ahead of schedule with the full year budget exhausted, although, no further expenditure is anticipated. In addition, materials expenditure is higher than anticipated due to the increased price of asphalt. Team closely monitoring usage and costs within the program.	
Signs	City Infrastructure	49	The favourable variance is primarily related to the timing of contractual services which is anticipated to align in future periods.	



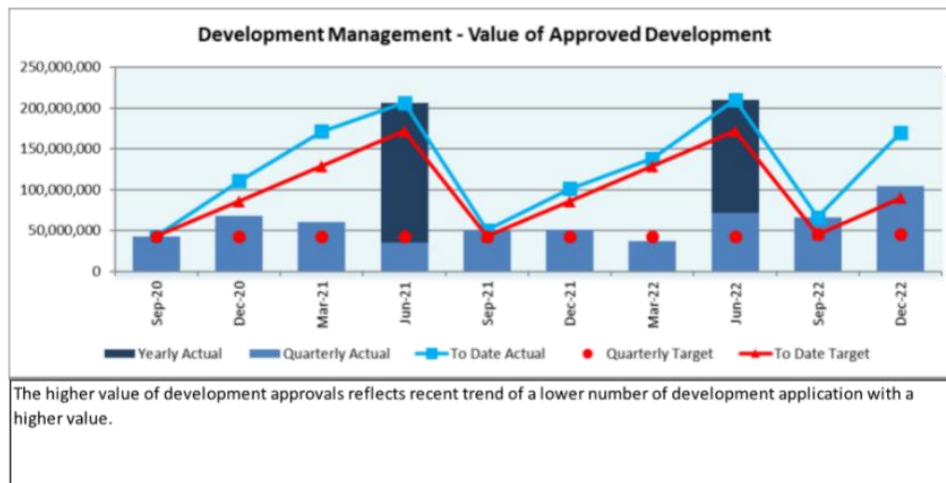
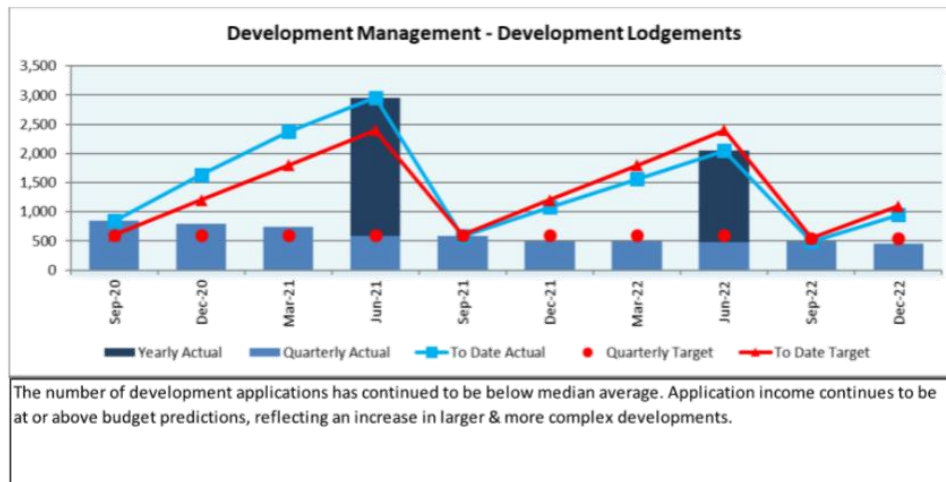
City Planning & Economic Development – Net Favourable Variance \$476k

Revenue – Favourable Variance \$440k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Planning	City Development	173	The favourable variance mostly 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, a conservative approach has been taken with planning steadily decreasing following a period of inflated activity in the industry following Government Stimulus. Should the trend continue, further surplus funds will be included in the next quarterly review.	Refer Appendix 1 Income Gains IG0339 PDI Act Planning Application Income Gain \$50k income gain declaration
Building Rules Certification Unit	City Development	250	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 IG0340 External Client Services – Development Income Gain \$200k income gain declaration
Business Advisory Services	City Development	24	The favourable variance is primarily related to higher than anticipated income for mentoring programs due to the timing of the program. This is expected to align to budget in future periods.	

Expenditure – Favourable Variance \$36k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
City Development Administration	City Development	31	The favourable variance relates to legal expenditure with a transfer of funds request included as part of this review to fund Salisbury City Centre advice and climate change risk assessment.	Refer Section 3.4 Transfer of Funds Requests TR0366 Transfer of funds for Climate Change Risk Assessment \$20k TR0325 Transfer of funds for Salisbury City Centre Consulting & Legal Fees \$147k, of which \$47k is proposed to be transferred from City Development Administration
Strategic Development Projects	City Development	(84)	The unfavourable variance is mostly related to higher than anticipated strategic land feasibility costs due to the finalisation of Walkleys Rd business case. Also, additional legal advice relating to Salisbury City Centre with a transfer of funds included as part of this review.	Refer Section 3.4 Transfer of Funds Requests TR0327 Transfer of MRS Pty Ltd Consulting Fees Fund from CEO to Strategic Property \$15k TR0325 Transfer of funds for Salisbury City Centre Consulting & Legal Fees \$147k, of which \$100k is proposed to be transferred to Strategic Development Projects
Urban Policy	City Development	27	The favourable variance is related to the timing of consulting services for Salisbury North Precinct Plan which is anticipated to align to budget in future periods.	
Economic Development	City Development	44	The favourable variance is related to the timing of small business grants and contractual services. This is expected to align in future periods.	



Enabling Excellence – Net Favourable Variance \$748k**Corporate Support – Net Unfavourable Variance \$275k****Revenue – Favourable Variance \$27k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Fleet Services Administration	City Infrastructure	(119)	The unfavourable variance is primarily related to lower than estimated hourly vehicle internal charges recovered. This is offset by internal expenditure across various divisions within Field Services.	

Expenditure – Unfavourable Variance \$302k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Strategic Procurement	Business Excellence	(38)	The unfavourable variance relates to additional consulting requirements this financial year to support key strategic procurement contracts.	
Fleet Services Administration	City Infrastructure	(96)	The unfavourable variance is primarily related to the cost of fuel which has continued at a level well above the estimate during budget formulation, so while consumption of fuel has been relatively steady, the cost to deliver our services has increased significantly, resulting in a budget variation of \$150k.	Refer Section 2. New Bid Proposals Discretionary Operating Bids NB0341 Fleet Fuel Budget \$150k
Maintenance- Ops Centre	City Infrastructure	(96)	The unfavourable variance is mostly related to additional internal labour expenditure due to increased requirement for maintenance year to date. Maintenance was required for the store upgrade, furniture and fittings installations/replacements, carpenters' workshop, and	

Budget Area	Department	Variance YTD '000s	Comment	Action Required
			other miscellaneous items. These costs are currently under review for transfer to the capital program. This is offset by internal income in Field Services Administration.	

Governance – Net Favourable Variance \$32k**Expenditure – Favourable Variance \$32k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Civic & Ceremonial	Sundry	16	Nothing material to disclose.	

Treasury – Net Favourable Variance \$414k**Revenue – Favourable Variance \$14k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Treasury	Sundry	14	Nothing material to disclose.	

Expenditure – Favourable Variance \$400k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Treasury	Sundry	400	The favourable variance primarily relates to no interest costs incurred for cash advances this financial year.	

Misc – Net Favourable Variance \$577k**Revenue – Favourable Variance \$186k**

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Rates	Sundry	180	The favourable variance is primarily related to marginally higher rate revenue generated than budgeted and favourable variance on tier remissions.	

Expenditure – Favourable Variance \$391k

Budget Area	Department	Variance YTD '000s	Comment	Action Required
Wages & Salaries Provision	Sundry	541	This balance represents Wages and Salaries savings identified up to the second quarter of 2022/23. An unallocated amount of \$141k, for allocation in the third and fourth quarter is not reflected in this balance. A total of \$625k has been allocated to the Provision over the second quarter, with \$208k allocated from the Provision as authorised by the CEO for Community Experience Staffing and Strategic Planning.	Refer Section 3.4 Transfer of Funds – Chief Executive Officer Delegation
Inside Staff On costs	Sundry	(154)	The unfavourable variance is related to the timing of actual versus budgeted sick leave, parental leave and annual leave taken year to date.	

Appendix 5 – Capital Expenditure Report as at 31 December 2022

The second quarter of 2022/23 was a busy period for the Capital Program with construction works continuing and designs developed for new projects. There were no capital budget review bids administered during the first quarter of 2022/23 while Council was in Caretaker mode. At the conclusion of the second quarter 2022/23, \$27.4M (25.6%) of the revised budget of \$107M has been expended. In total \$71.9M (67.2%) of the budget is committed, leaving an uncommitted balance of \$35.1M (32.8%). The following table reflects this and provides additional financial detail.

Description	Revised Budget	Actuals	Commitments	Total Actuals / Commitments	Balance Remaining
EXPENDITURE					
Transportation	25,009,723	5,982,232	2,210,610	8,192,842	16,816,880
Property & Buildings	10,621,268	4,224,918	3,034,173	7,259,091	3,362,177
Drainage & Waterways	3,268,447	934,222	684,998	1,619,220	1,649,227
Parks & Streetscapes	11,167,038	2,406,879	4,655,886	7,062,766	4,104,272
Fleet	4,693,948	658,010	1,537,594	2,195,604	2,498,344
Strategic Projects	43,501,861	11,647,679	31,460,591	43,108,270	393,590
Total City Infrastructure	98,262,284	25,853,941	43,583,853	69,437,794	28,824,490
Information Technology	2,414,526	124,712	134,531	259,242	2,155,284
Salisbury Water Business	5,382,758	1,146,625	625,078	1,771,703	3,611,055
Strategic Property	902,367	228,301	155,684	383,985	518,382
Total Other	8,699,651	1,499,638	915,293	2,414,931	6,284,720
TOTAL EXPENDITURE	106,961,935	27,353,579	44,499,146	71,852,725	35,109,210
INCOME					
Transportation	(1,410,000)	(475,000)	0	(475,000)	(935,000)
Property & Buildings	0	(15,008)	0	(15,008)	15,008
Drainage & Waterways	0	(47,727)	0	(47,727)	47,727
Parks & Streetscapes	(100,000)	0	0	0	(100,000)
Strategic Projects	0	(4,045,515)	0	(4,045,515)	4,045,515
Total City Infrastructure	(1,510,000)	(4,583,250)	0	(4,583,250)	3,073,250
Salisbury Water Business	(360,000)	0	0	0	(360,000)
Strategic Property	0	(859,091)	0	(859,091)	859,091
Total Other	(360,000)	(859,091)	0	(859,091)	499,091
TOTAL INCOME	(1,870,000)	(5,442,341)	0	(5,442,341)	3,572,341
NET	105,091,935	21,911,238	44,499,146	66,410,384	38,681,551

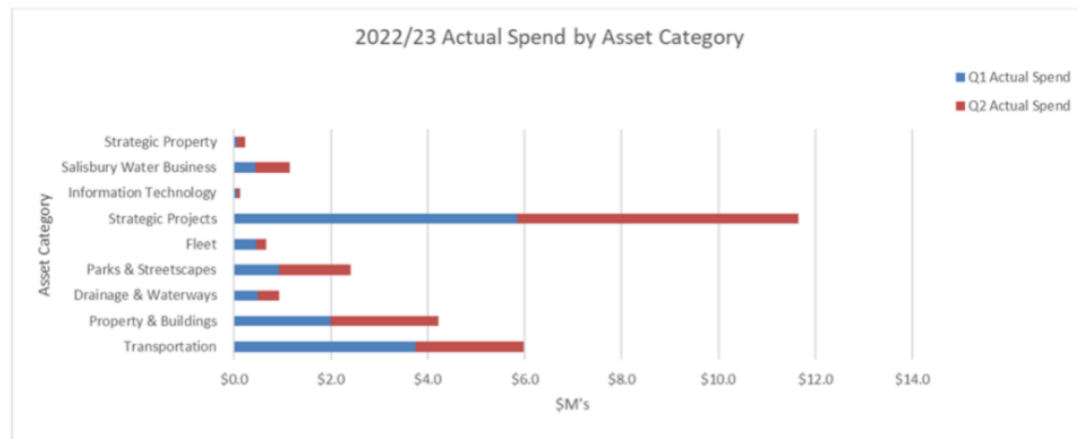
A noteworthy achievement was the transformation of the City Centre with the landscaping of John and Church Street. This included planting of approximately 145 new trees and 6,350 new plant species. This has been followed by the installation of artwork and a face lift for the Salisbury clock tower to depict Aboriginal history and identity of this land.

Salisbury City Centre Revitalisation



Expenditure

The following graph illustrates actual expenditure in 2022/23 across the asset categories by financial quarter. Significant expenditure in Strategic Projects is reflective of the progression of projects in this category, which include the Salisbury City Centre Revitalisation, Salisbury Aquatic Centre, Paddocks Master Plan and the Federal Government funded Local Roads and Community Infrastructure Program.



The first half of 2022/23 saw the delivery of works continue to be challenged by supply chain restrictions as a result of the Covid-19 pandemic. Despite conditions having eased, supply of items in a timely manner and appropriate levels of resourcing continue to be pressure points in the construction industry. Periods of significant rainfall also hampered construction programs in the first half of this financial year.

Total actual spend in quarter two is slightly lower than quarter one, noting the construction industry in general has a shutdown period over the festive season. Total commitments at the conclusion of the second quarter have increased \$5.8M from the first quarter, and commitment levels will increase in the third quarter following the anticipated award of the Road Reseal Program tenders, details of which are currently being finalised.

Description	Actual Spend			Spend + Commitments		
	Q1 Actuals	Q2 Actuals	Difference	Q1 Total Actuals	Q2 Total Actuals	Difference
Transportation	\$3.7	\$2.2	-\$1.5	\$5.7	\$8.2	\$2.5
Property & Buildings	\$2.0	\$2.2	\$0.2	\$7.1	\$7.3	\$0.1
Drainage & Waterways	\$0.5	\$0.4	-\$0.1	\$1.4	\$1.6	\$0.2
Parks & Streetscapes	\$0.9	\$1.5	\$0.6	\$5.0	\$7.1	\$2.1
Fleet	\$0.5	\$0.2	-\$0.3	\$1.2	\$2.2	\$1.0
Strategic Projects	\$5.8	\$5.8	\$0.0	\$42.6	\$43.1	\$0.5
Total City Infrastructure	\$13.5	\$12.4	-\$1.1	\$63.0	\$69.4	\$6.4
Information Technology	\$0.1	\$0.1	\$0.0	\$0.2	\$0.2	-\$0.1
Salisbury Water Business	\$0.4	\$0.7	\$0.2	\$1.5	\$1.1	-\$0.4
Strategic Property	\$0.1	\$0.2	\$0.1	\$0.1	\$0.0	-\$0.1
Total Other	\$0.6	\$0.9	\$0.3	\$1.9	\$1.3	-\$0.6
Total	\$14.1	\$13.3	-\$0.8	\$64.9	\$70.7	\$5.8

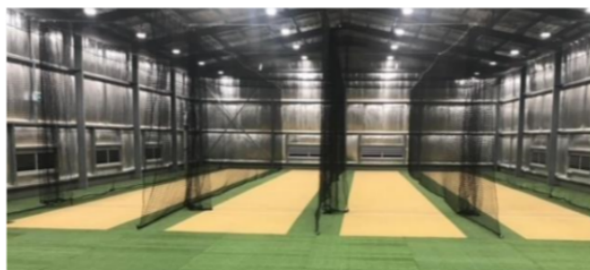
Income

Over the last two quarters, a series of income adjustments have been identified and are presented to Council for consideration via the Second Quarter Budget Review. These adjustments will see the current Income Budget of \$1.9M increasing by \$4.1M to \$5.6M. The income associated adjustments are as follows;

- Receipt of State Government grant funding via Department for Infrastructure and Transport of \$2.6M, as per Resolution 1375/2022, to deliver the following projects;
 - Rains Drive Reserve Improvements, Pooraka, \$100k
 - RM Williams Drive Playspace, Walkley Heights, \$125k
 - Footpath Improvements within Pooraka and Ingle Farm, \$2M
- Receipt of State Government grant funding via Department for Recreation, Sport and Racing of \$2M, as per Resolution 1375/2022, to deliver the following projects;
 - Lindblom Park Change Facilities, Pooraka, \$650k
 - Rowe Park Lower Change Facilities, Ingle Farm, \$650k
 - Synthetic Green, The Paddocks, Para Hills West, \$300k
 - Pitch Lighting, Manor Farm, Salisbury East, \$250k
 - Para Hills Oval Cricket Facilities, Para Hills \$80k
 - Brahma Lodge Oval Cricket Facilities, Brahma Lodge, \$50k
 - Electronic Scoreboard Salisbury Oval, Salisbury, \$50k
- Additional successful income within the Bicycle Network Improvement Program for a link between the Para Hills Community Hub and The Paddocks of \$50k, resulting in a total of \$100k of income for this project which is being matched with existing Council program funding.
- Grant funding was not able to be secured for the City-Wide Trails Program and as a consequence a \$400k nil effect income loss variation has been reflected within this quarter review as per Resolution 0059/2022. The program has delivered bicycle network connections to Pt Wakefield Road, Dry Creek, with the remaining Council contribution.
- In recent years Council has been very successful in attaining grant funding for the Major Traffic Improvement Program, however this year's application was not successful. In accordance with Resolution 1442/2022 the \$450k income budgeted for this program is declared as an income loss. In total, an \$830k expenditure savings is also declared in this review, \$380k of which was proposed Council funding. The program retained \$100k to develop and design projects for future years funding consideration.

Through the Federal Government, Local Roads and Community Infrastructure Program, this quarter saw the completion of the new Indoor Community Cricket Training Facility at Salisbury Oval. This facility provides a safe sheltered space for training throughout the year.

Salisbury Oval Indoor Cricket Facility



Salisbury Aquatic Centre

In 2021/22, the State Government supported the delivery of the new Salisbury Aquatic Centre via allocation of \$7.2M from the Local Government Infrastructure Partnership Program. During this quarter site establishment was completed followed by civil and preparation works. Detail design documentation reached 90% documentation prior to Christmas in preparation for finalisation early in 2023.

New Funding Adjustments

No capital budget review adjustments were made at the First Quarter Budget Review. The following variations are included in the Second Quarter Budget Review.

- In August 2022, as per Resolution 1442/2022, approval was given to bring forward \$238k of unallocated Sport field Lighting capital funding into 2022/23 to support the delivery of sports lighting at Lindblom Park, Pooraka, in accordance with the Strategic Master Plan.
- To meet the outcomes of consultation and the Playspace Policy, an additional \$112k capital budget was approved as per Resolution 1442/2022 to contribute towards the delivery of the playspace at St Albans Drive Reserve, Salisbury Heights.
- To increase accessibility and ability to manoeuvre through the Burton Community Hub, \$150k was sought in January 2023 to upgrade doors with automation, and \$15k to enable signage to be installed at Burton Park, as per Resolution 0100/2023.
- To enable project completion, an allocation of \$1.1M of Council funding was approved to support the State Government Office for Recreation, Sport and Racing, and Department for Transport and Infrastructure grant funded projects as per Resolution 1375/2022.
- In accordance with Resolution 0400/2022, \$300k allocation was approved to support an application for State Government grant funding to deliver sports lighting improvements at Burton Park.
- To enable the completion of upgrades associated with the Salisbury City Centre Revitalisation, \$900k was approved to support the delivery of this program of works, as per Resolution 0045/2022.

Other Funding Adjustments

Other funding adjustments included this quarter are;

- As per Resolution 1442/2022, transfer \$200k from the Public Lighting Program to the Sports Field Program to support the delivery of sports lighting at Lindblom Park, Pooraka.
- A Carry Forward correction of \$136k has been included to correct 2022/23 budget allocations for a series of continuing projects which had budget funding allocated for the 2022/23 financial year.

Asset Category Highlights

Salisbury Water

For Salisbury Water, the ongoing focus has been on renewal of assets including upgrade of electrical / Scada infrastructure and systems. Construction works associated with the Dry Creek / Unity Park stormwater harvesting optimisation project is scheduled to commence early 2023. Recycled water connection provisions are also now available at Venturi, Delemere, Fern Grove, Strathpine and Bunya Reserves.

Feature landscaping enhancements at Greenfields Wetlands has occurred which has improved public amenity and functionality including recycled water grassed areas for picnics, along with additional spaces for school groups to utilise for excursions and teaching experiences. Sustainable practices were adopted by using recycled bollards from the City Centre project.

Greenfields Landscaping



Property and Buildings

Paddocks, Clubroom Renewals



The construction of the new sports clubrooms at Yalumba Drive Reserve, Paralowie, is now out of the ground with the slab in place and structure steel being erected. The renewal of the sporting clubrooms at Reg Groth Reserve, Parafield Gardens is substantially progressed and, on its completion, will provide new and improved amenities for the community. The renewal of the sporting clubrooms at the Paddocks, leased by the Para Hills Knights is nearing completion. Planning is underway for this category in preparation for next year's program.

Transportation

Mobara Park Bridge



The Bus Stop Program has transitioned into tender evaluation in preparation for award early in 2023. This will see shelter and stop improvements to multiple locations within the City. As part of the School Zones and Pedestrian Crossings Program, the upgrade to the pedestrian crossing on Amsterdam Crescent, Salisbury Downs, was released to the market. This crossing services the community and adjacent school, Thomas More College. As detailed within the Income section of this report, City of Salisbury was successful in attaining grant funding to deliver bicycle network improvements between Para Hills Community Hub and The Paddocks. This project is near design complete in preparation for release to the market. The new Mawson Lakes pedestrian bridge is now under construction, which will improve accessibility in particular for the adjacent Mawson Lakes School.

Fleet

The fleet program supports the services provided to the community. It sees plant and fleet items progressively replaced following assessment of user and service level delivery requirements. This program remains constrained by the impacts associated with the supply chain, lead times and availability.

Strategic Projects

The structural steel for the new sporting clubrooms at the Paddocks is being erected with the roof installation to follow. Also, at this reserve, the services for the new toilets are being arranged which will be located adjacent the new playspace. The Salisbury Aquatic Centre is also part of this category, with this project now commenced on site and civil works well advanced, whilst the full detail design has been progressing and is set for final completion 2023.

Paddocks New Sports Clubrooms



As detailed within the Income section of this report, following the State Election, City of Salisbury was awarded \$4.6M of grant funding from State Government that will be used to fund a series of projects which will result in new and improved infrastructure and amenities for the community.

Parks and Streetscape

The redevelopment of Fairbanks Drive Reserve, Paralowie, Stage 2, is under construction with the picnic shelters recently installed complementing the new path network created. The new play elements for this reserve are currently being manufactured. The renewal of four local play spaces was recently awarded and equipment is currently being fabricated. Installation is not anticipated until mid-2023. Three verge redevelopment projects are currently under construction, forming part of a verge pilot program within the Streetscape Program. Tree removals are occurring for the Streetscape Program also, in preparation for new tree planting in cooler weather conditions, approximately April to June.

Drainage and Waterways

The Drainage and Waterways asset category delivers a variety of projects and programs across the City including proactive development of flood mitigation strategies, addressing minor localised flooding and maintaining the City's dams and watercourses. The installation of new flood gates at Mawson Lakes was recently completed, in alignment with flood mitigation strategies. Design and investigation works are currently in progress to inform the development of the 2023/24 program of works.

Mawson Lakes Flood Gates



Strategic Property

Strategic Projects has released the Salisbury City Centre Renewal EOI campaign which offers four development sites with the former Len Beadell Library site nominated as the priority site. Further to this, a builder partner has been officially engaged to develop the Lake Windemere site, which will incorporate affordable housing outcomes and innovative construction measures. Nine (9) additional settlements have occurred at the Boardwalk with fourteen (14) remaining of which ten (10) are contracted and waiting on settlement.



Next Quarter

The next quarter will see the new Salisbury Aquatic Centre start to take shape and the commencement of the new building structure. The renewal works at Reg Groth Reserve, Parafield Gardens and The Paddocks, Para Hills West, will be completed. The new joint use Animal Pound will be heading for completion, noting this project is being delivered in conjunction with the City of Tea Tree Gully. Following finalisation of the new Road Reseal contract, road renewal will commence and rapidly ramp up for program delivery.

The development of the 2023/24 program commences during the next quarter. This requires investigation, consultation and concept development to inform future works. In preparation for the 2022/23 Third Quarter Budget Review, the entire program will be reviewed to determine if any budget adjustments are required for existing works, which may need to be transferred to next financial year to align with any revised delivery schedules. If the construction industry remains impacted by supply chain delays it is expected that some works will be finished in the following financial year. All efforts are undertaken to minimise this and reduce the risk of occurrence where possible.

Summary

The Capital Program continues to progress in accordance with developed schedules of work. The capital spend as at the end of this quarter sits at \$27.4M compared with a spend of \$20.3M at the corresponding time last year. A number of adjustments have been included this quarter to reflect approved program changes with details of these outlined within this report.

Appendix 6 – Savings from Budget Bids

There are no savings from 2022/23 budget bids.

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	387	246	141	507	507	557
Expenditure	253	246	7	483	502	527
Surplus/(Deficit)	134	0	134	24	5	30

At the conclusion of the second quarter, the Salisbury Memorial Park (SMP) has recorded a YTD surplus of \$134,000 versus a budgeted 'break even' position (YTD). This is largely due to a very busy period during the first half of the financial year, which has seen 76% of the annual income budget already realised, whilst expenditure remains largely in line with budget.

During the first six months of the financial year, SMP has handled 59 burials which is significantly higher than the average for the same period over the past five years (45). Numbers have exceeded expectations across a range of services including ashes inurnments, vault burials and general lawn burials. The increased sales also lead to increased expenditure, through the costs required to deliver the services and materials.

Due to a level of unpredictability of demand, a conservative approach has been applied to passing the increased revenue and expenditure through to budget revisions.

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	673	423	250	751	751	951
Expenditure	316	332	16	604	604	604
Surplus/(Deficit)	357	91	226	147	147	347

Income from external clients has exceeded budget predictions due to an increase in development application activity. Expenditure is generally within budget expectations. Additional work to realise increased income has been absorbed within existing resources, given temporary nature of income growth for this period.

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	558	854	(295)	2,515	2,515	2,515
Internal Revenue	526	987	(461)	3,291	3,291	3,291
Total Income	1,085	1,841	(756)	5,806	5,806	5,806
Expenditure	2,766	2,794	28	5,629	5,751	5,951
Surplus/(Deficit)	(1,682)	(953)	(729)	177	55	(145)

The Salisbury Water Business Unit (SWBU) completed the second quarter of the 2022/23 financial year with an unfavourable variance of \$729k against the revised budget. Due to rising interest rates, the current full year outlook is for a budget deficit of \$145k. Forecasts are largely dependent on weather conditions as the SWBU water supply is highly geared to irrigation and wetter than average conditions have been experienced so far this year.

Excluding the budgeted depreciation allowance of \$2,056k, it is anticipated that the business will deliver a positive net cash equivalent position of \$1,911k for the year.

Income of \$1,085k has been received to date, which is \$756k below the YTD budget. Operational expenditure was \$28k below the YTD budget.

A total of 502 ML of water was distributed to Salisbury Water customers during the first half of the year. Of this 190 ML was supplied to irrigate Council reserves, sporting ovals and facilities across the City and 312 ML was supplied to external customers including industry, schools and residents. Water supplied to Council facilities for the period is lower than anticipated and can be attributed to above average rainfall conditions and a much later start to the irrigation season. External water sales are also below budget predictions and linked to lower use by irrigation-based customers (i.e. schools and private community groups) due to above average rainfall conditions. Non-irrigation based customer usage continues to remain reasonably steady and in line with budget predictions. Income forecasts will be reviewed at the end of the peak irrigation season as it is anticipated that current income shortfalls will be reduced during the third quarter peak irrigation supply period.

Higher than average rainfall was received across the first 6 months of this year with 317mm recorded at Parafield Airport compared to an average of 250mm for this time of year. This has resulted in a solid harvest yield with 2,672ML of stormwater harvested from wetland systems, bringing the combined aquifer storage balance to 10,995ML. Whilst rainfall has been sporadic and received in several larger storm events, there was sufficient minor rain events during October and November to meet most irrigation-based customer watering needs, with only minor 'top-up' irrigation required during hot spells to get through to the next rain event. Conditions moving forward into the third quarter should see rain events follow a more typical pattern and irrigation demand for the next 3 months should be more consistent with budget predictions.

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

	2023 Budget Revised \$000's	2023 Original Budget \$000's
YEAR ENDING 30 JUNE		
INCOME		
Rates Revenues	112,011	112,011
Statutory Charges	3,087	2,848
User Charges	5,530	5,410
Grants, Subsidies & Contributions	9,480	14,317
Investment Income	190	71
Reimbursements	289	289
Other Income	1,032	980
Total Income	131,619	135,926
EXPENSES		
Employee Costs	42,609	42,534
Materials, Contracts & Other Expenses	61,317	588,623
Depreciation, Amortisation & Impairment	31,886	31,856
Finance Costs	1,444	1,444
Total Expenses	137,256	134,697
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(5,637)	1,229
Asset Disposal & Fair Value Adjustments	2,440	2,440
Amounts Received Specifically for New or Upgraded Assets	5,975	1,770
Physical Resources Received Free of Charge	1,000	1,000
NET SURPLUS/(DEFICIT)	3,778	6,439
OTHER COMPREHENSIVE INCOME		
Changes in Revaluation Surplus - I,PP&E	46,968	47,617
Total Other Comprehensive Income	46,968	47,617
TOTAL COMPREHENSIVE INCOME	50,746	54,056

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

YEAR ENDING 30 JUNE	2023 Budget Revised \$000's	2023 Original Budget \$000's
ASSETS		
Current Assets		
Trade & Other Receivables	6,246	6,230
Inventories	1,801	1,787
Total Current Assets	8,047	8,017
Non-Current Assets		
Financial Assets	330	330
Equity Accounted Investments in Council Businesses	4,824	4,824
Infrastructure, Property, Plant & Equipment	1,727,343	1,729,774
Intangible Assets	210	210
Other Non-Current Assets	22,012	22,012
Total Non-Current Assets	1,754,719	1,757,150
TOTAL ASSETS	1,762,766	1,765,167
LIABILITIES		
Current Liabilities		
Cash Advance Debentures		
Trade & Other Payables	18,389	17,752
Borrowings	1,409	1,409
Provisions	10,170	10,170
Total Current Liabilities	29,968	29,331
Non-Current Liabilities		
Cash Advance Debentures	41,826	52,992
Borrowings	4,698	4,698
Provisions	2,204	2,204
Total Non-Current Liabilities	48,728	59,894
TOTAL LIABILITIES	78,696	89,225
NET ASSETS	1,684,070	1,675,942
EQUITY		
Accumulated Surplus	412,197	403,420
Asset Revaluation Reserves	1,234,729	1,235,378
Other Reserves	37,144	37,144
TOTAL EQUITY	1,684,070	1,675,942

City of Salisbury
Long Term Financial Plan Model
Budgeted Statement of Cash Flows

	2023 Budget Revised \$000's	2023 Original Budget \$000's
YEAR ENDING 30 JUNE		
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	132,422	136,394
Investment Receipts	188	72
Payments		
Operating Payments to Suppliers and Employees	(101,034)	(100,201)
Finance Payments	(1,444)	(1,444)
Net Cash provided by (or used in) Operating Activities	30,132	34,821
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Amounts Received Specifically for New/Upgraded Assets	5,975	1,770
Sale of Replaced Assets	770	770
Sale of Real Estate Developments	1,670	1,670
Repayments of Loans by Community Groups	33	33
Payments		
Expenditure on Renewal/Replacement of Assets	(24,514)	(20,012)
Expenditure on New/Upgraded Assets	(79,274)	(54,342)
Net Cash Provided by (or used in) Investing Activities	(94,725)	(70,111)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from CAD's	41,826	36,611
Payments		
Repayments of Borrowings	(1,321)	(1,321)
Net Cash provided by (or used in) Financing Activities	40,505	35,290
Net Increase/(Decrease) in Cash Held	(24,088)	
Cash & Cash Equivalents at Beginning of Period	24,088	
Cash & Cash Equivalents/Movements in Borrowings at End of Period		

City of Salisbury
Long Term Financial Plan Model
Budgeted Statement of Changes in Equity

	2023 Budget Revised \$000's	2023 Original Budget \$000's
YEAR ENDING 30 JUNE		
Opening Balance	1,633,325	1,621,886
Net Surplus / (Deficit) for Year	3,777	6,439
Other Comprehensive Income		
- Gain (Loss) on Revaluation of I,PP&E	46,968	47,617
Other Comprehensive Income	46,968	47,617
Total Comprehensive Income	50,745	54,056
Balance at end of period	1,684,070	1,675,942

City of Salisbury
Long Term Financial Plan Model
Budgeted Uniform Presentation of Finances

	2023 Budget Revised \$000's	2023 Original Budget \$000's
YEAR ENDING 30 JUNE		
Income	131,619	135,926
less Expenses	(137,256)	(134,697)
Operating Surplus / (Deficit)	(5,637)	1,229
Less: Net Outlays on Existing Assets		
Capital Expenditure on Renewal/Replacement of Existing Assets	(24,514)	(20,012)
less Depreciation, Amortisation & Impairment	31,886	31,856
less Proceeds from Sale of Replaced Assets	770	770
	8,142	12,614
Less: Net Outlays on New and Upgraded Assets		
Capital Expenditure on New/Upgraded Assets	(79,274)	(54,342)
less Amounts Specifically for New/Upgraded Assets	5,975	1,770
less Proceeds from Sale of Surplus Assets	1,670	1,670
	(71,629)	(50,902)
Net Lending / (Borrowing) for Financial Year	(69,124)	(37,059)

In any one year, the above financing transactions are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

City of Salisbury
Long Term Financial Plan Model
Budgeted Financial Indicators

	2023 Revised Budget \$000's	2023 Original Budget \$000's
YEAR ENDING 30 JUNE		
Operating Surplus	(5,637)	1,229
Operating Surplus Ratio	(4.28%)	0.90%
Operating surplus divided by total operating revenue. This ratio expresses the operating surplus/(deficit) as a percentage of total operating revenue.		
Net Financial Liabilities	72,120	82,665
Net Financial Liabilities are defined as total financial liabilities less financial assets (excluding equity accounted investments in Council businesses).		
Net Financial Liabilities Ratio	54.79%	60.82%
Net Financial Liabilities divided by total operating revenue. Indicates the extent that council can meet its net financial liabilities out of operating revenue.		
Asset Renewal Funding Ratio	123%	100%
Net Asset Renewals divided by Asset Management Plan Renewal Expenditure. Indicates whether capital assets are being renewed as planned in the Asset Management Plans.		

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ITEM	2.1.2
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	20 February 2023
HEADING	Council Finance Report - December 2022
AUTHORS	Sadaf Hashim, Assistant Accountant, Business Excellence Kate George, Manager Financial Services, Business Excellence
CITY PLAN LINKS	4.2 We deliver quality outcomes that meet the needs of our community
SUMMARY	This report provides key financial data as at 31 st December 2022 for the information of Council.

RECOMMENDATIONThat Council:

1. Notes the report.

ATTACHMENTS

There are no attachments to this report.

1. BACKGROUND

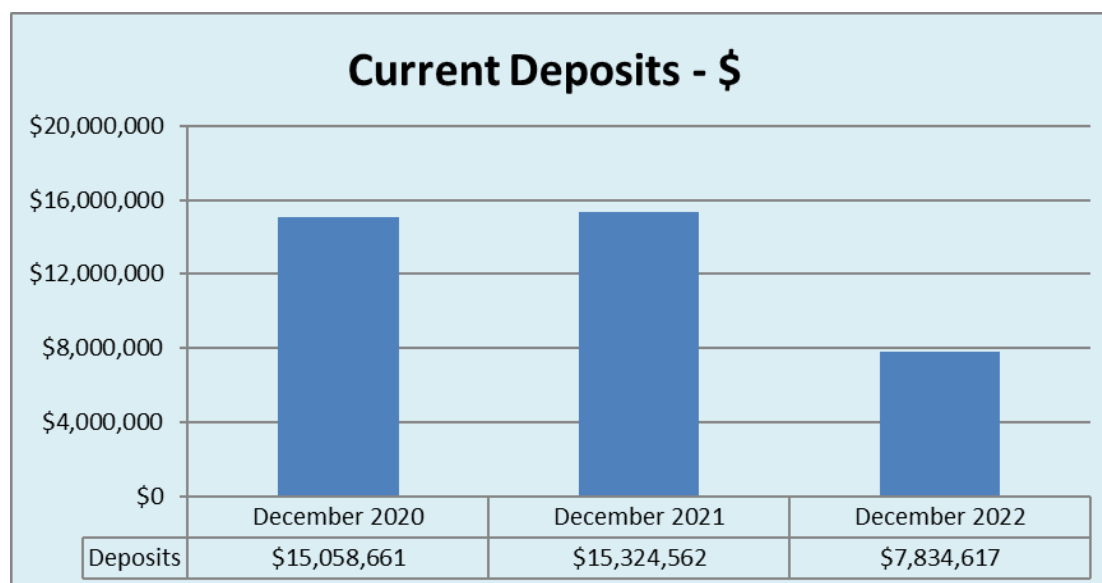
- 1.1 The Treasury Policy requires that a report be prepared detailing fixed borrowings and variable borrowings at the end of the preceding month, together with all investments held, their terms and interest rates. Also included is a summary of Reserve Balances and Rates and Debtor Information. The policy 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.
- 1.2 This February report has been prepared based on 31 December 2022 data, as the fall of the month end and the timing of this meeting result in the February data not being available with sufficient time to meet reporting timeframes.

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 30-90 days) or at call with the National Australia Bank.
- 2.2 Investments are selected considering which delivers the best value, having regard to investment returns, transaction costs and other relevant factors. It should be noted that there is a bonus paid on deposits with the LGFA each year, and whilst the percentage varies from year to year, typically it is around 0.20%

2.3 Investments as at 31 December 2022

Date	Institution	%	Term-Days	Maturity	Value
31-Dec-2022	LGFA	3.30%	At Call	31-Dec-2022	5,520,769
31-Dec-2022	NAB	3.30%	At Call	31-Dec-2022	2,313,848
31-Dec-2021	15,324,562			31-Dec-2022	7,834,617



2.4 The cash position has decreased compared to December 2021 primarily as a result of an accelerated delivery of the Infrastructure program in the 2nd quarter of 2022/23 financial year. Due to the scale of Infrastructure program, this cash outflow will continue in the second half of the financial year, with significant cash outflows expected in quarter 3 and 4.

2.5 As at 31 December 2022, Council has not needed to draw down on existing cash advance debentures facilities (CAD's) for the 2022/23 year. The Council's cash holdings and borrowings will be monitored closely and when necessary existing CAD Facilities will be draw down, noting there are appropriate levels of facilities available to manage any cash shortfalls.

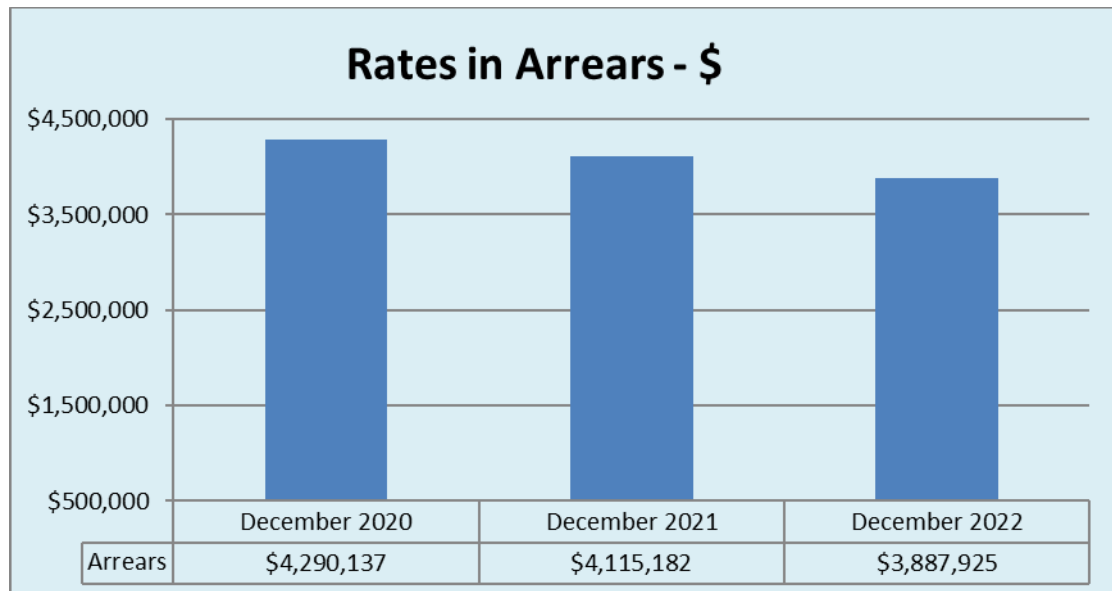
2.6 Reserves as at 31 December 2022

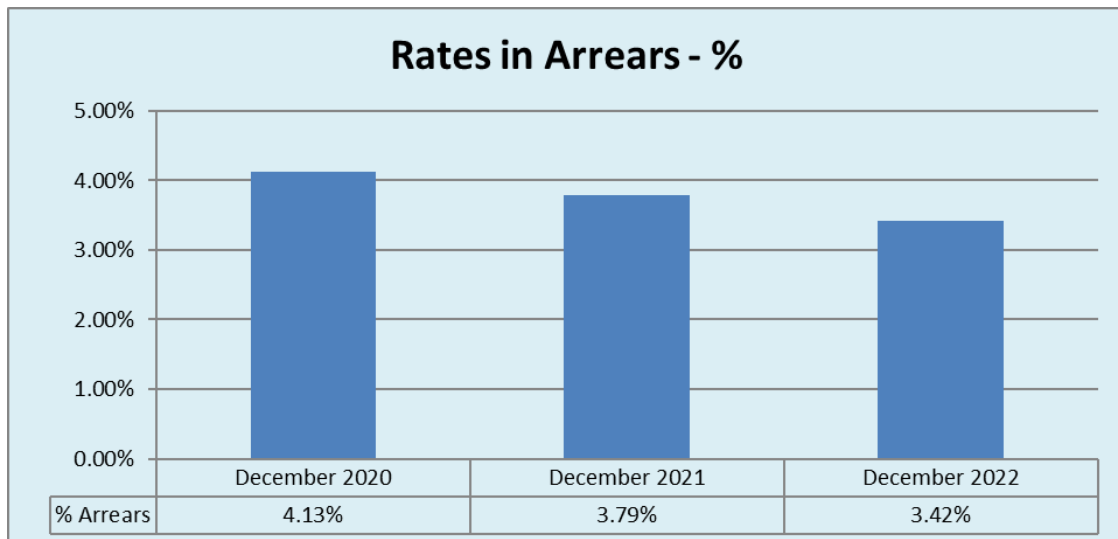
	Opening Balance as 1/07/2021	Transfer to Reserves	Transfer from Reserves (Budgeted)	Current Balance
Open Space Reserve	1,481,156	19,612	-	1,538,817
Car Parking Reserve	951,131	12,325	-	967,104
Property Disposal Reserve	2,436,573	-	-	2,634,386
Mausoleum Perpetual Care Fund	875,275	19,506	-	950,721
Salisbury Memorial Park Reserve	915,135	11,859	-	930,504
Developer and Public Infrastructure Reserve	1,755,644	404,605	400,000	2,019,249
Salisbury Water Business Unit Reserve	3,064,469	-	-	3,534,443
Northern Futures Fund Reserve	265,312	3,425	-	268,738
Business Transformation Reserve	2,005,000	25,883	-	2,030,883

- 2.7 Reserves are a device used to ensure that Council has allocated amounts 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.
- 2.8 As at 31 December 2022 the most significant movement is the Returned Funds of Developer Funded Program of \$379k into the Developer and Public Infrastructure Reserve for the works that were either not required or not completed in the 2021/22 financial year, offset by the 2022/23 allocation of \$400,000 approved through the budget process. Other smaller movements include transfers representing nominal interest allocations totaling \$118k across all the reserves.
- 2.9 Other movements are associated with interest which is applied on the balances of the Reserves on a monthly basis based on the LGFA at call rate at the beginning of the month, with the Property Disposal Reserve and the Salisbury Water Business Unit Reserve being the only exceptions.
- 2.10 Recovery of Rates as at 31 December 2022

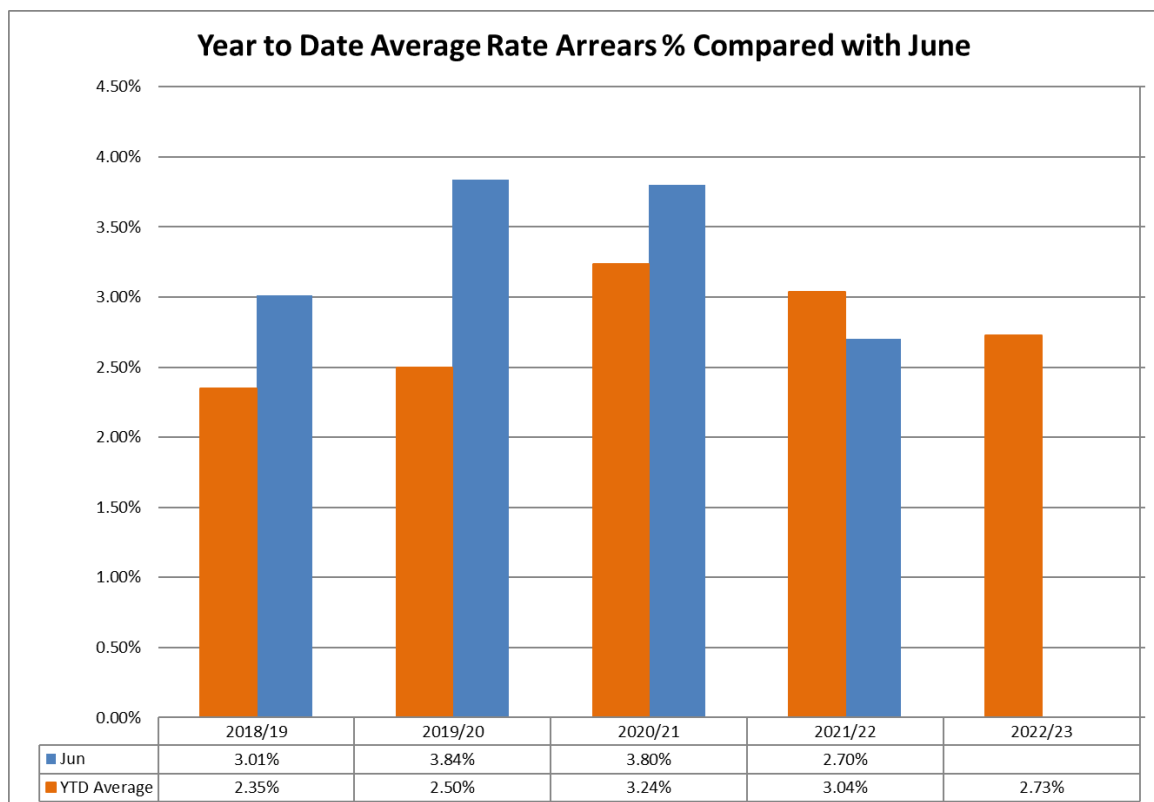
	\$	%
Outstanding Balance as at 31 December 2022*	46,466,087	41.51%
Outstanding Balance as at 31 December 2021*	44,368,755	41.74%
Outstanding Rates Arrears as at 31 December 2022	3,887,925	3.42%
Outstanding Rates Arrears as at 31 December 2021	4,115,182	3.79%

**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.*





- 2.11 The level of Council Rates in arrears as at 31 December 2022 is 3.42% which is above the target maximum level for Rates Arrears of 2.5%.
- 2.12 Rate arrears are cyclical in nature in that they peak in the month rate installments fall due, and then typically trend downwards for the next two months, meaning that the rate arrears level 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 December 2022 being 2.73%, which reflects returning to “normal” levels of arrears post COVID19.



2.13 Other Debtors as at 31 December 2022

Debtor Type	Current	30 – 60 days	60 - 90 days	Over 90 days	Total
Sundry	219,884	60,391	13,820	42,185	336,280
Salisbury Water	5,506	6,933	-	-	12,440
Health Licensing Fees	3,073	2,827	804	5,618	12,322
Property Management	70,469	49,817	12,384	4,758	137,428
Inflammable Undergrowth	0	0	0	443	443
TOTAL	298,932	119,968	27,008	53,004	498,913

2.14 The above aged analysis represents Council's Sundry debtors as at 31 December 2022. The total Sundry debtors current balance of \$336k includes various debts, all of which are a normal part of Council's operations, and are expected to be paid in the upcoming period.

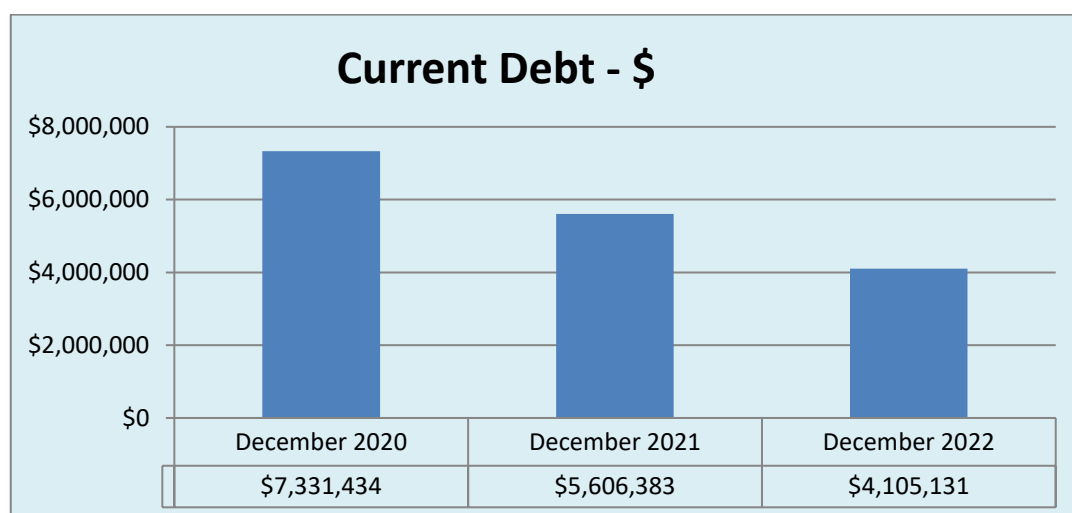
2.15 The above aged analysis also represents other amounts that are owing to Council from a variety of sources that are outstanding as at 31 December 2022. Debts outstanding greater than 90 days account for 10.6% of the total outstanding balance. Debts that are outstanding for greater than 30 days are 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 December 2022

Debenture Loans	
Principal Outstanding as at 1 July 2022	4,739,545
Loans Raised Year to Date	-
Repayments of Principal Year to Date	634,414
Loan Principal Outstanding - Debenture Loans	4,105,131
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	158,332
Interest Payments - CAD's	0
Total Interest Payments	158,332

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 2022 and another due in June 2023. There has been no drawdown on CAD's for the 2022/23 year as at 31 December 2022.

- 2.18 Not included in the above loan schedule is the \$350k Debenture Loan secured for special purpose borrowings (to Salisbury Bowling Club), which is offset by a Loan Receivable at the end of December. The loan receivable has been extinguished as part of the settlement on the purchase of the Salisbury Bowling Club site which occurred in January 2023, and the Loan schedule when next reported will include the \$350k Debenture Loan as part of our total borrowings.
- 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, and the timing of delivery of the capital program.



2.20 Net Financial Liabilities Ratio Comparison



- 2.21 The graph above shows the net financial liabilities ratio (NFL) comparison for the 2022 and 2023 financial years as at the time of preparation of each Council finance report, with the 2022 end of financial year result updated to the audited amount. Council's approved range for the NFL is less than 70% as approved for the 2022 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 favorable. 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 reduced as the infrastructure program is delivered. At the end of the 2021/22 financial year Council was in a net financial liability position with a ratio of 14.2% which is in the endorsed range.
- 2.24 The budgeted ratio for 2022/23 for the net financial liabilities is 60.82%. Currently the actual ratio is a net financial asset position of 30%, 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.

3. CONCLUSION / PROPOSAL

- 3.1 The analysis above demonstrates that Council is currently in a sound financial position, with adequate Cash holdings and Net Financial Liabilities within the approved range. Reduction in cash balances and drawdowns of CAD facilities will occur as we expend the scheduled capital program. However, it should be noted that Council has appropriate levels of borrowing facilities to manage any cash shortfalls that may result.

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ITEM	2.1.3
	FINANCE AND CORPORATE SERVICES COMMITTEE
DATE	20 February 2023
HEADING	NAWMA (Northern Adelaide Waste Management Authority) First Quarter Budget Review 2022/23
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 2022/23, and this report provides Council the opportunity to consider these budget revisions.

RECOMMENDATIONThat Council:

1. Approves the First Quarter Budget Review of the Northern Adelaide Waste Management Authority as contained in Attachment 1 to this report (Item No. 2.1.3, Finance and Corporate Services 20 February 2023).

ATTACHMENTS

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

1. NAWMA FY23 Budget Review 1
2. NAWMA FY23 Budget Review 1 Budgeted Financial Statements

1. BACKGROUND

- 1.1 NAWMA have prepared their First Quarter Budget Review which was considered by their Audit Committee and Board 14 December 2022.
- 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 consider whether the Budget Review will be approved.

2. CONSULTATION / COMMUNICATION

Not applicable

3. REPORT

- 3.1 NAWMA 2022/23 First Quarter Budget Review, Attachments 1 and 2, forecasts an increase in operating deficit from the original budget position of \$61k deficit, to a revised \$1.23m deficit.
- 3.2 The primary reason for the increase in forecast deficit is from the non-renewal of an existing contract, resulting in a forecast reduction of 23k tonnes to be received at NAWMA's Materials Recovery Facility. The financial impact of the reduction in tonnage is a decrease in revenue of \$2.6m with a corresponding decrease in expenditure of \$1.8m, leading to a net \$800k reduction in operating contribution. Other material changes contributing to the revised result include a \$600k reduction in income due to softening commodity markets, offset by increases in spot energy sales of \$100k and expenditure savings of \$133k.
- 3.3 Delays in planned capital works to upgrade the Pooraka Resource Recovery Centre and to establish a Fibre Polishing Plant has resulted in a forecast reduction in capital expenditure of \$6.015m for the financial year.
- 3.4 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.
- 3.5 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 2022/23.



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And our Client Rural and Regional Councils

Agenda Item 8.1

Report Subject:	FY23 Budget Review 1	Report Author:	Chief Financial Officer
Meeting Date:	14 December 2022	Report Type:	Decision report (finance, operational, risk)
Attachments:	8.1.1 – FY23 Budget Review 1 Budgeted Financial Statements		

RECOMMENDATION

That the NAWMA Board adopt the FY23 Budget Review 1 as presented in the attached Uniform Presentation of Finances, Statement of Comprehensive Income and receive the updated Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows.

Purpose of the Report

To provide the Board with the opportunity to consider and endorse NAWMA'S FY23 Budget Review 1 (as at 30 September 2022) and associated financial statements, ratios and adjustments.

Background

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

This Report contains Budget Review 1 (BR1) for FY23. Subsequent reviews scheduled for December 2022 (BR 2) and March 2023 (BR 3) will be reported to the Board in 2023.

At its meeting on Wednesday, 23 November 2022 NAWMA's Audit Committee considered and endorsed the FY23 BR1. As part of the consideration of this report the Committee asked several questions relating to the Material Recovery Facility (MRF) operations, commodity market pricing and the Fibre Polishing Plant (FPP). The Committee requested that at a future meeting Administration provide an explanation of how commodity market pricing works and also an update on the FPP.

Report

The original Budget was drafted by NAWMA Administration in February 2022 and endorsed by the NAWMA Board in June 2022. Since then, there have been several material changes which are included in BR1. Updated financial statements attached to this report show the impact of all proposed changes.

Budgeted Operating Result

NAWMA's forecast operating bottom line has weakened from a deficit of \$61k in the original Budget to \$1.23m in BR1. This is an unfavourable movement of \$1.16m. Table 1 below lists the material changes that have contributed to this increase in the forecast FY23 Operating Deficit. The majority of this unfavourable impact to NAWMA's operating bottom line is the result of reduced tonnage forecast to be received at NAWMA'S Materials Recovery Facility (MRF) for the remainder of FY23 and the impact of falling global market pricing for soft mixed paper and cardboard on materials recovered from the MRF.



Table 1: Key Adjustments – BR1 vs Original Budget

	Amount (\$)	Note
Forecast Operating Position - Original Budget FY23	(61k)	
Decreased revenue from reduced tonnage forecast at the MRF for remainder of FY23	(2.6m)	Non-renewal of East Waste contract resulting in approximately 23k tonnes less entering the MRF. Revised forecast based on 42k tonnes annually. Reduction in revenue is the net impact of lost gate fees and export income balanced by removal of transport/disposal costs and expected change in glass fines and waste mix.
Decreased expenditure relating to reduced tonnage forecast at the MRF for remainder of FY23	1.8m	Forecast reduction in operating expenses primarily electricity, bailing wire, freight, repairs and maintenance and labour at MRF due to reduced tonnes. Net impact to operating bottom line is \$0.8m deficit.
Decreased revenue due to commodity markets	(0.6m)	Commodity pricing for soft mixed paper, cardboard, steel and HDPE and associated gate fees impact forecast to be lower than originally budgeted for remainder of FY23. Commodity prices are currently at historic lows but are expected to rebound, however, not to record highs experienced during FY22. 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.
Spot energy sales	0.1m	Revenue realised from sale of Carbon Credits passed on by LMS. Originally not budgeted as sales are ad hoc.
Fibre Polishing Plant (FPP)	60k	Consultancy budget included separate to project capital budget. No longer required. To be funded from project budget.
Decreased glass fines expense	53k	Forecast decrease in glass fines expenditure due to current rate lower than rate originally budgeted.
Electronic Document Management System (EDMS)	20k	Consultancy budget for EDMS removed from operating budget and combined with \$20k in capital budget to fund implementation and licensing costs.
Forecast Operating Position – BR 1 FY23	(1.23m)	

The Board should note that operating budget of \$2.22m for the Landfill Alternative Project was approved by the NAWMA Board in FY21. The estimated costs for Gateway 1 and Gateway 2 of the project were expected to be incurred in FY22, however a significant portion of the funds remained



unspent. Actual funds spent to date are being reconciled against budget approved and the remaining budget allocation will be included in the FY23 Budget at BR2.

Budgeted Capital Expenditure

NAWMA'S budgeted capital expenditure in FY23 is forecast to be \$3.98m of which \$3.965m is for new and upgraded assets and \$15k for replacement of existing assets. This is a decrease of \$6.015m compared to the original FY23 Budget. The adjustments can be explained as follows:

- \$1.5m for the Pooraka Resource Recovery Centre (RRC) upgrades was originally budgeted in FY22 but the project did not commence. As a result, Budget funding has been reallocated in FY23. A \$0.56m cash contribution for this project has already been received from the City of Salisbury and is included in the Net Surplus.
- The Fibre Polishing Plant (FPP) was budgeted at \$9.67m in the FY23 original Budget reflective of the likely expenditure to be incurred for construction and plant and equipment. The commencement of the project has been delayed and expenditure and subsequent cash flows have been adjusted to reflect updated timelines. As a result, forecast capital expenditure in FY23 has been reduced by \$7.51m. Budgeted grant funding and loan draw downs have also been adjusted down to reflect the delayed start. All remaining expenditure and income will be budgeted for in FY24.
- NAWMA's Budgeted Statements of Financial Position, Equity and Cash Flows have been adjusted accordingly to reflect all operating and capital adjustments proposed in BR1 and NAWMA'S FY22 year-end position.

Budgeted Cash Flows

Cash and cash equivalents are forecast to be \$8.5m at year end for FY23, which is almost unchanged to the original Budget. Even though the operating bottom line has seen a significant decrease and the Pooraka RRC project has been brought back into the Budget, the higher than forecast opening cash for FY23 compared to the original Budget, has balanced this.

It should be noted that the forecast year end cash balance of \$8.5m includes the unspent component of the Landfill Alternative Project.

Financial Indicators

As a result of adjustments made to NAWMA's Budget in BR1, its financial indicators have changed as follows:

Ratio	FY23 BR1	FY23 Adopted Budget	FY22 Actual
Operating Surplus	(2.8%)	(0.1%)	4.8%
Net Financial Liabilities	23%	27%	20%

The forecast Operating Surplus ratio has weakened due to a net reduction in revenue leading to an increased forecast Operating Deficit. Reasons for the reduction in revenue are stated earlier in this report. The recommended target range for this ratio is generally between 0% and 10%.

The forecast Net Financial Liabilities ratio remains below the 40% ceiling set by NAWMA's Treasury Management Policy and indicates a capacity to borrow in future for strategic projects. As stated earlier in this report, this ratio is likely to increase as funds are drawn down for the FPP project.



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Northern Adelaide Waste Management Authority

Uniform Presentation of Finances

2021/22 \$000 Actual		2022/23 \$000 BR1	Movement: BR1 v. Adopted Budget	2022/23 \$000 Adopted Budget
48,417	Operating Revenues	43,808	(3,861)	47,669
(46,103)	Operating Expenses	(45,034)	2,696	(47,730)
2,314	Operating Surplus / (Deficit)	(1,226)	(1,165)	(61)
Net Outlays on Existing Assets				
-	Capital Expenditure on renewal and replacement of Existing Assets	(15)	-	(15)
3,315	Depreciation, Amortisation and Impairment	3,558	-	3,558
-	Proceeds from Sale of Replaced Assets	-	-	-
3,315		3,543	-	3,543
less Net Outlays on New and Upgraded Assets				
(67)	Capital Expenditure on New and Upgraded Assets	(3,965)	6,015	(9,980)
-	Amounts received specifically for New and Upgraded Assets	750	(4,770)	5,520
15	Proceeds from Sales of Replaced Assets	-	-	-
(52)		(3,215)	1,245	(4,460)
5,577	Net Lending / (Borrowing) for Financial Year	(898)	80	(978)

Northern Adelaide Waste Management Authority
Statement of Comprehensive Income

2021/22 \$000 Actual		2022/23 \$000 BR1	Movement: BR1 v. Adopted Budget	2022/23 \$000 Adopted Budget
Income				
48,140	User Charges	42,983	(3,961)	46,944
262	Investment Income	252	-	252
15	Other	573	100	473
48,417	Total Income	43,808	(3,861)	47,669
Expenses				
4,147	Employee Costs	4,380	-	4,380
38,174	Materials, Contracts and Other Expenses	36,565	(2,696)	39,261
3,315	Depreciation, Amortisation and Impairment	3,558	-	3,558
467	Finance Costs	531	-	531
46,103	Total Expenses	45,034	(2,696)	47,730
2,314	Operating Surplus / (Deficit)	(1,226)	(1,165)	(61)
(1)	Net Gain / (Loss) on Disposal of Assets	-	-	-
60	Amounts received specifically for new/upgraded assets	1,310	(4,210)	5,520
2,373	Net Surplus / (Deficit)	84	(5,375)	5,459
Other Comprehensive Income				
-	Other Comprehensive Income	-	-	-
2,373	Total Comprehensive Income	84	(5,375)	5,459

Northern Adelaide Waste Management Authority

Statement of Financial Position

2021/22 \$000 Actual		2022/23 \$000 BR1	Movement: BR1 v. Adopted Budget	2022/23 \$000 Adopted Budget
Current Assets				
9,802	Cash & Cash Equivalents	8,491	(64)	8,555
5,143	Trade & Other Receivables	5,143	976	4,167
50	Stock on Hand	75	23	52
14,995	Total Current Assets	13,709	935	12,774
Non-Current Assets				
20,679	Infrastructure, Property, Plant and Equipment	21,101	(6,818)	27,919
20,679	Total Non-Current Assets	21,101	(6,818)	27,919
35,674	Total Assets	34,810	(5,883)	40,693
Current Liabilities				
7,117	Trade & Other Payables	6,557	820	5,737
2,243	Borrowings	2,252	810	1,442
327	Provisions	327	(39)	366
9,687	Total Current Liabilities	9,136	1,591	7,545
Non-Current Liabilities				
6,489	Provisions	6,595	1,308	5,287
8,310	Borrowings	7,807	(4,804)	12,611
14,799	Total Non-Current Liabilities	14,402	(3,496)	17,898
24,486	Total Liabilities	23,538	(1,905)	25,443
11,188	Net Assets	11,272	(3,978)	15,250
Equity				
10,528	Accumulated Surplus	10,612	(3,978)	14,590
660	Asset Revaluation Reserve	660	-	660
11,188	Total Equity	11,272	(3,978)	15,250

Northern Adelaide Waste Management Authority

Statement of Changes in Equity

2021/22 \$000 Actual		2022/23 \$000 BR1	Movement: BR1 v. Adopted Budget	2022/23 \$000 Adopted Budget
Accumulated Surplus				
8,155	Balance at beginning of period	10,528	1,397	9,131
2,373	Net Surplus / (Deficit)	84	(5,375)	5,459
-	Transfers from reserves	-	-	-
-	Transfers to reserves	-	-	-
-	Distribution to Councils	-	-	-
10,528	Balance at end of period	10,612	(3,978)	14,590
Asset Revaluation Reserve				
660	Balance at beginning of period	660	-	660
-	Gain on Revaluation of Property, Plant and Equipment	-	-	-
-	Transfers from reserve	-	-	-
660	Balance at end of period	660	-	660
11,188	Total Equity	11,272	(3,978)	15,250

Northern Adelaide Waste Management Authority
Statement of Cash Flows

2021/22 \$000 Actual		2022/23 \$000 BR1	Movement: BR1 v. Adopted Budget	2022/23 \$000 Adopted Budget
Cash Flows from Operating Activities				
47,185	Operating Receipts	43,556	(3,861)	47,417
262	Investment Receipts	252	-	252
(41,871)	Operating Payments	(40,970)	2,997	(43,967)
(408)	Finance Payments	(425)	-	(425)
5,168	Net cash provided by (used in) operating activities	2,413	(864)	3,277
Cash Flows from Investing Activities				
-	Amounts specifically for new or upgraded assets	750	(4,770)	5,520
15	Sale of Replaced Assets	-	-	-
-	Expenditure on Renewal/Replacement Assets	(15)	-	(15)
(67)	Expenditure on New/Upgraded Assets	(3,965)	6,015	(9,980)
(52)	Net cash provided by (used in) investing activities	(3,230)	1,245	(4,475)
Cash Flows from Financing Activities				
-	Proceeds from Borrowings	2,148	(3,402)	5,550
(1,099)	Repayment of Borrowings	(1,401)	-	(1,401)
(1,382)	Repayment of Lease Liabilities	(1,241)	-	(1,241)
(2,481)	Net cash provided by (used in) financing activities	(494)	(3,402)	2,908
2,635	Net Increase (Decrease) in cash held	(1,311)	(3,021)	1,710
7,167	Cash & Cash Equivalents at the beginning of period	9,802	2,957	6,845
9,802	Cash & Cash Equivalents at end of period	8,491	(64)	8,555