



SPECIAL AUDIT COMMITTEE

NOTICE OF MEETING

To: **Presiding Member** Cr Malcolm Herrmann

Members

David Moffatt
Peter Brass
Natalie Johnston
Cr Melanie Selwood

Notice is hereby given pursuant to the provisions under Section 87 of the *Local Government Act 1999* that the next meeting of the Audit Committee will be held on:

Monday 20 February 2023
7.00pm

63 Mt Barker Road, Stirling

A copy of the Agenda for this meeting is supplied under Section 87 of the Act.

Committee meetings are open to the public and members of the community are welcome to attend. Meetings will be conducted in accordance with the applicable COVID-19 social distancing guidelines and may result in Members participating electronically in accordance with the provisions of the Committee's Terms of Reference.

A Public notice of the Agenda for this meeting is supplied under Section 88 of the Act.

David Waters
Chief Executive Officer



SPECIAL AUDIT COMMITTEE

AGENDA FOR MEETING
Monday 20 February 2023
7.00pm
63 Mt Barker Road, Stirling

ORDER OF BUSINESS

1. COMMENCEMENT

1.1. Acknowledgement of Country

Council acknowledges that we meet on the traditional lands and waters of the Peramangk and Kaurna people. We pay our respects to Elders past, present and emerging as the Custodians of this ancient and beautiful land. Together we will care for this country for the generations to come.

2. APOLOGIES/LEAVE OF ABSENCE

2.1. Apology

2.2. Leave of Absence

2.3. Absent

3. MINUTES OF PREVIOUS MEETINGS

Nil

4. PRESIDING MEMBER'S OPENING REMARKS

5. DELEGATION OF AUTHORITY

The Audit Committee operates in accordance with the relevant sections of the Local Government Act 1999, and its Terms of Reference.

6. DECLARATION OF CONFLICT OF INTEREST BY MEMBERS OF THE COMMITTEE

7. OFFICER REPORTS

7.1. Budget Review 2

- 1. That the report be received and noted*
- 2. To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:*
 - a. No change to the Operating Surplus of \$830k for the 2022-23 financial year.*
 - b. A reduction of \$8m in capital expenditure for the 2022-23 financial year to reflect estimated carry forwards relating to project delivery resulting in a revised capital expenditure budget for 2022-23 of \$19.369m.*
 - c. Council's Net Borrowing Result for the 2022-23 financial year being reduced by \$8m to \$342k.*

8. NEXT MEETING

The next Audit Committee meeting will be held at 6.00pm on Monday 17 April 2023 at 63 Mount Barker Road, Stirling.

9. CLOSE MEETING

**ADELAIDE HILLS COUNCIL
SPECIAL AUDIT COMMITTEE MEETING
Monday 20 February 2023
AGENDA BUSINESS ITEM**

Item: 7.1

Responsible Officer: Mike Carey
Manager, Financial Services
Corporate Services

Subject: 2022-23 Budget Review 2

For: Decision

SUMMARY

The *Local Government (Financial Management) Regulations 2011* (the Regulations) requires Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to the budget during the year.

This report presents the second Budget Review (BR2) of the 2022-23 financial year to the Audit Committee for review. BR2 will be submitted to Council for consideration on 28 February 2023.

The proposed budget changes look to maintain Council's Operating Surplus at \$830k. This has resulted from a number of increases in budget including arboriculture costs from storm damage, diesel and fuel and the impact of the new electricity contract being offset by savings in waste including recyclables and vacancy management.

There are no proposed variations to the 2022-23 capital program as part of the BR2 review other than to recognise an overall reduction in the 2022-23 capital expenditure budget of \$8m to be carried forward to 2023-24 to better reflect the timing of capital project delivery.

Given no overall change to the Operating Surplus, the resultant reduction of \$8m in 2022-23 capital expenditure reduces Council's 2022-23 Net Borrowing Result from \$8.342m to \$342k.

It is also noted that Council's underlying Operating Surplus has been calculated at increasing by \$23k to \$721k due to several savings identified being recognised as ongoing and therefore continuing in future years.

RECOMMENDATION

The Audit Committee resolves:

1. That the report be received and noted
2. To recommend to Council the proposed budget adjustments presented in Budget Review 2 which result in:
 - a. No change to the Operating Surplus of \$830k for the 2022-23 financial year.
 - b. A reduction of \$8m in capital expenditure for the 2022-23 financial year to reflect estimated carry forwards relating to project delivery resulting in a revised capital expenditure budget for 2022-23 of \$19.369m.
 - c. Council's Net Borrowing Result for the 2022-23 financial year being reduced by \$8m to \$342k.

1. BACKGROUND

The Regulations require Council to formally consider its budget three times per year. This statutory requirement recognises the likelihood that events will occur that require, or offer opportunities for changes to, the budget during the year. This report presents the second Budget Review (BR2) of the 2022-23 financial year.

At the Council meeting held on the 28 June 2022, Council adopted the original 2022-23 *Annual Business Plan and Budget*, reflecting a Budgeted Operating Surplus before Capital Revenue of \$1.361m and an estimated Net Borrowing Result for the financial year of \$2.401m.

Subsequent to that meeting, Council, in consideration of agenda reports from a number of meetings, has approved a number of the 2022-23 Budget changes as detailed in the budget reconciliation included as part of this report as **Appendix 2**.

The latest adoption of Council's revised Budget occurred at the Council meeting held on the 20 December 2022, where Council adopted the 2022-23 Budget Review 1 (BR1) with a Budgeted Operating Surplus before Capital Revenue of \$830k and the Net Borrowing Result of \$8.342m.

Given that Audit Committee meeting timing has both Budget Review 2 and the *Draft 2023-24 Long Term Financial Plan* (LTFP) being presented to the February 2023 meeting, it is noted that where possible, the *Draft 2023-24 LTFP* includes the impact of Budget Review 2 (BR2) changes that are recognised as ongoing and therefore also impact on future years.

Where possible Council's customary practice is to include Budget Reviews as an agenda item at Audit Committee meetings prior to consideration of Council.

Budget Review Presentation

In accordance with the Regulations, the Budget Review presentation for BR2 for the year needs to include the full budgeted financial statements presented in a manner consistent with the Model Financial Statements.

In addition, a council must also include in this report revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators (**Appendix 1**).

2. ANALYSIS

➤ Strategic Management Plan/Functional Strategy/Council Policy Alignment

Strategic Plan 2020-24 – A brighter future

Goal 5 A Progressive Organisation

Objective O3 Our organisation is financially sustainable for both current and future generations

Priority O3.1 Ensure the delivery of agreed strategic plan requirements whilst meeting endorsed long term targets for a sustainable operating surplus and level of debt

Objective O5 We are accountable, informed, and make decisions in the best interests of the whole community

Priority O5.1 Enhance governance structures and systems to prudently adapt to changing circumstances and meet our legislative obligations

Priority O5.3 Demonstrate accountability through robust corporate planning and reporting that enhances performance, is relevant and easily accessible by the community

A key aspect of Council's formal budget reviews is to review and monitor Council's Annual Budget with reference to its overall financial position and its *Long Term Financial Plan* (LTFP) to ensure Council continues to be financially sustainable.

With the *Audit Committee Terms of Reference* does not set out a specific function with respect to budget reviews, it has been the practice for these reviews to come to the Committee prior to being considered by Council.

➤ **Legal Implications**

The undertaking of formal budget reviews is a requirement of the *Local Government Act 1999*, (the Act) and the *Local Government (Financial Management) Regulations 2011* (the Regulations). In particular:

- Section 123(13) of the Act states that a council must, as required by the regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.
- Section 9 of the Regulations requires a council to prepare and consider the following reports:
 - (a) at least twice, between 30 September and 31 May (both dates inclusive) a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
 - (b) between 30 November and 15 March (both dates inclusive) a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

➤ **Risk Management Implications**

Conducting the budget review process as required by Regulations will assist in mitigating the risk of:

Failure to conduct the budget review process as required by Regulations results in inaccurate budgets and unforecasted deficits leading to inadequate resourcing for current and future activities.

Inherent Risk	Residual Risk	Target Risk
Medium (4D)	Low (2E)	Low (2E)

It ensures that financial resources are deployed in areas that align with Council's Strategic Management Plans, are affordable and support Council's LTFP.

➤ **Financial and Resource Implications**

In aggregate the proposed operating budget variations maintain Council's budgeted Operating Surplus at \$830,000. This result comprises an increase in Operating Expenses of \$147,000, fully offset by an increase in Operating Revenue of same amount.

Estimated carry forward capital expenditure to take into account project delivery issues has resulted in a reduction of \$8.0m in the Capital Works program for this Budget Review.

This reduction in capital expenditure for 2022-23 has reduced Council's Net Borrowing Result from \$8.342m to \$342,000 for the 2022-23 financial year.

It should be noted that the figures in this report and supporting appendices have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

➤ **Customer Service and Community/Cultural Implications**

Not applicable.

Sustainability Implications

Not applicable.

➤ **Engagement/Consultation conducted in the development of the report**

Consultation on the development of this report was as follows:

Council Committees: Not Applicable

Council Workshops: Not Applicable

Advisory Groups: Not Applicable

External Agencies: Not Applicable

Community: Not Applicable

➤ **Additional Analysis**

BR2 has been prepared in consultation with Directors and Managers who have provided information for each budget area.

Budget Review 2 Proposed Adjustments

\$000s	2022-23 Current Budget	Proposed BR2 Adjustments	Revised Budget after BR2
Operating Income	53,290	147	53,438
Operating Expenditure	52,460	147	52,607
Operating Surplus	830	-	830
Depreciation	10,446	-	10,446
Capital income	7,750	-	7,750
Capital Expenditure	(27,369)	8,000	(19,369)
Net Borrowing Position	(8,342)	8,000	(342)

Operating:

Operating Income - \$147k increase.

More significant items include:

- An increase in Biodiversity grant funding of \$50k from the Local Economic Recovery fund which has associated expenditure commitments
- An increase of \$46k in Utilities Reimbursements resulting from a forecast increase in electricity expenses to be reimbursed by Old Woollen Mill tenancies
- An ongoing increase of \$30k in rates fines and interest income of \$30k. It is proposed that this additional revenue replace the savings initiative relating to credit card surcharge options given the difficulty in implementing that option in the current year
- an increase in statutory income of \$29k in animal registrations based on year to date income received and is considered ongoing

Operating Expenditure - \$147k reduction

The more significant items relate to:

- an increase in fuel of \$120k resulting from the impact of both unleaded and diesel price increases. Of this an amount of \$75k has been estimated as ongoing and impacting on future years
- a net increase in electricity of \$82k (being \$128k relating to expenditure offset by the \$46k tenancy reimbursement discussed above)
- an increase in contractor costs of \$95k relating to an extreme storm event that occurred in November 2022 where the Arboriculture area was required to respond to and resolve large volumes of urgent tree works that posed elevated levels of risk to the community
- an increase in Tour Down Under (TDU) tree works of \$34k due to changes in the proposed TDU course
- an increase in expenditure relating to the application of the Biodiversity grant funding increase of \$50k as discussed above
- a reduction of \$79k in waste costs including \$50k in relation to the recyclable budget based on current charges from East Waste
- vacancy management savings in the order of \$205k
- a transfer from materials, contract and other expenses to employee costs largely in relation to arboriculture resources originally budgeted under contractors in Council's Adopted Budget.

Capital Items

\$000s	2022-23 Current Budget	Carry Forward Adjustment	Proposed BR2 Budget
Capital income	7,750	0	7,750
Capital - Renewal Expenditure	(13,407)	2,667	(10,740)
Capital - New Capital Expenditure	(13,962)	5,333	(8,629)
Total Capital Expenditure	(27,369)	8,000	(19,369)
Net Capital Position	(19,619)	(8,000)	(11,619)

For Budget Review 2, there are no proposed changes to specific capital projects due for delivery in the 2022-23 financial year. However, given the large capital spend forecast for this financial year, it is proposed that the total 2022-23 capital expenditure budget be reduced by \$8.0m to reflect the timing of project delivery. At Budget Review 1, this was estimated at \$5.0m but at that time the adopted capital budgets were not adjusted to reflect that estimate. As at February 2023 the capital works program had not advanced significantly enough to readily identify the specific projects and amounts that will be at risk of not being delivered on a timely basis and within budget. This will be revisited in Budget Review 3 once further progression of the overall capital expenditure has occurred.

As a result of this consideration and in line with Council's position taken in the preparation of Council's *Draft 2023-24 Long Term Financial Plan*, an adjustment of \$8m to the Capital Program and associated funding has been made to ensure that Council's forecast borrowing position more accurately reflects Council's funding requirements as at 30 June 2023 and future financial years.

Movements in Budgeted Borrowings

As a result of proposed BR2 changes, forecast borrowings including Council's short term drawdown have been revised downwards from \$19.2m to \$16.2m at 30 June 2023, as shown below.

Borrowings excluding Leases \$000s	Opening July 2022	New Borrowings	Repayments	Forecast June 2023
CAD (Short Term Drawdown)	9,206	-	(719)	8,487
Current Other Borrowings	-	-	-	-
Fixed Term Borrowings	5,000	3,000	(271)	7,729
Total Borrowings	\$14,206	\$3,000	(990)	\$16,216

The Financing transaction detail as shown at the bottom of Council's *Uniform Presentation of Finance (Appendix 3)* highlights that in addition to Borrowings as discussed above, the financing result for the financial year also includes budgeted payments relating to the landfill remediation provision and the reduction in aged care debenture loans as part of Bridgewater Retirement Village sale.

Other points of note:

Financial Indicator Analysis

The BR2 Revised Budget Financial Indicators are shown with reference to the Current Adopted Budget for 2022-23 BR1 adopted in December 2022.

Financial Indicator	Target	Current Budget for 2022-23 (BR1 Dec 2022)	Proposed BR2 Budget 2022-23
Operating Surplus Ratio	0% to 10%	1.6%	1.6%
Net Financial Liabilities Ratio	0% to 100%	52%	47%
Asset Renewal Funding Ratio	90% to 110%	106%	104%

Contributing factors that have impacted on the changes in ratios since they were last reported as per the table above are as follows:

Operating Surplus Ratio

There has been no change to the Operating Surplus as result of BR2 and hence no change to Operating Surplus Ratio.

Net Financial Liabilities Ratio

The reduction in Council's Net Financial Liabilities Ratio from 52% to 47% is a result of the transfer of carry forward capital and the resultant reduction in borrowings for 2022-23.

Asset Renewal Funding Ratio

The reduction in capital expenditure on renewal and replacement of existing assets as part of estimated carry forwards adjusted in BR2 has reduced the asset renewal ratio from 106% to 104%.

3.3 Summary

As Council has approved a number of the 2022-23 Budget changes from Council's original adopted budget, a summary of those adjustments has been detailed in the budget reconciliation included as part of this report as **Appendix 2**.

A summary of the elements impacting on Council's Net Borrowing Position is shown below:

\$000s	\$
BR1 Adopted Budget Net Lending (Borrowings) Result	(8,342)
Impact of Operating Budget Adjustments for BR2	-
Impact of Capital income and Expenditure BR2 Carry Forwards	8,000
BR2 Revised Net Lending (Borrowing) Result	(342)
2022-23 Underlying Operating Surplus	721

In the last couple of years, Council's operating surplus has been impacted by a significant number of one off budget items together with a large amount of grant funding received with associated expenditure commitments often accounted for in different years.

It has therefore been agreed that Administration would provide details of Council's underlying Operating Surplus as part of financial reporting performance and Budget Reviews to assist in the assessment of Council's ongoing financial sustainability and long term financial planning.

As noted in **Appendix 2**, which shows the budget reconciliation of 2022-23 Budget changes Council's underlying Operating Surplus has increased from \$698k to \$721k from the previous Budget Review largely to account for:

- An increase in the estimated animal management registration income of \$29k which is considered ongoing
- Identified ongoing waste savings of \$79k including recyclables savings of \$50k offset by estimated ongoing fuel cost increases of \$75k.

Quarterly Finance Performance Results

At its 19 June 2018 meeting, Council adopted (Res 128/18) the *Corporate Planning & Performance Framework*, of which a key element was the establishment of a suite of Corporate Business Performance Indicators which are aligned with Adelaide Hills Council's Strategic Plan goals and will enable the tracking of performance over time.

As a result Quarterly Council Performance Reports were prepared showing the performance against the Corporate Performance indicators, strategic initiatives and key activities of the Council's *Annual Business Plan*.

To reflect the alignment to the Strategic Plan 2020-24 – A brighter future the format of the Quarterly Council Performance Report is formatted to show Council's performance against the 5 strategic goals with the report also includes the Customer Service Standards, Capital Works performance, and Quarterly Financial Performance.

As a result of a change in the timing of reporting, the Quarterly Performance Reports are now provided to Council and the Audit Committee at the meeting directly following the end of the quarter.

As the financial performance information contained in that report is only preliminary at that meeting it was agreed for completeness to include the final quarterly financial performance as part of each Budget Review. As a result this information is shown as Appendix 4.

3. OPTIONS

The Committee has the following options:

- I. To receive and note this report and recommend to Council the proposed budget adjustments presented in Budget Review 2 as prepared (Recommended).
- II. To make additional comments or suggestions to Administration to consider prior to finalising Budget Review 2.

4. APPENDICES

- (1) 2022-23 Budget Review 2 Statutory Financial Statements
- (2) 2022-23 Budget Adjustments subsequent to Original Budget Adoption
- (3) Financial Performance Report for Quarter Ended 31 December 2022

Appendix 1

2022-23 Budget Review 2 Statutory Financial Statements

Adelaide Hills Council
BUDGETED UNIFORM PRESENTATION OF FINANCES
2022-23 Annual Budget

2021-22 Actuals		2022-23 BR1 Budget	BR2 Changes	2022-23 Revised Budget
\$'000		\$'000	\$'000	\$'000
	INCOME			
41,504	Rates	44,339	30	44,369
1,430	Statutory charges	1,360	9	1,369
884	User charges	888	-	888
7,667	Grants, subsidies and contributions	6,198	55	6,253
59	Investment income	5	-	5
197	Reimbursements	186	47	233
583	Other income	214	7	221
133	Net gain - equity accounted Council businesses	100	-	100
52,457	Total Income	53,290	147	53,438
	EXPENSES			
19,608	Employee Costs	20,859	(3)	20,856
21,515	Materials, contracts & other expenses	20,561	150	20,711
9,820	Depreciation, amortisation & impairment	10,446	-	10,446
306	Finance costs	594	-	594
66	Net loss - equity accounted Council businesses	-	-	0
51,315	Total Expenses	52,460	147	52,607
1,142	NET BUDGETED SURPLUS / (DEFICIT) BEFORE CAPITAL AMOUNTS	830	0	830
	Net Outlays on Existing Assets			
(12,337)	Capital Expenditure on Renewal and Replacement of Existing Assets	(13,407)	2,667	(10,740)
756	Proceeds from Sale of Replaced Assets	636	-	636
9,820	Depreciation	10,446	-	10,446
(1,761)	NET OUTLAYS ON EXISTING ASSETS	(2,325)	2,667	342
	Net Outlays on New and Upgraded Assets			
(4,839)	Capital Expenditure on New and Upgraded Assets & Remediation costs	(13,962)	5,333	(8,629)
2,552	Capital Grants & Monetary Contributions - New & Upgraded Assets	5,621	-	5,621
9	Proceeds from Sale of Surplus Assets	1,494	-	1,494
(2,278)	NET OUTLAYS ON NEW AND UPGRADED ASSETS	(6,848)	5,333	(1,515)
(2,897)	NET LENDING/ (BORROWING) RESULT 2022-23	(8,342)	8,000	(342)
(20,311)	Net Financial Liabilities at Beginning of Year	(24,015)	-	(24,015)
(740)	Decrease / (increase) in Other	4,571	(5,000)	(429)
(67)	Non Cash Equity Movement	(100)	-	(100)
(24,015)	Net Financial Liabilities at End of Year	(27,886)	3,000	(24,886)

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

	Financing Transactions			
(2,897)	NET LENDING/ (BORROWING) RESULT 2022-23	(8,342)	8,000	(342)
(76)	Proceeds from Bonds & Aged Care Facilities deposits	670	-	670
4,006	Increase/(Decrease) in Short Term Draw Down	(19)	(700)	(719)
(2,578)	(Increase)/Decrease in Cash & Investments	2,700	-	2,700
	Estimate of Capital Carry Forward to be transferred to next Year	5,000	(5,000)	0
1,488	(Increase)/Decrease in Other Working Capital	-	-	0
629	Increase/(Decrease) in Grants Received in Advance	(2,922)	-	(2,922)
-	Principal Repayments on Borrowings	(271)	-	(271)
(400)	Repayment of Lease Liabilities	(429)	-	(429)
(105)	Reinstatement/Restoration Provision Payment	(403)	-	(403)
	Debenture Payment	(1,184)	-	(1,184)
(67)	Non Cash Equity Movement	(100)	-	(100)
0	REDUCED BORROWINGS/(NEW BORROWINGS) 2022-23	(5,300)	2,300	(3,000)

It should be noted that the figures in this appendix have been rounded and consequently individual sub-totals, whilst being correct, may differ slightly from the sum of the rounded amounts.

Adelaide Hills Council

STATEMENT OF COMPREHENSIVE INCOME 2022-23 Adopted Budget

2021-22 Actuals		2022-23 Revised Budget
\$'000		\$'000
	INCOME	
41,504	Rates	44,369
1,430	Statutory charges	1,369
884	User charges	888
7,667	Grants, subsidies and contributions	6,253
59	Investment income	5
197	Reimbursements	233
583	Other income	221
133	Net gain - equity accounted Council businesses	100
52,457	Total Income	53,438
	EXPENSES	
19,608	Employee costs	20,856
21,515	Materials, contracts & other expenses	20,711
9,820	Depreciation, amortisation & impairment	10,446
306	Finance costs	594
66	Net loss - equity accounted Council businesses	-
51,315	Total Expenses	52,607
1,142	OPERATING SURPLUS / (DEFICIT)	830
(1,693)	Asset disposal & fair value adjustments	764
1,905	Amounts received specifically for new or upgraded assets	5,621
4,072	Physical Resources Received Free of Charge	
5,426	NET SURPLUS / (DEFICIT)	7,215
2,814	Changes in revaluation surplus - infrastructure, property, plant & equipment	5,300
1	Other Comprehensive Income	-
6	Share of Other Comprehensive Income JV	-
2,821	Total Other Comprehensive Income	5,300
8,247	TOTAL COMPREHENSIVE INCOME	12,515

Adelaide Hills Council
STATEMENT OF FINANCIAL POSITION
2022-23 Adopted Budget

2021-22 Actuals		2022-23 Revised Budget
\$'000		\$'000
	ASSETS	
	Current Assets	
3,215	Cash and cash equivalents	515
3,025	Trade & other receivables	3,025
32	Inventories	32
<u>6,272</u>		<u>3,572</u>
-	Non-current Assets held for Sale	-
<u>6,272</u>	Total Current Assets	<u>3,572</u>
	Non-current Assets	
-	Financial assets	-
2,416	Equity accounted investments in Council businesses	2,516
<u>445,461</u>	Infrastructure, property, plant & equipment	<u>458,747</u>
<u>447,877</u>	Total Non-current Assets	<u>461,263</u>
<u>454,149</u>	Total Assets	<u>464,835</u>
	LIABILITIES	
	Current Liabilities	
9,651	Trade & other payables	6,215
9,206	Borrowings - Short Term Draw Down	8,487
375	Borrowings - Other	561
4,072	Provisions	3,669
<u>23,304</u>	Total Current Liabilities	<u>18,932</u>
	Non-current Liabilities	
5,200	Borrowings	7,743
1,751	Provisions	1,751
<u>6,951</u>	Total Non-current Liabilities	<u>9,494</u>
<u>30,255</u>	Total Liabilities	<u>28,426</u>
<u>423,894</u>	NET ASSETS	<u>436,409</u>
	EQUITY	
147,964	Accumulated Surplus	155,179
275,831	Asset Revaluation Reserves	281,131
99	Other Reserves	99
<u>423,894</u>	TOTAL EQUITY	<u>436,409</u>
<u>24,015</u>	NET FINANCIAL LIABILITIES	<u>24,886</u>

Adelaide Hills Council

STATEMENT OF CHANGES IN EQUITY 2022-23 Adopted Budget

	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	TOTAL EQUITY
2022-23	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period	147,964	275,831	99	423,894
Net Surplus / (Deficit) for Year	7,215	-	-	7,215
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	-	5,300	-	5,300
Transfers between reserves		-		-
Balance at end of period	155,179	281,131	99	436,409

2021-22				
Balance at end of previous reporting period	142,182	273,017	448	415,647
Restated opening balance				
Net Surplus / (Deficit) for Year	5,426	-	-	5,426
Other Comprehensive Income				
Changes in revaluation surplus - infrastructure, property, plant & equipment	-	2,814	-	2,814
Share of Other Comprehensive Income Equity Businesses	1			1
Other Equity Adjustments - equity accounted Council businesses	6			6
Transfers between reserves	349		(349)	-
Balance at end of period	147,964	275,831	99	423,894

FINANCIAL INDICATORS

	2022-23 Adopted Budget
Operating Surplus Ratio	
<u>Operating Surplus</u>	1.6%
Total Operating Revenue	
Operating Surplus Ratio using Underlying Surplus	
<u>Operating Surplus</u>	1.4%
Total Operating Revenue	
Net Financial Liabilities Ratio	
<u>Net Financial Liabilities</u>	47%
Total Operating Revenue	
Asset Renewal Funding Ratio	
<u>Asset Renewals</u>	104%
Infrastructure & Asset Management Plan required expenditure	

Adelaide Hills Council

CASH FLOW STATEMENT 2022-23 Adopted Budget

2021-22 Actuals		2022-23 Revised Budget
\$'000	<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	\$'000
	<u>Receipts</u>	
41,289	Rates - general & other	44,369
1,430	Fees & other charges	1,369
884	User charges	888
8,225	Grants	6,253
59	Investments	5
197	Reimbursements	233
292	Other revenues	221
	<u>Payments</u>	
(19,191)	Employee costs	(20,856)
(19,972)	Materials, contracts & other expenses	(21,114)
(306)	Finance payments	(594)
12,907	NET CASH USED IN OPERATING ACTIVITIES	10,773
	<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
	<u>Receipts</u>	
-	Proceeds from Borrowings	3,000
-	Proceeds from Aged Care Facility Deposits	670
	<u>Payments</u>	
-	Repayment from Borrowings	(271)
(400)	Repayment of Lease Liabilities	(429)
(76)	Repayments of Aged Care facility deposits	(1,184)
(476)	NET CASH USED IN FINANCING ACTIVITIES	1,786
	<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
	<u>Receipts</u>	
2,552	Grants for new or upgraded assets	2,699
756	Sale of replaced assets	636
9	Sale of surplus assets	1,494
-	Repayment of loans from Community Groups	-
-	Distributions received from Equity Accounted Businesses	-
	<u>Payments</u>	
(4,839)	Expenditure on new/ upgraded assets	(8,629)
(12,337)	Expenditure on renewal/ replacement of assets	(10,740)
(13,859)	NET CASH USED IN INVESTING ACTIVITIES	(14,540)
(1,428)	NET INCREASE / (DECREASE) IN CASH HELD	(1,981)
(4,563)	CASH AT BEGINNING OF YEAR	(5,991)
(5,991)	CASH AT END OF YEAR	(7,972)
3,215	Cash & Investments	515
(9,206)	Short Term Drawdown	(8,487)
(5,991)		(7,972)

Appendix 2

*2022-23 Budget Adjustments subsequent to Original
Budget Adoption*

ADELAIDE HILLS COUNCIL
2022-23 BUDGET ADJUSTMENTS SUBSEQUENT TO BUDGET ADOPTION

Description	Operating Income	Operating Expenses	Net Operating Result	Capital Expenditure	Capital Income	Depreciation	Net Borrowing Result Impact	2022-23 Underlying Surplus
Published 2022-23 Annual Budget Plan	53,295	51,934	1,361	22,339	8,074	10,502	(2,401)	578
Operating Initiatives Carry Forwards from 2021-21		144	(144)				(144)	(55)
Operating Grants Carry Forwards from 2021-22	385	145	240				240	
Capital Carry Forwards from 2021-22			0	4,450	602		(3,848)	
2022-23 Additional Budget Requests Grants	64	64	0					
2022-23 Budget Changes LRCIP Phase 3	(781)		(781)				(781)	
Sub total Budget Adjustments since Annual Business Plan Adoption	(332)	353	(685)	4,450	602		(4,533)	(55)
AHC Adopted Budget at 23 August 2022 Council Meeting	52,963	52,287	676	26,789	8,676	10,502	(6,934)	523
Sub total Budget Adjustments	327	173	154	580	(926)	(56)	(1,408)	175
AHC Adopted Budget at 20 December 2022 Council Meeting	53,290	52,460	830	27,369	7,750	10,446	(8,342)	698
One-off budget changes	78	100	(23)					
On-going budget changes	70	47	23					23
Capital Carry Forwards to 2023-24			0	(8,000)			8,000	
2022-23 Budget Review 2	147	147	0	(8,000)			8,000	23
AHC Proposed Budget for 22 February 2022 Council Meeting	53,437	52,607	830	19,369	7,750	10,446	(342)	721

Appendix 3








*Financial Performance Report for Quarter Ended 31
December 2022*












Financial Performance

Adelaide Hills Council Quarterly Financial Performance

Overall Funding Statement

as at December 2022

	YTD Actual	YTD Budget	YTD Variance	Revised Budget
	\$'000	\$'000	\$'000	\$'000
Total Operating Income	48,153	47,815	 337	53,285
Total Operating Expenditure	20,536	20,826	 289	52,455
Funding surplus before Capital	27,616	26,989	 627	830
Capital Expenditure	4,883	6,288	 1,405	27,368
Capital Income	3,026	2,936	 90	7,751
Net expenditure - Capital projects	1,857	3,352	 1,495	19,616
Net Lending / (Borrowing) Result for Year	25,760	23,637	 2,122	(8,342)

Adelaide Hills Council Operating Summary By Directorate as at December 2022				
	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav / (unfav) \$'000s	Revised Budget \$'000s
Income				
Community Capacity	1,731	1,683	 47	2,590
Corporate Services	43,067	42,993	 74	44,519
Development & Regulatory Services	934	887	 47	1,369
Infrastructure & Operations	2,422	2,252	 169	4,807
Income Total	48,153	47,815	 337	53,285
Expenditure				
Community Capacity	3,583	3,742	 159	8,579
Corporate Services	6,631	6,723	 92	10,796
Development & Regulatory Services	1,883	1,903	 19	3,984
Infrastructure & Operations	8,439	8,459	 20	29,097
Expenditure Total	20,536	20,826	 289	52,455
Operating Surplus (Deficit)	27,616	26,989	 627	830

Adelaide Hills Council Quarterly Financial Performance

as at December 2022	Income by Function			Expenditure by Function			Net Position
	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav/(unfav) \$'000s	YTD Actuals \$'000s	YTD Budget \$'000s	YTD Var fav/(unfav) \$'000s	Variance \$'000s
CEO Office	-	-	-	88	149	61	61
Governance & EM	20	20	-	1,223	1,180	(43)	(43)
CEO Directorate	20	20	-	1,311	1,329	18	18
CC Director's Office	6	6	-	181	169	(12)	(12)
Customer Experience	-	-	-	16	33	17	17
Communications, Engagement & Events	2	-	2	274	285	11	12
Economic Development	96	95	1	258	296	39	39
FABRIK	44	49	(5)	149	170	20	15
Community Development	81	75	6	512	524	12	18
Community Resilience	525	525	-	105	102	(3)	(3)
Positive Ageing (Home and Social Support)	577	505	72	575	569	(6)	66
Positive Ageing Project (Collaborative)	51	67	(16)	47	41	(6)	(22)
Community Centres	19	28	(9)	199	184	(15)	(24)
Library & Customer Services	330	333	(3)	1,269	1,370	102	99
Community Capacity	1,731	1,683	47	3,583	3,742	159	206
CS Director's Office	3	4	(1)	137	129	(8)	(8)
Financial Services	42,651	42,614	37	1,616	1,602	(14)	23
Information Services	-	-	-	1,314	1,381	67	67
OD & WHS	-	-	-	422	455	33	33
Old Woollen Mill Precinct Lobethal	162	151	11	95	106	11	22
Cemeteries	130	132	(2)	98	105	7	5
Property Management	79	50	29	1,031	1,065	34	63
Retirement Villages	22	23	(1)	16	13	(3)	(4)
Sport & Recreation	-	-	-	592	538	(54)	(54)
Corporate Services	43,047	42,973	74	5,321	5,394	74	148
DRS Director's Office	-	-	-	226	228	2	2
Development Assessment & Compliance	356	327	29	1,038	1,073	34	63
Environmental Health	59	63	(4)	247	258	12	8
Regulatory Services	519	497	22	372	343	(29)	(7)
Development & Regulatory Services	934	887	47	1,883	1,903	19	66
IO Director's Office	-	-	-	162	167	5	5
Civil Services	471	432	39	2,414	2,537	123	162
Open Space - Biodiversity	88	20	68	300	330	30	97
Open Space Operations	28	-	28	2,533	2,389	(144)	(117)
Community Wastewater Management System	1,719	1,697	22	300	252	(48)	(25)
Strategic Assets	-	-	-	243	256	13	13
Sustainability	-	-	-	133	130	(3)	(3)
Emergency Management	-	-	-	17	19	2	2
Waste	116	104	12	2,338	2,379	41	54
Infrastructure & Operations	2,422	2,252	169	8,439	8,459	20	190
Total	48,153	47,815	337	20,536	20,826	289	627