

# Media Statement

2 September 2024

## Council updates preliminary Operating Result

The Adelaide Hills Council has made a significant adjustment to the preliminary Operating Result for the 2023-24 financial year.

The preliminary year end operating position for 2023-24 reveals an operating deficit of \$4.863 million as opposed to the Q3 budget showing a surplus of \$559,000.

The operating deficit was discovered by the new CEO, Greg Georgopoulos, and the Director who is responsible for financial reporting, Gary Lewis, when preparing the finalised 2023-24 accounts.

“Council is committed to openness, transparency and ensuring financial sustainability in the long term,” said Acting Mayor Melanie Selwood.

“Clearly, this update as reported in our operating results is not Council’s preferred outcome. Nonetheless, Council’s long-term financial plan remains viable and we do not anticipate that our service delivery to residents will be affected,” said Acting Mayor Selwood.

Acting Mayor Selwood said that the earlier operating result emerged because of financial assumptions and some accounting practices employed by the previous administration, which did not reflect current best practice.

“On identifying these discrepancies, Council considered the matter and has reported it to the Auditor-General. Council is awaiting a response.”

“In response to these matters, the new CEO has put in place a number of measures to ensure best practice financial reporting in the future”, she said.

The unfavourable variance in Council's Operating Result for 2023-24 is attributable to three factors.

1. The calculation of depreciation in relation to increasing construction costs did not reflect best accounting practice nor post Covid-19 market conditions. The correct calculation of depreciation has contributed \$860,000 to the deficit.
2. Project management costs were inappropriately assigned to wages and salary budget lines. The correct assignment of these costs accounts for \$1.2 million of the deficit.
3. Inappropriate assignment of works-in-progress to the capital works budget line resulted in a further \$752,000 to the overall deficit

In addition, Council expected to receive \$1.710 million in Federal Assistance Grants and Local Roads Grants during 2023. These funds were not received until the 2024/25 financial year.

It should be noted that Council’s financial results are still subject to the finalisation of Council’s statutory accounts and subsequent audit.

**Media Contact:** Jennifer Blake **p** 08 8408 0430 **m** 0437 114 698 [jblake@ahc.sa.gov.au](mailto:jblake@ahc.sa.gov.au)