

Audit Committee Minutes

25 October 2021

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

City of Norwood Payneham & St Peters
175 The Parade, Norwood SA 5067

Telephone 8366 4555
Facsimile 8332 6338
Email townhall@npsp.sa.gov.au
Website www.npsp.sa.gov.au



City of
Norwood
Payneham
& St Peters

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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT

Committee Members Mayor Robert Bria (Acting Presiding Member)
Cr Mike Stock
Ms Sandra Di Blasio (Independent Member)

Staff Mario Barone (Chief Executive Officer)
Sharon Perkins (General Manager, Corporate Services)
Andrew Alderson (Financial Services Manager)

APOLOGIES Cr John Minney (Presiding Member), Ms Brigid O'Neill (Independent Member)

ABSENT Nil

TERMS OF REFERENCE:

The Audit Committee is responsible to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- propose and provide information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council's assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;
- review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council's Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1A. APPOINTMENT OF ACTING PRESIDING MEMBER

Cr Stock moved that Mayor Robert Bria be appointed as Acting Presiding Member for this meeting. Seconded by Ms Sandra Di Blasio and carried unanimously.

1B. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 10 AUGUST 2021

Ms Sandra Di Blasio moved that the minutes of the Audit Committee meeting held on 10 August 2021 be taken as read and confirmed. Seconded by Cr Stock and carried unanimously.

2. PRESIDING MEMBER'S COMMUNICATION

The Acting Presiding Member welcomed the Council's External Auditor, Mr Geoff Edward, from BDO SA to the meeting.

3. QUESTIONS WITHOUT NOTICE

Nil

4. QUESTIONS WITH NOTICE

Nil

5. WRITTEN NOTICES OF MOTION

Nil

6. STAFF REPORTS

6.1 FINANCIAL SUMMARY 2020-2021 ACTUAL RESULTS V ADOPTED BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A248168
ATTACHMENTS: A

PURPOSE OF REPORT

This report provides a summary of the 2020-2021 Audited result and explanations for variations from the 2020-2021 Adopted Budget.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 10 of the Regulations, requires the Council to prepare and consider a report, no later than 31 December in each year, showing the audited financial results of the Council for the previous financial year, compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The financial information contained in this report is based on the 2020-2021 Annual Financial Statements, the 2020-2021 Adopted Budget and the various policies adopted by the Council as they impact the Councils financial performance (e.g. Rating Policy.)

FINANCIAL AND BUDGET IMPLICATIONS

The Council concluded the Financial Year with an Operating Surplus of \$1.110 million, compared to the Council's Adopted Operating Budget, which forecast an Operating Deficit of \$0.798 million. Details of the drivers behind the variances from the Adopted Operating Surplus, are contained in the Discussion Section of this report.

It should be noted that the 2020-2021 Adopted Budget was developed over a challenging period where the ongoing economic and social impacts of the COVID-19 Pandemic were unknown and there was uncertainty regarding the future impacts of the social distancing and gathering restrictions that were in place at the time. As such the Adopted Budget reflected the decisions based on the assumption that the social distancing and mass gathering restrictions would remain in place for some time following the containment of the health impacts of the COVID-19 pandemic, which included the suspension or cancellation of services, programs and events during the first six months of the 2020-2021 Financial year.

The Adopted Budget also included a Financial Support Package which included:

- zero (0%) rate revenue increase, except where the rate increase is a result of new development, property improvements, a change in land use or zoning or a result of a sale, which is currently estimated to be 0.64%;
- Applications for financial hardship were assessed on a case-by-case basis to provide ratepayers with assistance best suited to their circumstance.
- waiving The Parade Development Separate Rate for businesses within the Norwood Parade Business Precinct;
- three (3) month rent relief for Commercial and Community tenants of Council own buildings (subject to demonstrating financial hardship resulting from the COVID-19 Pandemic);
- waiving permit fees for community sporting groups which utilise the Council's sporting grounds;
- rebating Outdoor Dining Permit fees from 1 July 2020 until 31 December 2020; and
- additional Economic Development spend to promote Councils business precincts.

After capital items, the Council is reporting a Net Surplus of \$15.3 million against an Adopted Net Surplus of \$3.1 million., with the favourable variance being driven by revaluation of Infrastructure, Property, Plant & Equipment.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Elected Members have received regular reports on the Councils financial performance throughout the year.
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and Council's External Auditors.
- **Other Agencies**
Not Applicable.

DISCUSSION

The 2020-2021 Annual Financial Statements have been finalised and will be presented to the Council for adoption at the Council Meeting to be held on 1 November 2021. A separate report has been provided on the 2020-2021 Annual Financial Statements for consideration by the Audit Committee.

Statement of Comprehensive Income

Operating Result

The Council is reporting an Operating Surplus of \$1.110 million, compared to the Council Adopted Operating Budget, which forecasted an Operating Deficit of \$0.798 million, a favourable variance of \$1.898 million. The major variances (over \$50,000 or 5%) from the Adopted Operating Surplus are outlined in Table 1 below.

TABLE1: MAJOR VARIANCES FROM ADOPTED OPERATING SURPLUS

Reasons for the Variance	Amount (\$)
<p>Statutory Charges was \$242,100 favourable to the Adopted Budget driven primary by:</p> <ul style="list-style-type: none"> • The introduction of Dog & Cats Online (DACO) has provided a number of alternative options to promote animal registrations, as such the Council has noted an increase in payment of animal registrations - (\$40,000). • Hoardings (\$41,000); • Rate Search Fees (\$16,000) • During the second half of the financial year, there was a significant increase in the number of development applications lodged resulting in higher than anticipated Planning Consent and Building Assessment fees (\$129,000). 	242,100
<p>User Charges was \$173,300 favourable to the Adopted Budget driven primary by:</p> <ul style="list-style-type: none"> • As a result of higher than anticipated daily attendances, an increase in the number of children utilising the Centre for Kindergarten hours, and COVID-19 Business Continuity payments which continued to be received during the first quarter of 2020-2021, the Child Care Centre fee income was \$78,000 favourable to the Adopted Budget. • The COVID-19 restrictions associated with the operation of public swimming pools were lifted earlier than anticipated, providing the opportunity to open the Swimming Centres in October 2020, albeit with capacity limits. With the introduction of session times and an on-line booking system, the Council was in position to effectively manage the capacity limits and respond to the restrictions put in place resulting from isolated outbreaks, as such the user fee income from across both Swimming Centres was \$218,000 favourable to the Adopted Budget. • As part of the Financial Support Package, the Council resolved to provide three (3) month rent relief for Commercial and Community tenants of Council own buildings (subject to demonstrating financial hardship resulting from the COVID-19 Pandemic), with the anticipated cost being \$30,000, however given the lifting of the restrictions no Commercial and Community tenants sought assistance. • While the opportunity to host mass gathering events were relaxed earlier than anticipated, the capacity limits and quarantine requirements for cross border travel, resulted in a number of planned events for the Concert Hall being either cancelled or postponed, as such hire income was \$123,000 unfavourable to the Adopted Budget. 	173,300
<p>Grant funding received was \$220,600 favourable to the Adopted Budget driven primary by:</p> <ul style="list-style-type: none"> • With approval of the Federal Government, a \$160,000 from the 2021-2022 Roads to Recovery Funding was brought forward to the 2020-2021 Financial year to undertake the reconstruction of Shelley Street. • Recognition of funding received from Green Industries SA, for the Reinvigorating Kitchen Organics Program (\$55,000) 	220,600
<p>Other Income was \$196,400 favourable to the Adopted Budget driven primary by:</p> <ul style="list-style-type: none"> • insurance re-imburements for property claims made during the year which amounted to \$93,000. • The Council's service provider of Depot temporary staff and Apprentices were eligible for Job-keeper Payments, as such payments received were passed through to the Council via reduced service charges (\$87,000). • an unbudgeted special distribution, based on the value of loans and cash on deposit was received from the Local Government Financing Authority (\$46,100). 	196,400
<p>Unfilled vacant positions, combined with time taken to fill vacant positions have resulted in a favourable variance in Employee Expenses. In part, this has been offset by the use of temporary/contract staff to back fill vacant positions (\$406,254).</p>	371,100

Reasons for the Variance	Amount (\$)
During the year, the Council completed 31 of the 41 Operating Projects included in the budget, with favourable variance of \$321,000. The majority of the savings were delivered across the following projects;	609,000
<ul style="list-style-type: none"> • Tour Down Under (\$85,000) – Due to international border closures, the event was cancelled. The Council hosted a series of minor bicycle related events during the January 2021 School Holidays. • Resilient East Project (13,000) – The City of Burnside, as the host Council, was successful in obtaining external grant funding for 2020-2021, as such the Council's contribution was not required. • Additional Street Tree Planting (\$43,000) – The 2019-2020 Additional Tree planting budget was planned to be carried forward to the 2020-2021, however the 2019-2020 program was completed by 30 June 2020. • Electronic Document Management System (\$86,000) - The planned upgrade was undertaken by internal staff, as opposed to being undertaken by the software provider. In addition, additional consulting hours were not required during the year. • Footpath Defect rectification project (\$63,000) – The program was completed with greater utilisation of internal resources as opposed to external contractors. 	
Ten (10) of the planned projects were yet to be completed as at 30 June 2021, with the budget to be carried forward to the 2021-2022 financial year. (\$288,000)	
The long term borrowings planned to be drawn down as part of the Adopted Budget were not required, resulting in reduced financing costs.	192,000
Legal fees were unfavourable to the Adopted Budget by \$369,200, mainly due to the legal expenses incurred on the legal proceedings relating to scramble crossing at the intersection of the Parade and George Street Norwood.	(369,200)
Depreciation expense was greater than anticipated due to the full year impact of the 2019-2020 Asset Capitalisation and unit cost revaluation.	(234,000)

Non-Operating Income

Non-Operating Income includes grant funding specifically for asset upgrades or renewals and gain/(loss) on asset disposals and assets received free of charge.

For the 2020-2021 Financial year, the Council is reporting Non- operating Income of \$2.2 million against an Adopted budget of \$1.9 million, a favourable variance of \$300,000. The favourable variance is set out in Table 2 below.

TABLE 2: MAJOR VARIANCES FROM ADOPTED NON-OPERATING INCOME

Reasons for the Variance	Amount (\$'million)
Loss on the sale and or disposal of the Council's small Plant and Equipment at the end of its operational life, combined with write-off of the carrying values of the Council Civil Infrastructure, upon renewal.	(1.200)
Recognition of Grant funding received specifically for new of upgraded assets	1.500
<ul style="list-style-type: none"> • Beulah Road Bicycle Path - \$230,000 • Payneham Road Tennis Courts - \$187,000 • Kent Town Streetscape Upgrade - \$100,000) • Third Creek Drainage Upgrade – Stage 1 - \$150,000 • Langman Grove Road Reconstruction - \$222,000 • Norwood Oval Women's Facilities - \$633,000 	

Non-Operating Income, the Council is reporting a Net Surplus of \$3.3 million against an Adopted Net Surplus of \$1.1 million.

Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenses that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income, is a Surplus of \$12 million.

Balance Sheet

The Net Assets of the Council at 30 June 2020 is \$499 million, against an Adopted Budget of \$490 million, a favourable variance of \$9 million.

Major reasons for the variance in the Net Assets include;

Assets

Cash deposits with the Local Government Financing Authority is favourable by \$3.2 million, with the variance resulting from the opening cash balance used to develop the 2020-2021 Budget being lower than the actual closing cash balance at the 30 June 2020.

The carrying values of Infrastructure, Property, Plant & Equipment is reporting a variance of \$3.5 million, resulting from the opening balance used to develop the 2020-2021 Budget being lower than the final value at the completion of the 2019-2020 Financial Statements, combined with lower asset capitalisation offset by a higher than anticipated change in asset value resulting from condition audits and unit cost reviews.

Other Non-current assets represent Capital Works-in-Progress. As at 30 June 2021, works on capital project not yet completed amounted to \$2.5 million.

Liabilities

Trade and Other Payables – with the timing of expenditures at the end of financial year the Council had a larger than anticipated value of invoices due that anticipated in the Adopted budget resulting in the \$3.3 million unfavourable variance.

The long term borrowings planned to be drawn down as part of the Adopted Budget were not required, resulting in a favourable variance of \$5.6 million

Attachment A contains the 2020-2021 Financial Statements comparing the actual result to the 2020-2021 Adopted Budget as required by Section 10 of the Regulations.

Bad and Doubtful Debts

The Councils accounts receivable balance has been reviewed at the end of the financial year for the recoverability of the outstanding debts. The outstanding amounts which make up the reported Accounts Receivable balance are considered to be recoverable.

With the ongoing impacts of the COVID-19 pandemic a more lenient approach to recovering outstanding amounts was applied which has seen an increase in the value of debts over 150 days. It would be expected that debts will be paid.

OPTIONS

There are no options associated with this issue.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Cr Stock moved:

That the report be received and noted.

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.2 ANNUAL FINANCIAL STATEMENTS FOR YEAR END 30 JUNE 2021

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A261687
ATTACHMENTS: A – C

PURPOSE OF REPORT

The purpose of this report is to present the 2020-2021 Financial Statements to the Audit Committee for review and recommendation to the Council for adoption.

BACKGROUND

Pursuant to Section 127 of the *Local Government Act 1999* (the Act), the Council must prepare Annual Financial Statements in accordance with the *Local Government (Financial Management) Regulations 2011* (the Regulations).

Section 13 of the Regulations requires that the Financial Statements of a Council be prepared in accordance with the requirements set out in the Model Financial Statements. The City of Norwood, Payneham & St Peters has prepared the Annual Financial Statements in accordance with the Model Financial Statements.

Section 126 (4) (a) of the Act requires that the functions of an Audit Committee to include “*reviewing annual financial statements to ensure that they present fairly the state of affairs of the council*”.

A copy of the Annual Financial Statements is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s long term strategic directions are outlined in the *City Plan 2030 – Shaping our Future*. The 2020-2021 Annual Business Plan and supporting Budget, set out the services and programs and initiatives for the 2020-2021 Financial Year.

While financial sustainability remains a priority for the Council, due to the Covid-19 Pandemic, the Council, with the 2020-2021 Annual Business Plan and Budget, provided a Financial Support Package to support the citizens and the business community; with the key element being a 0% rate revenue increase, as a result, the Council adopted an Operating Deficit of \$798,000.

FINANCIAL AND BUDGET IMPLICATIONS

Statement of Comprehensive Income

The Council concluded the Financial Year with an Operating Surplus of \$1.110 million (2019-2020: \$1.995 million), compared to the Operating Deficit of \$168,578 as set out in the 2020-2021 Third Budget Review.

After taking into account Capital Items which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Net Surplus of \$15.320 million (2019-2020: \$5.145 million).

The reasons for the variations to the Adopted Budget are outlined in Item 6.2: Financial Summary.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Elected Members**
Nil
- **Community**
Not Applicable.
- **Staff**
Responsible Officers, General Managers and the Council's External Auditors.
- **Other Agencies**
Nil

DISCUSSION

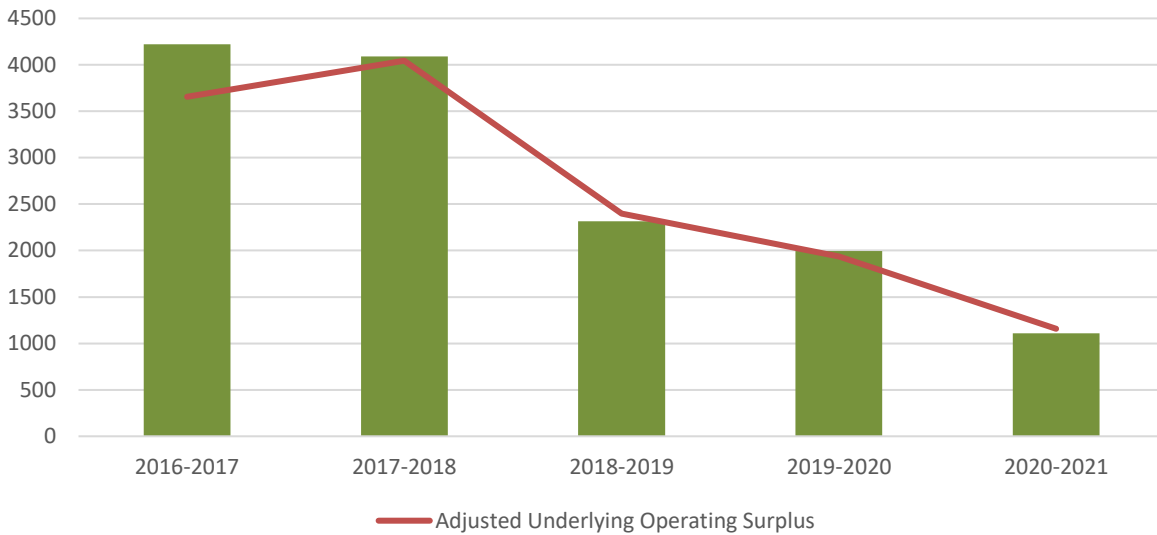
Statement of Comprehensive Income

a. Operating Result

As detailed in Figure 1 below, the Council concluded the financial year with an Operating Surplus of \$1.110 million (2019-2020: \$1.995 million). The reported Operating Surplus is less than previous years. Given that the Council resolved as part of the Financial Support Package not to increase rate revenue, total income only increased by 0.15% whilst expenditure increased by 2.2%.

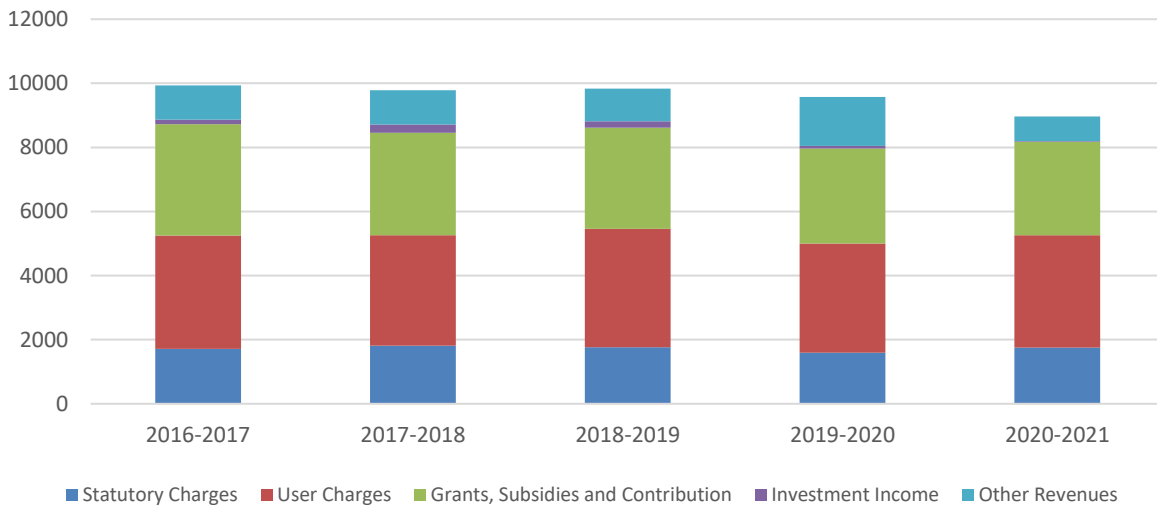
As the Committee is aware, for the last three (3) consecutive years, the Federal Government has made advance payments equal to approximately two quarters of the Financial Assistance Grants. Adjusting for the effect of the advance payments, the underlying Operating Surplus is \$1.158 million for 2020-2021, (2019-2020: \$1.935 million). Figure 1 below, shows the Operating Surplus over the last five years and compares the impacts of the advance payment of Financial Assistance Grants.

FIGURE 1: OPERATING SURPLUS (DEFICIT) - \$'000



As detailed in Figure 2 below, non-rate revenues have decreased (2.5%) compared to the 2019-2020 financial year, which is primarily due to the 2019-2020 Financial Year, the Council received \$221,000 from South Australia Power Network as settlement of a dispute for the overcharge on street lighting charges.

FIGURE 2: NON-RATE REVENUES - \$'000



The cost to deliver the Council’s continuing services (i.e. Recurrent Operating Costs) increased by 2.8% (\$1.167 million) compared to 2019-2020. Primary drivers behind this increase were:

- Following a review of the Council’s Street Sweeping Program, the Queensland Box Sweeping program, which was previously treated as an operating project, was incorporated within the Council’s existing Street Sweeping program, resulting in an increase in recurrent expenditure by \$115,702 compared to 2019-2020.
- Legal costs associated with the scramble crossing between the Parade and George Street (\$367,412).
- Increased waste disposal (\$172,598) costs resulting from increases in the unit prices for putrescible municipal waste.
- Employee costs increased by \$193,928 is due to a number of vacant positions being filled in during 2020-2021 financial year or at the end of 2019-2020 financial year.

Offsetting these cost increases, water usage costs were \$124,887 lower when compared to the 2019-2020, due to higher rainfall occurring during 2020-2021 financial year and as a result, this reduced the need for irrigation.

In addition to the continuing services, the Council delivered twenty three (23) Operating Projects, which encompassed a number of new service initiatives and one-off activities or programs. The net cost of delivering the Operating Projects was \$463,000 (2019-2020: \$470,000). Due to the physical distancing requirements and mass gathering restrictions imposed by the State Government in response to the COVID-19 pandemic, a number of planned events and activities were cancelled. Major Operating Projects which were undertaken during the year included:

- footpath defects works program;
- Raising the Bar;
- various Heritage, Cultural, Youth and Arts Programs and Events;
- additional Street Tree Planting; and
- Traffic & Integrated Transport Investigations

Ownership costs, which incorporate interest paid on long term borrowings and depreciation, increased by 5.2% (\$519,000). The increase is attributed to depreciation costs on the major assets which have been capitalised in prior years and the full year impact of the building valuation which was undertaken in 2019-2020 offset by a reduction in interest paid.

b. Non-Operating Items

A Non-Operating Surplus of \$2,158,000 is reported for 2020-2021 (2019-2020 Non-Operating Deficit \$405,000). The Non-Operating Surplus comprised of:

- Loss on Sale and Write off of Infrastructure Assets renewed as part of the Capital Works program. (\$1.144 million)
- Grant Funding received or recognised for Capital Projects including \$3.038 million
 - Norwood Oval Women's Facilities \$632,500
 - Second Creek Outlet Upgrade \$500,000
 - Payneham Oval Women's Facilities \$490,000
 - Buttery Reserve Tennis Courts \$450,000
 - Beulah Road Bicycle Boulevard \$231,017
 - Langman Grove Road Construction \$222,197
 - Payneham Oval Tennis Courts \$187,500
 - Stormwater Drainage Program \$106,750
 - Library Book Acquisition \$106,000
 - St Peters Street Streetscape Upgrade \$38,125
 - Burchell Reserve Upgrade \$38,125
 - Implementation Schools Review of Traffic Management Actions \$36,000

c. Other Comprehensive Income

Other Comprehensive Income comprises items of income and expenses that are not recognised in the Net Surplus (Deficit) for the year, as required or permitted by other Australian Accounting Standards. Such items include the impact of changes in asset values due to revaluations. The value of Other Comprehensive Income reported in the Statement of Comprehensive Income, is a Surplus of \$12.046 million.

The major factor contributing to the Surplus is the indexation of the Councils' Civil Infrastructure Assets. In line with the Councils Asset Revaluation Policy, independent valuations of the major long term asset classes are undertaken on a rolling five (5) year period. For the 2020-2021 financial year, no independent valuations were undertaken however, the Councils' Infrastructure assets' unit costs are revised by Tonkin Consulting.

Balance Sheet

The Net Assets of the Council at 30 June 2021 is \$499 million, an increase of \$9 million from 2019-2020. Major movements include;

a. Assets

Current Assets have decreased by \$1.296 million, predominately due to decrease in cash held with the Local Government Financing Authority. The decrease in cash was due to cash reserves being utilised to fund new and upgraded assets, including asset projects carried forward from 2019-2020

Non-Current Assets have increased by \$16 million, predominately due to expenditure of \$16 million on capital works which were undertaken over the year, which in part was offset by the allowance for depreciation.

b. Liabilities

During 2020-2021 Financial Year, total liabilities decreased by \$0.8 million. The decrease was the predominately due to the repayment of existing loans.

c. Revaluations

In line with the Councils *Asset Revaluation Policy*, formal valuations of the major asset classes are undertaken on a rolling five (5) year period. For the 2020-2021 financial year, the independent valuations has been required to be undertaken for Storm-water assets, however the valuation was not finalised and carried forward to 2021-2022 financial year. While no independent valuations were undertaken, the carrying values of Assets Classes were reviewed and adjusted where appropriate.

The revaluation impact for each asset class is detailed in Table 2.

TABLE 2: IMPACT OF ASSET REVALUATION

Asset Class	Revaluation Increase/(Decrease) \$million	Comments
Land	3.382-	Based on the Valuer Generals review of property values within the Council area, a 2% increase in Fair Value was deemed appropriate.
Buildings and Other Structures	1.173	Represents a 2% increase in the Fair value with the indexation based on the annual average movement in value of like assets
Open space Assets	(0.511)	Represents a 3% decrease in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting
Road Infrastructure	4.599	Represents a 7% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Kerbing	1.731	Represents a 3% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Footpaths	0.784	Represents a 3% increase in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Linear Park	(0.462)	Represents a 0.2% decrease in Fair Value based on the unit price assessment undertaken by Tonkin Consulting.
Storm-water Drainage	1.353	Represents a 2% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Off- Roads Carparks	(0.008)	Represents a 0.4% decrease in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Traffic Control Assets	0.005	Represents a 0.2% increase in Fair Value, based on the unit price assessment undertaken by Tonkin Consulting.
Total	12.046	

Overall, the revaluation increase for the 2020-2021 financial year is \$12 million, compared to an increase of \$3.5 million for the 2019-2020 financial year.

Statement of Cash Flows

For the 2020-2021 Financial year, the Council is reporting a net decrease in cash and cash equivalents of \$2.107 million. The Council generated \$12.102 million from operating activities, with the funds used to complete the Councils Capital Infrastructure Works Program and the Asset Replacement Program (\$9.651 million), and principal repayments (\$1.653 million) associated with the Councils borrowings.

Section 126 (4) (a) of the *Local Government Act 1999*, requires that the functions of an Audit Committee are to include the review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council. To ensure that the Audit Committee discharges its responsibilities under the Act, the following papers are provided for review.

Attachment B - contains further clarification to the Significant Accounting Policies used in the preparation of the 2020-2021 Financial Statements.

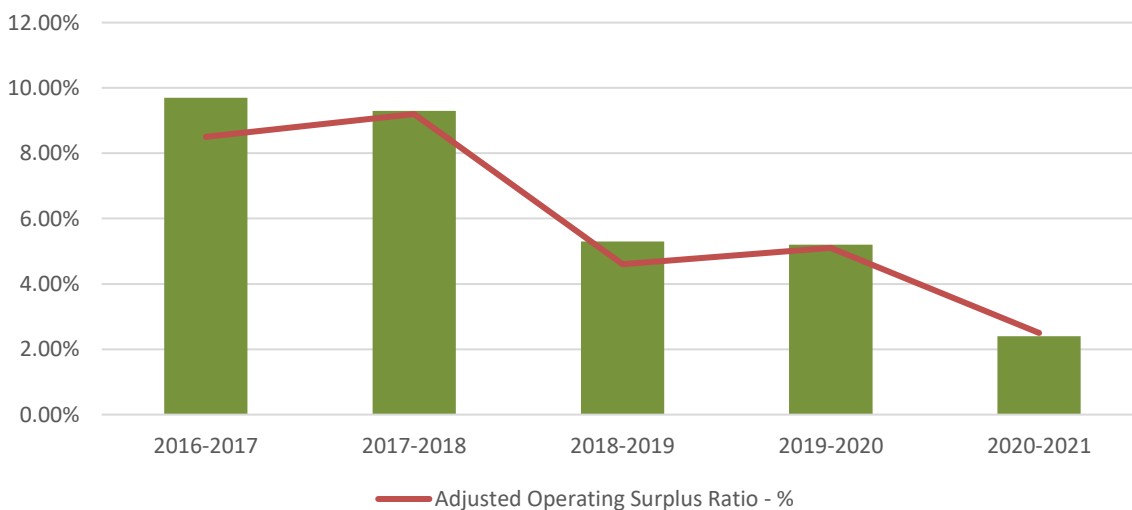
Attachment C - contains answers to the most common questions expected from Elected Members in respect of the preparation of the 2020-2021 Financial Statements.

Financial Ratios

The Model Financial Statements requires the Council to disclose in the Financial Statements, the following three (3) Financial Ratios;

- Operating Surplus Ratio (refer to Figure 3);
- Net Financial Liabilities Ratio (refer to Figure 4); and
- Asset Sustainability Ratio (refer to Figure 5).

FIGURE 3: OPERATING SURPLUS RATIO



LTFP Target: less than or equal to 10%

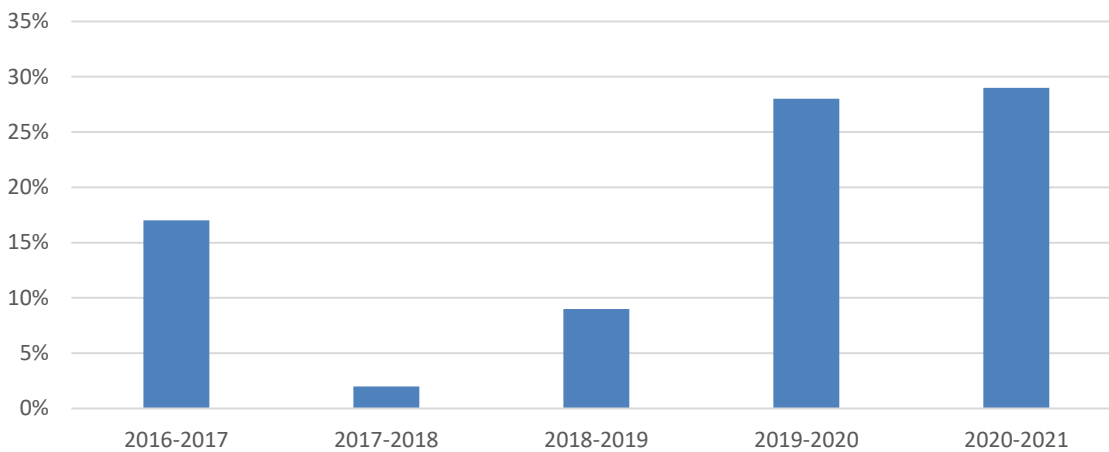
The Operating Surplus/ (Deficit) Ratio expresses the Council's Operating Surplus/ (Deficit) as a percentage of Operating Revenue.

Figure 3 above shows the Adjusted Operating Surplus Ratio, which takes into account the effect of the advance payments of the Financial Assistance Grants in each of the respective years. The advanced payments which have been adjusted are detailed in Table 3 below.

TABLE 3: FINANCIAL ASSISTANCE GRANTS ADVANCE PAYMENTS

Financial Year	Number of Quarters Advanced	Increase in Operating Surplus (Value of Advance)
2020-2021	2	\$607,000
2019-2020	2	\$655,000
2018-2019	2	\$595,000
2017-2018	2	\$614,000
2016-2017	-	\$565,000

FIGURE 4: NET FINANCIAL LIABILITIES RATIO

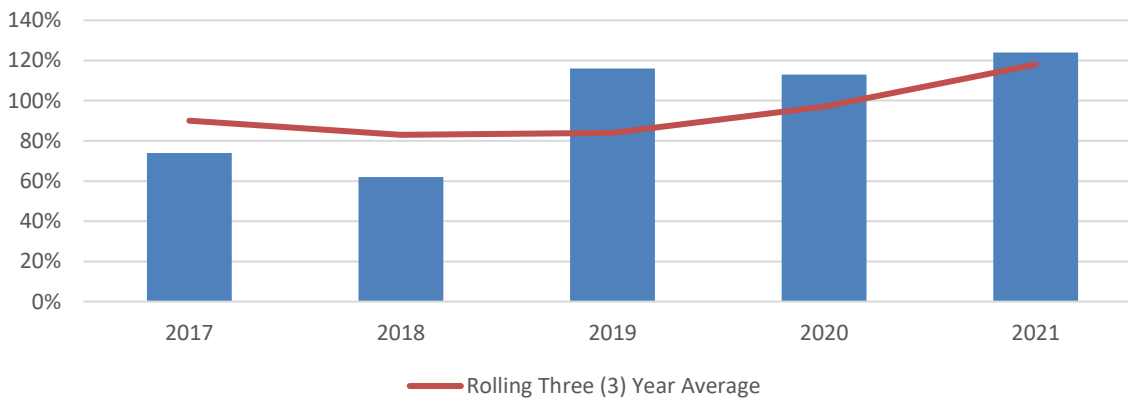


LTFP Target: less than or equal to 75%

The Net Financial Liabilities Ratio measures the extent to which the net amount owed by the Council is met by its Operating Revenue. Net Financial Liabilities are represented by Total Liabilities less Current Assets.

The Council's Long Term Financial Plan has set a target of less than 75%. The minor increase in the ratio for 2020-2021, is due to the impact of reduced cash.

FIGURE 5: ASSET SUSTAINABILITY RATIO



LTFP Target: between 90% and 110% on a 3 year rolling average.

The Asset Sustainability Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.), at the same rate the stock of assets is "wearing out". Asset Sustainability measures the extent of the renewal expenditure incurred, against the planned renewal expenditure, as set out in the Council Asset Management Plans.

The Council's Long Term Financial Plan has set a target of between 90% and 110%, on a three (3) year rolling average. In some instances, the Council may be required to accelerate or decelerate the renewal or replacement of its existing asset base. Based on the renewal expenditure set in the Council's Infrastructure and Asset Management Plans, for the 2020-2021 financial year, the three (3) year rolling average is marginally above the upper limit of the target rate at 118%.

OPTIONS

There are no options associated with this issue.

CONCLUSION

The Council concluded the financial year with an Operating Surplus of \$1.110 million (2019-2020: \$1.995 million).

After Capital Items, which includes the impact of assets revaluations and grant funding specifically for asset upgrades or renewals and asset disposals, the Council is reporting a Net Surplus of \$15.320 million (2019-2020: \$5.145 million).

The Council's Auditor, BDO Advisory (SA) Pty Ltd, have completed the audit of the Council's Financial Statements and have advised that they will sign an unqualified Independent Auditors' Reports in the form prescribed, upon the Presiding Member of the Audit Committee signing the "Council Certificate of Audit Independence".

There were no significant issues raised during the audit of this year's Financial Statements which would prevent the Audit Committee recommending to the Council to adopt the 2020-2021 Financial Statement.

COMMENTS

Nil

RECOMMENDATION

That the Audit Committee recommend to the Council that:

- a. The Annual Financial Statements for the year ended 30 June 2021, be adopted.
- b. The Annual Financial Statements for the year ended 30 June 2021, be dated 2021 and be signed on behalf of the Council by the Mayor.
- c. The Asset Revaluations as set out in Table 2 of this report, be adopted.

Cr Stock moved:

That the Audit Committee recommend to the Council that:

- a. *The Annual Financial Statements for the year ended 30 June 2021, be adopted.*
- b. *The Annual Financial Statements for the year ended 30 June 2021, be dated 2021 and be signed on behalf of the Council by the Mayor.*
- c. *The Asset Revaluations as set out in Table 2 of this report, be adopted.*

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.3 LONG-TERM FINANCIAL PLAN

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A227685
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee an update on the financial impact of the 2021-2022 Annual Budget on the financial forecasts set out in the Long Term Financial Plan (LTFP).

BACKGROUND

Section 122 of the *Local Government Act 1999* ("the Act"), requires the Council to prepare a Long Term Financial Plan for a period of at least ten (10) years. In addition, the Council must undertake a review of the Long Term Financial Plan as soon as practicable after adopting the Council's Annual Business Plan for a particular financial year.

In addition, pursuant to Section 122 (4) of the Act, the Council must undertake a comprehensive review of its Strategic Management Plans (which incorporates the Long Term Financial Plan), within two (2) years after each Local Government General Election.

Where a Council undertakes a review of its Strategic Management Plans, the Council must adopt a process or processes, to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its Strategic Management Plans.

The 2021-2031 Long Term Financial Plan was adopted by the Council on 18 January 2021. A copy of the adopted LTFP is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030*, provides the framework upon which the Council's Strategic Management Plans are developed. The Council's suite of Strategic Management Plans comprises the *CityPlan 2030: Shaping the Future*, the LTFP, the Infrastructure and Asset Management Plans and the Annual Business Plan and Budget.

The LTFP is the primary financial management tool which links all of the Councils' Strategic Management Plans, *City Plan 2030*, Whole of Life Asset Management Plans and the Annual Business Plan and Budget and the Social Development Framework.

FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained within the LTFP, are designed to provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council's long-term financial sustainability. To this end, reference should be made each year to the LTFP when preparing the Annual Business Plan and Budget, to ensure that the broad financial outcomes of the Council are achieved.

EXTERNAL ECONOMIC IMPLICATIONS

This report provides information on the financial projections of the Council for the 10 year period from 2021-2022 through to 2031-2032. The financial projections are based on a set of assumptions, some of which are based on external economic indicators relating to wages growth and cost increases. Should the assumptions regarding the economic indicators not come true, the financial outcomes set out in the projections may not be delivered.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Nil.

COVID-19 IMPLICATIONS

Nil.

CONSULTATION

- **Elected Members**
Through the various resolutions passed during the development of the 2021-2022 Annual Business Plan and Budget, Elected Members have contributed to the review of the financial projections set out in the LTFP.
- **Committee Members**
Committee Members, considered the 2021-2022 Annual Business Plan and Budget at meetings held on 24 May 2021 and 10 August 2021.
- **Community**
Pursuant to Section 122 (6) of the Act, the Council must adopt processes to ensure that members of the public have reasonable opportunity in the development or review of its strategic management plans however, given this review has been limited to the review of the financial projections only, as opposed to a review of the strategic objectives set out in the LTFP, a formal community consultation process is not recommended.

Members of the public were provided opportunity to provide feedback and comments on the 2021-2022 Annual Business Plan and Budget.

- **Staff**
Staff via the development of the 2021-2022 Budget have contributed to the review of the financial projections set out in the LTFP.
- **Other Agencies**
Not Applicable.

DISCUSSION

The 2021-2031 Long Term Financial Plan was adopted by the Council on 18 January 2021. Section 122 of the *Local Government Act 1999* ("the Act"), requires the Council to undertake a review of the Long Term Financial Plan as soon as practicable after adopting the Council's Annual Business Plan for a particular financial year. The Council adopted the 2021-2022 Annual Business Plan and Budget on 5 July 2021. In considering the 2021-2022 Annual Business Plan and Budget, the Council considered the impact of the decisions made when preparing the Annual Business Plan and Annual Budget on the LTFP, to ensure that the broad financial outcomes of the Council are continuing to be achieved.

In reviewing the LTFP, the broad underlying principles and assumptions adopted in preparing the 2021-2031 Long Term Financial Plan have been maintained.

The financial projections, which is contained in **Attachment B**, have been updated for the impact of the closing financial position as a 30 June 2021 and the adoption of the 2021-2022 Budget.

Financial Projections

The financial projections contained in the LTFP, seek to achieve the following objective:

A City which delivers on its Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.

The Council's long term sustainability is dependent upon ensuring that, on average over time, the operating expenses are less than the projected revenues and that there is sufficient cash generated from the operating activities to meet the financial commitments required to meet asset renewal needs and the repayment of financing commitments.

Intergenerational equity is primarily achieved by funding the cost of renewing and replacing assets through revenue sources, including rates. This means the cost of replacing assets which benefit existing and future ratepayers, are being funded by those ratepayers.

The financial projections contained within the LTFP, are meant to provide an indication of the Council's direction and financial capacity rather than predicting the future financial performance and position of the Council.

The delivery of the Council's financial objective is measured against the achievement of four financial outcomes.

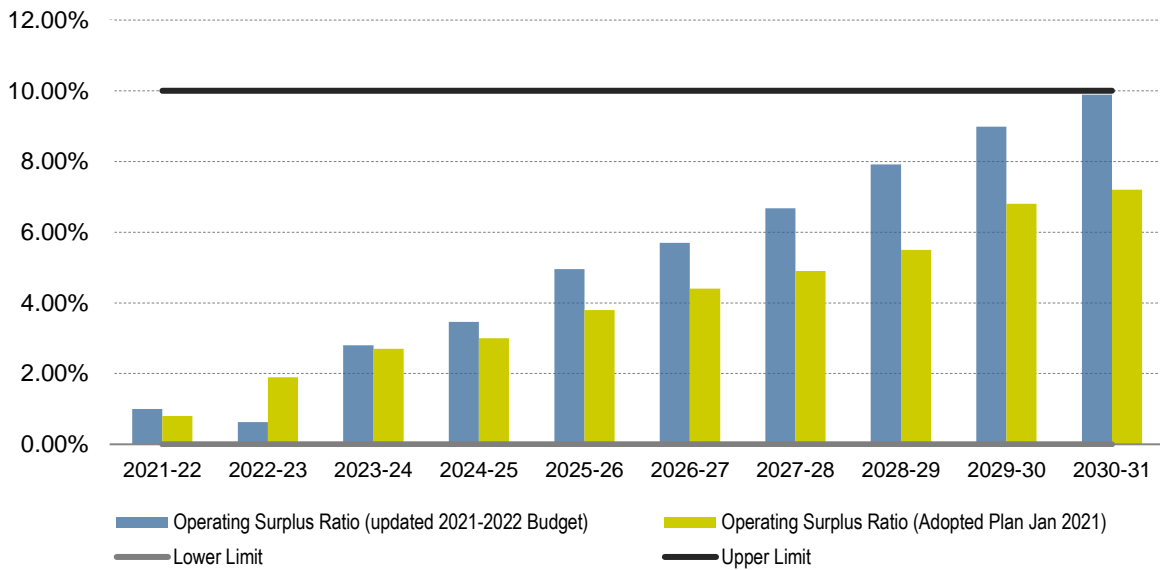
Outcome 1: A Balanced Budget

Council's services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers

Achievement of this objective is measured by the *Operating Surplus Ratio*, which measure the extent that income from all sources meets the day to day operational costs and have income available capital funding and other purposes. The target has been set between 0% and 10%.

As illustrated in Figure 1 below, the revised financial projections are forecasting an improvement in the Operating Surplus from 2023-2024 onwards. This increase is driven by the anticipated improvement in the Operating Result following the redevelopment of the Payneham Memorial Swimming Centre, which is scheduled to be completed for the commencement of the 2023-2024 Swimming Season.

Figure 1: Operating Surplus Ratio

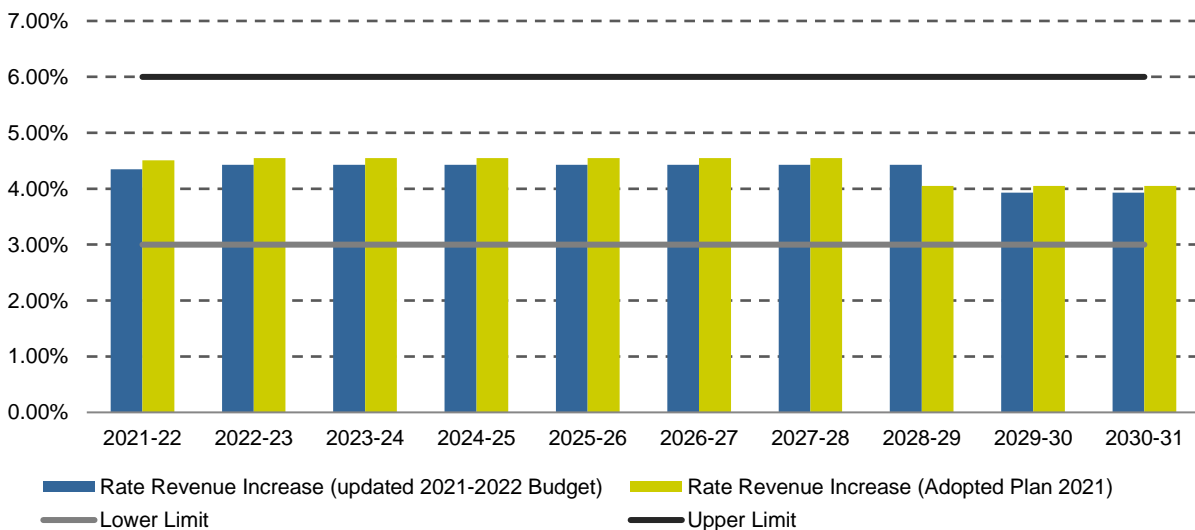


Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increase stable over the medium term

A number of factors impact on the annual rate increase which is adopted by the Council each year. Such factors include new property development, general valuation growth, general cost increases and the service level changes resulting from asset upgrades and new services, programs and activities. The target has been set at Rate Revenue increases to be set between 3% and 6%. As Committee Members may recall, the basis for determining rate revenue increase is the ten year average of the Local Government Price Index (LGPI), growth in new assessments and a factor for the future financial impacts of new and upgraded infrastructure investment. The revised financial projections are based on a slightly lower rate revenue, which is reflection of a slight reduction in the ten-year average of the LGPI.

Figure 2: Rate Revenue Increase



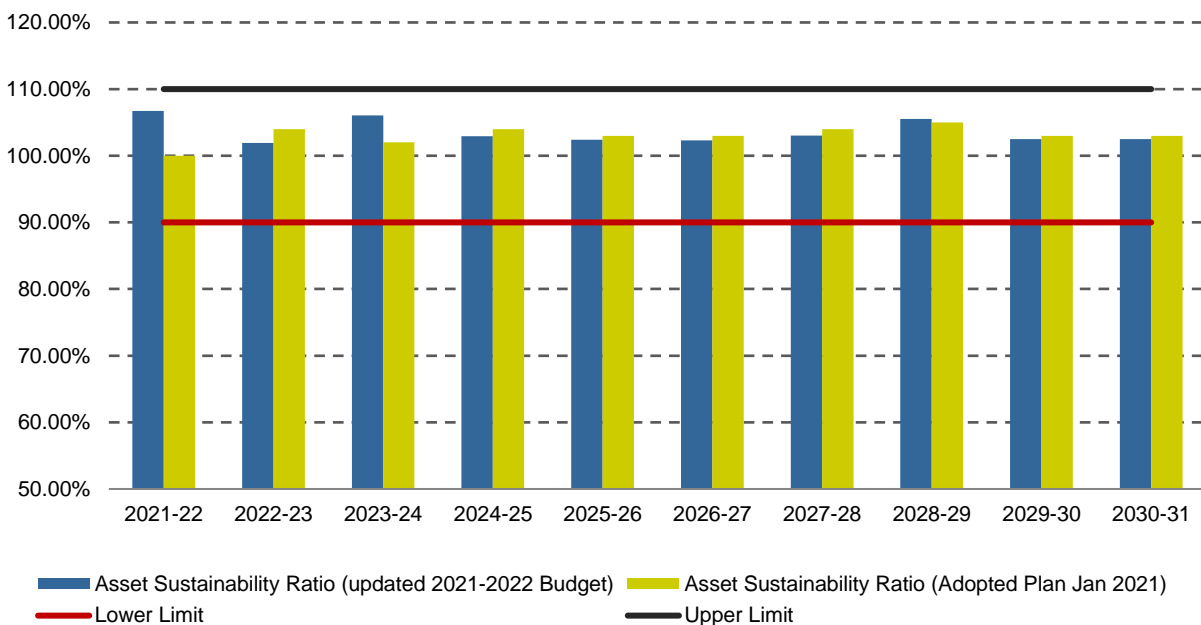
Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line Council’s Whole-of-Life Infrastructure Framework to achieve the outcomes and objectives, as set out in City Plan 2030

Achievement of this objective is measured by the Asset Sustainability Ratio, which measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.) at the rate it has set out in its Infrastructure and Asset Management Plans. It is recognised that given Asset Management Plans are developed for a 10 year period and like the LTFP periodically reviewed, renewal expenditure may be accelerated or deferred from one year to the next, as such the target has been set at between 90% and 110% over a rolling five year average.

The revised financial projections are based on the Asset Management Plans which have been adopted by the Council. The 2021-2022 ratio, includes unspent funds carried forward from 2020-2021. In addition, the adopted LTFP was based on a constant spend on Building renewal spend, whereas the adopted Asset Management Plan, while being based on the same level of spend over the ten year period, the annual proposed spend was more variable across the life of the adopted Asset Management Plan.

Figure 3: Asset Sustainability Ratio



Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users

Managing debt is critical for the financial ‘health’ of the Council. If debt levels become too high, interest and principal loan repayments obligations will limit the capacity of the Council to invest in assets and services. Future investment in new and upgrade infrastructure and assets must be undertaken in a measured approach to ensure that the Council has the financial capacity to meet its current and on-going financial commitments and that intergenerational equity is maintained, as debt that is too high may lead to future generations paying for benefits that are received today.

Achievement of this objective is measured by the Net Financial Liabilities Ratio, which measures the level of debt being managed by the Council as a percentage of total revenue. The lower the ratio, the greater financial capacity the Council has to meet its future investment needs through the use of debt. The long term target which has been set by the Council is less than 75% of total revenue, however it is recognised that in some circumstances it may be appropriate for the ratio to exceed this target, if the Council is committed to sound financial strategies, which take into account all four (4) of its financial outcomes.

Financial Sustainability is dependent on the Councils ability to not only meet its operational costs but also have sufficient cash and financial resources to meet its debt management needs, as such the Council measures its debt servicing ratio, which measure interest and loan repayments as a percentage of Rate Revenue. The target has been set at 15% of rate revenue.

As detailed in Figure 4 and Figure 5 below, there has been a projected improvement in both the Debt Management Indicators. The main factor behind the improvement is the 2020-2021 closing cash position and a reduction in total borrowings over the remaining life of the Plan, as the Council has been successful in securing Grant funding for a number of Strategic Projects which had been included in the adopted Plan.

Figure 4: Net Financial Liabilities

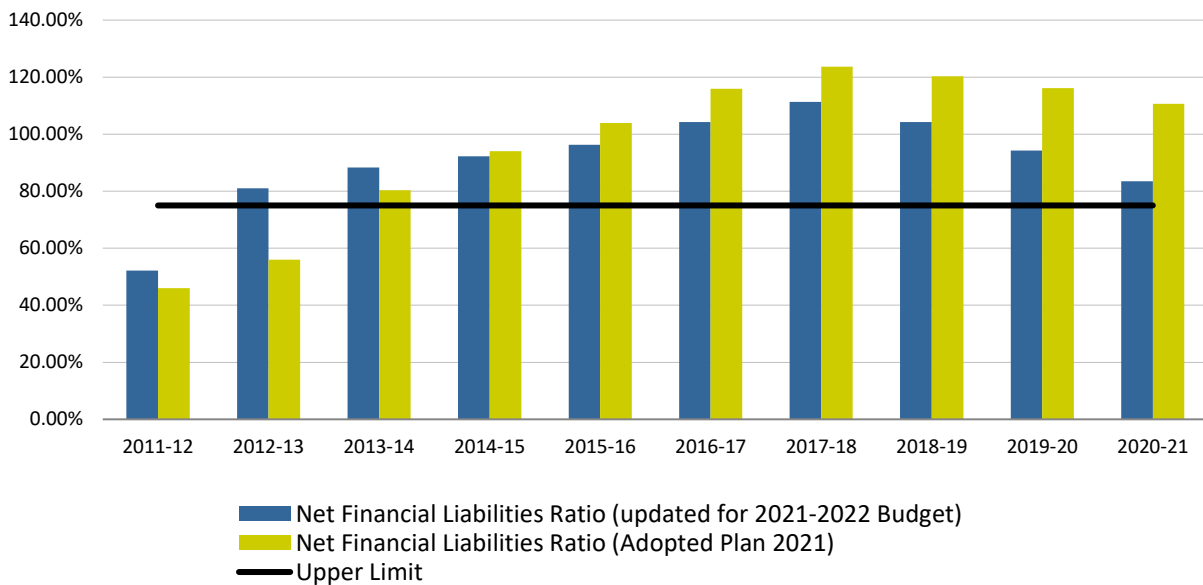
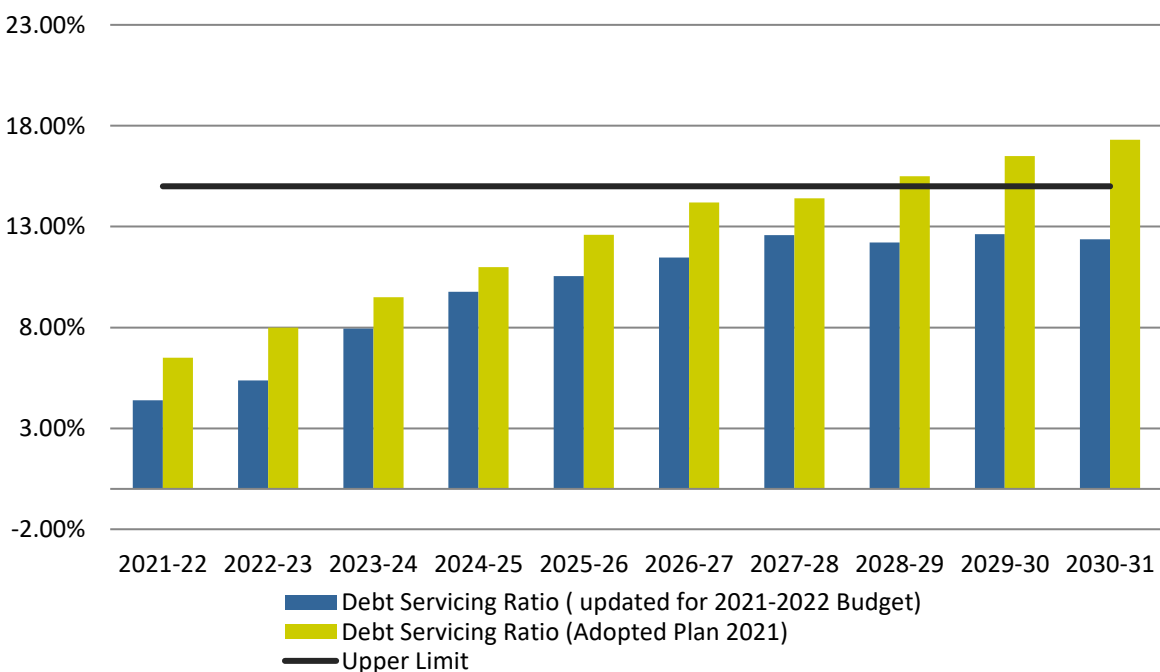


Figure 5: Debt Servicing Ratio



Assets: New and Upgrades

In preparing the 2021-2031 Long Term Financial Plan, the timing of major projects were assessed against the ranking criteria which took into account the condition of the asset whether the project is, required for the delivery of an outcome of the *City Plan 2030* or other Council endorsed strategic Plan and the risk to the Council should the project not be undertaken. Since the adoption of the 2021-2031 Long Term Financial Plan, the Council has been successful in obtaining grant funding to assist in the delivery of a number of planned projects. As a result, the financial projections have been updated to reflect the timing of such projects to ensure that the funding conditions are met and as a consequence other projects have been subsequently deferred. The financial projections incorporated in the revised LTFP are based on the project timings for the Strategic Projects as detailed in Table 1 below.

TABLE 1: STRATEGIC PROJECTS

Project Description	Revised Timing	Revised Funding allocation	Original Timing	Original Funding Allocation
Facility Upgrades				
Payneham Memorial Swimming Centre Redevelopment	2021-2022 through to 2023-2024	\$24 million, offset by Grant Funding of \$5.6 million 2021-2022 \$3 million 2022-2023 \$17 million 2023-2024 \$4 million	2021-2022 through to 2023-2024	\$10.1 million 2021-2022 \$3.2 million 2023-2024 \$6.9 million
Norwood Swimming Centre Redevelopment	2026-2027 through to 2027-2028	\$4.650 million 2026-2027 \$3.150 million 2027-2028 \$1.500 million	2026-2027 through to 2027-2028	\$4.650 million 2026-2027 \$3.150 million 2027-2028 \$1.500 million
Norwood Library	2028-2029 through to 2030-2031	\$4 million 2028-2029 \$1.0 million 2029-2030 \$1.5 million 2031-2031 \$1.5 million	2028-2029 through to 2030-2031	\$4 million 2028-2029 \$1.0 million 2029-2030 \$1.5 million 2031-2031 \$1.5 million
Norwood Concert Hall	2028-2029 through to 2029-2030	\$2 million 2028-2029 \$1.0 million 2029-2030 \$1.0 million	2028-2029 through to 2029-2030	\$2 million 2028-2029 \$1.0 million 2029-2030 \$1.0 million
Reserve Upgrades				
Burchell Reserve	2021-2022 through to 2022-2023	\$1.424 million 2021-2022 \$850,000 2022-2023 \$574,000	2021-2022 through to 2022-2023	\$1.025 million 2021-2022 \$770,000 2022-2023 \$255,000

Project Description	Revised Timing	Revised Funding allocation	Original Timing	Original Funding Allocation
Hannaford Reserve	2029-2030 Through to 2030-2031	\$1.225 million 2029-2030 \$250,000 2030-2031 \$975,000	2029-2030 through to 2030-2031	\$1.225 million 2029-2030 \$250,000 2030-2031 \$975,000
Patterson Reserve	2031-2032 through to 2032-2033	\$3 million 2031-2032 \$1.5 million 2032-2033 \$1.5 million	2031-2032 through to 2032-2033	\$3 million 2031-2032 \$1.5 million 2032-2033 \$1.5 million
Innovative Playground Redevelopment				
Dunstan Adventure Playground	2021-2022 through to 2022-2023	\$ 1 million offset by Grant Funding of \$450,000	2022-2023 through to 2023-2024	\$1.075 million 2022-2023 \$100,000 2023-2024 \$975,000
Adey Reserve	2033-2034	\$1.5 million	2033-2034	\$1.5 million
Streetscape Upgrades				
St Peters Street Streetscape	2021-2022 through to 2022-2023	\$3 million offset by Grant Funding of \$1.27million 2021-2022 \$1.750 million 2022-2023 \$1.257 million	2022-2023 through to 2024-2025	\$3 million 2022-2023 \$1.375 million 2023-2024 \$1.375 million 2024-2025 \$250,000
The Parade – Implementation of Master Plan	2024-2025 through to 2027-2028	\$27.1 million 2024-2025 \$7 million 2025-2026 \$6.7 million 2026-2027 \$6.7 million 2027-2028 \$6.7 million	2024-2025 through to 2027-2028	\$27.1 million 2024-2025 \$7 million 2025-2026 \$6.7 million 2026-2027 \$6.7 million 2027-2028 \$6.7 million
Magill Road	2030-2031 through to 2033-2034	\$7 million 2030-2031 \$1.5 million 2031-2032 \$1.5 million 2032-2033 \$2.0 million 2033-2034 \$2.0 million	2030-2031 through to 2033-2034	\$7 million 2030-2031 \$1.5 million 2031-2032 \$1.5 million 2032-2033 \$2.0 million 2033-2034 \$2.0 million

Project Description	Revised Timing	Revised Funding allocation	Original Timing	Original Funding Allocation
Kent Town Streetscape	Across life of the Plan	\$1.5 million	Across life of the Plan	\$1.5 million
		2021-2022 to 2023-2024 \$700,000		2021-2022 to 2023-2024 \$700,000
		2028-2029 to 2030-2031 \$800,000		2028-2029 to 2030-2031 \$800,000
Other				
Quadrennial Art Installation	Every four Years commencing 2022-2023	2022-2023 \$250,000	Every four Years commencing 2022-2023	2022-2023 \$250,000
		2026-2027 \$430,000		2026-2027 \$430,000
		2030-2031 \$380,000		2030-2031 \$380,000
River Torren Linear Park Shared Path	2021-2022 through to 2022-2023	\$2.6 million offset by Grant Funding of \$1.35 million	2027-2028 through to 2030-2031	\$2.2 million
		2021-2022 \$1.350 million		2027-2028 \$200,000
		2022-2023 \$1.250 million		2029-2030 \$990,000
				2030-2031 \$990,000
Complete Streets	Across life of the Plan	\$3.5 million	Across life of the Plan	\$3.5 million
		2021-2022 to 2023-2024 \$2 million		2021-2022 To 2023-2024 \$2 million
		2028-2029 to 2030-2031 \$1.5 million		2028-2029 to 2030-2031 \$1.5 million
Private Laneway conversion	Across life of the Plan	\$1.5 million	Across life of the Plan	\$1.5 million
		2021-2022 to 2023-2024 \$700,000		2021-2022 to 2023-2024 \$700,000
		2028-2029 to 2030-2031 \$800,000		2028-2029 to 2030-2031 \$800,000

OPTIONS

The Audit Committee has the following options with respect to the revised financial projects set out in the LTFFP:

1. Recommend to the Council the revised financial projections as presented in this report , which has been revised in line with the decision made by the Council in adopting the 2021-2022 Annual Business Plan and Budget be endorsed; or
2. Recommend to the Council that revised financial projections be changed by either:
 - changing the base assumptions; and/or
 - changing the timing of new capital project priorities; and/or
 - including new capital project priorities.

Given that the 2021-2031 Long Term Financial Plan has just recently been adopted and that the overall financial outcomes are consistent with those set out in the adopted LTFFP. Option 1 is recommended.

CONCLUSION

The LTFFP should be viewed as a guide to future actions or opportunities which encourages the Council to consider the future impact of decisions which are made on the Council's long-term financial sustainability. The financial projections provide an indication of the Council's direction and financial capacity to meet its long term goals which have been set out in the Councils Strategic Management Plans and for this reason, the projections should be regularly reviewed to ensure that decisions made by the Council, are not adversely impacting on the Council's ability to deliver on its objectives and maintain its financial sustainability. Decisions that have been made as part of the 2021-2022 Budget process, have impacted on the financial projections, primarily through major investment decisions being brought forward to take advantage of grant funding programs which have been released to aid in the economic recovery from the COVID-19 pandemic, however to date the projections remain in line with the financial targets set out in Long Term Financial Plan adopted in January 2021.

COMMENTS

If Committee Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins on 8366 4585 or e-mail: sperkins@npsp.sa.gov.au, prior to the meeting.

RECOMMENDATION

That the revised Long-Term Financial Plan financial projections, as contained in **Attachment B**, which has been revised in line with the decisions made by the Council when adopting the 2021-2022 Annual Business Plan and Budget, be recommended to the Council for adoption.

Ms Sandra Di Blasio moved:

That the revised Long-Term Financial Plan financial projections, as contained in Attachment B, which has been revised in line with the decisions made by the Council when adopting the 2021-2022 Annual Business Plan and Budget, be recommended to the Council for adoption.

Seconded by Cr Stock and carried unanimously.

**6.4 REGIONAL SUBSIDIARIES – ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2021**

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186 /A242441
ATTACHMENTS: A - D

PURPOSE OF REPORT

The purpose of this report is to provide the Committee with the 2020-2021 Audited Financial Statements for the Regional Subsidiaries of which this Council is a Member.

BACKGROUND

Section 16 (4) of the Local Government (Financial Management) Regulations 1999 requires that:

“The Chief Executive Officer of a council must ensure that any audited financial statements of a subsidiary received for the purposes of clause 12 (3) (a) or 28 (2) (a) of Schedule 2 of the Act are laid before the council at the first meeting of the council following their receipt by the Chief Executive Officer on behalf of the council.”

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

FINANCIAL AND BUDGET IMPLICATIONS

There are no financial and budget implications resulting from the preparation of this report.

The financial performance of the Regional Subsidiaries of which this Council is a member, is accounted for in the Council’s Annual Financial Statements which are submitted concurrently.

The Council has included in its reported Operating Surplus, based on the respective ownership share detailed in Table 1, a net loss associated with its Regional Subsidiaries of \$110,127 (2019-2020: \$487,794).

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

There are no risk management issues arising from the preparation this report.

CONSULTATION

- **Committee Members**
Cr Stock is a Board Member and Member of the Eastern Waste Management Authority Inc. Audit & Risk Committee
Ms Sandra DiBlasio is a Member of Eastern Waste Management Authority Inc. Audit & Risk Committee
Cr John Minney is a Board Member of ERA Water and the Highbury Landfill Authority Inc.
Ms Brigid O'Neill is a Member of ERA Water Audit Committee.
- **Community**
Not Applicable
- **Staff**
Not Applicable
- **Other Agencies**
Not Applicable

DISCUSSION

The audited Financial Statements have been received from the following Regional Subsidiaries:

- Eastern Health Authority Inc. (**Attachment A**).
- Eastern Waste Management Authority Inc (**Attachment B**).
- ERA Water. (**Attachment C**).
- Highbury Landfill Authority Inc. (**Attachment D**).

The Net Surplus (Deficit) of the respective Regional Subsidiaries for the year ended 30 June 2021, together with the Council's share of the Operating Result which has been accounted for in the Council's Financial Statements, is set out in Table 1 below.

TABLE 1: REGIONAL SUBSIDIARY NET SURPLUS/ (DEFICIT)

REGIONAL SUBSIDIARY	NET SURPLUS / (DEFICIT)	COUNCILS SHARE OF NET OPERATING SURPLUS / (DEFICIT)	
	\$	Percentage	\$
Eastern Health Authority	90,365	32.75%	29,588
Eastern Waste Management Authority	726,000	14.30%	103,818
ERA Water	(981,605)	33.33%	(327,201)
Highbury Landfill Authority	375,454	40.36%	151,552

Important points to highlight resulting from the 2020-2021 Financial year are:

- Eastern Health Authority
The Eastern Health Authority Inc. reported a Net Operating Surplus of \$90,365 compared to an Operating Deficit of \$13,401 reported in 2019-2020. The improvement in the Operating result is primarily due to a reduction in expenditure on clinic vaccines, IT licence costs and other general material and contract costs.
- Eastern Waste Management Authority
For 2020-2021, East Waste reported an Operating Surplus of \$621,000, plus a gain of \$105,000 on the disposal of Plant & Equipment. East Waste aimed for an Operating Deficit of \$39,000, which was based on a breakeven cash position, to enable the Authority to meet its annual loan repayments. The primary driver of the favourable result is lower than anticipated material and contract costs and depreciation.

- ERA Water ERA Water reported an Operating Deficit of \$982,000, which was predominately due insufficient water being available during the year, resulting in lower than anticipated water sales.

- Highbury Landfill Authority Inc. The Highbury Landfill Authority Inc. reported an Operating Surplus of \$375,454. To meet the legislative requirements associated with the post closure of the landfill, the Highbury Landfill Authority Inc., is required to estimate the future costs to manage the post closure phase of the landfill. A review of the adequacy of the provision to cover the estimated cost of monitoring the landfill has been undertaken to ensure the value of the provision reflects the latest information on future expenditure and interest rates. As a result of the review, the post closure provision was decreased by \$391,241. This adjustment has contributed to the reported Net Surplus.

OPTIONS

Not Applicable.

CONCLUSION

The Council's 2020-2021 Annual Financial Statements is reporting a Net Loss on Equity Accounted Council Businesses of \$110,127 (2019-2020:\$ 484,722).

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Cr Stock moved:

That the report be received and noted.

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.5 FINANCE POLICIES

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A259698
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee finance policies which have been reviewed, for consideration and endorsement prior to being presented to the Council for adoption.

BACKGROUND

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to:

- carry out its activities in an efficient and orderly manner to deliver on its objectives;
- ensure adherence to management policies;
- safeguard the Council's assets; and
- secure (as far as possible) the accuracy and reliability of the Council's records.

The Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council's financial policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Documentation of policies relating to the Council's financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods, subject to changes in Accounting Standards and or legislation.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Nil
- **Other Agencies**
Not Applicable.

DISCUSSION

In accordance with the Finance Policy Timetable, a review of finance policies, as contained in **Attachment A**, has been undertaken. Following the review, the proposed amendments to the policies, as detailed in Table 1 below, are presented to the Committee for consideration and recommendation to the Council for adoption, subject to any amendment which may be considered appropriate by the Audit Committee.

TABLE 1: PROPOSED POLICY AMENDMENTS

Policy	Details of Proposed Amendment
Fraud and Corruption Prevention Policy (Attachment A)	No changes are recommended.

OPTIONS

The Policy can be recommended to the Council for adoption with or without amendment.

CONCLUSION

To ensure compliance with Section 125 of the Act, the Council must have in place appropriate policies, practices and procedures which assist the Council to carry out its activities in an efficient and orderly manner. It is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

COMMENTS

Nil

RECOMMENDATION

1. That the Audit Committee notes that the following policy has been reviewed and notes that no amendments are recommended.
 - Fraud and Corruption Prevention Policy
 2. That the Audit Committee recommends to the Council that the following policy be adopted.
 - Fraud and Corruption Prevention Policy **(Attachment A)**.
-

Cr Stock moved:

1. *That the Audit Committee notes that the following policy has been reviewed and notes that no amendments are recommended.*
 - *Fraud and Corruption Prevention Policy*
2. *That the Audit Committee recommends to the Council that the following policy be adopted.*
 - *Fraud and Corruption Prevention Policy (Attachment A).*

Seconded by Ms Sandra Di Blasio and carried.

6.6 INTERNAL CONTROL AND RISK MANAGEMENT ASSESSMENT

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA75186/A266835
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an update on the status of the Council's major risks and the assessment of the Council's Internal Controls.

BACKGROUND

The 2020-2021 Audit Committee Work Program requires the Committee to:

- a. *Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed:*
 - *consider the range of documented internal control policies and procedures; and*
 - *whether they are being followed.*
- b. *Develop and monitor the delivery of the Council's Strategic Internal Audit Plan by:*
 - *meeting with the Council's Internal Auditors to discuss any points of concern raised by the Internal Auditor, as part of the delivery of the Strategic Audit Plan;*
 - *assessing the appropriateness of the Council's response to matters raised in the Internal Audit Reports; and*
 - *annually review the appropriateness of the Council's three (3) year Strategic Internal Audit Plan.*
- c. *Review Management's assessment of Council's major risks.*
- d. *Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major risks. Consider:*
 - *whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect*
 - *whether a business continuity plan has been developed in case of major damage to key Council properties or other, (e.g. computer, assets);*
 - *whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard; and*
 - *adequacy of insurance coverage.*

At its meeting held on 15 October 2010, the Audit Committee requested that Risk Management be a standard item on its agenda and that a brief report be prepared for each meeting confirming that the risks remain current and that the identified existing controls remain in place.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Additional funding may be required to complete the work which has been requested by the Audit Committee, depending on the nature and timeframes which are set for any further work required to be undertaken.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Refer to Financial Implications above.

RISK MANAGEMENT

The risks identified to be managed are contained in **Attachment B**.

CONSULTATION

- **Committee Members**
Not applicable.
- **Community**
Not Applicable.
- **Staff**
Where Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

Financial Internal Controls

A self-assessment of the Council's Financial Internal Controls was undertaken for the twelve (12) month period ending 30 June 2021. The Overall Organisational effectiveness rating for the assessment period was 4.89 out of a maximum score of 5 (2019: 4.87), which would indicate that the controls which are in place have been consistently and or effectively applied in the majority of cases.

While there has been no movement in the overall assessment, as detailed in Table1 below, there have been movements within each assessment category.

TABLE 1: ASSESSED RATING BY CATEGORY

Category	2021	2020	Comments
Assets	4.92	4.90	While overall the internal controls in place have been assessed as being more effective, when compared to the 2020 assessment there has been a decrease in the assessed effectiveness of the prepayment controls due to the prepayment reconciliations not being undertaken in a consistent or timely way.
Liabilities	4.88	4.84	The increase in the rating due to the debenture payment were recorded in the correct period compared to 2019-2020 Financial Year
Revenue	4.84	4.84	No changes in the rating
Expenses & External Services	4.95	4.86	The increase in the rating of assessment is due to the policy related to the reimbursement of expenditure being developed and adopted by the Council
Strategic Financial Planning	4.88	4.94	The decrease in the assessment is due primarily to the reviewer of the Controls believing that the narrations for Journals could be improved to better explain the transactions
Financial Governance	5.00	5.00	No changes in the rating

Attachment A contains a summary report on the assessment which has been undertaken and the action plans which have been developed to strengthen the control activities which require improvements.

Risk Management Assessment

Following the risk review and risk workshop held on 11 September 2019, eight (8) strategic risks and thirteen (13) operational risks were identified. Upon review of the nature of the risks and the existing controls which are in place, five (5) strategic risks and three (3) operational risks were identified with a target risk greater than the residual risk. To reduce the risk to the target risk rating, a number of treatment plans were identified to mitigate against the risks. The status of the risks requiring additional mitigation strategies and controls is contained in **Attachment B**.

Internal Audit

The Council has in place a three (3) year Strategic Internal Audit Plan (the Plan) which, following the recommendation of the Audit Committee, was adopted by the Council on 4 November 2019.

Given the Covid-19 impact, there has been no internal audit activity undertaken.

Information Security Breaches

The Council's 2015 Risk Management Plan identified the Breach of Confidentiality and Destruction of Information, Communications and Technology, as risks which the Council is required to manage and implement treatment plans in order to mitigate the risks. While the Council has a number of existing controls in place such as IT Security Controls and system procedures and policies which address these two risks, a staff initiated Information Security Committee (the Committee) was established in October 2016, with the following purpose:

'...to provide a structured and formal forum for assessing information security risks; including reviewing existing and past Information security incidents'

In addition, the Committee will work to understand industry trends and new threat scenarios to identify initiatives and mitigation strategies that counteract existing and future risks. Through regular meetings, Information Security processes will be continuously challenged, assessed and enhanced, outcomes from incident investigations will be tracked and staff awareness will remain in focus.'

The Committee meets on a quarterly basis, and is co-ordinated by the Manager, Information Services and supported by the General Manager, Corporate Services.

Security incidents are categorised into 3 areas:

- Confidentiality – protecting information from disclosure to unauthorized parties;
- Integrity – protecting information from being modified by unauthorized parties; and
- Availability – ensuring that authorized parties are able to access information when needed.

Between July 2020 and June 2021, the Committee tracked and reviewed 10 Information Security incidents, two (2) in associated with Confidentiality, seven (7) in associated with Integrity and one (1) in associated with Availability. Over the same period, no security information breaches were identified.

As at the time of writing this report, there has been 920 days since the last information security breach occurrence. The previous period was 461 days. It is noted that previous incidents and the resulting preventative actions continue to have a positive impact on how often incidents occur and when they do, how long they last or the severity of the impact.

Details of the Incident Summary for the period from July 2020 to June 2021 are detailed in Table 2 below

TABLE 2: BREACH SUMMARY JULY 2020 - JUNE 2021

Date	Threat type	Impact	Reactive Actions	Preventative actions/Comments
23 November 2020	Credential Dump	A staff members password was leaked	Identified the source of the leak and staff member changed their password	The staff member to change their password on sites that password was being used.
20 January 2021	Phishing	A staff members provided password to a phishing scam	The staff member changed their password	The phishing email was from a know service provider

OPTIONS

Nil.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

Ms Sandra Di Blasio moved:

That the report be received and noted.

Seconded by Cr Stock and carried unanimously.

6.7 AMENDMENT TO 2021-2022 AUDIT COMMITTEE WORK PROGRAM

REPORT AUTHOR: Chief Executive Officer
GENERAL MANAGER: Not Applicable
CONTACT NUMBER: 8366 4539
FILE REFERENCE: qA75186
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to advise the Committee of an amendment which has been made by the Council to the Committee's *2021-2022 Work Plan*.

BACKGROUND

At its meeting held on 5 October 2021, the Council resolved to amend the Committee's *2021-2022 Work Plan* by including a review of unoccupied staff positions that:

- are funded in the 2021-2022 financial year;
- were also funded in the 2020-2021 financial year; and
- have not been advertised for a period of 12 months or more;

with respect to the continued relevance of unoccupied staff positions, the filling of such positions and related budgetary impacts.

As resolved by the Council, the Committee's *2021-2022 Work Plan* will be amended accordingly and to progress the resolution, a report will be provided to the Committee for its consideration.

RECOMMENDATION

That the Committee notes the amendment to its *2021-2022 Work Plan*, as amended by the Council at its meeting held on 5 October 2021.

Ms Sandra Di Blasio moved:

That the Committee notes the amendment to its 2021-2022 Work Plan, as amended by the Council at its meeting held on 5 October 2021.

Seconded by Cr Stock and carried unanimously.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
Nil

9. NEXT MEETING
Monday 28 February 2022

10. CLOSURE

There being no further business the Acting Presiding Member declared the meeting closed at 7.55pm.

Cr John Minney
PRESIDING MEMBER

Minutes Confirmed on _____
(date)