

# Audit Committee Minutes

**24 February 2020**

## **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.*

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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)  
Ms Brigid O'Neill (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)

**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 Acting Presiding Member for this meeting. Seconded by Ms Sandra Di Blasio and carried.*

**1B. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 28 OCTOBER 2019**

*Ms Brigid O'Neill moved that the minutes of the Audit Committee meeting held on 28 October 2019 be taken as read and confirmed. Seconded by Ms Sandra Di Blasio and carried.*

**2. PRESIDING MEMBER'S COMMUNICATION**

Nil

**3. QUESTIONS WITHOUT NOTICE**

Nil

**4. QUESTIONS WITH NOTICE**

Nil

**5. WRITTEN NOTICES OF MOTION**

Nil

**6. STAFF REPORTS**

## 6.1 EXTERNAL AUDITORS REPORT 2018-2019

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Service  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** S/00238  
**ATTACHMENTS:** A - B

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with the Audit Opinion and Auditors report regarding the 2018-2019 Financial Statements.

### BACKGROUND

Pursuant to Section 129 (3) of the *Local Government Act 1999* (the Act), the Council's Auditor must provide to the Council, an audit opinion with respect to:

- the Financial Statements; and
- whether the internal controls of the Council are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and are in accordance with law.

Pursuant to Section 129 (4) of Act, the Council's Auditor must provide written advice on any particular items that have arisen from the audit.

Pursuant to Section 129 (5b) (a) of the Act, the opinion and the advice must be presented to the Council at the next ordinary meeting of the Council.

### RELEVANT STRATEGIC DIRECTIONS AND POLICIES

Not Applicable.

### FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

### EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

### SOCIAL ISSUES

Nil.

### CULTURAL ISSUES

Nil.

### ENVIRONMENTAL ISSUES

Nil.

### RESOURCE ISSUES

Nil.

### RISK MANAGEMENT

There are no risk management issues arising from this report which has been prepared in accordance with the statutory requirements.

## CONSULTATION

- **Committee Members**

A report on the draft Annual Financial Statements and draft Audit Report was presented and considered by the Audit Committee at its meeting held on 28 October 2019.

- **Community**

Not Applicable.

- **Staff**

Not Applicable.

- **Other Agencies**

Not Applicable.

## DISCUSSION

The Council's External Auditors, BDO Advisory (SA) Pty Ltd, have completed the statutory audit of the City of Norwood Payneham & St Peters for the 2018-2019 Financial Year.

As advised at the Audit Committee meeting held on 28 October 2019, the External Auditors have issued an unqualified Audit Report on the Annual Financial Statements for the financial year ended 30 June 2019. A copy of the unqualified Audit Opinion is contained in **Attachment A**.

In addition to the Audit Report on the Annual Financial Statements, the External Auditors are required to undertake an audit of the internal controls which are exercised by the Council during the respective financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The purpose of this component of the audit is to establish an opinion as to whether the internal controls established by the Council are sufficient to provide reasonable assurance that the financial transactions undertaken by the Council, have been conducted properly and are in accordance with the legislative requirements. A copy of the unqualified Internal Controls Audit Opinion is contained in **Attachment B**.

In summary, in the Auditors opinion the Council has complied, in all material aspects, with Section 129(1)(b) of the Act in respect to the internal controls which have been established by the Council relating to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

## OPTIONS

Not Applicable.

## CONCLUSION

Nil.

## COMMENTS

Nil.

## RECOMMENDATION

1. That the Audit Opinion with respect to the 2018-2019 Financial Statements, as contained in Attachment A, be received and noted.
2. That the Audit Opinion with respect to the Council's Internal Controls, as contained in Attachment B, be received and noted.

*Cr Stock moved:*

- 1. That the Audit Opinion with respect to the 2018-2019 Financial Statements, as contained in Attachment A, be received and noted.*
- 2. That the Audit Opinion with respect to the Council's Internal Controls, as contained in Attachment B, be received and noted.*

*Seconded by Ms Sandra Di Blasio and carried unanimously.*

## 6.2 2019-2020 MID YEAR BUDGET REVIEW

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** S/06011  
**ATTACHMENTS:** A

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a summary of the forecast Budget position for the year ended 30 June 2020, following the Mid-Year Budget Review. The forecast is based on the year-to-date December 2019 results.

### BACKGROUND

Pursuant to Section 123 (13) of the *Local Government Act 1999*, the Council must, as required by the Regulations reconsider its annual business plan or its budget during the course of a financial year and, if necessary or appropriate, make any revisions.

The Budget Reporting Framework set out in Regulation 9 of the *Local Government (Financial Management) Regulations 2011* ("the Regulations") comprises two (2) types of reports, namely:

1. The Budget Update; and
2. The Mid-year Budget Review.

#### Budget Update

The Budget Update Report sets out the revised forecast of the Council's Operating and Capital investment activities compared with the estimates for those activities set out in the Adopted Budget. The Budget Update is required to be presented in a manner consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances*.

The Budget Update Report must be considered by the Council at least twice per year between 30 September and 31 May (both dates inclusive) in the relevant financial year, with at least one (1) Budget Update Report being considered by the Council prior to consideration of the Mid-Year Budget Review Report.

The Regulations requires a Budget Update Report to include a revised forecast of the Council's operating and capital investment activities compared with estimates set out in the Adopted Budget, however it is recommended by the Local Government Association that the Budget Update Report should also include at a summary level:

- the year to date result;
- any variances sought to the Adopted Budget or the most recent Revised Budget for the financial year; and
- a revised end of year forecast for the financial year.

#### Mid-Year Review

The Mid-Year Budget Review must be considered by the Council between 30 November and 15 March (inclusive) in the relevant financial year. The Mid-Year Budget Review Report sets out a revised forecast of each item shown in its Budgeted Financial Statements compared with estimates set out in the Adopted Budget presented in a manner consistent with the Model Financial Statements. The Mid-Year Budget Review Report must also include revised forecasts for the relevant financial year of the Council's Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability 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*.

The Mid-year Budget Review is a comprehensive review of the Council's Budget and includes the four principal financial statements, as required by the Model Financial Statement, detailing:

- the year to date result;
- any variances sought to the Adopted Budget; and
- a revised full year forecast of each item in the budgeted financial statements compared with estimates set out in the Adopted budget.

The Mid-year Budget Review Report should also include information detailing the revised forecasts of financial indicators compared with targets established in the Adopted Budget and a summary report of operating and capital activities consistent with the note in the Model Financial Statements entitled *Uniform Presentation of Finances*.

## **RELEVANT STRATEGIC DIRECTIONS & POLICIES**

The Council's Long Term Strategic directions are set out in *City Plan 2030 – Shaping our Future*. The Council's Long Term Financial Plan (LTFP), is a key document in the Council's Planning Framework. It is the primary financial management tool which links the Council's Strategic Plan, *City Plan 2030 – Shaping our Future*, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The 2019-2020 Annual Business Plan and Budget, sets out the proposed services, programs and initiatives for the 2019-2020 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the financial year. The 2019-2020 Adopted Budget estimates an Operating Surplus of \$834,566.

## **FINANCIAL AND BUDGET IMPLICATIONS**

The Mid-Year Budget Review, provides the opportunity to reflect any changes in projections based on the actual year-to-date results to December 2019 and forecast the 2019-2020 Operating result.

Details of material movements in the forecast from the Adopted Budget are contained in the Discussion section of this Report.

## **EXTERNAL ECONOMIC IMPLICATIONS**

This report provides information on the planned financial performance of the Council for the year ended 30 June 2020 and has no direct external economic impacts.

## **SOCIAL ISSUES**

Nil

## **CULTURAL ISSUES**

Nil

## **ENVIRONMENTAL ISSUES**

Nil

## **RESOURCE ISSUES**

Nil



## RISK MANAGEMENT

There are no risk management issues arising from this issue. All documents have been prepared in accordance with the statutory requirements.

## CONSULTATION

- **Elected Members**  
Elected Members will consider the Mid Year budget review at its meeting scheduled for 2 March 2020.
- **Community**  
Not Applicable
- **Staff**  
Responsible Officers and General Managers.
- **Other Agencies**  
Not Applicable

## DISCUSSION

### Budget Review

The 2019-2020 Adopted Operating Budget, projected an Operating Surplus of \$834,566. At the Council meeting held on 2 December 2019, the Council considered endorsed the First Budget Update, which reported a forecast Operating Surplus of \$886,000.

Following the Mid-Year Budget Review, the Operating Surplus is forecast to be \$855,800, a \$21,000 increase on the Adopted Budget.

The material movements in the components that make up the Operating Surplus following the Mid-Year Budget Review are detailed below.

### A. Recurrent Operating Budget

For 2019-2020, the Recurrent Operating Budget forecast a Recurrent Operating Surplus of \$2.114 million. Following the First Budget Update, the Recurrent Operating Budget Surplus was increased to \$2.267 million.

As a result of the Mid-Year Budget Review, the Recurrent Operating Surplus is forecast to be \$2.357 million, an increase of \$91,000 on the Adopted First Budget Update. The major reasons for the movement in Operating Surplus are detailed in Table 1.

**TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - MID-YEAR BUDGET REVIEW**

	Favourable/ (Unfavourable) \$
The employee expenses budget has been reduced to reflect the cost saving on budgeted positions that remained unfilled for the first half of the year. The position in question were Community Arts Officer, Manager, City Projects and Accounts Officer.	147,436
Larger scale developments have resulted in additional hoarding fees been charged.	70,000
The budget for Norwood Concert Hall Equipment Hire has been reduced primarily due to the greater utilisation of in-house equipment, in particular, the projector purchased last financial year.	49,389
\$20,000 from the Economic Development Budget has been transferred to the new event "Food Secrets at the Green". The "Food Secrets at the Green" event is budgeted as an Operating Project.	20,000
Due to the low rainfall and additional watering requirement resulting from the completion of Felixstow Reserve, water usage charges for the year have been increased to reflect additional watering charges.	(54,000)
The mandatory rebate of \$45,000 was granted to the Prince Alfred College boarding facility as the property is considered as contiguous land to the college grounds, and therefore eligible to the educational service rebate.	(45,000)
Legal expenses relating to Work contracts, HR, governance issues and general advice during the first half of the year, has been higher than anticipated.	(40,000)
The budget is increased for consultant fees to undertake the review of the Councils Street Sweeping Program	(26,500)
As endorsed on Council Meeting held on 20 January 2020, the Council donated \$20,000 to State Government Bushfire appeal	(20,000)

## B. Operating Projects

The Adopted Budget includes an estimate of operating project expenditure for the year under review and:

- previously approved and carried forward projects from the prior budget years; less
- an allowance for current year approved projects projected to be carried forward to subsequent budget years.

Carried Forward estimates (from prior financial years) are reviewed upon finalisation of the Annual Financial Statements. Additional expenditure required for non-completed Operating Projects at the end of the Financial Year, is incorporated in the Budget as part of First Budget Update.

Taking into account the carried forward Operating Project expenditure and new projects which have been endorsed by the Council, the 2019-2020 Adopted Operating Projects Budget forecast a cost to the Council of \$1.771 million.

Carried Forward Operating Project expenditure was estimated as part of the Adopted Budget to be \$337,000. Following the First Budget Update, the value of carried forward expenditure is \$438,000. The increase in the Carried Forward Budget, is due to projects not progressing as anticipated or the commencement being deferred.

The First Budget Update forecast the cost of Operating Projects to be \$1.872 million, the Mid-Year Budget Update is estimating a slight increase in this figure to \$2.014 million. The major reasons for the movement in project expenditure are detailed in Table 2.

**TABLE 2: MAJOR VARIANCES IN OPERATING BUDGET - MID-YEAR BUDGET REVIEW**

	Favourable/ (Unfavourable) \$
The budget for the Manager, Traffic & Integrated Transport has been reduced to reflect the vacancy for the first half of the year. The successful applicant commences in the position in February 2020.	69,000
The budget request is for the new operating project to undertake a condition review of Traffic Control Devices (\$20,000), Modelling of Asset Renewal Program for inclusion in the review of the Civil and Asset Management Plan (\$15,000) and loading of the Council's Building Asset Data into Conquest system (\$12,000).	(47,000)
As per the Council resolution, endorsed at the Council Meeting held on 20 January 2020, the budget has been increased to host Food Secrets at the Green event, as a part of the inaugural Adelaide Food Fringe (AFF) festival to be held in April 2020. 50% of the cost to host the event is being funded from the reallocation of budget from the Economic and Development budget. The balance of \$20,000 is additional budget funding.	(40,000)
The budget is increased to reflect additional landscaping works at Felixstow Reserve, which included the transplanting of trees, removal of bollards, and top dressing of the main grassed reserve.	(50,000)
The budget is requested for Norwood Oval Maintenance works, which includes Painting, Electrical works, Hot Water and SA Water Maintenance.	(71,000)

A review of status of the Operating Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2019.

Seven (7) out of total forty-eight (48) operating projects have been completed by December 2019.

### C. Capital Projects

The Council adopted a Capital Budget of \$22.134 million for 2019-2020, which comprised funding allocations for New Capital Projects involving new or the upgrading of existing assets (\$4.821 million), the renewal/replacement of existing assets (\$5.412 million) and Carried Forward Projects from 2018-2019 (\$11.900 million).

The First Budget Update forecast the cost of Capital Projects to be \$25.689 million. The increase is predominately due to a number of projects which were initially anticipated to be completed by 30 June 2019. Following the Mid-Year Budget Review, the Capital Project expenditure is forecast to increase by \$1.38 million to \$27.069 million. The budget variations identified in the Mid-Year Review are detailed in Table 4 below:

**TABLE 4: MAJOR VARIANCES IN CAPITAL PROJECT BUDGET - MID-YEAR BUDGET REVIEW**

Capital Project	Increase/ (Decrease) \$
As Council Meeting held on 2 December 2019, the Council resolved to undertake the reconstruction of the Tennis Courts at Buttery reserve. It should be noted that grant funding from the Office of Recreation, Sport and Racing, to the value of \$450,000 has been received. The net cost to Council will be \$550,000.	1,000,000
As endorsed by the Council Meeting on 3 February, the budget for Linde Reserve Apron Project Stage 2 has been brought forward from the 2020-2021 Financial Year to 2019-2020 Financial Year.	250,000
The additional funding allocations is required for the Torrens River Linear Park Path Upgrade Project to cover contract variations and the repair lighting infrastructure.	130,000

It is not expected that the increase in capital expenditure for the 2019-2020 Financial Year will result in any additional borrowings being required. However this will be monitored during the second half of the year.

A review of status of the Capital Projects will be undertaken as part of the Third Budget Update, which will be considered by the Council at the Council Meeting scheduled for May 2020.

By December 2019, eight (8) out of total fifty-nine (59) Capital Projects have been completed.

Regulation 9 (1) (b) of the Regulations states the Council must consider:

*“between 30 November and 15 March (both dates inclusive) in the relevant financial year—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.”*

Further Regulation 9 (2) of the Regulations states the Council must consider:

*“revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability 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.”*

The revised Budgeted Financial Statements and Financial Indicators as a result of the Mid-Year Budget Update are included in **Attachment A**.

## **OPTIONS**

Nil

## **CONCLUSION**

Nil

## **COMMENTS**

Nil

## **RECOMMENDATION**

That the Mid-Year Budget Update Report be received and noted.

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*Ms Brigid O'Neill moved:*

*That the Mid-Year Budget Update Report be received and noted.*

*Seconded by Ms Sandra Di Blasio and carried unanimously.*

## 6.3 2020-2021 ANNUAL BUSINESS PLAN AND BUDGET PROCESS, PARAMETERS AND OBJECTIVES

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** S/05917  
**ATTACHMENTS:** Nil

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with an outline of the 2020-2021 Annual Business Plan and Budget Process.

### BACKGROUND

#### Legislative Requirements

Pursuant to Section 123 of the *Local Government Act 1999* (the Act), each financial year the Council is required to prepare an Annual Business Plan and Annual Budget. The Annual Business Plan and Annual Budget are to be adopted by the Council after 31 May for the ensuing financial year and except in a case involving extraordinary administrative difficulty, before 31 August for the financial year.

Pursuant to Section 123(2) of the Act and in Regulation 6 of the *Local Government (Financial Management) Regulations 2011* (the Regulations), each Annual Business Plan of a Council must—

- (a) include a summary of the Council's long-term objectives (as set out in its strategic management plans); and
- (b) include an outline of—
  - (i) the Council's objectives for the financial year; and
  - (ii) the activities that the Council intends to undertake to achieve those objectives; and
  - (iii) the measures (financial and non-financial) that the Council intends to use to assess the performance of the Council against its objectives over the financial year; and
- (c) assess the financial requirements of the Council for the financial year and, taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue; and
- (d) set out the rates structure and policies for the financial year; and
- (e) assess the impact of the rates structure and policies on the community based on modelling that has been undertaken or obtained by the Council; and
- (f) take into account the Council's long-term financial plan and relevant issues relating to the management and development of infrastructure and major assets by the Council; and
- (g) address or include any other matter prescribed by the Regulations.

Pursuant to Section 123 (3) of the Act, prior to the adoption of the Annual Business Plan, a twenty-one (21) day public consultation period is required. During the public consultation period, the Council must make available copies of the draft Annual Business Plan at its Principle place of business. At the conclusion of the public consultation period, a public meeting is to be held where members of the community can ask questions and make submissions regarding the draft Annual Business Plan.

## RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping Our Future*, the long-term financial plan and Whole-of-Life Asset and Infrastructure Management Plans, provide the basis and framework upon which the Council's Annual Business Plan and Budget is based.

## FINANCIAL AND BUDGET IMPLICATIONS

The Council's long-term financial plan (LTFP), sets out the Councils' financial goal as, "A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner", in short to be financially sustainable.

The Local Government Association of South Australia defines financial sustainability as:

- "A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services."
- The key elements to the definition are:
  - ensuring the maintenance of a Council's high priority expenditure programs, both operating and capital;
  - ensuring a reasonable degree of stability and predictability in the overall rate burden; and,
  - promoting a fair sharing in the distribution of Council resources and the attendant taxation between current and future ratepayers.

In simple terms, financial sustainability means positioning the Council so that it can continue to provide quality services, programs and facilities and maintain the Council's infrastructure to a defined service standard, within a framework of stable rate increases (removal of sudden increases) and ensuring inter-generational equity.

The Council will need to ensure that its Annual Business Plan and Budget, contains objectives and financial parameters which will deliver a responsible budget and meet the reasonable needs of the community on an equitable and "value for money" basis. For the 2020-2021 Financial year, the 2018-2028 LTFP (updated for the 2019-2020 budget) projects an Operating Surplus of \$1.413 million, based on a Rate Revenue increase of 2.55%.

It should be noted that as per previous years, in order to ascertain the true cost of providing the various services, programs and facilities which are provided by the Council and the required increase in Rate Revenue, Grant Income of \$0.260m, which is expected to be received in the 2020-2021 Financial Year under the Roads-to-Recovery Program and spent on a Capital Road Project(s), has been excluded from the Operating Surplus target of \$1.674 million, to determine the target surplus of \$1.413 million.

## EXTERNAL ECONOMIC IMPLICATIONS

The Annual Business Plan and Budget will have an economic impact on property owners and suppliers of goods and services to the Council, the level of which will be dependent on the final decisions taken in respect to the level of income required to meet proposed expenditure.

## SOCIAL ISSUES

Nil.

## CULTURAL ISSUES

Nil.

## ENVIRONMENTAL ISSUES

Nil.

## RESOURCE ISSUES

Nil.

## RISK MANAGEMENT

Financial Management issues and Annual Business Plan preparation processes are governed by the *Local Government Act 1999* and Regulation 6 of the *Local Government (Financial Management) Regulations 2011*. All budget documentation will need to be prepared in accordance with the relevant statutory requirements.

## CONSULTATION

- **Elected Members**

The Council endorsed the Annual Business Plan and Budget process at its meeting held on 20 January 2020.

- **Community**

Not Applicable

- **Staff**

Not Applicable

- **Other Agencies**

Not applicable.

## DISCUSSION

As stated in the Financial and Budget Implications Section of this report, the draft 2020-2021 Annual Budget is proposed to be developed with reference to and within the framework of the Councils LTFP (updated for the 2019-2020 budget), which sets out an Operating Surplus of \$1.413 million for the 2020-2021 Financial Year, excluding grant income of \$0.260m, which will be received under the Federal Governments Roads-to-Recovery Program.

To ensure the financial targets are achieved, the draft 2020-2021 Annual Budget must be set with reference to similar key influences and assumptions.

At its meeting held on 20 January 2020, the Council adopted "in principle" the following budget parameters and assumptions for the purpose of preparing the draft 2020-2021 Annual Business Plan and Budget:

- the Recurrent Operating Budget be prepared on a "business as usual" basis;
- the continuation of previously recognised ongoing operational savings;
- maximum Material, Contracts and Other Expenses cost escalation be set at 2.0%;
- wages and salaries increases be set in line with the Council's Enterprise Bargaining Agreements;
- maximum combined increase in overall budget be based on salary increase and 2.1% non-salary increase;
- fees and charges not set by Legislation be increased by 2.0% at a minimum;
- new Capital Projects to be considered and approved within the context of the Annual Business Plan objectives contained in Attachment A, *CityPlan 2030: Shaping Our Future*, I&AMP and the LTFP;
- new services and one off projects to be considered and approved within the context of the Annual Business Plan objectives contained in Attachment A, *CityPlan 2030: Shaping Our Future*, I&AMP and the LTFP and be funded through Rate Revenue increases or by expenditure savings; and
- new capital projects are funded via grant funding and or long term borrowings.

A timetable, as set out in Table 1 below for the preparation of the draft 2020-2021 Budget, has been developed to ensure that the Council is in a position to adopt the 2020-2021 Annual Business Plan and Annual Budget at the Council meeting to be held on 6 July 2020.

**TABLE 1 – KEY BUDGET PROCESS ACTIVITIES 2020-2021**

<b>Key Steps</b>	<b>Dates</b>
Budget process, parameters and objectives adopted	Monday 20 January 2020 (Council Meeting)
Fees and charges adopted in principle by the Council	Monday 2 March 2020 (Council Meeting)
Budget Workshop with Elected Members	Wednesday 18 March 2020
Recurrent Budget considered	Wednesday 1 April 2020 (Special Meeting)
Budget Workshop with Elected Members	Wednesday 8 April 2020
Operating and Capital Projects considered	Wednesday 22 April 2020 (Special Meeting)
Draft Annual Business Plan, rating model and projects carried forward and Infrastructure Whole of Life endorsed	Monday 4 May 2020 (Council Meeting)
Draft Annual Business Plan available for viewing or purchase by the public	Monday 11 May 2020
Meeting to receive Public submissions on the Annual Business Plan	Wednesday 3 June 2020
Consideration of public submissions	Wednesday 17 June 2020 (Special Council Meeting)
Adoption of Annual Business Plan and Budget	Monday 6 July 2020 (Council Meeting)

In respect to the community consultation on the Annual Business Plan, a Public Meeting is proposed to be held on Wednesday 3 June 2020, to allow members of the community to present their comments and feedback to the Council, on the content of the Annual Business Plan and Budget.

**OPTIONS**

Not Applicable.

**CONCLUSION**

Nil.

**COMMENTS**

Nil

**RECOMMENDATION**

That the report be received and noted.

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*Cr Stock moved:*

*That the report be received and noted.*

*Seconded by Ms Sandra Di Blasio and carried.*



## 6.4 GOVERNANCE ARRANGEMENTS – REGIONAL SUBSIDIARIES

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**REPORT AUTHOR:** General Manager, Corporate Services  
**GENERAL MANAGER:** Chief Executive Officer  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** S/01823  
**ATTACHMENTS:** A

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### PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a record of information which has been provided to the Council since the last meeting.

### BACKGROUND

At the Audit Committee meeting held on 21 January 2010, it was resolved:

*“That reports be prepared by the General Managers responsible for each Regional Subsidiary on any matters of concern within the Subsidiary, for consideration by the Audit Committee in lieu of the distribution of minutes etc.”*

### RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

### FINANCIAL AND BUDGET IMPLICATIONS

Pursuant to the delegated authority granted by the Council to the Chief Executive Officer, the Council approved EHA’s proposed Budget Amendment of \$40,000 to undertake a Service Review.

Following consultation with the Constituent Councils, the cost of the Service Review will be funded equally by the Constituent Councils. The impact on the Councils budget is an additional expenditure of \$8,000.

### EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

### SOCIAL ISSUES

Not Applicable.

### CULTURAL ISSUES

Not Applicable.

### ENVIRONMENTAL ISSUES

Not Applicable.

### RESOURCE ISSUES

There are no resource issues arising from this report.

### RISK MANAGEMENT

There are no risk management issues arising from this report.

## CONSULTATION

- **Committee Members**

Cr Minney is a Board Member of ERA Water. Ms Brigid O'Neill is a Member of the Audit Committee of ERA Water. Ms Sandra DiBlasio is a Member of the Audit Committee of East Waste.

- **Community**

Not applicable.

- **Staff**

Chief Executive Officer  
General Manager, Urban Services.  
General Manager, Urban Planning and Environment.

- **Other Agencies**

Not Applicable.

## DISCUSSION

### Eastern Health Authority (EHA)

Pursuant to the *Local Government Act 1999* (the Act) and the *Local Government (Financial Management) Regulations 2011* (the Regulations), Regional Subsidiaries, like the Council, are required to review their budget at least three (3) times per year. In addition, pursuant to Clause 25 (3) of Schedule 2 of the Act, any proposed amendments to the budget must be forwarded to the Constituent Councils for approval. Based on its interpretation of Clause 25 (3) of Schedule 2 of the Act, EHA has forwarding each Budget review to the Constituent Councils for approval, even when there is no material impact of the proposed changes.

Following consideration of some legal advice on the interpretation of Clause 25 (3) of Schedule 2 of the Act, in-particular the word "amendment", which defined the word "amendment" in the context of Clause 25 (3) of Schedule 2, as a material change to the adopted budget during the course of the financial year, where the change is a result of something that was accounted for in the annual plan or budget, or is an extraordinary item over and above the revision process required by the Regulations, in the future EHA will only be seeking approval for Budget revisions where there has been a material change to their Adopted Budget.

Notwithstanding this advice, since the last Audit Committee Meeting held on 28 October 2019, the Council has received the EHA's First Budget Review for the 2019-2020 Financial Year for approval, which is contained in **Attachment A**.

While the revised budget has not resulted in any movement in EHA's Adopted Operating Surplus, the proposed amendment includes \$40,000 to undertake a Service review, which was not included in the Authority's Adopted Budget for 2019-2020.

It should be noted that the initiation of the Service Review was in response to request from the Town of Walkerville as part of the consultation process on EHA's 2019-2020 Annual Business Plan and Budget.

### East Waste

The Committee may recall, that in response to the China Sword decision, East Waste, on behalf of the Constituent Councils, negotiated a disposal contract with Northern Adelaide Waste Management Authority (NAWMA) for the processing of the kerbside recyclable materials.

The agreement entered into with NAWMA includes a rise and fall mechanism, which is linked directly to the commodity price of a range of recyclable commodities such as paper, cardboard, steel and aluminium. The rise and fall in the commodity prices are shared 50:50 with the Constituent Councils and NAWMA. The service rate (or Gate Price), which is subject to the rise and fall mechanism, is independently reviewed on a quarterly basis. The service rate review for the period October 2019 – December 2019 has been undertaken and the Council have been advised that the Gate price has increased to \$20.26 per tonne (up from \$11.05 per tonne). The budget impact of the increased gate fee is estimated to be an increase in recyclable disposal costs of \$20,500.

## **ERA Water**

Since the last Committee Meeting held on 28 October 2019, the Council has received and considered a request from ERA Water to undertake preliminary discussions with Federal, State, Local Government and potential investors/purchasers, for the purposes of developing detailed options for the Constituent Councils' consideration regarding the strategic direction of ERA Water.

At its meeting held on 27 May 2019, Committee Members were advised, at its meeting held on 1 April 2019, the Council considered a number of matters associated with ERA Water relating to the Board's request to increase bore capacity, the commencement of third party water sales and an increase in the loan borrowing limit. In addition, the Council resolved to request that the Board of ERA Water, explore the possibility of third party investment or divestment (sale) as soon as practicable and that the Council be kept apprised of this process.

Following the Council's request, ERA Water advised that it intends to develop a process for the evaluation of strategic options for ERA Water, which will include the exploration of third party investment in the Scheme or divestment of the Scheme. However, it should be noted by the Committee that as the proposed strategic evaluation process involves discussions with third parties outside the geographic area of the three (3) Constituent Councils, Section 2.2.2 of the ERA Water Charter requires the approval of the Constituent Councils to be sought and obtained prior to pursuing this course of action.

As the Council has previously considered this matter and has resolved to request ERA Water to progress this evaluation, the Council provided its approval to the ERA Water Board to undertake preliminary discussions with Federal, State and Local Governments and potential investors and purchasers for the purposes of developing detailed options for consideration by the Constituent Councils. The Committee will be apprised of the progress of this matter.

## **OPTIONS**

Nil.

## **CONCLUSION**

Nil.

## **COMMENTS**

Nil.

## **RECOMMENDATION**

That the report be received and noted.

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*Ms Brigid O'Neill moved:*

*That the report be received and noted.*

*Seconded by Cr Stock and carried unanimously.*

## 6.5 FINANCE POLICIES

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**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** S/01823  
**ATTACHMENTS:** A - L

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### **PURPOSE OF REPORT**

The purpose of this report is to provide the Audit Committee with the finance related policies which have been reviewed for consideration and endorsement, prior to the Policies 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 achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of the Council's records.

### **RELEVANT STRATEGIC DIRECTIONS & POLICIES**

Not Applicable.

### **FINANCIAL AND BUDGET IMPLICATIONS**

Not Applicable.

### **EXTERNAL ECONOMIC IMPLICATIONS**

Nil

### **SOCIAL ISSUES**

Nil

### **CULTURAL ISSUES**

Nil

### **ENVIRONMENTAL ISSUES**

Nil

### **RESOURCE ISSUES**

Nil

### **RISK MANAGEMENT**

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

## CONSULTATION

- **Committee Members**  
Nil
- **Community**  
Nil
- **Staff**  
Nil
- **Other Agencies**  
Nil

## DISCUSSION

In accordance with the Finance Policy Timetable, a review a number of policies, as contained in **Attachment A** to I has been undertaken. Following the review, the 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**

<b>Policy</b>	<b>Details of Proposed amendment</b>
Bad Debt Write-off Policy <b>(Attachment A)</b>	Only administrative updates have been made and no major amendments are recommended. Given the static nature of this Policy, it is recommended that the review period be extended to 36 months
Credit Card Policy <b>(Attachment B)</b>	Only administrative updates have been made and no major amendments are recommended.
Expenditure Policy <b>(Attachment C)</b>	For operational efficiency, it is recommended that a delegation of authority be granted to the position of Communities Facility Officer to approve the transactions related to facility hire up to \$750. The nature of transactions relate predominately to hire deposit and bond refunds.
Fees and Charges Policy <b>(Attachment D)</b>	Only administrative updates have been made and no major amendments are recommended.
Elected Members Electronic Communication Policy & Guidelines <b>(Attachment E)</b>	Only administrative updates have been made and no major amendments are recommended.
Internal Control Policy <b>(Attachment F)</b>	Only administrative updates have been made and no major amendments are recommended.
Payment Policy <b>(Attachment G)</b>	Only administrative updates have been made and no major amendments recommended.
Procurement Policy and Guidelines <b>(Attachment H)</b>	Only administrative updates have been made, with minor amendments being recommended which further clarify the requirements for staff.
Treasury Management Policy <b>(Attachment I)</b>	It is recommended that the annual report on the performance of the Council's Treasury Management be presented to the Audit Committee as opposed to the Council.

The Council is in the final stages of its implementation of an Electronic Document Management System. As part of the implementation, an Information Management Policy, along with two (2) supporting guidelines which relate to the management of the Councils' Corporate Records (Records Management Guidelines) and the Council's electronic data (Data Management Guidelines) have been developed. The purpose of this policy and guidelines, is to set out and provide guidance to staff in managing the Council's corporate information and knowledge.

The Information Management Policy (**Attachment J**) provides the overarching guidance on the creation and management of corporate information, which includes corporate records and documents of corporate values and data which is maintained within the Council's business systems.

The Records Management Guidelines (**Attachment K**) outlines staffs responsibilities with regard to the capture and retention of corporate records.

The Data Management Guidelines (**Attachment L**) provides guidelines to staff with the acceptable use of the Council's business systems.

## OPTIONS

The adoption of the policies can be recommended to the Council 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 suite of Finance Policies (as set out below) have been reviewed and notes and endorses the minor amendments which have been proposed:
  - Bad Debt Write-off Policy;
  - Credit Card Policy;
  - Expenditure Policy;
  - Fees and Charges Policy;
  - Elected Members Electronic Communication Policy & Guidelines;
  - Internal Control Policy;
  - Payment Policy;
  - Procurement Policy and Guidelines; and
  - Treasury Management Policy.
  
2. That the Audit Committee recommends to the Council that the Financial Policies (as set out below) and as amended, be approved:
  - Bad Debt Write-off Policy (**Attachment A**);
  - Credit Card Policy (**Attachment B**);
  - Expenditure Policy (**Attachment C**);
  - Fees and Charges Policy (**Attachment D**);
  - Elected Members Electronic Communication Policy & Guidelines (**Attachment E**);
  - Internal Control Policy (**Attachment F**);
  - Payment Policy (**Attachment G**);
  - Procurement Policy and Guidelines (**Attachment H**); and
  - Treasury Management Policy (**Attachment I**).

3. That the Audit Committee recommends to the Council that the Information Management Policy and Guidelines (as set out below), be approved:

- Information Management Policy (**Attachment J**);
  - Records Management Guidelines (**Attachment K**); and
  - Data Management Guidelines (**Attachment L**).
- 

*Ms Brigid O'Neill moved:*

1. *That the Audit Committee notes that the suite of Finance Policies (as set out below) have been reviewed and notes and endorses the minor amendments which have been proposed:*

- *Bad Debt Write-off Policy;*
- *Credit Card Policy;*
- *Expenditure Policy;*
- *Fees and Charges Policy;*
- *Elected Members Electronic Communication Policy & Guidelines;*
- *Internal Control Policy;*
- *Payment Policy;*
- *Procurement Policy and Guidelines; and*
- *Treasury Management Policy.*

2. *That the Audit Committee recommends to the Council that the Financial Policies (as set out below) and as amended, be approved:*

- *Bad Debt Write-off Policy (**Attachment A**);*
- *Credit Card Policy (**Attachment B**);*
- *Expenditure Policy (**Attachment C**);*
- *Fees and Charges Policy (**Attachment D**);*
- *Elected Members Electronic Communication Policy & Guidelines (**Attachment E**);*
- *Internal Control Policy (**Attachment F**);*
- *Payment Policy (**Attachment G**);*
- *Procurement Policy and Guidelines (**Attachment H**); and*
- *Treasury Management Policy (**Attachment I**).*

3. *That the Audit Committee recommends to the Council that the Information Management Policy and Guidelines (as set out below), be approved:*

- *Information Management Policy (**Attachment J**);*
- *Records Management Guidelines (**Attachment K**); and*
- *Data Management Guidelines (**Attachment L**).*

*Seconded by Ms Sandra Di Blasio and carried unanimously.*

**7. CONFIDENTIAL REPORTS**  
Nil

**8. OTHER BUSINESS**  
(Of an urgent nature only)

**9. NEXT MEETING**  
Monday 25 May 2020

**10. CLOSURE**

There being no further business the Acting Presiding Member declared the meeting closed at 8.20pm.

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**Cr John Minney**  
**PRESIDING MEMBER**

Minutes Confirmed on \_\_\_\_\_  
(date)