Audit Committee Minutes

25 May 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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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT
Committee Members Cr John Minney (Presiding Member)
Mayor Robert Bria
Cr Mike Stock (via electronic communication)
Ms Sandra Di Blasio (Independent Member)
Ms Brigid O’Neill (Independent Member) (via electronic communication)

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

APOLOGIES Nil

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;
• reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 24 FEBRUARY 2020

Mayor Bria moved that the minutes of the meeting of the Audit Committee held on 24 February 2020 be taken as read and confirmed. Seconded by Ms Sandra Di Blasio and carried unanimously.

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 2020-2021 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager Corporate Service
CONTACT NUMBER: 83664585
FILE REFERENCE: qA60120 A16798
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee for its information, the Draft 2020 - 2021 Annual Business Plan, the Draft 2020-2021 Budget and Draft Rating Policy, which have been approved by the Council and released for community consultation.

BACKGROUND

Pursuant to the provisions contained in Chapters 8, 9 and 10 of the Local Government Act 1999 (the Act), the Council is required to adopt for each Financial Year, an Annual Business Plan (ABP) and Budget after 31 May and before 31 August.

Part 2 of the Act, "Annual Business Plans and Budgets", requires the Council to consider its budget in conjunction with the Council’s Annual Business Plan and adopt the Budget following adoption of the Annual Business Plan.

Pursuant to Section 123 (3) of the Act, before the Council adopts an Annual Business Plan, the Council must prepare a Draft ABP and release the ABP for community consultation.

At its ordinary Council Meeting held on 4 May 2020, the Council endorsed the Draft 2020-2021 Annual Business Plan and Budget, as contained in Attachment B, be released for public consultation.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council’s Long Term Strategic directions are outlined in City Plan 2030 – Shaping our Future. The Draft 2020-2021 Annual Business Plan and supporting Draft Budget, sets out the proposed services and programs and initiatives for the 2020-2021 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 Council’s Long Term Financial Plan (LTFP), is a key document in the Councils Planning Framework. It is the primary financial management tool which links the Councils Strategic Plan, City Plan 2030 – Shaping our Future, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The Draft Budget has taken into consideration the current economic climate, the potential on-going economic impact of the COVID-19 Pandemic beyond the resolution of the health implications of the pandemic and has taken into consideration the social distancing and mass gathering restrictions which based upon current information are anticipated to continue through to the first half of the 2020-2021 Financial year.

Despite the uncertain times in which the draft Annual Business Plan and Budget have been developed, the ‘in-principle’ adoption of the Draft 2020-2021 Annual Business Plan and Budget will, contribute to the Council achieving its goals and objectives as set out in the suite of Strategic Planning documents set out above.

FINANCIAL AND BUDGET IMPLICATIONS

The ‘in-principle’ adoption of the Draft 2020-2021 Budget, as presented (based on a zero (0%) Rate Revenue increase excluding the impact of new development growth of 0.64%), will result in an Operating Deficit of $584,034 (2019-2020: Net Surplus of $834,566) and a Net Surplus (after Capital Income) of $1.288 million (2019-2020: $8.327 million).
It should be noted that the Draft 2020-2021 Budget includes Carried Forwards of $338,354 associated with 2019-2020 Operating Projects which are not anticipated to be completed by 30 June 2020, which will be funded from cash reserves. Taking Carry Forward Projects into account, the projected underlying Operating Deficit for 2020-2021, based on a zero rate revenue increase (excluding new development) is $245,680.

The Draft 2020-2021 Budget does not include the share of the Operating results from Joint Ventures (Regional Subsidiaries), as at the time of the Council considering the Draft ABP and Budget, the draft Budgets from the Regional Subsidiaries had yet to be received. The Councils share of the Operating results from the Joint Ventures is an Operating Deficit of $192,158. Taking into account the Councils share of the Operating Deficit from Joint Ventures, the Budgeted Operating Deficit is $776,192.

SOCIAL ISSUES
Nil.

CULTURAL ISSUES
Nil.

ENVIRONMENTAL ISSUES
Nil.

RESOURCE ISSUES
Nil.

RISK MANAGEMENT

As a result of the COVID-19 Pandemic, the Federal Government announced that its 2020-2021 Budget will be deferred to October 2020 (usually handed down in May 2020). As a result of the Federal Governments decision, the State Budget has also been deferred from June 2020 to November 2020.

A number of components of the Councils Draft Budget are impacted upon by decisions which are made by both the Federal and State Governments and given that the Federal and State Budgets will not be delivered by 6 July 2020, (the current date set for the Council to adopt the 2020-2021 Annual Business Plan and Budget), a number of assumptions have been made to those respective components of the Councils Draft Budget which are influenced by the decision of the other tiers of government. Should these assumptions and other decisions upon which the Draft 2020-2021 Budget is based, not eventuate, there is a possibility that the Council will not be in a position to deliver its proposed budgeted Operating result.

In addition, if the current restrictions on social distancing and mass gatherings are lifted prior to January 2020, the Council maybe in the position to re-establish services which have not been funded in the Draft Budget on the basis that the restrictions, based on current information, may continue to be in place for the first six (6) months of the 2020-2021 financial year. If the services are re-established, it is estimated that the Operating Deficit will be increased by $304,000 to $1.080 million.

CONSULTATION

- **Committee Members**
  Mayor Bria, Cr Minney and Cr Stock, have been involved throughout the Budget preparation process and have considered the various components of the Draft Budget and made decisions as appropriate.

- **Community**
  The community through community consultation process on the Annual Business Plan will have input into the final form of the Draft Budget. The community consultation period commenced on 13 May 2020.
- **Staff**
  The review of the Operating Expenditure and Special Projects and the Draft Annual Business Plan process has been completed with the involvement of the Chief Executive Officer, General Managers and the various Responsible Officers.

- **Other Agencies**
  Nil.

**DISCUSSION**

The Draft 2020-2021 Annual Business Plan and Budget, have been developed during an unprecedented time, where the ongoing economic impact of the COVID-19 Pandemic is unknown and the on-going status of the social distancing and mass gathering restrictions remain uncertain. Given this, in preparing the Draft 2020-2021 Budget, the Council has considered a number of measures to support the community through the COVID-19 Pandemic. In addition, the Council has made some decisions regarding its ability to deliver existing services during the first six (6) months of the 2020-2021 Financial year.

These decisions regarding services have been based on the assumption that the social distancing and mass gathering restrictions may, on the information available to Council staff at the time of preparing the Draft Budget, remain in place for some time after the health impacts of COVID-19 are contained. Given the Federal Governments and more specifically the State Governments application of the COVID-19 Recovery Roadmap, the Council may be in a position, albeit in potentially reduced capacity, to offer the services, programs and events which have currently been excluded from the draft budget. Should the Council be in a position to provide the suspended or cancelled services from 1 July 2020, the impact on the draft budget will be an additional Operating Deficit of $304,000.

The Council's COVID-19 financial assistance measures included within the Draft 2020-2021 Budget include:

- 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%;
- 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 Council's business precincts.

Based on the assumption that the Council, would have otherwise endorsed a rate revenue increase of 2.5%, the cost of these measures is in the order of $1.159 million, with the opportunity cost of the zero (0%) rate revenue increase being $645,134.

Despite the challenging times in which the Draft 2020-2021 Annual Business Plan and Budget has been developed, the document continues to be strategically focused, financially responsible and targeted at ensuring that the Council's priorities and operations are appropriately resourced.

The key driver for this year's budget continued to be the development of a Draft Annual Business Plan and Budget which not only contributes to the Council's broader strategic objectives, but also ensures that the Council's long term financial objective of managing its financial resources in a sustainable and equitable manner is achieved. The draft 2020-2021 Budget will have future impacts on the Council to deliver of it financial objectives and targets as set out in the Long Term Financial Plan. Notwithstanding this, given the strong financial position of the Council, prior to the COVID-19 Pandemic, and the continued commitment to the financial principles upon which the Council LTFP is based upon, the Council will be able to withstand these impacts (based on current known impacts, decisions and projections).
Budget Overview

Table 1 below sets out the proposed Operating Deficit of $584,034, based on a Recurrent Operating Surplus of $1.550 million, an Operating Deficit of $657,000 relating to the COVID-19 Pandemic, an Operating Deficit relating to Operating Projects (including 2019-2020 Carry Forwards) of $1.227 million and an additional $250,000 for additional finance costs associated with borrowings which are required to deliver the strategic projects included within the draft Capital Projects Budget. It should be noted that the Operating Deficit relating to 2020-2021 Projects, incorporates $362,000 from the Federal Government Roads-to-Recovery Program. While this funding will be utilised to fund a Capital Project, this funding is required to be included when determining the Council’s Operating Surplus.

As previously advised, the draft Budget does not include the loss from Joint Ventures (Regional Subsidiaries), which based on the draft Budgets received the Councils Regional Subsidiaries will be an Operating Deficit of $192,158. As the notification of the Operating results was after the consideration by the Council, the Loss in Joint Ventures is not reflected in the draft Budget that was released for public consultation.

**TABLE 1: 2020-2021 PROPOSED STATEMENT OF COMPREHENSIVE INCOME**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>36,271,847</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,271,847</td>
</tr>
<tr>
<td>Statutory charges</td>
<td>1,509,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,509,000</td>
</tr>
<tr>
<td>User charges</td>
<td>3,331,884</td>
<td>-</td>
<td>500</td>
<td>-</td>
<td>3,332,384</td>
</tr>
<tr>
<td>Grants, subsidies and contributions</td>
<td>2,295,417</td>
<td>-</td>
<td>362,298</td>
<td>-</td>
<td>2,657,715</td>
</tr>
<tr>
<td>Investment income</td>
<td>64,500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>64,500</td>
</tr>
<tr>
<td>Other income</td>
<td>574,703</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>574,703</td>
</tr>
<tr>
<td>Net loss joint ventures &amp; associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>44,047,351</td>
<td>362,798</td>
<td>-</td>
<td>-</td>
<td>44,410,149</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>15,429,491</td>
<td>-</td>
<td>224,050</td>
<td>-</td>
<td>15,653,541</td>
</tr>
<tr>
<td>Materials, contracts &amp; other expenses</td>
<td>17,440,450</td>
<td>338,354</td>
<td>1,027,500</td>
<td>-</td>
<td>18,806,304</td>
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<tr>
<td>Finance costs</td>
<td>550,000</td>
<td>-</td>
<td>-</td>
<td>250,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>9,734,338</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,734,338</td>
</tr>
<tr>
<td>Net loss Joint Ventures &amp; Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>43,154,279</td>
<td>338,354</td>
<td>1,251,550</td>
<td>250,000</td>
<td>44,994,183</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS / (DEFICIT)</strong></td>
<td>893,072</td>
<td>(338,354)</td>
<td>(888,752)</td>
<td>(250,000)</td>
<td>(584,034)</td>
</tr>
<tr>
<td>Net gain (loss) on disposal or revaluation of assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,000</td>
<td>27,000</td>
</tr>
<tr>
<td>Amounts specifically for new or upgraded assets</td>
<td>-</td>
<td>940,000</td>
<td>-</td>
<td>905,360</td>
<td>1,845,360</td>
</tr>
<tr>
<td><strong>NET SURPLUS (DEFICIT)</strong></td>
<td>893,072</td>
<td>601,646</td>
<td>(888,752)</td>
<td>682,360</td>
<td>1,288,326</td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in revaluation surplus-infrastructure, property, plant &amp; equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Total Other Comprehensive Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td><strong>TOTAL COMPREHENSIVE INCOME</strong></td>
<td>893,072</td>
<td>601,646</td>
<td>(888,752)</td>
<td>2,682,360</td>
<td>3,288,326</td>
</tr>
</tbody>
</table>
Financial sustainability underpins the Council’s Financial Goals and Outcomes which are set out in the Council’s LTTP. In general terms, financial sustainability is ensuring that the Council has the financial resources to meet the long term service and infrastructure needs of the community, without any large rate revenue increases or cuts in service provision and/or standards.

From an operational perspective, financial sustainability is being able to manage the balance between keeping rate revenues increases to a minimum, maintaining existing service standards and expenditure on appropriate new services and necessary major capital investments and initiatives. The Draft Budget as presented in this report achieves this objective.

To be truly financially sustainable, the Council needs to generate sufficient cash flow from its recurrent operations to meet existing principal loan repayments, spending on renewal works, while having the future financial capacity (i.e. cash reserves to meet future loan servicing) to undertake new investments in the Council’s Infrastructure, services and activities. The Draft Budget provides for sufficient cash flow to ensure that the Council can meet existing and new loan repayments from recurrent operations.

Pursuant to Section 123 (10) (b) of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, Part 2 Financial Accountability, the budget is required to contain:

a) a budgeted income statement, balance sheet, statement of changes in equity and statement of cash flows, presented in a manner consistent with the Model Financial Statements; and
b) a statement as to whether projected operating income is sufficient to meet projected operating expenses for the relevant financial year; and
c) a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
d) estimates with regard to the Council’s Operating Surplus ratio, Asset Sustainability ratio and Net Financial Liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

The Financial Statements contained in Attachment A, are presented as prescribed in the Model Financial Statements and are based on a 0.64% increase in rate revenue, which represent new development growth. The Financial Statements also provide comparisons with the 2019-2020 Forecast and the Audited Financial Statements for the past three (3) years. Together, these Statements provide a complete picture of the Council’s budgeted financial position for the 2020-2021 Financial year.

Budgeted Capital Projects

The Draft 2020-2021 Capital Budget (Draft Capital Budget) incorporates Capital Projects to the value of $20.011 million, inclusive of the expenditure required to finalise the 2019-2020 Capital projects which are not anticipated to be completed by 30 June 2020. The Draft Capital Budget expenditure is offset by Capital Funding which incorporates Grant and Other Revenues to the value of $1.872 million, which will result in a net cost to the Council of $17.353 million (excluding capitalised salaries of $785,000).

The endorsed Draft Capital Budget have been broken down into a number of categories as detailed in Table 2 below:
TABLE 2: CAPITAL PROJECT CATEGORIES

<table>
<thead>
<tr>
<th>Capital Project Category</th>
<th>2020-2021 Endorsed Capital Projects $'000</th>
<th>2020-2021 Grant Funding and Other Revenues $'000</th>
<th>2020-2021 Net Cost $'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole-of-Life Capital Works Program (Infrastructure Renewal)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Road Resealing</td>
<td>3,855</td>
<td>-</td>
<td>3,855</td>
</tr>
<tr>
<td>☐ Footpath Reconstruction</td>
<td>875</td>
<td>-</td>
<td>875</td>
</tr>
<tr>
<td>☐ Kerbing Reconstruction</td>
<td>899</td>
<td>-</td>
<td>899</td>
</tr>
<tr>
<td>☐ Stormwater Drainage Program</td>
<td>3,047</td>
<td>-</td>
<td>3,047</td>
</tr>
<tr>
<td>☐ Recreation and Open Space Program</td>
<td>693</td>
<td>-</td>
<td>693</td>
</tr>
<tr>
<td>☐ Building Works Program</td>
<td>550</td>
<td>-</td>
<td>550</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>9,919</strong></td>
<td>-</td>
<td><strong>9,919</strong></td>
</tr>
<tr>
<td>Recurring Projects</td>
<td>495</td>
<td>152</td>
<td>343</td>
</tr>
<tr>
<td>New Capital Projects</td>
<td>3,320</td>
<td>780</td>
<td>2,540</td>
</tr>
<tr>
<td><strong>2020-2021 New Projects</strong></td>
<td><strong>13,734</strong></td>
<td><strong>932</strong></td>
<td><strong>12,802</strong></td>
</tr>
<tr>
<td>Carry Forward Projects</td>
<td>5,491</td>
<td>940</td>
<td>4,551</td>
</tr>
<tr>
<td><strong>Total Capital Projects Expenditure</strong></td>
<td><strong>19,225</strong></td>
<td><strong>1,872</strong></td>
<td><strong>17,353</strong></td>
</tr>
</tbody>
</table>

Details of the 2020-2021 New Projects are set out in Appendix One Key Initiatives & Projects of the Annual Business Plan which is contained in Attachment B.

**Borrowings**

Proposed net capital expenditure (exclusive of carry forwards), as detailed in Attachment B, is $12.802 million (inclusive of Roads-to-Recovery project) is proposed to be funded as follows:

- Use of depreciation recovered through rate revenue $9.734 million
- Roads to Recovery Funding $0.362 million
- Long Term Borrowings $2.706 million

Capital Projects approved as part of the 2019-2020 Budget that are due to be completed during the 2020-2021 Financial year (i.e. Carry Forward Capital expenditure), will be funded through a combination of cash reserves and previously approved undrawn borrowings. It is anticipated that $3.165m of long term borrowing will be required to finalise the carry forward projects.

In determining the level of borrowings required to fund the capital program, consideration has been given to the cashflow requirements and to intergenerational equity between current and future users. Whilst these considerations have formed part of the budget model they will be reviewed and reconsidered before the decision to commit to any borrowings.

Given the current economic climate resulting from the COVID-19 Pandemic, it is anticipated that there will be delays in the cash which is collected from the Quarterly Rates instalments and as such there is an expectation that the Council will be required to take out short term borrowings (cash advance) to cover periods of negative cash flow, however it is anticipated that the Council will be in a position to repay the cash advance during the financial year.
Rating Strategy

Given the economic impact of the COVID-19 Pandemic, the Draft Annual Business Plan and Budget is based on a zero (0%) increase in rate revenue, except where the rate revenue increase is a result of new development, property improvements or property valuation increases resulting from a sale. New development increase is estimated to be 0.64%, resulting in an increase in rate revenue of $222,000. This means that for properties, both residential and commercial, where there has been no increase in property value, there will be a 0.19% increase in rates payable. The Council believe this is a sensitive response in the current economic conditions resulting from the COVID-19 Pandemic.

The average residential property value has increased by 0.41%, to $670,000 which when compared to the average residential property from 2019-2020, which had a value of $667,000, this means an increase of $9 (0.61%) on the amount of rates payable. The average commercial property value has increased by 0.93% to $956,000, up from $947,000, so an average commercial property owners will have a $28 (1.15%) increase in the amount of rates payable for 2020–2021.

Where there has been no increase in the property value, rates payable will increase by 0.19%, which for a residential ratepayer, with a property valued at $670,000 means an increase in the rates payable of $3. For a commercial ratepayer whose property is valued at $956,000, the increase in the amount of rates payable for 2020–2021 is $4.

The Council’s Long Term Financial Plan, sets out the Councils Financial Goal, which is to be a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner. To achieve this, a number of Financial Outcomes and financial targets have been established, one being Rate Stability. The Council has defined Rate Stability to mean Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Assuming a Rate Revenue increase of 0.64%, as proposed within the Draft Budget, the average rate revenue increase over the past 5 years is 2.3%, which is at the lower end of the Rate Revenue target, set out in the Councils Long Term Financial Plan. For the same period, based on valuation information received to date, the average residential rate increase was 1.45%, with the average Commercial Rate decrease of 0.06%.

As such, from a financial management perspective, the Council has clearly delivered on its financial objective.

Rating Policy

A review of the Councils’ Rating Policy has been undertaken, with particular focus on the eligibility criteria for Rate Capping Rebates. Pursuant Sections 153 (3) and 153 (4) of the Local Government Act 1999, the Council grants a rebate of General Rates, subject to certain eligibility criteria, to the principal ratepayer of a residential assessment, where that property is the principal place of residence and that the increase in the rates levied is a result of a rapid change in the property value.

For eligible residential ratepayers, the increase in general rates (excluding the Regional Landscape Levy) will be capped at 1% (which will result in the general rate levied being equal to 2019-2020 rates payable), subject to certain conditions.

The current eligibility criteria for the automatic rebate is any such increase in property value, in whole or part is not result of:
(a) development greater than $30,000 undertaken on the property; or
(b) a change in land use for rating purposes on the date the Council declared its general rates; or
(c) a change in the zoning of the land; or
(d) a change in the ownership of the property since 1 January 2019.

Pursuant to Section 166(l)(b) of the Local Government Act 1999, it is proposed, for 2020-2021 Financial year only, in response to the COVID-19 Pandemic and the economic impact of the social distancing and mass gathering restrictions have had on the City’s commercial sector, a rate cap of 1% is proposed to be applied to commercial property owners, subject to the same eligibility criteria as detailed above.
Draft Annual Business Plan

To fulfil the requirements of the Local Government Act 1999 and therefore provide citizens with the opportunity to review and comment on the Council’s proposed activities for the 2019-2020 Financial Year and the proposed funding of those activities, the Draft 2020-2021 Annual Business Plan has been prepared and is included in Attachment B.

The Draft Annual Business Plan incorporates all of the assumptions detailed within this report and for illustrative purposes only, has factored in an increase in rate revenue of 0.64%, representing new development. Upon finalisation of the Draft Budget through its “endorsement in principle,” the Draft Annual Business Plan was made available for citizens from 13 May 2020. It should be noted, that due to the COVID-19 Pandemic, the provision for the Council to hold a Public Meeting has been suspended, therefore the Public Meeting scheduled for 3 June 2020 will be cancelled.

Following consideration of the submissions by the Council on 17 June 2020, the final 2020-2021 Annual Business Plan will be put forward for adoption, followed by the 2020-2021 Annual Budget at the Council Meeting to be held on 6 July 2020.

OPTIONS

Nil

CONCLUSION

Through the adoption of the Long Term Financial Plan, the Council has committed to the attainment of Financial Sustainability. The development of the Annual Budget with reference to the financial targets and outcomes outlined in the LTFP will ensure that the Council continues to move in the right direction to achieve its ultimate goal of Financial Sustainability.

The Draft 2020-2021 Annual Business Plan and Budget as presented in Attachment B, will deliver an Operating Deficit of $584,034 based on a 0.64% increase in Rate Revenue, however, the underlying Operating Result, which excludes 2019-2020 Operating Project carry forwards, for the provision of the Council’s continuing services and programs and new initiatives, is an Operating Deficit of $245,680 million.

The Draft Budget includes a number of financial measures which have been proposed in response to the COVID-19 Pandemic. Based on the assumption that the Council, would have otherwise endorsed a rate revenue increase of 2.5%, the cost of these measures is $1.159 million, with the opportunity cost of the zero rate revenue increase being $645,134.

In response to the COVID-19 Pandemic, the Rate Revenue increase has been limited to new development only, which is currently at 0.64%, as advised by the Valuer General. The Rating Strategy as set out within this report will result in a $9 per annum increase (0.61%) on the rates payable for the Average Residential Ratepayer, with the increase being predominately driven by new development growth. For a Residential Ratepayer, with no property value increase, the rates payable will increase by 0.19% ($3).

The budget presented for the Councils consideration will have future impacts on the Council’s ability to deliver on the financial objectives and targets set out in its Long Term Financial Plan and while the Draft Budget as presented in this report is forecasting both an Operating Deficit and an overall cash deficit, the Draft Budget is generating a positive cashflow from its operating activities and given the Councils commitment to the Financial Goals and Outcomes which are set out in the Councils LTFP, it has sufficient cash reserves to ensure that it can meet existing and new loan repayments.

The proposed Rating Strategy and the Draft Budget as presented in this report, is based on sound financial management principles, which will deliver the Council’s Strategic Outcomes in a sustainable and equitable manner, for both today’s and future ratepayers.
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, prior to the meeting.

RECOMMENDATION

It is recommended that the report be received and noted.

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Cr Stock moved:

*It is recommended that the report be received and noted.*

Seconded by Ms Brigid O’Neill and carried unanimously.
### 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 Third Budget Update. The forecast is based on the year-to-date results to 29 February 2020.

### 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 outs 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*. 

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**6.2 2019-2020 THIRD BUDGET UPDATE**

**REPORT AUTHOR:** Financial Services Manager  
**GENERAL MANAGER:** General Manager, Corporate Services  
**CONTACT NUMBER:** 8366 4585  
**FILE REFERENCE:** q1823/A4779  
**ATTACHMENTS:** A
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 Councils 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 Third Budget Update provides the opportunity to reflect any changes in projections based on the actual year-to-date results to February 2020 and re-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

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

The Council has responded to the directions that have been issued in response to the COVID-19 Pandemic. In undertaken the Third Budget Update, adjustments have been made on the assumption that the restrictions will be in place for the remainder of the financial year (to 30 June 2020).
COVID-19 IMPLICATIONS

In response to the COVID-19 Pandemic, the Council has considered a number of measures to support the community. In addition, due to the social distancing and mass gathering restriction that have been put in place to minimise the spread of the virus, a number of services, programs and events have been suspended or cancelled.

The financial impact of the financial support measures and the suspension and or cancellation of services, programs and events are detailed in the Discussion section of this report.

CONSULTATION

- **Committee Members**
  Mayor Bria, Cr Minney and Cr Stock, as Elected Members, have considered the issues at the Council Meeting held on 4 May 2020, when the Council endorsed the Third Budget Update.

- **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 March 2020, the Council endorsed the Mid-Year Budget Update, which reported a forecast Operating Surplus of $855,818.

Following the Third Budget Review, the Operating Surplus is forecast to be $1.197 million, an increase of $340,970 on the Adopted Budget.

The material movements in the components that make up the Operating Surplus following the Third 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 and the Mid-Year Budget Review, the Recurrent Operating Budget Surplus was increased to $2.357 million.

As a result of the Third Budget Update, the Recurrent Operating Surplus is forecast to be $2.207 million, a decrease of $150,000 on the Adopted Mid-Year Budget Review. The movement in the Recurrent Operating Surplus due to the combined effects of:

- the financial impact of the restrictions put in place to reduce the spread of COVID-19;
- the Councils’ financial support package (to 30 June 2020) in response to the COVID-19 Pandemic;
- the Councils operational response due to the COVID-19 Pandemic; and
- general changes that are not related to the COVID-19 Pandemic.

The major reasons for the movement in Operating Surplus are detailed in Table 1.
TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET – THIRD BUDGET UPDATE

<table>
<thead>
<tr>
<th>General movements</th>
<th>Favourable/ (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A recommendation of the review undertaken of the Council’s Street Sweeping Program, was to consolidate the existing programs, including the Queensland Box Footpath Sweeping Program. Following the consolidation of the programs, the remaining unspent budget from the Queensland Box Footpath Sweeping Program has been transferred from the Operating Project Budget to the Recurrent Budget. It should be noted that there has not been any overall increase in the Council’s Operating budget due to this transfer.</td>
<td>(143,000)</td>
</tr>
<tr>
<td>Due to the employment (to replace a vacancy) of a Development Compliance Officer, following the restructure of the Development Assessment unit, there has been a reduction in the use of external contractors to address Local Nuisance issues.</td>
<td>35,000</td>
</tr>
<tr>
<td>The Development Assessment unit have noted a reduction in the number of appeals and instances of non-compliance, resulting a reduced need for legal advice</td>
<td>60,000</td>
</tr>
<tr>
<td>Given the appointment of the Manager, Traffic and Integrated Transport, there is a reduced reliance on the use of Traffic Consultants</td>
<td>12,000</td>
</tr>
<tr>
<td>Reduction in interest costs due to new long term borrowings being deferred to the Fourth Quarter of the 2019-2020 Financial Year.</td>
<td>73,000</td>
</tr>
<tr>
<td>Receipt of $221,500 being the refund, for the Council’s share of the $13 million tariff overcharge from SAPN.</td>
<td>221,500</td>
</tr>
<tr>
<td>Grant funding received from the Department of Environment and Water to remove woody weeds from the River Torrens.</td>
<td>10,000</td>
</tr>
</tbody>
</table>

COVID-19 Restrictions

| Net Loss of Income from the Norwood Concert Hall resulting from the Federal and State Government restrictions forcing the closure of licenced premises and the restrictions on indoor mass gatherings | (115,000) |
| Net savings from the early closure of the Norwood Swimming Centre due to the Federal and State Government restrictions on Public Swimming Centres | 16,000 |
| Net Loss of income from the St Peters Childcare Centre & Preschool due to the change in the Federal Governments funding model for Childcare Centres. The reduction of income ($342,000) has been offset in a reduction in operational costs ($144,000) due to a reduction in attendances and in response to the reduced attendance fee income. | (198,000) |
| Reduction in operational costs due to the Federal and State Government restrictions on the opening of Public Library buildings. | 16,000 |
| Loss of hire income from Council facilities due to the restrictions on indoor mass gatherings | (32,000) |
| Cancellation of Events due to the restrictions on mass gatherings | 55,000 |

COVID-19 Financial Support Package

| The refund of Outdoor Dining Permit fees, pro-rata from 23 March 2020 to 30 June 2020 | (20,000) |
| Pursuant to Section 166 (1) (b) of the Local Government Act 1999, the Council resolved to grant a discretionary rebate, equal to the fourth quarter payment of the Separate Rate to those businesses within The Parade Precinct who are required to pay the Separate Rate. | (54,000) |
| The Council resolved that arrangements for the tenancy of all Council building and facilities be reviewed on a case-by-case basis, in line with the Council’s current financial hardship provisions and the principles set out by the National Cabinet. Given the varying circumstances of the businesses and groups that have lease agreements and rental commitments to the Council, the budget assumption is based on the scenario of the | (33,000) |
Council providing full rent relief (excluding outgoings) to all tenants for a period of three (3) months to 30 June 2020.

Favourable/ (Unfavourable) $

(22,000)

The Council resolved that the financial commitments associated with facilities usage permits issued to the Councils Sporting Groups and other organisations be waived for a period of three (3) months to 30 June 2020.

A discretionary rebate for the Differential Rate (20%) to non-residential property owners for the Final Quarter of 2019-2020, dependent upon an application demonstrating financial hardship on the business due to COVID-19.

Donation to the Norwood branches of the Salvation Army and St Vincent De Paul

COVID-19 Operational Response

Reduction in discretionary expenses such as non-mandatory training, recruitment and suspension of discretionary programs

200,000

In response to COVID-19, the Council has relaxed the time limit parking along The Parade Precinct and other business precincts coupled with reduced visitors to the City due to social distancing there has been a reduction in number of parking expiation notices due to reduced number of parking infringements.

195,000

In addition, as at the time of writing this report, the Council has incurred $50,000 of additional operational expenditure responding to the COVID-19 Pandemic. As the extent of these costs were unknown at the time the Third Budget Update, these costs have not been accounted for in the Third Budget Update. As the restrictions are lifted and the expectation on Councils to introduce greater signage and cleaning regimes, these additional operations costs could be in the order of $100,000 by 30 June 2020.

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 $0.337 million. Following the First Budget Update, the value of carried forward expenditure is $0.438 million. The increase in the Carried Forward Budget, is due to projects not progressing as anticipated or the commencement being deferred.

The Mid-Year Budget Update forecast the cost of Operating Projects to be $2.014 million, the Third Budget Update is estimating a decrease in this figure to $1.432 million. The major reasons for the movement in Operating Surplus are detailed in Table 2.
TABLE 2: MAJOR VARIANCES IN OPERATING BUDGET – THIRD BUDGET UPDATE

<table>
<thead>
<tr>
<th>Favourable/ (Unfavourable)</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on the expenditure incurred in year one (1) of the Additional Street Tree Planting Program, the funding required to complete year two (2) will need to be increased to meet the target of an additional 100 trees.</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Given the year to date expenditure, it is proposed to reduce the funding allocation to undertake this years’ Street Lighting designs.</td>
<td>20,000</td>
</tr>
<tr>
<td>Following a review of the project scope, the development of the Tree Management Policy and Strategy Council’s staff will have an increased level of involvement in the development of the strategy.</td>
<td>20,000</td>
</tr>
<tr>
<td>Due to the COVID-19 Pandemic restrictions, the two (2) Concerts in the Park events ($19,065) and Food Secrets on the Green ($33,000) have been cancelled.</td>
<td>52,065</td>
</tr>
<tr>
<td>A recommendation of the review undertaken of the Council’s Street Sweeping Program, was to consolidate the existing programs, including the Queensland Box Footpath Sweeping Program. Following the consolidation of the programs, the remaining unspent budget from the Queensland Box Footpath Sweeping Program has been transferred from the Operating Project Budget to the Recurrent Budget. It should be noted that there has not been any overall increase in the Councils Operating budget due to this transfer.</td>
<td>143,000</td>
</tr>
<tr>
<td>The cost of Operating Projects which are forecast not to be completed by June 30 2020 and are required to be carried forward to 2020-2021 is $338,354. Full list of projects being carried forward are shown in Table 3.</td>
<td>338,354</td>
</tr>
</tbody>
</table>

To provide a more accurate Budgeted Operating Result, the effect of Operating Projects not expected to be completed in the 2019-2020 Financial Year, is provided for in the 2020-2021 Adopted Budget.

Following the Third Budget Review, it is estimated that Operating Projects costs not expected to be incurred in the 2019-2020 would be $338,354.

TABLE 3: OPERATING PROJECTS NOT EXPECTED TO BE COMPLETED IN 2019-2020

<table>
<thead>
<tr>
<th>SERVICE INITIATIVE</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Wide Parking Review delayed due to reduced visitors and on-street parking resulting from the COVID-19 Pandemic.</td>
<td>70,000</td>
</tr>
<tr>
<td>EHive – Cultural Heritage Collections Project</td>
<td>65,000</td>
</tr>
<tr>
<td>Feasibility Assessment of Additional Level on the Webbe Street Parking will be undertaken in conjunction with the City Wide Parking Review</td>
<td>50,000</td>
</tr>
<tr>
<td>International Youth Film Festival 2020 event is due to be held in August 2020, however due to the mass gathering restrictions it is unlikely that this event will be held.</td>
<td>50,000</td>
</tr>
<tr>
<td>Tree Management Policy and Strategy delayed due to existing staff priorities.</td>
<td>30,000</td>
</tr>
<tr>
<td>People Place &amp; Activity Strategy delayed due to existing staff priorities</td>
<td>30,000</td>
</tr>
<tr>
<td>Community Events – Budget allocation is for events to recognise the completion of major projects such as the Norwood Oval redevelopment. Any project launch events will be deferred to following the restrictions on mass gatherings have been lifted.</td>
<td>14,776</td>
</tr>
<tr>
<td>Cultural Development (Human Synergistic) Program – the program will be completed in October 2020.</td>
<td>11,985</td>
</tr>
<tr>
<td>The delivery of the Youth Art &amp; Events Program has been deferred due to the social distancing and mass gathering restrictions.</td>
<td>9,603</td>
</tr>
<tr>
<td>CityPlan 2030 Mid Term Review will be finalised early in the 2020-2021 Financial year</td>
<td>5,000</td>
</tr>
<tr>
<td>The Business &amp; Economic Development Strategic Plan will be finalised early in the 2020-2021 Financial year</td>
<td>2,000</td>
</tr>
</tbody>
</table>

TOTAL OPERATING PROJECTS NOT EXPECTED TO BE INCURRED IN THE 2019-2020: 338,354
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 Mid-Year Budget Update forecast the cost of Capital Projects to be $27.069 million. Following the Third Budget Update, the Capital Project expenditure is forecast to decrease to $22.295 million, a reduction of $4.774 million. The budget variations identified in the Third Budget Review are detailed in Table 4 below:

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>Increase/Decrease $</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the Council Meeting held on 2 March 2020, the Council considered the tender evaluation for the construction of Beulah Road Bicycle Boulevard and approved an increase to the budget.</td>
<td>553,700</td>
</tr>
<tr>
<td>At the Special Council Meeting held on 22 April 2020, the Council considered the tender evaluation for the construction of Payneham Oval Women’s Facilities and approved an increase to the budget. The Council received grant funding of $490,000 to contribute to the construction costs of $1.144 million</td>
<td>368,822</td>
</tr>
<tr>
<td>The budget for the repairs to the Osmond Terrace War Memorial is increased due to the quote being higher than originally estimated.</td>
<td>11,000</td>
</tr>
<tr>
<td>The cost to install shade sails in Hutchinson Reserve was less than estimated.</td>
<td>(20,000)</td>
</tr>
<tr>
<td>The budget for the project of Adey Reserve Master Plan has been reduced to cover the development of the Concept design only.</td>
<td>(50,000)</td>
</tr>
<tr>
<td>The property owners of Tolmer Place in Norwood did not support the conversion of the Private laneway to a Public Road, therefore the budget for the re-construction of the laneway has been removed from the 2019-2020 Capital Budget.</td>
<td>(180,000)</td>
</tr>
<tr>
<td>The cost of Capital Projects which are forecast not to be completed by June 30 2020 and are required to be carried forward to 2020-2021. The full list of projects being carried forward are shown in Table 5.</td>
<td>(4,517,500)</td>
</tr>
</tbody>
</table>

As the Third Budget Review, the Capital Projects not expected to be completed in the 2019-2020 Financial Year is $4.517 million.
### TABLE 5: CAPITAL PROJECTS NOT EXPECTED TO BE COMPLETED IN 2019-2020

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payneham Memorial Swimming Centre Infrastructure Upgrade</td>
<td>1,620,000</td>
</tr>
<tr>
<td>Payneham Oval Women Facility: The Carry Forward amount includes $1.1 million of expenditure and $490,000 of grant income</td>
<td>620,000</td>
</tr>
<tr>
<td>Buttery Reserve Tennis Club Court Upgrade: The construction budget of $1.050 million will be Carried Forward together with the $450,000 government grant</td>
<td>600,000</td>
</tr>
<tr>
<td>Norwood Concert Hall Grand Piano</td>
<td>100,000</td>
</tr>
<tr>
<td>Drainage Infrastructure Works</td>
<td></td>
</tr>
<tr>
<td>- Laura Street Design</td>
<td></td>
</tr>
<tr>
<td>- North Terrace to Hackney Rd Concept Design</td>
<td></td>
</tr>
<tr>
<td>The Parade Median Streetscape Upgrade – these works need to be scheduled with DPTI resealing works</td>
<td>300,000</td>
</tr>
<tr>
<td>The Parade West Streetscape Upgrade (Adjacent to Prince Alfred College)</td>
<td>265,000</td>
</tr>
<tr>
<td>Recreation &amp; Open Space Infrastructure Work:</td>
<td>216,000</td>
</tr>
<tr>
<td>- $55,000 for Osmond Terrace Median Landscaping (Cannon);</td>
<td></td>
</tr>
<tr>
<td>- $25,000 for Osmond Terrace Garden Bed (Irrigation);</td>
<td></td>
</tr>
<tr>
<td>- $62,000 for ET Smith Drinking Fountain; and</td>
<td></td>
</tr>
<tr>
<td>- $74,000 for Dunstan Adventure Park Playground</td>
<td></td>
</tr>
<tr>
<td>Plant Replacement – Purchase of a wood chipper</td>
<td>85,000</td>
</tr>
<tr>
<td>Burchell Reserve Design Documentation</td>
<td>80,000</td>
</tr>
<tr>
<td>Back-up Power Supply for St Peters Library</td>
<td>80,000</td>
</tr>
<tr>
<td>Master Plans for Swimming Centres</td>
<td>70,000</td>
</tr>
<tr>
<td>Webbe Street Car Park Retaining Wall</td>
<td>65,000</td>
</tr>
<tr>
<td>Major Public Art Funding Program</td>
<td>60,000</td>
</tr>
<tr>
<td>Construction of Traffic Control Device at Hampden Roundabout</td>
<td>50,000</td>
</tr>
<tr>
<td>Willow Bend Park Shelter and BBQ</td>
<td>50,000</td>
</tr>
<tr>
<td>Adey Reserve Master Plan</td>
<td>40,000</td>
</tr>
<tr>
<td>Building Work Program:</td>
<td>32,000</td>
</tr>
<tr>
<td>- $7,000 for Payneham Library Signage; and</td>
<td></td>
</tr>
<tr>
<td>- $25,000 for Norwood Oval Bitumen Repairs</td>
<td></td>
</tr>
<tr>
<td>ERA Water Reserve connections</td>
<td>30,000</td>
</tr>
<tr>
<td>Barry Skinner Reserve Signage</td>
<td>20,000</td>
</tr>
<tr>
<td>St Peters Childcare Centre &amp; Preschool PABX upgrade</td>
<td>16,000</td>
</tr>
<tr>
<td>Authority Version IT Upgrade</td>
<td>8,500</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL PROJECTS NOT EXPECTED TO BE INCURRED IN THE 2019-2020</strong></td>
<td><strong>4,517,500</strong></td>
</tr>
</tbody>
</table>

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

The Council considered and endorsed the Third Budget Update at its Council Meeting held on 4 May 2020.

**OPTIONS**

Not Applicable.
CONCLUSION
Nil

COMMENTS
Nil

RECOMMENDATION
That the Third Budget Update Report be received and noted.

Mayor Bria moved:
That the Third Budget Update Report be received and noted.
Seconded by Ms Sandra Di Blasio and carried unanimously.
6.3 BORROWING & INVESTMENT PERFORMANCE FORECAST FOR YEAR ENDED 30 JUNE 2020

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA60120
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with information on the management of the Councils' borrowings and investment performance, for the year ended 30 June 2020.

BACKGROUND

Pursuant to Section 140 of the Local Government Act 1999 (the Act), the Council is required, at least once in each year, to review the performance (individually and as a whole) of its investments.

This report provides a summary of the outstanding debenture loans as at 30 June 2020, details pertaining to new loan agreements which have been entered into and the existing loans which have been finalised during the period of 1 May 2019 and 30 April 2020, together with the outcome of the Councils investment performance.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Treasury Management Policy which was adopted by the Council on 2 March 2020, requires a Treasury Management performance report to be presented to the Audit Committee, at least annually.

FINANCIAL AND BUDGET IMPLICATIONS

The financial implications arising from this report, relate to the Councils ability to meet loan instalment payments inclusive of interest when they fall due.

The Council, through its annual budget process, ensures that sufficient cash flow is maintained to service its financing obligations.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.
RISK MANAGEMENT

The risk management issues relate to the Council's ability to meet loan instalment payments when they fall due. This risk is minimised by the Annual Budget process which recognises the timing of cash requirements and the revenue required to manage the Council's operations.

CONSULTATION

- Committee Members
  Not Applicable.

- Community
  Not Applicable.

- Staff
  Nil.

- Other Agencies
  Not Applicable.

DISCUSSION

Borrowings

Pursuant to Section 134 of the Local Government Act 1999, the Council can enter into financial arrangements as deemed appropriate by the Council, to borrow monies to fund recurrent operations and capital expenditure requirements.

The Council's Policy is to borrow on a fixed interest basis for the term of the loan to fund Capital Projects. To minimise future financing costs, the current funding strategy is to utilise surplus funds in the first instance, with short-term funding needs being met through the utilisation of the Cash Advance Drawdown (CAD) facility held with the Local Government Financing Authority (LGFA).

As at 30 April 2020, the balance of outstanding borrowings is forecast to be $11.9 million. The balance comprises seven (7) active fixed interest rate loans. In addition, the Council has one (1) Cash Advance Drawdown (CAD) variable rate facility, held with the Local Government Financing Authority. Due to current cash reserves, it is not anticipated that funds will be required to be drawn down under this facility.

The active fixed interest loans have been provided by the Local Government Financing Authority. The loan terms range from ten (10) years to twenty (20) years, with the respective interest rates varying between 2.4% pa and 6.77% pa.

A listing of the Council's active loans is contained in Attachment A.

For the financial year to 30 June 2020, the Council has a new Debenture Loan which commences on 15 May 2020. The loan amount is $6.5 million and the term of loan is 30 years. The loan is to fund the new Norwood Oval Clubrooms & Member Facilities.

From 1 May 2019 to 30 April 2020, there were two finalised loans. Debenture 7 matured on 15 June 2019 and was taken out in 2004 for the purposes of undertake 2003-2004 Infrastructure Work. The total principal payments and interest payments were $2 million and $1.221 million respectively. Debenture 27 was taken out in 2012 on behalf of Three D Radio to fund the fit out of their new premises at St Peters Town Hall. The term of loan was 10 years, however at the request of Three D Radio, the loan was paid out on 31 October 2019. The total principal and interest payments were $80,000 and $23,016 respectively. Debenture 9, which was taken out to fund various infrastructure upgrades is due to mature on 15 June 2020. The total principal payments and interest payments were $4.786 million and $2.663 million respectively.

Given the current cash reserves and projected capital expenditure, it is not anticipated that other Long Term Borrowings will be required before 30 June 2020. The Council has approved loan borrowings to the value of $14.5 million which are yet to be drawn down.
Principal repayments made on long term active loans for the year to 30 June 2020, are forecast to be $1.8 million.

The details of the movement in the loan balances are contained in Attachment A.

Investments

Pursuant to Section 139 of the Local Government Act 1999, the Council can invest monies under its control.

The Council's Treasury Management Policy allows for surplus funds which cannot be applied to reduce existing borrowings to be invested. Surplus funds are to be invested either:

a. "At Call" with the Local Government Finance Authority; or

b. fixed term investment products, where the term of the investment does not exceed a point in time where the funds could be applied to defer new borrowings or reduce existing borrowings.

For the 2019-2020 financial year, surplus funds are invested "At Call" with the Local Government Finance Authority. The balance of funds invested at 30 April 2020 was $6.228 million. Interest earned on funds which have been invested, was $98,188.

In addition to the ‘At Call’ account, the Council manages the ‘St Peters RSL Trust Account’. The balance of Trust Account at 30 April 2020 was $45,291. Interest earned from May 2019 to 30 April 2020 was $801.

On 6 July 2018, the Council opened a new term deposit for the funds received following the sale of 48 Nelson Street, Stepney. The value of the term deposit was $806,202. Due to the COVID-19 Pandemic and the Council’s resolution to allow the postponement of the Fourth Quarter Rates payments, upon maturity of the term deposit on 7 April 2020, the principal and interest of $828,813 were withdrawn and transferred to the 24HR “At Call” account to cover the anticipated reduction in cash flow resulting from the postponement of rate payments, reduced cash inflow from suspended Council user pay services and the temporary change to Child Care payment arrangements introduced by the Federal Government.

OPTIONS

Not Applicable.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That Borrowing and Investment Report be recommended to the Council for endorsement.

Cr Stock moved:

That Borrowing and Investment Report be recommended to the Council for endorsement.

Seconded by Ms Brigid O’Neill and carried unanimously.
6.4 2019-2020 EXTERNAL AUDIT PLAN

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA60120
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee, the Annual External Audit Plan for the 2019-2020 Financial Year.

BACKGROUND

The 2019-2020 Audit Committee work plan requires the Audit Committee to ensure that financial information for external audiences, accurately reflects accrual based financial principles. An effective and compressive External Audit Plan assists the Audit Committee in discharging its responsibilities with regard to this requirement.

At the Audit Committee Meeting held on 26 February 2018, the Committee considered the appointment of BDO Advisory (SA) Pty Ltd (BDO) as the Council’s Auditors for a five (5) year term commencing from the completion of the 2017-2018 Annual Financial Statements. In accordance with BDO’s audit methodology, the 2019-2020 External Audit Plan has been prepared and is presented for the Committee’s consideration and endorsement.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Nil.

FINANCIAL AND BUDGET IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

Nil.
CONSULTATION

- **Committee Members**
  Nil.

- **Elected Members**
  Nil.

- **Community**
  Nil.

- **Staff**
  The Council’s General Manager, Corporate Services and Financial Services Manager have met with representatives from BDO to discuss the audit approach, the information contained in the Audit Plan and agree on the timetable of significant milestones.

- **Other Agencies**
  Nil.

DISCUSSION

The External Audit Plan (the Plan) as contained in Attachments A, sets out the basis upon which BDO will undertake the external audit of the Councils 2019-2020 Financial Statements and Internal Controls. Whilst it is acknowledged that there are some restrictions which will complicate the audit process. BDO have had discussion with staff and have an electronic file sharing process in place that will enable the audit process to be undertaken with minimal impact.

The Plan outlines the objectives and the potential risks which will be considered and assessed during the Audit. BDO will undertake the external audit of the Council’s financial statements and internal controls as outlined in the engagement letters contained in Attachment B and C.

OPTIONS

Nil

CONCLUSION

The proposed External Audit Plan as presented will achieve the compliance outcomes required of the External Audit process.

COMMENTS

If Committee Members have any questions or require clarification in relation to the External Audit Plan, do not hesitate to contact the Financial Services Manager, Andrew Alderson on 8366 4548 prior to the meeting.

RECOMMENDATION

That the Audit Committee recommends to the Council that the 2019-2020 External Audit Plan and Engagement Letters as contained in Attachments A to C be endorsed.

*Ms Brigid O’Neill moved:*

*That the Audit Committee recommends to the Council that the 2019-2020 External Audit Plan and Engagement Letters as contained in Attachments A to C be endorsed.*

*Seconded by Ms Sandra Di Blasio and carried unanimously.*
6.5 GOVERNANCE ARRANGEMENTS – REGIONAL SUBSIDIARIES

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA60120
ATTACHMENTS: A - D

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

The emphasis of this report is to provide the Audit Committee an overview of the Draft 2020-2021 Budgets of the Council’s Regional subsidiaries which have been considered the Council.

The Council's Draft 2020-2020 Budget includes the respective cost of services which are delivered on behalf of the Council by the respective Regional Subsidiary and the Council’s share of the respective Regional Subsidiary operating result.

The Budget implications are discussed in the Discussion section of this report

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 and Highbury Landfill Authority. 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)**

EHA have advised that the key priorities for the Authority for the 2020-2021 Financial year include:

- implementation of the Regional Public Health Plan, ‘Better Living, Better Health’ as it applies to EHA;
- continuing to undertake the necessary public health functions on behalf of Constituent Councils to protect the health and well-being of the community during the COVID-19 Pandemic. Other COVID-19 priorities include:
  - the participation in Local Government COVID-19 meetings and forums to ensure consistency of approach in relation to public health and operational matters;
  - review of the Business Continuity Plan in light of the COVID-19 Pandemic; and
  - ensure operational activities (inspections, investigations, immunisation services etc.) are undertaken in line with required social distancing and hygiene measures to protect EHA employees and the community;
- promotion of EHA’s online immunisation appointment booking system;
- conduct immunisation surveys to gain client feedback for use in development of the 2021 Clinic Immunisation Timetable;
- implement improvements to the recalls and reminders for overdue immunisation clients; and
- undertake the organisation service review which considers the current scope and delivery of public and environmental health services by EHA to its Constituent Councils.

While the Authority’s Charter does not require the Constituent Councils to endorse the Draft Budget, however by virtue of the endorsement of the Business Plan, the Council is also ostensibly endorsing the EHA Draft Budget. EHA has advised that significant influences on the Annual Business Plan and in particular the Draft Budget include:

- EHA’s response to the COVID-19 Pandemic;
- the reduction of income from the School Based Immunisation Program, due to the finalisation of the year 11 catch-up program during 2019-2020. The 2020-2021 program is based on the immunisation of Year 8 and 10 students only;
- immunisation services no longer being provided to the City of Unley;
- the commencement of the Adelaide Public Health Network Immunisation Community Engagement Partnership Project; and
- Enterprise Bargaining wage increase for staff.
EHA’s main source of income to fund its operations is contributions (i.e. payments for services provided from its Constituent Councils. To deliver the Annual Business Plan, EHA requires contributions of $1,790,674 (which equates to a 1.91% or $33,554 increase on 2019-2020) to fund the operational expenditure, with the respective Councils contribution being based on the weighted activities across nine (9) categories which are detailed in Table 1 below.

In addition, the Constituent Councils will be required to contribute $40,000, shared equally, for the service review which was postponed from the 2019-2020 financial year.

It should be noted that the Council’s ownership share of EHA has increased from 31.87% to 32.74%, driven by a greater proportion of environmental health complaints and school enrolment numbers. The Councils contribution to EHA’s operations is $586,306, an increase of $26,354 on 2019-2020, with the increase in its ownership share of EHA attributing $15,600 to the annual increase.

As a receiver of services from EHA, the Council’s Draft 2020-2021 Budget includes a funding allocation for the provision of environmental health services of $587,000 plus $8,000 for its share the operational service review. Given that EHA are forecasting a break even operating result, the Council’s draft 2020-2021 Budget does not need to be adjusted to include this Council’s share of the EHA Operating result. A copy of the Authority’s draft Annual Business Plan and Budget is contained in Attachment A.

East Waste

The East Waste Draft 2020-2021 Budget has been developed based on a Common Fleet Costing methodology, with Common Fleet Costs, which predominately relate to collection costs, being charged to Constituent Councils based on the cost to undertake the collection of each Council’s waste streams. The allocation of the Common Fleet Costs is based on the GPS System utilised by East Waste.

In addition, where Constituent Councils utilise East Waste for other services such as Contract Management Services (Disposal and Resource processing) and Waste Bin Maintenance, these services are on charged to Councils at cost.

The Draft 2020-2021 Budget is reporting an Operating Deficit of $29,000. The Council’s share of the draft Operating Deficit is $4,147, which is based on an ownership share of the Authority of 14.3%.

East Waste has advised that the collection costs are forecast to increase by 4.43% on the 2019-2020 Budget with the main drivers for the increase being additional staff to meet operational need associated with the Hard Rubbish collection, increasing maintenance costs due to the age of the fleet and an allowance of 5 cents per litre associated with an increase in diesel fuel prices.
The Council’s Draft Waste Management Budget, reflects a proposed Common Fleet fee of $2.098 million (2019-2020 $2.017 million) to be charged for the collection of this Council’s waste streams, which include Domestic waste, Green Organics, Recyclables, Public Litter Bins, Illegal Dumping and pre-booked Hard Rubbish Collection. The year-on-year increase in the Common Fleet Cost is 5.42%, which is made up of the Council share of the increased common fleet costs ($44,880), offset by a slight reduction in the Council’s share of Common Fleet Costs from 16.6% to 16.5% ($46,302).

While the East Waste Budget includes income from disposal costs, the disposal charges are a “pass through” cost from East Waste to each Constituent Council; as such the Council’s proposed budget for the disposal of the Council’s streams is based on the Council’s estimate of waste which is collected and processed as opposed to the East Waste estimates.

In previous years, Constituent Councils have made a capital contribution ($0.021m) to the East Waste Equity Loan. This loan is associated with the formation of the current East Waste entity, following the creation of the Highbury Landfill Authority (which comprises the former Constituent Councils of East Waste prior to the establishment of the current East Waste). This loan has been finalised.

The East Waste Draft 2020-2021 Annual Plan is contained in Attachment B.

**ERA Water**

The ERA Water Draft 2020-2021 Budget assumes that 296ML of water will be sold in the 2020-2021 Financial year, with the first 205ML of the available water, being sold to the Constituents Councils on a take or pay basis and the balance (91.5ML) being made available for third parties. The water sold to Constituent Councils will be priced at the SA Water price, which is forecast at $3.35/kl. Forecast income from Constituent Councils is in the order of $701,000.

The third party water sales, are assumed to be made at 85% of the SA Water price, with the income forecast at $261,000 and represent 27% of total water sales for 2020-2021.

Operating costs are forecast to be $742,000 which includes Employee Expenses of $102,000 and $568,500 to operate and maintain the Scheme. The Scheme’s operational costs include mechanical and electrical operations and maintenance support provided by an external contractor, licence fees, water testing, utilities costs and administration costs such as insurances, audit fees and general administrative costs.

The ERA Water Draft 2020-2021 Budget includes Capital Expenditure of $225,000, which includes $150,000 to support additional connections to external customers, and $75,000 allocated for upgrades to the SCADA system and a general provision for capital works.

The Draft 2020-2021 Budget is forecasting an Operating Deficit of $587,000. This Council’s share of the Operating Deficit, which will be required to be included in the Councils 2020-2021 Budget is $195,700.

While ERA Water is budgeting for an Operating Deficit, ERA Water has sufficient access to cash to fund the expenditure shortfall and therefore, there will be no capital contributions required to be made by the Constituent Councils.

The Draft Budget includes water sales to this Council of $257,000, which is based on water consumption of 76.67ML. The Council’s Draft 2020-2021 Budget include a budget estimate of $345,000, which includes water sourced from SA Water and ERA Water for the Councils reserves, parks, medians and sporting grounds.

A copy of the Draft Budget is contained in Attachment C.
Highbury Landfill Authority

The Draft Budget includes expenditure items associated with the post-closure requirements which include:

- monthly monitoring of landfill gas and annual monitoring of ground water across the landfill site;
- site maintenance, which includes ongoing maintenance for fire control, fencing and access track maintenance; and
- administration costs such as insurance, utilities, Council rates and general administration of the Authority.

The Authority is required to oversee the management of the site until a steady state of conditions in respect to the gas emissions is maintained, which could be more than 25 years.

The Post Closure Provision, relates to anticipated future liability to manage the post closure of the landfill.

Elected Members may recall that as part of the 2018-2019 Budget, the Authority undertook an Expression of Interest process to engage a consultant to undertake a review of the future use options for the Highbury Landfill site. The objectives of the Expression of Interest were to assess options for the future use of landfill, in order to reduce the financial burden on the Constituent Councils.

The Board resolved to investigate the option to generate solar power on the site. Initial investigations indicate that currently there appears to be limited financial reward, however the Board is of the opinion that the environmental and social benefits of solar energy generated from the infrastructure install on the site should be investigated further. The draft Budget includes funding to progress investigations to determine if the solar project is viable.

The financial implications for the Council associated with the Draft Budget essentially relate to the cash which is required to fund the required post closure works and management of the former landfill and the recognition of the Authority’s Operating Result within the Council’s Statement of Comprehensive Income.

The Authority will require a Capital Contribution of $200,000 from the Constituent Councils to fund the Post-Closure Provision expenditure, which includes monitoring and site maintenance costs. This Council’s share of the Capital Contribution is $80,714.

The Council’s Draft Budget will also incorporate the Councils Share (40.4%) of the Authority’s projected Operating Surplus of $19,032 with this Council’s share of the surplus being $7,689. The factors contributing to the Operating Surplus is the anticipated reduction in the value of the Post Closure Provision.

A copy of the Draft Budget is contained in Attachment D.

OPTIONS

Nil.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.
Mayor Bria moved:

That the report be received and noted.

Seconded by Ms Sandra Di Blasio and carried unanimously.
6.6 COVID-19 FINANCIAL IMPACTS

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S6063
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee, the Council's response to and the financial impact of the COVID-19 (Coronavirus) Pandemic.

BACKGROUND

The respiratory illness outbreak caused by a new coronavirus, known as COVID-19, was declared a global pandemic by the World Health Organisation on 11 March 2020.

In response, the State & Federal Governments has implemented a number of measures to minimise the spread of COVID-19.

The implementation of the restrictions on public gatherings has had significant impact on the community, both the business sector through the closure of or severe restrictions on the level of trading and citizens of the City through reduced working hours or loss of employment, cancellation of sporting activities, event etc.

This report outlines the Financial Support Package which was endorsed by the Council at its meeting held on 6 April 2020, the financial impact of the COVID-19 social distancing and mass gathering restrictions for the three (3) month period to 30 June 2020 and the increase in operating expenditure incurred by the Council in responding to the pandemic.

Any ongoing financial impact beyond the 30 June 2020 has been considered as part of the Draft 2020-2021 Budget.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable

FINANCIAL AND BUDGET IMPLICATIONS

The Council's response to the COVID-19 Pandemic and the associated, the social distancing and mass gathering restrictions aimed at reducing the spread of the virus and the financial support package as set out in this report, takes into account the financial implications for the Council on the 2019-2020 Budget.

The consideration of the financial support which is to be provided to business operations, residents and property owners and the suspension or cancellation of Council's services, programs and events beyond 30 June 2020, have been considered as part of the draft 2020-2021 Budget.

To slow the spread of COVID-19, a series of restrictions on social distancing and mass gathering restriction have been put in place by the Government. In response to the Government's restrictions, a number of Council's services, programs and events have been suspended or cancelled. Table 1 lists the financial impact on the Council's budget due to the COVID-19 Pandemic restrictions. It should be noted that in determining the financial impact, it was assumed that the restrictions will remain in place until 30 June 2020.
TABLE 1: FINANCIAL IMPACT OF COVID-19 RESTRICTIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Favourable/(Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwood Concert Hall/Don Pyatt Hall Closure</td>
<td>($116,800)</td>
</tr>
<tr>
<td>Norwood Swimming Centre Early Closure*</td>
<td>($19,000)</td>
</tr>
<tr>
<td>Libraries Closure</td>
<td>$17,600</td>
</tr>
<tr>
<td>Loss of Hire Income</td>
<td>($32,640)</td>
</tr>
<tr>
<td>Cancellation of Council’s Events</td>
<td>$65,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>($68,540)</strong></td>
</tr>
</tbody>
</table>

Note: * The Council honoured the payment of casual shifts which had been rostered until the end of the swimming season

Other services which have been suspended due to COVID-19 include:

- Volunteer Services, with exception of the Justice of the Peace Service;
- non-essential Community Support Programs; and
- Youth-FM.

The financial support package presented in this report is a combination of the provision of financial relief from costs that businesses, community groups and other users of the Council’s user pay services would otherwise incur and the postponement or deferral of the payments associated with the financial commitments which those businesses, community groups and other users have with the Council.

Where full relief (i.e. waiving) is provided, the financial impact of that relief will have a direct impact on the Council’s 2019-2020 Budget. The postponement (i.e. deferral) of payments will only impact on the Council’s cashflow. Table 2 outlines the potential impact on the Councils 2019-2020 Budget and associated cashflow of the proposed financial support package.

TABLE 2: FINANCIAL IMPACT OF FINANCIAL SUPPORT PACKAGE

<table>
<thead>
<tr>
<th>Description</th>
<th>Full Relief</th>
<th>Postponement of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Parade Separate Rate</td>
<td>$54,075</td>
<td>-</td>
</tr>
<tr>
<td>Outdoor Dining Permits</td>
<td>$27,665</td>
<td>$5,600</td>
</tr>
<tr>
<td>Lease and Hire fees*</td>
<td>$55,450</td>
<td>-</td>
</tr>
<tr>
<td>HACC Fees</td>
<td>-</td>
<td>$15,000</td>
</tr>
<tr>
<td>Non-residential discretionary rebate (subject to Financial Hardship)</td>
<td>$75,000</td>
<td>-</td>
</tr>
<tr>
<td>Donation to Norwood Branches of the Salvation Army and St Vincent DePaul</td>
<td>$10,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$222,190</strong></td>
<td><strong>20,600</strong></td>
</tr>
</tbody>
</table>

In addition, the Council will waive interest and late payment fees for the non-payment of the Fourth Quarter Rates payments, which are due on 1 June 2020.

To date, the Council has had requests for Financial Hardship from 119 ratepayers, from both residential and non-residential ratepayers.

In addition to the direct impact on the Council services, the Council has incurred a number of unplanned expenditures in response to the pandemic. Such costs include additional cleaning costs for each of the Council’s facilities including public facilities such as public toilets, the purchase of consumables, such as hand sanitiser, bunting, gloves, lease costs of additional IT equipment and services to implement work from home arrangements, purchase and implementation of protective screens, audio visual costs for remote Council Meetings and printing of signage associated with COVID-19. To date the additional expenditure is in the order of $16,000.
EXTERNAL ECONOMIC IMPLICATIONS

The COVID-19 (Coronavirus) Pandemic has to date, had a significant negative impact on the Australian economy and the City's economy and in turn its community. The consequent economic damage of the COVID-19 pandemic however are anticipated to be felt for some time beyond the end of the pandemic. The Federal Government has released an Economic Response to the COVID-19 pandemic which includes a number of financial support packages aimed at supporting workers, small to medium businesses and those on government benefits.

While it is unknown at this stage what the full economic impacts will be, it is imperative that Local Government, together with the State and Federal Government implement initiatives that will support businesses and the wider community, so that they are in the best position possible to recover from the economic impacts of the COVID-19 Pandemic

SOCIAL ISSUES

The COVID-19 (Coronavirus) Pandemic has to date a significant impact, with a large number of people now being unemployed or on reduced income. In considering the immediate Financial Support Package and the ongoing financial support the Council considered the social impact of increased unemployment resulting from the reduction in the economic activity throughout the City and the State in general.

DISCUSSION

COVID-19 Restrictions

To slow the spread of the COVID-19, the State and Federal Governments have implemented a number of restrictions. In response to these restrictions, the Council suspended and cancelled some services, programs and events, which have the following financial impact on the Council:

Norwood Concert Hall and Don Pyatt Hall

In response to the COVID-19 pandemic, the Federal Government introduced Stage 1 restrictions on social gatherings, with the restrictions coming into effective from midday local time on Monday 23 March 2020 with the following impacts:

- closure of pubs, registered and licensed clubs (excluding bottle-shops attached to the venue) and hotels (excluding accommodation); and
- restricted restaurants and cafes to the provision of take away or home delivery meals only.

Both Norwood Concert Hall and Don Pyatt Hall, as licenced premises, have been closed since Monday, 23 March 2020. The forecast loss of income for both premises for the remainder of the financial year is $190,000. Taking into account the savings from the operational costs, the forecasted net loss is $116,800.

Swimming Centres

Following the National Cabinet Meeting on 24 March 2020, the Prime Minister announced the closure of swimming centres from 25 March 2020. There is no financial impact on the Payneham Memorial Swimming Centre due to the season concluding on 22 March 2020. The season for Norwood Swimming Centre was planned to end on Sunday 12 April 2020. The loss of income from anticipated general admission, school swimming lessons, carnivals and pre-booked lane hires was $19,000. Given the short notice of the closure, the Council honoured the casual staff rostered hours to Sunday 12 April 2020. Given that the Council honoured the rostered hours, the loss of income was only offset by a minor savings in other operational costs.
Libraries

The Council’s three Library buildings were closed on 25 March 2020, due to the Prime Minister’s announcement on 24 March 2020. As full time and part time staff were retained and the rosters for the Casual staff were, (similar to the Swimming Centre casual staff), honoured, the closure of library buildings has resulted in a small reduction of $16,000 on the operational budget. This anticipated reduction was based on the assumption that the Council’s Libraries would remain closed until the end of the financial year. Given that the Library buildings were re-opened on 15 May 2020, following the relaxation of the social distancing restrictions, the anticipated saving may not be fully realised.

Council Facilities for Hire

Due to the Government’s restrictions on indoor mass gathering, the bookings for St Peters Youth Centre, the Payneham Community Centre, the Payneham Library Centre and the St Peters Banquet Hall have been cancelled since 25 March 2020. The forecasted loss of hire income for the Council is $32,640. While the restriction on Community Hall were relaxed on 11 May 2020, it was decided, that given that the use of Community Hall was restricted to gatherings of ten (10) persons or less, that these would not be open for booking until 8 June 2020 (as part of the Stage 2 easing of restrictions).

Council’s Events

Due to the Government’s restrictions on mass gatherings, the Council’s events have been cancelled for the remainder of the financial year, which has resulted in a saving of $65,800.

COVID-19 Financial Support Package

The Federal Government has released an Economic Response package to the COVID-19 Pandemic, which includes a range of packages aimed at supporting workers, small to medium businesses and those on government benefits.

The areas and or services which the Council’s Financial Support Package seeks to assist are set out below:

Outdoor Dining Permits

Given that the Stage 1 restrictions ostensibly prevented outdoor dining, the Council approved at its meeting Council Meeting held on 4 May the following:

- a refund of the Outdoor Dining Permit fee (pro-rata from 23 March 2020 to 30 June 2020) to Permit Holders that have been paid in full or credited to the Permit Holder where the permit fee has not been paid in full. The value of the refund will be in the order of $27,665;
- where Permit Holders are required to make a payment for the installation of bollards, these payments be deferred for a period of three (3) months to June 2020. The postpone payment is forecasted to be $5,600; and
- the payment arrangements be reviewed at 30 June 2020.

The Parade Separate Rate

As part of the 2019-2020 Budget, the Council declared The Parade Precinct Separate Rate. The revenue raised through the Separate Rate, is used to implement The Parade Precinct Annual Business Plan, with the intent of the Annual Business Plan being to market and promote the Parade Precinct. For the 2019-2020 financial year, the value of the Separate Rate was $215,000.

Given the Federal Government restrictions on Social Distancing and in particular, the restriction on indoor gatherings, in particular the 4 square metre rule, a number of initiatives that were outlined in the Annual Business Plan such as networking events and workshops have been cancelled. In addition, due to the Government’s directions regarding the restrictions on non-essential activities, other promotional activities included within the Plan have been suspended. As such, the Council resolved, pursuant to Section 166 (1) (b) of the Local Government Act 1999, that the Council grant a discretionary rebate, equal to the Fourth Quarter payment of the Separate Rate to those businesses within the Parade Precinct who are required to pay the Separate Rate. The value of the credit is $54,000.
Tenancies, Leases and Licences

The Council has a number of Council owned properties which are leased or tenanted under a licence or rental agreement.

In respect to the issue of tenancies, the National Cabinet have agreed to a set of principles to aid commercial tenancies which are impacted by the COVID-19 Pandemic. These principles are set out below:

- a short term, temporary moratorium on eviction for non-payment of rent to be applied across commercial tenancies impacted by severe rental distress due to coronavirus;
- tenants and landlords are encouraged to agree on rent relief or temporary amendments to the lease;
- the reduction or waiver of rental payment for a defined period for impacted tenants;
- the ability for tenants to terminate leases and/or seek mediation or conciliation on the grounds of financial distress;
- commercial property owners should ensure that any benefits received in respect of their properties should also benefit their tenants in proportion to the economic impact caused by coronavirus;
- landlords and tenants not significantly affected by coronavirus are expected to honor their lease and rental agreements; and
- cost-sharing or deferral of losses between landlords and tenants, with Commonwealth, state and territory governments, local government and financial institutions to consider mechanisms to provide assistance.

Given the varying circumstances of the businesses and groups that have lease agreements and rental commitments with the Council, it has been difficult to set a blanket position which is appropriate for all tenants. Therefore, the Council resolved that each tenancy is reviewed on a case-by-case basis, in line with the Council’s current financial hardship provisions and the principles set out by the National Cabinet. To date, two (2) tenants have been provided financial relief on their rent payments payable under their lease arrangements.

Sporting Clubs

The Council has a number of arrangements in place with sporting clubs. Due to the restrictions, imposed by the State and Federal Governments, in respect to social distancing and mass gatherings, the operations of these sporting groups have ceased. As a result, the Council resolved that financial commitments in respect to facilities usage permits be waived for a period of three (3) months to 30 June 2020 and that financial commitments payable under other arrangements (i.e. Loan Agreements or Co-contribution Agreements) be deferred for a period of three (3) months to 30 June 2020. The arrangements will be reviewed at 30 June 2020.

Home and Community Care Services

The Council provides a number of services to vulnerable and aged residents under the Governments’ Home and Community Care programs. The Council is continuing to provide these services. For some services, the recipients are charged a small fee for the services provided, with invoices being issued in the order of $5,000 per month. The Council resolved that the invoices continue to be issued, however arrangements will be put in place, such as deferred payment options for those recipients who are having difficulty in making the payments.

Rates

Rates payments due and payable on 1 June 2020 (Fourth Quarter) is in the order of $7 million.

The Council, in line with the position which has been taken by other Councils, has waived interest and fines on overdue payments of the Fourth Quarter instalments for both residential and non-residential property owners. In respect to outstanding rate payments, the Council’s current rates approach allows for ratepayers who are experiencing financial hardship to apply pursuant to Section 182 of the Local Government Act 1999, for remission or postponement of rates. The Council approved that the current financial hardship provisions continue on a case-by-case basis, albeit with a relaxation on the provision of evidence of hardship required pursuant to Section 182 (5).
In addition, at its meeting held on 6 May 2020, the Council resolved, subject to demonstration of financial hardship due to COVID-19, a Discretionary Rebate for the 2019-2020 Fourth Quarter rates payment be granted to commercial rate payers equal to the 20% differential between the residential and non-residential rate. For other non-residential rate payers, subject to demonstration of financial hardship due to COVID-19, the 2019-2020 Fourth Quarter rates payment be waived equal to the 20% differential between the residential and non-residential rate. The financial impact on the 2019-2020 Budget is estimated to be in the order of $75,000.

Donation

In accordance with the Council’s Emergency Donations Policy, at its meeting held on the 6 April 2020, the Council resolved to donate $5,000 to St Vincent de Paul, Norwood and $5,000 to Salvation Army, Norwood. The purpose of the donations are to provide capacity for those charities to provide emergency relief to members of the community, particularly low and fixed income earners, who have experienced significant hardship during the COVID-19 pandemic.

Parking Fines

In response to COVID-19, the policing of time limit parking along the Parade Precinct and other business precincts have been relaxed to assist the commercial precincts cope with the significant downturn in business activity and to assist residents and visitors to go about their shopping and business activities during these difficult times. The financial impact on the 2019-2020 Budget is a reduction of parking infringement income in the order of $195,000.

St Peters Child Care Centre & Preschool

The provision of long day-care service is considered to be an essential service, and therefore continued to operate during the pandemic. The initial response from the Federal Government to minimise the impact on families, was to pass a number of legislative amendments which allowed the Minister for Education to:

- increase the number of days that a family can continue to claim the Child Care Subsidy in cases where a child is absent from child care for more than the currently allowable 42 days;
- provide a families access to additional absences, without the need for evidence in relation to COVID-19; and
- waive the current obligation of child care services to require a family to pay gap fees if the service is forced to close.

To ensure that child care services remain viable and to enable staff to be paid during any closure, Child Care Centre’s will continue to be paid the Child Care Subsidy, which can be up to 85% of the daily cost of a child’s care, if they are directed to temporarily close, due to the COVID-19 pandemic.

What this meant for the St Peters Child Care Centre & Preschool (the Centre) was that it was continuing to receive the Child Care subsidy and the gap fee for each child enrolled at the Centre.

However, a number of families were withdrawing their children from Childcare Centres across the country, therefore childcare centres were experiencing a rapid reduction in income but due to the licencing conditions, which specify minimum Educator to Child ratios and employment agreements, could not reduce the associated operating costs to meet the loss of income.

At the height of the Pandemic, 24 families had withdrawn their children from the Centre, which equated to 54 vacancies across the week and a loss of revenue of $5,454 per week and a further $71,000 loss in revenue for the June Quarter. In addition, a further 21 families retained their space at the Centre however elected not to send their children to the Centre.

As these families decided to utilise their allowed absences, the Centre continued to receive the Child Care Subsidy that these families were eligible to receive. In these circumstances, the Centre was also required to charge the Gap fee, with the Gap fee being the difference between the Centres’ daily rate and the Child Care Subsidy that the family is eligible to claim and receive.
Given the increasing number of families withdrawing from childcare and other families experiencing some resentment in having to continue to pay the Gap fee, when the extent of the voluntary removal of their children from care was unknown, on 2 April 2020, the Federal Government announced that child care would be free from 6 April 2020 until 28 June 2020 and the Childcare Subsidy Scheme would be suspended and replaced with an Early Childhood Education and Care Relief Package.

The funding arrangements under the Early Childhood Education and Care Relief Package are:

- 50% of the Centres fee revenue based on the reference fortnight ended 2 March 2020; and
- JobKeeper Payment for eligible employees.

As Local Government is ineligible for the JobKeeper Payment, for Council operated Childcare Centres, the income halved as a result of the Federal Government policy decision to provide free childcare through the COVID-19 pandemic. For this Council, prior to COVID-19, the average weekly fee income for the June Quarter was estimated to be $45,000, which was made up of the child care subsidy and gap fees compared to the weekly Early Childhood Education and Care Relief payment of $19,600.

Following an approach by the Local Government Association on behalf of Council operated Child Care Centres, the State Government announced that through its Community and Jobs Support Fund, it will match the Federal Government’s standard payments payable under the Early Childhood Education and Care Relief Package. This means that the St Peters Child Care Centre and Pre-school, will receive $235,200 from the State Government’s Community and Jobs Support Fund.

As the reference fortnight, which the package income is based on, is a below capacity fortnight, as the Centre, like many other Childcare Centres, transition new enrolments into the Centre over February and March rather than having all new enrolments commence at the start of term.

As a result, the Centre is under-funded for at least five (5) enrolments. In addition, the Centre has a number of families that are not eligible for the Child Care Subsidy and therefore have not applied for a Customer Reference Number (CRN) and therefore these families are not included in the reference week. Despite the additional State Government assistance, the Centre’s income, subject to a successful application for additional funding, will experience a revenue shortfall in the order of $70,000.

CONCLUSION

As previously stated the financial support initiative endorsed by the Council form a Financial Support Package for the three (3) month period to 30 June 2020. Ongoing financial support beyond the 30 June 2020 has been considered as part of the 2020-2021 Budget process and in the Draft 2020-2021 Annual Business Plan and Budget.

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Ms Brigid O’Neill moved:

That the report be received and noted.

Seconded by Cr Stock and carried unanimously.
6.7 REVIEW OF USE AND MANAGEMENT OF COUNCIL CREDIT CARDS

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Service
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA1839 / A15428
ATTACHMENTS: Nil

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with information pertaining to a review of the Council's credit cards which examined the Council's management and use of credit cards to undertake business transactions.

BACKGROUND

Like many organisations, the Council has for some time utilised credit cards as the payment option for low value, low risk, high volume transactions. Following a review of the Council's transactional banking products in 2011, the Council commenced utilising the ANZ's Business One Card as the Council's credit cards. At that time, the Council issued five (5) credit cards to the following positions:

- General Manager, Governance & Community Affairs;
- Manager, Library Services & Life Learning;
- Executive Assistant to the Chief Executive Officer and Mayor; and
- Events officers (2).

In November 2017, the Council issued an additional credit card to the position of Organisational Development Officer.

The credit card spending limit is $35,000 (total) across the six (6) credit cards. The spending limit for each credit card's holder is listed below:

a) $5,000 Limit: Events Officers and Executive Assistant to the Chief Executive Officer and Mayor;
b) $10,000 Limit: General Manager, Governance & Community Affairs and Manager, Library Services & Life Learning;
c) $15,000 Limit: Organisational Development Officer.

The credit cards spend is paid monthly, unless the credit card limit is reached. However, to date the Council's monthly spending is yet to reach the $35,000 limit.

Upon issue, each card holder is required to read and sign the Condition of Use of Corporate Credit Card prior to receiving the card. The credit card holder is required to comply with Credit Card Policy and the respective expenditure delegations as set out in the Expenditure Policy.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Nil.

EXTERNAL ECONOMIC IMPLICATIONS

Nil.

SOCIAL ISSUES

Nil.
CULTURAL ISSUES
Nil.

ENVIRONMENTAL ISSUES
Nil.

RESOURCE ISSUES
Nil

RISK MANAGEMENT
Nil

CONSULTATION
- Committee Members
  Not Applicable.
- Community
  Not Applicable.
- Staff
  Where Applicable.
- Other Agencies
  Not Applicable.

DISCUSSION
The Council is required by law, to be responsible for the proper use of public money and to ensure that public resources are used fairly, efficiently and effectively. While the use of a credit card can be an efficient and convenient tool for the Council to purchase or pay for goods and services, the use of credit cards also increases the risk of unauthorised and improper use or waste of public money.

The Auditor-General undertook a review of the use and management of credit cards within three (3) Councils, these being the City of Charles Sturt, the City of Playford and the Coorong District Council. The objective of the review was to determine whether the Councils used and managed its credit cards efficiently and economically.

The review undertaken examined the Council's policies and procedures with regard to:

- the use and management of credit cards to determine if the use of credit cards promoted and supported its efficiency; and
- specific expense types to determine if the policy and procedures provided adequate direction and guidance to Council staff to ensure the proper use of public money.

The Auditor-Generals review examined two key controls over credit card expenditure to ensure it was authorised and achieved the proper use of public money to determine if:

- two key control activities, namely the selected transactions were authorised and independently reviewed, were being performed effectively;
- the expenditure complied with policy or to identify gaps in policy; and
- the expenditure was consistent with the proper use of public money by assessing them against the expenditure principles provided in Figure 1.
Figure 1: Expenditure Principles

While the recommendations arising from the review were specific to the individual Council subject to the review, there was a common theme which applied to all Councils. The key recommendations were that Council’s should:

- perform a formal and regular analysis of its credit card and accounts payable expenditure to:
  - identify areas for further improvement in the use of credit cards;
  - confirm individual cardholder limits are reasonable and enable cardholders to perform their roles and responsibilities efficiently;
  - confirm that the reason for issuing a credit card and its subsequent use remains appropriate and supports efficiency; and
  - inform its procurement strategy.
- update credit card policies for the improvements identified and ensure the credit card policy is reviewed in line with its review date;
- update credit card policies to require an independent review of credit card expenditure and document the procedures for this. Reinforce to staff the importance of the independent reviewer’s responsibility;
- review a sample of credit card transactions to ensure the independent review is operating effectively and in line with the new/revised policies
- update its policies for:
  - the expenditure principles staff need to apply and clearly demonstrate at the time expenditure is incurred; and
  - the nature and extent of information needed to adequately justify the business purpose of the expenditure;
- maintain adequate records to explain its expenses and demonstrate transparency in the decision-making process and the proper use of public money;
- evidence approvals that support the business purpose prior to incurring expenditure that is outside of an approved policy and/or perceived to be unusual or uncommon; and
- better explain the business purpose and business benefit to the Council before incurring sensitive expenditure, such as travel, gifts and entertainment. The Council should also maintain adequate records to support this explanation.
The Council has issued six (6) credit cards for the use by staff who hold specified positions. The purpose of credit cards are for low-value and high-volume business transactions, mainly for library purchases, community and staff event expenses, corporate travel, staff training, IT subscriptions, minor catering, Chief Executive Officer and Mayor related expenses and general minor expenditure where it is more cost effective and expedient to pay via the credit card compared to Electronic Funds Transfer.

Following the release of the Auditor General’s report, Finance staff examined the Council’s existing policies governing the use and management of the Council’s credit cards against the Auditor Generals recommendations. The review examined the Council’s policies governing specific expense types to determine whether they provided adequate direction and guidance to Council staff to ensure the proper use of public money. In addition, the review also examined two key controls over credit card expenditure to ensure it was authorised and detected the misuse and/or waste of public money.

**Findings**

The review identified the following areas which required improvement:

- **Lack of documented procedures**

  While the Council has in place a *Credit Card Policy* and *Expenditure Policy* and these policies are regularly reviewed, the Council does not have in place a document which provides detailed guidance for the card holders regarding the use and management of the credit cards. Policies provide the general principles and responsibilities with regard the purpose and use of credit cards where as a guideline/procedure provides the practical application of the policies and their roles and responsibilities as a credit cardholder.

- **Independent Review**

  It was identified that there were deficiencies in the independent review of credit card expenditure. Credit card holders are responsible for their credit card monthly reconciliations and provide the Council’s Finance Officer the signed invoices or other documentation which support the credit card transactions. While there were no instances identified that purchases were made outside of the expenditure delegations, it was noted that there was no independent review of the appropriateness of the type of purchases made via the credit card.

- **Explanation of the Business Purpose**

  As the Council has a limited number of credit cards available for use, staff across the organisation may utilise the credit cards for ad-hoc purchases, time critical purchase or for purchases made on-line. Through the review, instances were identified where card holders had not adequately articulated the purpose of the business transaction on the monthly reconciliation, as the business purpose was not clearly justified or articulated to the credit card holder, at the time expenditure was incurred. In addition, it was identified that credit card holders, in some instances, were unaware of the origin or purpose of transactions charged to the credit card within their responsibility, therefore they were not in a position to provide details on the nature or the transaction.

- **General use and management of credit cards**

  The Council’s credit cards are issued to six (6) Council staff either based on their positions or based on transactional need. For example, the majority of library resources are purchased from internet sites, therefore to meet operational needs, the Manager, Library Services & Lifelong Learning has been issued a credit card.

  Through the review of credit card transactions, a number of instances identified that some credit cards are frequently used across the organisation, with the nature of the transactions not being for the initial purpose or operational need that the credit card was issued. This causes the cardholders’ confusion when they undertake the reconciliation of their monthly statement and in some instance the credit card transactions was not supported by invoices and justification of the expenditure purpose was omitted form the monthly cardholder reconciliation.
Opportunities for Improvements

- **Documented procedures**

  It is proposed that a Credit Card Procedure/Guidelines be developed and communicated to each credit card holder. The Procedure/Guidelines should clearly identify the cardholder’s responsibilities, the primary business expenses items which the credit cards can be used for and provide card holders a detailed instruction on how to complete the Monthly Cardholder reconciliation.

- **Independent Review**

  The independent review of credit card transactions is a strong control to detect credit card misuse and the improper use of public money. It is recommended that the Credit Card Policy be amended so that the Monthly Cardholder reconciliation is reviewed by the cardholders Manager, with the Manager having the responsibility to review and question transactions that appear inappropriate, unusual and that expenditure incurred is within the expenditure delegation of staff member requesting the payment of expenditure via the credit card and ultimately sign off the Monthly Cardholder reconciliation.

- **Explanation of the Business Purpose**

  Remind each credit card holder that they are responsible for all transactions appearing on their credit card and that it is their responsibility that the Monthly Cardholder reconciliation clearly details the expenditure account code, description of transaction, including the business purpose for each credit card transaction, sign the reconciliation sheet and attach the independently signed supporting invoices for each transaction and seek the independent review by their Manager.

  Update the credit card reconciliation form so that card holders can identify the business purpose for each credit card transaction.

- **General Use and Management of Credit Cards**

  It is recommended that an additional card be issued for the payment of cross departmental general expenditure such as IT subscriptions and other expenditure which does not fit within the identified purpose of other specified credit cards. It is proposed that the general purpose credit card be held within the Finance Department, expenditures required to be approved by General Manager, Corporate Services prior to being incurred.

**OPTIONS**

Nil.

**CONCLUSION**

The use of credit cards is an efficient and convenient tool for the Council to purchase or pay for goods and services, however the use of credit cards does present risks associated with the miss use of public monies. The review undertaken did not identify any inappropriate use of the Council issued credit cards.

Given that the Council only has a limited number of credit cards, the risk of miss-use is considered to be low, however the review did identify a number of improvements which can be easily made to enhance its use of credit cards as a form of payment for business transactions. The opportunities for improvements identified within this report will be implemented by Finance staff in the coming months.

**COMMENTS**

RECOMMENDATION

That the Audit Committee endorses the proposed improvements as set out in this report and recommends to the Council that the opportunities for improvements as set out in this report be endorsed and implemented.

Mayor Bria moved:

That the Audit Committee endorses the proposed improvements as set out in this report and recommends to the Council that the opportunities for improvements as set out in this report be endorsed and implemented.

Seconded by Ms Sandra Di Blasio and carried unanimously.
6.8 FINANCE POLICIES

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA60120
ATTACHMENTS: A - F

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 F 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>
<thead>
<tr>
<th>Policy</th>
<th>Details of Proposed Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Policy</td>
<td>As a result of the establishment of the position of Manager, Traffic &amp; Integrated Transport, it is recommended that a Delegation of Authority be granted to the position to approve expenditure transactions up to $10,000 (Responsible Officers Level 1).</td>
</tr>
<tr>
<td>Rating Policy</td>
<td>COVID-19 Response</td>
</tr>
<tr>
<td></td>
<td>As a result of the COVID-19 Pandemic, the Council resolved to implement a temporary change to the annual Rate Cap. The proposed 2020-2021 Rate Cap has been set at 1% (subject to certain conditions). This means that the maximum increase in rates for individual properties will 1.0% for the 2020-2021 Financial Year. In addition, the Council has determined to extend the Rate Cap to Commercial properties.</td>
</tr>
<tr>
<td></td>
<td>In addition, the Council has determined not to declare The Parade Precinct Separate Rate for 2020-2021.</td>
</tr>
<tr>
<td>Procurement Policy</td>
<td>Due to the implementation of the Electronic Document Management System, the Policy has been updated to allow for the electronic lodgement of Tenders and Quotes.</td>
</tr>
<tr>
<td>Policy</td>
<td>Details of Proposed Amendment</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hardship Policy (Attachment D)</td>
<td>In the past, given the minimal number of ratepayers seeking relief due to Financial Hardship, the criteria and assessment of the requests has been against a set criteria. As a result of the COVID-19 Pandemic, the Council has experienced an increase in the number of ratepayers requesting rate relief due to financial hardship and as such, it is recommended that the Council formalise its financial hardship provision with a Policy.</td>
</tr>
<tr>
<td>Hardship Policy – COVID-19 (Attachment E)</td>
<td>This is a temporary policy, which address Financial Hardship specific to the economic impacts resulting from the COVID-19 Pandemic</td>
</tr>
<tr>
<td>Records Disposal Policy (Attachment F)</td>
<td>Minor administrative updates are recommended</td>
</tr>
</tbody>
</table>

**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 amendments which have been proposed:
   - Expenditure Policy;
   - Rating Policy;
   - Procurement Policy;
   - Hardship Policy;
   - Hardship Policy – COVID-19; and
   - Records Disposal Policy.

2. That the Audit Committee recommends to the Council that the Financial Policies (as set out below) as amended, be approved:
   - Expenditure Policy (Attachment A);
   - Rating Policy (Attachment B);
   - Procurement Policy (Attachment C);
   - Hardship Policy (Attachment D);
   - Hardship Policy – COVID-19 (Attachment E); and
   - Records Disposal Policy (Attachment F).
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 amendments which have been proposed:
   - Expenditure Policy;
   - Rating Policy;
   - Procurement Policy;
   - Hardship Policy;
   - Hardship Policy – COVID-19; and
   - Records Disposal Policy.

2. That the Audit Committee recommends to the Council that the Financial Policies (as set out below) as amended, be approved:
   - Expenditure Policy (Attachment A);
   - Rating Policy (Attachment B);
   - Procurement Policy (Attachment C);
   - Hardship Policy (Attachment D);
   - Hardship Policy – COVID-19 (Attachment E); and
   - Records Disposal Policy (Attachment F).

Seconded by Cr Stock and carried unanimously.
7. CONFIDENTIAL REPORTS
   Nil

8. OTHER BUSINESS
   Nil

9. NEXT MEETING
   Monday 27 July 2020

10. CLOSURE

    There being no further business the Presiding Member declared the meeting closed at 7.57pm.

____________________________________  ____________
Cr John Minney  
PRESIDING MEMBER

Minutes Confirmed on __________________________ (date)