Audit Committee Minutes

28 May 2018

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.
1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 FEBRUARY 2018 ................................................................. 1
2. PRESIDING MEMBER’S COMMUNICATION................................................................. 1
3. QUESTIONS WITHOUT NOTICE ................................................................................. 1
4. QUESTIONS WITH NOTICE ......................................................................................... 1
5. WRITTEN NOTICES OF MOTION ............................................................................... 1
6. STAFF REPORTS ........................................................................................................... 1
   6.1 2018-2019 DRAFT ANNUAL BUSINESS PLAN AND BUDGET ................................... 2
   6.2 2017-2018 THIRD BUDGET REVIEW .................................................................. 9
   6.3 LONG-TERM FINANCIAL PLAN ........................................................................ 17
   6.4 2017-2018 EXTERNAL AUDIT PLAN .................................................................. 22
   6.5 FINANCIAL RECONCILIATIONS ......................................................................... 24
   6.6 GOVERNANCE ARRANGEMENTS – REGIONAL SUBSIDIARIES ............................ 26
   6.7 FINANCE POLICIES ......................................................................................... 30
   6.8 BORROWING & INVESTMENT PERFORMANCE FORECAST FOR YEAR ENDED 30 JUNE 2018 .................................................................................................................. 33
7. CONFIDENTIAL REPORTS ......................................................................................... 36
8. OTHER BUSINESS ...................................................................................................... 36
9. NEXT MEETING .......................................................................................................... 36
10. CLOSURE .................................................................................................................. 36
VENUE
Mayors Parlour, Norwood Town Hall

HOUR
7.01pm

PRESENT

Committee Members
Mayor Robert Bria
Cr John Minney (Presiding Member)
Cr Kevin Shepherdson
Mr Peter Holmes (Independent Member)
Ms Julie Wobber (Independent Member)

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

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 Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council's Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 26 FEBRUARY 2018

Mayor Bria moved that the minutes of the Audit Committee meeting held on 26 February 2018 be taken as read and confirmed. Seconded by Mr Peter Holmes and carried.

2. PRESIDING MEMBER’S COMMUNICATION
Nil

3. QUESTIONS WITHOUT NOTICE
Nil

4. QUESTIONS WITH NOTICE
Nil

5. WRITTEN NOTICES OF MOTION
Nil

6. STAFF REPORTS
6.1 2018-2019 DRAFT ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 83664585
FILE REFERENCE: S05042
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee, the Draft 2018-2019 Annual Business Plan and the Draft 2018-2019 Budget, 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 it 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 make it available for public consultation.

At the Special Council meeting held on 23 April 2018, the Council considered the considered and adopted “in-principle”, the Draft ABP and Budget and released for community consultation.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

The Council’s Long Term Strategic directions are outlined in the Council’s Strategic Movement Plan City Plan 2030 – Shaping our Future. The Draft 2018-2019 Annual Business Plan and supporting Draft Budget, set out the proposed services and programs and initiatives for the 2018-2019 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 Council’s strategic 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 and the Annual Business Plan and Annual Budget.

The ‘in-principle’ adoption of the Draft 2018-2019 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.
FINANCIAL AND BUDGET IMPLICATIONS

The ‘in-principle’ adoption of the Draft 2018-2019 Budget (Draft Budget), as presented (based on a Rate Revenue increase of 2.5%, being the target increase as set in the LTFP), will deliver an Operating Surplus of $1.514 million (2017-2018: $3.081 million) and a Net Surplus (after capital income) of $10.266 million (2017-2018: $9.785 million). It should be noted that the Council has made grant funding applications to the value of $3.265 million to assist in funding a number of the proposed Capital Projects. The Net Surplus as presented in the Draft Budget is based on the assumption that the Council will be successful in securing the total value of the grant funding in which it has applied for.

The Draft Operating Surplus incorporates $0.260 million from the Roads-to-Recovery Program. While the funding will be utilised to fund a Capital Project, this funding is required to be included when determining the Council’s Operating Surplus. Excluding the Roads-to-Recovery funding, the underlying Operating Result for the provision of the Council’s continuing services and programs and new initiatives, would be an Operating Surplus of $1.254 million (2017-2018: $1.958 million).

SOCIAL ISSUES

Nil.

CULTURAL ISSUES

Nil.

ENVIRONMENTAL ISSUES

Nil.

RESOURCE ISSUES

Nil.

RISK MANAGEMENT

There are a number of risk management issues arising from this issue and as such, it is important, that the budget is prepared and adopted in accordance with the relevant statutory requirements. To this end, the Draft budget has been prepared in accordance with the relevant statutory requirements.

CONSULTATION

- **Committee Members**
  An overview of the Draft 2018-2019 Recurrent Budget was provided to Elected Members and Audit Committee Members at an Information Briefing which was held on 26 March 2018.

- **Elected Members**
  Elected Members 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 will commence on 9 May 2018.

• 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 2018-2019 Annual Business Plan and Budget is strategically focused, financially responsible and targeted at ensuring that the Council’s priorities and operations are appropriately resourced. The focus in developing the Draft 2018-2019 Annual Business Plan and Budget, has been on ensuring that the Council can maintain the service standards for its existing range of services which are aimed at supporting the delivery of the Strategic Objectives outlined in the Council’s Strategic Management Plan CityPlan 2030 and that those services receive appropriate funding, balanced with ensuring that the community does not face significant increases in their annual rates contribution.

The key driver for this year’s budget is to develop 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 Budget is based on the principle of Financial Sustainability which is demonstrated by the adhering to the overarching principles which requires the Council to:

- achieve long term income and expenditure neutrality while keeping rates growth within the average for the sector;
- achieve long term cash flow neutrality while keeping rates growth within the average for the sector; and
- ensure Council’s long term capital program fully funds asset renewal requirements.

Budget Overview

Table 1 below sets out the proposed Operating Surplus of $1.514 million, based on a Recurrent Operating Surplus of $2.127 million, an Operating Deficit related to Operating Projects of $0.463 million and an additional $0.150 million for additional finance costs associated with borrowings which are required to deliver the strategic projects included within the Capital Projects Budget which has been enacted by the Government of China.

Due to the ban on recyclables, which has been enacted by the Government of China, there is a consequent increase in waste disposal costs due to the Council no longer receiving the rebate of $30.50 per tonne and the re-introduction of a gate fee on the disposal of the recyclables. While the actual impact is not yet known, in addition to the removal of the recycling rebate, an allowance of $300,000 for increased disposal costs has been included within the Draft Budget.

It should be noted that the Operating Surplus relating to 2018-2019 Projects, incorporates $0.260 million from the Roads-to-Recovery Program. While this funding will be utilised to fund a Capital Projects, this funding is required to be included when determining the Council’s Operating Surplus.
TABLE 1: 2018-2019 PROPOSED BUDGETED STATEMENT OF COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th></th>
<th>Recurrent Operating</th>
<th>Carry Forwards</th>
<th>Operating Projects</th>
<th>Projected Operating Projects Carry Forwards</th>
<th>Capital Projects</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td>34,733</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>34,733</td>
</tr>
<tr>
<td>Statutory charges</td>
<td>1,730</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>1,730</td>
</tr>
<tr>
<td>User charges</td>
<td>3,610</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>3,610</td>
</tr>
<tr>
<td>Grants, subsidies and contributions</td>
<td>2,430</td>
<td>-</td>
<td>261</td>
<td>-</td>
<td>2,691</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>119</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>119</td>
</tr>
<tr>
<td>Other income</td>
<td>744</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>744</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>43,365</td>
<td>0</td>
<td>261</td>
<td>0</td>
<td>0</td>
<td>43,626</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>15,338</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td>15,338</td>
</tr>
<tr>
<td>Materials, contracts &amp; other expenses</td>
<td>16,320</td>
<td>204</td>
<td>619</td>
<td>(100)</td>
<td>-</td>
<td>17,043</td>
</tr>
<tr>
<td>Finance costs</td>
<td>881</td>
<td>-</td>
<td>-</td>
<td></td>
<td>150</td>
<td>1,031</td>
</tr>
<tr>
<td>Depreciation, amortisation &amp; impairment</td>
<td>8,699</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,699</td>
</tr>
<tr>
<td>Net loss Joint Ventures &amp; Associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>41,238</td>
<td>204</td>
<td>619</td>
<td>(100)</td>
<td>150</td>
<td>42,112</td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS / (DEFICIT)</strong></td>
<td>2,127</td>
<td>(204)</td>
<td>(358)</td>
<td>100</td>
<td>(150)</td>
<td>1,514</td>
</tr>
<tr>
<td>Net gain (loss) on disposal or revaluation of assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Amounts specifically for new or upgraded assets</td>
<td>-</td>
<td>496</td>
<td>-</td>
<td>-</td>
<td>2,769</td>
<td>3,265</td>
</tr>
<tr>
<td>Physical resources received free of charge</td>
<td>-</td>
<td>3,320</td>
<td>-</td>
<td>-</td>
<td>2,147</td>
<td>5,467</td>
</tr>
<tr>
<td><strong>NET SURPLUS (DEFICIT)</strong></td>
<td>2,127</td>
<td>3,611</td>
<td>(358)</td>
<td>(100)</td>
<td>4,786</td>
<td>10,266</td>
</tr>
</tbody>
</table>

As previously outlined, while an increase in Rate Revenue of 2.5% will deliver an Operating Surplus of $1.514 million (2017-2018: $3.081 million), the underlying Operating Result (excluding Roads-to-Recovery funding) for the provision of the Council’s continuing services and programs and new initiatives, is an Operating Surplus of $1.254 million (2017-2018: $1.954 million). The Operating Surplus as presented in this report, is slightly below ($72,000) the target Operating Surplus set out in the Council’s LTFP.

Financial sustainability underpins the Council’s Financial Goals and Outcomes which are set out in the Council’s LTFP. 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 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. The Financial Statements also provide comparisons with the 2017-2018 Forecast and the Audited Financial Statements for the past three (3) years. Together, these Statements provide a complete picture of the Councils budgeted financial position for the 2018-2019 Financial year.

**Budgeted Capital Projects including Capital Works**

The Draft 2018-2019 Capital Budget ("Draft Capital Budget") incorporates Capital Projects to the value of $28.378 million, inclusive of 2017-2018 Carry Forwards. The Draft Capital Budget expenditure is offset by Capital Funding which incorporates Grant and Other Revenues to the value of $8.752m million, which will result in a net cost to Council of $19.624 million (exclusive of capitalised salaries). It should be noted that the Capital Funding includes the contribution from the Norwood Football Club to the development of the proposed Norwood Oval Clubrooms & Members Facilities, Women’s and Umpires facilities and away team change rooms ($5.467 million).

The endorsed Capital Projects is summarised in Table 2 below. Full details of the Capital Projects included within the Draft Capital Budget is available in Appendix 1 of the Draft Annual Business Plan contained in Attachment B

| TABLE 2: DRAFT CAPITAL PROJECT BUDGET BY CATEGORY |
|---------------------------------|----------------|----------------|--------------------|
| Whole-of-Life Capital Works Program |                      |                      |                    |
| Road Resealing                  | $1.527m          | $ nil              | $1.267m            |
| Footpath Reconstruction          | $0.811m          | $ nil              | $0.811m            |
| Kerbing Reconstruction           | $0.765m          | $ nil              | $0.765m            |
| Stormwater Drainage Program     | $4.100m          | $1.750m            | $2.350m            |
| Recreation and Open Space Program | $0.632m         | $ nil              | $0.632m            |
| Building Works Program          | $0.951m          | $ nil              | $0.951m            |
| Recurring Capital Projects      | $0.562m          | $0.145m            | $0.417m            |
| New Capital Projects            | $8.955m          | $3.040m            | $5.915m            |
| Carry Forward Projects          | $10.073m         | $3.816m            | $6.257m            |
| Total Capital Projects Expenditure | $28.378m       | $8.752m            | $19.624            |

As previously advised, the Council has submitted grant funding applications to the value of $3.265 million to assist in the funding a number of proposed Capital Projects. The Draft Budget is based on the assumption that the Council is successful in securing the total value of the grant funding in which it has applied for.
Borrowings

Proposed Net Capital Expenditure is $19.624 million and is proposed to be funded as follows:

- Use of depreciation recovered through rate revenue $8.699 million
- Roads-to-Recovery Funding $0.260 million
- Long Term Borrowings $6.500 million
- Existing cash reserves $4.165 million

Of the total borrowings of $6.5 million, $4.0 million relates to the Norwood Oval Clubroom & Members Facilities and Women's Facilities. Due to the timing of the Norwood Oval Project, the borrowing will be required to be taken out in the first half of the 2018-2019 Financial year. To minimise the impact on the annual interest expense, the balance of the borrowings ($2.5 million) will be taken out in the latter half of the 2018-2019 Financial Year. 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.

In addition, given the anticipated cash reserves, there is no expectation that the Council will be required to take out short term borrowings to cover periods of negative cash flow.

Rating Strategy

A Rate Revenue increase of 2.5% is proposed for the 2018-2019 Financial Year. The increase in Rate Revenue, at the time the Annual Business Plan was released for Community Consultation, comprised new development growth of 1.25% and a rate revenue indexation of 1.25%. Based on the most recent valuation data, new development growth accounts for 1.6%, with rate revenue indexation being 0.9%.

The Rate Revenue increase (inclusive of new development growth) is between with the Adelaide CPI (2.3%) and the Local Government Price index of 2.9%. The proposed increase is also within the Council’s Target range of 2% and 4% set out in the Council’s Long Term Financial Plan.

Based on the rate modelling for the week ending 14 May 2018, a 2.5% Rate Revenue increase, the Average Residential Rate will increase by $11 to $1,465, a 0.74% increase on 2017-2018. The Average Commercial rate will decrease by $38 (1.54%) to $2,459. The adopted Rate-in-the-Dollar will be based on Valuations as at 15 June 2018.

The Council’s Long Term Financial Plan, sets out the Council’s 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 2.5%, as proposed within the Draft Budget, for the current term of Council, the average rate revenue increase is 2.31%, which is at the lower end of the Rate Revenue target, set out in the recently endorsed Long Term Financial Plan. For the same period, the average residential rate increase was 1.68%, with the average Commercial Rate increase being 0.14%.

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

The Draft Annual Business Plan contained in Attachment B incorporates the assumptions as detailed within this report was made available for citizens from 9 May 2018. Submissions will be sought with interested citizens providing comments prior to or at the Public Meeting scheduled for 30 May 2018.

Following consideration of the submissions by the Council on 11 June 2018, the final 2018-2019 Annual Business Plan will be put forward for adoption, followed by the 2018-2019 Annual Budget at the Council Meeting to be held on 2 July 2018.

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 2018-2019 Annual Business Plan and Budget as presented in Attachment B, will deliver an Operating Surplus of $1.514 million based on a 2.5% increase in Rate Revenue, however due to the inclusion of the Road-to-Recovery Grant Funding in this result, the underlying Operating Result for the provision of the Council's continuing services and programs and new initiatives, is an Operating Surplus of $1.254 million.

To ensure that the objective of Financial Sustainability is achieved, the Council must make rating decisions with the future in mind as any significant decrease in rate revenue today may result in sharp rate revenue increases in the future.

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 or the Financial Services Manager, Andrew Alderson on 8366 4548, prior to the meeting.

RECOMMENDATION

It is recommended that the report be received and noted.

Ms Julie Wobber moved:

That the report be received and noted.

Seconded by Cr Shepherdson and carried.
6.2 2017-2018 THIRD BUDGET REVIEW

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

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 2018, following the Third Budget Review. The forecast is based on the year-to-date January 2018 results.

BACKGROUND

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

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

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

Budget Update

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

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

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

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

Mid-Year Review

The Mid-Year Budget Review must be considered by the Council between 30 November and 15 March (inclusive) in the relevant financial year. The Mid-Year Budget Review Report sets out a revised forecast of each item shown in its Budgeted Financial Statements compared with estimates set out in the Adopted Budget presented in a manner consistent with the Model Financial Statements. The Mid-Year Budget Review Report must also include revised forecasts for the relevant financial year of the Council’s Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
The Mid-year Budget Review is a comprehensive review of the Council’s Budget and includes the four principal financial statements, as required by the Model Financial Statement, detailing:

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

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

**RELEVANT STRATEGIC DIRECTIONS & POLICIES**

The Council’s Long Term Strategic directions are set out in *City Plan 2030 – Shaping our Future*. The 2017-2018 Annual Business Plan Budget, sets out the proposed services, programs and initiatives for the 2017-2018 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 Council’s Strategic Plan, *City Plan 2030 – Shaping our Future*, Whole-of-Life Assets Management Plans, the Annual Business Plan and Budget.

The 2017-2018 Adopted Budget estimates an Operating Surplus of $3.081 million.

**FINANCIAL AND BUDGET IMPLICATIONS**

The Third Budget Review for the 2017-2018 Financial year provides the opportunity to reflect any changes in projections based on the actual year-to-date results to January 2018 and forecast the 2017-2018 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 2018 and has no direct external economic impacts.

**SOCIAL ISSUES**

Nil

**CULTURAL ISSUES**

Nil

**ENVIRONMENTAL ISSUES**

Nil

**RESOURCE ISSUES**

Nil
RISK MANAGEMENT

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

CONSULTATION

- Committee Members
  Not Applicable

- Community
  Not Applicable

- Staff
  Responsible Officers and General Managers.

- Other Agencies
  Not Applicable

DISCUSSION

Budget Review

In determining the Adopted Operating Surplus, the Council considers the financial resources which are required to provide the ongoing services, programs and facilities (Recurrent Operating Budget), which encompass the basic responsibilities which the Council is required to provide under the Local Government Act and other relevant legislation, in addition to the ongoing services and programs to meet community needs and expectations.

Such on-going services include Regulatory Services, such as animal management and parking management, street cleaning and rubbish collection, maintenance of basic infrastructure including roads, footpaths, parks, public open space, street lighting and storm-water drainage, development planning and control, library and learning services, community support programs, environmental programs, community events, community recreational facilities and home assistance service.

In addition, the Council considers the funding requirements associated with the introduction of new services or the enhancement to existing services (Operating Projects).

The 2017-2018 Adopted Operating Budget, forecast an Operating Surplus of $3.081 million. Council meeting held on 5 February 2018, the Council considered the Mid-Year Budget Review which forecasted an Operating Surplus of $3.174 million.

Following the Third Budget Review, the Operating Surplus is forecasted to be $3.445 million, an improvement of $0.364 million on the Adopted Budget.

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

Recurrent Operating Budget

For 2017-2018, the Recurrent Operating Budget forecast a Recurrent Operating Surplus of $2.869 million. As a result of the Third Budget Review, the Recurrent Operating Surplus is forecasted to be $2.962 million, an increase of $0.093 million on the Adopted Budget. The major reasons for the movement in Operating Surplus are detailed in Table 1.
TABLE 1: MAJOR VARIANCES IN RECURRENT OPERATING BUDGET - THIRD BUDGET REVIEW

<table>
<thead>
<tr>
<th>Item</th>
<th>Favourable/ (Unfavourable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the Council meeting held on 5 February 2018, the Council allocated $170,000 to accelerate the Line Marking Program in the suburbs of Evandale, Heathpool, Kent Town, Marryatville, Maylands and Stepney</td>
<td>(170,000)</td>
</tr>
<tr>
<td>The tenant at 68 Nelson Street did not renew the lease. The property has been vacant since December 2017. While re-leasing of the building has commenced, a new tenant is not anticipated until the new financial year</td>
<td>(24,000)</td>
</tr>
<tr>
<td>Increase to cover hazardous waste promotions and expenditure associated with the GISA (Green Industries SA) grant</td>
<td>(12,350)</td>
</tr>
<tr>
<td>Home Assist &amp; Community Care Government Grant Funding indexed for CPI</td>
<td>12,816</td>
</tr>
</tbody>
</table>

Budget Variations identified in the First & Mid-Year Budget Update

- Recognition of unspent wages and salaries budget due to positions being vacant and not backfilled with temporary staff | 322,000                      |
- Recognition of performance rebates received from the Insurance Schemes. Due to the uncertain nature of the rebates, no funding allowance is made in the Adopted Budget | 100,000                      |
- Adjustment to depreciation expense based on 2016-2017 asset capitalisation, infrastructure unit cost revaluations and depreciation rates | (139,000)                   |
- Increase in budget due to an underestimation of the Asset Insurance Renewals | (22,000)                    |
- Manufacture costs of Wooden Christmas Trees as part of Christmas on Parade | (16,000)                    |
- Increase in catering expenses for Civic receptions | (12,000)                    |
- Additional cost of gas due to an increase in the unit price resulting from removal of the tiered pricing structure | (10,000)                    |
- Increase in Grant income to reflect the Kerbside Performance Grant received from the State Government | 40,416                      |
- Art on Parade: The budget is being transferred from The Council Thinking Through the City Program | 10,000                      |
- Thinking Through the City Program: The budget is reduced by transferring to Art on Parade. | (10,000)                    |
- Parking Surveys - Budget increase due to parking surveys which have been undertaken including Peregrine development in Kensington, Colliver Street, Charles Street, Queen Street and Hackney Road. These reviews have been undertaken in addition to the City Wide Parking Review which is separately funded. | (50,000)                    |

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 2017-2018 Adopted Operating Projects Budget forecast a cost to the Council of $1.010 million.

Carried Forward Operating Project expenditure was estimated as part of the Adopted Budget to be $0.201 million. Following the First Budget Update, the value of carried forward expenditure is $0.405 million.
The increase in the Carried Forward Budget is due to projects not progressing as anticipated or the commencement being deferred.

The following projects which were carried forward and have now been completed are:

- Swimming Centres Review;
- Local Government Supplementary Election;
- CityPlan2030 Update;
- Food Secrets of Norwood & Stepney; and
- Youth Arts & Events Program

The Mid-Year Budget Update forecast the cost of Operating Projects to be $1.216 million.

Following the Third Budget Update, the forecasted cost of Operating Projects for Financial Year 2017-2018 is reduced to $0.739 million. The major reasons for the movement are detailed in Table 2.

**TABLE 2: MAJOR VARIANCES IN OPERATING PROJECT BUDGET - THIRD BUDGET REVIEW**

<table>
<thead>
<tr>
<th>SERVICE INITIATIVE</th>
<th>(Increase)/Decrease $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fashion on Parade</td>
<td>(18,124)</td>
</tr>
<tr>
<td>Youth Arts &amp; Events Program</td>
<td>14,679</td>
</tr>
<tr>
<td>Movie on the Oval</td>
<td>11,000</td>
</tr>
<tr>
<td>Local Government Elections (Supplementary Elections)</td>
<td>8,989</td>
</tr>
<tr>
<td>Due to the policy review by DPTI (Department of Planning, Transport and Infrastructure), the budget for the Glynde Corner Development Plan is reduced</td>
<td>7,090</td>
</tr>
<tr>
<td>The cost of Operating Projects which are forecasted not to be completed by June 30 2018 and are required to be carried forward to 2018-2019 is increased to $522,856 from $60,000</td>
<td>462,856</td>
</tr>
</tbody>
</table>

**Movement in Operating Projects in the Third Budget Update**

486,490

To provide a more accurate Budgeted Operating Result, the effect of Operating Projects not expected to be completed in the 2017-2018 Financial Year, is provided for in the 2018-2019 Adopted Budget. Following the Third Budget Review, it is estimated that Operating Projects costs not expected to be incurred in the 2017-2018 would increase to $0.523 million.

**TABLE 3: OPERATING PROJECTS NOT EXPECTED TO BE COMPLETED IN 2017-2018**

<table>
<thead>
<tr>
<th>SERVICE INITIATIVE</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Wide Flood Review</td>
<td>164,331</td>
</tr>
<tr>
<td>Building Assets Condition Audit</td>
<td>110,000</td>
</tr>
<tr>
<td>City Wide Parking Review</td>
<td>75,000</td>
</tr>
<tr>
<td>SA Online Planning Portal – Council’s Contribution</td>
<td>36,000</td>
</tr>
<tr>
<td>NPSP Bicycle Strategy</td>
<td>33,000</td>
</tr>
<tr>
<td>People Place &amp; Activity Strategy</td>
<td>30,000</td>
</tr>
<tr>
<td>Norwood Town Hall Christmas Decorations</td>
<td>24,000</td>
</tr>
<tr>
<td>Kent Town Urban Design Framework</td>
<td>20,000</td>
</tr>
<tr>
<td>Organisational Development Projects</td>
<td>8,525</td>
</tr>
<tr>
<td>Development Plan Amendment Projects</td>
<td>8,000</td>
</tr>
<tr>
<td>Business &amp; Economic Development Strategic Plan</td>
<td>7,000</td>
</tr>
<tr>
<td>New Residents Pack</td>
<td>7,000</td>
</tr>
</tbody>
</table>

**TOTAL OPERATING PROJECTS NOT EXPECTED TO BE COMPLETED IN 2017-2018**

522,856
Capital Projects

The Council has adopted a Capital Budget of $23.207 million for 2017-2018, which comprised funding allocations for New Capital Projects involving new or the upgrading of existing assets ($2.516 million), the renewal/replacement of existing assets ($7.197 million) and Carried Forward Projects from 2016-2017 ($13.494 million).

The Mid-Year Budget Review forecasted that the Capital Project expenditure would increase to $24.964 million. Following the Third Budget Review, the Capital Project expenditure is forecasted to increase to $25.391 million.

These projects and other budget variations identified in the Third Review are detailed in Table 4 below:

**TABLE 4: MAJOR VARIANCES IN CAPITAL PROJECT EXPENDITURE BUDGET - THIRD BUDGET REVIEW**

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>Increase/ (Decrease) $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction work for the Joslin Drainage Re-alignment (Chinese Embassy site). All costs will be reimbursed by the Chinese Embassy, resulting in no cost to the Council.</td>
<td>300,000</td>
</tr>
<tr>
<td>The budget increase of $110,000 for the completion of the Ninth Ave Renewal &amp; Streetscape Enhancements Project. An additional $50,000 is required for rain gardens, signage, landscape and street trees which are being fully funded through EPA Rain Gardens 500 Program and $60,000 are for design costs, resulting in a net increase in budget of $60,000.</td>
<td>110,000</td>
</tr>
<tr>
<td>As part of the agreement between the Council and the owner of Pasta Deli, the Council installed 10 bollards at the corner of The Parade and Edward St, Norwood. Pasta Deli will reimburse the Council $47,785 for the bollards as part of the outdoor dining permit over next ten years. The Council purchased 12 bollards, but only 10 could be installed due to underground service issues. The Council incurred the cost for the additional two (2) bollards.</td>
<td>56,870</td>
</tr>
<tr>
<td>The additional funding is requested for the community consultation associated with the SYD Jones Reserve Concept Plan</td>
<td>5,000</td>
</tr>
<tr>
<td>Due to a change in scope, Norwood Town Hall &amp; Norwood Concert Hall Floor Covering Replacement and Norwood Town Hall Sensor Light Upgrade will not be undertaken this financial year.</td>
<td>(114,378)</td>
</tr>
<tr>
<td><strong>Budget Variations identified in the First &amp; Mid-Year Budget Update</strong></td>
<td></td>
</tr>
<tr>
<td>Felixstow Reserve Master Plan - The budget increase of $431,635 incorporates the budget variation of $66,936 from the First Budget Review and budget request of $364,699 from Mid-Year Budget Review due to the successful tender for the redevelopment being higher than budget. The project will be completed by July 2018. The Council has received a grant of $1 million for this Project.</td>
<td>431,635</td>
</tr>
<tr>
<td>Kent Town Streetscape Enhancement Projects were considered by the Council at its meeting held on 4 December 2017. Funding contributions towards the Project will be provided by the State Government and the developers of Verde Apartments and East Park Kent Town Development, resulting in an overall Net Cost to the Council of $200,000.</td>
<td>400,000</td>
</tr>
<tr>
<td>At its meeting held on 6 November 2017, the Council endorsed change in ownership of the Council Depot Fleet vehicles from Operating Leases to purchase (owing).</td>
<td>120,000</td>
</tr>
<tr>
<td>The tendered cost for the shade replacement at the Payneham Memorial Swimming Centre exceeded the original budget of $55,000 by $86,000 due to the inability to re-use existing steel structure</td>
<td>86,000</td>
</tr>
<tr>
<td>The planned upgrade of the Air Conditioning System at the Norwood Institute Building exceeded the allocated budget expectation of $80,000 by $21,000.</td>
<td>21,000</td>
</tr>
<tr>
<td>Due to the Norwood Tennis Club being unsuccessful in its application for funding to contribute to the upgrade of the Buttery Reserve Tennis Courts, at its meeting held on 3 October 2017, the Council resolved not to undertake the reconstruction of the tennis courts at this stage. The budget for the concept design is kept and carried forward to Financial Year 2018-2019.</td>
<td>(851,000)</td>
</tr>
</tbody>
</table>
Capital Project Increase/ (Decrease) $  

| The Gilberton Swing Bridge was not completed in 2016 - 2017 due to delay in the design phase and delay in receiving approval. This project was completed in January 2018. | 514,581 |
| The completion of the irrigation upgrade on Osmond Terrace Median was delayed due to a delay in awarding the contract. This Project was completed in December 2017. | 217,345 |
| Ninth Ave Renewal & Streetscape Enhancement Project – During the First Budget Review, the budget was increased due to alterations to the initial project concept plan resulting in the scope of works being amended resulting in revised cost estimates. | 138,000 |
| Payneham Oval Club Rooms Redevelopment – The project is due to commence in October 2018. | 31,464 |

As the Third Budget Review, the Capital Projects not expected to be completed in the 2017-2018 Financial Year is $10.488 million with the major projects carried forward being:

- the Norwood Oval Members Facilities, Clubrooms and Women’s Facilities;
- River Torrens Linear Park Path Upgrade Project; and
- Beulah Road Bicycle Boulevard Project.

For the 2017-2018 Financial Year the expenditure completed Capital Projects is estimated to be $14.128 million. It is not expected that any additional borrowings will be drawn down during the 2017-2018 Financial year.

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

‘between 30 November and 15 March (both dates inclusive) in the relevant financial year—a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.‘

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

‘revised forecasts for the relevant financial year of the council’s operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.’

The revised Budgeted Financial Statements and Financial Indicators that were adopted at the Council meeting held on 3 April 2018 as a result of the Third Budget Update are included in Attachment A.

Since the adoption of the Third Budget Update, the following significant changes to the forecast 30 June 2018 result have been identified and are detailed in Table 5 below.

**TABLE 5: SIGNIFICANT CHANGES IN FORECAST 30 JUNE 2018 RESULT - THIRD BUDGET UPDATE**

1. Increase in Operating Projects Expenditure

| City Wide Flood Review | 164,331 |
| Building Assets Condition Audit | 110,000 |

2. Increase in Capital Project Expenditure

| Norwood Town Hall & Norwood Concert Hall Floor Covering Replacement and Norwood Town Hall Sensor Light Upgrade | 114,378 |
1. Contracts have been signed and work on the City-Wide Flood Review and Building Assets Condition Audit projects have commenced and are anticipated to be substantially completed by 30 June 2018. To minimise the impact on the 2018-2019 Operating Surplus, the Contract cost associated with these two (2) projects will now be accrued in the 2017-2018 Financial Year as opposed to being carried forward to 2018-2019 Financial Year, reducing the forecast Operating Surplus from $3.445 million to $3.172 million.

2. Due to a change in scope, the Capital Budget for the Norwood Town Hall & Norwood Concert Hall Floor Covering Replacement and Norwood Town Hall Sensor Light Upgrade was given up as part of the Third Budget Update. Work on the re-scoping of this project has commenced and as such the budget allocation has been re-instated. It is anticipated that this funding will be carried forward to the 2018-2019 Capital Projects Budget.

While there is no impact on the forecast Operating Surplus, a review of the remaining project deliverables from the NPSP Bicycle Strategy project has resulted in a $20,000 reduction of the Carried Forward budget from $33,000 to $13,000.

OPTIONS
Not Applicable

CONCLUSION
Nil

COMMENTS
Nil

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

Cr Shepherdson moved:

That the Third Budget Update Report be received and noted.

Seconded by Mayor Bria and carried.
6.3 LONG-TERM FINANCIAL PLAN

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/02088
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee the Long-Term Financial Plan (LTFP) which was adopted by the Council at its meeting held on 3 April 2018.

BACKGROUND

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

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

The current LTFP was adopted by the Council on 1 August 2011. Since its adoption, minor revisions of the LTFP have been undertaken.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

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

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

FINANCIAL AND BUDGET IMPLICATIONS

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

EXTERNAL ECONOMIC IMPLICATIONS

The LTFP provides information on the financial projections of the Council covering 2018-2019 through to 2027-2028 based on the set of assumptions outlined in the plan. Based on the financial projections contained within the LTFP, there will be an economic impact on ratepayers and customers through increases in rates and user charges for user pays services.

The Council does provide some rate relief to eligible rate payers through the minimum rate, rate capping and remission and postponement of rates.
SOCIAL ISSUES

This report provides information on the financial projections of the Council covering 2018-2019 through to 2027-2028 based on the set of assumptions and it is possible that the projected rate revenue increase may have social implications for some ratepayers.

CULTURAL ISSUES

There are no cultural issues arising from this issue.

ENVIRONMENTAL ISSUES

There are no environmental issues arising from this issue.

RESOURCE ISSUES

There are no resource issues arising from this issue.

RISK MANAGEMENT

There are no risk management issues arising from this issue.

CONSULTATION

- **Committee Members**
  An Information Session with Elected Members and Audit Committee members was held on 13 November 2017.

- **Elected Members**
  Information Sessions with Elected Members were held on 30 January 2017 and 13 November 2017. At the workshop held on 13 November 2017, Elected Members provided feedback on the Strategic Projects to be included within the LTIFP.

- **Community**
  The community were provided with the opportunity to comment on the draft LTIFP through the public consultation process which commenced on 28 February 2018 and concluded on 21 March 2018.

- **Staff**
  Not Applicable

- **Other Agencies**
  Not Applicable

DISCUSSION

The LTIFP was adopted by the Council at the Council Meeting held on 3 April 2018. The LTIFP continues to be based on the Financial Goal of being ‘a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner’.

To ensure the Council achieved its Financial Goal, a number of Financial Outcomes and financial targets were established to support the Council’s achievement of its Financial Goal. The Financial Outcomes were:

**Outcome 1: A Balanced Budget**

Council’s services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.
Outcome 2: Rate Stability

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

Outcome 3: Infrastructure and Asset Management

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

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between

The Financial Goal and Outcomes were reviewed to determine the on-going relevance of these objectives for the 2019-2028 Long-Term Financial Plan (“2019-2028 Plan”). It was determined that these objectives continue to remain relevant and therefore form the basis for the 2019-2028 Plan.

A copy of the 2018-2028 Long-Term Financial Plan is included in **Attachment A**.

**Assumptions**

The financial projections contained within the 2019-2028 LTFP are meant to provide an indication of the Council’s direction and financial capacity rather than predicting the future financial performance and position of the Council.

The key assumptions underlying the Plan are as follows;

**Service Level**

The Plan is based on a “business as usual” assumption, which means that the Council will continue to provide the existing services at the current service levels.

**Rate Revenue Increases**

The Reserve Bank of Australia has an inflationary target of between 2% and 3% per annum. The Plan assumes an average Rate Revenue increase (inclusive of new development growth) of 2.6% which is equivalent to the combined 10 year average of Adelaide CPI Increase and the Local Government Price Index (LGPI).

**Cost Escalation**

Due to the nature of the price movement associated with goods and services consumed by Local Government is somewhat different to the goods and services consumed by the ‘average household’. The cost escalation for non-salary costs is on average 2.6% per annum, which is based on a combination of the 10 year average of CPI, the LGPI, and known increases for particular cost items (i.e. waste management) which are in excess of the CPI and LGPI.

The financial projections have assumed that wages and salary costs will increase by 2.25% per annum. All Council non-contract staff are parties to Enterprise Bargaining Agreements which cover periods of up to 3 years. As these Agreements will be renegotiated during the planning timeframe, the potential for unforeseen variations in the financial projections exist.

**Asset Renewal and Replacement**

The financial projections included in the Plan are based on the asset renewal and replacement programs outlined in the current Whole-of-Life Asset Management Plans. The Asset Management Plans are expected to be reviewed in the near future and the Plan will be updated to reflect the outcomes of that review.
Due to the unique nature of Council’s asset base, the input costs to renew and replace the existing asset base can be subject to cost escalations greater than CPI. The financial projections have assumed that construction costs will increase by 2.8%, which has been based on the ten (10) year average of the Capital component of the Local Government Price Index.

**Funding**

Based on the principle of intergenerational equity, the Plan assumes that the Council will borrow to fund new and upgraded assets.

**Grants and Subsidies**

The Council receives Grants and Subsidies from both the State and Federal Governments to fund Council services and programs. It is assumed existing Operating Grants will continue to be provided in the future and have been indexed by 3.0% pa.

The financial projections include Capital Grant revenue to assist in funding for specific new capital projects. As this revenue is dependent on the pool of Government funding available, it is difficult to predict how successful the Council will be in securing funds in the future.

**Depreciation**

Depreciation is an allowance that represents the consumption of an asset’s service potential, or put simply its wear and tear. Depreciation is based on the written down replacement value of an asset. Council undertakes an independent valuation of its major asset classes every five years. In the interim years, a review and update of the replacement cost is undertaken based on the annual average movement in value of like assets verified by the Council’s valuer.

The escalation rates to reflect asset revaluations applied in the financial projections is between 1 and 3% across the life of the plan, dependent upon the asset class.

**Capital Investment**

The Plan proposes that the Council undertake a number of Asset upgrade Projects to the value of $41 million.

The projects included within the Plan are a combination of projects that have been adopted by the Council and a number major projects yet to be completed. The major projects which have been included in the Plan are based on the feedback received from the Information Session held on the 13 November 2017 and consideration of the feedback received from the community during the Community Consultation period.

In addition, the Plan assumes that the Council will invest $9 million each year to undertake the Asset and Infrastructure renewal program.

**OPTIONS**

Not Applicable

**CONCLUSION**

Based on the underlying assumptions contained within the Plan, the financial projections indicate that the Council is in a position to deliver on its financial goal of being a City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.

The Council’s Operating Surplus Ratio, over the period of the LTFP is forecast to be on average 2.6%, with the annual Operating Surplus for the life of the LTFP ranging from $0.8 million to $2.2 million. The Council will invest $9.0 million each year to undertake the asset and infrastructure renewal program, with this being complemented by $41 million of expenditure on major asset upgrades and enhancements. Notwithstanding this significant level of investment, the Council will be in a position to effectively manage its debt position.

Rate revenue increases are stable over the life of the LTFP indicating equity between generations, and that current and future ratepayers pay only for their share of the City’s assets and services.
COMMENTS

If Committee Members have any questions or require clarification in relation to specific items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins, prior to the meeting.

RECOMMENDATION

That the report be received and noted.

Ms Julie Wobber moved:

That the report be received and noted.

Seconded by Mayor Bria and carried.
6.4 2017-2018 EXTERNAL AUDIT PLAN

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

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee, the Annual External Audit Plan for the 2017-2018 Financial Year.

BACKGROUND

At the Audit Committee Meeting held on 26 February 2018, the Committee considered the appointment of BDO Advisory (SA) Pty Ltd as the Council’s Auditors for a five (5) year term commencing for the completion of the 2017-2018 Annual Financial Statements. In accordance with BDO’s audit methodology this report presents the 2017-2018 External Audit Plan for the Committee’s consideration.

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 the timetable of significant milestones.

• **Other Agencies**
  Nil.

**DISCUSSION**

The External Audit Plan presented by BDO highlights key concepts and outlines the Audit Objectives and Approach, Risk of Material Misstatement, the Engagement Team and the timeline for the completion of the 2017-2018 External Audit. A copy of the External Audit Plan is contained in Attachment A.

**OPTIONS**

Nil

**CONCLUSION**

The proposed External Audit Plan as presented will achieve the compliance outcomes from 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**

It is recommended that the 2017-2018 External Audit Plan as contained in Attachment A be received and noted.

---

*Cr Shepherdson moved:

*That the 2017-2018 External Audit Plan as contained in Attachment A be received and noted.*

Seconded by Ms Julie Wobber and carried.*
6.5 FINANCIAL RECONCILIATIONS

| REPORT AUTHOR: | Financial Services Manager |
| GENERAL MANAGER: | General Manager, Corporate Services |
| CONTACT NUMBER: | 8366 4585 |
| FILE REFERENCE: | S/00238 |
| ATTACHMENTS: | Nil |

**PURPOSE OF REPORT**

The purpose of this report is to provide the Audit Committee with a progress report on the status of the completion of the Council’s financial reconciliations for the year ended 30 June 2018.

**BACKGROUND**

At its meeting held on 11 December 2008, the Audit Committee requested “that a report on the status of the completion of the Council’s reconciliations be submitted to future meetings of the Audit Committee”.

The 2017-2018 Audit Committee Work Program provides for the Audit Committee to Review the Council’s financial governance arrangements and their effectiveness, which includes the completion of balance sheet reconciliations.

**RELEVANT STRATEGIC DIRECTIONS & POLICIES**

Not applicable.

**FINANCIAL AND BUDGET IMPLICATIONS**

The failure to undertake regular and timely reconciliations may lead to a material misstatement of the Council’s Operating Surplus and Financial Indicators.

**EXTERNAL ECONOMIC IMPLICATIONS**

Nil.

**SOCIAL ISSUES**

Nil.

**CULTURAL ISSUES**

Nil.

**ENVIRONMENTAL ISSUES**

Nil.

**RESOURCE ISSUES**

There are no resource issues arising from this report.

**RISK MANAGEMENT**

The Council is required by legislation to prepare Annual Financial Statements that present fairly, in all material respects, the financial position of the Council. Failure to undertake regular and timely financial reconciliation’s may result in Annual Financial Statements which do not provide a fair view of the Council’s Financial Position.
CONSULTATION

- **Committee Members**
  Not Applicable.

- **Community**
  Not Applicable.

- **Staff**
  Financial staff responsible for reconciliations.

- **Other Agencies**
  Not Applicable.

DISCUSSION

With the exception of the bank reconciliation, all major Balance Sheet items are reconciled on a monthly basis, with the finance department's work plan requiring that financial reconciliation's be completed within 10 working days from the close of the month end.

The Council's bank account is reconciled on a daily basis.

As at the date of compiling this report, the financial reconciliation's have been completed to 30 April 2018.

There are no items with respect to the financial reconciliation's to be considered by the Audit Committee.

OPTIONS

Not Applicable.

CONCLUSION

Nil.

COMMENTS

Nil.

RECOMMENDATION

That the report be received and noted.

Mayor Bria moved:

1. **That the report be received and noted.**

2. **That the Financial Reconciliation Report be removed as a standing item in future Audit Committee Agendas.**

3. **That major claims and risks be reported by exception to the Audit Committee and a summary report of claims be presented to the Audit Committee on an annual basis.**

Seconded by Ms Julie Wobber and carried.
6.6 GOVERNANCE ARRANGEMENTS – REGIONAL SUBSIDIARIES

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

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 and Audit Committee Members 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

There are no financial implications associated with the preparation 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**
  Not Applicable.

- **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)**

Since the last Committee meeting which was held on 26 February 2018, the Council has received the EHA Third Budget Review for the 2017-2018 Financial Year. The Authority is reporting a $32,000 improvement in the forecast Operating result, compared to a breakeven position as per the Adopted Budget, with the improvement being generated from the Authority deferring the Meningococcal B Vaccine Herd Immunity Study due to delays experienced in the appointment of staff. The Councils’ share of the forecast Operating Surplus is $9,718.

EHA has also provided the Council with the Draft 2018-2019 Annual Business Plan and Budget for comment. The Authority is budgeting for a break even position for the 2018-2019 Financial year.

Annual contributions to the operational expenditure of the Authority which is received from Constituent Councils will be $1.723m, a 2.5%, increase on the 2017-2018 Financial year. The Council’s contribution is $0.523m, which is a 2.2% increase on the 2017-2018 contribution.

A copy of the Draft 2018-2019 Annual Business Plan and Budget is contained in Attachment A.

**Waste Management Regional Subsidiaries**

**Highbury Landfill Authority (HLA)**

Since the last Committee Meeting which was held on 26 February 2018, the Council has received the HLA Draft 2018-2019 Budget.

HLA are budgeting for an Operating Deficit of $5,170 with this Council’s share of the deficit being $2,077, with the factors contributing to the Operating Deficit being depreciation and the anticipated movement in the Post-Closure Provision.

HLA will require a Capital Contribution of $0.239m from the Constituent Councils to fund the Post-Closure Provision expenditure. This Council’s share of the Capital Contribution is $0.096m.

The Draft Budget includes an allowance to undertake an Expression of Interest. The objectives of the Expression of Interest are:

- best practice management of the post closure phase of the Highbury Landfill, in accordance with the *Environmental Protection Act 1993*;
- revenue generating options that would reduce the cost of managing the landfill for Constituent Councils and meet the environmental and planning requirements for the site;
- explore beneficial long-term options for the site that meet the environmental and planning requirements;
- the possible sale of the site; and
- preserving the amenity of the site for residential neighbours bordering the site.
Pursuant to Clause 4.4 of the HLA Charter, Constituent Councils must approve the Draft Budget. The Council will be considering the Draft Budget at the Council Meeting scheduled for 4 June 2018.

A copy of the Draft 2018-2019 Budget is contained in Attachment B.

**East Waste**

Since the last Committee Meeting which was held on 26 February 2018, the Council has received and considered the East Waste Annual Plan and accompanying Budget for the 2018-2019 Financial Year.

The Draft Budget is reporting an Operating Surplus of $45,000, in which the Councils share is $7,295. Taking into account the full year impact of the inclusion of the City of Prospect as a Constituent Council, East Waste is budgeting for a 1.3% increase in Collection Costs for Constituent Councils.

The Council's Draft Waste Management Recurrent Budget, reflects a proposed fee of $2.173 million (2017-2018 $2.160 million) to be charged for the collection of this Councils waste streams, which include Domestic waste, Green Organics, Recyclables, Public Litter Bins, Illegal Dumping and booked Hard Rubbish Collection.

The Council considered the East Waste Draft Annual Plan at its meeting held on 2 April 2018 and following the consideration of the East Waste Draft Annual, pursuant to Clause 52 of the East Waste Charter, resolved to approve the Draft Plan.

With respect to the recyclables ban which has been imposed by China, East Waste has established a Recycling Review Technical Working Committee to guide the assessment of options available with respect to the contract and other option to address the future disposal of recyclables. The Council's Draft Waste Management Recurrent Budget includes $300,000 for recyclable disposal costs, which is based on forecast tonnage of 3,500 at $85 per tonne.

A copy of the Draft Annual Plan is contained in Attachment C.

**ERA Water**

Since the last committee meeting, the Council has received the ERA Water Budget Review for the year ended 30 June 2018. ERA Water is projecting an Operating Deficit of $0.163 million compared to an Adopted Operating Deficit of $0.093 million, an unfavourable variance of $0.070 million. The Unfavourable variance is driven by an increase in fixed operating costs, in particular Insurance ($50,000) and Utilities ($20,000). The Council’s share of the forecast Operating Deficit is $0.054 million.

With respect to the Capital Works Budget, the Adopted Budgeted included funding of $3.426 million (inclusive of finance costs). Additional expenditure of $0.459 million for Civil and Electrical works have been incurred, however majority of this works were carried forward from 2016-2017, therefore there has been no overall increase in the project costs. The additional Electrical and Civil works were offset by savings of $0.270 million for the Pipeline Network costs, as the works were completed without utilising the full contingency amount allocated for rock. The funding allocation for Network Extension costs ($0.805 million) has been deferred to future years. Overall, the forecast capital budget is $2.969 million, a favourable variance of $0.457 million.

Due to the reduced capital expenditure, the required cash drawdown has reduced to $3.132 million, a favourable variance of $0.387 million.

A copy of the 2017-2018 Budget Review is contained in Attachment D.

In addition, the Council has received the ERA Water Draft 2019 - 2028 Long Term Financial Plan and Draft 2018-2019 Budget.

The Draft 2018-2019 Budget is forecasting an Operating Deficit of $0.375m. This Council’s share of the Deficit, which will be required to be included in the Council’s 2018-2019 Draft Budget is $0.125m.
While ERA Water is budgeting for a Deficit, ERA Water is forecasting sufficient access to cash to fund the expenditure shortfall and therefore there will be no capital contributions required to be made by the Council.

A copy of the Draft 2019 - 2028 Long Term Financial Plan and Draft 2017-2018 Budget is contained in Attachment E.

Both the Budget Review and ERA Water Draft 2019 - 2028 Long Term Financial Plan and Draft 2018-2019 Budget will be considered by the Council at its meeting scheduled for 4 June 2018.

OPTIONS
Nil.

CONCLUSION
Nil.

COMMENTS
Nil.

RECOMMENDATION
That the report be received and noted.

_Cr Shepherdson moved:

That the report be received and noted.

_Seconded by Ms Julie Wobber and carried._
6.7  FINANCE POLICIES

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

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with a number of policies for consideration and endorsement prior to being presented to the Council for consideration and 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.

The 2017-2018 Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council's financial policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Documentation of policies relating to the Council’s financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods unless Accounting Standards or legislation changes.
CONSULTATION

- Committee Members
  Nil

- Community
  Nil

- Staff
  Nil

- Other Agencies
  Nil

DISCUSSION

In line with the Finance Policy Timetable, a review of the following policies have been undertaken and no amendments have been made to the Policies detailed in Table 1 below. These are now presented 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>Fees and Charges Policy</td>
<td>No recommended amendments.</td>
</tr>
<tr>
<td>(Attachment A)</td>
<td></td>
</tr>
<tr>
<td>Treasury Management Policy</td>
<td>Minor amendment recommended regarding the Annual Borrowing and Investment Report. It is recommended that the Borrowing and Investment Performance Report be provided to the Council through the Audit Committee as opposed to the current arrangements in which both the Audit Committee and the Council receive the Borrowing and Investment Report</td>
</tr>
<tr>
<td>(Attachment B)</td>
<td></td>
</tr>
<tr>
<td>Rate Rebates on Council Land Leased or Licenced Policy</td>
<td>This Policy was adopted by the Council in 2002. An administrative review of the Policy has been undertaken and no amendments to the existing policy are recommended.</td>
</tr>
<tr>
<td>(Attachment C)</td>
<td></td>
</tr>
<tr>
<td>Rating Policy</td>
<td>It is recommended that the reference to Pensioner Concessions, which have been removed from Local Government’s responsibilities in July 2015, be removed from the Policy.</td>
</tr>
<tr>
<td>(Attachment D)</td>
<td></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 Policies (as set out below) have been reviewed and notes that minor amendments have been proposed:
   - Fees & Charges Policy;
   - Treasury Management Policy;
   - Rate Rebates on Council Land Leased or Licensed Policy; and
   - Rating Policy.

2. That the Audit Committee recommends to the Council that the Policies (as set out below) and as amended be approved:
   - Fees & Charges Policy (Attachment A);
   - Treasury Management Policy (Attachment B);
   - Rate Rebates on Council Land Leased or Licensed Policy (Attachment C); and
   - Rating Policy (Attachment D).

Cr Shepherdson moved:

1. That the Audit Committee notes that the suite of Policies (as set out below) have been reviewed and notes that minor amendments have been proposed:
   - Fees & Charges Policy;
   - Treasury Management Policy;
   - Rate Rebates on Council Land Leased or Licensed Policy; and
   - Rating Policy.

2. That the Audit Committee recommends to the Council that the Policies (as set out below) and as amended be approved:
   - Fees & Charges Policy (Attachment A);
   - Treasury Management Policy (Attachment B);
   - Rate Rebates on Council Land Leased or Licensed Policy (Attachment C); and
   - Rating Policy (Attachment D).

Seconded by Ms Julie Wobber and carried.
6.8 BORROWING & INVESTMENT PERFORMANCE FORECAST FOR YEAR ENDED 30 JUNE 2018

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: S/01823
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 2018.

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 2018, details pertaining to new loan agreements which have been entered into and the existing loans which have been finalised during the 2017-2018 financial year by 30 June 2018, 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 5 March 2018, requires a Treasury Management performance report to be presented to the Council, 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.

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 Councils 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 Councils operations.
CONSULTATION

- **Elected 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 with the Local Government Financing Authority (LGFA).

As at 30 June 2018, the balance of outstanding borrowings is forecast to be $8.371 million. The balance comprises eight (8) 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 fifteen (15) years, with the respective interest rates varying between 5.00% pa and 6.8% pa.

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

For the financial year to 30 April 2018 no new long term borrowings have been taken out. Given the current cash reserves, new long term borrowings are not anticipated be taken out before 30 June 2018. The Council has approved loan borrowings to the value of $10.5 million, which have yet to been drawn down.

Principal repayments made on long term active loans for the year to 30 June 2018 are forecast at $2.045 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 2017-2018 financial year, surplus funds are invested “At Call” with the Local Government Finance Authority. The balance of funds invested at 30 April 2018 was $13.409 million. Interest earned on funds which have been invested, was $194,858, which includes annual distribution bonus of $35,565 compared to the budget estimate of $130,000.

In addition to the ‘At Call’ account, the Council manages the ‘St Peters RSL Trust Account’. During May 2018, upon maturity, the Council transferred $10,000 of interest earned the funds invested in the St Peters RSL Trust Account from the 11am Account to the Fixed Term Trust account, increasing principal invested from $50,000 to $60,000.

OPTIONS
Not Applicable.

CONCLUSION
Nil.

COMMENTS
Nil.

RECOMMENDATION
That the Audit Committee recommends to the Council that the Borrowing and Investment Report for the year ended 30 June 2018 be endorsed.

Mr Peter Holmes moved:

That the Audit Committee recommends to the Council that the Borrowing and Investment Report for the year ended 30 June 2018 be endorsed.

Seconded by Mayor Bria and carried.
7. CONFIDENTIAL REPORTS  
Nil

8. OTHER BUSINESS  
Nil

9. NEXT MEETING  
Monday 23 July 2018

10. CLOSURE  
There being no further business the Presiding Member declared the meeting closed at 8.38pm.

Cr John Minney  
PRESIDING MEMBER

Minutes Confirmed on ___________________________  
(date)