



MEMBERSHIP

Mr G Strawbridge (Chair)
Ms P Christie
Mr L Kozlovic
Cr P Klobucar
Cr P Borda (proxy)

NOTICE OF AUDIT AND RISK COMMITTEE MEETING

TO THE CHAIR & MEMBERS OF THE AUDIT AND RISK COMMITTEE

NOTICE is hereby given pursuant to Section 87(4) of the Local Government Act 1999 that the Audit and Risk Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Monday 8 May 2023 at 11.00am.

The Audit and Risk Committee Meeting is open to the public to attend in person or electronically via Microsoft Teams, [Click here to join the meeting.](#)

When attending the meeting via Microsoft Teams, participants are agreeing to Microsoft's *Terms and Conditions* – follow this link [Microsoft Privacy Statement – Microsoft privacy](#) to view Microsoft's *Privacy Statement*.

A copy of the Agenda for the above meeting is supplied as required.

JUSTIN COMMONS
CHIEF EXECUTIVE OFFICER

Dated: 3 May 2023

AGENDA

AUDIT AND RISK COMMITTEE MEETING

To be held at Whyalla City Council Civic Building, Darling Terrace, Whyalla
on Monday 8 May 2023 at **11.00am**

Members: Grant Strawbridge (Chair), Patricia Christie, Laurie Kozlovic, Cr Peter Klobucar

In Attendance: Justin Commons (CEO), Kathy Jarrett (Director Corporate Services), Jade Ballantine (Director City Growth), Kristen Clark (Director City Infrastructure), Grant Jennings (Manager Finance), Irene Adair (Manager Governance), Sandra Vigar (Finance Co-Ordinator), Lisette Symons (Executive Co-Ordinator – Corporate).

Apologies: Cr Peter Klobucar

WELCOME TO COUNTRY

“We acknowledge the Barngarla and Kaurna people, the traditional owners of the land on which we meet today and pay our respects to the Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people who are present today.”

1. STANDING ITEMS	Action	Page
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Nil		
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Nil		
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Monday 17 July 2023: 11am – 2.00pm	Note	

CORPORATE**1.4 Minutes of Audit and Risk Committee Meeting – 3 April 2023****Audit and Risk Committee** 8 May 2023**Meeting:****Author's Title:** Executive Coordinator, Corporate**File No.:** 0-159**Director:** Corporate**Annexures**

A – Minutes of the Audit and Risk Committee Meeting held 3 April 2023

Officer Direct or Indirect Conflict of Interest:*In accordance with Local Government Act 1999,
Section 120*☐

Yes

☒

No

Status:*Information classified confidential under
Section 90(2) of the Local Government Act*☐

Yes

☒

No

Reason –Nil**PURPOSE**

The purpose of this item is to seek the Audit and Risk Committee's confirmation of minutes from previous meetings of the Committee.

BACKGROUND / DISCUSSION

The last meeting of Council's Audit and Risk Committee was held on 3 April 2023. The confidential version of the minutes were distributed to Committee Members on 20 April 2023, which now require confirmation. Note that attached to this report are the public version of those minutes.

Should the Committee wish to include any additional information in the minutes, this can be facilitated during the meeting, including moving into confidence if needed.

RECOMMENDATION**The Audit and Risk Committee:**

1. Confirm the minutes of the Audit and Risk Committee meeting held on 3 April 2023 as a true and correct record of the meeting.

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
HELD ON MONDAY 3 APRIL AT 11.00am**

PRESENT: Mr G Strawbridge(*Chair*), Ms P Christie, Mr L Kozlovic and
Cr P Klobucar

OFFICERS IN ATTENDANCE: Chief Executive Officer (*Mr J Commons*)
Director Corporate Services (*Ms K Jarrett*) – *via Teams*
Director Infrastructure (*Mr K Clark*)
Director City Growth (*Ms J Ballantine*) – *via Teams*
Manager Finance (*Mr G Jennings*)
Finance Coordinator (*Mrs S Vigar*)
Manager Governance (*Mrs I Adair*)
Executive Coordinator – Corporate (*Ms L Symons*)
Manager People and Culture – (*Ms Sue King*)
Projects and Partnership Lead – (*Mr S Sathasilvam*) – *via Teams*
Mgr Airport & Economic Development – (*Mr B Benson*) – *via Teams*
Manager Assets and Planning (*Ms R Nottle*) – *via Teams*
Manager City Development (*Ms J Perone*) – *via Teams*
Manager City Operations (*Mr C Sharp*) – *via Teams*

**COUNCIL MEMBERS
IN ATTENDANCE:** Mayor Phill Stone
Cr Zia Westerman

ACKNOWLEDGEMENT

The Chair acknowledged that the meeting was being held on Barngarla land and gave thanks for the use of this land.

1. STANDING ITEMS

1.1 Welcome and Apologies

Apologies – Nil
Leave of Absence – Nil

1.2 Declaration of Members' Conflict of Interests

No conflicts of interest on any agenda item were declared by Committee Members.

1.3 Committee Members and Auditors Discussion

Nil

1.4 Minutes of Previous Meeting – 27 February 2023

The Chair noted that the Confidential Item from the previous minutes was not included with the minutes that were distributed with the Agenda papers, but that these minutes had previously been distributed to Committee Members.

Moved Mr L Kozlovic, Seconded Ms Pat Christie**AC4670-2023**

That the Committee adopt the minutes of the Audit and Risk Committee meeting held 27 February 2023 as a true and correct record of proceedings noting the inclusion of the confidential item identified above.

Carried**1.5 Business Arising from Previous Meetings**

The Manager Governance advised that Item 1 (Annexure A) – ensure progress is achieved in reviewing Council's Business Continuity Plan – has progressed and is now 50 +% complete and will be presented to the next meeting.

The Chair noted that the proposed meeting dates (Annexure B) of 3 October 2023 and 5 February 2024 don't comply with the Committee's proposed Terms of Reference with regard to meeting every quarter but this can be amended as these dates draw closer.

It was noted that the Work Plan (Annexure C) will be revised in accordance with the proposed Terms of Reference and will have flexibility to be altered as reports come to the Committee with new recommendations and as the Committee looks at forward agendas.

It was noted that items included within the External/Internal Reviews Workplan (Annexure D) showing a due date of 'when resources are available' were of low risk and would be updated with definitive completion dates. It was further noted that the item relating to Accounting Policies being up to date should refer only to accounting procedures.

ACTION

The schedule at (Annexure D) to be amended prior to the next meeting and broken down by policy and definitive time frames in order to make it more prescriptive and ensure that due dates are met.

Moved Ms Pat Christie, Seconded Mr L Kozlovic**AC4671-2023**

That the Audit and Risk Committee note the progress of actions taken to address items of business arising from previous meetings of the Audit and Risk Committee as well as external reviews.

Carried

2. ITEMS FOR DECISION

2.1 Review of Audit and Risk Committee Terms of Reference

It was noted that individual Committee member feedback had been incorporated into the draft Terms of Reference and the functions of the Committee have been expanded from the high-level functions but remain consistent with Local Government Act reforms coming into effect at the end of 2023.

It was advised by management that some amendments will be made to ensure all changes as outlined in the 'tracked changes' version previously distributed to the Committee are translated into the version to be presented to Council for adoption. It was further noted some additional changes of a grammatical nature, as well as the following substantive changes:

ACTION

- Ensure all tracked changes are translated to the final document correctly
- Clause 6.2.1 is to be removed
- Clause 7.3 requires changing from a quorum of two (2) to three (3)
- Clause 7.5 The requirement for the Chief Executive Officer to attend all meetings will be confirmed or otherwise and updated accordingly
- Clause 10.3.2(b) check language in line with legislative requirements.

Moved Mr L Kozlovic, Seconded Ms P Christie

AC4672-2023

1. That the Audit and Risk Committee recommends that Council adopts the revised Audit and Risk Committee Terms of Reference provided at Annexure A subject to the inclusion of the identified changes from the Audit and Risk Committee noted above, minor grammatical updates and confirmation that the Terms of Reference comply with the Local Government Act.

Carried

Moved Cr P Klobucar, Seconded Ms P Chrisite

2. That the Audit and Risk Committee notes that a revised Audit and Risk Committee Work Program will be presented to the May 2023 meeting.

Carried

2.2 Proposed Approach to Internal Audit and Service Reviews

Support was noted for an outsourcing approach in the first instance due to the skillsets and independence that this entails, however a co-sourced approach may be more beneficial in the longer term in relation to cost, corporate knowledge and learning.

Discussion was held on the areas proposed for service reviews in the first instance, with this discussion held in confidence due to the identified services areas not yet being socialised with staff. It was agreed that Management is in the best position to identify which areas

would benefit most from a service review but did note that areas with a high level of potential to generate income and/or materially reduce overheads should be prioritised.

Discussion was held on whether the final scope for service reviews should be referred to the Committee, or be taken straight to the market once ready, however it was agreed that the review of the final scope is a task that falls within the Committee's Terms of Reference.

It was noted that the final cost for the listed services is likely to be above the available budget, meaning that some prioritisation and adjustment may be required.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4763 – 2023

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-ordinator – Corporate for Agenda Item 2.2 – Proposed Approach to Internal Audit and Service Reviews.

The Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

Carried

Moved Mr L Kozlovic, Seconded Ms P Christie

AC4674 – 2023

1. That the Audit and Risk Committee supports the establishment of an internal audit and service review program, to be delivered via an outsourced model of service delivery.
2. That the Audit and Risk Committee notes that a request for proposal for the two outsourced services will be formulated by management and presented to the next Audit and Risk Committee for consideration.

Carried

2.3 2023-24 Draft Annual Business Plan and Budget

The Manager Finance provided an overview of the material presented in the report including the makeup of the recommended rate increase and the scenarios developed showing Council's long term financial sustainability based on various rating and revenue options. The Manager Finance highlighted the current Long Term Financial Plan remained in a deficit position for the duration of the Plan as at this stage, it was not prudent to include increased rates revenue from possible future development.

Discussion was held on the information as presented with a focus on the need to ensure Council acts now to address matters of financial sustainability. Points raised included:

- The continuation of Council's seemingly high capital spend and the flow on impact on Council's asset ratio (outside of the target range at 126%) and operating expenditure over the life of the long term financial plan at a time when there is pressure on rates revenue due to the current CPI was questioned. In this regard, Management advised that the capital spend is high due to past year's projects being spread over multiple years and the extent of carry overs being experienced.
- The budget appeared to be a 'business as usual' budget with no action to address the deficit and/or level of borrowings. A higher priority needs to be placed on sourcing new or expanded levels of revenue, and financial re-engineering needed to reduce the current and projected operating deficit and borrowing levels.

In making the above comments, the Committee suggested setting a 2023/24 base case budget of break-even less the direct financial impact at the airport, with Management examining how this might be achieved. In doing so, the following areas could be considered:

- A higher rate increase including consideration of breaking the nexus between rate increase linked to CPI and changing the external narrative to the rationale for the increase.
- Deferring project spend and/or making project spend conditional on the delivery of service review outcomes.
- Reducing service levels
- Increasing other income sources
- Rationalising/disposing underperforming assets
- Including allowance for non-infrastructure strategic projects

Other discussion points made during this item were:

- Improvements in Council's operating position could be achieved by updating the overhead CPI rate and interest rate assumptions within the budget.

Management highlighted that the proposed service review program aimed to ensure any changes to service levels were well informed.

Management acknowledged that the current projected deficit position over the 10 years of the LTFP was untenable and confirmed an ongoing focus to return Council to a financially sustainable position. Management further noted that the timing of effecting changes to improve financial sustainability needed to consider the renewal needs of the City given the impending investment in our city.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4675 - 2023

The Audit and Risk Committee recommends that Council considers the Audit and Risk Committee's discussion of the Draft 2023/24 Annual Business Plan and Budget which includes focus and priority on financial engineering activities to reduce the deficit and borrowing levels.

Carried***Adjournment of Meeting***

Moved, Mr L Kozlovic, Seconded Ms P Christie

AC4676 - 2023

The Audit and Risk Committee Meeting be adjourned for 15 minutes for a refreshment break.

Carried

Audit and Risk Committee Meeting adjourned at 1.20pm

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC 4677 – 2023

The Audit and Risk Committee Meeting reconvenes.

Carried

Audit and Risk Committee Meeting reconvened at 1.35pm

Mayor Phil Stone left the meeting at 1.36pm

3. Items for Noting**3.1 Airport Operating Result**

The Committee noted Council's proposed approach to accepting an ongoing \$200,000 deficit position for the airport, recognizing that this relates to grant income already received.

Moved Cr P Klobucar, Seconded Mr L Kozlovic

AC4678-2023

That the Audit and Risk Committee notes the report Airport Operating Result and the related impacts to the development of the next Long Term Financial Plan.

Carried

Moved Ms P Christie, Seconded Mr L Kozlovic**AC4679 – 2023**

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 3.1 – Airport Operating Result.

The Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive and consider a report containing commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

Carried**4. Confidential Items****4.1 Unsolicited Proposal – 127 Nicolson Avenue****Moved Mr L Kozlovic, Cr P Klobucar****AC 4680 - 2023**

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 4.1 – Unsolicited Proposal – 127 Nicolson Avenue.

The Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive and consider a report containing commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the Council.

Carried**Moved Cr P Klobucar, Seconded Mr L Kozlovic****AC 4681 – 2023**

The Audit and Risk Committee:

1.

2. Having considered Agenda Item 4.1 – Unsolicited Proposal – 127 Nicolson Avenue in confidence, under Sections 90(2) and (3)(b) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act, orders that this Report and any Annexures to this Report, and minutes be kept confidential and not available for public inspection until such time as the premises at 127 Nicolson Avenue is sold, except insofar as is necessary to implement the Council decision, on the basis that it contains commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the Council, notwithstanding that it will be reviewed annually in February of each year.

Carried**4.2 Release of Information****Moved Mr L Kozlovic, Cr P Klobucar****AC 4680 - 2023**

Pursuant to Section 90(2) and (3)(e) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Mr S Sathasilvam; Projects and Partners Lead, Mr B Benson; Manager Airport and Economic Development, Mr C Sharp; Manager City Operations, Ms J Perone; Manager City Development, Ms S King; Manager People and Culture, Ms R Nottle; Manager Assets and Planning and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 4.2 – Release of Information.

The Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive information about matters that could affect the security of the council, members or employees of the council, or council property, or the safety of any person.

Carried

5. MOTIONS WITH NOTICE

Nil

6 MOTIONS WITHOUT NOTICE

Nil

7. DATE OF NEXT MEETING – Monday 8 May 2023 at 11am

8. CLOSE – Meeting closed at 3.02 pm

CORPORATE**1.5 Business Arising from Previous Meetings – as at 8 May 2023****Audit and Risk Committee** 8 May 2023**Meeting:****Author's Title:** Executive Coordinator, Corporate**File No.:** 0-159**Director:** Corporate**Annexures**

A – Business Arising from Previous Meetings

B – External/Internal Reviews Work Program

C – Meeting Schedule

D – Work Program

Officer Direct or Indirect Conflict of Interest:*In accordance with Local Government Act 1999,
Section 120*☐

Yes

☒

No

Status:*Information classified confidential under
Section 90(2) of the Local Government Act*☐

Yes

☒

No

Reason –Nil**PURPOSE**

The purpose of this item is to bring to the Audit and Risk Committee's attention, Business Arising from previous meetings of the Audit and Risk Committee and external reviews that remain outstanding.

BACKGROUND / DISCUSSION

Business arising for the Audit and Risk Committee has two sources:

- from previous meetings of the Audit and Risk Committee; and
- matters outstanding from external reviews.

Also attached are the Committee's:

- Meeting Schedule
- Work Program, which has now been amended to reflect the Terms of Reference adopted by Council on 17 April 2023. This Program will be continuously updated as matters arise for inclusion on the Committee's agenda.

RECOMMENDATION**The Audit and Risk Committee:**

1. Note the progress of actions taken to address items of business arising from previous meetings of the Audit and Risk Committee as well as external reviews.

“ANNEXURE A”

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 3 April 2023

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	4 October 2022	4.2 – Business Arising <i>Ensure progress is achieved in reviewing Council’s Business Continuity Plan</i>	Manager Governance	30/06/2023	Version 7 of the Whyalla City Council’s Business Continuity Plan has been completed. The final draft BCP is scheduled to be discussed at the EMT on 9 th May and will be presented to the A&RC at the July Meeting.	95% The BCP is in a final draft form.
2.	3 April 2023	1.5 – Business Arising <i>Work Plan (Annexure C) to be revised in accordance with the Terms of Reference and have flexibility to be altered as reports/recommendations/forward agendas come to the Committee</i>	Corporate Director		Refer agenda item 1.5	100% completed
3.	3 April 2023	1.5 – Business Arising <i>The schedule at Annexure D to be amended prior to the next meeting and broken down by policy and definitive time frames in order to make it more prescriptive and ensure due dates are met.</i>	Manager Finance		List of all Finance Policies and their due dates for review have been included in the Committee’s work program	100% completed

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
4.	3 April 2023	2.1 – Review of Audit and Risk Committee Terms of Reference <i>- Ensure all tracked changes are translated to the final document correctly.</i> <i>- Clause 6.2.1 to be removed</i> <i>- Clause 7.3 requires changing from a quorum of 2 to 3</i> <i>- Clause 7.5 The requirement for the CEO to attend all meetings will be confirmed or otherwise updated accordingly</i> <i>- Clause 10.3.2(b) check language in line with legislate requirements</i>	Director - Corporate		The Audit and Risk Committee Terms of Reference were updated in line with the Committee's feedback, and then adopted by Council at their 17 April 2023 meeting.	100% complete
5.	3 April 2023	2.2 – Proposed Approach to Internal Audit and Service Reviews <i>- Areas already identified as first services to be reviewed, to be brought back to the May Audit and Risk Committee Meeting.</i> <i>- Request for proposal detailing the proposed scope for internal audit and service reviews services to be taken to the market including a list of potential preferred providers to be brought back to May Audit and Risk Committee Meeting</i>	Manager Governance		Refer agenda item 2.2	100% complete

* Completed items to be removed are shaded

EXTERNAL/INTERNAL REVIEWS WORKPLAN

Source	Date of Report	#	Item	Responsible	Progress Comment	Due	Status / % Complete
GHC	Mar-21	3	Review procurement policies and procedures	Mgr Finance	Procurement Framework Review in progress	31/07/2023	In Progress / 80%
GHC	Mar-21	6	Undertake a full review of Council's suite of HR/WHS policies	Mgr People & Culture		30/06/2023	In Progress /40%
GHC	Mar-21	13	Develop a new procedure for requests to suppress information from the Assessment Record	Mgr Governance/Finance		30/06/2023	Pending
GHC	Mar-21	16	Review of community land management plans	Mgr Governance	Overall review of all expired leases and land management plans being undertaken in tandem	30/06/2024	In Progress
IFCSA	Nov-21	2.4.1	Accounting Policies up to date	Mgr Finance	Schedule of Finance Policies presented on this agenda, showing all items up to date		Complete
IFCSA	Nov-21	3.8.2	Review of project scope change approval process	Leadership Group	Projects now discussed at a monthly meeting of Leadership, to highlight issues and decide on course of action		Complete
IFCSA	Nov-21	6.3.2	Procedure for Council Members use of public assets	Mgr Finance	The Elected Member Allowances and Benefits Policy outlines what facilities are approved, with all others requiring a Council resolution		Complete
IFCSA	Nov-21	8.1.3	Staff training on mandatory policies	Mgr People & Culture	Mandatory training register includes key policies such as Conflict of Interest and Public Interest Disclosure Policy		Complete
EAMR	Jun-22	7	Tender Documentation – evaluation process	Mgr Finance	Refer to item 2.3 on the 8 May 2023 Agenda	31/07/2023	Complete
EAMR	Jun-22	8	Review Contract Management Policy	Mgr Finance	Procurement Framework Review in progress	31/07/2023	In Progress / 80%
EAMR	Jun-22	9	Review of expired lease agreements	Mgr Governance	Overall review of all expired leases and land management plans being undertaken in tandem	30/06/2024	In Progress
EAMR	May-23	2	Ensure transport asset revaluation is consistent with Council assumptions and the Asset Management Strategy	Mgr Finance / Assets Coordinator	Administration working with valuer to ensure the output of the process is relevant	31/07/2023	In Progress
EAMR	May-23	3	Review Procurement Policy	Mgr Finance	Refer to item 2.3 on the 8 May 2023 Agenda	31/07/2023	Complete
EAMR	May-23	4	Review the Asset Management Strategy	Mgr Finance / Assets Coordinator	Due within the first two years of the new Council	31/03/2024	Pending

* Shaded items to be deleted

GHC - Governance Health Check

EAMR - External Audit Management Report

IFCSA - Internal Financial Controls Self Assessment

- recommendation number from external reports and risk number for internal review

“ANNEXURE C”**WHYALLA CITY COUNCIL
AUDIT AND RISK COMMITTEE****INDICATIVE MEETING SCHEDULE AND WORK PROGRAM - 2023**

Schedule of Ordinary Meetings	
Monday 3 April 2023 at 11am	
Monday 8 May 2023 at 11am	
Monday 17 July 2023 at 11am	
Tuesday 3 October 2023 at 11am	In person, to include joint workshop with Council at 5.30pm
Monday 5 February 2024 at 11am	

AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
5.4	Communication											
	Updates on relevant Council considerations since the last meeting	As required										Note
7	Meetings											
7.8	Set annual schedule of meetings					X					X	
7.8	Annual joint workshop with Council – topics tbd					X					X	Endorse
7.10	Review Committee meeting procedures					X					X	Endorse
9.3	Reporting											
	Audit and Risk Committee annual report to Council					X						Endorse
10.1	Strategic Management											
	Review Strategic Management Framework, including report on WTF: What's the future workshop outcomes and consideration of transformation / investment / development strategies				X							Note
	Review of strategic management plans (Strategic Plan, LTFFP, AMP, WP, ITP), including consideration of transformation / investment / development strategies					X	X	X				Recommend
	Review ABP&B parameters and process for following year					X					X	Recommend
	Review draft ABP&B		X					X				Recommend
	Review ESCOSA material			X				X				Note
10.2	Financial and Prudential Management											
	Review annual financial statements					X					X	Recommend
	Review quarterly budget reports	X		X		X	X		X		X	Recommend
	Review application for new loan				X							Recommend
	Review Council investments & loans					X						Recommend
	Rating review considerations					X						
	Review any prudential report	As required										Recommend
	Review any business case / unsolicited proposals	As required										Recommend
	Review financial/prudential policies:									X		Recommend

AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
	- Asset Accounting - Budget Management & Review - Corporate Credit Card - Entertainment and Hospitality - Financial Hardship											
	- Financial Hardship Policy – Retail Water Customers	Due 2026										Recommend
	- Disposal of Land and Other Assets				X							Recommend
	- Financial Internal Control						X					Recommend
	- Procurement Policy				X							Recommend
	- Prudential Management					X						Recommend
	- Rating Policy						X	X				Recommend
	- Retail Water – Pricing	Due 2026										Recommend
	- Treasury Management								X			Recommend
	- Unsolicited Proposals	Due 2027										Recommend
	- Water Connection & Billing	Due 2026										Recommend
	Quarterly Procurement Report			X	X	X	X		X	X	X	
10.3	External Audit											
	Oversee any tender process undertaken and recommend to Council the appointment of the external auditor.	Due February 2026										Recommend
	Review annual audit plan						X					Recommend
	Receive interim management report			X					X			Note
	Receive end of year audit completion report					X					X	Note
	Meet with external auditor without management present					X					X	Note
	Monitor management's responses to and progress against audit findings			X	X	X	X	X	X	X	X	Note
10.4	Risk Management											
	Review Risk Management Policy, framework, appetite statements, strategic risk profile				X	X		X			X	Recommend
	Review emergency management and business continuity policies and plans				X					X		Note
	Cyber security review report				X					X		Note
	Information or Annual report on Council insurances, claims			X	X					X		Note

AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
	Monitor management's responses to and progress against any risk reports			X	X	X	X	X	X	X	X	Note
10.5	Internal Audit, Internal Controls and Service Reviews											
	Oversee Council's engagement of an internal audit and service review service provider			X	X							Recommend
	Review and monitor the program of service reviews and internal audit assignments					X					X	Note
	Review and monitor the outcomes of service review and internal audit assignments						X	X	X	X	X	Recommend or note
	Review internal financial controls – self assessment						X					
	Review CEO's report on the effectiveness and improvement of internal control (only required for 2023, prior to establishing internal audit program)					X						Note
	Meet with service review and internal audit service provider without management present					X					X	Note
	Monitor management's responses to and progress against service review and internal audit reports							X	X	X	X	Note
	Review update report on management of excess leave				X							
	Review final reports from Systems Modernisation review (confidential)				X					X		Recommend
11.1	Performance assessment, induction and professional development											
	Review performance assessment methodology									X		Endorse
	Receive and consider performance assessment report including any professional development needs										X	Endorse
	Review the Committee's Terms of Reference										X	Recommend
11.2	Ethics, Integrity and Culture											
	Ensure a review of council's systems of control on ethical standards etc is included on the internal audit program. This					X						Endorse

AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
	includes arrangements for employees to raise concerns											
	Receive and consider internal audit report on council's systems of control on ethical standards etc								X			Recommend or note
	Review Council's key controls / policies that go towards good public administration including (note these policies are on a 4-yearly cycle of review):											
	- Behaviour Management	Next due by November 2027										Recommend
	- Fraud and Corruption				X							Recommend
	- Complaints Handling	Next due May 2025										Recommend
	- Public Interest Disclosure	Next due May 2025										Recommend
	- Review of Council Decisions	Next due June 2025										Recommend
	- Access to information, transparency and confidentiality				X							Recommend
	- Privacy			X								Recommend
	Review CEO's annual report on the effectiveness of the organisation's culture					X					X	Note
	Review any reports received that go towards good public administration	As required										Recommend or note
	Other											
11.3	Propose and review the exercise of powers under section 130A of the Local Government Act 1999	As required										Recommend
	Review Audit and Risk Committee Terms of Reference						X				X	Recommend

Corporate

2.1 Budget Review 2022-23 Quarter 3

Audit and Risk Committee: 8 May 2023

Author's Title:

Manager Finance

File No.: 0-159

Director:

Corporate

Annexures:

Annexure A – Budget Review 2022-23 Quarter 3

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1999, Section 120

Status:

Information classified confidential under Section 90(2) of the Local Government Act

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To provide an updated projection of Councils' operating and capital budgets for the 2022-23 financial year, identifying any variations sought to Councils' original budget and the cumulative financial implications.

SUMMARY

The Quarter 3 Budget Review sees a reduction in projected loan borrowings for the current financial year, due to capital expenditure being retimed to 2023-24 in line with updated project schedules.

There are a number of budget pressures that are highlighted within the annexure. Where possible these have been managed through normal budget processes and offset, however Council is operating with a tight budget and dealing with unexpected items is a challenge.

RECOMMENDATION

The Audit and Risk Committee:

1. recommend the Budget Review 2022-23 Quarter 3, identifying an operating deficit of \$2,737,000 and an estimated cash position at end of reporting period of \$172,000, be submitted to Council for adoption; and
2. recommend that the 2022-23 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances.

2.1 Budget Review 2022-23 Quarter 3

REPORT

BACKGROUND

Regulation 9(1)(b) of the *Local Government (Financial Management) Regulations 2011*, requires a budget review report to include a revised forecast of the Councils' operating and capital investment activities compared with estimates set out in the budget.

DISCUSSION

The Budget Review comprises the following statements:

1. key financial indicators;
2. explanation of material variances;
3. uniform presentation of finances; and
4. financial statements.

Refer **Annexure "A"** – Budget Review 2022-23 Quarter 3

The main change to the budget and Long Term Financial Plan is the retiming of capital expenditure from 2022-23 to 2023-24 in line with updated project schedules.

The capital budget across these two years was increased by \$250,000 in line with Council's decision to proceed with the Childcare Centre Upgrade in line with tendered costs. This increase in budget is being funded by a minor adjustment to future fee increases, to ensure it doesn't reduce Council's capacity to deliver other community focused projects and services.

There are a number of budget pressures that are highlighted within the annexure. Where possible these have been managed through normal budget processes and offset, however Council is operating with a tight budget and dealing with unexpected items is a challenge. The main items that have caused the overall variance are:

- An increase in interest expenses – the quantum of increase in interest rate during the current year was higher than expectations, and so interest expenses have increased. The LTFP already had interest rate increases built in in future years, so this is only a one-off issue.
- A reduction in airport income – the airport continues to be impacted by the recovery from Covid, and while passenger fees are performing well, some of the other sources of income are taking longer to bounce back.
- Illegal littering – Costs in this area have increased significantly this year, primarily being the cost to dispose of the materials collected. Further work is required to understand if this is going to be an ongoing issue, or if some of the increase relates to the removal of previously existing rubbish from the area surrounding the town.

At this stage there are no ongoing impacts on Council's LTFP, but this will need to be reviewed over time.

Financial Implications

Budget 2023-24 Impact

If approved by Council, these amendments will:

- increase Council's operating deficit by \$227,000 to a projected \$2.74 million;
- Council's Operating Deficit Ratio remains at (7%);
- decrease Council's Net Financial Liabilities Ratio from 63% to 56%; and
- decrease Council's Asset Renewal Funding Ratio from 141% to 126%.

Council is outside target range for the Operating Ratio. This was already the case for the original budget but has worsened over the financial year. Council will continue to operate outside of this range for a number of years.

The Net Financial Liabilities Ratio is within target range. It is reduced in the current year due to capital expenditure being moved to 2023-24, however this is just a short term timing difference.

The Asset Renewal Funding Ratio is above target range due to projects carried forward from previous years.

Long Term Financial Plan (LTFP) Impact

It should be noted that the base LTFP projections used for the Quarter 3 Budget Review are those contained in the consultation version of the draft 2023-24 Annual Business Plan and Budget. This included the commitment by Council to reduce Management FTE by 3 and ongoing New Capital allocations by 25% from 2025/26 if additional rate income from new development has not occurred. This ensures that Council's projections in the long term are financially sustainable.

Council's operating results in future years are consistent with previous projections, with the exception of 2023-24, where the operating position is improved by approximately \$100,000 due to short term reductions in interest and depreciation costs caused by the retiming of capital projects. The Net Financial Liabilities Ratio is estimated to peak at 72% in 2024-25, in line with previous projections. Borrowings are estimated to peak at \$28.4 million in 2024-25, which is \$400,000 higher than the previous projections, due primarily to additional spending on the Child Care Centre Upgrade project, which is funded from a minor adjustment to fee increases.

Airport

The airport's operating result has been negatively impacted by \$120,000 for the current year, due to higher interest rates and a reduction in income from car parking and rental car leases.

The airport's ongoing operating results are consistent with previous projections.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of Council activities, decisions and actions by promoting positive stories and positive image

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The Budget Review has been prepared in accordance with S 9(1)(b) of *the Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

Legislative risk is minimised as Council will have reviewed its budget in line with the Local Government Act 1999 and Local Government (Financial Management) Regulations.

The financial impacts recognised within this review represent a low risk to Council, as they are not impacting Council's ongoing costs at this stage. A number of the items will need to be investigated further to understand the ongoing nature, especially the costs relating to illegal dumping.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The main change to the budget and Long Term Financial Plan is the retiming of capital expenditure from 2022-23 to 2023-24 in line with updated project schedules.

BUDGET REVIEW 2022-23 3rd Quarter

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2022-23	Amendments 2022-23	Current Budget 2022-23	Proposed Amendments 2022-23	Projected Total 2022-23	Note	Estimated Budget 2023-24	Estimated Budget 2024-25	Estimated Budget 2025-26
Council (including Airport)		1						2			
Operating Surplus/(Deficit) - \$'000			(1,943)	(567)	(2,510)	(227)	(2,737)		(1,957)	(1,825)	(1,173)
Operating Surplus/(Deficit) Ratio	(2)% - 1%		(5%) ●	(2%)	(7%) ●	-	(7%) ●		(5%) ●	(5%) ●	(3%) ●
Net Financial Liabilities Ratio	< 80%		69% ●	(6%)	63% ●	(7%)	56% ●		68% ●	72% ●	66% ●
Asset Renewal Funding Ratio	90 - 110%		129% ●	12%	141% ●	(15%)	126% ●		132% ●	115% ●	100% ●
Council (excluding Airport)											
Operating Surplus/(Deficit) - \$'000			(1,148) ●	(563)	(1,711) ●	(97)	(1,808) ●		(1,041) ●	(1,047) ●	(423) ●
Operating Surplus/(Deficit) Ratio	(2)% - 1%		(3%) ●	(2%)	(5%) ●	-	(5%) ●		(3%) ●	(3%) ●	(1%) ●
Net Financial Liabilities Ratio - %	< 80%		55% ●	(8%)	47% ●	(9%)	38% ●		51% ●	56% ●	51% ●
Asset Renewal Funding Ratio - %	90 - 110%		157% ●	14%	171% ●	(17%)	154% ●		132% ●	115% ●	100% ●
Whyalla Airport											
Operating Surplus/(Deficit) - \$'000		9	(795) ●	(4)	(799) ●	(130)	(929) ●		(916) ●	(778) ●	(750) ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(25%) ●	(6%)	(31%) ●	(6%)	(37%) ●		(34%) ●	(27%) ●	(24%) ●
Net Financial Liabilities Ratio - %	< 250%		216% ●	70%	286% ●	12%	298% ●		292% ●	271% ●	252% ●

KEY

In target range ● Above target ● Below target ●

* The Adjusted Operating Surplus/(Deficit) removes the impact of timing differences in the receipt of Financial Assistance Grant income and is considered to provide a more meaningful measurement of Council's underlying financial position.

Note Explanations – 2022-23 Quarter 3:

1. The operating deficit is expected to increase by \$227,000 to \$2.74 million. The Operating Deficit Ratio remains at (7%). The Net Financial Liabilities Ratio decreases by 7% from 63% to 56%. The Asset Renewal Funding Ratio decreases by 15% from 141% to 126%, due to carry forward renewal projects.
2. Council's operating result in future years is in line with previous projections, with the exception of 2023-24 which improves by approximately \$100,000 due the one off interest and depreciation savings from carry forward projects. The operating result for Council excluding Airport is outside target range for the first two years, but then returns to target range in 2026-27 and then to a breakeven point the next year. The Net Financial Liabilities Ratio is estimated to peak in 2025 at 72%, 1% higher than previous projections, but still within target range. Borrowings are now estimated to peak at \$28.4 million in 2025, \$400,000 higher than previous projections, due primarily to additional spending on the Child Care Centre Upgrade project, which is funded from a minor adjustment to fee increases.
3. Operating income is expected to increase by \$144,000, which is attributed to:
 - An increase in rates income of \$15,000 due to less objections being received than expected.
 - An increase in statutory income of \$5,000 due to more property searches being completed.
 - An increase in user charges of \$68,000 due to:
 - an increase in childcare income of \$40,000 generated from an increase in occupancy rate at the centre, offset by increased staffing costs;
 - increased cemetery income of \$20,000;
 - an increase in airport fuel sale income of \$55,000, offset by additional fuel costs;
 - increased marina mooring income of \$5,000; offset by
 - a reduction in airport income of \$55,000 from car parking and car rentals, as the airport continues to recover from Covid impacts.
 - A decrease in grants & contributions of \$23,000 due to:
 - a decrease of \$55,000 in the expected grant for airport screening, in line with the direct cost of providing the service;
 - a reduction in Country Arts income of \$25,000, due to a grant funded position being temporarily vacant; offset by
 - a waste grant of \$45,000 to assist with the costs of transporting recyclables; and
 - additional youth grants of \$12,000 received, relating to youth week and a suicide prevention programs.
 - An increase in investment income of \$3,000 due to higher interest rates.
 - An increase in reimbursement income of \$5,000 due to some minor private works being completed.
 - An increase in other income of \$71,000 due to:
 - \$56,000 of additional income from ex-gratia rates, based on CPI currently being much higher than when the budget was adopted; and
 - an increase in debt collection oncharges of \$22,000, based on outstanding rates balances.
4. Operating expenditure is expected to increase by \$371,000, this can be attributed to:
 - A decrease in labour costs of \$35,000 due to:
 - an increase in the Workers Compensation Rebate of \$90,000, due to good performance of Council and the scheme as a whole;
 - a reduction of \$25,000 due to a vacant grant funded position being temporarily vacant; offset by
 - a \$40,000 increase in labour costs for the childcare centre due to increased occupancy, generating higher income; and
 - a \$40,000 increase in labour for project management, due to less labour being capitalised for the year.

- An increase in contract, material and other costs of \$316,000 due to:
 - an increase of \$150,000 in the cost of dealing with illegal littering, due in small part to increased fees paid to the contractor, but mainly relating to the disposal cost of the items collected;
 - expenses of \$70,000 incurred to purchase devices to allow more of the workforce to operate remotely, to increase flexibility and efficiency;
 - \$60,000 of additional costs for maintaining Bennett and Memorial ovals;
 - increased fuel costs at the airport of \$55,000, due to increased sales;
 - increased building maintenance costs of \$48,000, due to unexpected items such as inverter failures and a ceiling collapse;
 - an increase in waste costs of \$45,000 due to higher tonnages of kerbside waste;
 - an increase in the cost of running Council's fleet of \$45,000, primarily due to increased fuel costs;
 - \$45,000 of increased costs for maintaining the recycled water and irrigation network;
 - \$20,000 to remove chemicals from the Mount Laura dump site;
 - repair costs of \$18,000 for the marina swimming enclosure;
 - \$15,000 of costs for updates to school crossings, a cost forced onto Council by the Department of Transport, who previously gifted these assets to Council;
 - increased debt collection costs of \$22,000, oncharged to the relevant ratepayers;
 - increased expenditure of \$12,000 relating to youth programs, funded from grant income;
 - an increase in cemetery costs of \$15,000; offset by
 - minor operational savings of \$33,000;
 - a \$100,000 reduction in the line marking program, with the program only due to commence shortly;
 - a \$60,000 saving from UnEarthed being delivered in a different way for the current financial year;
 - a \$50,000 reduction in the impact of increased electricity costs, based on the related bills beginning to be received; and
 - a \$55,000 reduction in screening costs, based on the updated contract cost.
 - A decrease in depreciation expense of \$10,000, attributed to some minor furniture and equipment assets coming to end of life.
 - An increase in interest expenses of \$100,000, due to interest rates increasing during the financial year more quickly than initially anticipated.
5. A decrease of \$731,000 in the outlay on existing assets due to:
- \$697,000 of project expenditure carried forward to 2023-24 in line with updated project schedules, including \$317,000 for plant replacement; \$250,000 for marina renewal works; \$100,000 for irrigation renewal and \$30,000 for minor IT projects; offset by
 - a decrease of \$60,000 in the plant replacement program cost, with the amount expected from sale of old items decreasing by the same amount, leading to no net impact to Council; offset by
 - \$26,000 of budget transferred from new/upgrade to renewal, relating to some minor building works.
6. A decrease of \$3.3 million in the outlay on new and upgraded assets due to:
- \$3.53 million of project expenditure carried forward to 2023-24 in line with updated project schedules including \$1 million for the Point Lowly Cottage Upgrade; \$900,000 for the Surf Life Saving Club Building Upgrade; \$400,000 for Walking Trails; \$350,000 for the Childcare Centre Upgrade; a \$200,000 allocation for Arts & Culture related projects; \$180,000 for upgrade of unsealed roads; \$170,000 for flood levy extension; \$115,000 for minor IT projects and \$110,000 of tourism signage upgrades.
 - \$26,000 of budget transferred from new/upgrade to renewal, relating to some minor building works; offset by
 - \$250,000 of additional budget approved to allow the Childcare Centre Upgrade to proceed, with the cost impacts to be offset by a small increase in fees.
7. A decrease of \$800,000 in amounts received specifically for new and upgraded assets due to being re-budgeted in 2023-24 in line with updated project schedules, being \$500,000 for the Point Lowly Cottage Upgrade; \$200,000 for Walking Trails and \$100,000 for the Childcare Centre Upgrade.
8. It is expected a reduction in borrowings of \$2.9 million will be required in 2022-23 to meet cash flow requirements, compared to previous projections. This is mainly a timing difference related to project outlays. Total borrowings at 30 June 2023 are projected to be \$20.5 million, \$4.5 million lower than projected by the adopted budget.

9. Whyalla Airport

- The operating deficit is expected to decrease by \$130,000 to \$929,000. The Operating Deficit Ratio is expected to deteriorates by 6% from (31%) to (37%). The Net Financial Liabilities Ratio increases from 286% to 298%.
- The Airport's operating results in future years are consistent with previous projections.
- The change to the operating result of \$130,000 is due to:
 - increased interest expense of \$80,000;
 - a net reduction in airport income of \$55,000, after taking into account that additional fuel income is offset by higher fuel costs; offset by
 - a reduction of \$5,000 in costs apportioned from Council operations.

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 3rd Quarter

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Note	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
OPERATING ACTIVITIES										
Operating Revenues	3	36,474	1,120	37,594	144	37,738		39,001	40,219	41,874
less Operating Expenses	4	(38,417)	(1,687)	(40,104)	(371)	(40,475)		(40,958)	(42,044)	(43,047)
Operating Surplus/ (Deficit)		(1,943)	(567)	(2,510)	(227)	(2,737)		(1,957)	(1,825)	(1,173)
CAPITAL ACTIVITIES										
Net Outlays on Existing Assets										
Capital Expense on renewal and replacement of Existing	5	(5,574)	(616)	(6,190)	731	(5,459)		(7,692)	(5,339)	(5,185)
add back Depreciation, Amortisation and Impairment		8,132	(115)	8,017	(10)	8,007		8,424	8,766	9,057
add back Proceeds from Sale of Replaced Assets		178	136	314	(127)	187		238	175	81
Net Outlays on Existing Assets		2,736	(595)	2,141	594	2,735		970	3,602	3,953
Net Outlay on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	6	(10,140)	1,404	(8,736)	3,301	(5,435)		(5,645)	(5,020)	(1,828)
add back Amounts received specifically for New and Upg	7	4,823	(2,822)	2,001	(800)	1,201		1,100	740	168
Net Outlays on New and Upgraded Assets		(5,317)	(1,418)	(6,735)	2,501	(4,234)		(4,545)	(4,280)	(1,660)
Net Lending/ (Borrowing) for Financial Year		(4,524)	(2,580)	(7,104)	2,868	(4,236)		(5,532)	(2,503)	1,120
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		7,300	(150)	7,150	(2,900)	4,250		5,500	2,400	-
Repayment of Principal		-	-	-	-	-		-	-	(1,200)
(Increase)/Decrease in Cash and Investments		49	97	146	32	178		(43)	28	5
Net Balance Sheet funding (debtors & creditors etc)		(2,825)	2,633	(192)	-	(192)		75	75	75
Financing Transactions	8	4,524	2,580	7,104	(2,868)	4,236		5,532	2,503	(1,120)

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 3rd Quarter

STATEMENT OF COMPREHENSIVE INCOME	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
INCOME								
Rates	23,696	-	23,696	15	23,711	25,662	26,822	27,982
Statutory Charges	409	-	409	5	414	440	453	466
User Charges	3,621	121	3,742	68	3,810	4,195	4,519	4,738
Grants, subsidies and contributions	7,708	797	8,505	(23)	8,482	7,565	7,237	7,450
Investment Income	12	21	33	3	36	12	12	12
Reimbursements	14	68	82	5	87	16	16	16
Other Income	1,014	113	1,127	71	1,198	1,111	1,160	1,210
TOTAL INCOME	36,474	1,120	37,594	144	37,738	39,001	40,219	41,874
EXPENSES								
Employee Costs	13,947	(60)	13,887	(35)	13,852	14,718	15,233	15,199
Materials, contracts & other expenses	15,934	1,762	17,696	316	18,012	16,862	16,930	17,596
Depreciation, amortisation & impairments	8,132	(115)	8,017	(10)	8,007	8,424	8,766	9,057
Finance Costs	404	100	504	100	604	954	1,115	1,195
TOTAL EXPENSES	38,417	1,687	40,104	371	40,475	40,958	42,044	43,047
OPERATING SURPLUS/(DEFICIT)	(1,943)	(567)	(2,510)	(227)	(2,737)	(1,957)	(1,825)	(1,173)
Amounts specifically for new or upgraded assets	4,823	(2,822)	2,001	(800)	1,201	1,100	740	168
Net gain (loss)	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	2,880	(3,389)	(509)	(1,027)	(1,536)	(857)	(1,085)	(1,005)
Other Comprehensive Income	13,676	-	13,676	-	13,676	20,031	11,292	10,994
TOTAL COMPREHENSIVE INCOME	16,556	(3,389)	13,167	(1,027)	12,140	19,174	10,207	9,989

WHYALLA CITY COUNCIL

BUDGET REVIEW 2022-23 3rd Quarter

STATEMENT OF FINANCIAL POSITION	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
ASSETS								
Current Assets								
Cash & Cash Equivalents	301	(97)	204	(32)	172	215	187	182
Trade & Other Receivables	9,385	(2,820)	6,565	-	6,565	6,565	6,565	6,565
Inventories	2,861	-	2,861	-	2,861	2,861	2,861	2,861
TOTAL CURRENT ASSETS	12,547	(2,917)	9,630	(32)	9,598	9,641	9,613	9,608
Non-current Assets								
Infrastructure, Property, Plant & Equipment	329,557	(809)	328,748	(3,895)	324,853	349,559	362,269	371,138
Other Non-Current Assets	4,810	(113)	4,697	-	4,697	4,597	4,497	4,397
TOTAL NON-CURRENT ASSETS	334,367	(922)	333,445	(3,895)	329,550	354,156	366,766	375,535
Total Assets	346,914	(3,839)	343,075	(3,927)	339,148	363,797	376,379	385,143
LIABILITIES								
Current Liabilities								
Trade and Other Payables	3,731	(300)	3,431	-	3,431	3,431	3,431	3,431
Short Term Borrowings	100	(100)	-	-	-	-	1,200	500
Short Term Provisions	2,719	-	2,719	-	2,719	2,719	2,719	2,719
TOTAL CURRENT LIABILITIES	6,550	(400)	6,150	-	6,150	6,150	7,350	6,650
Non-Current Liabilities								
Long Term Borrowings	23,450	(50)	23,400	(2,900)	20,500	26,000	27,200	26,700
Long Term Provisions	1,049	-	1,049	-	1,049	1,024	999	974
TOTAL NON-CURRENT LIABILITIES	24,499	(50)	24,449	(2,900)	21,549	27,024	28,199	27,674
Total Liabilities	31,049	(450)	30,599	(2,900)	27,699	33,174	35,549	34,324
NET ASSETS	315,865	(3,389)	312,476	(1,027)	311,449	330,623	340,830	350,819
EQUITY								
Accumulated Surplus	50,924	(3,389)	47,535	(1,027)	46,508	45,651	44,566	43,561
Asset Revaluation Reserve	264,266	-	264,266	-	264,266	284,297	295,589	306,583
Reserves	675	-	675	-	675	675	675	675
TOTAL EQUITY	315,865	(3,389)	312,476	(1,027)	311,449	330,623	340,830	350,819

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 3rd Quarter

STATEMENT OF CHANGES IN EQUITY	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
Accumulated Surplus								
Balance at Beginning of Period	48,044	-	48,044	-	48,044	46,508	45,651	44,566
Change in financial position resulting from operations	2,880	(3,389)	(509)	(1,027)	(1,536)	(857)	(1,085)	(1,005)
Transfers from Other Reserves	-	-	-	-	-	-	-	-
Transfers to Other Reserves	-	-	-	-	-	-	-	-
Balance at End of Period	50,924	(3,389)	47,535	(1,027)	46,508	45,651	44,566	43,561
Asset Revaluation Reserve								
Balance at Beginning of Period	250,590	-	250,590	-	250,590	264,266	284,297	295,589
Revaluation Increment	13,676	-	13,676	-	13,676	20,031	11,292	10,994
Balance at End of Period	264,266	-	264,266	-	264,266	284,297	295,589	306,583
Other Reserves								
Balance at Beginning of Period	675	-	675	-	675	675	675	675
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-
Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-
Balance at End of Period	675	-	675	-	675	675	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	315,865	(3,389)	312,476	(1,027)	311,449	330,623	340,830	350,819

WHYALLA CITY COUNCIL
BUDGET REVIEW 2022-23 3rd Quarter

STATEMENT OF CASH FLOWS	Original Budget 2022-23 \$000	Approved Amendments 2022-23 \$000	Current Budget 2022-23 \$000	Proposed Amendments 2022-23 \$000	Projected Total 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts								
Operating Receipts	33,562	3,619	37,181	141	37,322	38,989	40,207	41,862
Investment Income	12	21	33	3	36	12	12	12
Payments								
Operating Payments	(29,806)	(1,589)	(31,395)	(281)	(31,676)	(31,505)	(32,088)	(32,720)
Finance Costs	(404)	(100)	(504)	(100)	(604)	(954)	(1,115)	(1,195)
Net Cash provided by (or used in) Operating Activities	3,364	1,951	5,315	(237)	5,078	6,542	7,016	7,959
CASH FLOWS FROM INVESTMENT ACTIVITIES								
Receipts								
Amounts specifically for new or upgraded assets	4,823	(2,822)	2,001	(800)	1,201	1,100	740	168
Sale of replaced assets	178	136	314	(127)	187	238	175	81
Payments								
Purchase of Renewal/Replacement Assets	(5,574)	(616)	(6,190)	731	(5,459)	(7,692)	(5,339)	(5,185)
Purchase of New/Expansion Assets	(10,140)	1,404	(8,736)	3,301	(5,435)	(5,645)	(5,020)	(1,828)
Net Cash provided by (or used in) Investing Activities	(10,713)	(1,898)	(12,611)	3,105	(9,506)	(11,999)	(9,444)	(6,764)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Proceeds from Borrowings - Council	7,300	(150)	7,150	(2,900)	4,250	5,500	2,400	-
Payments								
Repayment of Borrowings	-	-	-	-	-	-	-	(1,200)
Net Cash provided by (or used in) Financing Activities	7,300	(150)	7,150	(2,900)	4,250	5,500	2,400	(1,200)
Net Increase (Decrease) in Cash Held	(49)	(97)	(146)	(32)	(178)	43	(28)	(5)
Cash & cash equivalents at beginning of period	350	-	350	-	350	172	215	187
Cash & cash equivalents at end of period	301	(97)	204	(32)	172	215	187	182

CORPORATE

2.2 Draft Request for Proposal for Service Review and Internal Audit Services

Audit and Risk Committee 8 May 2023

Meeting:

Author's Title: Director Corporate

File No.: 0-159

Director: Corporate

Annexures

A – Draft Request for Proposal for Service Review and Internal Audit Services

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason –Nil

PURPOSE

The purpose of this report is to seek the Committee's feedback on and endorsement of a draft Request for Proposal for Service Review and Internal Audit Services.

SUMMARY

Following the Audit and Risk Committee's consideration of establishing a service review and internal audit program, a draft scope of services has been developed for the Committee's consideration. It is recommended that the scope of services be released as an open request for proposal to ensure that Council does not limit the opportunity to achieve the best possible outcome in terms of skills/experience and price.

RECOMMENDATION

The Audit and Risk Committee:

1. Subject to the inclusion of the following feedback, endorses the scope of services for the delivery of service review and internal audit services being released as an open request for proposal.
 - a. xxx
 - b. xxx
 - c. xxx

BACKGROUND / DISCUSSION

At its last meeting, the Audit and Risk Committee supported the establishment of a service review and internal audit program being delivered via an outsourced approach in the first instance due to the skillsets and independence that this entails. In the longer term, it was noted that a co-sourced approach may be more beneficial when considering costs, corporate knowledge and learning.

The Committee also noted that a draft scope of services for this work would be presented to the May 2023 meeting in line with the requirements of the Committee's Terms of Reference.

Provided at Annexure A is a draft scope of services for the provision of service review and internal audit services. The draft is presented for the Committee's feedback prior to being released as an open Request for Proposal. The reason for recommending an open proposal approach is to ensure that Council does not limit the opportunity to achieve the best possible outcome in terms of skills/experience and price.

The following is a suggested process and timeline for this request:

8 May 2023	Audit and Risk Committee feedback on scope of services
By 12 May 2023	Finalise scope of services and request for proposal documentation
w/c 15 May 2023	Release of request for proposal
w/c 29 May 2023	Prospective respondents briefing via Teams / Zoom (if required)
16 June 2023	Request for proposal close
w/c 19 June 2023	Initial evaluation and short listing Evaluation team to include: Director Corporate Manager Governance Manager Finance
w/c 3 July 2023	Opportunity for short listed proponents to present to evaluation team Chair of Audit and Risk Committee and Chief Executive Officer to be invited to attend presentations
By 7 July 2023	Preferred service provider(s) identified
17 July 2023	Audit and Risk Committee consideration of proposal evaluation, and recommendation to Council engagement of preferred service provider
21 August 2023	Council consideration of recommended service provider(s)

Financial Implications

Currently council has \$50,000 annual allocation to service review related activities. A further \$15,000 recurrent has been requested in the 2023/24 budget considerations making a total of \$65,000 per annum possibly available.

Based on previous experience, internal audit / service review projects can range between \$5,000 - \$25,000 pending the scope of the review.

Council's service review and internal audit program can be scalable pending organisational needs, budget provision and the proposed costings of the service provider. The extent of Council's program will be tested once proposals are received.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adopt to the changing needs and expectation of the community.

Legislation

Local Government Act 1999

Officer Direct or Indirect Interest - Nil

Risk Assessment

Establishing a service review and internal audit program will contribute to Council's risk management strategies, including its work towards financial sustainability.

Social Considerations

Service reviews and internal audit will contribute to the delivery of public value.

Community Engagement – Nil for this report, noting however that community engagement will be undertaken as part of any future service reviews.

Environmental Implications – Nil

Communication - Nil.

Conclusion

The establishment of a service review and internal audit program will play a critical role in Council achieving and maintaining financial sustainability over the coming years by keeping Council's resource allocation and service delivery under review. It will provide numerous benefits including compliance with legislative and regulatory requirements, improved governance and risk management, enhanced efficiency and effectiveness, better decision-making, improved accountability and transparency and achieving good standards of public administration.

ANNEXURE A

Invitation to submit a Proposal for Service Review and Internal Audit Services

The City of Whyalla invites written proposals from suitably qualified and experienced providers of service review and internal audit services (the **Services**). The Services are to be provided for a term of three (3) years, with an option for a two (2) year extension, commencing July / August 2023.

Depending on the nature of proposals received, Council will consider splitting the Services into two contracts, with service review and internal audit services provided by separate providers. Council will also consider joint submissions from multiple providers.

The opportunity (and challenge) (see also attached summary budget considerations for 2023/24)

Current circumstance

Whyalla is a city built for 50,000 people, but currently has a population of around only 21,000, who are required to fund the maintenance of all infrastructure. Many of the city's buildings were built over a short period in the '60s and '70s and are all approaching end of life around the same time.

Overall investment in the city over the past 30 years has been far too low, due to the significant uncertainties about the future. These factors have led to a large number of legacy issues relating to ageing infrastructure.

In addition, this means that the level of service able to be delivered, on average, has to be below the "ideal" level, taking into account the community's capacity to pay.

Current economic conditions are highly challenging, including Consumer Price Index (CPI) being at a once in a generation high, and cost for project delivery up 20 to 40%.

Given the above backdrop, Council's current financial position is unsustainable with a 10-year long term financial plan showing a deficit for the duration of the plan.

Future horizon

In contrast to the above circumstance, upcoming development in the region is likely to be significant with multiple renewable energy and decarbonisation projects announced. The scale of change about to be experienced cannot be approached using a business-as-usual attitude or by continuing Council's current financial position.

Two years ago, Council resolved to increase its internal resourcing to deal with the large number of legacy issues, while also ensuring that the benefits from future opportunities could be realised.

It is expected that Council will begin generating additional income from significant new development over the coming years. But this income hasn't been built into financial projections, as the timing is unknown.

If it doesn't eventuate, and to assist its long term financial plan, Council has committed to reducing three Management positions and a 25% reduction in spending on New Capital from 2025/26.

Impact on today

Council has considered the impact of a number of different rate increases on Council's financial position and ability to deliver services and projects. Changes in Council's costs are in many circumstances linked to CPI. This means that rate increases at a minimum need to be in line with CPI, or Council's financial position (and therefore service levels) will move backwards. Financial sustainability is a core responsibility of Council, meaning Council cannot run a deficit position for more than a few years.

Council believes that the community values the services they receive, and is committed to ensuring that they can continue to be delivered. Accordingly, Council is seeking to introduce a program of Service Reviews to ensure that services are being delivered in the most efficient way.

The task

Council operates under the Local Government Act 1999 (the Act) and provides a wide range of services and programs to its community. More details on Council's services are attached and are also available on its website at www.whylla.sa.gov.au.

One of Council's roles as outlined in the Act is to keep the Council's resource allocation, expenditure and activities and the efficiency and effectiveness of its service delivery, under review.

This role contributes towards Council upholding the following principles in the performance of its roles and functions, also outlined in the Act:

- Effective and efficient provision of services, facilities and programs.
- Balancing the provision of services, facilities and programs against the financial impact on customers / ratepayers.
- Achieving and maintaining standards of good public administration.
- Ensuring long term financial sustainability.

Council currently has several ways in which it discharges the above responsibilities including regular performance monitoring and reporting; customer/community feedback; risk management and financial reporting.

Council does not however have a service review or internal audit program, business practices which are well-established (and increasingly important) across private, government and non-government organisations seeking to improve their operations, manage risks effectively, and comply with laws and regulations.

Given the significant opportunities and challenges currently before Council, introducing a service review and internal audit program is seen as a key imperative over the coming years to ensure Council's service delivery decisions:

- Are informed by robust data and contemporary knowledge about community needs and different service models.
- Balance the delivery of services against the financial impact on customers / ratepayers.
- Are supported by a program of continuous improvement, with the ongoing effectiveness and efficiency of service delivery being a key driver.

The services

As one of the key strategies in returning Council to a financially sustainable position, Council is seeking to engage a suitably qualified and experienced Service Provider to assist in establishing and delivering a Service Review and Internal Audit program.

The establishment of a Service Review and Internal Audit Program will play a critical role in Council achieving and maintaining financial sustainability over the coming years, by keeping Council's resource allocation and service delivery under review.

It will provide numerous benefits including compliance with legislative and regulatory requirements, improved governance and risk management, enhanced efficiency and effectiveness, better decision-making, improved accountability and transparency and achieving good standards of public administration.

Council is outsourcing the delivery of its Service Review and Internal Audit Program to provide an independent and objective review and advisory service to:

- provide assurance to the Council, the Audit and Risk Committee and the Chief Executive Officer that resource allocations, together with financial and operational controls, are directed towards the achievement of Council's objectives and the management of risks, in an efficient, effective and ethical manner.
- Assist management in improving business and service delivery performance, thereby contributing to the effective and efficient provision of services, facilities and programs.
- Assist Council via the Audit and Risk Committee, and the Chief Executive Officer in the effective discharge of their responsibilities with respect to balancing the provision of services, facilities and programs against the financial impact on customers and ratepayers.

The provision of Service Review and Internal Audit services may include:

- Initial development of Council's Service Review and Internal Audit Program, based on risk.
- Service (business) performance/improvement reviews.
- Strategic audits.
- Assurance audits.
- Compliance audits.
- Assisting with business risk planning, assessment and review.

Indicative scope of work

Service Review and Internal Audit Program

Develop a four (4) year strategic Service Review and Internal Audit Program in alignment with Council's strategic directions and changing environmental and operating circumstances, considering:

- The opportunities and risks facing the Council.
- Service mix and improvements available to Council.
- Council's financial position.
- Internal controls.
- Discussions with the Audit and Risk Committee, Chief Executive Officer and senior management.
- Any issues raised by Council's External Auditors.

Developed in partnership with senior management, the four (4) year Service Review and Internal Audit Program will include at a minimum, the following information for specific assignments:

- Relevant work area and project sponsor.
- Risk rating (based on Council's risk management framework).
- Nature of assignment (Service Review, strategic, assurance, compliance).
- Estimated hours.
- Approximate timing (e.g. 1st, 2nd, 3rd or 4th year) and proposed timetable for execution during each financial year.

The number of assignments per year will be discussed with the Service Provider based on resource requirements and costs.

Undertake individual assignments

Undertake individual Service Review and audit assignments identified in the Service Review and Internal Audit Program using continuous improvement approaches.

The following are some indicative steps that may be implemented for each individual assignment (see also additional information about Service Reviews attached to this Specification):

- Prepare scope / project brief document to be agreed between the Service Provider and Council prior to the commencement of each assignment which should include, but not be limited to:
 - High level description/scope.
 - Linkage to Council's strategic directions and key risks.
 - Objectives.
 - Sponsor/key contacts.
 - Key tasks and deliverables, expressed as a work program and schedule for carrying out the assignment.
 - Resources required / budget / estimated hours (including personnel who will conduct the project).
 - Any assumptions.
 - Provision for sign off by Council and the Service Provider.
- Undertake fieldwork as necessary for the project, which depending on the nature of the project may involve a mix of the following tasks:
 - Understanding existing service levels and customer expectations.
 - Researching best fit service models.
 - Analysing data, identifying improvements / recommended service model.
 - Evaluating opportunities and risks, identifying key controls.
 - Assessing the adequacy / effectiveness of controls and identifying improvements.
 - Providing assurance that organisational activities are consistent with strategic directions.
 - Provide feedback and advice on best practice in both public and private sectors.
 - Provide comment on compliance with legislation, directions, regulations, policies, plans and procedures (where relevant).
- Discuss project findings with relevant managers and if necessary, assist managers to determine appropriate courses of action.
- Develop specific recommendations and agreed actions, taking into account the cost versus

benefit of implementing recommendations.

- Prepare a draft and final report for the project which may include:
 - Overview of key findings.
 - Background information including summary of the scope and objectives of the project and the methodology used.
 - Assessment of the service area / control framework (highlighting both strengths and areas for improvement) and overall conclusion.
 - Detailed findings.
 - Recommended / agreed actions, action owner and action dates.
 - Analysis of the hours spent on the project.
- Present Service Review and/or Internal Audit reports and findings to the Audit and Risk Committee.

For Service Review projects in particular, it is expected that the steps taken for each project will include engagement by the Service Provider across the organisation and users of the services to ensure both business and customer experience needs are considered. The establishment of a user group and utilisation of subject matter experts is a possibility.

Administration and planning

Overall administration and planning is intended to cover matters such as attendance and presentation at meetings (e.g. relating to contract management) and general planning not linked directly to an assignment. The Consultant will attend at least one (1) contract management meeting per financial year with Council's representative.

Audit and Risk Committee representation

The provider(s) of service review and internal audit services will report direct to Council's Audit and Risk Committee.

One representative (equivalent to manager or partner level) of the Service Provider may be required to attend ordinary Audit and Risk Committee meetings (and special meetings as required) to which a Service Review or Internal Audit report is being presented or when requested to do so by the Committee. It is anticipated that there will be a minimum of four (4) ordinary Audit and Risk Committee meetings per year, with an approximate duration of 1 to 3 hours each meeting.

Working collaboratively with Council's Statutory Auditor

The statutory auditor reports to the Council via the Audit and Risk Committee, as required by the *Local Government Act 1999*. It is important that the Service Review and Internal Audit function work closely with Council's statutory Auditor to maximise effort and eliminate duplication. It is expected that the Service Provider will regularly liaise with and provide details of review/audit procedures and findings which impact on management controls to Council's Statutory Auditor to ensure there is no duplication of resources.

Additional and value added services

Conduct ad hoc assignments as requested by the Chief Executive, the Audit and Risk Committee or the Council which may arise during the course of a financial year, but which cannot be specifically

identified or anticipated as part of the Service Review and Internal Audit Program. This may include special assignments and investigations into any manner or activity affecting the probity, interests and operating efficiency of the Council.

Maintaining up to date knowledge of industry standards and best practices and transferring that knowledge to the Council.

Resources

Council's primary representative for the Services is the Manager Governance.

The Council will not provide resources to directly support the Service Provider in the provision of the Services other than access to management and employees, relevant information and a direct line of contact with the Chair of the Audit and Risk Committee, the Chief Executive Officer and Directors where required.

Council acknowledges that the breadth of its service and business undertakings are broad. It is therefore anticipated additional contractual resources with specialist expertise may be required from time to time.

It is preferable the Service Provider assigns staff on a long-term basis to this contract, so that continuity of relationships and knowledge can be established.

The Service Provider's staff will be accommodated on the site of an assignment provided sufficient notice has been given, however no permanent accommodation will be provided.

The Service Provider will be required to supply their own computing resources.

Performance requirements

The table below shows the contractual KPIs agreed as part of this contract, along with reporting frequency against each KPI and the method of measurement to be used.

Requirement	Target
Develop and present Strategic Service Review and Internal Audit Program within agreed timeframe	100%
Completion of individual assignments within agreed budget (scope variations will be documented and agreed prior to incurring additional costs)	100%
Contact staff at least five (5) days before commencement of fieldwork	100%
Issues discussed with project sponsor and formal response received	100%
Confirm findings with key staff prior to issue of draft report	100%
Delivery draft report after completion of fieldwork	10 business days
Deliver final report after receipt of management comments on the draft report	5 business days
Partner or Senior Manager attendance at Audit and Risk Committee meetings (if required)	100%
Confirm ability to undertake urgent assignments	2 working days
Satisfaction with services provided	>85%

Term

The engagement will be for a period of three (3) years, with an option for a two (2) year extension.

Proposal requirements

Interested Service Providers are requested to provide a proposal outlining their credentials, similar experience and capability to provide the services.

Service Providers may submit a proposal including alternative steps to those outlined in this Request for Proposal.

Prices quoted are to be in an annual lump sum & schedule of rates basis.

Your Proposal is requested:

To be sent to: xxxx

By: xxxx

Your Proposal should address:

1. A detailed outline of the proposed methodology, timeline and milestones that will be used to progress the services.
2. Description of the expertise and experience being brought to the services, including names and qualifications of key persons who would work on the project.
3. Proposed dates for commencement of the services.
4. Detailed schedule of rates for the services identified. Consideration will be given to an annual capped fee. Quoted prices must **include** GST and all applicable levies, duties, taxes and charges.
5. Declaration of any real or potential for conflict of interest and details of how any conflict of interest will be managed.
6. An analysis of project risks and how they will be managed.
7. Details of insurance currently held by you that would be extended to provide cover for the Services.
8. Details of three referees.

Criteria for selection

The evaluation of each response to this RFT will be based on the requirements set out in this Request for Proposal. At the sole discretion of Whyalla City Council, the top proposals may be selected for follow-up questions or to provide an oral presentation.

The following weighting and points will be assigned to the proposal for evaluation purposes:

Technical – 35%

- Project Approach/Methodology
- Proposed Work Plan

Capability – 35%

- Provider relevant experience
- Qualifications/Experience of proposed key staff

Cost – 30%

Additional information:

The following additional information is attached to this Service Specification:

1. Recent publication summarising Council's 2023-24 Annual Business Plan and Budget considerations
2. Full list of Council Services
3. An outline of proposed service reviews for five of Council's services.
4. Audit and Risk Committee Terms of Reference

BUDGET CONSIDERATIONS

2023-2024
Annual Business Plan
and Budget

CURRENT CIRCUMSTANCE

Whyalla is a city built for 50,000 people, but currently has a population of around only 21,000, who are required to fund the maintenance of all current infrastructure. Many of the city's buildings were built over a short period in the '60s and '70s and are all approaching end of life around the same time. Overall investment in the city over the past 30 years has been far too low, due to the significant uncertainties about the future. These factors have led to a large number of legacy issues relating to ageing infrastructure. In addition, this means that the level of service able to be delivered, on average, has to be below the "ideal" level, taking into account the community's capacity to pay. Current economic conditions are highly challenging, including Consumer Price Index (CPI) being at a once in a generation high, and cost for project delivery up 20 to 40%.

FUTURE HORIZON

Two years ago, Council resolved to increase its internal resourcing to deal with a large number of legacy issues, while also ensuring that the benefits from future opportunities could be realised.

It is expected that Council will begin generating additional income from significant new development over coming years. But this income hasn't been built into financial projections, as the timing is unknown.

If it doesn't eventuate, Council has committed to a reduction of three Management positions and a 25% reduction in spending on New Capital from 2025/26.

IMPACT ON TODAY

Council has considered the impact of a number of different rate increases on Council's financial position and ability to deliver services and projects, as outlined in the table on the bottom left. Changes in Council's costs are in many circumstances linked to CPI, as outlined on the bottom right of this page. This means that rate increases at a minimum need to be in line with CPI, or Council's financial position (and therefore service levels) will move backwards. Financial sustainability is a core responsibility of Council, meaning Council cannot run a deficit position for more than a few years.

Council believes that the community values the services they receive (with the scope of these shown on the following page), and is

committed to ensuring that they can continue to be delivered. A program of Service Reviews will commence in the coming months and will look to ensure that services are being delivered in the most efficient way.

Council also believes that capacity is required to deliver the new assets that the community wants over the next few years. Some of these projects require significant planning and won't happen overnight, but it is important that funding is available. Ultimately, this means that a general rate increase of 8.5% is required. This is predominantly due to an estimated CPI of 7.5%, plus an additional 1%. This is an increase of \$2.30 per week for the average residential property.

	6.5%	7.5%	8.5%	11.5%
DELIVERABLES				
Maintain current service levels	×	✓	✓	✓
Maintain current assets	×	✓	✓	✓
Capacity for new assets	×	✓	✓	✓
Capacity for increased service levels	×	×	×	✓
Capacity for accelerated project delivery	×	×	×	✓
FINANCIAL PARAMETERS				
Inside target range for 23/24	×	×	×	✓
Breakeven by 26/27	×	×	✓	✓
Rate increase consistent with LTFP*	×	✓	✓	×
Consistent with overall city vision	×	✓	✓	×

*Long term financial plan

WHY DOES CPI MATTER?

CONTRACTS AND MATERIALS

Most multi year contracts include an increase by CPI each year. When quotes are sought for materials and contracts, in many cases costs are increasing by more than CPI.

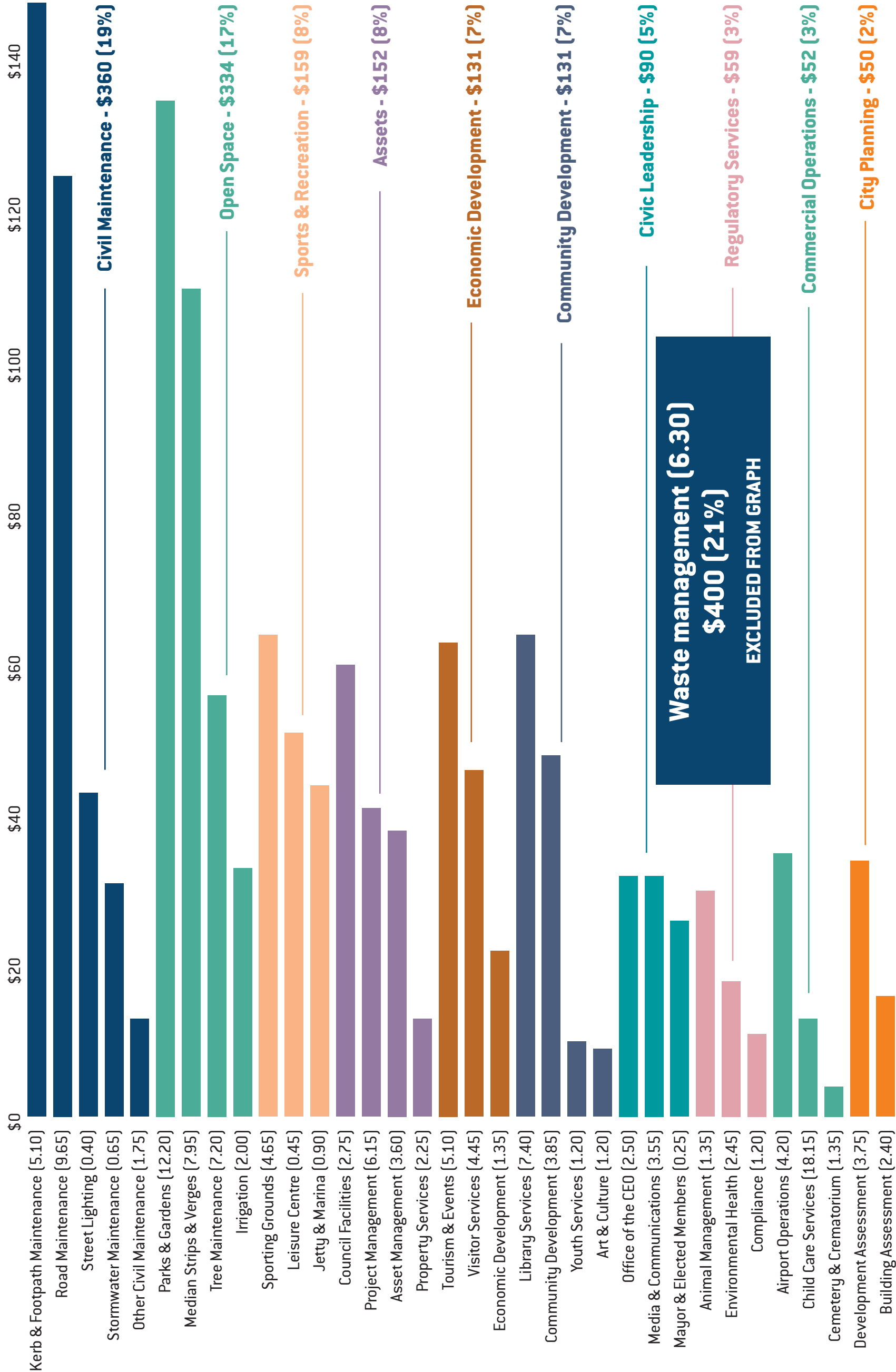
WAGES

While not linked directly to CPI, wage negotiations often include reference to CPI and influence the final outcome.

DEPRECIATION

Depreciation measures the value of assets used up each year and as the cost of replacing assets goes up, which in some cases it has by 20 to 40%, depreciation must also increase.

WHAT THE PROPOSED AVERAGE RESIDENTIAL RATES BILL OF \$1,918 FUNDS:



The figure in brackets after each Service Area name represents Full Time Equivalent (FTE) employee numbers

The budget and FTE figures for each of the outward focused Service Areas above include an allocation from the internal support Service Areas, which are; Governance, Human Resources Customer Service, Finance, Procurement, Information Technology and Records Mangement

Full list of Service Areas:

Airport Operations	Leisure Centre
Animal Management	Library Services
Art & Culture	Mayor & Elected Members
Asset Management	Media & Communications
Building Assessment	Median Strips & Verges
Cemetery & Crematorium	Office of the CEO
Child Care Services	Other Civil Maintenance
Community Development	Parks & Gardens
Compliance	Procurement
Council Facilities	Project Management
Customer Service	Property Services
Development Assessment	Records Management
Economic Development	Road Maintenance
Environmental Health	Sporting Grounds
Finance Services	Stormwater Maintenance
Governance	Street Lighting
Human Resources	Tourism & Events
Information Technology	Tree Maintenance
Irrigation	Visitor Services
Jetty & Marina	Waste Management
Kerb & Footpath Maintenance	Youth Services

EXAMPLE DRAFT OUTLINE FOR FIVE (5) SERVICE REVIEWS

Invitation

The Whyalla City Council is inviting suitably experienced consultants / contractors to respond to a Request for Proposal (RFP) to undertake a series of service reviews on Council's:

- Childcare Centre
- Open Space Services, inclusive of a subset review of Bennett and Memorial Ovals management model (consideration to be given to the development of a Community Land Management Plan over these major assets)
- Visitor Information Services
- Library Services
- Customer Services

The outcome of the reviews will transform service delivery and lift Council's capacity to deliver a public value that is driven by customer centric experiences and high-level services meeting customer expectations.

The ideal provider will be future orientated with substantial and contemporary experience in the review and recommendation of service delivery models in a local government environment.

Scope of Work

Council has identified there are opportunities to introduce contemporary, efficient and multidisciplinary driven approaches to the delivery of these services. Furthermore, it is believed there are methodologies for servicing customers at higher standards, not currently exploited by the City of Whyalla, that will increase service levels without the need to increase resource levels.

To identify a roadmap for change, a return brief is sought from prospective consultants / contractors who can deliver the following services:

- Understand / document existing services including:
 - Service levels
 - Legislation and recent regulatory changes (over last 5 years)
 - Revenue and expenditure
 - Customer events, experiences
 - Asset utilisation, management and direction
 - Resourcing models, team culture and capability requirements (skills and experience)
 - Key performance metrics and service outcomes
- Understand / document customer and other stakeholder expectations:
 - Review existing data, gather new data, document customer and other stakeholder expectations
 - Understand and document legislative requirements
 - Understand and document market data
 - Document desired service outcomes
- Research best fit models of service:
 - Service levels
 - Revenue and expenditure
 - Customer events, experiences
 - Asset utilisation, management and direction
 - Resourcing models, team culture and capability requirements (skills and experience)

- Key performance metrics and service outcomes
- Analyse data and develop service model options:
 - Analyse data and identify service model options
 - Evaluate options and prepared detailed description of recommended option
 - Develop business case for recommended option, inclusive of cost benefit analysis and opportunities to cross skill and upskill to improve team sustainability
 - Develop recommended implementation plan with timeframes to phase in recommendations pending resource availability and the capacity of Council to manage change; identify priority changes and quick wins;
 - Prepare project plan, change management plan, post implementation plan
 - Develop performance metrics and reporting regime to ensure performance is sustained and continuous improvement is possible

It is anticipated that each of the above steps will include extensive engagement by the consultant / contractor across the organisation and users of the services to ensure both business and customer experience needs are considered. The establishment of a user group and utilisation of subject matter experts is a possibility.

Consultants / contractors submitting a Proposal for this work may propose alternative steps to those outlined above. An alternative approach could include a combined review of Visitor Information Services; Library Services and Customer Services with the view to assessing a service model that is not solely location based.

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



1. ESTABLISHMENT

- 1.1.** The Audit and Risk Committee (the Committee) is a formally constituted Committee of Council pursuant to sections [41](#) and [126](#) of the *Local Government Act 1999* and operates as an independent and objective advisory Committee to Council.

2. OBJECTIVES

- 2.1.** The primary objective of the Committee is to add value through the provision of independent advice and assurance to Council on accounting, financial management, internal controls, risk management and governance matters.
- 2.2.** It will ensure that the resources of the City of Whyalla are being optimised and will assist Council accomplish its objectives by contributing to a systematic and disciplined approach to evaluating and improving the effectiveness of financial and risk management, control, and governance frameworks and policies.
- 2.3.** As part of Council's governance obligations to the community, Council has constituted the Committee to facilitate:
- 2.3.1. Oversight of relevant activities to facilitate achieving City of Whyalla's objectives.
 - 2.3.2. Enhancing the credibility and objectivity of internal and external financial reporting.
 - 2.3.3. Effective management of risk and the protection of Council assets.
 - 2.3.4. Compliance with laws and regulations as well as use of best practice guidelines.
 - 2.3.5. The effectiveness of internal audit and maintaining a reliable system of internal control.
 - 2.3.6. The provision of an effective means of communication between the external auditor, any internal audit function, management/administration, and Council.
 - 2.3.7. The continuous development and review of Council's ethical practices.

3. COMPOSITION

- 3.1.** The Committee will comprise:
- 3.1.1. Three independent persons who are not members of any council.
 - 3.1.2. 1 Council Member (who is not the Mayor).
- 3.2.** Members of the Committee (when considered as a whole) will have skills, knowledge and experience in financial management, risk management and governance.
- 3.3.** The Chair of the Committee will be appointed by Council from one of the three (3) independent members.
- 3.4.** In the absence of the Chair, an independent member will act as Chair.
- 3.5.** The Chief Executive Officer will ensure appropriate support is provided to Committee. This resource will ordinarily be the Council's Director Corporate or their designate.

4. INDEPENDENT MEMBERS

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



- 4.1. The term of an independent member will be 4 years or as otherwise determined by Council to facilitate appointments being made on a rotational basis, which in turn will ensure succession planning and continuity of membership despite changes to Council's elected representative.
- 4.2. Council may resolve to re-appoint an independent member.
- 4.3. If Council proposes to remove an independent member from the Committee, it must give written notice to the independent member of its intention to do so and provide that independent member with the opportunity to be heard at a Council meeting which is open to the public if that independent member so requests.
- 4.4. Remuneration will be paid to each independent member of the Committee, to be set by Council from time to time.
- 4.5. At a minimum, the remuneration paid to the independent member will be reviewed within 12 months from the date of a Council (periodic) election.

5. COUNCIL MEMBER REPRESENTATIVE

- 5.1. The term of the Council Member representative will be as determined by Council resolution.
- 5.2. Council may appoint a proxy for the Council Member representative to attend meetings in the event the Council Member representative is unavailable.
- 5.3. No additional allowance will be paid to the Council Member representative (or proxy) over and above the allowance already received by the Council Member.
- 5.4. The Council Member representative will update the Committee on relevant Council considerations since the last meeting, will raise matters (within the scope of the Committee's Terms of Reference) with the Committee on behalf of the Council, and act as a conduit of information between the Council and the Committee, and the Committee and Council.
- 5.5. The Council Member representative will provide a verbal report to Council on the key matters and recommendations from the Committee meeting when the minutes and/or Committee recommendation reports are presented to Council for adoption.

6. AUTHORITY

- 6.1. The Committee reports to Council and provides appropriate advice and recommendations on matters relevant to the Committee's Terms of Reference.
- 6.2. The ability of the Committee to operate in a manner that adds value and maintain independent judgment is vital. In doing so, the Committee:
 - 6.2.1. Has the authority to conduct or direct any investigation (see also Clause 11.3.1 of this Terms of Reference) required to fulfil its responsibilities including, through the Chief Executive Officer, the authority to seek any information it requires from Council employees.
 - 6.2.2. Through the Chief Executive Officer, may request any information or request external resources such as legal, accounting or other advisers, consultants or experts be engaged as it considers necessary from time to time in the performance of its duties.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



6.2.3. May make recommendations to the Council as it sees fit.

6.3. Council or the Chief Executive Officer may refer any matter to the Committee within its Terms of Reference.

7. MEETINGS

7.1. The Committee shall hold at least one meeting in each quarter.

7.2. Special meetings of the Committee must be convened at the request of the Chair or at least two members of the Committee.

7.3. A quorum for a meeting of the Committee shall be three (3), being at least two (2) independent members and the Council Member representative or their proxy.

7.4. Council members may attend any meeting of the Committee.

7.5. The Chief Executive Officer or his delegate will attend all meetings except when the Committee is meeting on a confidential basis with Council's internal or external auditor.

7.6. Representatives of Council's external auditor will be invited to attend all meetings at their discretion but must attend meetings at which there will be consideration of the annual financial report and results of the external audit.

7.7. The Committee will meet with both the external auditor and internal auditor (if appointed) without management present at least once per year.

7.8. An annual schedule of meetings and work program will be developed and agreed to by the Committee members. The schedule of meetings may include at least one joint workshop with the Council and the Committee.

7.9. The time and place for the conduct of meetings will be determined by the Committee provided that all meetings will be held in a public environment and within a City of Whyalla building except where the meeting shall be virtual.

7.10. The Committee will consider and determine its own meeting practice, processes and procedures within the parameters of the Local Government Act 1999 and the [Local Government \(Procedures at Meetings\) Regulations 2000](#).

8. MINUTES OF MEETINGS

8.1. Minutes will be kept of all Committee meetings including a record of any business arising and progress against recommendations made during internal / external reviews.

8.2. Within 72 hours of a Committee meeting, the Chairperson will receive and review the draft minutes. Once reviewed by the Chairperson, the draft minutes will be circulated to Committee members within five days after a meeting of the Committee for comment.

8.3. The minutes will be forwarded to the next General Council meeting that is not being held in the same week as the Committee meeting.

8.4. The minutes will be confirmed at the next Committee meeting. On the confirmation of the minutes, the Chairperson will initial each page and place their signature and the date of confirmation at the foot of the last page of the minutes.

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



9. REPORTING

- 9.1. A copy of the agenda and reports will be forwarded to the Committee at least five (5) days before the committee meeting will also be forwarded to all Council Members for information prior to the conduct of the Committee meeting.
- 9.2. Where the Committee makes a recommendation to Council, the matter will be listed as a separate agenda item for consideration by Council at the next General Council meeting that is not being held in the same week as the Committee meeting.
- 9.3. The Committee shall report annually to the Council, summarising the activities of the Committee during the previous year.
- 9.4. The Committee's annual report will be included in the Council's annual report for the period to which it relates.

10. FUNCTIONS OF THE COMMITTEE

The Committee will meet its objectives and discharge its duties through the following activities.

10.1. Strategic Management

- 10.1.1. Review Council's strategic management plans, long term financial plan, and annual business plans and budget prior to presentation to Council and comment on matters including but not limited to:
 - the assumptions underpinning the plans (including rating / funding considerations)
 - the consistency between plans
 - the adequacy of the plans in the context of maintaining financial sustainability
 - the efficiency, effectiveness and sustainability of significant programs and activities
 - managing, deploying, improving and developing the resources available to Council.
- 10.1.2. Review Council's material presented to ESCOSA and then review and provide comment on ESCOSA's advice to Council regarding Council's financial sustainability.

10.2. Financial and Prudential Management

- 10.2.1. Consider and review Council's annual financial statements (and any significant amendment of the financial statements previously considered by the Committee prior to adoption by Council) to ensure they present fairly the state of affairs of Council. The Committee will include in its considerations:
 - (a) compliance with accounting standards, policies and practices and any other reporting requirements, and any changes in these since the last annual financial statement were compiled;
 - (b) the process used to make significant accounting estimates;
 - (c) significant adjustments to the financial reports (if any) arising from the external audit process;

AUDIT AND RISK COMMITTEE

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- (d) significant variance in the financial statements from prior years;
 - (e) trends which have become evident from the annual financial statements over the last 5 year period;
 - (f) management representations attesting to the accuracy of the end of year financial statements and any significant matters evident from these statements; and
 - (g) the external auditor's summary management report detailing the results and significant findings from the audit and management responses.
- 10.2.2. Recommend adoption of the annual financial statements to Council after making the above enquiries and if considered appropriate.
- 10.2.3. Review and monitor Quarterly Budget Review Reports (required under S9 of the Local Government (Financial Management) Regulations 2011 – Statutory reports to Council).
- 10.2.4. Review any prudential report obtained by Council under section 48(1) of the Local Government Act 1999.
- 10.2.5. Review recommendations contained in business cases or unsolicited proposals in respect of significant activities, business/commercial activities or major projects. Such reviews will have regard to Council's various policies and the requirements of Section 48 of the Local Government Act 1999, which relates to prudential requirements for certain activities.

10.3. External Audit

- 10.3.1. Oversee any tender process undertaken and recommend to Council the appointment of the external auditor.
- 10.3.2. Oversee:
- (a) the adequacy of the terms of arrangement and engagement and audit fees for the external auditor prior to the commencement of each audit;
 - (b) the independence and objectivity of the external auditor and its compliance with all relevant requirements; and
 - (c) the adequacy of the external auditor's proposed audit plan (and any additional agreed upon procedures), approach and scope, including materiality levels.
- 10.3.3. Meet with the external auditor without the presence of management at least once each year to discuss the external audit process and outcomes.
- 10.3.4. Liaise with Council's auditor in accordance with any requirements prescribed by the regulations.
- 10.3.5. If appropriate, recommend to the Council that the external auditor or another appropriately qualified person examine and report on any matter related to financial management, risk management, internal controls and governance processes that would not otherwise be addressed as part of the annual external audit.

AUDIT AND RISK COMMITTEE

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- 10.3.6. Monitor and evaluate management's responses to the findings and recommendations of the external auditor, including progress against agreed actions and the implementation of improvements.

10.4. Risk Management

- 10.4.1. Review and evaluate the effectiveness of policies and systems established and maintained for the identification, assessment, monitoring, management, and review of strategic, financial, and operational risks on a regular basis. This includes providing comment to Council on the adequacy of Council's risk framework and policies, risk appetite statements and management of risks.
- 10.4.2. At least annually, review Council's risk exposure and the adequacy of Council's emergency management, business continuity, strategic and operational risk registers and mitigation measures.
- 10.4.3. Receive reports on any risk, governance or integrity audits undertaken or summary reports made on Council and its activities. Such reports may include, but are not limited to cyber security, public liability, WHS, Ombudsman/ICAC and go towards ensuring standards of good public administration are achieved and maintained.
- 10.4.4. Monitor and evaluate management's responses to the findings and recommendations of risk reports, including progress against agreed actions and the implementation of improvements

10.5. Internal Audit, Internal Controls and Service Reviews

- 10.5.1. If relevant, oversee Council's engagement of an internal audit and service review service provider(s).
- 10.5.2. Review and monitor the program and scope of the service reviews, including whether the program systematically tests community expectations and the ongoing capacity of Council to deliver the service within acceptable financial sustainability parameters or in other words, the efficiency and effectiveness of services.
- 10.5.3. Review and monitor the outcomes of service reviews and their recommendations. Make recommendations to Council as to service provision and service level standards based on community expectations and the ongoing financial sustainability of Council or in other words, the efficiency and effectiveness of services.
- 10.5.4. Review and monitor the program and scope of internal audit activities, taking into account Council's risk profile.
- 10.5.5. Monitor and evaluate the adequacy of Council's internal controls over significant risk, including financial and non-financial management control systems, revenue, expenditure, assets and liability activities.
- 10.5.6. Monitor and evaluate Council's compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 10.5.7. Oversee the facilitation between the service review / internal audit service provider and external auditor to promote compatibility, to the extent appropriate, between

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



their programs of review.

- 10.5.8. Monitor and evaluate management's responses to the findings and recommendations of service, internal audit and internal control reviews, including progress against agreed actions and the implementation of improvements.

11. OTHER

11.1. Performance assessment, induction and professional development

- 11.1.1. The Committee will review its performance against these Terms of Reference annually.
- 11.1.2. There will be a program for inducting new members to the Committee.
- 11.1.3. The annual performance assessment of the Committee will include reviewing whether there is a need for any professional development to maintain the skills and knowledge needed by Committee members to perform their role effectively.

11.2. Ethics, Integrity and Culture

- 11.2.1. Provide feedback that systems of control on ethical standards, behavioural standards and conflicts of interest for Council Members, senior executives and employees are adequate.
- 11.2.2. Address issues brought to the attention of the Committee, including responding to requests for advice within these Terms of Reference from the Council or the Chief Executive.
- 11.2.3. Review Council's arrangements for its employees to raise concerns, in confidence, that the Council is not acting lawfully, ethically or in a socially responsible manner and that there are suitable protections if they do.
- 11.2.4. Oversee Council's standards of good public administration are achieved and maintained, including that Council has in place a fraud and corruption policy.
- 11.2.5. Ensure that the Council is informed of:
- a. any material breaches of ethical standards, behavioural standards, conflicts of interest and fraud and corruption policy by a Council Member or senior executive; and
 - b. any other material breaches of ethical standards, behavioural standards, conflicts of interest and fraud and corruption that call into question the culture of the Council

about which the Committee becomes aware of.

11.3. Other

- 11.3.1. Propose and review the exercise of powers under section 130A of the Local Government Act 1999 as considered relevant.
- 11.3.2. Make recommendations to Council on any matter relevant to these Terms of Reference.

CORPORATE

2.3 Procurement and Contract Management Policy Review

Audit and Risk Committee: 8 May 2023

Author's Title: Manager Finance

File No.: 0-159

Director: Corporate

Annexures:

A – Draft Procurement and Contract Management Policy

B – Adopted Procurement Policy

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the updated Procurement and Contract Management Policy.

SUMMARY

A review of Council's Procurement Framework has been underway over the last 12 months.

The key areas highlighted for improvement were:

- Simplification – this is in terms of easy-to-use smart forms, as well as reducing documentation length, particularly for Request for Quote processes and Contracts
- Improvements in the initial planning stage
- Improvements in the documentation for the evaluation stage
- Allowing more low risk documentation to be approved below the CEO level, where appropriate

Most of the documentation is now nearing completion, after which time training will be undertaken with key staff on the how the new system will operate.

Most of the documentation involved within the review are administrative in nature, with the Procurement and Contract Management Policy being the key overarching strategy that needs to be adopted by Council.

The key changes to the policy position are:

- The requirement to develop an Acquisition Plan before undertaking a procurement process for all purchase over \$40,000
- The ability for Directors to sign off on policy exemptions for purchases below \$100,000, with these previously all going to the CEO
- An increase in thresholds for each procurement method.

RECOMMENDATION

The Audit and Risk Committee recommends the Procurement and Contract Management Policy to Council for adoption.

2.3 Procurement and Contract Management Policy Review

REPORT

BACKGROUND

Council appointed Procurement Services South Australia (PSSA) to undertake the review of Council's overall Procurement processes. They are a Government Department and recently completed a review of the Procurement Framework for the South Australian Government and have started operating under this new model.

This provides them with great background knowledge on procurement within the government sphere, but PSSA also see value in working more closely with Local Government and learning about the unique pressures that we face.

Work has been underway for around 21 months on this work, taking longer than originally envisioned due to competing priorities for both us and PSSA.

PSSA undertook an extensive Stakeholder engagement process, covering both internal system users as well as suppliers. The information gathered assisted them to highlight the areas that needed the most attention and a roadmap for moving forward.

The key areas highlighted for improvement were:

- Simplification – this is in terms of easy-to-use smart forms, as well as reducing documentation length, particularly for Request for Quote processes and Contracts
- Improvements in the initial planning stage
- Improvements in the documentation for the evaluation stage
- Allowing more low risk documentation to be approved below the CEO level, where appropriate

Council has a good history of putting a strong focus on Procurement and so it is not proposed to overhaul the whole process. Instead, it is about simplifying processes that have become quite layered over time and better balancing supplier experience.

Most of the documentation is now nearing completion, after which time training will be undertaken with key staff on the how the new system will operate.

DISCUSSION

Most of the documentation involved within the review are administrative in nature, with the Procurement and Contract Management Policy being the key overarching strategy that needs to be adopted by Council.

Refer **Annexure A** – Draft Procurement and Contract Management Policy

The new Policy has been rebuilt from the ground up, while retaining much of the initial intent and direction. For this reason a track changes version is not available, but instead the current adopted policy is attached for comparison.

Refer **Annexure B** – Adopted Procurement Policy

The key changes to the policy position are:

- The requirement to develop an Acquisition Plan before undertaking a procurement process for all purchase over \$40,000
- The ability for Directors to sign off on policy exemptions for purchases below \$100,000, with these previously all going to the CEO

In addition, the thresholds for each procurement method have changed:

Procurement Method	Old Threshold	New Threshold
1 quote	Up to \$5,000	Up to \$10,000
2 written quotes	\$5,001 to \$30,000	\$10,001 to \$40,000
3 formal quotes	\$30,001 to \$200,000	\$40,001 to \$250,000
Open tender	Above \$200,000	Above \$250,000

The policy also includes mention to contractor management for the first time and so the policy name has been updated to reflect this.

Financial Implications

Procurement processes are always undertaken in line with adopted budgets, with reporting back to Council where costs exceed budget in a material way.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation – Nil

Officer Direct or Indirect Interest – Nil

Risk Assessment

Ultimately, procurement practices involve a trade-off between operational efficiency and seeking value for money outcomes from purchasing. Finding the sweet spot ensures that Council should be spending the least possible funds in the procurement of goods and services.

The thresholds for each procurement method have not been changed in a number of years, and it is considered appropriate to increase these as outlined above, to ensure that the balance doesn't swing too far from operational efficiency.

Social Considerations

The policy has maintained the provision that local purchasing will be given a weighting of 20% in all open tender processes. In other circumstances local prices of up to 15% above non-local will be considered. This ensures that local suppliers are able to compete with larger suppliers and keeps more of Council's spend local.

Community Engagement – Nil

Environmental Implications – Nil

Communication – Not applicable

Conclusion

The updated policy includes the overarching changes to the Procurement Framework, however the main changes are being made at the documentation and procedure level.



Procurement and Contract Management Policy	
Type	Governance
GDS Category	Governance – Public
Responsible Officer	Director Corporate
Policy Adopted	May 2023
Review Period	4 yearly (within 12 months of council election)
Last Reviewed	December 2020 (now archived)
Next Review Due	May 2027
Policy Version Number	
Applicable Legislation	<ul style="list-style-type: none"> • Local Government Act 1999 (SA) • Independent Commissioner Against Corruption (ICAC) Act 2012 (SA) • State Records Act 1997 (SA) • Freedom of Information Act 1991 • Local Government (Elections) Act 1999 – Caretaker Provision • Work Health & Safety Act 2012 • Competition and Consumer Act 2010 • National Competition Policy (Local Government) • Trades Practices Act 1974
Related Documents	<ul style="list-style-type: none"> • Procurement Procedure - Less than \$40,000 • Procurement Procedure - \$40,000 - \$250,000 • Procurement Procedure – Greater than \$250,000 • Disposal Policy • Financial Internal Control Policy • Register of Delegations Policy • WHS Contractor Management Policy • Prudential Management Policy • Corporate Credit Card Policy • Code of Conduct for Council Members, • Code of Conduct for Council Employees • Public Interest Disclosure Policy • Fraud, Corruption, Misconduct and Maladministration Prevention Policy • Caretaker Policy
Public Consultation Required	No
Purpose	This Policy clearly set out the requirements to be met by all Staff when procuring and/or contracting goods and services on behalf of the Whyalla City Council.

1. Introduction

The objective of the Policy is to achieve the principles set out in Section 49(a1) of the *Local Government Act 1999 (SA)*, being to develop and maintain procurement policies, practices and procedures that are directed towards:

- obtaining value for money in the expenditure of public money
- providing for ethical and fair treatment of Tenderers
- ensuring probity, accountability, and transparency in procurement operations

This Policy covers the whole procurement process from identification of the need to contract management and delivery.

All Whyalla Council Members and officers are subject to the integrity and behaviour provisions of the Local Government Act 1999 and any other behavioural standards adopted by Council.

2. Scope

This Policy applies to anyone working for, or on behalf of, the Council. This includes Council Members, Council Officers, subcontractors and volunteers.

This Policy applies to all procurement and contract management activity associated with the acquisition of goods, services, and works on behalf of the Whyalla City Council.

This Policy does not apply to expenditure or revenue related to:

- non-procurement expenditure such as sponsorships, grants, funding arrangements, donations, and employment contracts
- the disposal of land and other assets owned by the Whyalla City Council
- the purchase of land by the Whyalla City Council

Additionally, this Policy does not apply to the goods, works and services outlined in Schedule 1.

All dollar figures in this Policy are GST exclusive unless otherwise stated.

3. Policy Statement

All procurement and contract management occurs in accordance with this Policy and supporting procedures and guidelines.

These procedures set the minimum requirements staff **must** meet when planning for and undertaking a procurement and managing a contract.

All staff **must** adhere to the processes outlined in these procedures.

This Policy should be read in conjunction with the Council's Prudential Management Policy and Risk Management Policy.

4. Policy Objective

The objective of this Policy is to ensure Procurement and Contract management activities

- represent value for money in the expenditure of public money
- achieve the best possible outcome for the Council and Community
- encourage healthy competition between participants
- result in the engagement of contractors with safe, ethical, socially inclusive, and environmentally responsible goods, works and services
- comply with legislative requirements
- minimise contract risks and disputes

5. Procurement Key Principles

To meet the objectives, all acquisitions **must** have regard to the procurement principles.

5.1. Open and Fair Competition

The Council encourages open and effective competition by providing with fair and reasonable access to opportunities to do business with Council. Council will be impartial, fair, independent, and open in all discussions and negotiations.

5.2. Value for Money

The Council will undertake efficient and effective procurement activities to ensure value in the expenditure of public money. Value for money shall consider financial factors (whole of life costs) and nonfinancial factors (including risk) associated with the procurement. Value for money shall consider whole of life costs and may not necessarily favour the lowest price.

5.3. Accountability, Transparency and Probity

The Council will demonstrate accountability in procurement by ensuring that decisions are documented, able to be explained and evidence provided that an independent third party can clearly see that a fair and reasonable process has been followed.

Council maintains the confidentiality of information provided by contractors during and after the procurement process.

Conflicts of Interest will be addressed in accordance with the provisions of the Local Government Act 1999.

5.4. Local Participation

The Council is committed to maximising its ability to positively impact the local economy and community. Wherever possible, procurement is to be undertaken in a manner that will seek to create local employment opportunities and increase economic growth within the local area.

Additionally, Council is committed to maximising the skills development and employment opportunities available to young people in the city of Whyalla, by the Council, where deemed appropriate, promoting and preferencing suppliers who engage apprentices, trainees, and cadets in their work practices.

During the development of the Acquisition Plan and associated evaluation criteria for procurement above \$250,000, Council Officers **must** apply a fixed weighting of 20% to local content. In other circumstances, local prices of up to 15% above the best non- local price will be considered.

5.5. Environmental and Social Considerations

The Council maintains a commitment to environmental sustainability and pursue social outcomes through procurement and contracting activities.

Council will seek to achieve positive environmental outcomes from procurement by:

- adopting purchasing practices which conserve natural resources.
- aligning the Council's procurement activities with principles of ecological sustainability
- purchasing recycled and environmentally preferred products where possible
- integrating relevant principles of waste minimisation and energy
- fostering the development of products and services which have a low environmental impact.

Council is committed to supporting Aboriginal and Torres Strait Islander businesses and promoting the employment of Aboriginal and Torres Strait Islander people, by:

- supporting procurement from Aboriginal and Torres Strait Islander owned businesses.
- investigating Supply Nation membership
- encouraging Aboriginal and Torres Strait Islander business inclusion on Prequalified Supplier Register

5.6. Procurement and Contract Risk Management

Council Officers will ensure that appropriate risk management methods are applied in the procurement process and subsequent contract. Officers will seek to manage, and mitigate potential financial, procurement and contractual risks throughout the project.

Risks will be managed in accordance with the Council's Risk Management Framework.

5.7. Health and Safety

Council Officers will only consider contractors who have appropriate systems to manage Work Health and Safety or who can demonstrate a capability to establish adequate systems or processes as outlined in the Work Health and Safety Act 2012.

6. Procurement

6.1. Estimating the Value of a Procurement

The estimated value of a procurement is to be determined by reference to the budget required by the Council to meet the estimated total value of any expenditure commitments that may result from the proposed procurement exercise, and is GST exclusive. This includes the total value of any contract extension and other options that may be included.

Procurements cannot be divided into separate procurements for the purpose of avoiding any value thresholds or delegations.

6.2. Planning and Purchase Approvals

Council Officers will prepare an Acquisition Plan for any purchases with an estimated value greater than \$40,000.

An Acquisition Plan **must** be approved by

- Manager (Level 3) up to and including \$100,000.
- Director (Level 2) \$100,001 and above

Except where an exemption is being sought. In this instance an Acquisition Plan **must** be approved by

- Director (Level 2) up to and including \$100,000.
- Chief Executive Officer \$100,001 and above

This approval **must** be obtained prior to seeking quotes.

Prior to awarding a contract, Council Officers **must** complete a Purchase Recommendation Report. The Report **must** be approved by an Officer with the appropriate Financial Authority outlined in the Financial Limit of Authority.

6.3. Procurement Thresholds

Council Officers **must** seek the minimum number of quotes based on the estimated value of the procurement excluding GST. If the value of the procurement is within 5% of the nearest threshold, then the greater threshold requirements **must** be adhered to.

The procurement value thresholds are (ex. GST):

Estimated Value	Quotes	Market Engagement	Method
Up to \$10,000	1 quote	Direct quote	Verbal or written
\$10,001 to \$40,000	2 quotes	Multiple quotes	Written
\$40,001 to \$250,000	3 quotes	Selective Engagement: <ul style="list-style-type: none"> • Request for Quote (RFQ) • Request for Tender (RFT) 	Email
Above \$250,000	Open market	Open Tender: <ul style="list-style-type: none"> • Request for Quote (RFQ) - Goods Only (low risk) • Request for Tender (RFT) • Expression of Interest (EOI) 	SA Tenders and Contracts Website

A minimum of one quote **must** be sought from a local supplier if the goods, services, or works are available locally.

Where the procurement is for goods estimated above \$250,000 and is deemed low risk and routine in nature to the Council, a Director can approve a selective engagement, choose to only seek 3 quotes. This applies for the purchase of goods only.

Where there is limited knowledge of the market or it would be beneficial to the Council, additional quotes should be sought.

6.4. Exemption to Minimum Quotes

An exemption to the minimum quotes **must** only be considered in limited circumstances. Council Officers **must** not approach less than the minimum number of suppliers required by this Policy except in instances that the rationale meets the circumstances outlined in Schedule 2.

The reason to not seek the minimum quotes **must** be documented in the Acquisition Plan and authorised prior to seeking a quote in accordance with 6.2 Planning and Purchase Approvals.

Exemptions which have been approved are to be recorded and reported to the Audit Committee quarterly including the explanations given for departure from this Policy and how Council is receiving Value for Money in the purchase.

6.5. Strategic Alliances and Partnerships

This is where the council undertakes procurement through contract arrangements already established and administered by other organisations, including:

- LGA procurement contracts.
- A purchasing group of which the council is a legal party to contract access.
- Procurement Australia; and
- State government contracts.

Where deemed in the strategic interest of the Whyalla City Council, the Council may seek to collaborate with other councils in the region to increase its buying power and in pursuit of developing and increasing competitive local business. The Council may also use subsidiary arrangements with other councils. All such proposals need to be considered and approved in line with the delegations outlined in the Financial Limit of Authority prior to entering into any contract.

6.6. Use Of Prequalified Suppliers

Prequalified suppliers are businesses or individuals who have been assessed as meeting minimum compliance for Work Health and Safety and insurance criteria for the provision of goods, works and/or services. These contractors are added to the list as and when required or requested.

7. Contract Management

The Council will ensure that all contracts are managed to maximise outcomes and minimise risk.

Contracts are to be proactively managed by the member of Council staff responsible for the delivery of the contracted goods, services or works to ensure Council receives value for money. All contracts greater than \$40,000 will have a suitably experienced Contract Manager allocated and will be responsible for the management of the contract.

Requirements for managing a contract including the need for a contract management or monitoring plan are determined with reference to the scope, risks, complexity, duration, and importance of the deliverables.

Contracts are managed in accordance with the Council's Contract Management Procedure.

Contractors undertaking work on Council sites will be managed in accordance with WHS Contractor Management Procedure.

8. Prudential Requirements

High value purchases may require a Prudential Report prior to any procurement being undertaken. For further details refer to Council's Prudential Management Policy.

9. Delegations

Council makes delegations to the Chief Executive Officer, or any person acting in that role, under the Local Government Act 1999 including the power to expend Council's approved budgeted funds. This power is sub-delegated by the Chief Executive Officer to other Council Employees in accordance with the schedule published in Council's Delegations and Sub-delegations Register.

Only Council Employees with delegated authority under Section 137 of the Local Government Act 1999 can incur expenditure on behalf of the Council.

Any procurement outside Council's adopted budget requires a decision of Council to proceed except where allowed under the provisions in the Budget Management and Review Policy

10. Caretaker Policy

This policy is subject to the provisions of Section 91A of the Local Government (Elections) Act 1999 which requires Council to prepare and adopt a Caretaker Policy governing the conduct of the Council and its officers during the election period for a general election.

11. Records

The Council will maintain records regarding the procurement process in accordance with legislative and corporate requirements.

12. Review

Within twelve months of each new Council term, Council will review this policy. Following this initial review this policy will be reviewed as and when required.

13. Further Information

This Policy will be available for inspection at Council's principal office during ordinary business hours and on Council's website www.whyalla.sa.gov.au

Copies will also be provided to interested members of the Community upon request, and upon payment of a fee in accordance with Council's Fees and Charges Register.

However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

14. Authority

Reviewed by Audit and Risk Committee **date of meeting**

Authorised by Council **date of meeting**

15. Definitions

Term	Definition
Acquisition Plan	A document that outlines the procurement methodology and sourcing strategy to be undertaken in a proposed procurement.
Asset	Any physical item that the Council owns and that has at any time been treated pursuant to the Australian Accounting Standards as an “asset”, and, for the purposes of this policy, includes Major Plant & Equipment and Minor Plant and equipment. It does not include financial investments or finance related activities, trees, or land.
Authorised Officer	A person who has delegated authority to sign an Acquisition Plan and or commit Council expenditure of funds on Council's behalf, who is listed on the Financial Delegation document.
Contract	A ‘contract’ is a legally binding agreement (verbal or written) between two or more organisations, signed by the appropriate authorised persons, to undertake or perform a specific task or activity.
Contract Management	‘Contract Management’ is actively managing a contractual relationship between a supplier and the Council, including addressing risks and disputes that arise, to achieve the agreed contractual outcomes.
Contract Management Plan	A ‘contract management plan’ identifies key strategies, activities and tasks required for managing a contract including but not limited to roles and responsibilities, timelines, performance management and financial matters.
Contract Manager	The Contract Manager is the person responsible for managing the day-to-day activities of the contract and is the single point of contact for suppliers on all contract matters.
Council	The Corporation of the City of Whyalla (ABN 44 753 313 064).
Council Officers	Any employee, contractor, consultant, temporary member of staff working for, or on behalf of, the Council.
Direct Sourcing	Where there is only a single supplier of Goods, Works or Services and warrant the involvement of only one potential supplier.
Elected Members	The elected members of the Council.
Goods and Services	Goods, services, works and/or property as it would apply in the relevant section of the Policy.
GST	The goods and services tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth).
Land	Includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on land.

Local Supplier	A supplier which is beneficially owned by persons who are residents or ratepayers of the Whyalla Council, has its principal business within or nearby the Council area, or a business that substantially employs persons who are residents or ratepayers of the area.
Open Tender	Seeking tenders from the marketplace via an open invitation process, e.g. Advertisement on SA Tenders and Contracts Website.
Personnel	Employees, trainees, contractors, consultants, volunteers, Elected Members or any individual or organisation given permission to purchase on behalf of the Council.
Prequalified Contractor	Means a business or individual who has been assessed as meeting minimum compliance for Work Health and Safety and insurance criteria for the provision of goods, works and/or services.
Probity	A risk management approach to ensure that selection and decision-making processes will be found to be honest, fair, transparent, and defensible if scrutinised. A process conducted with regard to proper standards of probity will achieve both accountability and transparency and provide all parties to the procurement process with fair and equitable treatment.
Procurement	The whole process of acquisition of goods, works or services whether by tender, quote, expression of interest or any other similar process. The procurement continuum spans the whole life cycle from initial concept, contracting and Contract Management through to the end of a services contract, cessation of the supply of goods or the end of the useful life of an asset.
Purchase Order	An order for individual goods, works and/or services.
Quotes	Seeking a price and scope of goods works, or services from a supplier.
Selective	Seeking bids from a limited number of suppliers.

Schedule 1: Goods/Works/Services Exempt from Procurement and Contract Management Policy

The following purchases are exempt from the Procurement and Contract Management Policy and do not require a quotation and use of a Purchase Order for payment.

- Banking Services
- Committee Expenses
- Debt Collection
- Employee Assistance Program Costs
- Freight or Courier Services (although job number, cost centre, element type and signature are required on consignment note for Accounts Officers)
- Insurance Payments
- IT Software - Licence Renewals or Maintenance Renewals
- Lease & Rental Payments
- Legal Services
- Licence & Membership Fees and Traineeship Charges
- Postal Services
- Psychometric Testing
- Refunds or reimbursements of expenses
- Statutory Government Charges
- Subscriptions
- Taxi Fares
- Utilities (e.g. SA Water, Telstra, AGL, Origin Energy)
- Vehicle Registrations

The items on this schedule may change from time to time based on Council's operational requirements.

This information is provided as supplementary information to the Policy only and does not require endorsement by Council or its Committees as it is amended.

Schedule 2: Exemption from Procurement Threshold

There may be emergencies or instances in which the specified quantity of quotes will not necessarily deliver the best outcome for the Council, and other market approaches may be more appropriate.

Council Officers **must** not approach less than the minimum number of suppliers required to be approached except when there is a circumstance or justification meeting the following instances:

- Specialised Services / Proprietary Goods not available elsewhere
- Contractor or consultant has considerable background knowledge and experience or specialist expertise on that particular Council project or asset e.g. an extension of a previous project
- Urgency of work relating to statutory compliance, impact on service delivery or meeting critical deadlines
- Potential for significant public risk, including emergency situations threatening life and or property
- Ensuring that residents or occupants of Council owned buildings are not subject to undue discomfort or hardship due to breakdown of building facilities or equipment.

The reason for not seeking the minimum quotes **must** be documented in the Acquisition Plan and the process **must** follow the applicable procedure.

Exemptions which have been approved are to be recorded and reported to the Audit Committee quarterly including the explanations given for departure from this Policy and how Council is receiving Value for Money in the purchase.



Whyalla City Council

Procurement Policy	
Type	Governance
GDS Category	Governance – Public
Responsible Officer	Director - Corporate
Policy Adopted	June 2017
Review Period	Two yearly
Last Reviewed	December 2020 (minor changes only)
Next Review Due	December 2022
Policy Version Number	
Applicable Legislation	<ul style="list-style-type: none"> • Local Government Act 1999 (SA) • Independent Commissioner Against Corruption (ICAC) Act 2012 (SA) • State Records Act 1997 (SA) • Freedom of Information Act 1991 • Local Government (Elections) Act 1999 – Caretaker Provision • Work Health & Safety Act 2012 • Competition and Consumer Act 2010 • National Competition Policy (Local Government) • Trades Practices Act 1974
Related Documents	<p>Whyalla City Council:</p> <ul style="list-style-type: none"> • Procurement Framework • Procurement Procedure • Simple Procurement Procedure • Request for Quote Procedure • Request for Tender Procedure • Disposal Policy • WHS Plant Procedure • Internal Control Policy • Delegations Policy • WHS Contractor Management Policy • Project Management Policy • Public Consultation Policy • Prudential Management Policy • Procurement (Financial) Delegations • Corporate Credit Card Procedure • Tenders SA website • Code of Conduct for Councillors • Code of Conduct for Council Employees • Whistleblower Protection Policy • Fraud and Corruption Prevention Policy • Caretaker Policy • Strategic Plan • Risk Management Plan and Policy
Public Consultation Required	No
Purpose	This policy is a guide for Council Officers to use when acquiring goods and services.

1. INTRODUCTION

This policy applies to all procurement processes and activities undertaken by Council, including ordering, purchasing, tendering and contracting.

This policy covers the whole procurement process from identification of the need to contract management. It applies to any one who undertakes or is involved in procurement activities on behalf of the Council, including Elected Members, Council Officers, subcontractors and volunteers.

All dollar figures in this Policy are GST exclusive. All Council purchases must be carried out:

- 1.1 In compliance with Section 49 of the Local Government Act 1999 (Act), Council should refer to this policy (Procurement Policy) when acquiring goods and services.
- 1.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:
 - 1.2.1 the contracting out of services; and
 - 1.2.2 competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
 - 1.2.3 the use of local goods and services; and
 - 1.2.4 the sale or disposal of land or other assets.
- 1.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:
 - 1.3.1 obtaining value in the expenditure of public money;
 - 1.3.2 providing for ethical and fair treatment of participants; and
 - 1.3.3 ensuring probity, accountability and transparency in all operations.
- 1.4 This Policy seeks to:
 - 1.4.1 define the methods by which Council can acquire goods and services;
 - 1.4.2 demonstrate accountability and responsibility of Council to ratepayers;
 - 1.4.3 be fair and equitable to all parties involved;
 - 1.4.4 enable all processes to be monitored and recorded; and
 - 1.4.5 ensure that the best possible outcome is achieved for the Council.
- 1.5 Out of Scope

This policy does not cover expenditure or revenue related to asset disposals, real property acquisitions and other non-Procurement expenditure including, but not limited to: corporate sponsorships, Council sponsorships, grants, incentive schemes, funding arrangements, donations, employment contracts and unsolicited proposals. Controls related to some of these exceptions are covered in separate policies and/or operating guidelines.

Leases and licenses for the use of Council property and land are not covered under this policy except where such arrangements include the provision of goods and services forming part of leasing, licensing and other revenue contractual activities.

2. POLICY OBJECTIVE

Council aims to achieve advantageous procurement outcomes by:

- 2.1 enhancing value for money through fair, competitive, non-discriminatory procurement;
- 2.2 promoting the use of resources in an efficient, effective and ethical manner;
- 2.3 making decisions with probity, accountability and transparency;
- 2.4 advancing and/or working within Council's economic, social and environmental policies;
- 2.5 providing reasonable opportunity for competitive local businesses to supply to Council;
- 2.6 appropriately managing risk; and
- 2.7 ensuring compliance with all relevant legislation.

3. SCOPE AND RESPONSIBILITIES

Council must have regard to the following principles in its acquisition of goods and services:

3.1 *Encouragement of Open and Fair Competition*

To ensure open and fair competition is fostered and maintained by providing suppliers and contractors with appropriate access to Council's procurement opportunities.

3.2 *Delivery of Value for Money to the Community*

3.2.1 This is not restricted to price alone.

3.2.2 An assessment of value for money must include, where possible, consideration of:

- 3.2.2.1 the contribution to Council's long term plan and strategic direction;
- 3.2.2.2 any relevant direct and indirect benefits to Council, both tangible and intangible;
- 3.2.2.3 efficiency and effectiveness of the proposed procurement activity;
- 3.2.2.4 the performance history, and quality, scope of services and support warranty of each prospective supplier;
- 3.2.2.5 fitness for purpose of the proposed goods or service;
- 3.2.2.6 whole of life costs;
- 3.2.2.7 Council's internal administration costs;
- 3.2.2.8 technical compliance issues;
- 3.2.2.9 risk exposure;
- 3.2.2.10 the value of any associated environmental benefits;
- 3.2.2.11 value to the development of the local economy; and
- 3.2.2.12 other relevant matters identified in specific procurement process documentation

3.3 *Probity, Ethical Behaviour and Fair Dealing*

Council is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

3.4 *Accountability, Transparency and Probity*

Council will demonstrate accountability in procurement by ensuring that decisions are documented, able to be explained and evidence provided that an independent third party can clearly see that a fair and reasonable process has been followed.

Personnel must document and be able to account and provide feedback for all decisions. Additionally, an audit trail must be visible for all procurement activities for monitoring and reporting purposes.

3.5 **Ensuring Compliance with Relevant Legislation**

This policy addresses some of the requirements of Section 49 of the *Local Government Act 1999* (SA) which states:

“49—Contracts and Tenders Policies

- (a1) A Council must develop and maintain procurement policies, practices and procedures directed towards—*
 - (a) obtaining value in the expenditure of public money; and*
 - (b) providing for ethical and fair treatment of participants; and*
 - (c) ensuring probity, accountability and transparency in procurement operations.*
- (1) Without limiting subsection (a1), a Council must prepare and adopt policies on contracts and tenders, including policies on the following:*
 - (a) the contracting out of services; and*
 - (b) competitive tendering and the use of other measures to ensure that services are delivered cost-effectively;*
 - (c) the use of local goods and services; and*
 - (d) the sale or disposal of land or other assets.*
- (2) The policies must—*
 - (a) identify circumstances where the council will call for tenders for the supply of goods, the provision of services or the carrying out of works, or the sale or disposal of land or other assets; and*
 - (b) provide a fair and transparent process for calling tenders and entering into contracts in those circumstances; and*
 - (c) provide for the recording of reasons for entering into contracts other than those resulting from a tender process; and*
 - (d) be consistent with any requirement prescribed by the regulations.*
- (3) A council may at any time alter a policy under this section, or substitute a new policy or policies (but not so as to affect any process that has already commenced).*
- (4) A person is entitled to inspect (without charge) a policy of a council under this section at the principal office of the council during ordinary office hours.*
- (5) A person is entitled, on payment of a fee fixed by the council, to a copy of a policy under this section.”*

3.6 **Encouragement of the Development of Competitive Local Business and Industry**

Where the evaluation criteria are comparable, Council may consider the following:

- 3.6.1 the creation of local employment opportunities;
- 3.6.2 increased availability of local servicing support;
- 3.6.3 increased convenience with communications with the supplier for contract management;
- 3.6.4 economic growth within the local area;
- 3.6.5 benefit to Council of associated local commercial transaction;
- 3.6.6 the short and long term impact of the procurement on local business.

3.7 **Social, Environmental and Economic Sustainability Considerations**

3.7.1 Environmental Sustainability

Council will seek to:

- 3.7.1.1 adopt purchasing practices which conserve natural resources;
- 3.7.1.2 align the Council’s procurement activities with principles of ecological sustainability;
- 3.7.1.3 purchase recycled and environmentally preferred products where possible;
- 3.7.1.4 integrate relevant principles of waste minimisation and energy;
- 3.7.1.5 foster the development of products and services which have a low environmental impact;

- 3.7.1.6 provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

3.7.2 Aboriginal and Torres Strait Islander Employment

Council is committed to supporting Aboriginal and Torres Strait Islander businesses and promoting the employment of Aboriginal and Torres Strait Islander people.

To support this commitment, the Council, where deemed appropriate, will increase Aboriginal and Torres Strait Islander supplier diversity to support improved economic and social outcomes by:

- 3.7.2.1 include a weighted evaluation criterion that assesses the Tenderers' credentials in engaging Aboriginal and Torres Strait Islander people;
- 3.7.2.2 Support procurement from Aboriginal and Torres Strait Islander owned businesses;
- 3.7.2.3 Investigate Supply Nation membership;
- 3.7.2.4 Encourage Aboriginal and Torres Strait Islander business inclusion on Preferred Supplier Register.

3.7.3 Youth Employment and Training

Council is committed to maximising the skills development and employment opportunities available to young people in the city of Whyalla. To support this commitment, the Council, where deemed appropriate, will include a weighted evaluation criterion that assesses the Tenderers' credentials in engaging apprentices, trainees and cadets in their work practices.

3.8 Other Considerations

3.8.1 Health and Safety

Whyalla Council will only engage suppliers who are able to maintain a level of Work Health and Safety acceptable to Whyalla Council. As a minimum this will be compliant with the WHS Act 2012 and all associated regulations. Additional work health and safety requirements specific to procurement of assets will be advised in the market documentation.

3.8.2 Measuring Economic Contribution:

This Council will adopt the principles of the Local Government Industry Participation Policy Framework for all competitive tenders. The framework assists with the assessment of the economic contribution between rival tenders with a broader value-for-money context. It will also assist in providing opportunity for this Council to invest in our relationship with local suppliers, which can lead to broader economic and social benefits.

3.8.3 Risk Management Identification & Management of Risk

Risk management comprises the activities and actions taken by the Council employees to ensure that it is mindful of the risks it faces, that it makes informed decisions in managing these risks, and identifies and harnesses potential opportunities.

Council employees must use established processes for the identification, analysis, assessment of and treatment of risk when conducting procurement activities. Council employees should consider the risk profile of the procurement, any risks associated with the preferred procurement method and their potential impact when making decisions relating to value for money assessments, approvals of proposals to spend relevant money and the terms of the contract.

The Council has a Risk Management Policy, a Risk Management Framework and a number of current procedures consistent with the requirements of ISO 31000. All of which are available for viewing.

3.8.4 Confidentiality

All Council employees with access to procurement related systems (including systems through which tender documents are electronically submitted to the Council) must observe applicable confidentiality obligations.

Tender documentation must only be viewed by employees responsible for relevant procurement processes prior to the close of submission for tender documentation. Should any employee become aware of information relating to a tender submission which they know or ought reasonably to know is confidential (including identity of person submitting or content of documentation), that employee must disclose their knowledge to the Senior Procurement Officer.

3.8.5 Conflict of Interest

Conflicts of Interest will need to be addressed by prospective suppliers in accordance with the Code of Conduct for Council Employees Policy, Code of Conduct for Elected Members Policy and Section 120 of the Local Government Act 1999.

3.8.6 Caretaker Policy

This policy is subject to the provisions of Section 91A of the Local Government (Elections) Act 1999 which requires Council to prepare and adopt a Caretaker Policy governing the conduct of the Council and its officers during the election period for a general election.

3.8.7 Buy “Australian Made”

With the aim of achieving a value for money outcome, the Council will endeavour to, at its discretion and to the full extent permitted by law, purchase Australian made goods provided that:

- 3.8.7.1 the goods do not detrimentally effect Council’s operations;
- 3.8.7.2 the quality of the product will be sufficient for its intended use and life expectancy;
- 3.8.7.3 delays in servicing or obtaining spare parts will not unduly hinder the Council’s ability to deliver a service to the community;
- 3.8.7.4 the equipment, where appropriate, will be compatible with existing equipment used by the Council; and
- 3.8.7.5 where the business case justifies it is cost effective to do so in terms of purchasing, maintenance and availability of supply.

4. PROCUREMENT METHODS

Generally, open and fair competition is best achieved by undertaking a tender process so that all interested parties have an opportunity to bid. However, there may be procurements in which a tender process will not necessarily deliver the most advantageous outcome for the Council – in such instances, other market approaches may be more appropriate.

Having regard to the Procurement Principles outlined in this Policy and any other factors considered relevant one or more of the following procurement methods may be utilised. To determine risk ratings refer to the Procurement Framework.

4.1 Direct Purchasing (Up to \$5,000)

- 4.1.1 *This is where Council purchases from a single source, without first obtaining competing bids if on the Preferred Supplier Register, or 2 verbal quotes if not on the register.*

- 4.1.2 *This method may be suitable for low value, low risk goods and services, where the supplier is on Council's Preferred Supplier Register and the procurement does not contravene Clause 4.6.4 re Annual Gross Value.*
- 4.1.3 *Payment for direct purchasing shall be via credit card, purchase card, petty cash (up to \$100), instore, online catalogue and credit account.*
- 4.1.4 Purchases under \$2,000 should, where possible, be made to local suppliers.
- 4.2 Quotations (Informal) (\$5,000-\$30,000)
 - 4.2.1 *This is where Council obtains quotations from preferred suppliers based on brief informal specifications.*
 - 4.2.2 *Generally, a minimum of two quotations are sought.*
 - 4.2.3 *Where possible, the Council must insist on two written quotes.*
 - 4.2.3.1 If a written quote cannot be obtained, the Council must keep detailed written records of the oral quote obtained, including details of the commercial terms of the quote.
 - 4.2.4 This method may be suitable for low value, low risk goods and services.
- 4.3 Purchase Orders
 - 4.3.1 This is where Council is purchasing routine, low value and low risk goods and services.
 - 4.3.2 A purchase order is acceptable, without the requirement of a contract for goods, works or services, as the terms and conditions for "direct purchases" as defined in the Quick Reference Guide (refer to Procurement Procedures).
 - 4.3.3 When paying by invoice only, and a contract exists, the contract name and number must be quoted in the description section of the work flow and purchase order (allowing contract spend to be captured).
 - 4.3.4 The act of Purchase Order value splitting or the raising of Purchase Orders to a lesser value and amending to a higher value at a later date, for reason of circumventing the policy thresholds or system delegation limits, will be seen as a direct breach of Council's Procurement Policy and or Code of Conduct.
- 4.4 Request for Quotations (RFQ) – Formal (\$30,000 to \$200,000)
 - 4.4.1 This is where Council obtains written quotations from prospective suppliers based on a formal documented specification.
 - 4.4.2 Generally, a minimum of three written quotations are sought. This can be either an "Open" or "Select" process.
 - 4.4.3 This method may be suitable for simple, largely price-based purchases.
 - 4.4.4 A "Short Form Request for Quotation" can be used for low risk purchases with minimal specifications.
 - 4.4.5 A "Long Form Request for Quotation" can be used for high risk purchases with detailed specifications.
- 4.5 Requests for Expressions of Interest (REOI)
 - 4.5.1 This is where Council issues an open or select invitation for a proposed goods and/or service.
 - 4.5.2 This method may be used as a pre-cursor to a select tender process where there is potentially a large or unknown market for the proposed goods and/or service, and the Council would like to be able to prepare a short list of suppliers to then invite to participate in a tender process.

4.6 Request for Tenders (RFT) (Greater than \$200,000)

- 4.6.1 This is where the Council issues a tender for proposed goods, works or services for all procurement” over \$200,000.
- 4.6.2 Council may issue a “Select” Request for Tender where it has already issued a REOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers.
- 4.6.3 Otherwise, Council may issue an “Open” Request for Tender.
- 4.6.4 Applicable if annual costs per year per vendor are over \$200,000 for the same goods, works or services.

4.7 Panel Contracts

- 4.7.1 This is where the Council establishes panel arrangements with a select group of suppliers – generally, this occurs once the Council has completed its appointment of such suppliers in accordance with this Policy, and can include either:
 - 4.7.1.1 a standing offer from a pool of suppliers for the provision of goods and services on agreed terms; or
 - 4.7.1.2 the approval of certain suppliers who may or may not be engaged on terms to be agreed.
- 4.7.2 Once a panel has been established, the Council may purchase the particular goods and/or service through such panel arrangements.
- 4.7.3 Council’s panels are established by an open tender process where the contractor’s capability, quality of work, experience, personnel, price and WHS compliance are evaluated. Each Panel member may be signed up to a Panel Contract to provide Goods, Works, or Services for the term of the Panel Contract.

Council has also reserved the right to procure Goods, Works or Services outside of its Panel Contracts. Procurement outside of Council’s Panel Contracts is recommended under the following circumstances:

 - 4.7.3.1 if the Goods, Works or Services required are not serviced via an existing panel arrangement;
 - 4.7.3.2 if a better value for money outcome can be achieved for Council via a strategic alliance; or
 - 4.7.3.3 where formal Procurement planning has identified justification for expanding the nominated market approach beyond the Contractor pool identified within Council’s panels.

4.8 Strategic Alliances

- 4.8.1 This is where the Council undertakes procurement through contract arrangements already established and administered by other organisations and will be considered to meet the requirements of all purchases under \$200,000, including:
 - 4.8.1.1 LGA Procurement contracts;
 - 4.8.1.2 a purchasing group of which the Council is a legal party to contract access
 - 4.8.1.3 Procurement Australia; and
 - 4.8.1.4 State Government contracts.
- 4.8.2 The Council may also enter collaborative and subsidiary arrangements with other councils. All such proposals need to be considered and approved by Council prior to the commencement of the provision of services.

4.9 Prequalified Supplier/Contractor

This is where a quote process has been undertaken prior to immediate requirements to purchase, to prequalify preliminaries of a contractor for a specific scope. This will eliminate the need for lengthy or repetitive quote processes.

4.10 Thresholds (Ongoing Engagement)

For recurrent service delivery or supply requirements, where multiple engagements of an uncontracted supplier or multiple uncontracted suppliers of the same service delivery or supply type exceed an in aggregate value of \$200,000 within a twelve-month period, Council will institute a call for tenders in that service delivery or supply type with a view to executing an ongoing contract for supply.

The contract type may be:

- Sole Supply (Single Provider); or
- Panel (Multiple Providers)

5. CONSIDERATIONS FOR THE COUNCIL

5.1 Value of the Purchase

The appropriate method of procurement will be determined by reference to a number of factors, including:

Council makes delegations to the Chief Executive Officer under the Local Government Act 1999 including the power to expend Council's approved budgeted funds. This power is sub-delegated by the Chief Executive Officer to other Council Employees in accordance with the schedule published in Council's Delegations and Subdelegations Register.

Only Council Employees with delegated authority under Section 137 of the Local Government Act 1999 can incur expenditure on behalf of the Council.

Any capital procurement outside Council's adopted budget requires a decision of Council to proceed.

Council is not obliged to accept the lowest offer. Council may reject all offers and may invite further offers.

The appropriate method of procurement will be determined by reference to a number of factors. Refer to the Matrix in the Procurement Procedures for the Thresholds and requirements.

- 5.2 cost of an open market approach versus the value of the acquisition and the potential benefits;
- 5.3 the particular circumstances of the procurement activity;
- 5.4 the objectives of the procurement;
- 5.5 the size of the market and the number of competent suppliers;
- 5.6 the Council's leverage in the marketplace;
- 5.7 time constraints;
- 5.8 the level of Risk of the procurement

6. RECORDS

The Council will maintain a document management system for the recording of all relevant procurement records.

Council will document the reasons for entering into specific procurement methods or contracts other than those resulting from a competitive quoting or tender process. Records are to be stored in Council's records management system.

Quotes which are not sought via the Altus Procurement System are to be recorded on Central Records as per the procedures.

The Contract Register must be updated when a contract is awarded.

7. EXEMPTIONS FROM THIS POLICY

This Policy contains general guidelines to be followed by the Council in its procurement activities. There may be emergencies, or procurements in which the specified procurement process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

The reason for any departure from this policy must be documented in writing and authorised by the Chief Executive Officer (or any officer while acting in this role), or a decision of Council for purchases over \$250,000..

Example exemptions to the standard market approach include:

- Proprietary purchases;
- Urgency of work relating to compliance;
- Urgency of work relating to impact delays may have on other services and/or critical deadlines;
- Potential for significant public risk, including emergency situations threatening life and or property;
- Activation of Emergency Response Plan;
- Breach of statutory obligations & common law would occur;
- Ensuring that residents or occupants of Council-owned buildings are not subject to undue discomfort or hardship due to breakdown of building facilities or equipment;
- Security of Council's assets;
- A situation presents itself wherein a contractor or consultant has considerable background knowledge and experience or specialist expertise on that particular Council project or asset eg an extension or a previous project. In such situations the procurement of assets, goods, works or services on negotiated fees and terms through that consultant or contractor alone may be deemed sound and advantageous to the project. This could include engaging the contractor or consultant on a retainer basis for a specified period of time.

Exemptions which have been approved are to be recorded and reported to the Audit Committee quarterly including the explanations given for departure from this Policy.

Refer to Schedule 1 for a List of Goods/Works/Services which do not require a purchase order.

8. DELEGATIONS

Council delegates to the Chief Executive Officer, or any person acting in that role, financial delegations as per Council's Annual Budget. This includes the approval of purchase orders and signing off of related invoices for payment.

The Chief Executive Officer can sub-delegate to a position as approved (within their budget).

Progress Claim certificates & invoices must be signed off by the following officers prior to payment:

- Project Superintendent's Representative
- Project Superintendent
- Director
- Chief Executive Officer

9. PRUDENTIAL REQUIREMENTS

Council maintains a Prudential Management Policy and Procedures for the assessment of projects to ensure that the Council:

- a) acts with due care diligence and foresight; and
- b) identifies and manages risks associated with a project; and
- c) makes informed decisions; and

- d) is accountable for the use of Council and other public resources.

10. DEFINITIONS

TERM	DEFINITION
Asset	means any physical item that the Council owns and that has at any time been treated pursuant to the Australian Accounting Standards as an “asset”, and, for the purposes of this policy, includes Major Plant & Equipment and Minor Plant and Equipment. It goes not include financial investments or finance related activities, trees or land.
Authorised Officer	means a person who has delegated authority to sign a purchase order on Council’s behalf, who is listed on the Procurement Delegation document.
Contract Management	means the management of Supplier’s performance against the contract including the key performance indicators stipulated in the contract
Council	means The Corporation of the City of Whyalla (ABN 44 753 313 064)
Direct Sourcing	where there is only a single supplier of Goods, Works or Services and warrant the involvement of only one potential supplier.
Elected Members	means the elected members of the Council
Goods and Services	goods, services, works and/or property as it would apply in the relevant section of the Policy.
Council Officers	means any employee, contractor, consultant, temporary member of staff working for, or on behalf of, the Council
GST	means the goods and services tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (Cth)
Land	includes community land, vacant land, operational land, road reserves, any legal interest in land, and any other land-related assets, including all buildings (community and operational) on land.
Local supplier	a supplier which is beneficially owned by persons who are residents or ratepayers of the Whyalla Council, has its principal business within or nearby the Council area, or a business that substantially employs persons who are residents or ratepayers of the area.
Open Tender	seeking tenders from the market place via an open invitation process, eg advertisement
Personnel	employees, trainees, contractors, consultants, volunteers, Elected Members or any individual or organisation given permission to purchase on behalf of the Council.
Prequalified Contractor	means a business or individual who has been assessed as meeting minimum compliance for Work Health and Safety and insurance criteria for the provision of goods and/or services.
Probity	a risk management approach to ensure that selection and decision-making processes will be found to be honest, fair, transparent and defensible if scrutinised. A process conducted with regard to proper standards of probity will achieve both accountability and transparency and provide all parties to the procurement process with fair and equitable treatment.
Procurement	means the whole process of acquisition of goods, works or services whether by tender, quote, expression of interest or any other similar process. The procurement continuum spans the whole life cycle from initial concept, contracting and Contract Management through to the end of a services contract, cessation of the supply of goods or the end of the useful life of an asset
Purchase Order	means an order for individual goods and/or services.
Quotation	seeking a price and scope of Goods, Works or Services from a supplier to enable comparison.
Selected Tender	seeking tenders from a limited number of suppliers on the basis of, eg location, previous performance, or the result of an Expression of Interest process.

TERM	DEFINITION
Standing Offer	means an order for goods and services over a 12 month or agreement period, requiring Manager authorisation within the limits described in the Procurement Delegation document.
Supplier	means any person contracted to supply goods, works or services to the Council
Tenderer	means any person that has made an offer to Council in response to an invitation to tender
Value for Money	best outcome achievable when all costs and benefits, both qualitative and quantitative, over the procurement lifecycle (acquisition, use, maintenance and disposal) are considered.
Whole of life costs	the total net cost incurred when acquiring goods or services and is made up of all initial procurement costs, operating and maintenance costs, disposal costs and termination costs, less the residual value and sale proceeds (if relevant).

11. REVIEW AND EVALUATION:

Within six months of each new Council term Council will review this policy. Following this initial review this policy will be reviewed annually by Council Officers with minor administrative adjustments being approved by the Chief Executive Officer.

12. AVAILABILITY OF THE POLICY:

- 12.1 This Policy will be available for inspection at Council's principal office during ordinary business hours and on Council's website www.whylla.sa.gov.au

Copies will also be provided to interested members of the Community upon request, and upon payment of a fee in accordance with Council's Fees and Charges (Information Services Schedule).

- 12.2 However, Council may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

Schedule 1 – Nominated Goods / Works / Services which are exempt from requiring a Quotation and using a Purchase Order for Payment

The following purchases do not require a purchase order for payment (**unless they are paid with a Corporate Credit Card**):

Please note that the items on this schedule may change from time to time based on Council's operational requirements. This information is provided as supplementary information to the Procurement Policy only, and does not require endorsement by Council or its Committees as it is amended.

• Banking Services
• Debt Collection
• Employee Assistance Program Costs
• Freight or Courier Services (although job number, cost centre, element type and signature are required on consignment note for Accounts Officers)
• Insurance Payments
• IT Software - Licence Renewals or Maintenance Renewals
• Lease & Rental Payments
• Legal Services
• Licence & Membership Fees and Traineeship Charges
• Postal Services
• Psychometric Testing
• Refunds or reimbursements of expenses
• Statutory Government Charges
• Subscriptions
• Taxi Fares
• Utilities (eg SA Water, Telstra, AGL, Origin Energy)
• Vehicle Registrations

CORPORATE**2.4 Privacy Policy****Audit and Risk Committee:** 8 May 2023**Author's Title:** Director Corporate**File No.:** 0-159**Director:** Corporate**Annexures:**

A – Draft Privacy Policy

Officer Direct or Indirect Conflict of Interest:*In accordance with Local Government Act 1999,
Section 120***Status:***Information classified confidential under
Section 90(2) of the Local Government Act*☐

Yes

☒

No

☐

Yes

☒

No

Reason – Not applicable**PURPOSE**

To review a draft new Privacy Policy.

DISCUSSION

A good practice of public administration is ensuring that personal information held by Council is treated in accordance with established principles of privacy and integrity.

Council does not currently have a policy in this regard, and accordingly a draft new Privacy Policy has been developed for the Committee's feedback (**Annexure A**).

The draft policy has drawn on the principles adopted by the State Government, which are broadly consistent with the principles of the Commonwealth. While researching relevant information for this policy, it was noted that many councils include the management of personal information in their records management policies. For the sake of clarity and transparency, it is recommended that a separate Policy be considered.

RECOMMENDATION

The Audit and Risk Committee recommends the Privacy Policy to Council for adoption.



WHYALLA CITY COUNCIL

Privacy Policy	
Type	Privacy/Information Management
GDS Category	Records & Information Management
Responsible Officer	Manager Governance
Policy Adopted	Subject to Council endorsement
Review Period	4 Years
Last Reviewed	New
Next Review Date	2027
Policy Version Number	1
Applicable Legislation	<ul style="list-style-type: none"> • State Records Act 1997 • Local Government Act 1999 • Freedom of Information Act 1991
Related Documents	<ul style="list-style-type: none"> • Records Management Policy Whyalla • City of Whyalla GDS21 Digitisation Plan • GDS21 Metadata Mapping Document • Source Records Management Procedure
Public Consultation Required	No
Purpose	The purpose of this Policy is to ensure that personal information is treated in accordance with established privacy principles

1. Introduction

Whyalla City Council undertakes to ensure that the following privacy principles are implemented, maintained and observed in respect of all personal information for which the Council is responsible.

‘Personal information’ means information or an opinion, whether true or not, relating to a natural person or to the affairs of a natural person whose identity is apparent, or can reasonably be ascertained, from the information or opinion.

2. Collection of Personal Information

Personal information will not be collected unnecessarily or by unlawful or unfair means.

Council will not collect personal information that is inaccurate or, having regard to the purpose of collection, is irrelevant, out of date, incomplete or excessively personal.

Personal information will be taken to be collected from a person if the person provides that information to the Council, whether or not in response to a request for that information.

Council will take reasonable steps to ensure that the person to whom the personal information applies is told the purpose for which the information is being collected, unless that purpose is obvious or unless the person has knowingly or voluntarily provided the information or the information is required by law.

3. Policy Objective

To ensure that the management of personal information held by Council is treated in accordance with established principles of privacy and integrity.

4. Scope and Responsibilities

This Policy applies to all Council business which involves personal information, which is created, collected, processed, used, stored and disposed of in the conduct of official business. It includes all electronic communications.

The Policy applies to all Council employees and Council Members, independent consultants and contractors, volunteers, trainees, work experience placements and other authorized personnel offered access to the Council’s resources.

5. Privacy Principles

1) *Storage of Personal Information*

Council will take such steps as are reasonable in the circumstances to ensure that personal information in its possession or under its control is not misused and is securely stored in accordance with the Whyalla City Council Records Management Policy.

2) *Access to Records of Personal Information*

Where Council has in its possession or under its control records of personal information, the person to whom the personal information applies should be entitled to have access to those records in accordance with the *Freedom of Information Act 1991*.

However, in cases where there are unlikely to be adverse consequences from providing the information to the person to whom the personal information applies, the information may be provided to that person without charge and outside the requirements of the *Freedom of Information Act*.

3) *Correction of Personal Information*

If Council has in its possession, or under its control, records of personal information, Council will correct the personal information if it becomes apparent that the information is inaccurate.

4) *Use and Disclosure of Personal Information*

Council will only use or disclose personal information for a purpose to which it is relevant.

Council will not use or disclose personal information for a purpose that is not the purpose of collection or a purpose incidental to or connected with that purpose (the secondary purpose) unless:

- a. the person to whom the personal information applies would reasonably expect Council to use or disclose the information for the secondary purpose and the secondary purpose is related to the primary purpose of collection
- b. the person to which the personal information applies has expressly or impliedly consented to the use or disclosure
- c. Council believes on reasonable grounds that the use or disclosure is necessary to prevent or lessen a serious threat to the life, health or safety of the person to which the personal information applies, or of some other person
- d. the use or disclosure is required by or under law, or is disclosed in accordance with the Freedom of Information Act
- e. the use or disclosure for that other purpose is reasonably necessary for the enforcement of the criminal law or of a law imposing a pecuniary penalty or for the protection of the public revenue or for the protection of the interests of the Council, the State or Commonwealth governments or related agencies
- f. Council has reason to suspect that unlawful activity has been, is being or may be engaged in, and discloses the personal information as a necessary part of its investigation of the matter or in reporting its concerns to relevant persons or authorities, or
- g. Council reasonably believes that the use or disclosure relates to information about an individual that suggests that the individual has engaged or may engage in illegal conduct or serious misconduct in relation to a person, and Council reasonably believes that the use is appropriate in the circumstances.

5) *Acts and Practices of the Council and Contracted Service Provider*

For the purposes of this Policy:

- Where personal information is disclosed to a person employed by, or engaged in the service of Council in performance of their duties, the personal information will be taken to have been disclosed to the Council and will be treated in accordance with this policy.
- Where personal information is disclosed to a Council committee or Council owned subsidiary (formed under Schedule 2, Part 1 of the *Local Government Act*), the personal information will be taken to have been disclosed to the Council and will be treated in accordance with this policy.
- A contract for services, which will necessitate the disclosure of personal information to a contracted service provider, must include conditions to ensure that the privacy principles contained in this Policy are complied with as if the contracted service provider were part of the Council and must include provisions that enable the audit and verification of compliance with this Policy.

6) Confidentiality of Personal Information

Personal information held by Council will be kept in accordance with Council's Records Management Policy and with this Privacy Policy.

However, where personal information is provided to Council by electronic means, such as email, text message or internet based communication methods, Council cannot guarantee the confidentiality or anonymity of the transmission.

If personal information is used or disclosed by Council in a manner that breaches this policy, Council will rectify the breach as soon as reasonably possible. If the breach has the potential to cause a serious adverse impact on the person to whom the personal information applies, Council will contact the person, alert them to the breach and seek to mitigate any adverse outcomes.

6. Access to this Policy

A copy of this policy is available free of charge on the Whyalla City Council website. A person may also obtain a hard copy of this policy, for a fixed fee, from the Council.

3.1 Insurance Overview

Audit and Risk Committee 8 May 2023

Meeting:

Author's Title: Governance Coordinator

File No.: 0-159

Director: Corporate

Annexures

A – City of Whyalla 2021/2022 Local Government Scheme Highlights

B – LGAWCS Member Scheme Benefits

C – LGAMLS Protecting Elected Members flyer

D - LGAMLS Member Services flyer

E – LGAAMF Member Scheme Benefits

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To provide Audit and Risk Committee members with an overview of Whyalla City Council's self-insurance arrangements via Local Government Risk Services (LGRS). This aligns with section 1.1.3 of the Audit and Risk Committee's Terms of Reference "as part of Council's governance obligations to the community, Council has constituted the Committee to facilitate effective management of risk and the protection of Council assets".

SUMMARY

Whyalla City Council self-insures by contributing to LGRS schemes for coverage of Motor Vehicle and Property Assets as well as Public Liability and Professional Indemnity (refer Appendix A). The LGRS schemes are:

- Local Government Association Worker's Compensation Scheme (LGAWCS)
- Local Government Mutual Liability Scheme (LGAMLS)
- Local Government Association Asset Mutual Fund (LGAAMF)

Council's membership of the Local Government Mutual Liability Scheme (LGAMLS) constitutes as compliance for s142 of the *Local Government Act 1999* – Duty to insure against liability. A summary of Local Government's mutual services is provided at Annexure A.

RECOMMENDATION

That the Audit and Risk Committee note the Insurance Overview report.

3.1 Insurance Overview

REPORT

BACKGROUND

Local Government Association Workers Compensation Scheme (LGAWCS)

The Local Government Association Workers Compensation Scheme (LGAWCS) is established by the Local Government Association of South Australia (LGA) and operates for and on behalf of local government and its operating authorities including councils and their subsidiaries. All South Australian Councils are Members of LGAWCS.

The LGAWCS is an indemnity scheme established in 1986 to provide all Councils in South Australia a more prudent option to purchasing workers compensation cover and operates as a self-insurer under licence from Return to Work SA.

LGAWCS Member Scheme Benefits flyer is attached at Appendix B.

Local Government Association Mutual Liability Scheme (LGAMLS)

In 1987, Local Government in Australia was experiencing significant difficulties with public liability and securing cover. Claims were high and escalating, and insurance premiums were increasing rapidly. As a result, Councils were choosing to limit their liability limit in an attempt to reduce the cost of claims.

The infamous “Stirling Bushfire” highlighted the tragic and costly consequences of a Council failing in its statutory duty to manage its own affairs properly. Because the District Council of Stirling had failed to properly manage its (high-risk) waste depot (contractually), a burn-off fire ignited by the contracted Depot Manager escaped on a high-fire danger day. The result was equal to \$24m in property damage.

The contractor declared themselves bankrupt the following day, leaving the Council as the negligent authority responsible for the subsequent civil liability. At the time, the Council held a \$2m (limit) liability policy.

The State Government had no alternative but to provide financial support to rescue the Council. A condition of this support was that the LGA, as the peak body for the Local Government sector, had to address this inadequacy to guarantee that the State Government would never again be exposed to a financial disaster such as that posed by the District Council of Stirling.

This event was a significant influence in the establishment of the LGAMLS. The event also led to the formation of the Treasurers Indemnity, a unique intergovernmental agreement between the State Government and Local Government where in the event of catastrophe that gave rise to a civil liability claim that exceeds the reinsurance acquired by the LGAMLS, then the State Government will provide additional protection to the sector.

In 1989 the LGA in conjunction with JLT established the LGAMLS, commencing operation on 30 June 1989. As a result of this initiative, all Councils in South Australia participate in a self-managed liability fund designed to protect civil liabilities. Unique in its structure, the cover provided is unlimited with nil exclusion.

The LGAMLS provides Local Government members with protection from civil liability along with a fully integrated claims, risk and legal service. As per s39 of the *Local Government Act 1999*, elected members are afforded specific protections for personal immunity when undertaking their role, function and duties (refer Appendix C).

LGAMLS Member Services flyer is attached at Appendix D.

Local Government Association Asset Mutual Fund (LGAAMF)

The LGAAMF was established in June 2002 and operates for and on behalf of local government and its operating authorities including Councils, their subsidiaries and the LGA. The LGAAMF complements the LGAWCS and LGAMLS further expanding the self-managed concept.

The LGAAMF provides discretionary protection for Member's property assets, motor vehicles, machinery, personal property, computers and electronic equipment. Cover has been specifically tailored to protect the risks of Local Government in South Australia.

The LGAAMF adopts principles that provide a practical, flexible and efficient approach to managing property related risks in an ever changing operating environment. The ongoing success of these initiatives is reflected by the financial and other outcomes that have been provided to individual Councils and the entire Local Government sector.

LGAAMF Member Scheme Benefits is attached at Appendix E

DISCUSSION

Membership to the SA Local Government Schemes and Funds is due for renewal on 30 June 2023. As part of this process, updated risk information is gathered from Council through an annual Member Renewals process. This critical step helps to establish a comprehensive risk profile of the sector, which is presented to re-insurers to secure reinsurance for the LG Schemes/Funds.

As part of the 2023/24 Member Renewal Declaration process, Whyalla Council's Governance team in conjunction with key Council staff have recently completed and uploaded thirteen in-depth questionnaires on the following topics:

- Property
- Public Liability & Professional Indemnity
- Cyber Liability
- Councillors and Officers Liability
- Crime
- Motor Vehicle
- Computer Electronic Equipment
- Environmental
- Risk Profile and General Information
- Aviation Liability
- Workers Compensation Scheme
- Income Protection Fund
- LGRS General Insurance

The next step in the provision of the annual data collection process is a face-to-face meeting with Anthony Genovese, Divisional Manager Local Government Risk Services, to ensure all information is correct and updated prior to final sign off to process the renewal. Topics to be covered during this meeting on Friday 5 May 2023 include:

- Review of each questionnaire to ensure they have been answered correctly and/or further information is provided where required.
- Review current Sums Insured, especially with a current high inflation rate.
- Review the 'Property' Schedule to ensure the 'Asset Description' is clearly defined and that all the 'COPE'* information has been included. *('COPE' means Construction, Occupancy, Protection & Exposure)
- Review the 'Motor' Asset Schedule.
- Discuss any additional protection Council may require (eg: Contract Works, Public Liability for Contractors, Christmas Parade Events, Community Events etc.).
- Discuss the funded Risk Management Programs offered by LGRS.
- Review the LGAMLS & LGAWCS Questionnaires, if necessary.
- Complete the 'Minutes of Meeting' with any final changes and seek Council sign-off to send Questionnaires & Asset Schedules to the LGRS Admin Team for processing of the 2023 / 2024 Renewal & Tax Invoices.

It is intended that a report with an overview of the annual renewal for 2023/2024 and an evaluation of the insurance claims for 2022/2023 will be provided to the July Audit and Risk Committee meeting.

Financial Implications -

All Councils in South Australia participate in a self-managed liability fund designed to protect civil liabilities. Unique in its structure, the cover provided is unlimited with nil exclusion. Participation in the annual review process ensures appropriate asset coverage, allowing Council's insurance premiums to be set at the correct level. Insurance premiums are renewed annually and this is factored into the annual budget process. Membership in this scheme limits our exposure to unacceptable financial, reputational and operational risk.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.2 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adopt to the changing needs and expectation of the community.

Legislation

Local Government Act 1999

Officer Direct or Indirect Interest

Nil

Risk Assessment

Council's membership of the LGAMLS constitutes as compliance for s142 of the Local Government Act 1999 – Duty to insure against liability.

Social Considerations

Nil

Community Engagement

Nil

Environmental Implications

Nil

Communication

Nil

Conclusion

Council is currently participating in the annual collection of data which enables the LGAMLS to establish the risk profile of the South Australian Local Government sector. Membership provides Council with the following services and protections:

- Civil Liability- covers members against legal liability tailored to meet the needs of Local Government.
- Risk Management Services - provides members with advice and assistance in identifying and managing risks that may arise in their operations.
- Legal Services - provides members with access to legal advice and assistance in managing claims and legal proceedings.
- Claims Management Services - manages and resolves claims made against its members promptly and efficiently.
- Asset Management Services –provides broad cover of physical assets integrated with a specialised claims management system. This enables cost effective protection of assets and specialised claims management support.



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Any advice contained within this brochure is general in nature and does not take into account your specific circumstances.

You are encouraged to seek professional advice relevant to your individual circumstances.

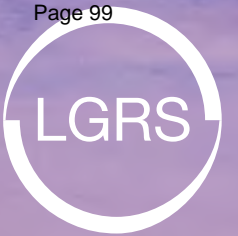
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Mutual Services
Local Government Association
of South Australia



CITY OF WHYALLA

2021/22

Local Government Scheme Highlights

100% of South Australian Councils are protected by the Local Government Mutual Schemes.

For more than 40 years we've worked with Members to protect their organisations, its people and the community.

With in-depth knowledge of the Local Government risk environment, LGRS provide tailored support to Members. Whether it be through WHS & Risk advice and services across the State, provision of legal support to mitigate potential claims, dedicated injury management to get employees safely back to work or customising programs to protect critical Local Government infrastructure and assets.



\$33.5m

Annual Scheme value to the sector, as confirmed by the recent Haines Norton independent report on LGA Value of Membership.

City of Whyalla annual value is \$518,074



City of Whyalla summary:

\$12,005

LGAWCS Special Distribution in 2022/23.

\$116K

Have saved though being self-insured.

\$103,872

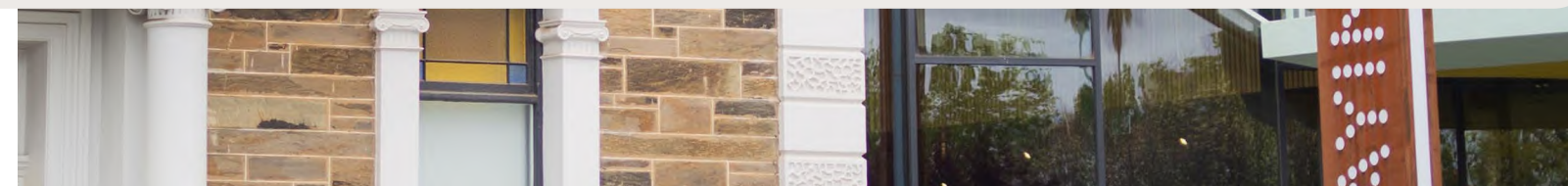
LGAWCS & LGAMLS Risk Incentive Program funding allocated to Member since inception.

\$87,872

LGAWCS & LGAMLS Risk Incentive Program Member balance.

\$460,450

Estimated value of WHS & Risk management platforms & programs offered to Council.

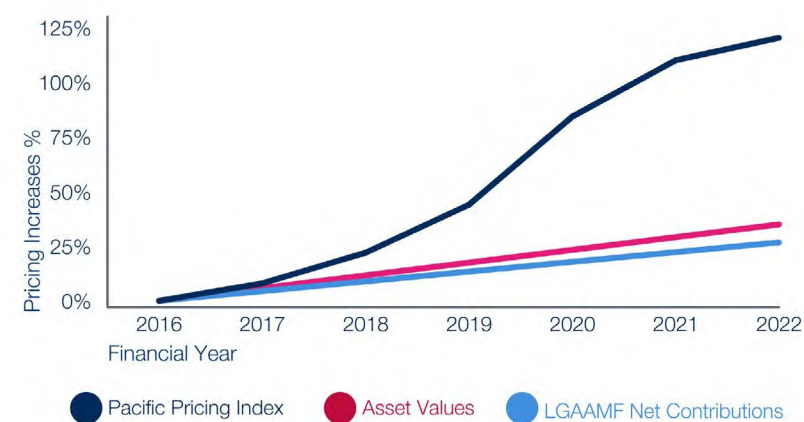
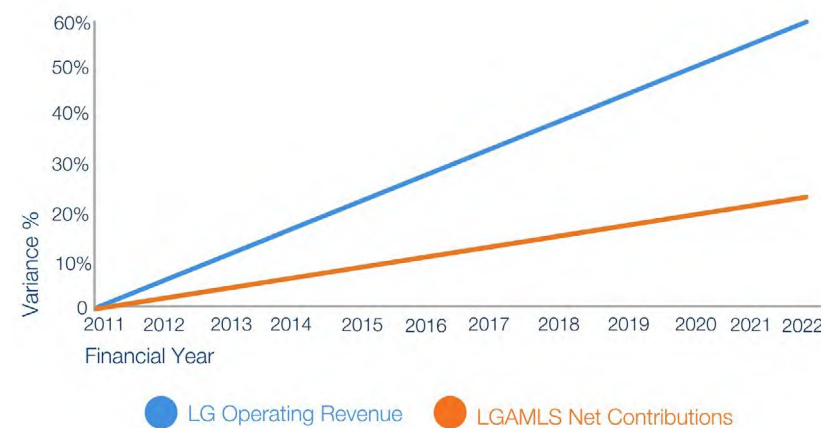


The Mutual model delivers certainty and financial security in a volatile risk environment.

The self-insured discretionary Mutual model has enabled the delivery of stable financial results and Member contributions, year on year, providing Members with peace of mind. Despite the challenges faced with the global insurance market experiencing escalating costs and market failure of certain risks, the Schemes continue to provide Members with the broadest coverage, tailored to the diverse Local Government risk profile.

Each year, LGRS assess the Local Government risk environment and evolve the reinsurance programs that protect the self-insured funds. Whilst reinsurance costs have been volatile, the Mutual pool absorbs much of the cost increases.

While there has been a rapid increase in overall Member operating revenues and asset values, the evolution of LGAMLS and LGAAMF Member contributions have remained stable.



In contrast, the commercial risk environment is experiencing significant pricing volatility due to climate change, global conflicts, inflation, COVID-19 and other economic pressures - the Schemes continue to deliver broad protection, stable contributions and additional funded benefits to all Members.

Scheme Members access unique support and benefits:



Financial stability

The Mutual Schemes deliver surety through financial stability and predictability.



Broad protection and local claims support

Mutual funds provide Members with the broadest protection, customised to the risk profile of the sector, with the ability to exercise discretionary decision making.



Provision of Scheme funded programs and value added services

Risk and Safety System development, risk management software and subscriptions, Healthy Lifestyle Program, First Aid Training, Asset Surveys and Valuations, Thermographic scans and more.



Fully integrated service model

Dedicated Risk and Safety Advisors, Claims and Return to Work Consultants and provision of an expert legal panel.



Funds are distributed back to Members for reinvestment in risk Risk Incentive Funding, Performance Bonuses, Rebates and Special Distributions which go back to the membership rather than being retained as profit by Insurers.



Sector-focused advocacy

Advocacy through experts engaging regulators, stakeholders and legislators in the interests of the sector.

Provides Members with the broadest protection for civil liability claims and delivers a fully integrated risk, claims and legal service.

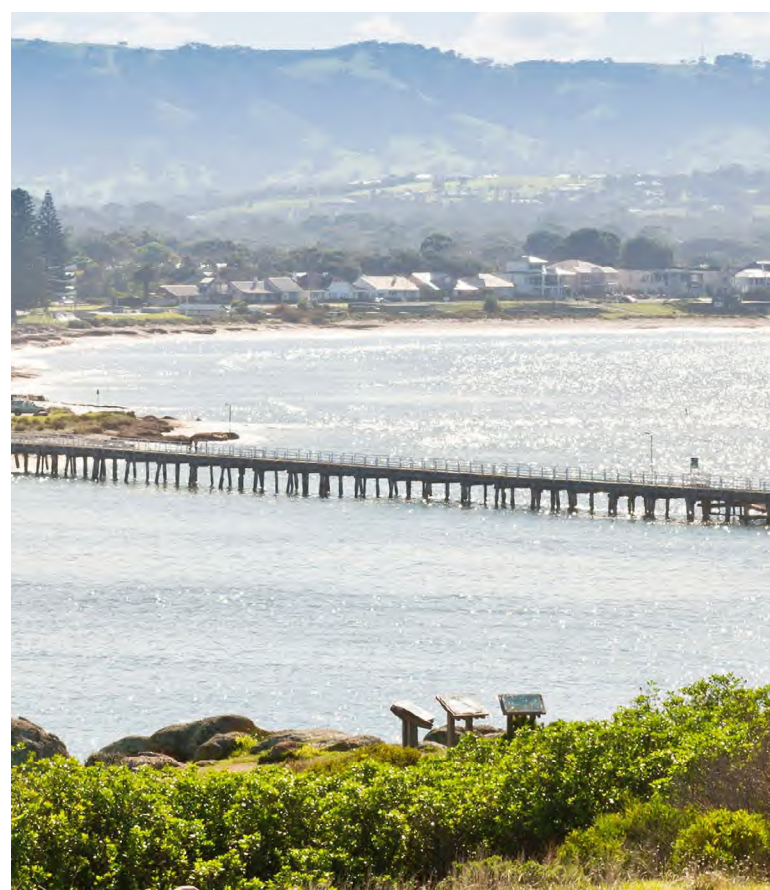
The LGAMLS continually delivers Members quality services to meet Member's needs, embracing change and responding to the liability exposures within the evolving Local Government sector.

Backed by the Treasurers Indemnity

The LGASA continues to maintain a unique partnership with the State Government that has been in place for over 30 years, through the Treasurers Indemnity. Delivering certainty to Members and their communities in the event of a catastrophic claim that exhausts the LGAMLS reinsurance program.

Effective management of Statutory Immunities

The statutory immunities are fundamental in protecting Local Government from claim exposure, the LGAMLS continues to successfully apply consistent interpretation and application of sector immunities including tree and footpath claims.



Continued provision of Strategic Risk Consultants and Risk and Safety Advisors, enabling the LGAMLS to support Members in applying a risk management lens across a complex sector.

4 years

The Strategic Risk Program has been running.

35

Members have had Elected Member risk management awareness training.

52

Scheme Members have been engaged in the Strategic Risk Program to date.

The LGAMLS provides advice and Programs which support Members undertaking their business within a risk management framework.

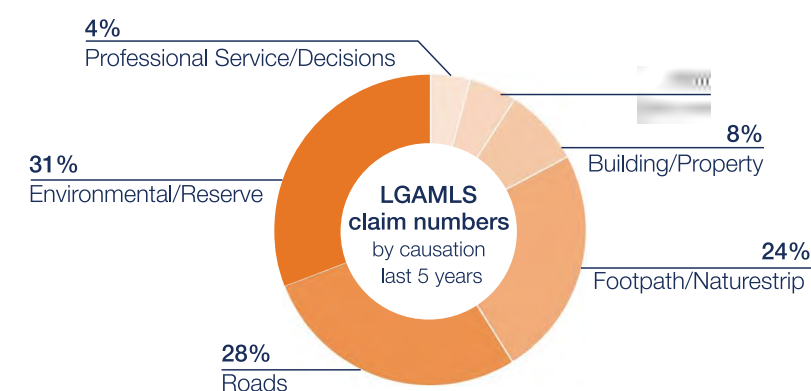
Provision of tailored, sector focused risk management guidelines, forums, data, information and support delivered via the LGRS Member Centre.

The LGAMLS continues to maintain and develop new resources for Members, including:

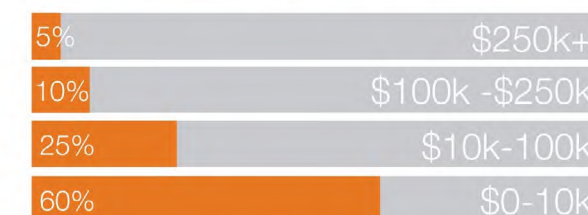


- Managing Third Party Arrangements
- Playground Guide
- Child Safe Environment Guide
- Surveillance Guide

The LGAMLS claims profile reflects a long term commitment to risk management with low volatility in claim trends.



Claim costs by net incurred:



Protecting Council employees through proactive risk management.

A year of record low claims - the lowest in Scheme history.

The LGAWCS team continue to work diligently with Members and Local Government claimants with the central focus on early intervention and effectively returning employees back to work.

A record low number of new claim numbers: 419, 11% down on LY

A particularly pleasing aspect is that the average cost of claims incurred have now stabilised at \$16,300 per claim and Lost Time Injuries (LTI) were 30% down on 2021.

Why Self-Insurance?



Since inception, Workers Compensation Self Insurance (SI) has saved the sector **over \$291m**

While maintaining a stable average contribution rate of: **2.39%** (after Special Distribution)

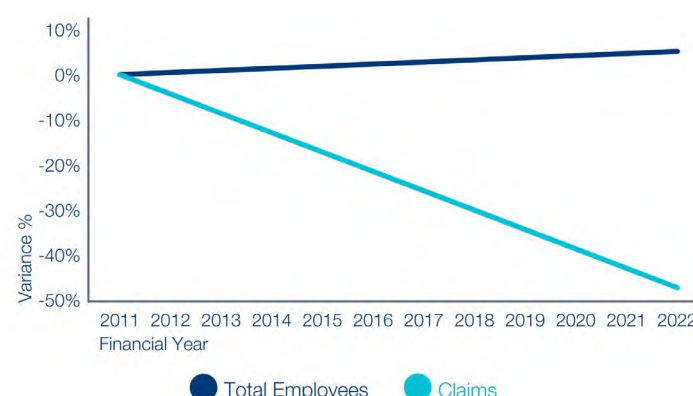
Successfully extending the SI License for another 4 years.

The LGAWCS and LGRS worked with RTWSA and Members to successfully extend the SI License.

Thank you to audit sites City of Charles Sturt, City of Port Adelaide Enfield, Adelaide Plains Council, District Council of Peterborough, City of Whyalla, City of Adelaide, District Council of Lower Eyre Peninsula, District Council of Grant, Naracoorte Lucindale Council, District Council of Karoonda East Murray, Coorong District Council, City of Mount Gambier, City of Playford, City of Onkaparinga, Regional Council of Goyder, City of West Torrens, City of Marion, City of Victor Harbor and District Council of Yankalilla.



Employment vs Claims Summary



In 2022 the Healthy Lifestyle Program has delivered 1,400 Health Checks, 3,000 Skin Screenings with a 9% referral rate and 480 Health Expos to Local Government Employees.



Think safe, work safe. LG Safe

The LG Safe project aims to develop a modern and user-friendly work health and safety management framework for the SA Local Government sector.

The project is now well advanced with extensive sector consultation progressing with the Project Framework.

The Board has committed significant Scheme funds to the successful delivery of the project, ready for Member implementation during 2022/23.

The LG Safe online portal has had over 1200 website sessions since launching early in 2022.

More psychological safety and wellbeing resources.

This year, the Board is supporting a new sector-wide pilot program which will focus on Psychological Work Health, with a view to establishing a risk management framework to assist Members in proactively improving workplace mental health, managing mental health risk and to provide tools to support leaders.

Whilst claim numbers have reduced year on year, psychological claims have not, increasing from 2% of the total in 2000 to 9% today.



The average cost of a Psychological claim is over 100% higher than other claim types.



\$1m

Special Distribution in 2022/23.

45,000 hours +

Hours of complimentary WHS, Risk and Legal Advice to sector.

92% return to work

Claimants made a full return to work.

30% reduction

in total days lost since 2019 FY.



Protection for Member's property assets, motor vehicles, machinery, personal property, computers, cyber and electronic equipment and crime.

Protecting your property portfolio.

We recognise our Members have significant property portfolios including staffed buildings, leased premises, public facilities, fleet, plant and equipment.

The LGAAMF provides Members with funded risk management tools and assessments including Asset Valuations, Asset Surveys and Thermographic Scan Inspections to identify risks, protecting your community's valuable assets and infrastructure.



Building Local Government's cyber-resilience.

Over the last 4 years, the LGAAMF has continued to invest in cyber-security risk mitigation programs for Members, equipping your team with the skills to identify, manage, and contain security threats places your data in safer hands, and ensures potential risks are addressed before they escalate.

In 2022/23, this is no exception with a new funded cyber risk initiative.

Cyber Security Uplift Program with a value to each Member of \$15k.

Having accurate and reliable asset values, is now more crucial than ever.

Page 104

In 2022 organisations are faced with new risks ranging from extreme weather events, labour challenges, energy price spikes, and supply chain disruptions. What's more, these risk factors are now compounded by surging inflation.

Having current and up-to-date asset valuations is critical to ensuring your assets are protected for full replacement cost in the event of a loss, minimising out-of-pocket expenses which may be incurred at the time of loss.



The LGAAMF provides \$10k in Asset Valuation funding to all Members.

\$8.5b

Local Government assets covered in 2022.

\$1m

Performance Bonus, reducing Member contributions.

\$8.9m

Special Distributions via the LGAAMF to date.

378

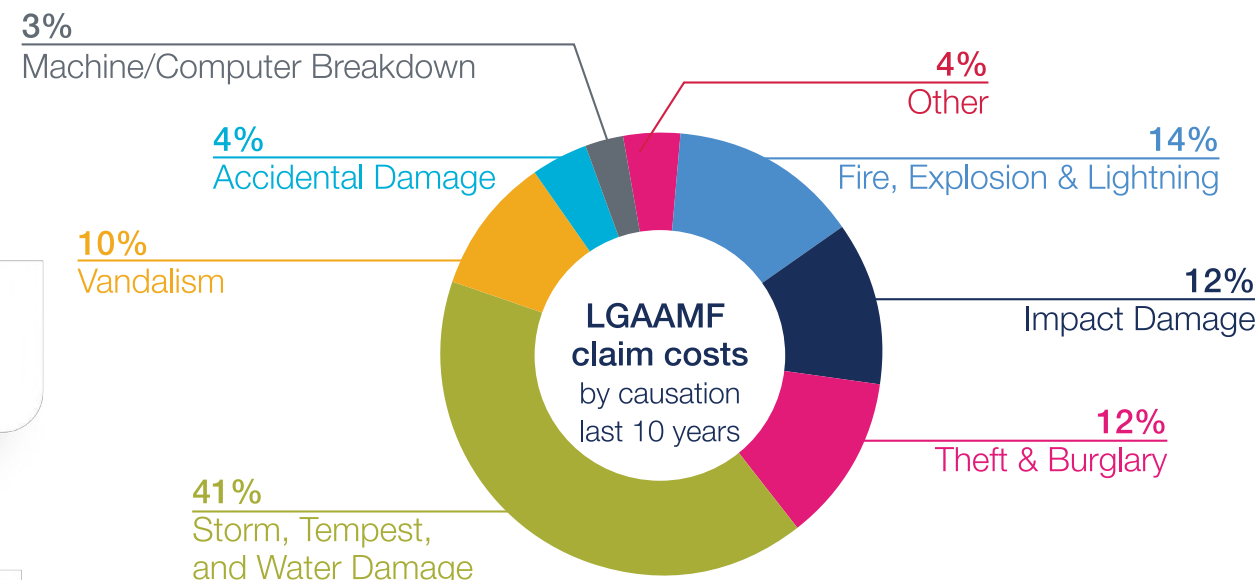
Property claims

834

Motor claims

We know disasters can occur at any time, and normally when we least expect it.

To support Members in being better prepared for the potential consequential financial loss following a disaster, the LGAAMF provides funding for the following programs:



Over \$10k in funding towards Business Continuity Plan.

National Local Government Vulnerability Pilot program launched in 2022 to build organisational resilience, adaptability, preparedness and post-disaster recovery.

Weather and storm related claims on the rise

With the frequency and severity of weather events such as storms, floods and heatwaves weather related events has seen:

41% of the net incurred cost of claims for the last 10 years are related to storm, tempest, and water-damage claims.

In October 2021, the LGAAMF responded to a 1-day Hailstorm event that caused widespread motor vehicle damage across the Local Government sector totalling **\$1.8m** in total losses.

The Local Government Income Protection Fund (LGIPF) is a mutual risk product which provides discretionary cover to Local Government Authorities employees.

Supporting over 3,078 families, and counting...

Since 2005 when LGRS pioneered income protection solutions for Local Government, over \$66.8m has been paid to Council employees. The LGIPF has provided financial security to 3,078 families while dealing with a significant medical condition or injury, with 103 of these families supported in the last year alone.

Importance of income protection as the cost of living surges.

We rely on our incomes to cover some of the most essential costs in our lives, from rent or mortgage payments to electricity, petrol, food, those unexpected costs and everything in between. Being unable to work due to illness or injury could have devastating financial effects on injured employees and their families, especially as the cost of living is rising steeply, and the months ahead are unlikely to offer a reprieve. With this backdrop, Income Protection acts as an essential financial safety net during a time of uncertainty.

Attracting top talent in this market with income protection.

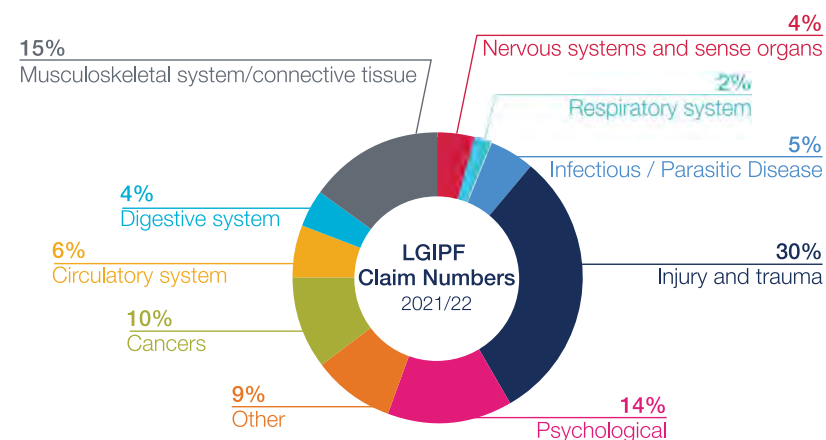
Since the beginning of the pandemic, a record number of people have left their job, and now employers are increasingly looking at ways to improve staff satisfaction and loyalty. One way to attract and retain top talent with in-demand candidates is by offering benefits beyond wages. Income Protection is one mechanism that can be used as an employee benefit to attract and retain talented people and build an employer of choice culture.



The LGIPF difference:

LGIPF offers discretionary indemnity and claims management services to Members, in respect of an employee's loss of income, resulting from injury and illness that occurs outside of their employment duties.

Cover benefits remain unchanged for the 2022/23 period, and the protection and benefits provided to Members are well beyond other commercial alternatives.



Our service approach is built on multifaceted industry knowledge, an extensive range of services and tailored solutions that deliver sustainable value for your path forward.

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\$66.8m
Paid in lost income to Member Employees to date.

\$578m
LG employee wages currently protected by the LGIPF.


All claims are managed by a dedicated claims consultant.



LGAWCS MEMBER BENEFITS	ALTERNATIVE OPTIONS
Recognition as a Self-Insured employer by RTWSA (as part of LGA Group Self-Insurer license)	Registration with Return to Work SA (RTWSA)
Average net rate of 2.6% (of wages), net of Performance rebates	Higher Levy rate and no additional services. Being Self-Insured has saved the sector over \$250m
Average net rate of 2.1% (of wages), net of Performance rebates, Risk Incentive Funding & Special Distributions	Much lower rebates and incentives
Annual Performance Rebates delivered, rewarding positive claims & WHS practices. Access to Council Risk Incentive Program funding for investment in WHS & Risk related initiatives	No option exists (Profits remain with Return to Work SA)
Specialist Local Government claim service. Dedicated claim service team with a focus on early intervention and claim resolution	Claims outsourced by RTWSA, serviced by general claims staff with broad portfolios from many industries no Local Government specialist experience or relationships exist to improve claim outcomes. An additional cost to Council
LGAWCS liaises directly with RTWSA & Safework SA on behalf of Members, managing and maintaining the regulatory requirements for the Self-Insurance	Registration with RTWSA still requires compliance to Safework and WHS Act, resulting in additional costs to Council and loss of sector support and knowledge
Member specific metro and regional WHS & Risk Consultants, delivering strategic and operational risk management, hands-on support and expert advice Corresponding Traditional Insurance RTWSA and Safework do not provide such services. It is expected that the organisation invest in resources	Council would need to invest in additional WHS & Risk resources and supporting programs
Holistic claims and Injury management with a track record of early claim resolution, getting employees back to work and cost reductions to Council <ul style="list-style-type: none">Claim determinations within 6 days97% of claimants return to work within 3 monthsClaim payments are made immediately (no waiting periods)	Rehabilitation panel providers have no Local Government knowledge or sector methodologies that support returning employees to full time employment Claims need to be notified within 5 days or 10 working day excess applies to loss of wages
LGAWCS Healthy Lifestyle Program to improve the health and wellbeing of Council employees at no additional cost to Members	No program available so there is an increased cost to Council to provide
LGAWCS funded education & training, driving peer collaboration; <ul style="list-style-type: none">WHS Practioners Forum'sWHS Program Reviews & Tailored Implementation Plan'sAccess to certified WHS Training for employeesAccess to certified St John First Aid trainingInteractive Court SimulationsSkytrust Risk Management SoftwareChemalert	No program is available resulting in an increased cost to Council for specialised training and up skilling
Member access to Legal advice. Protection provided for fines and penalties and legal costs.	No cover for fines and penalties provided by RTWSA so either an increased risk or additional cover required by Council



Protecting Elected Members



Elected Members are afforded with specific protections for personal immunity when undertaking their role, function and duties.

The immunity provisions, however, are conditional and dependent on circumstances relating to personal behaviour. If an incident or claim arises, primary contact with the Schemes should be made to ensure the right advice is given and the situation is proactively managed.

Training designed for Elected Members:



Introduction to the Local Government Schemes

The session is designed to inform Elected Members of the background and structure of the LGA Mutual Liability Scheme and LGA Workers Compensation Scheme, established pursuant to the Local Government Act 1999 (SA).



Due Diligence, Self-Insurance & Code of Conduct, Statutory Immunities

These sessions explore the roles of the Elected Members, their duties and the various protections available to individuals, and explains how these protections could be compromised. The sessions also look at self-insurance and due diligence.



Strategic Risk Workshop

The workshop takes Elected Members through the strategic risk management process, looking at the Elected Members' role around managing strategic risk and the required structures within Councils to allow them to effectively manage risk.

Protecting Elected Members

Elected Members are afforded with specific protections for personal immunity when undertaking their role, function and duties.



Personal Immunity - Civil Liability

Elected Members have the benefit of a personal immunity via Council's Membership to the LGA Mutual Liability Scheme (LGAMLS) as set out in section 39 of the Local Government Act 1999 'Protection of Members'. Section 39 provides Elected Members with a personal immunity where a third party alleges that as the result of a negligent act on the part of an Elected Member, the third party suffers personal injury, damage or financial loss.

If the alleged negligent act is the result of the Elected Member failing to discharge his/her role, function or duty, the Elected Member will have the benefit of the Section 39 personal immunity (in accord with the LGAMLS Rules). The extension of the personal immunity to an Elected Member will depend on the circumstances of the alleged civil liability. No civil liability attaches to the member of a Council while acting "honestly" in the exercise, performance or discharge, of the Elected Member's or Councils' purported powers, function or duties. A liability that would attach to a member of a Council attaches to the Council instead.

Personal Accident Insurance

LGRS arrange on behalf of South Australian Councils a Personal Accident insurance policy covering Mayors, Elected Members and Councillors.

This policy of insurance covers injuries that may occur while engaging in any activity directly connected with or on behalf of Council including while travelling directly to and/or from such activity.

The Policy provides coverage for;



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LGAMLS Member Services

Provision of regulatory and risk management services and functions within a dynamic legislation-driven civil liability environment.

The Local Government Association Mutual Liability Scheme (LGAMLS) provides Local Government Members with fully integrated risk, claims and legal services for the management of civil liabilities. 100% of South Australian Councils maintain ongoing membership of the LGAMLS.

The LGAMLS is a Local Government Indemnity Scheme established under the Local Government Act 1999 to respond to Local Government's liability risks that traditional insurance markets are unable to provide. LGAMLS Members participate in the self-managed concept enabling greater control over their financial viability relating to civil liability risks.

The application of a risk management framework allows a Member to measure and monitor operational maturity and improvement while reducing civil liability risk associated with its strategic risk profile.

The LGAMLS continues to provide Members covers for civil liability that includes risk arising from the following:



**Public & Products
Liability**



**Professional
Indemnity**



**Environmental
Landfill
(Pollution
Legal Liability)**



**Councillors
& Officers +
Employment
Practices
Liability**



**Aviation
Liability**

For an annual contribution, the LGAMLS provides each Member with the following key services:



Unique risk management programs developed for Councils such as Aerodrome, Volunteer Management, Emergency Management.



Consistent application of Local Government statutory immunities.



Claims management services delivered by civil liability experts with a deep knowledge of the Local Government risk environment.



Provision Risk & Safety Advisors and the Strategic Risk teams.



Delivery of thought leadership and peer groups.



Delivery of Risk Evaluations and annual Risk Action Plans.



LGRS Member Centre, providing a central knowledge hub and Member-specific claims data.

LGAAMF SCHEME BENEFITS	TRADITIONAL INSURANCE
Discretionary Asset Protection for Council property, financial, machinery, electronic equipment, vehicles and technology assets plus plant and equipment	<p>The following individual policies would be required</p> <ul style="list-style-type: none"> • Industrial Special Risks • Business Interruption • Fidelity Guarantee • Machinery Breakdown • Motor Vehicle • Computer Breakdown • Cyber Security and Data Protection losses • Computer Crime <p>All of these policies will have exclusions and conditions A number of these policies will be required to be taken out with different insurers which significantly increase the risks for coverage gaps and disputes</p>
Trustee has absolute discretion whether to accept claim	Insurance company has to abide by Indemnity clauses of Insurance Contract when determining whether to accept the claim
<p>Specifically tailored protection:</p> <ul style="list-style-type: none"> • Full flood protection • “Under-insurance” risks removed • Unintended oversights of asset disclosures are protected • Discretionary payments made in favour of Councils • Approved claims processes and local repairers • Capability to protect infrastructure assets • Specific sub-limits removed • Protection extended for one Council benefits all Councils 	<p>Council will be required to individually negotiate its protection of risks and consider the specific exclusions within each of the above policies</p> <p>Selection of inadequate limits, exclusions or conditions will expose the Councils Balance Sheet</p>
Significant Performance Bonuses paid back to Members	Profits retained by Insurance company
Special Distributions paid back to Members based on Fund performance	Profits retained by Insurance company
<p>Very low self-insured costs apply to each claim (\$1,000)</p> <p>Reducing the administration burden on Council</p>	<p>Insurers generally require large excesses for each claim (\$10,000 per claim is common)</p> <p>Increasing the administrative burden on Councils with claims valued under \$10,000 (through Claims management, recoveries and legal costs)</p>
Specialist Local Government claim services with Council specific claim service team that have a clear focus on early claim resolution and ensuring that costs and precedents are favourable to Council	Assuming that policy Indemnity is granted, Insurance company claim attitudes will determine claim outcomes and precedents may not be favourable to Council or Local Government
Council Specific Client Service personnel and Risk Advice provided at no additional cost	Risk advice would be generic and an additional cost to Council
<p>Funded Risk Management programs provided with an annual benefit worth over \$60,000:</p> <ul style="list-style-type: none"> • Asset Surveys • Business Continuity programs • Thermoscan programs • Business interruption reviews • LG In Focus and other risk management publications • Fraud and Cyber Awareness Training • Cyber Vulnerability & Risk Profiling Program (external penetration testing program) • Valuation funding for insurance purposes 	Risk Management services would be generic and at an additional cost to Council

CORPORATE**3.2 Quarterly Report – Procurement January to March 2023****Audit and Risk Committee** 8 May 2023**Meeting:****Author's Title:** Procurement Coordinator

File No.: 0-159

Director: Corporate**Annexures – Nil****Officer Direct or Indirect Conflict of Interest:***In accordance with Local Government Act 1999,
Section 120***Status:***Information classified confidential under
Section 90(2) of the Local Government Act*☐

Yes

☒

No

☐

Yes

☒

No

Reason – not applicable**PURPOSE**

The purpose of this report is to provide information regarding Council's procurement activities during the period 1 January to 31 March 2023.

SUMMARY

The Procurement Policy requires quarterly reporting on procurement exemptions.

This report also provides a snapshot of the following procurements which have been undertaken by Council during the quarter:

- Tenders undertaken;
- use of local vs non-local goods, works and services; and
- comparison of purchase orders and local vs non-local spend to same quarter of the previous year.

All figures included in this report are GST exclusive, in line with the budget.

RECOMMENDATION

The Audit and Risk Committee receive and note the Quarterly Report – Procurement January to March 2023.

3.2 Quarterly Report – Procurement January to March 2023

REPORT

BACKGROUND

In adopting better governance practices, this report is prepared to ensure Audit Committee and Elected Members are informed about procurement outcomes achieved by the Council.

In addition to this, Council's Procurement Policy requires the following to be reported quarterly to the Audit and Risk Committee and Council:

- Clause 7 requires exemptions from the policy to be appropriately approved, recorded and reported quarterly.

DISCUSSION

1. TENDERS (greater than \$200,000):

The following tenders were undertaken or in progress for the period 1 January to 31 March 2023:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Whyalla Child Care Centre Extension	LGA Procurement facilitated tender via Tenders SA website	7	Closed 27/1/2023. Budget Adjustment required - Council Meeting April 2023.
Whyalla Health & Leisure Centre Aquatics Upgrade	LGA Procurement facilitated tender via Tenders SA website	TBA	Closes 14 April 2023.

2. POLICY EXEMPTIONS:

From 1 January to 31 March the following 4 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
Elected Members' Professional Development	\$45,454	Due to significant level of opportunity and challenges currently facing the city, it is considered vital the Elected Member Group have access to a high standard of Professional Development over their term. The experience of service provider in Local Government context is considered a vital part of providing this support and is unlikely to be able to be easily sourced elsewhere. The service will commence with delivery of 2 day Elected Member workshop to be held in late February 2023.	Council recently sought quotes for delivery of Elected Member training in Financial and Strategic Risk. The best price for work was around \$320 per hour. The hourly rate of \$400 for level of work being delivered under this contract is therefore considered to be reasonable value for money.
Consultancy to Facilitate Staff, Community & Council Member Workshops	\$12,727	Consultant has considerable background knowledge and experience or specialist expertise in the staff and community engagement sought.	Only one quote was sought for this work due to opportunity to engage a highly skilled and experienced community engagement consultant who was available on the dates required.
Land Valuation for State Significant Project	\$15,000	Urgency of work relating to impact delays may have on other services and/or critical deadlines. Consultant has considerable background knowledge and experience or specialist expertise on particular Council project or asset, eg an extension to a previous project	The State Government had extremely tight timeframes to release their expression of interest to market for Hydrogen Jobs Plan. The agreed process between all parties included an independent valuation by a suitably skilled consultant. For these reasons, there was not time to seek multiple quotes, instead a party with required skills was approached directly .
Purchase & Delivery of Profiling Attachment for new Skid Steer	\$53,197	Replacement skid steer has been ordered. Supply has also been asked to quote on profiling attachment to suit skid steer which will ensure Council capacity to undertake a greater variety of road maintenance activities in-house in a timely manner. Roads crew have evaluated available profilers and selected the best unit based on their years of operating experience in the field. Supplier has provided a quote for two profilers. No other suppliers were contacted as current supplier is fitting the skid steer with additional hydraulics to ensure any number of attachments will fit that machine, making it a multipurpose loader (ie road profiling, tree augering, signpost installations, road sweeper in tight spaces).	Council will benefit from procuring this attachment to allow greater versatility in future road and carpark repairs, allow the patching of rods internally without going out to contractors, and allowing better programming and maintenance delivery.

Note that only the Chief Executive Officer can authorise exemptions from undertaking procurement processes as specified in Council's Procurement Policy.

The following is a summary of Policy exemptions for the 2022/2023 year:

Exemptions by Department	Amount	Percentage
City Growth	1	8.3%
Corporate	5	41.7%
Infrastructure	6	50.0%
Executive	0	0.0%
Total	12	100.0%

Exemptions by Procurement Thresholds (\$)	Amount	Percentage
5,001 – 30,000	3	25.0%
30,001 – 200,000	8	66.7%
200,001 +	1	8.3%
Total	12	100.0%

3. LOCAL PURCHASES:

As a contributor to Whyalla's economy, Council is committed to purchasing from local suppliers where possible, as well as ensuring value for money procurement outcomes.

Out of a total of 862 purchase orders raised for goods, works or services for the quarter:

- 566 were local; and
- 296 were non-local

There was an overall spend of \$5,931,258 broken down as follows:

- Local spend \$3,643,315; and
- Non-local spend \$2,287,943

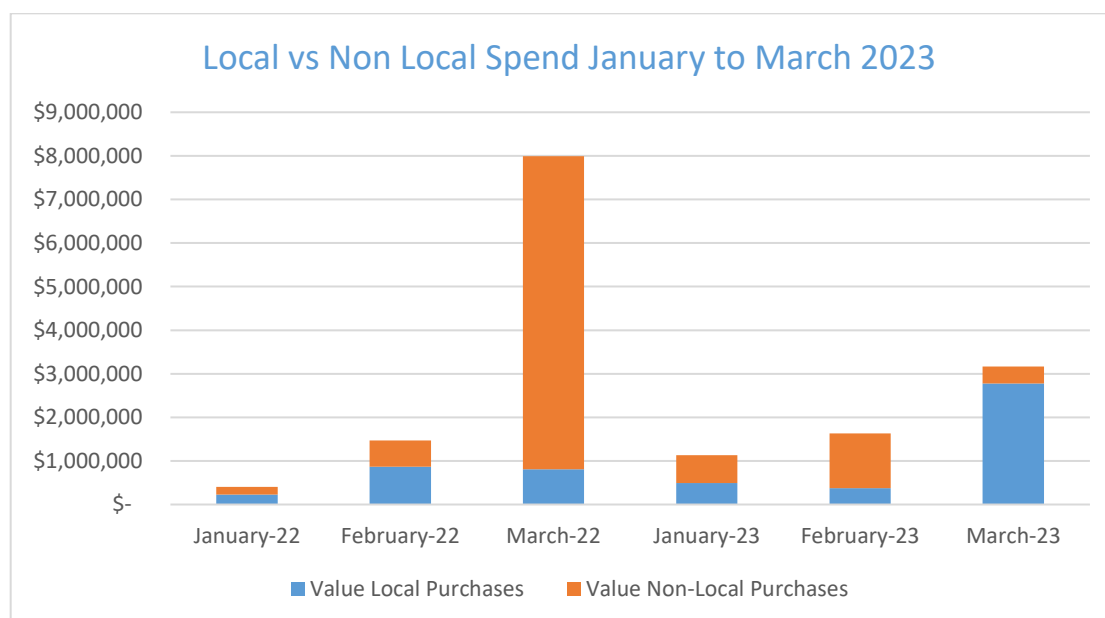
A total of 65.7% were local purchases and 34.3% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

- Specialised products or services
- Training/Conferences/Meetings/Accommodation
- Memberships/Subscriptions
- Tendered goods/works/services
- Advertising
- PLAN SA online lodgement fees
- Employment screenings
- Vehicle Registration Searches

The following tables represent local vs non-local purchase order number and value comparison for 1 January to 31 March 2023 and includes a comparison with the previous year.

2023	January	February	March	Total
Local Purchases	161	208	197	566
Non-Local Purchases	99	84	113	296
Value Local Purchases	\$490,663	\$372,118	\$2,780,533	\$3,643,315
Value Non-Local Purchases	\$644,911	\$1,257,247	\$385,785	\$2,287,943

2022	January	February	March	Total
Local Purchases	119	147	175	441
Non-Local Purchases	95	110	95	300
Value Local Purchases	\$226,045	\$868,333	\$811,975	\$1,906,353
Value Non-Local Purchases	\$176,460	\$601,243	\$7,179,041	\$7,956,744



Non-local spend for the quarter included the following tendered works:

- Continuation of Current Contracts
- Transport Revaluation & Condition Assessment
- Project Management Airport Airside Works

Legislation

Local Government Act (SA) 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with the Procurement Policy and Local Government Act (SA) 1999 may expose Council to reputation and financial risks.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

65.7% of purchase orders raised during the period 1 January to 31 March 2023 were for goods and services from local suppliers.

CORPORATE**3.3 Quarterly Report – Procurement September to December 2022****Audit and Risk Committee:** 8 May 2023**Author's Title:** Procurement Coordinator**File No.:** 0-159**Director:** Corporate**Annexures – Nil****Officer Direct or Indirect Conflict of Interest:***In accordance with Local Government Act 1999,
Section 120*☐

Yes

☒

No

Status:*Information classified confidential under
Section 90(2) of the Local Government Act*☐

Yes

☒

No

Reason – not applicable**PURPOSE**

The purpose of this report is to provide information regarding Council's procurement activities during the period 17 September to 31 December 2022.

SUMMARY

The Procurement Policy requires quarterly reporting on procurement exemptions.

This report also provides a snapshot of the following procurements which have been undertaken by Council during the quarter:

- Tenders undertaken;
- use of local vs non-local goods, works and services; and
- comparison of purchase orders and local vs non-local spend to same quarter of the previous year

All figures included in this report are GST exclusive, in line with the budget.

RECOMMENDATION

The Audit and Risk Committee receive and note the Quarterly Report – Procurement September to December 2022.

3.3 Quarterly Report – Procurement September to December 2022

REPORT

BACKGROUND

In adopting better governance practices, this report is prepared to ensure Audit Committee and Elected Members are informed about procurement outcomes achieved by the Council.

In addition to this, Council's Procurement Policy requires the following to be reported quarterly to the Audit and Risk Committee and Council:

- Clause 7 requires exemptions from the policy to be appropriately approved, recorded and reported quarterly.

DISCUSSION

1. TENDERS (greater than \$200,000):

The following tenders were undertaken or in progress for the period 17 September to 31 December 2022:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Child Care Centre Extension	LGA Procurement facilitating tender via Tenders SA website	7	Closed 27/1/2023. Currently being evaluated.

2. **POLICY EXEMPTIONS:**

From 17 September to 31 December the following 4 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
Relocation to Edward John Eyre High School – Project Management	\$38,518	Consultant was originally engaged to evaluate the feasibility of sites for the staff at the Civic Building. This is the continuity of this engagement to assist with Councils adoption of relocating to EJEHS as a base of operations	Consultant has been engaged in preliminary work in process & as such, have in depth knowledge of both sites in discussion and will be able to provide value and speed necessary to this project.
Seating for Visitor Information Pod	\$43,980	Contractor is the only business who currently provides the solar seating and components required for the VIC pod. Upon discussion with Manager Finance and Procurement Coordinator re how we should go about this process to ensure deadlines are met, it was suggested it would be best to contractually treat these works as a variation to Contract 2021-005 (Supply/Install Ex-Event Modular Pods) rather than as part of the Foreshore Master Plan. That way product can be ordered by contractor and installation can be undertaken to ensure critical deadlines are met for the VIC pod EPLGA Conference early December.	Contractor is currently undertaking other works in the precinct and the pricing is in line with previous works carried out for Council by contractor.
Change of Scope re Contract 2022-005 Northern Coastline Amenities & Facilities	\$691,282	Contract for the Northern Coastline Amenities & Facilities was executed, but subsequently the need to negotiate an Indigenous Land Use Agreement (ILUA) became known, meaning that the contract works cannot progress at this time. To ensure Council can meet contractual requirements and reduce the likelihood of any legal ramifications, it is proposed Contractor be offered other similar works across the city over coming 24 month period. These works will be offered until such time as original contract sum has been exceeded, or when ILUA is in place and original works can commence. If Council manage to achieve the ILUA, it is likely contractor will undertake more work for Council than their original tender and that in effect additional works offered to contractor will have been procured using single source. Approval of Exemption acknowledges and accepts this fact. Recommendation made because reduction of legal risk to Council is considered to be greater than risk of not following normal procurement processes. Proposed additional contract terms have been provided with memo.	As explained, any risk of paying additional amounts for the substitute works is more than offset by the reduced legal risk to Council. The contract terms include wording around offering best price under this arrangement.
Executive Team Training	\$14,601	Specialised services required to collaborate with the Executive Management Team on leadership alignment and Cultural shift following the finalisation of the Organisational Realignment and outcome of the Uni SA culture survey 2021. EMT had a further face to face workshop with the Service provider on 15/11/22.	Provider has prior experience working Local Government and has spent time with EMT to understand needs and expected outcomes prior to designing a tailored program that is cost effective.

Note that only the Chief Executive Officer can authorise exemptions from undertaking procurement processes as specified in Council's Procurement Policy.

The following is a summary of Policy exemptions for the 2022/2023 year:

Exemptions by Department	Amount	Percentage
City Growth	1	12.50%
Corporate	2	25.00%
Infrastructure	5	62.50%
Executive	0	0.00%
Total	8	100.00%

Exemptions by Procurement Thresholds (\$)	Amount	Percentage
0 – 5,000	0	0.00%
5,001 – 30,000	1	12.50%
30,001 – 200,000	6	75.00%
200,001 +	1	12.50%
Total	8	100.00%

3. LOCAL PURCHASES:

As a contributor to Whyalla's economy, Council is committed to purchasing from local suppliers where possible, as well as ensuring value for money procurement outcomes.

Out of a total of 880 purchase orders raised for goods, works or services for the quarter

- 510 were local; and
- 370 were non-local

There was an overall spend of \$4,471,565 broken down as follows:

- Local spend \$2,175,714; and
- Non-local spend \$2,295,851

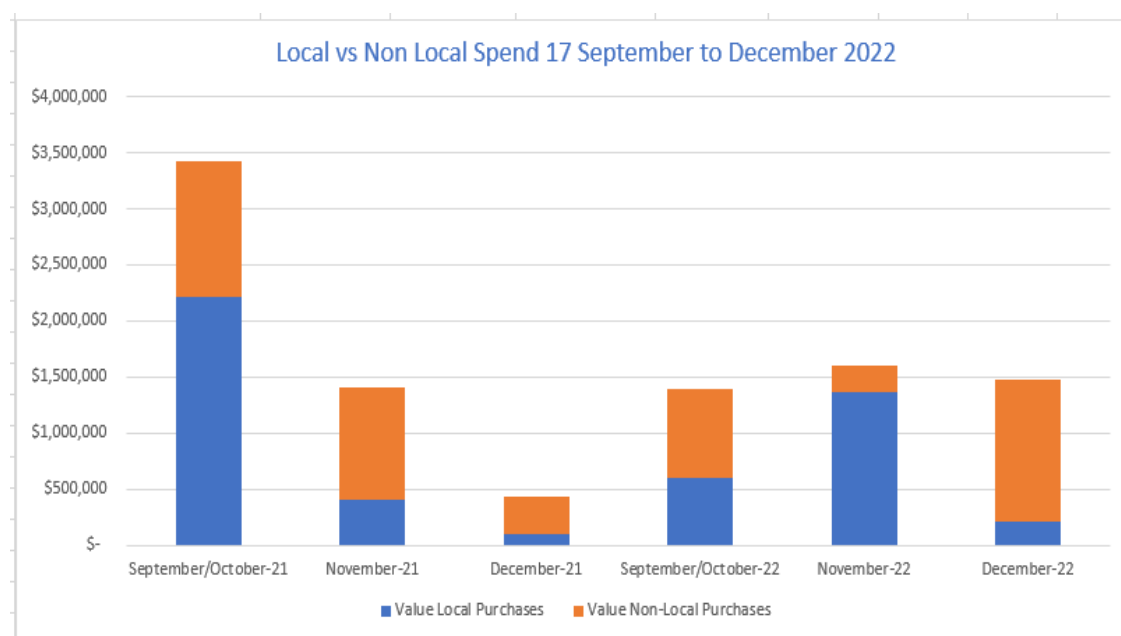
A total of 57.95% were local purchases and 42.05% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

- Specialised products or services
- Training/Conferences/Meetings/Accommodation
- Memberships/Subscriptions/Contribution renewals
- Tendered goods/works/services
- Advertising
- Tendered Contracts
- PLAN SA online lodgement fees
- Employment screenings
- Vehicle Registration Searches
- EZYREG vehicle searches

The following tables represent local vs non-local purchase order number and value comparison for 17 September to 31 December 2022 and includes a comparison with the previous year.

2022	17 Sept/Oct	November	December	Total
Local Purchases	199	190	121	510
Non-Local Purchases	158	115	97	370
Value Local Purchases	\$602,592	\$1,368,487	\$204,634	\$2,175,714
Value Non-Local Purchases	\$793,503	\$226,715	\$1,275,633	\$2,295,851

2021	17 Sept/Oct	November	December	Total
Local Purchases	184	124	93	401
Non-Local Purchases	142	107	86	335
Value Local Purchases	\$2,209,753	\$398,879	\$99,326	\$2,707,958
Value Non-Local Purchases	\$1,221,227	\$1,014,818	\$329,477	\$2,565,521



Non-local spend for the quarter included the following tendered works:

- Whyalla Airport – Fire and Water Hydrant Works
- Continuation of Current Contracts
- Northern Coastline Amenities & Facilities (reconfigured works)
- Trade In/Replacement of Road Sweeper
- Replacement of Council Photocopiers
- Whyalla Council Systems Modernisation
- Leisure Centre Pool & 24-Hour Gym Upgrades (Documentation)

Legislation

Local Government Act (SA) 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with the Procurement Policy and Local Government Act (SA) 1999 may expose Council to reputation and financial risks.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

57.95% of purchase orders raised during the period 17 September to 31 December 2022 were for goods and services from local suppliers.

CORPORATE SERVICES

3.4 ESCOSA Advice

Audit and Risk Committee: 8 May 2023
Author's Title: Manager Finance
Director: Corporate

File No.: 0-159

Annexures

A – Adelaide Hills Advice 2022

B – Burnside Advice 2022

C – Murray Bridge Advice 2022

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To provide the Audit and Risk Committee with information on the upcoming Essential Services Commission of South Australia (ESCOSA) Review.

SUMMARY

The *Statutes Amendment (Local Government Review) Act 2021* made amendments to section 122 of the Act, inserting the requirement that ESCOSA must now provide advice to each Council on a 4 yearly cycle, with regards to their Long Term Financial Plan (LTFP) and Asset Management Plan (AMP).

Whyalla City Council has been allocated in the second round of the ESCOSA review cycle, meaning that the required information will need to be provided by 30 September 2023 and the advice from ESCOSA will need to be published in the ABP from the 2024-25 financial year.

While the value being derived from the scheme is currently not consider to be equal to the cost and effort required, it is hoped that the quality of information will improve over time as ESCOSA learn more about the sector. Alternatively, the operation of the scheme may change after the first 4 year cycle.

RECOMMENDATION

The Audit and Risk Committee notes the report ESCOSA Advice

3.4 ESCOSA Advice

REPORT

BACKGROUND

Under section 122 of the Act, Council is required to adopt and maintain a LTFP that projects its financial position over a 10 year period. It is also required to adopt and maintain an AMP, relating to the management of the Council's infrastructure over a 10 year period. The financial projections in the LTPF, must be consistent with the information in the AMP. These plans must be reviewed annually, with a comprehensive review to occur once each Council term.

The *Statutes Amendment (Local Government Review) Act 2021* made amendments to section 122 of the Act, inserting the requirement that ESCOSA must now provide advice to each Council on a 4 yearly cycle, with regards to their Long Term Financial Plan (LTFP) and Asset Management Plan (AMP).

This advice focuses on two objectives, being:

- (i) the objective of councils maintaining and implementing long-term financial plans and infrastructure and asset management plans;
- (ii) the objective of ensuring that the financial contributions proposed to be made by ratepayers under the council's long-term financial plan and infrastructure and asset management plan are appropriate and any material amendments made or proposed to be made to these plans by the council are appropriate.

Each Council must provide the relevant information to ESCOSA by 30 September of the relevant year and ESCOSA will provide their advice to Council by 28 February to the following year. This advice and Council's response to it, must be published in the Annual Business Plan (ABP) for the subsequent 4 years.

DISCUSSION

Whyalla City Council has been allocated in the second round of the ESCOSA review cycle, meaning that the required information will need to be provided by 30 September 2023 and the advice from ESCOSA will need to be published in the ABP from the 2024-25 financial year.

The first round of advice was published earlier this year for the 15 Council's reviewed in the first round and is available on ESCOSA's website. Three of the Council's reviewed were in Group 2 of the Remuneration Tribunal classifications, the same as Whyalla. This grouping is useful, as it groups councils of a similar size. These three councils were:

- Adelaide Hills
- Burnside
- Murray Bridge

The advice published by ESCOSA on their website for these three councils is included as **Annexures A, B and C.**

The feedback from the sector to date has centred on the fact that the advice received is fairly high level and consists of information that councils will likely already know. In addition, the advice focuses heavily on the relativity of rate increases to CPI, which only works to solidify an opinion already held by large parts of the community, that is not helpful in improving the financial sustainability of Local Government.

While the value being derived from the scheme is currently not considered to be equal to the cost and effort required, it is hoped that the quality of information will improve over time as ESCOSA learn more about the sector. Alternatively, the operation of the scheme may change after the first 4 year cycle.

The administration will need to provide the necessary information required by ESCOSA in September this year. This includes the most up to date versions of Council's LTFP and AMP, plus a number of other key items.

Council will then be required to answer questions from ESCOSA, with this focusing on the reasons for changes to projections in these plans over time. Additional information may also be requested, such as minutes of key Council decisions or the results of public consultation processes.

Based on the advice provided on the ESCOSA website and knowing the current position of Whyalla, an estimated version of what our advice may look like next year has been developed and included below. This is provided for interest only.

Whyalla Example Advice

Whyalla City Council's financial performance and financial position is at risk of being unsustainable with a history of operating deficits, that continue over a number of years. The Council's projected improvement to its financial performance is reliant on a period of service consolidation, and continued rate increases above inflation. While it has maintained service levels, the Whyalla City Council has increased its residential rates consistently above inflation over the past 10 years.

It is recommended the Whyalla City Council make six changes to its strategic management plans to ensure its financial sustainability and ratepayers' confidence they are paying the right level of rates for council services.

- Provide greater transparency in its long-term financial plan by clearly identifying annual inflation assumptions to its projected revenue and spending.
- Continue to review its inflation forecasts in its budget each year.
- Focus on constraining costs in its budget.
- Report actual and projected cost savings in its annual budget, to show evidence of constrained cost growth and efficiency across its operations and service delivery.
- Continue to review asset management plan assumptions to ensure they include an accurate picture of spending on assets and better align with its long-term financial plan including asset life and valuation estimates.
- Review and consider limiting future rate rises to reduce emerging cost-of-living pressure on ratepayers in consultation with the community.

Council believes that our current processes are in most part sufficient to be able to provide the required information to ESCOSA

Based on the advice already given to other Council's and the areas identified above as potentially being of interest to ESCOSA, a few improvements have been made, being:

- Including a CEO Report on Financial Sustainability in the Annual Business Plan and Budget – This requirement of the *Local Government Act* was previously handled in a less formal manner, but this is something being looked at by ESCOSA.
- Updating the financial projections in the Asset Management Strategy (as an appendix) on an annual basis – Previously the LTFP projections have been updated annually, including the updated renewal projections, but as they weren't updated in this document too they can look inconsistent, which ESCOSA will comment on.

In the near future we will look at a reporting mechanism for savings identified through service reviews and other processes.

Financial Implications

The cost of the review will be approximately \$40,000 per cycle, charged annually at approximately \$10,000, which has been included in Council's budget.

Legislation

Local Government Act 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

As this is only an advisory scheme, the only real risk to Council is reputational, if the opinion provided is quite negative. To date, there has been little media attention on the Council's reported on in the first round, even though some have been reported as being unsustainable, or projecting large rate increases, so this risk may be quite low.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication – Nil

Conclusion

Council believes that our current processes are in most part sufficient to be able to provide the required information to ESCOSA.

OFFICIAL



Advice

Local Government Advice

Adelaide Hills Council

February 2023

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Adelaide Hills Council
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	<u>Local Government Advice: Framework and Approach – Final Report</u>
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the Adelaide Hills Council

The Essential Services Commission (**Commission**) considers the Adelaide Hills Council (**Council**) to be in a sustainable financial position with historical and projected operating surpluses and the forecast renewal of its infrastructure assets to continue to underpin its strong financial performance, without the need for further significant rate increases.

The Commission suggests the following steps to ensure that the Adelaide Hills Council budgets prudently, reports its cost savings and efficiencies, plans its asset needs appropriately and continues to limit the extent of further rate increases.

Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget each year.
2. **Focus** on constraining cost growth in its budgeting, where possible, particularly related to employee expenses.

Ensuring the right asset management plans are in place

3. **Complete** the asset management plan for building assets and consider potentially other assets not currently covered by a plan (such as sport and recreation facilities), with consideration of desired service levels, as appropriate.
4. **Complete** its planned Stormwater Asset Management Plan, with consideration of desired service levels, as appropriate.
5. **Finalise** its Community Wastewater Management System Asset Management Plan and reflect related cost changes in the 2023-24 Long-term Financial Plan, to include input from the community, including desired service levels.

Providing evidence of ongoing cost efficiencies

6. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

7. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plans.

Containing rate levels

8. **Review** and consider limiting future increases above inflation on its residential rates to help reduce any emerging affordability risk in the community.
9. **Review** the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community's capacity to pay for higher increases.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Adelaide Hills Council (**Council**).

This report provides the Local Government Advice for the Adelaide Hills Council in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Adelaide Hills Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the Adelaide Hills to be in a sustainable financial position with historical and projected operating surpluses and the forecast renewal of its infrastructure assets to continue to underpin its strong financial performance, without the need for further significant rate increases.

The Council has consistently run relatively small average operating surpluses over time, indicating that the operating income it collects is generally exceeding its operating expenses by a conservative margin. This demonstrates financial prudence (for given operating expense growth) since the Council is not

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act, s122(1f)(b) and (1g)(b).

⁸ LG Act, s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

accumulating excessive surpluses. At the same time, the Council has increased its rate levels consistently above inflation.

Community service levels appear to have been maintained through the Council's focus on renewing its asset base, but it has also added to its asset base in recent years, with an accompanied expansion of service levels. However, its asset management planning is not yet as comprehensive as it should be, with significant asset classes such as stormwater and buildings not yet covered by an adopted plan.

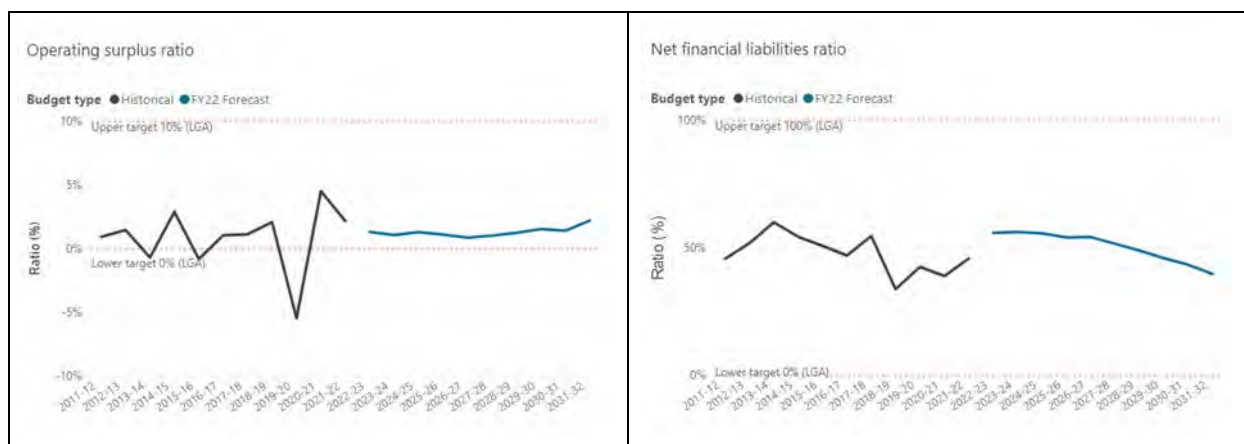
The Council's forward projections from 2022-23 forecast continued financial and service level sustainability through:

- ▶ rate revenues that generally increase in line with the RBA-based inflation forecasts
- ▶ total operating expenses estimated to increase generally in line with forecast inflation, and
- ▶ the continued prioritisation of its asset expenditure on renewal or replacement needs and lower expenditure on new or upgraded assets.

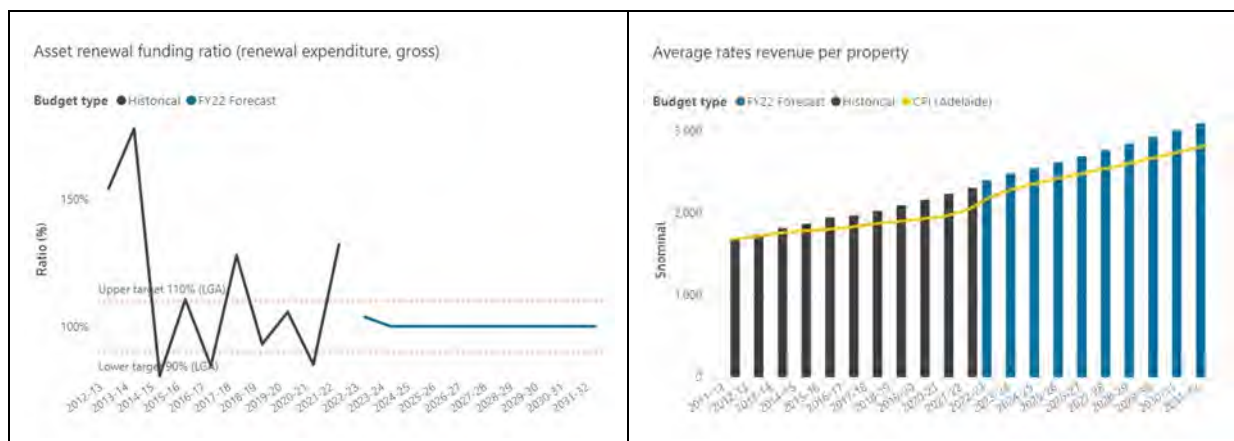
The Commission considers that there may be opportunities to achieve greater savings and efficiencies in its recurrent budget and encourages the Council to review and report on this. This includes a review of the asset-related assumptions feeding into its estimated depreciation expenses. In general, a focus on cost constraint should help the Council to identify opportunities to reduce any affordability risk emerging for residential ratepayers, who bear most of the rate burden.

The Commission has also made various recommendations to the Council in relation to the development of its asset management plans (AMPs), and the disclosure of information in its annual business plan. These recommendations, if accepted and acted upon, should improve the transparency of the Council's financial plans and decision-making processes.

The charts below of the Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio, and average rate revenue per property, together support the Commission's findings. The 'heat map' diagram on the next page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators¹⁰ and the level of cost control and affordability risk identified for the Council over time.



¹⁰ The suggested LGA target ranges for the ratios are discussed in more detail in the attachment.



Summary of the Adelaide Hills Council's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)	2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)
Operating surplus ratio (target 0- 10%)	Ratio within target range, on average, with mostly operating surpluses —————>	Ratio forecast to continue to be met —————>	
Net financial liabilities ratio (target 0-100%)	Ratio met historically and in forecast period —————>		
Asset renewal funding ratio (target 90-110%)	Ratio above target range on average to 2021-22 —————>		Ratio to meet target range in forecast period —————>
Identified Risks:			
Cost control risk	Operating expenses per property average growth 3.2% p.a. to 2020-21 (CPI 1.7%) ———>	Low cost growth (relative to inflation)	Operating expenses per property average growth forecast 2.6% p.a. to 2031-32, below CPI (2.8%)
Affordability risk	Rate revenue per property average growth 3.2% p.a. to 2020-21 and high residential rates but with positive capacity to pay indicators —————>	High rates increase	Projected rate revenue per property average growth 2.9% p.a. on high rate levels to 2031-32 —————>

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Adelaide Hills Council's material changes to its 2022-23 plans (compared with the

previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹¹

2.2.1 Advice on material plan amendments in 2022-23

The Adelaide Hills Council's 2022-23 LTFP includes increases to the following financial items to 2030-31, compared with the 2021-22 LTFP forecasts:¹²

- ▶ Employee costs are forecast to increase by 5.1 percent in total over the projected years, due to higher inflation and increases to superannuation.
- ▶ Capital expenditure on new and upgraded assets are forecast to increase by \$14.5 million, driven by increases in expenditure on buildings, roads, and stormwater assets.
- ▶ Revenue for new and upgraded assets has increased by \$2.1 million due to an increase in grants revenue of \$2 million for 2022-23 only.

The Commission notes that the Adelaide Hills Council's revisions to its operating income and operating expense forecasts, and other expenditure and revenues, are consistent with its revised forecasts for higher inflation.

In the current inflationary environment, the assumptions concerning price rises over the next 10 years will require annual review, particularly given the potential for higher short-term inflation before a return to long run averages. However, the Commission notes that the Council should still endeavour to find savings in real terms to reduce any inflationary impact on its community. To these ends, the Commission has found that it would be appropriate for the Council to:

1. **Continue** to review its inflation forecasts in its budget each year.
2. **Focus** on constraining cost growth in its budgeting, where possible, particularly related to employee expenses.

Concerning the significant revisions to its planned capital expenditure, the Commission notes that the Council has not yet adopted AMPs for buildings¹³ and stormwater infrastructure. In total, the Council had around \$66 million in building assets and \$44 million in stormwater assets on 30 August 2021, representing around 11 and 7 percent of its total asset value respectively.¹⁴

The Council's Annual Business Plan 2022-23 states that the Council will conduct ongoing management, maintenance and replacement planning of public infrastructure including stormwater.¹⁵ The Council is scheduled to complete the Stormwater Management Plan by April 2023 after completing three

¹¹ The attachment will be available on the Commission's website with the advice.

¹² The overlapping forecast period in both LTFPs.

¹³ Adelaide Hills Council, *Annual Business Plan 2021-22*, July 2021, p. 12, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Plans/Annual-Business-Plan/Annual-Business-Plan-2021-22.pdf>.

¹⁴ Adelaide Hills Council, *2020-21 Financial Statements*, p. 22, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Reports/Annual-Reports/Annual-Report-2020-21-Final.pdf>.

¹⁵ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 9, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Plans/Annual-Business-Plan/Annual-Business-Plan-2022-23.pdf>.

consultation stages.¹⁶ It is also undertaking community consultation on its draft AMP for Community Wastewater Management Systems (CWMS).

Noting the legislative requirement to develop and adopt an IAMP relating to the management and development of its infrastructure and major assets for at least 10 years,¹⁷ the Commission has found that it would be appropriate for the Adelaide Hills Council to:

3. **Complete** the asset management plan for building assets and consider potentially other assets not currently covered by a plan (such as sport and recreation facilities), with consideration of desired service levels, as appropriate.
4. **Complete** its planned Stormwater Asset Management Plan, with consideration of desired service levels, as appropriate.
5. **Finalise** its Community Wastewater Management System Asset Management Plan and reflect related cost changes in the 2023-24 Long-term Financial Plan, to include input from the community, including desired service levels.

2.2.2 Advice on financial sustainability

Operating performance

The Council's operating surplus ratio¹⁸ averaged 0.7 percent over the 10 years to 2020-21 and is forecast to continue to remain at a modest surplus level. The Council has estimated an average ratio of 1.3 percent to 2031-32 in its 2022-23 LTFP, with total income projected to continue to be marginally higher than total expenses. The Commission notes that the Council has sought to avoid running excessive operating surpluses, which demonstrates prudent financial management, in the context of the growth in expenses experienced.

In the 10 years to 2020-21, the Council's average annual increase in expenses per property was 3.2 percent, with 0.5 percent average annual growth in property assessments.¹⁹ This compares with average annual inflation of 1.7 percent. Operating income per property grew by an average of 3.6 percent per annum.

The expense growth was underpinned by average annual growth of 4.9 percent in employee expenses (with full time equivalent numbers increasing by 2.3 percent per annum) and 3.5 percent growth in depreciation expenses.

Looking forward, the Council is projecting lower average expense and income per property growth of 2.6 and 2.7 percent per annum respectively (to 2031-32). This is lower than RBA-based forecast Consumer Price Index (CPI) inflation growth (2.8 percent) and assumes continued growth in rateable property numbers averaging 0.5 percent each year.²⁰

¹⁶ Refer: <https://engage.ahc.sa.gov.au/draft-stormwater-management-plan-aldgate-bridgewater-crafers-and-stirling>.

¹⁷ LG Act s122 (1a).

¹⁸ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

¹⁹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²⁰ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

The Council identified that it would undertake a strategy to manage its operating performance efficiently.²¹ Therefore, the Commission considers that the Council should be well placed to:

6. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

The net financial liabilities ratio has ranged between 34 and 60 percent between 2011-12 and 2021-22. This is within the suggested LGA target range of 0 to 100 percent.²² It will continue to meet the suggested LGA target range under its 2022-23 LTFP forecasts (forecast to average 51 percent to 2031-32). The Council's total borrowings and liabilities are forecast to increase significantly until 2026-27, and then decrease moderately for the remainder of the LTFP period.

Asset renewals expenditure

While showing some volatility from year to year, the Council's asset renewal funding ratio²³ has averaged 113 percent between 2012-13 and 2020-21.²⁴ This is above the suggested LGA target range (between 90 to 110 percent) suggesting that the Council has spent more on the renewal of its assets than its IAMPs have recommended. Average spending on the renewal of assets averaged \$9.1 million per annum over this period.

In 2013-14, the ratio spiked at 178 percent with the Council seeking to address an infrastructure renewal backlog with higher renewal expenditure (\$12.3 million in that year in nominal terms).²⁵ However, in the five years to 2021-22, the ratio averaged 109 percent, which is back within the suggested LGA target range.

The Council is forecasting its asset renewal funding ratio to continue to perform within the suggested LGA target range (and remain at 100 percent) to 2031-32. Average spending on the renewal of assets will be \$11.5 million, compared with \$3.1 million on new and upgraded assets.

The Council's depreciation expenses, which should represent the rate of asset consumption, are forecast to continue to exceed its renewal spending in forward projections. Higher depreciation forecasts may lead to higher than necessary levels of rates since the Council incorporates the estimates into its expense projections which in turn, impacts its operating balance.

To ensure a closer alignment between depreciation expenses and asset renewals expenditure over the longer term, it would be appropriate for the Council to:

7. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plans.

²¹ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 30.

²² The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

²³ Since 2013, the asset renewal funding ratio has been defined as: Asset Renewal Expenditure ÷ IAMP Renewal Expenditure. The suggested LGA target range for the ratio is 90 to 110 percent. Ideally, this ratio will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan.

²⁴ The ratio was reported from 2012-13.

²⁵ Adelaide Hills Council, *2013-14 Annual Report*, p. 3, available at <https://www.ahc.sa.gov.au/assets/downloads/council/Reports/Annual-Reports/COUNCIL-Annual-Report-2013-2014.pdf>.

2.2.3 Advice on current and projected rate levels

The Council's rate revenue growth has averaged 3.2 percent, or \$62 per annum for each property over the past 10 years,²⁶ compared with average annual CPI growth of 1.7 percent over this period.²⁷

The Council budgeted for an average rate increase of 4.9 percent or \$110 for its existing ratepayers in 2022-23,²⁸ in line with its 2022-23 LTFP projections. To 2031-32, the Council's average projected growth in rates revenue per rateable property is 2.9 percent per annum.²⁹ This is in line with the RBA-based forecast.

Affordability risk among the community for the further rate increases appears relatively low, based on a range of factors, including the existing non-residential rate levels, an assessment of the economic resources available to the community³⁰ and the community survey results which indicated some support for the rate increases in 2022-23.³¹ Based on the Council's survey concerning its 2022-23 operating budget (including the rate contributions), 70 percent of community respondents either supported the budget (25 percent) or were neutral towards it (45 percent). Around one third (30 percent) opposed it.³² The Commission notes that the number of survey responses were relatively low.

However, one of the respondents did also raise concern about the Council's proposed maximum rate increase of 15 percent (as a cap) being too high, especially relative to the average rate increase (4.9 percent).³³

The current economic environment is putting more pressure on most communities' capacity to pay for further rate increases. Therefore, despite the strong socioeconomics of the area and the level of neutrality and support for its 2022-23 budget, on balance, the Commission considers that it would be appropriate for the Council to:

8. **Review** and consider limiting future increases above inflation on its residential rates to help reduce any emerging affordability risk in the community.
9. **Review** the rationale for the quantum of any maximum rate increase (or cap) it seeks to impose (currently at 15 percent) in its next annual business plan, with consideration of the community's capacity to pay for higher increases.

²⁶ From 2011-12 to 2020-21.

²⁷ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent) to CPI growth over this period. Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²⁸ Adelaide Hills Council, *Annual Business Plan 2022-23*, July 2022, p. 35. Individual rate level changes may be higher or lower depending on the rates category and property value.

²⁹ Since the Council does not provide the estimation number of rateable properties, the Commission extrapolated the numbers based on 'rates growth of new development' as shown in the indexation forecasts.

³⁰ The Adelaide Hills Council area is ranked 71 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to resources in general, compared with other areas, available at: <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20Iga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

³¹ Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1*, p. 27.

³² Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1. Draft Annual Business Plan 2022-23 Community Engagement Outcome Report*, p. 27, available at <https://www.ahc.sa.gov.au/assets/meetings/2022/06-June/special-council-meeting-14-jun-2022/agendas/220614-Special-Council-Agenda-PUBLIC.pdf>.

³³ Adelaide Hills Council, *Agenda for Special Council Meeting 14 June 2022: Item 7.1*, p. 27.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ▶ ongoing performance against its LTFP estimates and relevant assumptions in its LTFP (including inflation)
- ▶ achievement of cost savings and efficiencies, and its reporting of these achievements
- ▶ completion and adoption of its AMPs for stormwater, CWMS and buildings and potentially other assets
- ▶ actions to address any misalignment between the capital expenditure on renewal/replacement of assets and the level of depreciation expenses in its LTFP and various AMPs, and
- ▶ actions to address the emerging affordability risks for residential ratepayers identified, including its policy on maximum rate increases.



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Advice

Local Government Advice

City of Burnside

February 2023

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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Council of the City of Burnside
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	<u>Local Government Advice: Framework and Approach – Final Report</u>
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the City of Burnside

The Essential Services Commission (**Commission**) considers the City of Burnside (**Council**) to be in a sustainable financial position but is reliant on further growth in rate revenue and assumptions of lower expense growth than it has achieved in the past. The Council has consistently prioritised the renewal of its asset base, consistent with the requirements it has identified through its asset management planning and demonstrates a commitment to reviewing desired service levels for the community.

Looking ahead, the Commission suggests the following steps to help ensure that it budgets transparently, continues to report its cost savings and efficiencies, ensures the assumptions underpinning its financial and asset management planning are reasonable and looks for opportunities to limit the extent of further residential rate increases.

Budgeting considerations

1. **Consider** better clarity in its forward estimates in its long-term financial plan concerning the inflation assumptions feeding into its projected revenue (including rates) and expenses, distinct from 'real' impacts.
2. **Review** its inflation assumptions in its forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

Providing evidence of ongoing cost efficiencies

3. **Continue** the recent focus on constraining cost growth in its budgeting, where possible.
4. **Continue** the good practice of reporting actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

5. **Continue** the good practice of reviewing the capital expenditure program annually in its asset management plans and consider options to better align the assumptions underpinning the expenditure allocations with its long-term financial plan, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

Containing residential rate levels

6. **Review** and **consider** limiting future increases in its average residential rates to help reduce any emerging affordability risk in the community.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the City of Burnside (**Council**).

This report provides the Local Government Advice for the City of Burnside in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the City of Burnside for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the City of Burnside's current financial performance and position sustainable. Over the last 10 years, the Council has consistently run relatively small operating surpluses, indicating that the operating income it collects is generally exceeding its operating expenses by a conservative margin. The Commission notes that this demonstrates financial prudence since the Council is not accumulating excessive surpluses. At the same time, the Council has increased its rate levels consistently above inflation, and its residential rates are high, noting the socio-economic ranking

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f) (a) and (1g) (a)(ii).

⁷ LG Act s122(1f) (b) and (1g) (b).

⁸ LG Act s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i) (a).

for the community is also high, suggesting that there is more capacity to pay for higher rates than in other communities.^{10 11}

Community service levels appear to have been maintained, largely through the Council's focus on renewing its asset base, consistent with the requirements it has identified through its asset management planning.

The Council's forward projections from 2022-23 continue to forecast a consistent financial sustainability outlook through:

- ▶ lower average cost increases than it has experienced over the past 10 years (but still higher than it had forecast in 2021-22, primarily due to the impact of higher inflation)
- ▶ the continued prioritisation of its asset expenditure on renewal and rehabilitation works, rather than on new and upgraded assets, and
- ▶ continued rate increases on the community above the rate of inflation.

The Commission notes the City of Burnside's current good practice of reporting cost savings and efficiencies in its annual budget and reviewing annually the expenditure requirements in its Asset Management Plans (**AMPs**) and encourages it to continue to do so. It is also suggested that the Council review the asset-related assumptions (e.g., asset lives) feeding into its estimated depreciation expenses in its forward projections to determine whether there are opportunities to reduce these expenses. There are other opportunities for the Council to be more transparent about its price, service level and efficiency-related assumptions in its forward cost projections. In general, a transparent focus on cost constraint should help the Council to identify opportunities to reduce any affordability risk emerging for residential ratepayers, who account for the major share of the rates revenue.

The charts on the next page of the City of Burnside's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio and average rate revenue per property, together support these findings.

The 'heat map' diagram underneath summarises the Commission's findings with reference to whether the Council has met the suggested target ranges for the three main financial sustainability indicators¹² and the level of cost control and affordability risk identified for the Council over time.

¹⁰ Refer to the Councils in Focus website, available at <https://councilsinfocus.sa.gov.au/home> for 2019-20 rates data by council.

¹¹ The City of Burnside LGA is ranked 68 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

¹² The suggested LGA target ranges for the ratios are discussed in more detail in the attachment.



Summary of the City of Burnside's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)	2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)
Operating surplus ratio (target 0-10%)	Ratio met historically and in forecast period →		
Net financial liabilities ratio (target 0-100%)	Ratio met historically and in forecast period →		
Asset renewal funding ratio (target 90-110%)	Spending on renewal works requirements met but with ratio at the lower end of suggested target range →	Ratio within target range	Suggested ratio target range met in projections with forecast higher spending on asset renewal works →
Identified Risks:			
Cost control risk	Operating expenses growth average 3.0% p.a. to 2020-21 (CPI 1.7%) →		Forecast operating expense growth to average 3.3% p.a. to 2031-32 (CPI 2.8%) →
Affordability risk	Low affordability risk with capacity to pay (rates revenue growth average 3.7% p.a. to 2020-21) →	High residential rates	Higher residential rates & successive 'above CPI' rate increases projected (rates revenue growth to average 3.4% p.a.) →

	Ratio outside suggested LGA target range or higher risk
	Ratio close to suggested LGA target range or medium risk
	Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's detailed advice findings regarding the City of Burnside's material changes to its 2022-23 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this Advice, the Commission followed the approach it earlier explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹³

2.2.1 Advice on material plan amendments in 2022-23

The City of Burnside's 2022-23 long term financial plan includes increases to its projected income and expenditure to 2030-31, compared with the 2021-22 forecasts,¹⁴ as follows:

- ▶ An additional \$35.1 million or 7 percent in total operating income. This includes an additional \$30.1 million or 7 percent in rates.
- ▶ An additional \$38.1 million or 8 percent in total operating expenses (for example, for contracts and employees) and \$10.2 million or 8 percent in total capital expenditure. Also, more than half of the City of Burnside's higher operating expenses are due to an increase of \$20.4 million or 9 percent in 'materials, contracts, and other' expenses. This is due to an increase in the Council's 'Cost Index' applied from 2023-24 to 2031-32.

In the current inflationary environment, most of the revisions to the forward estimates appear to be for additional inflation impacts. The Council's annual business plan identifies inflation assumptions distinct from other cost impacts for 2022-23, however the LTFP is less clear from 2023-24, with the Council not stating its annual inflation assumptions.

The Commission considers that it would be appropriate for it to:

1. **Consider** better clarity in its forward estimates in its long-term financial plan concerning the inflation assumptions feeding into its projected revenue (including rates) and expenses, distinct from 'real' impacts.

In the current inflationary environment, the assumptions concerning price rises over the next 10 years will require annual review, particularly given the potential for higher short-term inflation before a return to long-run averages. However, the Commission notes that the Council should always endeavour to find savings in real terms to reduce any inflationary impact on its community. To these ends, the Commission suggests that the Council:

2. **Review** its inflation assumptions in its forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

2.2.2 Advice on financial sustainability

Operating performance

Historically, the City of Burnside has ensured that its income growth exceeds its expense growth, thereby providing for recurring operating surpluses. From 2011-12 to 2020-21, operating expenses increased by an average of 3.0 percent per annum, which compares with average operating income

¹³ The attachment will be available on the Commission's website with the advice.

¹⁴ The overlapping forecast period in both LTFPs (2021-22 to 2030-31 and 2022-23 to 2031-32).

growth of 3.9 percent and average annual inflation growth of 1.7 percent over this period.¹⁵ Accordingly, the operating surplus ratio¹⁶ averaged 2.7 percent which demonstrates prudent financial management without excessive surplus levels, in the context of the growth in expenses experienced.

'Materials, contracts, and other' expenses increased by an average of 3.8 percent per annum in the 10 years to 2020-21, while 'employee' expenses increased by 3.0 percent per annum over this period.¹⁷

¹⁸ The estimated annual average rate of growth in these expenses projected over the next 10 years (3.1 percent and 3.4 percent respectively), combined with higher rates increases, will ensure the Council's operating performance remains in surplus.

The Commission further notes that on a per property basis, operating expense growth is forecast to average 2.6 percent per annum and operating income growth 2.7 percent annum. These projections are below RBA-based forecast average inflation of 2.8 percent and represent a shift from the Council's historical performance of cost growth exceeding the rate of inflation.¹⁹

To continue to achieve its sound operating position without the need for additional or unplanned rate increases, the Council will need to continue to find savings and efficiencies in its budgets, as it stated it is committed to doing. It achieved savings and efficiencies of more than \$3.7 million over the past five years, and it stated that it would continue to review its services, processes and systems.²⁰ To this end, it would be appropriate for the Council to:

3. **Continue** the recent focus on constraining cost growth in its budgeting, where possible.
4. **Continue** the good practice of reporting actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

Over the past 10 years, the City of Burnside has consistently used borrowing and other financing options within the suggested target range for the net financial liabilities ratio.²¹ It will continue to meet the suggested target range in its 2022-23 forecast and has projected a reduction in the ratio from 65 percent in 2022-23 to 44 percent by the end of 2031-32. This will be achieved by the City of Burnside

¹⁵ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

¹⁶ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target for councils is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (LGA SA Financial Indicators Paper), p. 6).

¹⁷ The Commission notes the increase in the solid waste levy over the last 10 years, which has impacted waste management costs in the local government sector.

¹⁸ Based on the compound average annual growth rate formula throughout the Commission's Advice.

¹⁹ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on Reserve Bank of Australia (RBA) forecasts for the Consumer Price Index (CPI) (Australia wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26

²⁰ City of Burnside, *2022 -23 Annual Business Plan and Budget*, July 2022, p. 29, available at <https://www.burnside.sa.gov.au/files/assets/public/about-council/policies-plans-amp-reports/annual-business-plan-amp-budget/adopted-annual-business-plan-amp-budgets/annual-business-plan-and-budget-2022-23.pdf>.

²¹ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances, LGA SA Financial Indicators Paper, pp. 7-8.

reducing its borrowings from \$28.9 million in 2022-23 to \$24.1 million in 2031-32 and demonstrates that the Council will continue to have sufficient operating capacity for its borrowing needs.

Asset renewals expenditure

The City of Burnside has consistently invested enough on renewing its assets to maintain service levels and avoid a backlog of renewal expenditure. The Council's asset renewal funding ratio (IAMP-based) has been within the suggested target range of 90 percent to 110 percent,²² in seven of the previous eight years, at an average of 92 percent between 2015-16 and 2021-22.

Looking forward, the City of Burnside is forecasting to continue to spend close to the amount it recommends from its IAMP on the renewal and rehabilitation of its existing asset stock.²³ Accordingly, the ratio is forecast to remain within the suggested target range in each year to 2031-32.

The City of Burnside updates its capital program allocation for new and upgraded expenditure and for asset renewal and rehabilitation on an annual basis through its AMPs. These AMPs provide a list of expected renewal expenditure based on the expired useful life or intervention points on assets that the Council manages. The plans also include consideration of the desired levels of service for different assets by the community.

One potential area for improvement regarding the City of Burnside's asset management planning relates to the LTFP projections better aligning with the expenditure needs identified in the AMPs. For example, in the 2022-23 to 2031-32 LTFP, estimated renewal and rehabilitation expenditure is \$16.9 million for 2022-23²⁴ while the AMPs' identified aggregate expenditure on renewal and rehabilitation is \$8.4 million for the same year. Similarly, estimated new and upgraded asset expenditure in the LTFP is \$7.6 million²⁵ while in the four AMPs it is altogether \$1.07 million. The Commission notes that there can be legitimate budgeting reasons for adjusting capital expenditure from year to year, as well as additional inflation impacts, but encourages the Council to review this area to determine if there can be better alignment.

In addition, the City of Burnside's annual depreciation expenses, which should represent the estimated average rate of asset consumption over time, are forecast to continue to exceed its renewal spending in forward projections. This might indicate that the assumptions underpinning the depreciation expenses, such as the extent of asset lives assumed (in the depreciation calculation), warrant further review and revision by the Council. The Commission notes that lower depreciation expenses would reduce operating expenses and improve the Council's operating position, which would help to relieve further pressure on rate levels.

For the reasons discussed above, the Commission suggests that the Council:

5. **Continue** the good practice of reviewing the capital expenditure program annually in its asset management plans and consider options to better align the assumptions underpinning the expenditure allocations with its long-term financial plan, including the estimate for asset lives and valuations feeding into the forecast rates of asset consumption and depreciation expenses.

²² The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

²³ City of Burnside, *Long Term Financial Plan 2022-23 to 2031-32*, July 2022, p. 30, available at <https://www.burnside.sa.gov.au/files/assets/public/about-council/policies-plans-amp-reports/long-term-financial-plan/ltfp-2022-23-2031-32-finalweb.pdf>.

²⁴ City of Burnside, *Long Term Financial Plan 2022-23 to 2031-32*, July 2022, p. 5.

²⁵ City of Burnside, *Long Term Financial Plan 2022-23 to 2031-32*, July 2022, p. 5.

2.2.3 Advice on current and projected rate levels

Between 2011-12 and 2020-21, the City of Burnside's rate revenue per property increased by an average of 3.9 percent per annum to \$1,973 in 2020-21. This exceeded CPI growth of an average of 1.7 percent per annum.²⁶

Between 2022-23 and 2031-32 the average rate across all categories is forecast to increase from \$2,049 to \$2,691²⁷, a cumulative increase of \$642 per property. This equates to a 3.1 percent average annual increase (between 2022-23 and 2031-32) which is higher than the forecast average inflation over the next 10 years of 2.8 percent.²⁸

The majority of the City of Burnside's revenue comes from residential rates (contributing around 90 percent of total rates revenue in 2021-22).²⁹ The Council's average residential rates per property are relatively high, while its average commercial rates are relatively low.³⁰

The Council increased residential rates by an average of 6.0 percent or \$112 to an average rate of \$1,972 in 2022-23 (which also includes 0.9 percent growth in residential property assessments).³¹ The three-year average annual increase (excluding growth) from 2019-20 to 2022-23 was 2.7 percent.³²

Currently, affordability risk among the community appears relatively low based on the Socio-Economic Indexes for Areas (SEIFA) economic resources ranking, which places the area in the top three councils in South Australia in terms of residents' access to economic resources.³³ The Council's lower commercial rates might also provide it with some leverage to limit residential rate increases.

However, affordability risk could still emerge given the current economic environment affecting the residents more generally. The survey feedback from 485 residents on the Council's Draft 2022-23 Business Plan and Budget and LTFP indicated that only 14 percent or 67 residents supported a rate increase above 3.5 percent.³⁴ For these reasons, the Commission suggests that the Council:

6. **Review** and consider limiting future increases on its average residential rates to help reduce any emerging affordability risk in the community.

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the City of Burnside's:

- ▶ ongoing performance against its LTFP estimates, and transparency of its inflation assumptions in its LTFP
- ▶ achievement of cost savings and efficiencies, and its reporting of these achievements

²⁶ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²⁷ This includes rates growth of 1 percent expected each year.

²⁸ See footnote 19.

²⁹ City of Burnside, *2022-23 Annual Business Plan and Budget*, July 2022, p. 57.

³⁰ Refer to the Councils in Focus website, available at https://councilsinfocus.sa.gov.au/councils/city_of_burnside.

³¹ City of Burnside, *2022-23 Annual Business Plan and Budget*, July 2022, p. 57.

³² City of Burnside, *2022-23 Annual Business Plan and Budget*, July 2022, p. 33.

³³ See footnote 11.

³⁴ City of Burnside, *Ordinary Council Meeting Agenda -28 June 2022, Engagement Outcomes, 2022/23 Draft Annual Business Plan and Budget and Long-Term Financial Plan 2022/23 to 2031/32*, Item 11.2, p. 110, available at https://www.burnside.sa.gov.au/files/assets/public/about-council/council-amp-committees/agendas-minutes-amp-workshops/council/2022/agendas/2022-06-28-notice-of-meeting-agenda_public.pdf.

- ▶ actions to address any misalignment between the renewals capital expenditure and depreciation estimates in its LTFP and various AMPs, as appropriate, and
- ▶ how it has sought to address any emerging affordability risks for residential ratepayers.



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Advice

Local Government Advice

Rural City of Murray Bridge

February 2023

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Glossary of terms

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Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Rural City of Murray Bridge
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the Rural City of Murray Bridge

The Essential Services Commission (**Commission**) finds the Rural City of Murray Bridge's (**Council's**) current and projected financial performance sustainable as it gears up for high levels of projected population growth. After a period of significant infrastructure and service expansion, leveraged by substantial grant funding, the Council appears to demonstrate sound operating performance, reasonable use of borrowings and a measured focus on the renewal of its assets.

Noting the Council's projections are somewhat reliant on its high growth assumptions and the Commission's broader observations regarding its planning and current rate levels, it is important for the Council to undertake the following steps to ensure that it budgets transparently and prudently, manages its cost base efficiently, plans its asset management needs appropriately, sets rate levels more transparently and reduces affordability risk for higher rate levels among its ratepayers.

Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget and forward projections each year.
2. **Review** its employee expense projections and better explain the need for a projected peak in costs in 2026-27 in its long-term financial plan.
3. **Consider** coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

Providing evidence of ongoing cost efficiencies

4. **Continue** to report its cost savings and efficiencies in its future budgets, to demonstrate its commitment to achieving cost constraint and efficiency across its operations and service delivery.

Improvements to asset management planning

5. **Review** its asset management plans (in particular, for plant and fleet assets) to ensure they cover a period of 10 years.
6. **Update** its asset condition assessments, valuations and useful life estimates where necessary in its asset management plans (noting its carpark and bridge condition assessments and recreation facility valuations are dated 2019 and 2015).
7. **Include** more detail in updates to long-term financial plan projections about the renewal and new or upgraded capital expenditure by infrastructure category (including for key projects), to provide better alignment and transparency between its asset management plans and long-term financial plan projections.
8. **Continue** to update existing asset management plans and to complete new asset management plans as indicated in the forward program (and in accordance with **Finding 5**), with a focus on consideration of the community's desired service levels, the resultant capital expenditure requirements, and alignment with long-term financial plan projections.

Reporting and containing rate levels

9. **Report** in its annual business plan the estimated average annual change for all categories of rates and other charges, together with the quantum of annual revenue it expects to collect the different categories of rates and charges, providing greater clarity and transparency to its ratepayers.
10. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
11. **Review** and **consider** limiting further average and minimum rate increases where possible, to reduce the affordability risk of higher rate from levels in the community.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice or the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Rural City of Murray Bridge (**Council**).

This report provides the Local Government Advice for the Rural City of Murray Bridge in 2022-23. While the advice is based on the Council's 2022-23 projections, the Commission notes the impact of recent flooding on the Murray Bridge area and the potential need for the Council to reprioritise some of its spending plans to respond to the high river event.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Rural City of Murray Bridge for providing relevant information to assist the Commission in preparing this report.

2.1 Summary of advice

In general, the Commission finds the Rural City of Murray Bridge's current and projected financial position sustainable as it gears up for high levels of projected population growth. After a period of significant infrastructure and service expansion, leveraged by substantial grant funding, the Council

¹ Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

continues to demonstrate a sound operating performance, prudent use of borrowings and a measured focus on the renewal of its assets.

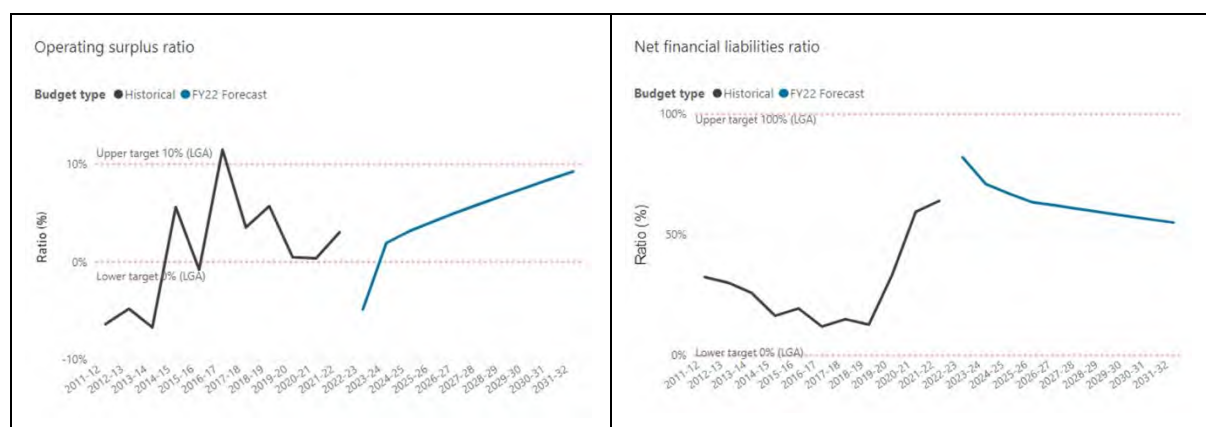
The Commission encourages the Council to continue to identify and report efficiencies and recurrent savings in its annual business plan, as it has been doing, to ensure that it continues to perform sustainably.

Large increases to rate levels in the past have resulted in comparatively higher rate levels for the Rural City of Murray Bridge¹⁰ and affordability risk for the community at these levels is apparent. The Council has planned for rate increases more aligned with inflation (with accompanying high property growth) from 2022-23, which should help to reduce this risk over time. Higher projected operating surpluses might provide the Council with the opportunity to reduce rate levels further than those it has estimated in future years (noting it is still forecasting inflation-based rate increases).

Its projections for lower capital spending on new and upgraded assets will help to reduce the chances of higher than projected rate increases for its community and support its ongoing asset and service sustainability.

The Commission has also observed several opportunities for governance improvements by the Rural City of Murray Bridge regarding the timing of its asset management plans, the transparency and integration of the annual updates to its LTFP and the rates information in its annual business plan and budget.

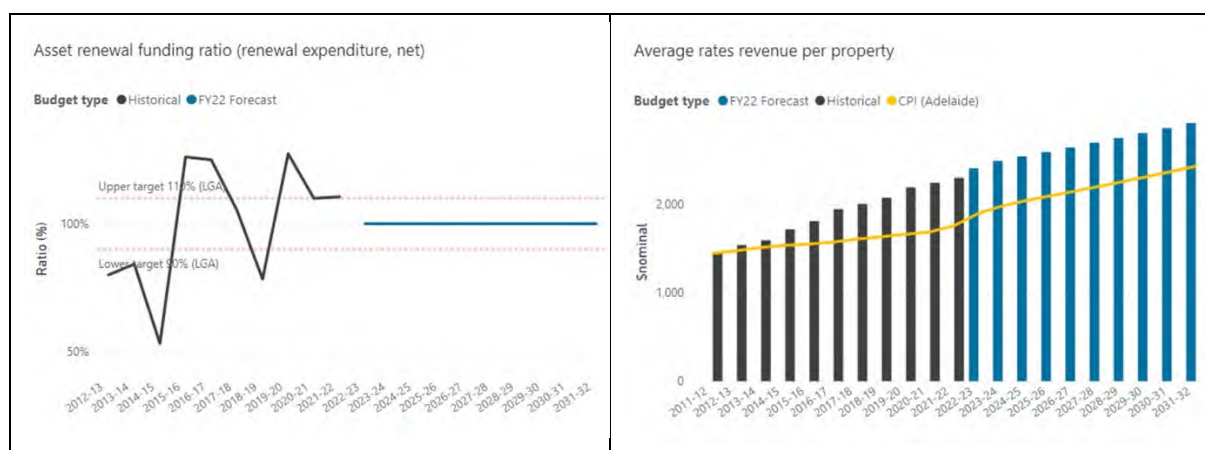
The charts below of the Rural City of Murray Bridge's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio¹¹ and average rate revenue per property, together support several the findings. The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested LGA target ranges for the three main financial sustainability indicators¹² and the level of cost control and affordability risk identified for the Council over time.



¹⁰ Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/the_rural_city_of_murray_bridge.

¹¹ Calculated net of asset sales.

¹² The suggested LGA target range for the ratios are discussed in more detail in the attachment.



Summary of the Rural City of Murray Bridge's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)		2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)
Operating surplus ratio (target 0-10%)		Generally operating surpluses —>		Ratio forecast within target range —>
Net financial liabilities ratio (target 0-100%)	Ratio met historically and in forecast period —>			
Asset renewal funding ratio (target 90-110%)	Annual ratio volatility but target range met on average —>		Asset renewal spending performance and projections within target range for ratio —>	
Identified Risks:				
Cost control risk	Low risk with cost control (average opex growth per property 0.4% p.a. 11-12 to 16-17)	Increasing operating costs with infrastructure projects (average opex growth per property 2.8% p.a. 17-18 to 25-26) —>		Lower cost growth projected (average opex per property growth 0.6% p.a. 26-27 to 31-32) —>
Affordability risk	Increasing average rate levels (average per property growth 5.0% p.a. from 11- 12 to 20-21) (CPI 1.7%) —>	Moderately high rates (but lower average rate increases) —>		Lower average rate increases per property projected (average 2.2% p.a. growth from 22-23 to 31-32) (CPI 2.8%) —>

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed advice findings regarding the Rural City of Murray Bridge's material changes to its 2022-23 plans (compared with the previous year's plans), its

financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this Advice, the Commission has followed the approach it previously explained in the *Framework and Approach – Final Report* (August 2022) (F&A). The attachment explores these matters further.¹³

2.2.1 Advice on material plan amendments in 2022-23

The Council updated its inflation assumptions in its LTFP to account for higher inflation, which results in an aggregate increase of around 6 percent to its 2021-22 LTFP forecasts for these revisions.¹⁴ The Commission notes that the Council's stated assumptions for indexation in its 2022-23 LTFP are reasonable, albeit low in the current inflationary environment,¹⁵ but that there is associated uncertainty around the forecasts. Notwithstanding the need for the Council to endeavour to find savings in real terms to reduce any inflationary impact on its community, it would be appropriate for it to:

1. **Continue** to review its inflation forecasts in its budget and forward projections each year.

The Council increased its forecast operating income (in nominal terms) by a total of \$33.0 million or 7.5 percent, and its operating expense estimates by \$35.9 million or 8.6 percent in its 2022-23 LTFP estimates.¹⁶ These updates reflect inflation revisions and other adjustments.

Much of the increase to operating expense forecasts is due to the additional \$21.3 million or 11.5 percent in 'employee expenses' projected over this period (including an 11 percent year-on-year increase in 2026-27). The Council identified that it has experienced service cost increases due to the growth of open space facilities over the previous two years, as well as additional waste collection and disposal costs.¹⁷ It has also needed to take on extra staff to meet the workload associated with the significant infrastructure works program. The higher operating expense estimates also incorporate revisions to finance costs associated with borrowings for the timing of infrastructure projects and higher interest costs.

The adjustments appear generally reasonable but the extent of the increase in 'employee expenses' projections do warrant further review and explanation, and therefore, the Commission considers that it would be appropriate for the Rural City of Murray Bridge to:

2. **Review** its employee expense projections in its long-term financial plan and better explain the need for higher costs, including a projected peak in costs in 2026-27 in its long-term financial plan.

For the past two years, the Council has updated its LTFP in September after its adoption of its annual business plan and budget in July for the coming financial year. The updates to the LTFP form a Council agenda item (in an ordinary public meeting) and the Council then provides a link to the agenda item on its website after its consideration and endorsement.¹⁸

¹³ The attachment will be available on the Commission's website with the main body of the advice.

¹⁴ Based on the overlapping forecast period in both LTFPs (2022-23 to 2030-31).

¹⁵ The Council is estimating an average annual increase in the Consumer Price Index (CPI) of 2.1 percent to 2031-32, compared with 2.8 percent based on Reserve Bank of Australia (RBA) forecasts to 2024-25 (see the RBA, Forecast Table - February 2023, available at <https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html>) and a return to long run averages from 2025-26 (2.5 percent).

¹⁶ As per footnote 14.

¹⁷ Rural City of Murray Bridge, *Annual Business Plan 2022-23*, June 2022, p. 14, available at https://www.murraybridge.sa.gov.au/_data/assets/pdf_file/0023/1161518/2022-23-ABP.pdf.

¹⁸ Noting, at the time of preparing this advice, this had not occurred for the September 2022 LTFP update.

The projections over forward years include assumptions about future rate contributions, and the Commission notes that these are not consulted on by the Council (in LTFP updates), given their exclusion from its annual business plan.¹⁹ Although it is not a legislative requirement for the Council to include its long-term financial projections with its annual business plan, nor consult annually on the projections, the Commission notes that some councils still approach their budgeting in this manner. Such steps could allow the Rural City of Murray Bridge Council to consult with its community more effectively about the long-term impacts of its annual financial decisions. For this reason, the Commission considers that it would be appropriate for the Council to:

3. **Consider** coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

2.2.2 Advice on financial sustainability

Operating performance

The Rural City of Murray Bridge has been in a financially sustainable position with operating surpluses since 2014-15. Accordingly, the operating surplus ratio²⁰ has generally been within the suggested LGA target range (of between zero and 10 percent) to 2021-22.

The financially sustainable position for the Council has been the result of average operating income growth of 4.4 percent per annum²¹ exceeding average operating expense growth of 3.6 percent over 2011-12 to 2020-21. Rate contributions have led the income growth, increasing by an average of 5.7 percent per annum over this period, compared with 1.7 percent in the CPI²² and 0.6 percent growth in property numbers. The associated affordability risks for the community are discussed in section 2.2.3 below. 'Grants, subsidies and contributions' income, which forms another important source of income for the Rural City of Murray Bridge, was relatively flat over this period (declining by 0.3 percent).²³

On the other side of the equation, operating expense growth in the 10 years to 2020-21 was largely concentrated in 'employee' and 'materials, contracts and other' expense growth of an average of 4.6 and 4.1 percent per annum, more than double the pace of average CPI growth (1.7 percent).²⁴

The Council has forecast increasing operating surpluses in its LTFP with the operating surplus ratio projected to reach 9.3 percent at 2031-32. The increasing surpluses are the result of operating income again exceeding operating expense growth over the forward estimates (that is, average annual growth of 4.7 percent compared with 3.0 percent from 2022-23 to 2031-32). Expenses per property are forecast to increase by 1.0 percent per annum as the Council appears to be projecting scale efficiencies

¹⁹ The draft annual business plan must be consulted on in accordance with LG Act s123 (3)(b) and (4).

²⁰ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The suggested LGA target for councils is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019 (LGA SA Financial Indicators Paper)*, p. 6).

²¹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²² Average annual growth in the local government price index published by the South Australian Centre for Economic Studies was similar (at 1.9 percent) as the Commission's estimated average annual CPI growth over this period. Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

²³ Noting grants income can be volatile from year to year.

²⁴ The Commission notes the impact of the increase in the solid waste levy on councils' waste management costs, and in particular the 'materials, contracts and other' expenses over this period.

in its operations. By comparison, CPI growth is forecast (based on RBA estimates) to average 2.8 percent over this period.²⁵ The extent of the revenue growth is predicated on strong growth in property numbers forecast by the Council of an average of 2.0 percent per annum (or an average of 267 new properties each year) and the continued co-funding of infrastructure projects by grants and contributions.

The Council also indicated that it has incorporated \$0.2 million in savings into its recurrent budget from forward planning and continuous improvements.²⁶ In addition, the Adelaide Hills Region Waste Management Authority, for which the Rural City of Murray Bridge is a constituent council, will also continue to explore further opportunities for council savings through the implementation of approved shared services.²⁷ Continued operating sustainability for the Rural City of Murray Bridge relies on fiscal constraint and greater cost efficiency than the Council has achieved in the past, and the Commission encourages the it to:

4. **Continue** to report its cost savings and efficiencies in its future budgets, to demonstrate its commitment to achieving cost constraint and efficiency across its operations and service delivery.

Net financial liabilities

The Council's net financial liabilities ratio²⁸ has comfortably met the sector benchmark (between zero and 100 percent)²⁹ over the past 10 years, demonstrating that the Council has been incurring borrowings and other liabilities that its operating income can reasonably service.

The ratio trended between 12 and 34 percent between 2011-12 and 2019-20, and is estimated to increase to 82 percent in 2022-23, with much higher borrowing levels for major infrastructure projects from 2020-21. However, the Council has already expanded its operating capacity quite considerably (to fund higher borrowing levels) through relatively significant rate increases in the past.

The Rural City of Murray Bridge has forecast relatively stable borrowings of \$19.2 million over the forecast period. Over the next 10 years, the Council has forecast its net financial liabilities ratio to average 64 percent, with a slight downward trend, reflective of stable net liabilities and higher operating income growth.

Asset renewals expenditure

The Rural City of Murray Bridge has been meeting its asset renewal needs in line with its AMPs over the past 10 years with its asset renewal funding ratio³⁰ averaging 103 percent; and 110 percent in the

²⁵ Based on the RBA forecasts for the CPI (Australia-wide) to the June quarter 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26 (and not the Council's CPI forecasts which produce an average of 2.1 percent). See footnote 15.

²⁶ Rural City of Murray Bridge, *Annual Business Plan 2022-23*, June 2022, pp. 14 and 20.

²⁷ Rural City of Murray Bridge, *Annual Report 2021-22*, p. 25, available at https://www.murraybridge.sa.gov.au/_data/assets/pdf_file/0025/1244347/Annual-Report-Final-including-Attachment.pdf.

²⁸ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The Council's target range for the ratio of below 90 percent is not too dissimilar from the suggested LGA target range for the sector (between zero and 100 percent).

²⁹ The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

³⁰ The IAMP-based method is the current industry standard whereby net asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the

five-years to 2021-22. The Council is forecast to continue to meet the ratio consistently in its projections to 2031-32 (noting that its AMPs do not actually extend over 10 years).

The Council's spending on the renewal of assets averaged \$6.4 million between 2011-12 and 2020-21 and peaked at \$9.8 million in 2019-20. Average annual spending is projected to increase to an average of \$9.8 million per annum (in nominal terms) from 2022-23 to 2031-32, following significant growth in the value of the Council's asset stock per property in recent years (and higher renewal requirements identified in its AMPs).

Under the depreciation-based asset renewal funding ratio,³¹ the Council's performance has been relatively volatile but has demonstrated average renewal spending in line with asset consumption (with the ratio averaging 93 percent from 2011-12 to 2019-20). It is also forecast to be 100 percent over the forecast period.

Its spending on new or upgraded assets averaged \$5.0 million in the 10 years to 2019-20 but spiked at \$22.8 million in 2020-21 with various significant infrastructure projects (including those co-funded with grants), either completed or underway. Expenditure on new or upgraded assets is forecast to be much lower in the forward estimates, estimated to average \$3.1 million per annum from 2022-23 to 2031-32 (in nominal terms).

In general, the Council's AMPs provide reasonable coverage of asset conditions and service level determination, which feed into the expenditure needs for renewal of assets. However, not all the AMPs cover the management and development of its infrastructure and major assets for a period of at least 10 years.³² The Council's AMPs are dated over four years only (consistent with the Council's SMP time period) although they generally still provide projections for 10 years of funding requirements for asset renewals. The exception is the *Plant and Fleet Asset Management Plan 2019-2024*, which does not include 10 years of funding projections. The Commission has also identified other areas for continuous improvement, mainly to ensure robust and accurate asset management approaches and better alignment between its asset management and financial planning outputs. Specifically, it would be appropriate for the Council to:

5. **Review** its asset management plans (in particular, for plant and fleet assets) to ensure they cover a period of 10 years.
6. **Update** its asset condition assessments, valuations and useful life estimates where necessary in its asset management plans (noting its carpark and bridge condition assessments and recreation facility valuations are dated 2019 and 2015).
7. **Include** more detail in updates to long-term financial plan projections about the renewal and new or upgraded capital expenditure by infrastructure category (including for key projects), to provide better alignment and transparency between its asset management plans and long-term financial plan projections.
8. **Continue** to update existing asset management plans and to complete new asset management plans as indicated in the forward program (and in accordance with **Finding 5**), with a focus on consideration of the community's desired service levels, the resultant capital expenditure requirements, and alignment with long-term financial plan projections.

plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

³¹ Where asset renewal or replacement expenditure is divided by depreciation expenses.

³² As required under LG Act s122(1a)(b). See Rural City of Murray Bridge, *Plant and Fleet Asset Management Plan 2019-2024*, December 2020, pp. 17-18, available at https://www.murraybridge.sa.gov.au/_data/assets/pdf_file/0021/534414/RCMB-2019-24-Plant-and-Fleet-AMP-2020-Annual-Review-v2.pdf.

2.2.3 Advice on current and projected rate levels

The Rural City of Murray Bridge has implemented an increase of 3.5 percent to its average rates per property in 2022-23, including a 3.2 percent or \$55 increase in average residential rates and a 3.5 percent or \$35 increase in minimum rates.

The Commission could not assess the Rural City of Murray Bridge's average rate changes by other categories in 2022-23 because the annual business plan does not show the proportion of revenue it collects from each category of ratepayers, nor the average impact of the proposed changes on all categories of rates and charges. The *Local Government (Financial Management) Regulations 2011 (Regulations)* requires that, at a minimum, the annual business plan provides a statement on the average change in the expected rates for each land use category.³³ Therefore, it would be appropriate for it to:

9. **Report** in its annual business plan the estimated average annual change for all categories of rates and other charges, together with the quantum of annual revenue it expects to collect from the different categories of rates and charges, providing greater clarity and transparency to its ratepayers.

The Council's current rates are comparatively high.³⁴ Its rates revenue increased by an average of 5.7 percent per annum in the 10 years to 2020-21, which amounted to average growth in rates of 5.0 percent per property. This compares with CPI growth of an average of 1.7 percent per annum over this period.

Affordability risk at higher rate levels is apparent in the Rural City of Murray Bridge, particularly when considering the community's relatively low socio-economic indexes for areas (SEIFA) ranking regarding the community's access to economic resources.³⁵ The Council also received some concerns from the community about rate increase impacts when consulting on its annual business plan, including related to minimum rate increases.³⁶

The Commission notes that the Council appears to have considered the impact on its community from rate rises in its annual business plan³⁷ and at this stage, its LTFP does not appear to have proposed any increases to existing average rate levels in real terms. To 2031-32, the Council has planned for rates per property to increase by an average of 2.2 percent per annum. This is lower than RBA-based forecast inflation growth of 2.8 percent per annum.³⁸ Around half of the Council's projected rates revenue growth is anticipated to be due to property growth (with the Council's assumption for average annual growth of 2.0 percent to 2031-32) and the remainder is due to projected inflation impacts.

³³ Under s6(ec).

³⁴ Refer to Councils in Focus rates data by rate category and property numbers for 2019-20 available at <https://councilsinfocus.sa.gov.au/councils/council>.

³⁵ The Rural City of Murray Bridge area is ranked 12 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

³⁶ Rural City of Murray Bridge, *Special Council Meeting Agenda - 30 May 2022, Item S95.1 - Summary of Responses to Draft 2022-23 Annual Business Plan & Budget*, Attachment 1, pp. 8-17, available at https://www.murraybridge.sa.gov.au/_data/assets/pdf_file/0025/1153582/Special-Council-Meeting-Agenda-30-May-2022.pdf.

³⁷ Rural City of Murray Bridge, *Annual Business Plan 2022-23*, June 2022, pp. 7 and 22.

³⁸ See footnote 15.

Should lower growth eventuate, this might be a catalyst for the Council to increase average rate levels by more than it has forecast. Therefore, it would be appropriate for it to:

10. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

The strong projected operating performance does provide some flexibility for the Council to maintain a surplus position even if property growth and the associated additional rates revenue does not eventuate, as forecast. It might also provide the Council with the opportunity to reduce rate levels further than estimated. Given the Rural City of Murray Bridge's rate history and the likely sensitivity of the community to further rate increases, it would be appropriate for it to:

11. **Review** and consider limiting further average and minimum rate increases where possible, to reduce the affordability risk of higher rate levels in the community.

2.3 The Commission's next advice and focus areas

In the next cycle of the Scheme, the Commission will review and report upon the Rural City of Murray Bridge's:

- ▶ potential integration of its annual updates to its LTFP projections with its annual business plan process
- ▶ ongoing performance against its LTFP estimates and the transparency of any significant revisions it makes to its forward estimates in its LTFP, including regarding employee expenses
- ▶ achievement of cost savings and efficiencies, and its reporting of these achievements
- ▶ revisions of existing AMPs and adoption of new AMPs, to meet the 10-year requirement and its intended program, and actions to identify desired service levels and to address the need to update outdated condition assessments and valuations in certain AMPs
- ▶ presentation of proposed rates and charges increases, including estimated revenue and average rate changes by land use category, in its annual business plan, and
- ▶ ongoing management of the affordability risks identified and the quantum of further rate increases.



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CORPORATE SERVICES**3.5 Interim Management Report**

Audit and Risk Committee: 8 May 2023
Author's Title: Manager Finance
Directorate: Corporate Services

File No.: 0-159

Annexures:

A – Interim Management Report

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To provide the Audit and Risk Committee with the Interim Management Report from Council's external auditor.

SUMMARY

Council's external auditor Dean Newbery undertook their interim audit in late March. The interim audit is primarily to form an opinion on Council's internal controls for 2022/23.

The Interim Management Report lists a total of 4 new items. It also includes a review of items from last year's audit, with 6 of these still considered to be in progress.

The report does not list any items that would require the auditor to issue a qualified audit opinion. Instead, these are a list of improvements that will move Council towards a position of best practice.

RECOMMENDATION

The Audit and Risk Committee receive and note the Interim Management Report.

3.5 Interim Management Report

REPORT

BACKGROUND

Council's external auditor Dean Newbery undertook their interim audit in late March. They had a site visit planned for Monday 27 March and Tuesday 28 March, however a late cancellation of their flight meant that performing the work from their Adelaide office was much more efficient. Most of the required documentation had already been provided prior to the Audit date using their audit software, meaning that the vast majority of required follow up questions and checks could be performed over these two days.

The interim audit is primarily to form an opinion on Council's internal controls for 2022/23.

DISCUSSION

Refer **Annexure "A"** – Interim Management Report

The Interim Management Report lists a total of 4 new items. It also includes a review of items from last year's audit, with 6 of these still considered to be in progress.

In reviewing the items from last years, 3 relate to the procurement review, which is noted as still being in progress, which is the same for the item relating to the review of leases and licences. The item relating to the grant register was considered to be closed by administration, but the auditors have asked for additional information to be added, which will be actioned as part of year end. The final item related to delegations for the waiving of fees and charges, which is considered to be a fairly immaterial item, which will be actioned when the delegations are updated in line with legislative requirements.

Of the 4 new items listed for this year, 1 is listed a high priority, relating to how airline passenger fees are calculated. As outlined within the report, administration consider that this item is handled using the standard method for the industry and that no alternative options are available, therefore the risk is accepted, and no further action will be taken.

The other 3 items are of a moderate priority and have been transferred to Business Arising where implementation will be monitored.

The report does not list any items that would require the auditor to issue a qualified audit opinion. Instead, these are a list of improvements that will move Council towards a position of best practice.

The relevant items will be included on the listing of outstanding external review items as part of the Audit Committee Work Program.

Financial Implications

Council can undertake the actions highlighted by the report using internal resources or existing budget allocations.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Take a proactive, collaborative approach to the revitalisation of council services to ensure that they adapt to the changing needs and expectations of the community

Legislation

The external auditor must provide an opinion on the operation of Council's internal controls under S 129(1)(b) of *the Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

The auditor has not identified any issues that would require them to issue a qualified audit opinion. This means that no items listed are considered to create significant risk for Council. By implementing the identified improvements Council will continue to move towards best practice.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

The implementation of process improvements identified by Council's External Auditors will help to improve Council's internal financial control environment, which is already operating in a satisfactory manner.

DeanNewbery

City of Whyalla

Interim Management Report

2022/23 Financial Year External Audit

April 2023

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1. Executive Summary

28 April 2023

Mr Grant Strawbridge
Independent Chairperson - Audit and Risk Committee
City of Whyalla

Dear Mr Strawbridge

We are pleased to advise that we have recently completed an interim audit as part of our 2022/23 financial year external audit of the City of Whyalla. We have now completed our Interim Audit Phase of the engagement. This Report summarises our findings, observations and recommendations for Council's consideration, through your Committee.

As a result of work undertaken to date, there are no matters identified which would have an adverse impact on our statutory internal control audit opinion for the financial year. Please note that we still have further testing of controls to complete as well as further sample substantive testing prior to us being in a position to be able to finalise an audit opinion on the internal controls of the Council for the full financial year.

We also reviewed Council's responses and actions to our report for the previous financial year and are pleased to note the progress made in strengthening the overall internal control environment.

I would like to take this opportunity to thank the Council's Administration for the assistance provided during the recent audit process.

Should you require any further information, please contact me on 8267 4777 or sam@deannewbery.com.au.

Yours sincerely,
DEAN NEWBERY



Samantha Creten
Partner

C. Mayor
C. Chief Executive Officer

2. Prior Year Audit Matters Update

An update on prior financial year's outstanding audit matters raised has been provided below. Additional information has been obtained from the Administration during the Interim Audit Phase for each previously unresolved audit matter reported.

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.1	1 June 2022	<p>A review of the User Access Report and through discussions with the Administration it was identified that the Finance Services Officer (FSO) has the following system access and control responsibilities:</p> <ul style="list-style-type: none"> • Full access to Rates • Full access to Debtors • Full access to the General Ledger (which affords the ability to post General Journals) • Full access to Cash Receipting (including receipt reversals) • Responsible for the end of month review of General Journals posted <p>At the time of our attendance, the FSO was responsible for posting and reviewing General Journals (as detailed below in this report). This presents a significant weakness to segregation of duties given the ability to raise debtor invoices, receipt/reverse payments, process journals and be responsible for their review.</p> <p>To strengthen the internal control environment and improve segregation of duties, we strongly recommend that Council Administration undertake a comprehensive review of the FSO</p>	We note Council has taken action in regards to this matter and have made changes to this officer's access as recommended.	Completed

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
		<p>system access levels in conjunction with the internal control responsibilities of the role.</p> <p>If segregation of duties is impractical under this role, we request that Council Administration implement effective compensating controls.</p>		
2022.4	1 June 2022	<p>Through a review of Council's procurement controls it was identified that Council does not currently prepare conflict of interest declarations for those employees that are involved in the evaluation/acceptance of procurement proposals.</p> <p>For good governance and to strengthen Council procurement practices, we strongly recommend that Council implement a Conflict-of-Interest Declaration Form to be completed by each Officer involved in the Procurement of Tenders and/or Request for Quotes to ensure there is formal documentation retained indicating any conflict/non-conflict of interest in relation to the procurement activity.</p>	<p>Conflict of interest declarations have been implemented.</p> <p>A Procurement Review is currently being undertaken; it was originally estimated to be completed in December 2022 but has yet to be completed by Council as at April 2023.</p>	In Progress
2022.2	1 June 2022	<p>Discussions with Administration identified that General Journals are currently being posted and reviewed by the Finance Services Officer (FSO).</p> <p>To strengthen internal controls and segregation of duties, we strongly recommend that in all instances the sample review of General Journals should be undertaken by an Officer who does not have the ability to process journals. Alternatively, if this segregation cannot be achieved, we recommend the sample</p>	<p>We observed that Council has put in place a process that has addressed this matter.</p>	Completed

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
		review be undertaken by Officers who were not responsible for posting the General Journals under review.		
2022.3	1 June 2022	<p>A review of the User Access Report identified that the Rates Officer has full cash receipting ability as well as full access to Payroll.</p> <p>We acknowledge, that after discussions with Administration, the cash receipting access was granted in line with the job description to undertake the monthly Bank Reconciliation & Payroll access was historically granted as the Officer was being trained in the payroll function, which has since ceased.</p> <p>To strengthen internal controls and improve segregation of duties, we strongly recommend that Council Administration remove the Rates Officers access to the payroll function and the ability to receipt cash within the system. Alternatively, if it is impractical to remove the cash receipting access, appropriate compensating controls should be implemented to increase monitoring of manual cash receipting.</p>	Council has reviewed this matter and has put in place a reporting function to monitor the receipt types this officer can post within the system.	Completed

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.5	1 June 2022	<p>A review of Council Credit Cards identified that Council utilises two “Procurement Credit Cards” which are held by the Procurement Administration Officer (PAO) and the Procurement Co-ordinator (PC) (formerly the Senior Procurement Officer).</p> <p>As per Council’s Financial Delegations the PAO and PC have delegation to “Process Credit Card payment where a Purchase Order (PO) exists”. As such, Councils Credit Card Procedure states:</p> <p>“All purchases made via the Procurement Credit Card must have an approved Purchase Order.”</p> <p>For the two months tested as part of the Procurement Credit Card testing, a total of 76 transactions were made. Testing of those transactions identified the following:</p> <ul style="list-style-type: none"> - 40 transactions had no evidence of a PO provided; and - A further 7 more transactions did not have a PO raised, as these transactions were exempt per the Procurement Policy. <p>In summary, 47 transactions of the total 76 had no evidence of a PO having been raised which is a requirement per the Credit Card Procedure and the Financial Delegations related to the PAO and PC.</p> <p>To ensure compliance with Council procedures and adopted Financial Delegations, we recommend the following:</p> <ol style="list-style-type: none"> 1. Review the compliance of transactions and general practice related to the Procurement Credit Cards; and 2. As part of the month end review of the Cardholder Reconciliation, ensure that each transaction is supported by an approved PO that was raised prior to the transaction having been entered into. 	Credit Card Reconciliation Template was updated to include a field to record the Purchase Order Numbers.	Completed

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.7	1 June 2022	<p>Audit testing of the 3 sample selected tenders from Tenders SA identified 1 instance whereby Council had received 13 responses to the tender advertisement however only 5 were evaluated. A review of the Council tender documentation related to this instance identified there was no formal documentation around the reasoning for the 8 suppliers that were not evaluated.</p> <p>We acknowledge, after further discussions with the Administration, that the reasoning for not evaluating those suppliers was adequate – but not documented.</p> <p>As a matter of good governance and greater transparency around the procurement process, we recommend that formal documentation be retained as to the reasoning for Council not undertaking the evaluation of any supplier tender information provided.</p>	A Procurement Review is currently being undertaken; it was originally estimated to be completed in December 2022 but has yet to be completed by Council as at April 2023.	In Progress

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.8	1 June 2022	<p>Our internal control review of Council External Services identified that Council does utilise a “WHS Contractor Management – Selection, Induction and Monitoring Template” form to manage/monitor contractor performance however, does not maintain any formal documented policy/procedure for position responsibilities when managing contracts.</p> <p>Whilst our audit testing to date has not identified any instances of contractor non-compliance from the testing undertaken, as a preventative measure and to strengthen controls around the management of Council contracts, we recommend that Council consider the implementation of a formal documented policy/procedure for contract management. By way of example, this may include the following, to ensure a consistent approach to contract management:</p> <ul style="list-style-type: none"> - Development of monitoring/inspection programs based on assessed risks in order to monitor contractor performance (WHS Contractor Management – Selection, Induction and Monitoring Template form already in place), - How Council will intervene if performance is not up to standard, - Council responsibilities when there is a variation to a Contract with consideration for delegation of authority; and - Project finalisation and inspection procedures. 	A Procurement Review is currently being undertaken; it was originally estimated to be completed in December 2022 but has yet to be completed by Council as at April 2023.	In Progress

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.9	1 June 2022	<p>A review of the Council Lease Register identified of the 129 leases held on the register, 37 lease agreements were past their expiry date as at 31/12/2021.</p> <p>We acknowledge, after discussions with Administration, that Council are currently having their lease agreement template reviewed and updated by a Legal firm, and were waiting for this template to be finalised prior to renewal of the expired leases identified.</p> <p>We raise this as a reminder of the work to be completed relating to expired Lease Agreements and recommend this is done as soon as possible to ensure all lease agreement terms and charges are up-to-date. Subsequently, the Lease Register should be updated where appropriate once new agreements are entered into.</p>	<p>This was discussed with Management and found to still be in progress.</p> <p>This matter will be monitored at future audit attendances.</p>	In Progress

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.10	1 June 2022	<p>Discussions with Administration identified that Council does not maintain a centralised Grants Register which includes the relevant information for all active grant agreements throughout Council.</p> <p>Given the growing number of Grant agreements held by Council and the increasing number of Grant opportunities, we recommend that Council consider developing a Grants Register which includes, but is not limited to, the following:</p> <ul style="list-style-type: none"> • Name of Grant Agreement • Responsible Body • Responsible Officer within Council • Agreement amount • Amounts paid year to date • Relevant performance obligations • Acquittal due date (if applicable) 	<p>This was discussed with Management and found to still in progress.</p> <p>This matter will be monitored at future audit attendances.</p>	In Progress

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.11	1 June 2022	<p>A review of the internal controls and through discussions with Administration it was identified that the Delegations of Authority fails to delegate any authority towards the waiving of fees and charges.</p> <p>We acknowledge that the practice of waiving fees and charges is not a common occurrence within Council. However, we recommend that upon the next review of the Delegations of Authority that Council consider delegating such authority to an appropriate Officer to ensure that, if required, Council Administration are able to authorise the waiving of fees or charges.</p> <p>As a matter of good governance, we further recommend that any updated delegation of authority relating to the waiving of fees and charges be reflected within Council's Debt Management Policy.</p>	<p>This was discussed with Management and it was noted that this reviewed now that the Council elections have occurred.</p> <p>This matter will be monitored at future audit attendances.</p>	In Progress

Audit Matter Reference	Report Date	Audit Comments Previously Raised	Additional Audit Comments	Status of Matter
2022.12	1 June 2022	<p>As per Council's Credit Card Policy (Policy), Cardholders are required to complete their reconciliation of expenses (including appropriate tax invoices) and forward to the Finance Department within 14 days of the Statement being available.</p> <p>As per Council's Corporate Credit Card Agreement (Agreement), the Cardholder Reconciliation is to be completed within 7 days of the date of the Statement being issued.</p> <p>There is an inconsistency of the reconciliation requirements between the Policy and the Agreement.</p> <p>Assuming the Policy is the prevailing document and the Reconciliations are required within 14 days, our testing of 2 months of corporate credit card statements for each Cardholder identified 5 instances (of a total 9 statements) whereby the Reconciliation was not completed until after the 14 days had lapsed.</p> <p>To strengthen internal controls, we recommend the following:</p> <ol style="list-style-type: none"> 1. Review and update the Policy and Agreement to ensure consistency related to the requirements from the Cardholder; 2. Consider expanding the timeframe for which Cardholder Reconciliations are required to be presented to the Finance Department to bring the Policy and Agreement in line with current practices; and 3. Have all Cardholders re-sign the updated Agreement to ensure they are made aware, and confirm their understanding, of the updated requirements. 	Council updated the Corporate Credit Card Agreement to change the number of days in which the reconciliation is required to 14 days. All employees whom have credit cards signed the new agreements.	Completed

3. Detailed Audit Findings – Interim Audit FY23

We have highlighted below key audit matters which have been identified for further consideration and/or action as a result of audit work recently completed.

Audit Matter Reference	Audit Priority Rating	Audit Finding & Recommendation	Management's Response	Expected Completion Date
1.	High	<p>A review of Council's processes for recognising airline passenger levy income highlighted that there is an inconsistency in the data source used (i.e., summary passenger data report and/or Recipient Created Tax Invoice) to raise the passenger levy Tax Invoice to the airlines and that there are no independent checks undertaken to verify the information provided by the airlines is accurate and/or complete.</p> <p>Recommend Council review their processes for measuring and recording passenger levy income to ensure that passenger levy information is accurate.</p>	<p>Council has no power to source independent data in this area and has to rely on data provided by the airlines.</p> <p>Checks with other airports confirms that this is normal industry practice.</p> <p>Airlines work within a highly legislated industry and are also required to report passenger numbers to Federal authorities. So it makes sense to assume that these numbers can be relied upon.</p>	No action to be taken
2.	Moderate	<p>Council is currently in the process of completing the revaluation of the Transport asset class. Council has engaged an external consultant to perform the asset valuation which is anticipated to be applied with an effective valuation date of 1 July 2022.</p> <p>It is important that Council's Administration also undertakes its own internal due diligence on all asset valuation information and data prior to being adopted by Council to ensure that assumptions applied (by external valuers) are consistent with Council's own adopted asset service standards and asset management practices.</p>	<p>The asset valuation will be applied as at 30 June 2023, consistent with previous years.</p> <p>Council staff are working closely with the external valuer to ensure that the correct assumptions are being used.</p> <p>Early indications are that while some unit rates are increasing significantly, others have conversely seen a significant</p>	31 July 2023

Audit Matter Reference	Audit Priority Rating	Audit Finding & Recommendation	Management's Response	Expected Completion Date
		<p>This process is imperative as the revaluation is expected to have a significant impact on the carrying value of the assets in this asset class.</p> <p>Once asset valuations have been completed, we recommend Council undertakes an update to its Infrastructure Asset Management Plan (IAMP) and Long-Term Financial Plan (LTFP), to ensure that updated assumptions regarding future maintenances funding, asset replacement cost and forecasted depreciation expense are all reflected.</p>	<p>reduction, meaning the overall result will be in the ballpark of previous projections.</p> <p>The financial tables included as an appendix to the Asset Management Plan will be updated with the relevant information.</p>	
3.	Moderate	<p>Council's Procurement Policy was due for review December 2022. This was discussed with Management and it was indicated that the current Procurement Review that Council's Administration is performing will coincide with the review of the Procurement Policy.</p> <p>It is planned for the Procurement Policy to be put forward to the Council for adoption in July 2023.</p>	Agreed	31 July 2023
4.	Moderate	<p>We recommend Council's IAMP is reviewed. It was last reviewed in 2020 and as referenced in the Plan it has a 'life' of 4 years. This will also ensure compliance with the requirement in the Local Government Act that the Strategic plans, including IAMP, is reviewed within 2 years of a Council Election, last held November 2022.</p>	<p>This will be reviewed in line with Council's suite of Strategic Management Plans.</p>	31 March 2024

4. Assessment of Audit Findings

We have provided ratings against each audit matter raised in this Report to assist the Council with prioritising and assessing what corrective actions to undertake to address recommendations made.

The ratings provide Council with an assessment of the level of importance placed by us in relation to the work we undertake and the potential impact of non-corrective actions may have on the work we undertake (i.e. our final audit opinions to be issued) or where we perceive there to be a risk to Council which may result in stated strategic objectives or compliance not being met.

The ratings provided are not to be applied for any other purposes than as stated within this Report.

Audit Priority Rating Guide	Detailed Description
High	<p>The matter identified, if left uncorrected or not adequately addressed, may result in a material misstatement and/or non-compliance with the <i>Local Government Act 1999</i> and applicable Regulations. Depending on the material nature and severity of the matter, this may result in a modified audit opinion.</p> <p>Audit expectation is that immediate action is taken to address the matter.</p>
Moderate	<p>The matter identified does not presently represent a risk of material misstatement and/or non-compliance with the <i>Local Government Act 1999</i> and applicable Regulations. If the matter is not adequately addressed, this may result in a weakness in overall assessed compensating controls which could result in material misstatement and/or non-compliance with the <i>Local Government Act 1999</i> and applicable Regulations.</p> <p>Audit expectation is that Council takes action to address the matter to further strengthen the internal control environment.</p>
Low	<p>The matter identified present no risk of material misstatement and/or non-compliance with the <i>Local Government Act 1999</i> and applicable Regulations.</p> <p>The matter raised is to assist Council with further strengthening its internal practices and controls so as to further strengthen its processes and procedures.</p>

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CORPORATE SERVICES

3.6 Finance Policies Review Schedule

Audit and Risk Committee: 8 May 2023
Author's Title: Manager Finance
Director: Corporate

File No.: 0-159

Annexures

A – Schedule of Review for Finance Policies

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To present to the Audit and Risk Committee, the updated review schedule for finance policies and provide oversight in ensuring that they are being reviewed in a timely manner.

SUMMARY

The previous Audit Committee requested that a listing of finance policies be provided to the Committee on an annual basis. It was proposed that February was the best time to present this, however as this was the first meeting of the new committee, this has been delayed until this time.

RECOMMENDATION

The Audit and Risk Committee notes the report Finance Policies Review Schedule

3.6 Finance Policies Review Schedule

REPORT

BACKGROUND

At the Audit Committee Meeting held 18 July 2022, a request was made that the work program be updated to include an annual review of the review schedule for finance policies. The Committee regularly received reports on the review of policies, but had no oversight on what was coming up, or what may have been missed. This was added to the work program for presentation in February.

DISCUSSION

Refer **Annexure A – Schedule of Review for Finance Policies**

Over time, an attempt has been made to align most policy reviews to the July Audit Committee Meeting, with these then presented to Council for adoption in either July or August. This helps with planning work schedules in advance, with some policies normally falling due each year.

A full review of all external facing Council policies was completed around 12 months ago, and as part of the process the review timeframe of some policies was updated to better reflect legislative requirements. When the Procurement and Prudential policies were last adopted, they were on a 2-year review cycle, and their next review date is now due. However, their review cycle was updated to be within the first year of the new Council and it is intended that these will be brought to the Committee by July this year.

Financial Implications – Nil

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Officer Direct or Indirect Interest – Nil

Risk Assessment

Reviewing Council's financial policies on a regular basis ensures that they reflect current best practice and are addressing the issues that they need to be.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication

Finance Policies are all available on Council's website and are updated as they are reviewed.

Conclusion

Presenting the review schedule of finance policies to the Committee provides additional oversight of these important documents. The Committee may be able to provide some advice on any policies that they would expect to see in this listing that are not currently present.

Policy Name	Policy type	Review cycle	Date last approved	Next review date
Asset Accounting	Discretionary	2 yearly	Aug-22	Aug-24
Budget Management & Review	Mandatory	2 yearly	Aug-22	Aug-24
Corporate Credit Card	Discretionary	3 yearly	Aug-21	Jul-24
Entertainment and Hospitality	Discretionary	3 yearly	Aug-21	Jul-24
Financial Hardship	Mandatory	2 yearly	Aug-22	Aug-24
Financial Hardship Policy – Retail Water Customers	Mandatory	Determined by Minister or 4 years, whichever is earlier	Feb-22	Feb-26
Financial Internal Control	Mandatory	2 yearly	Feb-22	Feb-24
Procurement	Mandatory	4 yearly within 12 months of council election	Dec-20	Nov-23
Prudential Management	Mandatory	4 yearly within 12 months of council election	Feb-21	Nov-23
Rating Policy	Mandatory	Annually	Jun-22	Jun-23
Retail Water – Pricing	Mandatory	4 yearly	Jan-23	Feb-26
Treasury Management	Mandatory	2 yearly	May-22	May-24
Water Connection & Billing	Mandatory	4 yearly	Feb-22	Feb-26

CORPORATE SERVICES

3.7 Transport Assets Revaluation

Audit and Risk Committee: 8 May 2023
Author's Title: Manager Finance
Director: Corporate

File No.: 0-159

Annexures

Nil

Officer Direct or Indirect Conflict of Interest:

*In accordance with Local Government Act 1999,
Section 120*

☐

Yes

☒

No

Status:

*Information classified confidential under
Section 90(2) of the Local Government Act*

☐

Yes

☒

No

Reason – not applicable

PURPOSE

To provide the Audit and Risk Committee with an update on the progress of the current Transport Assets Revaluation process.

SUMMARY

Council is required to revalue each of its major asset classes at least every 5 years, in line with Australian Accounting Standards. In the previous cycle, Transport assets were revalued in the same year as Stormwater and it was decided by administration that these two asset classes should be separated, to better spread out the workload. For this reason, Transport assets are being revalued one year earlier than the legislative requirement.

The Transport class is made up of Sealed Roads, Kerbs, Footpaths and Runways, with a number of subcategories under each of these. Council has a very minor Unsealed Road network, that hasn't previously been picked up in the asset register, this is being rectified during this review.

Unit rates are estimated to have moved in the range from a 20% reduction to a 50% increase. However, it is expected that depreciation projections will be largely in line with previous predictions.

RECOMMENDATION

The Audit and Risk Committee notes the report Transport Assets Revaluation

3.7 Transport Assets Revaluation

REPORT

BACKGROUND

Council is required to revalue each of its major asset classes at least every 5 years, in line with Australian Accounting Standards. In the previous cycle, Transport assets were revalued in the same year as Stormwater and it was decided by administration that these two asset classes should be separated, to better spread out the workload. For this reason, Transport assets are being revalued one year earlier than the legislative requirement.

The current schedule of review is:

Class	Last Review	Next Review
Transport	2018/19	2022/23
Stormwater	2018/19	2023/24
Buildings	2019/20	2024/25
Open Space Structures	2019/20	2024/25
Irrigation	2020/21	2025/26

The current schedule results in revaluations being undertaken in 4 out of every 5 years.

Currently the Plant & Equipment, Furniture & Fittings, Street Furniture and Other Assets classes are not considered to be material enough to be revalued and are held at cost. The combined value of these asset classes constitutes only 3% of Council's total asset stock.

The Transport class is made up of Sealed Roads, Kerbs, Footpaths and Runways, with a number of subcategories under each of these. Council has a very minor Unsealed Road network, that hasn't previously been picked up in the asset register, this is being rectified during this review.

Council performs a desktop revaluation of each of these asset classes at 30 June each year. This involves indexing by the Local Government Price Index Capital component. This has the effect of ensuring that depreciation increases in line with capital costs each year and mitigates the large jump in depreciation that can occur from 5-year revaluation cycles.

DISCUSSION

The revaluation process is being undertaken by Tonkin, who also undertook this process the last time Transport assets were revalued. They have extensive knowledge of Council's assets and are also competitively priced when we seek quotes for this type of work.

They developed an extensive methodology for the revaluation process. The revaluation involves two key processes, one is analysing market and contract rates to understand the overall replacement cost of the network, which is expressed as unit rates. This is then combined with a condition rating for each individual asset or segment in the network, then calculate the depreciated replacement cost, or fair value. Much of the methodology involves planning for the work relating to visually inspecting the almost 6,500 individual assets and segments.

On 24 April a meeting was held to discuss the initial findings of the likely changes in unit rates.

For Sealed Road assets, prices have increased between 10% and 50% above Council's indexed unit rates from 30 June 2022. The biggest impacts are for spray sealed surfaces, which have been highly impacted by fuel costs over the past few years, and for pavement base, due to the high increase in disposal costs being experienced in the market. Discussion was held on the likelihood of an alternative disposal method being available locally, and it is expected that further investigations will result in this cost being brought now significantly.

For Kerb and Footpath assets, most unit rates have dropped around 20%, due to competitive rates negotiated for these contracts.

Kerbs and Footpath depreciation combined is fairly similar to the annual amount for Sealed Roads, so it is expected that these different increases will in large part offset.

Financial Implications

The condition data is still being collected on the ground, so it is not yet possible to run models showing the impact on depreciation. However, Tonkin are of an opinion that there is scope to review and extend the useful lives of a number of components. Council's dataset is considered to be fairly mature for this asset class, and there is sufficient historical data for this process to be undertaken.

Tonkin have indicated that they are happy to work through this with Council and work towards an outcome where there isn't a significant ongoing impact on Council's depreciation projections.

This makes sense to all involved, as Council have been able to deliver the transport renewal program over the past few years, well within budget.

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Officer Direct or Indirect Interest – Nil

Risk Assessment

Due to the complex nature of this process and the large amount of data involved, there is always a risk that the outcome will have a detrimental impact on Council's financial projections, as depreciation is a material part of Council's budget.

However, the indication from Tonkin is that they are willing to work with Council to reach a logical outcome from this revaluation process.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication – Nil

Conclusion

Tonkin have indicated that they are happy to work through this with Council and work towards an outcome where there isn't a significant ongoing impact on Council's deprecation projections.

CONFIDENTIAL**4.1 Unsolicited Proposal – Airport Land**

Audit and Risk Committee 8 May 2023

Author's Title: Manager Finance
Directorate: Corporate

File No.: 0-159

Annexures

Annexure A – Unsolicited Proposal

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1999, Section 120

☐ Yes ☒ No

Status:

Information classified confidential under Section 90(2) of the Local Government Act

☒ Yes ☐ No

Reason – This report is considered confidential on the basis that it contains information of a commercial nature consistent with Section 90(3)(d) of the Local Government Act 1999.

RECOMMENDATION

Pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Kristen Clark, Director City Infrastructure, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator and Lisette Symons; Executive Co-Ordinator - Corporate for Agenda Item 4.1– Unsolicited Proposal – Airport Land.

The Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Council will receive and consider a report containing commercial information of a confidential nature the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information.