



MEMBERSHIP

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

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 3 April 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*.

The business of the meeting is:

- Review of Audit and Risk Terms of Reference
- Proposed Approach to Internal Audit and Service Reviews
- 2023-24 Draft Annual Business Plan and Budget
- Airport Operating Result
- Unsolicited Proposal - **CONFIDENTIAL**

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

JUSTIN COMMONS
CHIEF EXECUTIVE OFFICER
Dated: 29 March 2023

AGENDA

AUDIT AND RISK COMMITTEE MEETING

To be held at Whyalla City Council Civic Building, Darling Terrace, Whyalla
on Monday 3 April 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:

WELCOME TO COUNTRY

"We acknowledge the Barngarla 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
1.1 Welcome and Apologies		
1.2 Declaration of Members Conflict of Interests		
1.3 Committee Members and Auditors Discussion (if required)	Nil	
1.4 Minutes from Previous Meetings – 27 February 2023	Adopt	3
1.5 Business Arising from Previous Meetings (including progress against external/internal review recommendations)	Note	11
2. ITEMS FOR DECISION		
2.1 Review of Audit and Risk Terms of Reference	Recommend	21
2.2 Proposed Approach to Internal Audit and Service Reviews	Recommend	31
2.3 2023-24 Draft Annual Business Plan and Budget	Recommend	39
3. ITEMS FOR NOTING		
3.1 Airport Operating Results	Note	107
4. CONFIDENTIAL ITEMS		
4.1 Unsolicited Proposal - 127 Nicolson Avenue	Recommend	110
5. MOTIONS WITH NOTICE		
Nil		
6. MOTIONS WITHOUT NOTICE		
7. NEXT MEETING		
Monday 8 May 2023: 11am – 2.00pm	Note	
CLOSE		

CORPORATE**1.4 Minutes of Audit and Risk Committee Meeting – 27 February 2023****Audit & Risk Committee** 3 April 2023**Meeting:****Author's Title:** Executive Coordinator, Corporate**File No.:** 0-159**Director:** Corporate**Annexures**

A – Minutes of the Audit Committee Meeting held 27 February 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 27 February 2023. These minutes are now presented for confirmation.

RECOMMENDATION**The Audit and Risk Committee:**

1. Confirm the minutes of the Audit and Risk Committee meeting held on 27 February 2023 as a true and correct record of the meeting.

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING
HELD ON MONDAY 27 FEBRUARY AT 3.00pm**

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

OFFICERS IN ATTENDANCE: Chief Executive Officer (*Mr J Commons*)
Director Corporate Services (*Ms K Jarrett*)
Director Infrastructure (*Mr K Clark*)
Director City Growth (*Ms J Ballantine*)
Manager Finance (*Mr G Jennings*)
Finance Coordinator (*Mrs S Vigar*)
Manager Governance (*Mrs I Adair*)
Executive Coordinator – Corporate (*Ms L Symons*)

GUESTS: Ms K White and Ms J Vassallo – KAW Consulting (*via Teams*)

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.

Ms Christie advised the Committee of her role as Chair of two other audit committees being the Local Government Association of South Australia Audit and Risk Committee and the Electoral Commission of South Australia Audit and Performance Committee.

It was noted that these roles did not present a conflict of interest in any item on the agenda for the Committee's consideration.

1.3 Committee Members and Auditors Discussion

Nil

1.4 Minutes of Previous Meeting – 4 October 2022

The Director Corporate advised that ordinarily, minutes of previous Committee meetings would be presented to confirm they represent a true and correct record of proceedings but that on this occasion, given current Members were not present at the meeting, they are presented for noting only.

It was noted that the minutes of the previous Council's last Audit Committee meeting held on 4 October 2022 had been circulated to the previous Committee Members in October 2022, with no comments being made and the minutes had also been noted by Council at their October 2022 meeting.

Moved Cr P Klobucar, Seconded Ms Pat Christie

AC4527-2023

That the Audit and Risk Committee note the minutes of the previous Council's last Audit Committee Meeting held 4 October 2022.

Carried

1.5 Business Arising from Previous Meetings

The Director Corporate summarised business arising from previous meetings as well as actions outstanding from previous external reviews. The current sources of external reviews was noted as being a Governance Health Check (conducted by Kelledy Jones Lawyers in 2020/2021) and past external audits. It was agreed that this record will include progress reporting on recommendations from all reviews undertaken as part of standard Committee reporting to be developed.

It was further noted that the planned update on Council's Business Continuity Plan will be provided to the May Audit and Risk Committee meeting together with an update on Council's risk management framework.

Moved Mr L Kozlovic, Seconded Ms P Christie

AC4528-2023

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

The Director Corporate advised that the Audit and Risk Committee Terms of Reference had been developed based on changes to the Local Government Act 1999 due to commence in November 2023.

Discussion was held on the Terms of Reference (ToR) with the following initial feedback provided:

- the ToR is very broad and consideration could be given to providing more specificity in certain areas, balanced against the development of a detailed work plan for the Committee.
- the ToR should be viewed from both materiality and risk aspects to ensure it focuses the Committee's work at the right level.
- elements relating to risk and audit could be more prescriptive.
- various timings set out in the ToR require review including reporting to the Council following a Committee meeting to ensure it is achievable as well as the distribution of papers and minutes could be earlier.

ACTION

Members to provide any further feedback to the Director Corporate with the view to recommended changes being presented to the April Audit and Risk Committee meeting for consideration.

Moved Mr L Kozlovic, Seconded Cr P Klobucar

AC4529-2023

That the Audit and Risk Committee note the Terms of Reference as approved by Council

Carried

2.2 Schedule of Meetings and Work Program

The proposed schedule of meetings and work program were discussed with the following items being noted:

- the schedule of proposed meetings was acknowledged, as was the ability to attend virtually via Teams. The Committee did acknowledge that attendance in person would be preferable.
- for future meetings, the work program will be annexed to the Business Arising item on the Committee's agenda.
- assumptions made in the preparation of annual and long term financial plans will be listed as a topic for the Committee's consideration, as will assumptions, estimates and judgements used in revaluations and the preparation of the annual financial statements.

ACTION

Members to provide any further feedback on the work program to the Director Corporate. It was also noted that the work program would be updated with both the feedback received and other items that arise through the review of the Committee's Terms of Reference.

Moved Ms P Christie, Seconded Cr P Klobucar**AC4530 – 2023**

1. That the Audit Committee: Sets the 2023 schedule of ordinary meetings for the Audit and Risk Committee to be held at 11.00am at the Council's Civic Building on:
 - a) Monday 3 April 2023; and
 - b) Monday 8 May 2023; and
 - c) Monday 17 July 2023; and
 - d) Tuesday 3 October 2023 (together with joint workshop with Council tbc); and
 - e) Monday 5 February 2024.
2. That the Audit and Risk Committee notes the indicative work program for 2023.

Carried**3. ITEMS FOR NOTING****3.1 Annual Business Plan & Budget Parameters & Process 2022-23**

3.38pm the Chief Executive Officer left the meeting

The Manager Finance provided an overview of the 2023/24 Annual Business Plan and Budget process, highlighting various assumptions included within the long-term financial plan which are tested on an annual basis, Council's previously adopted parameters and the program of community engagement. Discussion was held with the following observations/comments made:

- consideration could be given to setting tolerance levels/ranges for some of the parameters in the context of meeting or not meeting budget.
- what does long term financial sustainability mean and the associated metrics?
- it is important to ensure links between the parameters and the CEO's KPIs.
- the Annual Business Plan and Budget needs to consider the risks, include scenario analysis and be compared to the first year of the long term financial plan.

Moved Cr P Klobucar, Seconded Mr L Kozlovic**AC4531 - 2023**

That the Audit and Risk Committee:

1. notes the adopted 2023/24 budget process as presented; and
2. notes the adopted parameters for the development of the 2023/24 Annual Business Plan and Budget.

Carried

3.2 2nd Quarter Budget Review

3.47pm the Chief Executive Officer returned to the meeting

The Committee noted that quarterly budget reviews would ordinarily presented to the Committee for detailed review and recommendation to Council. The timing of the first Audit and Risk Committee meeting precluded this approach for the 2nd Quarter Budget Review. It was noted that:

- the significant variances identified in this review were caused by four (4) major items not ordinarily experienced by Council.
- there is little capacity within the budget and long-term financial plan to offset negative variances of this size.
- the nature of Council's business means that there can be a large number of identified variances in any review process, with these being managed in the normal course of business and ordinarily expected to be largely offset.
- where items of variance relate to a decision point for Council, such as signing of a new contract, then these will be presented to Council as a separate item.

It was agreed that future reporting should include the financial re-engineering approach and options to be progressed to address any unfavourable financial position.

Moved Ms P Christie, Seconded Mr L Kozlovic

AC4532-2023

That the Audit and Risk Committee notes the Budget Review 2022-23 Quarter 2 and the negative impact that it has had on Council's financial position.

Carried

3.3 Internal Financial Controls – Self Assessment

The recent internal financial controls – self assessment was discussed with the following observations being made:

- actions need to be completed in a more timely manner.
- inherent and residual risk should be included, which in turn assists with prioritisation and the setting of timeframes (agreed dates) for actions.
- it would be useful if a materiality legend was included.
- Management advised that the External Auditor undertakes a similar process, with many of the listed actions in the internal report not identified by them as areas of issue, suggesting they are areas for process improvement rather than areas presenting a risk.

ACTION

Progress of actions identified in the self-assessment are to be reported as part of the regular reporting to future Audit and Risk Committee meetings.

Moved Mr P Klobucar, Seconded Mr L Kozlovic

AC4533 - 2023

That the Audit & Risk Committee notes the outcomes of the 2022 internal financial control self-assessment, including actions for improvement.

Carried

4. CONFIDENTIAL ITEMS

4.1 Systems Modernisation

Moved Ms P Christie, Seconded Mr L Kozlovic

AC4534 – 2023

Pursuant to Section 90(2) of the Local Government Act 1999, the Council orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kristen Clark; Director City Infrastructure, Jade Ballantine; Director City Growth, Kathy Jarrett; Director Corporate Services, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Irene Adair; Manager Governance, David Poyner; Information Technology Coordinator and Lisette Symons; Executive Co-Ordinator – Corporate for Agenda Item 4.1 - Systems Modernisation Project.

The Committee is satisfied that, pursuant to Section 90(3)(e) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is related to matters affecting the security of the Council, Council property and employees in that details of the Council's knowledge management and information technology services will be discussed. The Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because of the security risk to Council's information technology services if the abovementioned details are disclosed publicly.

Carried

Moved Mr L Kozlovic, Seconded Cr P Klobucar

AC4535-2023

The Audit Committee:

- 1.
2. Having considered Agenda Item 4.1 Systems Modernisation, under sections 90(2) and (3)(e) of the Local Government Act 1999 the Audit and Risk Committee pursuant to Section 91(7) of the Act orders that this report and any annexures to this report and minutes pertaining to this item be kept confidential and not available for public inspection for a period of 5 years notwithstanding that it will be reviewed in February of each year.

Carried

5. MOTIONS WITH NOTICE

Nil

6 MOTIONS WITHOUT NOTICE

Nil

7. DATE OF NEXT MEETING – Monday 3 April 2023 at 11am

8. CLOSE – Meeting closed at 4.51pm

CORPORATE**1.5 Business Arising from Previous Meetings – as at 3 April 2023****Audit & Risk Committee** 3 April 2023**Meeting:****Author's Title:** Executive Coordinator, Corporate**File No.:** 0-159**Director:** Corporate**Annexures**

A – Business Arising from Previous Meetings

B – Meeting Schedule

C – Work Program

D – External/Internal Reviews 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

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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:

- Business Arising from Previous Meetings
- Meeting Schedule
- Work Program
- External/Internal Reviews Work Program (updated following the adoption of the revised Terms of Reference presented to the May Audit and Risk Committee)

RECOMMENDATION

The Audit & 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	Council's Business Continuity Plan was developed in 2019 through Local Government Risk Services. The Business Continuity Plan was more recently updated through a separate COVID Management and Risk Assessment process in October 2021 to June 2022 Further new work is now required to update the Business Continuity Plan. An update will be provided to the Audit and Risk Committee meeting 3 April 2023	25%
2.	27 February 2023	2.1 – Review of Audit and Risk Committee Terms of Reference. <i>Members to provide any further feedback to the Director Corporate with the view to recommended changes being presented to the April Audit and Risk Committee meeting for consideration</i>	Director Corporate	03/04/2023	Refer to Agenda Item 2.1	100%

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
3.	27 February 2023	2.2 – Schedule of Meetings and Work Program <i>Members to provide any further feedback on the work program to the Director Corporate. It was also noted that the work program would be updated with both the feedback received and other items that arise through the review of the Committee's Terms of Reference.</i>	Director Corporate	03/04/23	Refer to Agenda Item 1.5	100%
4.	27 February 2023	3.3 – Internal Financial Controls – Self Assessment Progress of actions identified in the self-assessment are to be reported as part of the regular reporting to future Audit and Risk Committee meetings	Executive Coordinator, Corporate	03/04/23	Actions identified in the internal financial controls self-assessment have been added to the standard report considered at item 1.5 Business Arising from Previous Meetings (including progress against external / internal review recommendations)	100%

* Completed items to be removed are shaded

“ANNEXURE B”**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	

“ANNEXURE C”

Indicative Work Program

Monday 27 February 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	1.5
9.1.10	Review of Audit Committee Terms of Reference	Recommend	2.1
6.10, 6.11, 6.13	Schedule of Meetings and Work Program	Adopt	2.2
9.3	Annual Business Plan & Budget Parameters & Process 2023-24	Note	3.1
9.2, 9.3	2 nd Quarter Budget Review	Note	3.2
9.1.6	Internal Financial Controls – Self Assessment	Note	3.3
9.1.10	Systems Modernisation – Confidential	Recommend	4.1

Monday 3 April 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.2	2023-24 Draft Annual Business Plan and Budget	Recommend	
9.1.10	Airport operating result	Note	
9.1.7	Proposed approach to internal audit and service reviews	Recommend	
9.1.6	Any finance policies due for review	Recommend	

9.1.3	Any external review reports for review	Recommend	
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Monday 8 May 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.8	Progress report on Council's Risk Management program, Risk Management Action Plan & Monitoring tool	Note	
9.1.8	Progress report on Council's Business Continuity Plan	Note	
9.1.6	Information report on insurance activity	Note	
9.1.2	Information report on ESCOSA requirements	Note	
9.1.10	Quarterly Procurement Report	Note	
9.1.6	Review schedule for all Finance Policies	Note	
9.2, 9.3	3 rd Quarter Budget Review	Recommend	
9.1.3	Any external review reports for review	Recommend	

Monday 17 July 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.8	Council Risk Management Plan – Strategic	Adopt	
9.1.8	Councils Risk Management Plan – Operational	Adopt	

9.1.10	Quarterly Procurement Report	Note	
9.1.5	Receive the independent auditor's interim report for 2022-23.	Note	
9.1.10	Application for new loan	Recommend	
9.1.2	Rating review considerations	Recommend	
6.6	Audit and Risk Committee bi-annual review of ToR and Performance	Adopt / recommend	
9.1.6	Any finance policies due for review	Recommend	
9.1.3	Any external review reports for review	Recommend	

Tuesday 3 October 2023

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
9.1.10	Quarterly Procurement Report	Note	
9.1.1	Review 2022-23 Annual Financial Statements	Recommend	
9.1.5	Meeting with Council's external auditors in-camera on the outcome of the 2022-23 Audit Program	Note	
9.1.5	Receive the independent auditor's final report for 2022-23.	Note	
9.1.7	Reviewing the CEOs report on the effectiveness and improvement of internal control.	Note	
9.1.2	Review of the LTFP and Asset Management Strategy	Recommend	
7.4	Audit & Risk Committee Annual Report to Council	Recommend	
9.2, 9.3	1 st Quarter Budget Review	Recommend	
9.1.10	Review of Council Investments and	Note	

	Loans		
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Tuesday 3 October 2023

ToR ref	Topic	Action	Refer item
6.13	Joint workshop with Council – risk appetite and profile (tbc)	Note	

Monday 5 February 2024

ToR ref	Topic	Action	Refer item
9.1.3	Business Arising, including progress against external review recommendations	Note	
6.10, 6.11, 6.13	Schedule of Meetings and Work Program	Adopt	2.2
9.3	Annual Business Plan & Budget Parameters & Process 2024-25	Note	3.1
9.1.6	Internal Financial Controls – Self Assessment	Note	3.3
9.1.10	Quarterly Procurement Report	Note	
9.2, 9.3	2 nd Quarter Budget Review	Recommend	
9.1.6	Review schedule for all Finance Policies	Note	

EXTERNAL/INTERNAL REVIEWS WORKPLAN

Source	Date of Report	#	Item	Responsible	Due	Status / % Complete
GHC	Mar-21	3	Review procurement policies and procedures	Mgr Finance	31/05/2023	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	31/12/2023	Pending
IFCSA	Nov-21	2.4.1	Accounting Policies up to date	Mgr Finance	When resources available	Pending
IFCSA	Nov-21	3.8.2	Review of project scope change approval process	Leadership Group	When resources available	Pending
IFCSA	Nov-21	6.3.2	Procedure for Council Members use of public assets	Mgr Finance	When resources available	Pending
IFCSA	Nov-21	6.4.2	Timeliness of credit card information	Mgr Finance		Completed
IFCSA	Nov-21	7.1.2	Review of access levels in procurement to be undertaken	Mgr Finance		Completed
IFCSA	Nov-21	8.1.3	Staff training on mandatory policies	Mgr Governance	30/06/2023	55%
EAMR	Jun-22	7	Tender Documentation – evaluation process	Mgr Finance	31/05/2023	In Progress / 80%
EAMR	Jun-22	8	Review Contract Management Policy	Mgr Finance	31/05/2023	In Progress / 80%
EAMR	Jun-22	9	Review of expired lease agreements	Facilities Coordinator	30/06/2024	In Progress

* 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

CORPORATE

2.1 Audit & Risk Committee Terms of Reference and Work Program Updated

Audit & Risk Committee Meeting:	3 April 2023		
Author's Title:	Manager Governance	File No.:	0-159
Director:	Corporate		

Annexures

A – Revised Audit and Risk Committee Terms of Reference

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*

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Yes

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No

Reason –Nil

PURPOSE

The purpose of this item is to present a revised Audit and Risk Committee Terms of Reference and seek the Committee's recommendation to Council for adoption.

BACKGROUND / DISCUSSION

At its meeting on 27 February 2023, the Audit and Risk Committee reviewed the Committee's Terms of Reference, and noted feedback would be provided to the Director Corporate Services as to suggested changes.

Committee Member's feedback has now been received and incorporated in the Terms of Reference provided at Annexure A. The Committee will note substantial changes have been made to the functions of the Committee, mainly to elaborate further on the previous high-level functions.

The revised draft is now presented for the Committee's review, and if considered appropriate, for recommendation to Council for adoption.

With the revision of the Committee's Terms of Reference, a new Work Program is currently being developed and will be presented to the May 2023 Committee meeting for consideration.

RECOMMENDATION

The Audit and Risk Committee:

- 1. Recommends that Council adopts the revised Audit and Risk Committee Terms of Reference provided as Annexure A to the report '*Audit & Risk Committee Terms of Reference and Work Program Updated*' reference 2.1.**
- 2. Note that a revised Audit and Risk Committee Work Program will be presented to the May 2023 meeting.**

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, 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 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.

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE



4 INDEPENDENT MEMBERS

- 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.

5.6

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.

AUDIT AND RISK COMMITTEE 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** Must exercise any powers delegated by the Council and in accordance with any directions of the Council.
 - 6.2.2** Has the authority to conduct or direct any investigation (see also Clause 9.1.4 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.
 - 6.2.3** 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.
 - 6.2.4** 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 two, being at least one independent member 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 will attend all meetings except when the Committee is meeting on a confidential basis with Council's 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.

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- 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 MEETINGS9 REPORTING**
- 9.1** A copy of all agenda and reports forwarded to the Committee at least five 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

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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;
- (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. Review and advise the Council of:

- (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

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TERMS OF REFERENCE



- (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 considered 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.
- 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, systems and procedures 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, policies and procedures, 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.

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- 10.5.3. Review and monitor on the outcomes of service reviews and associated 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 provide 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 processes and activities.
- 10.5.6. Monitor and evaluate Council's compliance with regulations, policies, best practice guidelines, instructions and contractual arrangements.
- 10.5.7. Facilitate liaison between the service review / internal audit service provider and external auditor to promote compatibility, to the extent appropriate, between 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;

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



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

2.2 Proposed Approach to Internal Audit and Service Review Program

Audit & Risk Committee 3 April 2023

Meeting:

Author's Title: Director Corporate

File No.: 0-159

Director: Corporate

Annexures

A – Whyalla City Council Service Reviews – Request for Proposal (confidential and distributed under separate cover)

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:

1. recommendation as to the best approach for Council's internal audit and service review program.
2. Feedback on and endorsement of the scope for the conduct of five service reviews.

SUMMARY

The establishment of an internal audit and service review 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.

This report examines three possible models for the delivery of an internal audit and service review program:

- In-house
- Co-sourced
- Outsourced

In summary, outsourcing the program is considered the best delivery model due to the depth and breadth of skills that this model would bring into Council when viewed against Council's already limited resources. The scalability of this model will also assist in managing costs.

RECOMMENDATION

The Audit and Risk Committee:

- 1. Recommend to Council the establishment of an internal audit and service review program, to be delivered via an outsourced model of service delivery.**
- 2. Request the Administration prepare a Request for Tender for the delivery of an internal audit and service review program to be reviewed by the Audit and Risk Committee at the May meeting.**
- 3. Subject to the inclusion of the following feedback, endorses the scope for the conduct of the five identified service reviews.**
 - a. xxx**
 - b. xxx**
 - c. xxx**

BACKGROUND

One of Council's roles as outlined in the Local Government Act 1999 (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 an internal audit or service review program, activities which have become well-established (and increasingly important) business practices across private, government and non-government organisations seeking to improve their operations, manage risks effectively, and comply with laws and regulations.

What is internal audit and service reviews?

Internal audit is forward looking, providing independent, unbiased assessment of Council's operations, with an emphasis on risk management, control and governance processes. Internal audit works in parallel to external audit, which has a primary focus on expressing an opinion on the fairness and accuracy of Council's financial statements. A primary focus of internal audit is the improvement of Council's operations.

Simply stated, service reviews evaluate the performance of a particular Council service with the view to assessing whether it is delivering and optimising public value. A service review will document customer / ratepayer expectations, current service levels, research best fit service models, and recommend options for service improvements/change. A primary focus of service reviews is to improve Council's efficiency and effectiveness to improve financial sustainability.

Why does Council need to introduce internal audit and service reviews?

The establishment of an internal audit and service review program will provide numerous benefits including compliance with legislative and regulatory requirement, improved governance and risk management, enhanced efficiency and effectiveness, better decision-making, improved accountability and transparency and achieving good standards of public administration.

As outlined in material prepared for the 2023/2024 Annual Business Plan and Budget, Council is in a operating deficit position for the duration of the 10-year long term financial plan, and this together with the current external environment presenting some of the most challenging budget conditions that Council has faced in many years. It is suggested that these compelling factors provide a very strong rationale for introducing an internal audit and service review program at this time.

It is incumbent on Council and the Administration to seek improvement (and savings) across the Council's operations whilst continuing to deliver the range of services expected by the Whyalla community.

Through having a documented program of internal audit and service review, Council will be further discharging its responsibilities under the Act, and the Whyalla community can be assured that operational improvements are being sought, waste and inefficiency is being minimised or eliminated and public value is being pursued.

DISCUSSION

Establishment of an internal audit and service review program

Given the above background information, it is recommended that Council establish an internal audit and service review program.

Outlined below are options for the development and delivery of such a program. In the first instance however, the role of the Audit and Risk Committee as outlined in upcoming reforms to the Act are noted as being:

- if an internal audit function exists, the Chief Executive Officer must consult with the Audit and Risk Committee on the appointment or assignment of a person to be responsible for the internal audit function.
- where an internal audit function exists, the Audit and Risk Committee has oversight of planning and scoping of the internal audit work program and reviewing and commenting on reports provided by the person responsible for the internal audit function.

Models for the delivery of an internal audit and service review program follow:

In-house Model

In summary, this option would see the internal audit and service review program delivered in-house by either:

- Establishing an internal committee of staff developing and overseeing the program, with several staff across the organisation being trained to undertake audit and service review projects. The internal committee would be facilitated by the Governance team, who would also lead reporting to the Audit and Risk Committee; or
- Employing an additional staff member as part of the Governance team with skills and expertise in the conduct of internal audits and service reviews to develop and undertake the whole program, and report direct to the Audit and Risk Committee.

Advantages:

- Staff tend to have a deeper understanding of Council and can focus exclusively on the objectives, risks, activities and functions of Council.
- Once fully established, an in-house function would be a recognised part of Council's structure and culture. As a member of the Council overall team, staff undertaking internal audit and service review activities can provide independent and professional advice to their peers.

- Internal audit and service review methodology can be tailored specifically to and shared throughout Council.
- There can be better control over internal audit and service review activities.

Disadvantages:

- The extent of specialised knowledge and expertise is limited to that possessed by staff undertaking internal audits / service reviews.
- Impact on productivity of staff in the performance of their substantive role.
- There are high fixed costs with this option if additional staff are employed.
- All risks with staffing (productivity, recruitment, turnover etc) will be borne solely by Council.
- Potential conflicts of interest.

Co-sourcing Model

This option would see the internal audit and service review program led by the Governance team utilising both Council staff and contracted resources to conduct individual audit and service review projects. Governance staff would be responsible for developing the annual audit and service review program, facilitating the conduct of individual projects by Council staff, tendering and managing service contracts, and reporting to the Audit and Risk Committee.

Advantages:

- Staff tend to have a deeper understanding of Council and can focus exclusively on the objectives, risks, activities and functions of Council.
- Once fully established, an in-house function would be a recognised part of Council's structure and culture. As a member of the Council overall team, staff undertaking internal audit and service review activities can provide independent and professional advice to their peers.
- Internal audit and service review methodology can be tailored specifically to and shared throughout Council.
- There can be better control over internal audit and service review activities.
- Contractors can be utilised to fill gaps in in-house knowledge, skills or expertise as needed by conducting audits or providing consulting services.
- Utilising contractors can impart valuable skills to Council staff.
- There is potential for more competitive pricing for contracted services since each individual audit project would be sourced through a competitive procurement process.
- Can provide cost savings compared to the in-house model.

Disadvantages:

- The extent of specialised knowledge and expertise is limited to that possessed by staff undertaking internal audits / service reviews.
- Impact on productivity of staff in the performance of their substantive role.
- All risks with staffing (productivity, recruitment, turnover etc) will be borne solely by Council.
- Potential conflicts of interest for staff.
- This model can lead to communication and coordination issues between internal and external auditors.
- There is also a risk of dependence on external consultants and a potential loss of corporate knowledge.

Outsourcing Model – Recommended Option

This option would see the internal audit and service review program entirely outsourced with an external contractor engaged to serve as Council's internal audit and service review function for a specified period. The contractor would develop the annual internal audit and service review program, conduct projects with their own staff, write the audit reports and be accountable to Council through the Audit and Risk Committee. The Manager Governance would manage the contract for the delivery of these services. Note that this model would also include the ability to engage other consultants for the conduct of specific service reviews that may require specialist knowledge.

Advantages:

- High level of independence and objectivity is provided because of the contractor being completely separate from the Administration and accountable directly to the Audit and Risk Committee.
- Contractors have access to a broad range of specialists and subject matter experts within their network who can be brought in as needed to conduct audit or service review projects.
- High levels of scalability and flexibility in staffing, with all risks associated with staffing borne by the contractor.
- Utilising contractors can impart valuable skills to Council staff.
- Will allow Council's already limited resources to focus entirely on their substantive roles.
- Can provide cost savings compared to the in-house model.

Disadvantages:

- Risk of dependence on external consultants and a potential loss of corporate knowledge.
- Possible loss of control over the audit process, including over quality of work.
- Contractors staff will have less in-depth understanding of Council (and the City), with staff having multiple clients.
- A service contract may not encourage coordination / collaboration with other providers.
- Risks associated with contract management must be managed by Council.

Rationale

The establishment of an internal audit and service review program will play a critical role in Council achieving and maintaining financial sustainability over the coming years.

Outsourcing the program is considered the best delivery model due to the depth and breadth of skills that this model would bring into Council when viewed against Council's already limited resources. The scalability of this model will also assist in managing costs.

Proposed scope for five service reviews

Given the pressures facing Council's financial position, and in acknowledging the establishment of an internal audit and service review program will take time, Administration are recommending that Council undertake five service reviews to commence a program of improvement in the earliest possible timeframe.

The recommended service reviews are outlined in the proposed Request for Proposal, which was provided to the Committee confidentially under separate cover. The Committee's feedback and endorsement is now sought.

Note that discussion on this topic during the Committee meeting will need to be held under confidential conditions if the Committee wishes to discuss the services to be reviewed, and the proposed recipients of the Request for Proposal. Should this be the Committee's request, the following resolution can be passed:

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit & 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-ordinatory - Corporate for Agenda Item 2.2 –Proposed Approach to Internal Audit and Service Reviews.

The Audit & 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.

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.

As mentioned previously in this report, Council's internal audit and service review 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 tenders 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 an internal audit and service review program will contribute to Council's risk management strategies, including its work towards financial sustainability.

Social Considerations

Internal audit and service reviews 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 an internal audit and service review 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.

CORPORATE SERVICES

2.3 Draft 2023/24 Annual Business Plan and Budget

Audit Committee: 3 April 2023
Author's Title: Manager Finance **File No.:** 0-159
Directorate: Corporate Services

Annexures:

Annexure A – 2023/24 Draft Annual Business Plan content
 Annexure B – Draft Financial Statements
 Annexure C – Updated Long Term Financial Plan Tables
 Annexure D – Sensitivity Analysis

Officer Direct or Indirect Conflict of Interest:

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

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Yes

☒

No

Status:

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

☐

Yes

☒

No

Reason – Not applicable

PURPOSE

Section 126 of the Local Government Act 1999 provides that the functions of the Audit & Risk Committee includes “*proposing, and providing information relevant to, a review of the council’s strategic management plans or annual business plan*”. The information in this report provides the opportunity for the Committee to provide feedback to Council on how the draft Annual Business Plan addresses the parameters identified above and also whether the draft Annual Business Plan and Budget has been prepared with a view to the long-term financial sustainability of the Council.

SUMMARY

The draft 2023/24 Annual Business Plan and Budget has been developed in an external environment that presents some of the most challenging budget conditions that organisations will have faced in many years. As Council is currently in a deficit position, there is no capacity to absorb cost increases without significantly impacting financial sustainability.

Significant work has been undertaken internally to prioritise initiatives identified across all business units and ensure that anything included within the Annual Business Plan and Budget aligns with Council’s strategic direction. In addition, all work falling due within Council’s Asset Management Strategy was put through a ground truth process and also tested against Council’s strategic direction, to ensure that the proposed renewal program is the best use of Council’s limited resources.

The rate increase is proposed at 8.5% (or just over \$1 per week for the average residential property), which is slightly below the projection in the LTFP when taking into account the current high level of CPI.

As shown in Council's financial projections, a deficit position will be maintained for a number of years. This has been discussed frequently over the last 12 months and the administration is well aware that this needs to be addressed into the future.

RECOMMENDATION

The Audit Committee:

- 1. provides the following comments to Council on the draft 2023/24 Annual Business Plan and Budget in the context of Council's adopted Budget Parameters and ongoing financial sustainability:**
 - a) ...**
 - b) ...**
 - c) ...**
- 2. recommend to Council that the draft 2023/24 Annual Business Plan and Budget be released for public consultation in accordance with Council's Public Consultation Policy, subject to Council's consideration of the above comments.**

2.3 Draft 2023/24 Annual Business Plan and Budget

REPORT

BACKGROUND

The Annual Business Plan is Council's statement of its intended programs and outcomes for the ensuing year. It links the Council's longer-term planning, as set out in its Strategic Management Plans, with the allocation of resources in its budget. It also establishes the basis for review of Council's performance over the year included in its Annual Report.

The Annual Business Plan includes the following elements:

- a summary of the Council's longer-term objectives, as set out in its Strategic Management Plans;
- a summary of the environmental scanning undertaken to identify the opportunities and threats that need to be addressed by the annual planning and budgeting process;
- the list of indicators against which Council's performance will be measured;
- the activities (initiatives and projects) that the Council intends to undertake to achieve its objectives;
- a high-level summary of Council's service delivery mix; and
- a summary of the proposed sources of revenue for the year, including the proposed approach to rating and what it means for ratepayers.

At its meeting held on 12 December 2022, Council endorsed the process and timetable for the development and adoption of the 2023/24 Annual Business Plan and Budget (ABP&B).

At the same meeting, Council endorsed a suite of parameters that would form the framework for the development of the 2022-24 ABP&B, based on a holistic review of all relevant information. This ensures that the budget is developed in a logical manner that is clear to all stakeholders. The adopted parameters are as follows.

The ABP&B will:

1. Support the achievement of the City of Whyalla's Strategic Direction.
2. Address issues arising, and opportunities identified, from organisational effectiveness assessments/reviews.
3. Reach a break-even operating position in the Long-Term Financial Plan (LTFP) by 2026/27 or earlier.
4. Continue to improve the maintenance of assets in accordance with Council's Asset Management Strategy, with a priority on:
 - maintenance to ensure assets reach end of life; and
 - 100% funding of renewal at end of life except where a service level change has been specified, or where renewal would be inconsistent with an adopted Council plan or resolution.
5. Review existing services and assets to ensure they meet prioritised community needs.
6. Council only approve New/Upgrade Capital Projects where it has identified:
 - borrowing capacity to fund upfront cost; and
 - operating capacity to fund ongoing costs.
7. Maintain predictability and stability in rating increases, in line with the LTFP.

The Audit & Risk Committee was presented with the information contained within these two reports at its meeting held 8 February 2022.

Significant work has been undertaken internally to prioritise initiatives identified across all business units and ensure that anything included in the ABP&B aligns with Council's strategic direction. In addition, all work falling due within Council's Asset Management Strategy was put through a ground truth process and also tested against Council's strategic direction, to ensure that the proposed renewal program is the best use of Council's limited resources. While some projects are retimed based on the assessments above, the overall renewal spend is assessed against previous projections, to ensure that large negative changes in Council's projected cashflows are not introduced.

The proposed capital program includes \$7.1 million of newly identified projects, with \$5.6 million of this being for renewal and \$1.5 million being for new assets. This is offset by \$200,000 of grant funding. In addition, around \$2 million of expenditure has been retimed from 2022/23 for projects that will now be completed next year, and it is likely that further budget will also be deferred during the third quarter budget review.

An additional \$840,000 of budget capacity exists for new assets, but it is currently proposed to not allocate this at this time and it has instead been deferred to 2024/25. This will allow for a number of large value projects that have commenced or are about to start to be completed and will also increase the capacity to leverage significant grant funding for priorities in this later year.

Three workshops have been held with Council members to date. The first of these was held during the February Council meeting and focused on the proposed capital program and the assumptions that have been used to build the budget. The second was held on 6 March and after summarising the information from the workshop, went into detail on the operating budget, the budget for delivering Council's various services and the impact of different rate models on average rates and the Long-Term Financial Plan. The third was held during the Special Council Meeting on 14 March 2023, and allowed the Elected Members to discuss anything presented so far and then provide the administration with direction on the assumptions to be used in the preparation of the draft document for consultation.

Section 126 of the Local Government Act 1999 provides that the functions of the Audit & Risk Committee includes "*proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan*". The information in this report provides the opportunity for the Committee to provide feedback to Council on how the draft Annual Business Plan addresses the parameters identified above and also whether the draft Annual Business Plan and Budget has been prepared with a view to the long-term financial sustainability of the Council.

DISCUSSION

Refer **Annexure A – 2023/24 Draft Annual Business Plan and Budget Content**

The draft 2023/24 ABP&B was progressing through the graphic design process at the time of the Audit Committee Agenda deadline. All of the key content has been provided for review, with the designed document to be ready for the Council Meeting on 17 April. The document will follow the same format as 2022-23, which is available to view on Council's website.

The key underlying assumptions that have been included within the development of the ABP&B are as follows:

- Consumer Price Index (CPI) of 7.5%, estimated for March 2023.
- A wage increase of 5%, plus a 0.5% increase in the superannuation guarantee.
- An increase in the Airport Passenger Levy of \$1 to \$11.50 in January 2024.
- All other fees and charges increasing by CPI.

The majority of Council's contracts have provision for CPI increases each year and so most of Council's contracting and material budgets are increased by this factor.

The impact of these assumptions on the proposed rates increase is discussed in the financial implication section below.

The current external environment presents some of the most challenging budget conditions that organisations will have faced in many years. The current level of CPI is at a generational high and while this is expected to decrease over the coming 12 months, it is important to use this measure at the same time each year for budgeting purposes, with March being the period previously used by Council.

In addition, interest rates are increasing at unprecedented speed, creating a further budget pressure. Because Council's LTFP included assumptions about increased interest rates over the term of the LTFP and because some fixed interest loans are in place, the LTFP is not materially impacted by this increase.

The current level of increase in cost of living is likely to put upward pressure on wage increases while at the same time put an expectation of downward pressure on rate increases from those in the community. Because rate increases are one area that individuals can have a say in, there is often an expectation that councils will absorb rate increases even when all other costs are increasing.

As Council is currently in a deficit position, there is no capacity to absorb cost increases without significantly impacting financial sustainability. Many metro Adelaide councils have been using surplus positions to absorb costs over the past few years, which has allowed them to adopt rate increases below CPI. Whyalla is not in a position to do this.

The budget and LTFP already include a number of assumptions around savings built into projections. These include:

- Assumption of 3.5 vacant positions on average during the year - \$370,00 for 2023/24.
- Savings from rationalisation of building stock - \$50,000 for 2023/24 increasing to \$250,000 in 5 years.
- Identification of other operating savings - \$25,000 for 2023/24 increasing to \$250,000 in 10 years.

Identifying this level of savings is already challenging in the current environment and there is no real capacity to build more into the plan.

Financial Implications

The key financial measures for the draft 2023/24 ABP&B are:

- an operating deficit \$2.06 million;
- an operating deficit ratio of (5)%;
- a net liabilities ratio of 67%; and
- an asset sustainability ratio of 126%.

Refer **Annexure B – Draft Financial Statements** and **Annexure C – Updated Long Term Financial Plan Tables**

Airport

Council's LTFP is usually broken into two key areas, the Airport as a stand-alone Business Unit and then the whole of Council, including the Airport.

The Airport model shows that the airport is running at a high level of deficit across the LTFP, despite increases in the Passenger Levy of \$1 per annum being built in over the first 4 years. Some level of deficit, around the \$200,000 mark will need to be carried by the airport for a number of years, due to the conditions of the grant funding received for the terminal upgrade. However, further work needs to occur over the coming years, including investigating potential commercial opportunities on the airport site. There is also the potential that the projects occurring in the city will result in passenger numbers increasing more quickly than the prudent growth included in the LTFP, which impacts the main income stream.

Council

Council proposes an operating deficit of \$2.06 million and an operating deficit ratio of (5)%. The operating surplus/deficit ratio is lower than Council's target range of (2)% to 1%. The deficit is exacerbated by the Airport, with Council excluding Airport projecting a deficit of (3)%. This deficit is however still outside of Council's target range.

To provide some context, council would instead need to increase rate revenue by 11.5% (or just over \$3 per week for the average residential property) to achieve a balanced operating position over the term of the LTFP for Council excluding Airport. One of Council's budget parameters is to keep rate increases predictable over time, in line with those consulted on in the LTFP.

Council's Net Financial Liabilities ratio is projected to be 67% for 2023-24, which is within target range.

Total borrowings are projected to be \$25.5 million for 2023/24. Over the term of the Long-Term Financial Plan, borrowings remain fairly steady but do increase slowly, reaching \$31.3 million by 2031-32. Total Revenue is projected to be almost \$52 million by 2031-32, meaning that the Net Financial Liabilities Ratio will be at 61% at this time. This is well within Council's target range. However, as discussed further below, Council needs to work towards a greatly improved operating position over the next few years, which in turn will result in projected loan borrowings reducing slowly over time.

The Asset Sustainability Ratio is projected to be 126% in 2023/24. This ratio is above target as Council retimed some renewal works originally scheduled for 2022/23 to 2023/24 in line with updated project schedules. The ratio averages 105% over the remaining nine years of the plan.

Sensitivity Analysis

Refer **Annexure D – Sensitivity Analysis**

Sensitivity analysis has been undertaken in a number of key areas, being Rate Increases, CPI and New Rate Income, to assist with understanding the key risks and opportunities present in the LTFP.

Rate Increases

The area of rate increases has been discussed at length with Council Members, as this is always a key area of interest. The result of these discussions was a resolution that the draft plan for consultation should be based on a rate increase of 8.5%.

The alternate rate increase models shown assume that only the rate increase changes and that there are no other adjustments in income or expenditure.

The baseline model for comparison is the projections from the 2nd Quarter Budget Review 2022/23, the last time that Council amended the budget. This was based on the assumption of a rate increase of 9.3%, being CPI plus 1.8%.

Due to the updated assumptions around wages (i.e. including a 5% increase rather than CPI), the cost profile of Council has adjusted for 2023/24 and it would be possible to adjust the rate increase to 7.6%, being CPI plus 0.1%, and still produce LTFP projections close to the base model. This is shown in Model 1.

However, as Council is currently in a deficit position, it was suggested that some of the positive impacts of reduced costs should instead be used to improve Council's overall financial position, rather than only being used to reduce the rate increase, which is why the approach of a 8.5% rate increase has been taken for consultation.

This model improves Council's operating position by almost \$200,000 per year near the beginning of the plan, with this increasing over time, and also results in reduction in loan borrowings of \$3 million by the end of the plan. This change is not enough alone to move Council to a position of financial sustainability but is a move in the right direction.

It should be noted that the discussion during consultation may lead Council to consider a lower rate increase, and administration consider that should Council move towards a 7.6% rate increase without adjusting expenditure, this would still be a prudent decision. However, a rate increase of 8.5% would be beneficial in starting the journey back to financial sustainability.

During the workshops, there was some discussion around the concerns of a proposed rates increase sitting at above 7%. Model 2 shows the impact of a 6.9% rate increase on Council's LTFP, with a worsening of Council's already unsustainable position. To achieve this reduction in rates without negatively impacting Council's financial position, ongoing savings of \$130,000 would need to be identified. As discussed above, this would be almost impossible to achieve given the current saving assumptions already built into the plan, unless services were cut. It is not recommended that services be cut in the absence of a program of service reviews, which is currently under development and early implementation.

The only viable option for a rate increase below CPI would be to defer a portion of the increase to the early years of the plan. Any discussion around a rate increase below CPI will require modelling on this, and any increase forgone in 2023/24 will require a larger increase in future years to offset the required increase in Council's borrowings. The Audit & Risk Committee are encouraged to provide Council with guidance on considering a reduced rate increase.

The impact of each of the proposed rate increases on the average rates for each property type is shown in the table below.

Property Type	#	Average Annual General Rates Increase			
		9.3%	8.5%	7.6%	6.9%
RESIDENTIAL	10,672	\$ 130	\$ 119	\$ 106	\$ 97
BUSINESS & INDUSTRY	521	\$ 462	\$ 423	\$ 378	\$ 343
REGIONAL CENTRE	3	\$ 9,831	\$ 8,986	\$ 8,034	\$ 7,294
HEAVY INDUSTRY	3	\$ 16,796	\$ 15,351	\$ 13,725	\$12,461
PRIM. PROD.	13	\$ 36	\$ 33	\$ 29	\$ 26
RURAL LIVING (UF)	122	\$ 122	\$ 112	\$ 100	\$ 91
COASTAL LIVING (SHACKS)	192	\$ 97	\$ 89	\$ 80	\$ 72

CPI

Each year Council's budget is adopted based on March CPI, which needs to be assumed for the consultation version of the budget. As mentioned above, CPI is a key driver of Council's costs, and so this assumption is key one to test, to understand the possible range of impacts if it varies.

Models 4 and 5 assume that if CPI changes, that the rate increase changes by the same amount, but assumes that the wage increase of 5% remains the same.

The models show that the LTFP is not currently in a neutral position in relation to CPI, which is due to the fact that the wage assumption has not been specifically tied to CPI. What the models show is that the rate increase needs to change by around half of the adjustment in CPI, to achieve a model with a similar outcome. For instance, if CPI was to reduce by 1.0% to 6.5%, the rate increase could only reduce by 0.5% to 8.0%, and vice versa. However, it should be noted that the wage increase assumption may need to be revisited if CPI was to change materially.

It is proposed that the impacts of any changes in actual CPI from the forecast will be discussed with Council after the consultation period, and that any suggested flow on impact on the rate increase will take into account the relationship above, seeking to not diminish Council financial position.

New Rate Income

The current LTFP projections take a prudent and responsible approach to potential new income streams, currently leaving them out until the value and timing are better known. However, to assist with understanding what sort of impact these could have, Model 5 and 6 has been developed.

Model 5 assumes:

- Cultana land used for Hydrogen being rateable from 2026/27 (estimated rates of \$500,000).
- Port Bonython Land being used for Hydrogen being used from 2027/28 (estimated rates of \$1.1 million).
- The hotel being completed in 2027/28, but with 5 years of rates relief included (initial rates estimated at \$100,000, increasing to \$600,000 after 5 years).
- Development of a new residential estate of 185 properties being developed in 2028/29 (estimated rates of \$350,000).

Model 6 includes the same timings as above but reduces the assumed income by 50%.

The income estimates in Model 5 are based on very early modelling using Council's current rating structure, but there are a large number of unknowns that require assumptions that are likely to change. The timings are a "best guess", based on timeframes set by external parties.

Both models show a significant improvement in Council's financial projections, back to a position that would be considered sustainable. These are only two possible scenarios, with an infinite number of permutations that could be considered. However, they do provide a helpful tool to start visualising a path out of Council's current financial position. These models are also not considered to be completely fanciful. All of the projects listed are real possibilities and there are likely many other potential items that have not even been considered yet.

Caution is recommended in using these scenarios until such time as greater certainty is known. It would not be responsible to factor these into Council's decision making at this time.

While Council will continue to use these types of models, to help with future thinking, it is proposed that no additional rates income from commercial activities will be built into Council's projections until such time as they are definite, that is, the subject land has been subdivided, or become rateable.

In relation to residential rates, the plan is built on an assumption of no additional properties, as this has been Council's experience over the past 10 years. It is proposed that additional rates from residential properties only begin to be projected in the plan once a threshold of 1% of combined growth has been experienced over a 2-year period, and/or until the relevant subdivisions have been completed.

Strategic Plan

The Annual Business Plan and Budget is a key document that outlines the activities that Council will undertake to deliver on all its strategic objectives.

Legislation

Council will prepare and consult on the draft 2023/24 Annual Business Plan and Budget in accordance with the following:

- *Local Government Act 1999*;
- *Local Government (Financial Management) Regulations 2011*; and
- Council's Public Consultation Policy.

Officer Direct or Indirect Interest – Nil

Risk Assessment

As shown in Council's financial projections, a deficit position will be maintained for a number of years. This has been discussed frequently over the last 12 months and the administration is well aware that this needs to be addressed into the future. A number of areas for future service reviews have been identified, with these soon to be progressed. Additionally, there are potential increases in future income that have not been included in the plan to be prudent, but which have been included in the discussion above.

Social Considerations

A key consideration for Council is to weigh the community's ability and willingness to pay against the long-term impacts that a reduced funding model will have on community capacity.

Community Engagement

The consultation process contains a number of ways for the community to be involved, including:

- a public information session on Tuesday 2 May 2023;
- a public information session on Tuesday 16 May 2023;
- two focus group sessions on Wednesday 10 May 2023;
- the ability to view the detailed presentation from Council's website;
- making a written submission via Council's website, email or hard copy; and
- making a verbal submission at the Council Meeting on Monday 15 May 2023.

Environmental Implications – Nil

Communication

Council will commence its public consultation process on Thursday 27 April, with submissions closing on Friday 19 May 2023. The consultation process will be communicated using a variety of methods including a public notice in the local paper, tv classifieds, media releases, Facebook posts, radio announcements and also via Council's website.

Conclusion

It is proposed to go to public consultation with a draft 2023/24 ABP&B based on a rate increase of 8.5%. While this is a larger rate increase than has been considered in previous years, it is being considered in the context of some of the most challenging budget conditions that have been faced in many years. The current level of CPI is at a generational high and while this is expected to decrease over the coming 12 months, it is important to use this measure at the same time each year for budgeting purposes, with March being the period previously used by Council.

In addition, interest rates are increasing at unprecedented speed, creating a further budget pressure.

The current level of increase in cost of living is likely to put upward pressure on wage increases while at the same time put an expectation of downward pressure on rate increases from those in the community. Because rate increases are one area that individuals can have a say in, there is often an expectation that councils will absorb rate increases even when all other costs are increasing.

As Council is currently in a deficit position, there is no capacity to absorb cost increases without significantly impacting financial sustainability. Many metro Adelaide councils have been using surplus positions to absorb costs over the past few years, which has allowed them to adopt rate increases below CPI. Whyalla is not in a position to do this.

Inside Cover

HOW TO HAVE YOUR SAY

Council welcomes feedback from our community on the proposed activities and funding arrangements contained within the Draft Annual Business Plan and Budget currently presented for 2023-24.

Community Consultation will be open from Thursday 27 April 2023 and all submissions or comments will need to be received by Friday 19 May 2023.

A full copy of Council's Draft Annual Business Plan and Budget 2023-24 is available to view at Council offices or by visiting Council's website: www.whyalla.sa.gov.

Your feedback can be provided by:

- Attending one of our Community Information Sessions at 6pm on either Tuesday 2 May 2023 or Tuesday 16 May 2023 at the Mount Laura Homestead Museum building (Ekblom St)
- Attending the General Council meeting at 5:30pm on Monday 15 May 2023
- Completing a written submission on Council's website: www.whyalla.sa.gov.au
- Email to council@whyalla.sa.gov.au
- In writing to: PO Box 126 WHYALLA SA 5600

ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the lands in our region belonging to the Barngarla people, and acknowledge them as the traditional custodians from the past, for the present and into the future.

The Barngarla people are strong, and are continuously connecting to their culture and their country. Whyalla City Council and the Barngala people can work together to build a stronger future.

Mayor and CEO Message

On behalf of the Elected Members and City of Whyalla staff, we are pleased to present the Annual Business Plan and Budget for financial year 2023-24 (FY24).

This plan outlines Council's proposed services, programs and projects for FY24, aligned with our vision to 'Unearth a Bright Future for Whyalla'. As always, our focus is not only on maintaining existing services and assets, but also ensuring preparedness to capitalise on the exciting opportunities on the horizon that will evolve our city and its economy.

FY23 snapshot

This past year has once again seen significant advancements for our city, particularly in relation to major hydrogen projects. The community also elected a new Council Member body – including a new Mayor – who are all keen to ensure the city reaches its full potential.

It was great to see progress continue in relation to the various green hydrogen projects, with scores of interested parties visiting our city and providing overwhelmingly positive feedback on our existing infrastructure and capability, as well as our suitability to cater for what lies ahead. These once-in-a-generation projects will provide long-awaited diversification for our economy; create hundreds of new jobs; increase our population; and give us a far more stable and secure future.

Other key highlights of Council projects delivered / commenced in FY23 included:

- Completing the \$7.1m airside upgrades at our airport (Federal Government funded)
- Commencing roll-out of several 'quick wins' from our Foreshore Master Plan to enhance and activate the area, including the installation of café and foreshore 'pods' and initiating design work for a new Whyalla Surf Life Saving Club building (complete with community facilities and café)
- Starting preliminary work on our \$1.7m Leisure Centre major works, which will see the installation of a new splash-play area, reopening of the spa, and improved water systems
- Completing the \$900,000 Jubilee Park facility upgrade

Our FY24 plan

As mentioned earlier, this plan is essential to prepare our city for long-term success, with proper, targeted planning continuing to be vital in order to ensure we are prepared to cater for the major projects planned for Whyalla.

We know that we can't rely on jobs alone to attract people to relocate to Whyalla for these projects – we also need improvements in the overall liveability of the city. We want these workers to live and work in Whyalla, not fly-in/fly-out or drive-in/drive-out. Existing Council projects targeting this include continued implementation of the Foreshore Master Plan; as well as completion of existing projects such as the Leisure Centre upgrade.

We must continue our investment in resolving the numerous legacy issues across the city – particularly relating to ageing infrastructure that has been under-invested for some time – allowing us to shift our focus from the past to the future which, as we've outlined, is critical to set us up for long-term success.

We will also continue our extensive lobbying of both State and Federal governments to secure funding to enable us to cater for the anticipated growth in the next few years, while minimising the impact on ratepayers. This funding will enable new and diverse housing to accommodate a growing

population; as well as a range of major infrastructure projects to complement existing attractions, such as our world-class jetty. Given Whyalla's vital importance to the state and national economies, we are confident we can secure the support required to bring them to fruition.

As well as being critical to evolve our city to cater for its future workforce, it will also present significant benefits for our existing residents and ratepayers, enabling our city to become the modern regional centre we've all been seeking.

As well as looking to the future, Council is also committed to maintaining current service levels, and ensuring that our day to day service delivery is of a high standard that meets community expectations. A program of service reviews will be undertaken to ensure that programs are delivered in the most efficient and effective manner.

Your rates

Taking all of this into consideration, together with a projected CPI increase of 7.5%, council is proposing a rate increase of 8.5% (or just over \$2 per week for the average residential property) - 1.0% above CPI.

We understand the inevitable queries and concerns that accompany rate rises. However, as we have outlined above, this increase – together with third-party investment – will be critical to allow Council to continue to deliver all existing services, while suitably preparing the city to capitalise on the major opportunities on our doorstep.

Equally, Council's expenses are impacted by the high level of cost increases at the moment and due to the current deficit position, there is no capacity to absorb these costs. Council already build a reasonable level of savings into the budget and increasing these allocations would not be achievable. Without this level of rate increase, services would need to be scaled back.

Community feedback

As always, we want to hear your thoughts on this year's Draft Annual Business Plan and Budget, ensuring we take these into consideration before adopting the final plan.

We will once again be conducting extensive community consultation, including formal and informal submissions, online engagement and the opportunity to make representations at the May general Council meeting. We encourage any members of the community with a passion for their city to ensure they have their say.

During public consultation, we will also be holding Public Information Evenings at 6pm on Tuesday 2 May and Tuesday 16 May at the Mount Laura Homestead Museum Building (Ekblom St) to provide an opportunity for a face-to-face question-and-answer session.

We are on the cusp of a new era for our city. We're confident this plan will enable us to seize the opportunities ahead by ensuring we are adequately planned and prepared. We trust you do too

Kind Regards

Mayor Phill Stone & CEO Justin Commons

City at a Glance

Content the same as last year

Council at a Glance

List of Elected Members

Employee Stats

Employees 163

FTE 140

Male 40%

Female 60%

Avg Length of Service 12 years

Avg Age 47 years

Strategic Priorities

Same content as last year

2022-23 Community Perceptions

COMMUNITY SURVEY

During early 2023, Council undertook its third annual survey, focused on understanding our community's perception of the city. These results have been compared to the initial survey from a year earlier to identify trends. These results, and the related commentary received, form an important input into Council's planning process and provide feedback on how the objectives within the Strategic Plan 2021-2030 are being met.

SCORE – expressed in percentages (rounded and therefore resulting in slight variations in totals)		Weighted Score -/5	Trend
OUR PEOPLE – a safe and engaged community, which is healthy, culturally and socially rich			
Pride	Proportion who say they feel proud of Whyalla	3.68	---
Safe, Healthy, Connected	Proportion who say they feel safe, healthy and connected to their community	3.17	↓
AVERAGE		3.43	---
OUR PLACES – protecting our natural environment and enhancing our built environment			
Attractive and creative city	Proportion who say they have great memories of Whyalla's parks, gardens, public buildings and infrastructure	3.79	---
Activated	Proportion who say Whyalla's parks, gardens, public buildings and infrastructure are well used and reflect community needs	3.43	↓
Sustainable environment	We look after our natural environment, effectively protecting it for us now and for future generations	3.34	↑
AVERAGE		3.52	---
OUR ECONOMY – Whyalla has a diverse and sustainable economy			
Growing	New businesses in Whyalla	3.27	↑
Learning, working, staying	Higher education enrolments, higher education retention	2.91	↓
AVERAGE		3.09	↓
OUR IMAGE – Whyalla is respected and recognised as a strong community with a bright, positive and long-term future			
Belonging	Would you recommend Whyalla as a place to live? (Net Promoter Score)	*-22	↓
	Would you recommend Whyalla as a place to do business? (Net Promoter Score)	*-40	---
AVERAGE		-31	---
OUR LEADERSHIP – we are a City confident in its leaders			
Strategic Accountable Engaged Modern	Proportion who say Council delivers value for the rate dollar	2.67	↓
	Proportion who are satisfied with Council services	3.35	---
	Proportion who say it takes little effort to do business with Council	3.25	↑
	Proportion who are satisfied with their experience in dealing with Council	3.29	↑
	Proportion who say Council is engaging with residents, ratepayers, community groups, visitors	3.08	---
	Proportion who say Council is exciting, modern and embracing change	2.88	---
AVERAGE		3.09	---

2022-23 Project Delivery

AIRPORT TAXIWAY AND RUNWAY SAFETY UPGRADE

These works significantly improve overall airport safety, by ensuring that the second runway has all weather access and separating Royal Flying Doctor Services from other users on the apron area. Work commenced in February 2022 and was completed in December 2022. The work was planned to ensure that there was no impact on passenger flights arriving at or departing Whyalla.

CUTTLEFISH COAST PROJECTS

This project supports and develops a pristine and fragile coastline. Its vision will position Whyalla as a year-round destination valued for its environment, recreation and lifestyle experiences. Accommodating a diverse range of activities, it balances the value of the existing natural, cultural and environmental assets, and adds local economic value.

A number of components of this project are now complete, including the walking trails, Point Lowly Toilets and pro dive site access stairs. Work has commenced on the Point Lowly Cottage Upgrades and are expected to be completed in late 2023.

Due to some issues around Native Title that need to be worked through, work to upgrade campsites along the coastline are not able to proceed at this time. The delivery of a carpark at the Cuttlefish dive site was also impacted by this issue, but also but the unexpected increase in visitor numbers that have occurred over the past 12 months, meaning that a full redesign of this site is required. These components have been deferred until a future year, and will no longer be claimed from the current grant funding.

JUBILEE PARK CHANGEROOM

Delivery of upgraded facilities for Jubilee Park, including a changeroom that meets standards set by the AFL. That will increase the city's ability to be a regional hub for carnival competitions, while also meaning that Jubilee can be activated more regularly by local sport such as soccer and football. The facility will also increase access to public toilets during the Whyalla Show.

ACTIVATE WHYALLA MODULAR PODS

All three pods are now installed and the two at the foreshore have been activated for a number of months, providing a café and visitor information services. The library pod will soon begin to be used, as a multi-use facility.

SURF LIFE SAVING CLUB BUILDING

Council is working closely with Surf Life Saving SA to ensure that the delivery of this facility meets community expectations and needs, including a permanent café facility. Work is also being undertaken to ensure that open space components of the Foreshore Masterplan are also delivered as part of this project.

CHILD CARE CENTRE UPGRADE

Council was successful in obtaining \$450,000 of matching funding towards the upgrade of our Child Care Centre. This funding is crucial in bringing this facility up to modern standards and allowing the centre to accommodate the capacity it is licenced for.

The works have been tendered, and will be completed prior to the funding deadline of 30 June 2024.

RECREATION CENTRE RENEWAL

The proposed works will bring this vital community facility back to modern standards, starting the work outlined in the masterplan developed for the centre. Works have recently been tendered and will be completed over the next financial year.

WHYALLA MARINA RENEWAL

This project now includes a number of components, including the boat ramp, swimming enclosure, marina dredging and resealing of the carpark. A funding bid has been submitted, with the outcome expected over the coming months. Detailed design has already been undertaken, so works can be tendered soon after this.

Detailed updates on the delivery of the entire capital program can be found in Council Agendas on a quarterly basis.

2022-23 Achievements

Initiative	Planned Activities	Progress to Date	Tracking
Our People - a safe and engaged community, which is healthy, culturally and socially rich			
Website Overhaul	Redesign of the Council website will provide a user-friendly experience reflecting the organisation's public value. The redesign will incorporate an enhanced site security framework and a mobile friendly response. The redesign of the Council Website will seek to engage the visitor economy with new and contemporary access points and information.	The process to identify the main issues with the current website has commenced. A working group will soon be formed to prioritise a staged approach to implementing updates.	On Track
Playground Strategy	Council is looking to review its Playground Strategy, and update it for the future. This will investigate whether the current model of a large number of small community playgrounds is in line with community expectations, or if a smaller number of larger playgrounds would be a better fit.	Work will soon commence on developing this plan, now that the Path and Trail Masterplan is reaching the final stages of development.	On Track
Activating Whyalla	Using modular pods to offer an alternative approach to the activation of key spaces within the city. This offers a cost effective way of providing access to contemporary facilities while also increasing flexibility to react to changing demand in the future.	Two of these spaces have been operating for a number of months and have been transformational in the way services are delivered along our Foreshore. The third and final space will soon become operational and provide much more flexibility in the type of community space that is available in Whyalla.	On Track

Initiative	Planned Activities	Progress to Date	Tracking
Our Places - protecting our natural environment and enhancing our built environment			
Hard Waste Options	With the change of service delivery method, and initiation of Veolia opening and now managing the waste transfer station, Council are looking to investigate whether additional options for handling Hard Waste can be offered to the community in an economical and fair manner.	Council have requested information on what options can be considered to address illegal dumping in the city.	Minor Delays
Jubilee Park Changerooms	Delivery of upgraded facilities for Jubilee Park, that will increase the city's ability to be a regional hub for carnival competitions.	This project is progressing well and is expected to be completed in May, well within the funding parameters.	On Track
Recreation and Sport Plan	Develop a roadmap for recreation and sporting facilities in our city.	Ongoing discussions are being held with the State Government around the \$6 million committed during the election campaign to a Whyalla sporting precinct. The conditions around this funding is likely to impact the future direction of sports facilities in the city.	Minor Delays
Review Building Assets	Continue the review of Council's buildings and plan for their future use, as well as promotion of initiatives that revitalise non-council owned buildings.	Administration is investigating the possibility of developing a city transformation strategy that seeks to leverage councils assets and land holdings to maximise commercial/Public-Private Partnership opportunities.	Minor Delays
Review Transport Assets	Undertake a full condition rating and valuation of Council's road network as part of the 5 year cycle. The data will be improved by including the unsealed network, an area that has not received enough focus in the past.	The consultant has been appointed to undertake these works and a start-up meeting has been held. The work will progress over the coming months, allowing plenty of time to finalise the data prior to the end of the financial year.	On Track
Regional Waste	Provide input into the development of a Regional Waste	Council cannot progress this item until the EPLGA are ready to do so.	On Hold
End of Life Buildings	A number of Council's buildings are coming to end of life and require a plan of action if they are not to be replaced. An allocation has been made for demolition over the next few years to allow a program of works to be developed, with the first buildings highlighted being: <ul style="list-style-type: none"> Fauna Park Ayliffe Street Depot Civic Park Lunchroom 	A plan has been developed internally, based on previous decisions of Council. Demolition work at the old Fauna Park has taken precedence, due to the poor condition of the buildings and the decision to change the use of this site.	On Track

Initiative	Planned Activities	Progress to Date	Tracking
Our Places - protecting our natural environment and enhancing our built environment			
Housing	Whyalla is in need of significant urban renewal, with the current housing stock not ready to meet the needs of a growing population. This renewal requires both private and public sector investment and Council have an important role to play in ensuring the correct parties are brought to the table on this issue.	Significant advocacy around the issue of housing in Whyalla is actively being undertaken, but has yet to gain much traction with the State Government. It is hoped that the recent approach to getting all relevant portfolios together in the same room, will begin to generate results. Council has progressed with land identification and developing data around needs, to give this the best possible chance of progressing.	On Track
Liveability	Whyalla needs significant investment in a large number of public infrastructure projects, to ensure that the city is able to take advantage of the opportunities that now face it. Current ratepayers cannot bear this cost, meaning that Council are required to advocate strongly for external funding sources to make this happen. The focus of all investment should be the liveability of the city, which will benefit both current and potential ratepayers long into the future.	The upcoming announcement of a new funding stream from the Federal Government focused on Precinct Partnerships is in line with advocacy undertaken by Council over the last 18 months. The next step is to secure a funding commitment from the State Government, as this will be critical to turning this opportunity into a reality.	On Track
Our Economy - Whyalla has a diverse and sustainable economy			
Economic Development Plan	Begin delivering on the Economic Development Plan with a focus on attraction of new industry, creating more jobs, underpinning the sustainability of local businesses, increasing the population and growing the visitor economy. There is a strong link between these aspirations and the development of the hydrogen industry locally, so advocacy in this area needs to be a high priority.	Economic Development Strategy adopted. Implementation commenced with initial focus being on hydrogen development.	On Track
SANFL Country Championships	This two-day carnival will be hosted by Whyalla for the first time in July and provides a great opportunity to capitalise on the city's top level oval facilities, including Bennett Oval which was recognised as the winner of the 2021 South Australian AFL Community Facility Project of the Year. The event will be headlined by the Round 15 clash between North Adelaide and Adelaide on Saturday, July 16.	This event was delivered with great success, with very positive feedback received from the SANFL on the standard of the facilities.	Completed

Initiative	Planned Activities	Progress to Date	Tracking
Our Economy - Whyalla has a diverse and sustainable economy			
Northern Coastline Master Plan	Delivery of Cuttlefish Coast projects, to improve the value proposition of the tourism offering on the Northern Coastline.	This project has now been reimagined, due to issues surrounding Native Title along the coastline, as well as the large increase in visitors to the cuttlefish dive site that has occurred over the last 12 months. The Point Lowly Cottages Upgrade will soon commence, while some other components won't proceed until a later financial year. Council will work closely with the State Government to progress these projects alongside the development works happening around Port Bonython.	Major Delays
Our Image - Whyalla is respected and recognised as a strong community with a bright, positive and long-term future			
Foreshore Master Plan	Undertake detailed design for the first components to be delivered under the adopted Foreshore Master Plan, with a focus on improvements in liveability.	Focus has been on Surf Life Saving Club development (including water splash area), Café and Vic Pods as well as park furniture. Continuing to also advocate for hotel development.	On Track
Greening and Streetscapes	Investment in greening of the city's open spaces involves the planting of 700 or more street trees each year, with appropriate species chosen to ensure the best long term outcomes. Grant funding has been received to deliver a greening project for the northern entrance to the city on McDouall Stuart Avenue. Beautification of Whyalla's streetscapes has been highlighted as an area of high community priority. Council has allocated seed funding to initiate innovative programs to address this need. It is hoped that these programs could also look to address other social needs, such as youth employment opportunities.	McDouall Stuart Ave upgrade and revegetation works are progressing as planned. Replacement of key parts of the irrigation system that are reaching end of life is being planned for the next few years. Significant additional rain for this year has meant that the additional resources allocated for beautification have been focused towards weed control.	On Track
Our Leadership - we are a City confident in its leaders			
Local Government Reform	The Statutes Amendment (Local Government Review) Act 2021 was assented to by the Governor on 17 June 2021. The implementation of the Review Act represents significant reform that present an opportunity for the local government sector to demonstrate excellence in leadership, governance, and administration, enhancing the value that councils provide their communities.	Work is progressing on rolling out an updated training program for Council Members and implimentation of the new Behavioural Framework. New requirements around the Audit and Risk Committee don't come into effect until later in 2023, but the process to appoint the new committee will ensure that Council is ready for this well before time. Council will be reviewed by ESCOSA later in 2023. The format and likely content of their advice is still unkown, as councils reviewed in the first year are still yet to receive anything back. A rating review will be undertaken in late 2023, to ensure that Council is ready to make the move to the use of Capital Values by the 2023-24 financial year.	On Track

Initiative	Planned Activities	Progress to Date	Tracking
Our Leadership - we are a City confident in its leaders			
Community Participation	Increase levels of community participation through engagement.	Two staff attended IAP2 training and will work with the leadership team on implementation of ideas for improvement. Increased responsiveness to Facebook posts has been a positive improvement in engaging with the community.	On Track
Customer Experience	Finalisation and implementation of a Customer Experience Framework for Council.	The framework has been completed and endorsed and implementation has commenced. Customer service request closures and inbound correspondence response rates continue to improve.	On Track
Organisational Development	With a performance management framework implemented the training and development plan will align Organisational and individual training and development needs. Key findings from the Uni SA Organisational Culture report will actioned.	Training and Development plans have been developed, based on an indepth training needs analysis.	On Track
Information Systems	Develop a roadmap and commence staged implementation for modernised council systems.	A consultant has been appointed to deliver this work, which includes a comprehensive review of current systems and a course of action for the future, focusing on customer centric service delivery. Process mapping is well underway and this work will link closely to the relocation project.	On Track
Service Reviews	Council is committed to ensuring public value to the Whyalla community for all Council activities. This will be achieved by developing a Service Review Framework focused on identifying community need, achieving efficiency and effectiveness with the aim to achieve on-going savings that can be passed onto the rate payer, or redirected to areas identified as requiring higher need.	Methodology for review developed and first review areas are in the process of being determined.	Minor Delays

2022-23 Measuring Our Performance

Key Focus Area	Measure	Progress	Performance
Key Imperatives / Project Delivery			
Deliver a master plan for the foreshore with a detailed first year plan identifying the elements to be delivered within the current budget levels for 2021/22	On track against plans	Focus has been on Surf Life Saving Club development (including water splash area), Café and Vic Pods as well as park furniture. Continuing to also advocate for hotel development.	On Track
A strategic 10 year plan identifying how the legacy issues council faces can be addressed - including operational processes, staff resources, budget and timelines required.	On track against plans	Legacy issues continue to be closed out progressively, with many of these now operationalised.	On Track
Develop and commence implementation of an economic development strategy/plan	On track against plans	Economic Development Strategy adopted. Implementation commenced with initial focus being on hydrogen development.	On Track
Provide leadership and organisational resources to supporting region wide projects (e.g. Hydrogen Hub, EPLGA, Upper Spencer Gulf group) to attract state and federal funds & external partners	Feedback from external stakeholders	The EPLGA Shared Services initiative has resulted in an agreement for Whyalla to host Environmental Health Officer (EHO) services for Ceduna, Franklin Harbour, Kimba and Streaky Bay from 1 July 2023. This will require the hiring of an additional EHO to be funded by these councils. Other options for shared services continue to be explored. Council was involved in a joint tender seeking a consultant to assist with the required rating review to make the move to rating by Capital Value, alongside the other 5 impacted councils on the Eyre Peninsula. As the largest impacted council, Whyalla probably could have undertaken this process alone, but thought it was important to be involved to achieve a better outcome for the smaller councils involved. Internal resources are being focused on the State Significant Projects that are underway, but further conversations need to be held on the actual level of resourcing required.	On Track
Delivery of annual capital program	On track against plans	Most capital projects have commenced with many expected to be completed by EOFY. Rec Centre and Cottages not progressing as fast as expected but will be underway before EOFY. Broadbent Terrace Stormwater deferred as quotes received 3 x budget. Child Care Centre Upgrade and Surf Life Saving Club Upgrade will continue into 23-24, as originally planned. Marina Renewal is the only major project where planning has not commenced.	Minor Delays
Delivery of initiatives outlined within the Annual Business Plan	On track against plans	Just over 75% of Strategic Initiatives are progressing as per the plan. The remaining items are mainly impacted by minor delays, with only one initiative being impacted in a major way, being the Northern Coastline Master Plan, which was recently reported to Council.	On Track

Key Focus Area	Measure	Progress	Performance
Financial and Asset Management			
Performance against Council's adopted budget inclusive of savings	Financial results show improvement compared to adopted (or adjusted) budget	Results to end of December are relatively consistent with budget, except for budget pressures relating to electricity, waste collection/disposal, animal re-homing and the cost of relocation.	At Risk
Develop and present to council options for restoring a surplus financial position by 2026/2027	Options presented to Council	Modelling will be presented during the 23-24 budget process. Sale/lease of council owned land to state, together with additional rate revenue from hydrogen development have the potential to significantly improve councils financial position.	On Track
Develop and commence delivery of a service review program, ensuring effective and efficient delivery of council services	Status of service reviews	Methodology for review developed and first review areas are in the process of being determined.	Minor Delays
Conduct a review of council assets and report to council identifying options including but not limited to renewal, maintain or relinquish	On track against plans	Administration is investigating the possibility of developing a city transformation strategy that seeks to leverage councils assets and land holdings to maximise commercial/Public-Private Partnership opportunities.	Minor Delays
Finalisation and presentation of Council's Asset Management Plans	AMPs adopted by Council	Asset Management Strategy (AMS) in place - Over the past 4 years council data in its various asset management plans has improved to a point where the renewal spend is more consistent and asset lifecycles are a lot more accurate. The update of data has also enable forward planning for various assets enabling a more effective allocation of Councils internal resources including budget. Additional information will be added to the AMS when it is next reviewed, but individual plans for each asset class are not required.	Completed
Organisational Development / Organisational Performance			
Build organisational capacity: culture, leadership, training and development	<ul style="list-style-type: none"> - Culture action plan developed and implementation commenced - Leadership team established, and leadership program commenced - Training and development plan developed and implementation commenced - Retention of senior management team; no loss in the next 18 months - 2 years 	<ul style="list-style-type: none"> - Action plans developed. - Leadership program for EMT commenced. Leadership program for Leadership group to commence prior to EOFY. - Training & Development Plans have been developed. - One departure this financial year - Manager Community Development. A number of vacant manager/senior positions exist necessitating some further organisational realignment. 	On Track
Build organisational governance: implement local government legislative reform program, commence preparation for the 2022 local government election	Timely and efficient implementation of LG reform	Progressing well.	On Track
Implement agreed recommendations from external / independent reviews as required e.g. external & internal audit reports, governance health check	Timely and efficient implementation of recommendations from external / independent reviews	Progressing well - significant work program identified during WHS Audit.	On Track

Key Focus Area	Measure	Progress	Performance
Customer & Stakeholder Engagement and Experience			
Develop & commence implementation of a customer experience framework inclusive of standards and systems	Customer experience framework endorsed and implementation commenced	The framework has been completed and endorsed and implementation has commenced.	On Track
Improve Community engagement/experience	Customer request closures, inbound correspondence response rate	Customer service request closures and inbound correspondence response rates continue to improve. At the time of reporting this year there have been 379 incoming customer requests with 302 closed/completed (79.6%).	On Track
Build community leadership	Development and implementation of strategies to build community leadership	An agreement has been entered into with UniSA for an industry fellowship with a focus on building community leadership. The fellowship commences in February and a further briefing will be provided to Council.	On Track
Undertake annual community survey	Survey results show increased ratings year on year against annual community survey	The Community Survey is ordinarily undertaken in November/December each year, in 2022 the survey was deferred to the first quarter of 2023 due to the Council election.	On Track

2023-24 at a Glance

The draft Annual Business Plan sets out Council's proposed services, programs and projects for 2023/24. It aims to maintain efficient legislated and discretionary services for the community and continue progress towards the longer-term objectives for the City of Whyalla as set out in the Strategic Plan adopted in 2020.

The Annual Business Plan is Council's key management document reflecting the work that Council needs to undertake to meet its Strategic Plan goals and objectives within the constraints of the revised Long Term Financial Plan.

RATE REVENUE MADE UP OF

FIXED CHARGE \$586 (previously \$586)

GENERAL RATES AN AVERAGE GENERAL RATE INCREASE OF \$119 PER RESIDENTIAL PROPERTY (just over \$2 a week or 8.5% - depending on valuation)

Waste Management Service Charge \$400 (previously \$370)

Regional Landscape Levy (collected on behalf of the State Government) \$1,017,100 for 2023/24 (\$944,900 for 2022/23)

SIGNIFICANT INFLUENCES

Loan borrowings estimated at \$25.5 million in June 2024

Consumer Price Index 7.5% (estimated Mar 2023)

Local Government Interest Rate 4.8% (estimated)

Increase in the superannuation guarantee at 1 July 2023 from 10.5% to 11.0%

CAPITAL SPEND

\$5.6 million Capital spend on renewal of existing assets

\$0.2 million External funding for the delivery of new assets

\$1.3 million Council spend on the delivery of new assets

Significant Influences & Priorities

The draft 2023-24 Annual Business Plan & Budget has been developed within the Planning Framework outlined earlier in the document. In addition to this, the annual planning process began with an Environmental Scan, to ensure that all relevant internal and external factors were taken into account in planning for the delivery of Council services for the year and beyond. The table below lists some of the key issues identified for each area examined but doesn't represent an exhaustive list of all the items discussed.

ENVIRONMENTAL SCAN

Internal	External
Financial Sustainability	Political
- Rate Methodology	- Election outcomes
- Reliance on rates	- Focus on renewable energy
Legacy Issues	Economic
- Recreation Centre	- Covid impacts
- Disability access	- Economic Development Plan
- Point Lowly Cottages	- Hydrogen industry
- Civic building	- Tourism
Services	Legal
- Service review framework	- Local Government reform
- Capacity to deliver new projects/service	
Workforce	Social
- Policy review	- Housing
- Recruitment	- Public Health Plan
- Succession planning	
Effectiveness	Technological
- Modernisation	- Preparation for change
Assets	Environmental
- Asset data	- Cuttlefish protection
- Comprehensive review of buildings	- Climate change
Performance	Relationships
- CEO KPIs	- Other spheres of government
- Business unit plans	- Private industry

LTFP ASSUMPTION

Service Levels

Rate Increase 8.5%

Wage increase 5.5% (including superannuation of 0.5%)

Consumer Price Index 7.5%

Interest Rate 4.8%

Capital Costs 7.5%

Ongoing Savings \$100,000

Other Income

Budget Parameters

A suite of parameters were adopted at the beginning of the budget process, which have formed the framework within which the Annual Business Plan and Budget has been developed. This ensures that the budget is developed in a logical manner that is clear to all stakeholders. These parameters state that the Annual Business Plan and Budget will:

1. Support the achievement of the City of Whyalla's Strategic Direction.
2. Address issues arising, and opportunities identified, from organisational effectiveness assessments/reviews.
3. Reach a break-even operating position in the Long-Term Financial Plan by 2026-27 or earlier.
4. Continue to improve the whole of life focus on assets in accordance with Council's Asset Management Strategy, with a priority on:
 - maintenance to ensure assets reach end of life; and
 - 100% funding of renewal at end of life except where a service level change has been specified, or where renewal would be inconsistent with an adopted Council plan or resolution.
5. Review existing services and assets to ensure they meet prioritised community needs.
6. Council only approve New/Upgrade Capital Projects where it has identified:
 - borrowing capacity to fund upfront cost; and
 - operating capacity to fund ongoing costs.
7. Maintain predictability and stability in rating increases, in line with the LTFP

CEO Report on Financial Sustainability

Council prepares its annual plan taking into account the previously listed parameters, but there are always trade offs in meeting all the outcomes. At this stage, the LTFP does not return to a surplus position, which is not in line with the relevant parameter. This is also an indication that Council is not currently operating in a sustainable manner.

This point has been discussed at length both internally and externally over the last year or so, in the context of the unique and challenging position that Whyalla finds itself in. Once in a generation projects have the potential to transform the future of the city, centered around the development of a hydrogen industry at Port Bonython and Cultana. However, with this opportunity also comes significant challenges, with ageing infrastructure in the city meaning that a high level of investment is going to be required to support the change.

The city is tired, with the population level over the last 30 years (never far above 21,000) not having the capacity to fund the infrastructure for a city that was designed for a larger population base of 40,000 plus. Areas such as housing, civic infrastructure, recreation and open space need significant investment to ensure the livability and amenity of the city.

Council cannot be the one to make this investment, external funding from other levels of government and private industry will be vital to revitalising the city. Whilst the timing of this investment is unknown, Council has concluded that making cuts to services and amenity within the city at this time in order for Council to reduce its projected operating deficit was counterintuitive to the objective of improving the liveability and amenity of the city required to attract additional skilled workforce to Whyalla. Instead, a level of deficit for a number of years is likely to be necessary.

It should however be noted that there are potential upside risks that aren't built into the plan yet. For example, it is likely that a significant level of rates will be generated by the hydrogen hub investment in our city, however the timing is not yet known. Equally, there is the potential that recent announcements may spur additional growth in the urban renewal of existing residential properties as well as new builds, which will also generate additional rates.

Modelling has been undertaken showing that even if only half of currently proposed projects came to fruition, that the additional rates revenue would move Council back to financially sustainable position. In reality, there is likely to be far more in the pipeline than in currently envisaged.

Council will only build in additional rates revenue from commercial development in cases where that development is absolutely certain, i.e construction has commenced or previously non-rateable land has changed ownership. Currently Council's plan builds in no residential growth. Once Council has experienced 1% of residential growth over a 2 year period, the plan will be updated with a reasonable growth assumption.

The community are very sensitive to discussions of service level cuts and so the Council have committed to maintaining current service levels, as well as looking to improve liveability over time. Without growth, this requires rate increases above CPI, which is always made very clear during public consultation. However, Council will soon commence a program of service reviews, to ensure that services are being delivered in an effective and efficient manner.

The level of borrowings being carried by Council are reasonable, with the Net Financial Liabilities Ratio only projected to peak just above 70%. Council have set a conservative ceiling for this ratio of 80%, below the 100% recommended by the LGA. This shows that there is capacity to undertake additional investment, however Council doesn't currently have the capacity to service additional assets.

So, while Council is currently restricted in what it can do financially, the decision to move ahead on the current path was a fully informed decision, based on the situation Council finds itself in. While the current financial position could not be maintained indefinitely, it is not considered unsustainable to do so for the next few years.

Council is confident in the city's future, and it is important that we lead the way in ensuring the investment required to make it a reality occurs as soon as possible.

However, if the potential upsides for the city don't begin to materialise in a two-to-three-year horizon, service level adjustments are likely to become a reality that the Council cannot avoid.

Strategic Initiatives

A key objective of the Annual Business Plan & Budget is to outline how Council will deliver on the Strategic Plan 2021-2030 objectives during the year. While much of Council's business involves ongoing service delivery, the list below outlines the specific initiatives that have been identified to be undertaken in 2023-24 to ensure that Council can deliver on these strategic objectives.

Initiative	Planned Activities
Our People - a safe and engaged community, which is healthy, culturally and socially rich	
Library Space	The Library is an important and well used community asset. Some components of the building are due for renewal and this is being taken as an opportunity to review the overall use of the space, to ensure it meets practice.
Animal Management Plan	Implementation of programs, such as education and desexing, in line with the recently adopted Animal Management Plan. It is expected that this investment will reduce the number of animals requiring rehoming, which is a significant cost driver for Council.
Water Security	Development of the Northern Water Supply Project will ensure water security in Whyalla for future generations. It also provides an opportunity to advocate for the concurrently upgrade Whyalla's water supply network, which currently doesn't meet industry standards.
Our Places - protecting our natural environment and enhancing our built environment	
Waste Education	Currently almost half of the waste put in general waste bins across the city could be diverted to green waste. If this occurred, it would save almost \$300,000 a year in disposal costs. Education programs will be undertaken with industry partners to empower the community to begin making this change.
Recreation and Sport Plan	Develop a roadmap for recreation and sporting facilities in our city.
Review Building Assets	Continue the review of Council's buildings and plan for their future use, as well as promotion of initiatives that revitalise non-council owned buildings.
Review Stormwater Assets	Undertake a condition rating and valuation of Council's stormwater network as part of the 5 year cycle. Due to the nature of stormwater asset inspection, a portion of the network will be inspected and the results extrapolated over the remaining assets based on age and location.
Housing	Whyalla is in need of significant urban renewal, with the current housing stock not ready to meet the needs of a growing population. This renewal requires both private and public sector investment and Council have an important role to play in ensuring the correct parties are brought to the table on this issue.
Liveability	Whyalla needs significant investment in a large number of public infrastructure projects, to ensure that the city is able to take advantage of the opportunities that now face it. Current ratepayers cannot bear this cost, meaning that Council are required to advocate strongly for external funding sources to make this happen. The focus of all investment should be the liveability of the city, which will benefit both current and potential ratepayers long into the future. Detailed design for a number of high priority projects will be progressed, to ensure Council is shovel ready when funding is available.

Initiative	Planned Activities
Our Economy - Whyalla has a diverse and sustainable economy	
Economic Development Plan	Delivery of the Economic Development Plan with a focus on attraction of new industry, creating more jobs, underpinning the sustainability of local businesses, increasing the population and growing the visitor economy.
Northern Coastline Master Plan	Complete delivery of the Point Lowly Cottages Upgrade, which will provide a key tourism asset for the region.
Our Image - Whyalla is respected and recognised as a strong community with a bright, positive and long-	
Foreshore Master Plan	Progress the Surf Life Saving Club build alongside the open space components of the plan, such as playground and water play. Focus on the renewal of marina assets reaching end of life, such as the boat ramp and swimming enclosure.
Greening Whyalla	Investment in greening of the city's open spaces involves the planting of 700 or more street trees each year, with appropriate species chosen to ensure the best long term outcomes. In addition, a pilot program will be developed to get community buy in for the uplift of local streetscapes.
Sand Replenishment	Council will double its annual sand replenishment program, to maintain the current beach over the next 15 to 20 years in line with the recommendations in the recently completed coastal adaptation study.
Our Leadership - we are a City confident in its leaders	
Community Participation	Increase levels of community participation through engagement.
Customer Experience	Finalisation and implementation of a Customer Experience Framework for Council.
Organisational Development	With a performance management framework implemented the training and development plan will align Organisational and individual training and development needs.
Information Systems	Commence staged implementation of the system modernisation roadmap.
Service Reviews	Council is committed to ensuring public value to the Whyalla community for all Council activities. This will be achieved by developing a Service Review Framework focused on identifying community need, achieving efficiency and effectiveness with the aim to achieve on-going savings that can be passed onto the rate payer, or redirected to areas identified as requiring higher need.
Rates Review	Extensive community consultation will be undertaken as Council prepares to make the move to rating using Capital Values for 2024/25.
Review of Strategic Management Plans	The development of a Community Plan, outlining the future direction of the city as a whole, will drive the update to Council's Strategic Management Plans.
Future Civic Centre	Planning for the future home of Council is an exciting opportunity to ensure the delivery of a multi-use facility that delivers the best possible outcome for the community.

Measuring Our Performance

To ensure Council's accountability in delivering on the objectives in the Strategic Plan 2021-2030, the following measures have been put in place to track progress. These measures align with the Key Performance Indicators adopted by Council for the Chief Executive Officer.

Focus Area	Performance Measure
Key imperatives / project delivery	
Staged delivery of the foreshore master plan	On track against plan
Development of updated Strategic Management Plans that reflect community vision and need	Plans adopted
Implementation of the economic development plan	On track against plan
Provide leadership and organisational resources to supporting region wide projects (e.g. Hydrogen Hub, EPLGA, Upper Spencer Gulf group) to attract state and federal funds & external partners.	Feedback from external stakeholders
Delivery of annual capital program	On track against plans
Delivery of initiatives outlined within the Annual Business Plan	On track against plans
Financial and asset management	
Performance against Council's adopted budget inclusive of savings	Financial results show improvement compared to adopted (or adjusted) budget
Identify and implement strategies to restore a surplus financial position by 2026/2027	LTFP projections
Develop and commence delivery of a service review program, ensuring effective and efficient delivery of council services	Status of service reviews
Conduct a review of council assets and report to council identifying options including but not limited to renewal, maintain or relinquish	On track against plan
Continuous improvement of Council's asset management data and delivery	Quality of asset data available Improvement in asset condition over time

Focus Area	Performance Measure
Organisational development / organisational performance	
Build organisational capacity: culture, leadership, training and development	<ul style="list-style-type: none"> - Organisational development plan developed and implementation commenced - Leadership development undertaken - Training and development plan developed and implementation commenced - Retention of senior management team
Build organisational governance, including implementation of local government legislative reform program	Compliance with all Local Government Act requirements Timely and efficient implementation of LG reform
Implement agreed recommendations from external / independent reviews as required e.g. external & internal audit reports, governance health check	Timely and efficient implementation of recommendations from external / independent reviews
Customer & Stakeholder Engagement and Experience	
Develop & commence implementation of a customer experience framework inclusive of standards and systems	Customer experience framework endorsed and implementation commenced
Improve Community engagement/experience	Customer request closures, inbound correspondence response rate
Build community leadership	Development and implementation of strategies to build community leadership
Undertake annual community survey	Survey results show increased ratings year on year against annual community survey

Capital Renewal Program

The table below shows Council's expected spend on Capital Renewal during 2023-24, totalling \$5.6 million. Renewal expenditure is required to maintain Council's infrastructure networks at their current standards and service levels, as assets reach the end of their useful life.

Council's required spend on renewal is set out in the Asset Management Strategy and is based on extensive data relating to the condition and value of Council's assets. This data is extensively reviewed every 5 years, on a rolling schedule for each asset class. When developing the annual budget, the asset data receives a "ground truth", to ensure that the identified assets are the most appropriate for renewal. Other minor adjustments are also undertaken to ensure that the renewal program is undertaken in an efficient manner

Asset Category	Total Cost
Transport	\$1,640,000
Buildings	\$2,086,000
Rec and Open Space	\$ 613,000
Plant & Equipment	\$1,105,000
Irrigation	\$ 125,000
	\$5,569,000

TRANSPORT RENEWAL

This is the second year of a three year program, that includes renewal of road, kerb and footpath assets. The development of the program is based on detailed network condition data, in conjunction with visual assessments and usage information.

PLANT & EQUIPMENT RENEWAL

Plant & Equipment is used across Council to assist with service delivery. Replacement is scheduled to ensure that cost is optimised over the life cycle. The following items require replacement:

- Loader
- Tractor
- Drum Roller
- Wood chipper
- Mower
- 7 fleet vehicles
- Trailer
- 3 school crossings
- Minor IT equipment

BUILDING RENEWAL

RECREATION CENTRE \$736,000

The works already tendered included the replacement of significant plant room items, to improve the water quality achieved at the Centre. This was outside the scope of the previously approved budget, but can be funded from Council's renewal budget as these items are approaching end of life.

CREMATORIUM \$602,000

The crematorium is an important asset for both Whyalla and the wider region, as there are very few providers of this service outside of metro Adelaide. The current cremator is at end of life and in urgent need of replacement so that this service can continue. The ongoing cost of this service is covered by service charges, meaning that it is not a cost to ratepayers.

WHYALLA LIBRARY \$253,000

The Library is an important and well used community asset. Some components of the building are due for renewal including the polished concrete floor and air conditioning units. A further allocation will be required in the following year, for renewal of the shade sails and blinds.

PUBLIC TOILETS \$158,000

Public toilets across the city are in need of renovation to bring them up to modern standards. It is proposed that 1 to 2 toilets a year will be renewed over the coming years, with Wilson Park prioritised for the coming year.

CHILD CARE CENTRE \$128,000

Some internal fittings have reached end of life and will be replaced as part of the overall Centre upgrade.

OTHER BUILDING WORKS \$209,000

Required works have also been identified for the following sites, with these being renewal of minor building components:

- Alex Ramsey Library
- Works Depot

OPEN SPACE RENEWAL

CHILD CARE CENTRE \$165,000

Fencing, pergolas and landscaping has been identified as requiring work and will be managed as part of the overall Centre upgrade.

PLAYGROUNDS AND EQUIPMENT \$149,000

Two playgrounds require replacement each year to ensure equipment isn't exceeding useful life. Russell and McGee Street playgrounds have been identified as reaching end of life.

SWIMMING ENCLOSURE \$119,000

The renewal of the swimming enclosure at the Whyalla Marina has been included within a funding application covering the replacement of the boat ramp, dredging of the marina and resealing of the carpark. This funding, if received, will allow Council to renew these assets to a high standard.

ADA RYAN GARDENS \$118,000

The relaying of the basketball court and replacement of some fencing that has reached end of life.

OTHER OPEN SPACE WORKS \$62,000

The program to replace many of the BBQs and related infrastructure across the city over the coming years will continue, with Wilson Park and Ocean Eyre identified for this year.

Minor works will be done to ensure the dish cleaning station at Whyalla Marina remains operational.

IRRIGATION RENEWAL

An irrigation renewal program has been developed, with the replacement of two major pump stations required over the coming years.

New Capital Projects

The table below shows Council's expected spend on New Capital Projects during 2023-24, totalling \$1.5million. The majority of this value was committed by previous Council resolutions. Due to a number of large projects already in progress, and the amount of planning required to get ready for future priorities, the project list for this year has been kept to a minimum. This will increase capacity over the coming years.

Project	Total Cost	Funding	Council Cost
Surf Life Saving Club Building	\$1,100,000	\$ -	\$1,100,000
Maritime Museum Path	\$ 180,000	\$ 180,000	\$ -
Depot Plant Upgrades	\$ 95,000	\$ -	\$ 95,000
Street Tree Replacement Program	\$ 90,000	\$ -	\$ 90,000
Cemetery Storage Bays	\$ 32,000	\$ -	\$ 32,000
Bennett Oval Disability Access	\$ 23,000	\$ 23,000	\$ -
	\$1,520,000	\$ 203,000	\$1,317,000

SURF LIFE SAVING CLUB BUILDING

This is the second component of Council's contribution to this project. Council is working closely with Surf Life Saving SA to ensure that the delivery of this facility meets community expectations and needs, including a permanent café facility. Work is also being undertaken to ensure that open space components of the Foreshore Masterplan are also delivered as part of this project.

MARITIME MUSEUM PATH

This project will improve accessibility for one of Council's most important tourism assets. The current path is greatly impacted by tree roots, so this solution proposes a raised path, that allows all users to enjoy the beauty of the surrounding gardens. This will be completely funded from the Local Roads and Community Infrastructure fund.

DEPOT PLANT UPGRADES

A number of small pieces of plant have been identified that will improve the efficiency of the depot team, while also addressing some safety issues. Their purchase will mean that more work can be completed in house.

STREET TREE REPLACEMENT PROGRAM

This program will continue to ensure more of the gaps within our street tree network are filled, with the aim to plant 700 trees per year and extend the irrigation network to ensure they can establish without the need for manual watering.

CEMETERY STORAGE BAYS

As the footprint of the cemetery continues to grow , it has become necessary to be able to delineate storage areas for materials that previously existed away from the public area.

BENNETT OVAL DISABILITY ACCESS

This project will see the delivery of 6 disability carpark close to the buildings and amenities at the oval. This will be completely funded from the Local Roads and Community Infrastructure fund.

Continuing Projects

The table below represents projects that have been approved as part of a previous budget process, where some of the approved expenditure is now expected to occur during 2023-24.

Projects can be retimed for a number of reasons, including increased complexity experienced after detailed design is completed. Some of the projects listed below were originally described as multi-year projects.

It is likely that more projects will be added to the list prior to budget adoption, as an extensive review of 2022-23 project progress will be undertaken during the Third Quarter Budget Review.

Further information on these projects is available in previous Annual Business Plans.

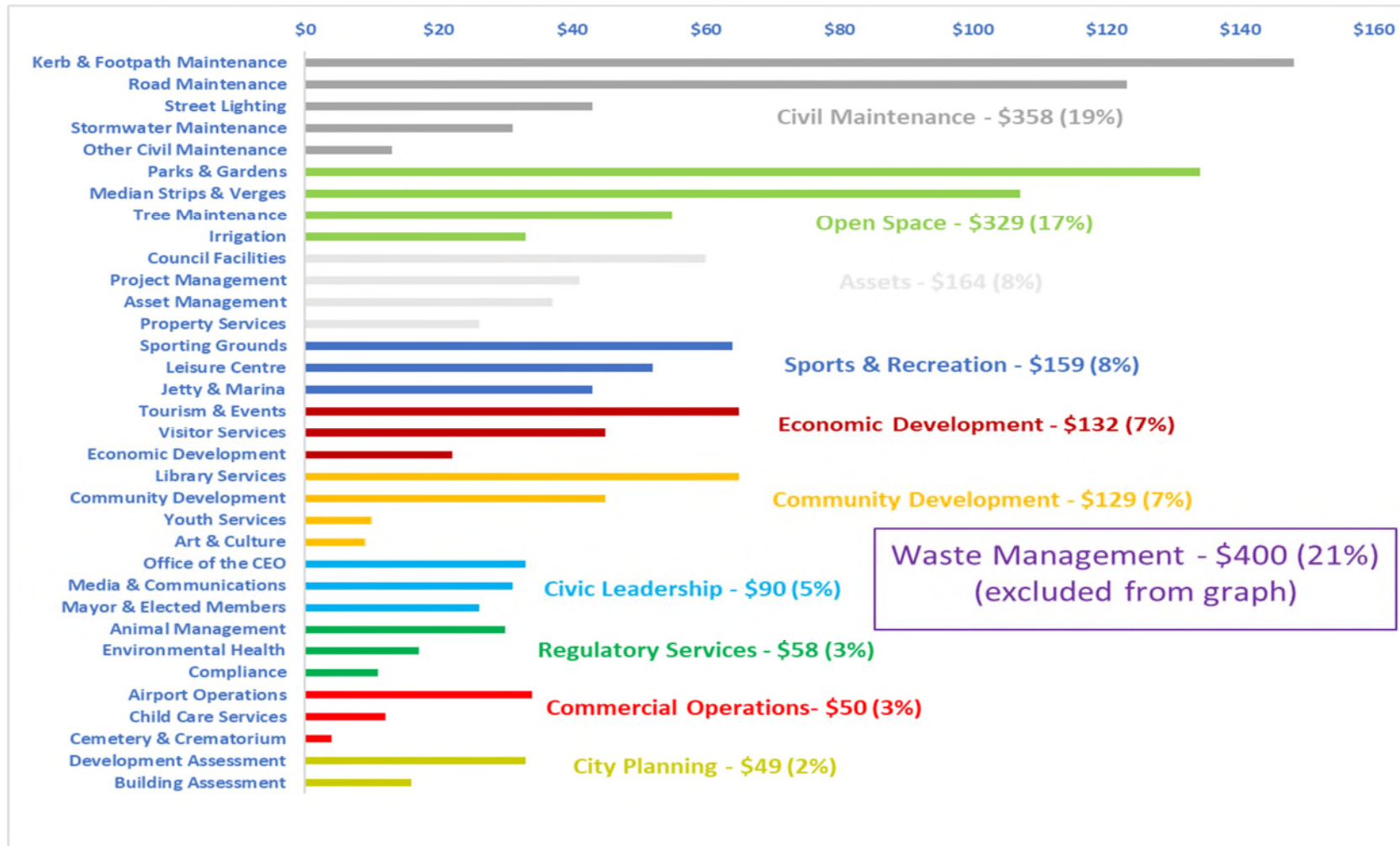
	New/Upgrade	Renewal	Funding	Council Cost
Child Care Upgrade	\$ 600,000	\$ -	\$ 300,000	\$ 300,000
Whyalla Health & Leisure Centre	\$ -	\$ 527,000	\$ -	\$ 527,000
Foreshore Toilet Renewal	\$ -	\$ 158,000	\$ 150,000	\$ 8,000
Whyalla Marina	\$ -	\$ 527,000	\$ -	\$ 527,000
Child Care Centre Playground	\$ -	\$ 108,000	\$ -	\$ 108,000
Lacey Street Playground	\$ -	\$ 68,000	\$ 65,000	\$ 3,000
George Lane Playground	\$ -	\$ 38,000	\$ 36,000	\$ 2,000
	\$ 600,000	\$1,426,000	\$ 551,000	\$1,475,000

Council is Part of Your Every Day

Requesting update to graphic to align with the 35 service areas included within the rates graph

Rates at a Glance

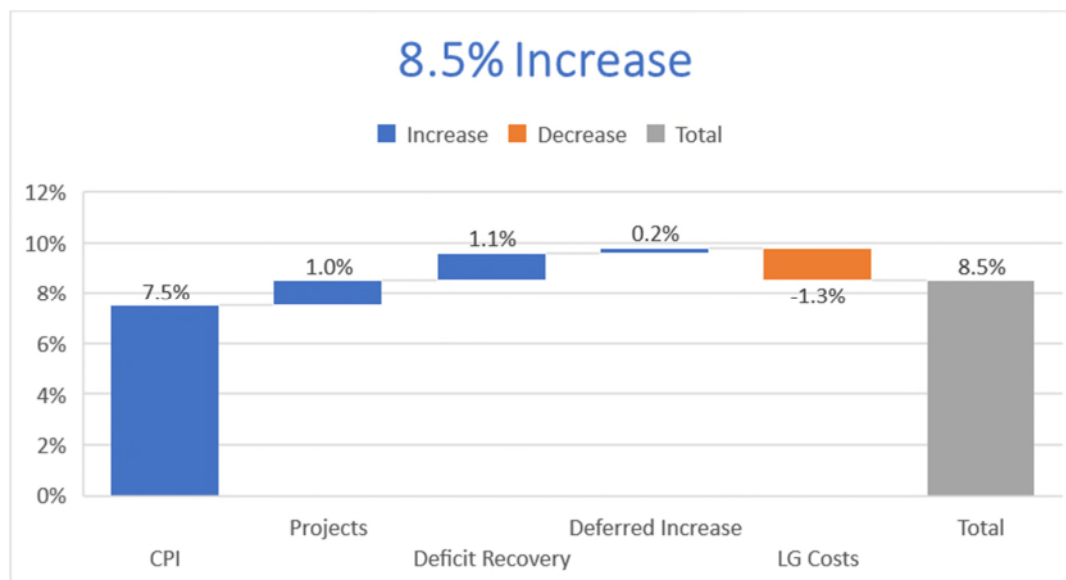
It is proposed in 2023-24, that the average residential rates bill of \$1,918 will be used to fund the following services:



Components of Council's Proposed Rate Increase

A number of significant factors have influenced the preparation of Council's 2023-24 draft Annual Business Plan and Budget and are reflected within the proposed rates increase of 8.5%.

These include the following:



CONSUMER PRICE INDEX (CPI)

Increases in the Consumer Price Index influence almost all costs incurred in the course of conducting Council operations, including wage increases, contracts with suppliers, and the cost to purchase materials. For this reason, CPI is a suitable base for rate increases, adjusted for other items below. When using annual CPI, it is important to use the same period in each year. For this reason, Council uses March CPI for Adelaide each year in setting the budget. As this data is not yet available, an estimate of 7.5% is currently being used, with this to be updated before budget adoption.

PROJECT DELIVERY

To be able to deliver new assets to the community, an additional rate increase of 1.0% is required each year, to ensure that the costs of operations and maintenance can be accommodated.

LOCAL GOVERNMENT COSTS

Council incurs costs that are not completely reflected within the CPI index, such as paying wages and maintenance of complex infrastructure, that tend to increase more quickly than CPI. However, because CPI is at such a high level this year, it is expected that wages won't increase in line with CPI, which has had the impact of putting downward pressure of 1.3% on rates.

DEFICIT RECOVERY

Council is currently in a deficit position. Allocation has been made for the identification of internal efficiencies to reduce cost pressures, but an additional rate increase is required to assist in moving back to a break-even position in the medium term. For this year this has been set at 1.1%

DEFERRED INCREASE

A decision was undertaken to only fund a rate increase in line with CPI for 2020-21, to support the community during the height of Covid-19. A number of changes to the Long Term Financial Plan were required to accommodate this change, including an additional rate increase for the next three years of 0.2% higher. This is the final year of this item.

Funding the Annual Business Plan

FINANCIAL INDICATORS

Key financial sustainability performance targets ensure the long term financial sustainability of the Council covering the maintenance and development of the community's assets as well as providing appropriate services.

Council has planned for an adjusted operating deficit before capital revenues for 2023-24 of (\$2,055,000) and an adjusted operating deficit ratio of (5%).

This ratio is below Council's target range. This can be primarily attributed to the following factors:

- Council is committed to dealing with the large number of matters that have existed for some time within the city and organisation, while at the same time looking to the future and ensuring the city is ready for the large number of emerging opportunities. This requires extra capacity within the organisation, with resource levels having been static for a very long time.
- The Airport is recovering from the impacts of Covid-19 and it may be a number of years for passenger numbers to return to previous levels. The airport has undergone extensive upgrades and the long term funding model will be phased in over a number of years to avoid a large one-off increase. In addition, the ongoing depreciation of some assets cannot be passed on to passengers at this time due to grant funding conditions. For this reason, the airport is expected to run at a significant deficit for a number of years. More info on this can be found over the page.

Because of these factors, Council's Annual Business Plan and Budget 2022-23 is inconsistent with the previous projections within Council's LTFP. Large deficits are not sustainable in the long term, and Council have identified a number of targets for savings and efficiency improvements to ensure the Long Term Financial Plan (LTFP) projects a move back towards break-even in future years.

Council will also look to work with the State and Federal Government on an alternative model to fund the large amount of investment required in the city in the near future, including ensuring that Council continues to be financially sustainable while the city goes through a period of intense change.

Council's Net Financial Liabilities Ratio is projected to be 67% for 2023-24 and is within the target range.

The Asset Renewal Funding Ratio is projected to be 126% in 2023-24. Based on Council's Asset Management Strategy, this ratio indicates how close the alignment is between the predicted expenditure on the renewal of assets and what Council proposes to spend on these assets.

This ratio is slightly above target, as Council retimed some renewal expenditure from previous years in line with updated project delivery timetables.

Total borrowings are projected to be \$25.5m at 30 June 2024.

Council will monitor the implementation of the 2023-24 budget via regular budget updates and reviews in accordance with the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

Budget at a Glance	
Net Rate Revenue	\$25.7 million
Other Operating Revenue	\$13.3 million
Operating Expenditure	\$41.0 million
Capital Expenditure	\$9.1 million

Key Financial Indicators	Target Short Term	2022 Year End Actual	2023 Adopted Budget	2023 Projected Actual	2024 Draft Budget
Adjusted Operating Surplus/(Deficit) - \$'000		(827)	(1,943)	(2,510)	(2,055)
Adjusted Operating Surplus/(Deficit) Ratio	(2) - 1%	(2)%	(5)%	(7)%	(5)%
Net Financial Liabilities Ratio	< 80%	46%	69%	63%	67%
Asset Renewal Funding Ratio	90 - 110%	62%	129%	141%	126%

2022 Year End Actual - Council's audited financial results as at 30 June 2022

2023 Adopted Budget - Budget for 2022-23 as adopted by Council June 2022

2023 Projected Budget - Council's revised budget, projecting its financial position to 30 June 2023

2024 Proposed Budget – Proposed Budget 2023-24

Summary Statement & Financing Transactions

	2022 Year End Actual	2023 Adopted Budget	2023 Projected Actual	2024 Draft Budget
Operating Revenues	36,487	36,474	37,594	38,981
<i>less:</i> Operating Expenses	(35,595)	(38,417)	(40,104)	(41,036)
Operating Surplus/(Deficit) before Capital Amounts	892	(1,943)	(2,510)	(2,055)
Capital Expenditure on Renewal/Replacement	(5,898)	(5,574)	(6,190)	(6,995)
<i>add back:</i> Depreciation, Amortisation and Impairment	7,257	8,132	8,017	8,493
<i>add back:</i> Sale of Replaced Assets	192	178	314	171
Net Outlays on Existing Assets	1,551	2,736	2,141	1,669
Capital Expenditure on New and Upgraded Assets	(12,149)	(10,140)	(8,736)	(2,120)
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	5,198	4,823	2,001	300
<i>add back:</i> Sale of Surplus Assets	0	0	0	0
Net Outlays on New and Upgraded Assets	(6,951)	(5,317)	(6,735)	(1,820)
Net Lending/(Borrowing) for Financial Year	(4,508)	(4,524)	(7,104)	(2,206)
New Borrowings	24,150	7,300	7,150	2,100
Repayment of Principal on Borrowings	(14,900)	0	0	0
(Increase)/Decrease in Cash and Cash Equivalents	230	49	146	31
Net Balance Sheet Funding	(4,972)	(2,825)	(192)	75
Financing Transactions	4,508	4,524	7,104	2,206

Airport

Council maintains and manages the Whyalla Airport. It is important for the airport to be financially sustainable in the medium to long term and to help achieve this, a separate budget and Long Term Financial Plan (LTFP) is prepared.

The airport is projecting an operating deficit before capital revenues for 2023-24 of \$909,000 and an operating deficit ratio of (34%).

Airport passenger numbers are expected to take a number of years to return to pre-Covid levels, which is contributing to a deficit position in the short term. In addition, the requirements of some of the significant Federal Government Grants received for the Terminal Upgrade are that the capital cost cannot be passed onto airport users. In practice this means that the airport will likely be required to carry a deficit relating to depreciation into the medium to long term.

Required increases in the passenger tax, relating to the increase in service generated by infrastructure upgrades, will be phased in over a number of years to reduce the impact on the Covid recovery and customer demand. Despite future deficits, the airport is expected to be fairly cash neutral over the next 10 years meaning that loan balances don't increase. However, it is important to investigate options to improve the financial position of the airport, so that loans can begin to be repaid and create capacity for future renewal works.

The airport's Net Financial Liabilities Ratio is projected to be 286% for 2023-24 and is outside of target range for the next two years. Total borrowings are projected to be \$7.7 million at 30 June 2024.

Budget at a Glance	
Passenger Fee Revenue	\$770,000
Screening Revenue	\$1,356,000
Other Operating Revenue	\$551,000
Operating Expenditure	\$3,586,000

Key Financial Indicators	Target Short Term	2022 Year End Actual	2023 Adopted Budget	2023 Projected Actual	2024 Draft Budget
Operating Surplus/(Deficit) - \$'000		(742)	(795)	(799)	(909)
Operating Surplus/(Deficit) Ratio	1 - 6%	(34)%	(25)%	(31)%	(34)%
Net Financial Liabilities Ratio	< 250%	237%	216%	286%	286%
Asset Renewal Funding Ratio	90 - 110%	N/A	N/A	N/A	N/A

2022 Year End Actual - Council's audited financial results as at 30 June 2022

2023 Adopted Budget - Budget for 2022-23 as adopted by Council June 2022

2023 Projected Budget - Council's revised budget, projecting its financial position to 30 June 2023

2024 Proposed Budget – Proposed Budget 2023-24

Airport Summary Statement & Financing Transactions

	2022 Year End Actual	2023 Adopted Budget	2023 Projected Actual	2024 Draft Budget
Operating Revenues	2,156	3,197	2,587	2,677
<i>less:</i> Operating Expenses	(2,898)	(3,992)	(3,386)	(3,586)
Operating Surplus/(Deficit) before Capital Amounts	(742)	(795)	(799)	(909)
Capital Expenditure on Renewal/Replacement	(329)	-	(10)	-
<i>add back:</i> Depreciation, Amortisation and Impairment	288	782	533	653
Net Outlays on Existing Assets	(41)	782	523	653
Capital Expenditure on New and Upgraded Assets	(8,008)	(1,900)	(2,164)	-
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	4,624	1,200	141	-
Net Outlays on New and Upgraded Assets	(3,384)	(700)	(2,023)	0
Net Lending/(Borrowing) for Financial Year	(4,167)	(713)	(2,299)	(256)
New Borrowings	4,150	700	2,300	200
Repayment of Principal on Borrowings	-	-	-	-
(Increase)/Decrease in Cash and Cash Equivalents	17	13	(1)	56
Financing Transactions	4,167	713	2,299	256

2023-24 Rates Revenue

Council's revenue for 2023-24 includes \$20.5 million from general rates.

Council has set a rate which requires an increase in general rates to the average ratepayer of 8.5%. However, the actual increase payable by any individual ratepayer may be more or less than this depending on the movement in the valuation of each property, as set by the State Valuer General.

The State Valuation Office has not yet completed their overall assessment of property valuations for Whyalla.

In setting rates for the 2023-24 financial year Council has considered the following plans and considerations:

- the Community Strategic Plan that outlines the overall direction of Council and was developed following community consultation.
- the Long Term Financial Plan that projects the overall income receipts and expenditure outlays that are expected into the future and in particular the recurrent expenditure and income expected for the 2023-24 financial year.
- the Whyalla City Council Asset Management Strategy that outlines required maintenance and renewal programs.
- the resources required for the delivery of Council services as documented in the 2023-24 Annual Business Plan and Budget which also outlines financial and non-financial performance levels.
- equity issues and the relationship between the various land uses and the existing rating structure.
- extremes in valuations and how their impact can be minimised in setting rating levels.

RATES AT A GLANCE

In 2023-24, a proposed average general rate increase of \$119 annually (around \$2 per week or 8.5%) per residential property (depending on valuation)

General rates revenue accounts for 53% of operating income.

Rates revenue is used to provide a range of services such as road rehabilitation, footpath repairs and maintenance, stormwater drainage, the collection of rubbish and recyclable materials, ongoing maintenance of parks, gardens and buildings, street lighting and street cleaning, libraries, animal control, planning and enforcement of local laws, provision of community grants and events for the people of Whyalla to accommodate social needs.

METHOD USED TO VALUE LAND

The Council will continue to use Site Valuation as the basis for valuing land within the Council area.

It is noted that the State Government recently passed legislation requiring the use of Capital Valuations for rating purposes from the 2024-25 financial year. A Rating Review will be undertaken before that time to decide the parameters that will be used to introduce this change.

Category	Ratable Properties	Rates Raised 2022-23	Proposed Rates 2023-24	% Change
Residential	10,673	\$ 14,933,235	\$ 16,202,507	8.50%
Business & Industry	522	\$ 2,589,858	\$ 2,815,133	8.70%
Regional Centre	3	\$ 317,137	\$ 344,100	8.50%
Heavy Industry	3	\$ 541,791	\$ 587,842	8.50%
Primary Production	13	\$ 4,977	\$ 5,399	8.48%
Rural Living	122	\$ 160,222	\$ 173,832	8.49%
Coastal Living	192	\$ 201,256	\$ 218,373	8.51%
	11,528	\$18,748,476	\$ 20,347,186	8.53%

DIFFERENTIAL GENERAL RATES

The Local Government Act provides for a Council to raise rate revenue through a general rate which applies to all rateable properties, or through differential general rates, which apply to classes of properties.

Due to the need to balance the community's capacity to pay the Council has elected to apply differential general rates based on the locality in which the rateable property is situated and the use to which the property is put:

- Locality – town planning zones (TPZ) including residential, residential character, regional centre, caravan and tourist parks, commercial, district centre, local centre, town centre, open space, recreation, community, special industry (hydrocarbons), industry, light industry, deferred industry, coastal conservation, rural living, coastal settlement, settlement and remote area.
- Land use – prescribed land use codes (LUC) including residential, commercial-shop, commercial-office, commercial-other, industry-light, industry-other, primary production, vacant and other.

Council has regard to relative movements in valuation to ensure that the rate burden remains relatively constant between the classes of properties.

FIXED CHARGE

Council considers it appropriate that:

- all rateable properties make a contribution to the cost of administering Council's activities; and
- all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

Approximately 33% of Council's general rate revenue is generated via the fixed charge portion. For 2023-24 the fixed charge is proposed to be \$586 as it was in 2022-23.

RATE CAPPING

Council will continue the application of rate capping for the 2023-24 financial year. The general rate increase will be capped at 25% on application. Please refer to Council's Rating Policy for eligibility.

RATE REBATE

A rebate of rates in respect of any rateable land in Council area will be available in accordance with the Local Government Act 1999 and Council's Rating Policy. The Policy provides eligibility guidance upon which a ratepayer is entitled to a rebate of rates.

A full version of Council's Rating Policy can be viewed at www.whyalla.sa.gov.au.

REGIONAL LANDSCAPE LEVY

The Regional Landscape Levy, set by the Landscape Boards, is a State Government tax imposed under the and Landscape South Australia Act 2019. Council is obliged to collect the levy on behalf of the State Government for no net gain to Council. Council collects the levy on behalf of the Eyre Peninsula Landscape Board. The levy is based on land use type and is shown as a separate charge on the rates notice.

The management board has advised the levy for 2023-24, is \$1,017,100 for the Whyalla region (previously \$944,900), an increase of 7.6% from 2022-23.

Further information on the Regional Landscape Levy and the Landscape Boards be found at: <https://landscape.sa.gov.au/>.

Land Use Type	Rate per Land Use
Residential	\$87.43
Commercial	\$131.43
Industrial	\$131.43
Primary producers	\$174.85
Others & vacant land	\$87.43

SERVICE CHARGES

Service charges are levied on the concept of user pays based on the cost to operate and maintain the service, the cost to improve or replace the service and recognition that the value of a property is enhanced by the availability of the service.

WASTE MANAGEMENT

The Council waste management service charge is raised to maintain the operating and capital requirements relating to waste management services. The revenue raised from this charge can only be applied to maintenance and replacement of the service and only those properties receiving the service will be levied.

For the 2023-24 financial year the service charge is proposed to be \$400, compared to \$370 for 2022-23.

Council will continue to provide the waste service charge remission, valued at \$178 for 2023-24. Eligible aged pensioners who have received the rebate before will have it applied automatically if their circumstances haven't changed. Other eligible pensioners will need to apply for this rebate annually by completing the relevant form and providing supporting evidence of eligibility.

Other Operating Income

Same content as last year, with updated percentages as follows:

General Rates	53%
Rates Other	13%
Statutory Charges	1%
User Charges	11%
Grants, Subsidies and Contributions	19%
Reimbursements and Other Income	3%
Employee Costs	36%
Materials, Contracts & Other Expenses	41%
Depreciation	21%
Finance Costs	2%

STATEMENT OF COMPREHENSIVE INCOME

	2022 Year End Actual \$'000	2023 Adopted Budget \$'000	2023 Projected Actual \$'000	2024 Draft Budget \$'000
INCOME				
Rates	22,386	23,696	23,696	25,662
Statutory Charges	422	409	409	440
User Charges	3,245	3,621	3,742	4,175
Grants, subsidies, contributions	9,010	7,708	8,505	7,565
Investment Income	12	12	33	12
Reimbursements	22	14	82	16
Other Income	1,390	1,014	1,127	1,111
TOTAL INCOME	36,487	36,474	37,594	38,981
EXPENSES				
Employee costs	12,393	13,947	13,887	14,718
Materials, contracts & other expenses	15,740	15,934	17,696	16,822
Depreciation	7,257	8,132	8,017	8,493
Finance Costs	205	404	504	1,003
TOTAL EXPENSES	35,595	38,417	40,104	41,036
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	892	(1,943)	(2,510)	(2,055)
Net gain/(loss) on disposal or revaluations	(1,582)	-	-	-
Amounts specifically for new assets	5,198	4,823	2,001	300
Physical Resources Received Free of Charge	186	-	-	-
NET SURPLUS/(DEFICIT)	4,694	2,880	(509)	(1,755)
OTHER COMPREHENSIVE INCOME				
Changes in revaluation surplus - IPP&E	18,743	13,676	13,676	20,251
TOTAL COMPREHENSIVE INCOME	23,437	16,556	13,167	18,496
ADJUSTED OPERATING SUPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(827)	(1,943)	(2,510)	(2,055)

STATEMENT OF FINANCIAL POSITION

	2022	2023	2023	2024
	Year End	Adopted	Projected	Draft
	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current Assets				
Cash & Equivalent Assets	350	180	204	173
Trade & Other Receivables	6,485	6,839	6,565	6,565
Inventories	2,861	2,802	2,861	2,861
Total Current Assets	9,696	9,821	9,630	9,599
Non-Current Assets				
Infrastructure, Property, Plant & Equipment	308,477	319,478	328,748	349,450
Other Non-Current Assets	4,910	4,376	4,697	4,597
Total Non-Current Assets	313,387	323,854	333,445	354,047
TOTAL ASSETS	323,083	333,675	343,075	363,646
LIABILITIES				
Current Liabilities				
Trade & Other Payables	3,731	3,423	3,431	3,431
Borrowings	-	100	-	-
Provisions	2,719	2,595	2,719	2,719
Total Current Liabilities	6,450	6,118	6,150	6,150
Non-Current Liabilities				
Borrowings	16,250	24,900	23,400	25,500
Provisions	1,074	1,040	1,049	1,024
Total Non-Current Liabilities	17,324	25,940	24,449	26,524
TOTAL LIABILITIES	23,774	32,058	30,599	32,674
NET ASSETS	299,309	301,617	312,476	330,972
EQUITY				
Accumulated Surplus	48,044	50,786	47,535	45,780
Asset Revaluation Reserve	250,590	249,853	264,266	284,517
Other Reserves	675	978	675	675
TOTAL EQUITY	299,309	301,617	312,476	330,972

STATEMENT OF CHANGES IN EQUITY

	2022	2023	2023	2024
	Year End	Adopted	Projected	Draft
	Actual	Budget	Actual	Budget
	\$'000	\$'000	\$'000	\$'000
ACCUMULATED SURPLUS				
Balance at end of previous reporting period	43,047	47,906	48,044	47,535
Net Result for Year	4,694	2,880	(509)	(1,755)
Transfers to Other Reserves	(255)	-	-	-
Transfers from Other Reserves	558	-	-	-
Balance at end of period	48,044	50,786	47,535	45,780
ASSET REVALUATION RESERVE				
Property Plant & Equipment	250,590	249,853	264,266	284,517
Balance at end of period	250,590	249,853	264,266	284,517
OTHER RESERVES				
Balance at end of previous reporting period	978	978	675	675
Transfers from Accumulated Surplus	255	-	-	-
Transfers to Accumulated Surplus	(558)	-	-	-
Balance at end of period	675	978	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	299,309	301,617	312,476	330,972

STATEMENT OF CASH FLOWS

	2022 Year End Actual \$'000	2023 Adopted Budget \$'000	2023 Projected Actual \$'000	2024 Draft Budget \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating Receipts	36,818	33,562	37,181	38,969
Investment Income	12	12	33	12
Payments				
Operating Payments	(33,641)	(29,806)	(31,395)	(31,465)
Finance Costs	(198)	(404)	(504)	(1,003)
Net Cash provided by (or used in) Operating Activities	2,991	3,364	5,315	6,513
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Amounts Specifically for New/Upgraded Assets	5,198	4,823	2,001	300
Sale of Renewed/Replaced Assets	192	178	314	171
Sale of Surplus Assets	-	-	-	-
Payments				
Expenditure on Renewal/Replacement of Assets	(5,898)	(5,574)	(6,190)	(6,995)
Expenditure on New/Upgraded Assets	(11,963)	(10,140)	(8,736)	(2,120)
Net Cash Provided by (or used in) Investing Activities	(12,471)	(10,713)	(12,611)	(8,644)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from Borrowings	24,150	7,300	7,150	2,100
Payments				
Repayments of Borrowings	(14,900)	-	-	-
Net Cash provided by (or used in) Financing Activities	9,250	7,300	7,150	2,100
Net Increase/(Decrease) in cash held	(230)	(49)	(146)	(31)
Opening cash, cash equivalents or (bank overdraft)	580	229	350	204
Closing cash, cash equivalents or (bank overdraft)	350	180	204	173

ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME												
Rates	22,386	23,696	25,662	26,822	27,982	29,138	30,313	31,537	32,812	34,141	35,525	36,966
Statutory Charges	422	409	440	453	466	479	492	505	518	531	544	558
User Charges	3,245	3,742	4,175	4,498	4,717	4,933	5,126	5,297	5,476	5,659	5,851	6,049
Grants, subsidies, contributions	9,010	8,505	7,565	7,237	7,450	7,566	7,679	7,794	7,911	8,030	8,151	8,274
Investment Income	12	33	12	12	12	12	12	12	12	12	12	12
Reimbursements	22	82	16	16	16	16	16	16	16	16	16	16
Other Income	1,390	1,127	1,111	1,160	1,210	1,259	1,309	1,361	1,416	1,473	1,532	1,593
TOTAL INCOME	36,487	37,594	38,981	40,198	41,853	43,403	44,947	46,522	48,161	49,862	51,631	53,468
EXPENSES												
Employee costs	12,393	13,887	14,718	15,233	15,736	16,177	16,614	17,079	17,557	18,049	18,555	19,075
Materials, contracts & other expenses	15,740	17,696	16,822	16,929	17,617	18,243	18,646	19,145	19,706	20,367	20,824	21,377
Depreciation	7,257	8,017	8,493	8,767	9,084	9,324	9,613	9,912	10,218	10,534	10,863	11,230
Finance Costs	205	504	1,003	1,115	1,243	1,308	1,458	1,609	1,785	1,941	1,980	2,032
TOTAL EXPENSES	35,595	40,104	41,036	42,044	43,680	45,052	46,331	47,745	49,266	50,891	52,222	53,714
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	892	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)
Net gain/(loss) on disposal or revaluations	(1,582)	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	5,198	2,001	300	740	224	231	237	244	251	258	265	272
Physical Resources Received Free of Charge	186	0	0	0	0	0	0	0	0	0	0	0
NET SURPLUS/(DEFICIT)	4,508	(509)	(1,755)	(1,106)	(1,603)	(1,418)	(1,147)	(979)	(854)	(771)	(326)	26
OTHER COMPREHENSIVE INCOME												
Changes in revaluation surplus - IPP&E	18,743	13,676	20,251	11,289	11,021	10,590	10,488	10,740	11,024	11,298	11,575	11,952
TOTAL COMPREHENSIVE INCOME	23,251	13,167	18,496	10,183	9,418	9,172	9,341	9,761	10,170	10,527	11,249	11,978
ADJUSTED OPERATING SUPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(827)	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)

ESTIMATED STATEMENT OF FINANCIAL POSITION

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Equivalent Assets	350	204	173	211	228	270	169	131	222	211	176	206
Trade & Other Receivables	6,485	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565	6,565
Inventories	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861	2,861
Total Current Assets	9,696	9,630	9,599	9,637	9,654	9,696	9,595	9,557	9,648	9,637	9,602	9,632
Non-Current Assets												
Infrastructure, Property, Plant & Equipment	308,477	328,748	349,450	363,070	372,546	382,051	391,468	401,642	412,496	422,609	435,668	447,591
Other Non-Current Assets	4,910	4,697	4,597	4,497	4,397	4,297	4,197	4,097	3,997	3,897	3,797	3,697
Total Non-Current Assets	313,387	333,445	354,047	367,567	376,943	386,348	395,665	405,739	416,493	426,506	439,465	451,288
TOTAL ASSETS	323,083	343,075	363,646	377,204	386,597	396,044	405,260	415,296	426,141	436,143	449,067	460,920
LIABILITIES												
Current Liabilities												
Trade & Other Payables	3,731	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431	3,431
Borrowings	0	0	0	100	0	100	0	0	500	0	100	0
Provisions	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719
Total Current Liabilities	6,450	6,150	6,150	6,250	6,150	6,250	6,150	6,150	6,650	6,150	6,250	6,150
Non-Current Liabilities												
Borrowings	16,250	23,400	25,500	28,800	28,900	29,100	29,100	29,400	29,600	29,600	31,200	31,200
Provisions	1,074	1,049	1,024	999	974	949	924	899	874	849	824	799
Total Non-Current Liabilities	17,324	24,449	26,524	29,799	29,874	30,049	30,024	30,299	30,474	30,449	32,024	31,999
TOTAL LIABILITIES	23,774	30,599	32,674	36,049	36,024	36,299	36,174	36,449	37,124	36,599	38,274	38,149
NET ASSETS	299,309	312,476	330,972	341,155	350,573	359,745	369,086	378,847	389,017	399,544	410,793	422,771
EQUITY												
Accumulated Surplus	48,044	47,535	45,780	44,674	43,071	41,653	40,506	39,527	38,673	37,902	37,576	37,602
Asset Revaluation Reserve	250,590	264,266	284,517	295,806	306,827	317,417	327,905	338,645	349,669	360,967	372,542	384,494
Other Reserves	675	675	675	675	675	675	675	675	675	675	675	675
TOTAL EQUITY	299,309	312,476	330,972	341,155	350,573	359,745	369,086	378,847	389,017	399,544	410,793	422,771

ESTIMATED STATEMENT OF CASH FLOWS

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts												
Operating Receipts	36,818	37,181	38,969	40,186	41,841	43,391	44,935	46,510	48,149	49,850	51,619	53,456
Investment Income	12	33	12	12	12	12	12	12	12	12	12	12
Payments												
Operating Payments	(33,641)	(31,395)	(31,465)	(32,087)	(33,278)	(34,345)	(35,185)	(36,149)	(37,188)	(38,341)	(39,304)	(40,377)
Finance Costs	(198)	(504)	(1,003)	(1,115)	(1,243)	(1,308)	(1,458)	(1,609)	(1,785)	(1,941)	(1,980)	(2,032)
Net Cash provided by (or used in) Operating Activities	2,991	5,315	6,513	6,996	7,332	7,750	8,304	8,764	9,188	9,580	10,347	11,059
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Amounts Specifically for New/Upgraded Assets	5,198	2,001	300	740	224	231	237	244	251	258	265	272
Sale of Renewed/Replaced Assets	192	314	171	175	81	222	285	177	404	202	183	178
Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Payments												
Expenditure on Renewal/Replacement of Assets	(5,898)	(6,190)	(6,995)	(5,339)	(5,185)	(5,957)	(6,252)	(6,875)	(7,730)	(6,755)	(9,655)	(8,424)
Expenditure on New/Upgraded Assets	(11,963)	(8,736)	(2,120)	(5,934)	(2,435)	(2,504)	(2,575)	(2,648)	(2,722)	(2,796)	(2,875)	(2,955)
Net Cash Provided by (or used in) Investing Activities	(12,471)	(12,611)	(8,644)	(10,358)	(7,315)	(8,008)	(8,305)	(9,102)	(9,797)	(9,091)	(12,082)	(10,929)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings	24,150	7,150	2,100	3,400	100	300	0	300	700	0	1,700	0
Payments												
Repayments of Borrowings	(14,900)	0	0	0	(100)	0	(100)	0	0	(500)	0	(100)
Net Cash provided by (or used in) Financing Activities	9,250	7,150	2,100	3,400	0	300	(100)	300	700	(500)	1,700	(100)
Net Increase/(Decrease) in cash held	(230)	(146)	(31)	38	17	42	(101)	(38)	91	(11)	(35)	30
Opening cash, cash equivalents or (bank overdraft)	580	350	204	173	211	228	270	169	131	222	211	176
Closing cash, cash equivalents or (bank overdraft)	350	204	173	211	228	270	169	131	222	211	176	206

ESTIMATED STATEMENT OF CHANGES IN EQUITY

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACCUMULATED SURPLUS												
Balance at end of previous reporting period	43,047	48,044	47,535	45,780	44,674	43,071	41,653	40,506	39,527	38,673	37,902	37,576
Net Result for Year	4,694	(509)	(1,755)	(1,106)	(1,603)	(1,418)	(1,147)	(979)	(854)	(771)	(326)	26
Transfers to Other Reserves	(255)	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	558	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	48,044	47,535	45,780	44,674	43,071	41,653	40,506	39,527	38,673	37,902	37,576	37,602
ASSET REVALUATION RESERVE												
Property Plant & Equipment	250,590	264,266	284,517	295,806	306,827	317,417	327,905	338,645	349,669	360,967	372,542	384,494
Balance at end of period	250,590	264,266	284,517	295,806	306,827	317,417	327,905	338,645	349,669	360,967	372,542	384,494
OTHER RESERVES												
Balance at end of previous reporting period	978	675	675	675	675	675	675	675	675	675	675	675
Transfers from Accumulated Surplus	255	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(558)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	675	675	675	675	675	675	675	675	675	675	675	675
TOTAL EQUITY AT END OF REPORTING PERIOD	299,309	312,476	330,972	341,155	350,573	359,745	369,086	378,847	389,017	399,544	410,793	422,771

**ESTIMATED SUMMARY STATEMENT
INCLUDING FINANCING TRANSACTIONS**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenues	36,487	37,594	38,981	40,198	41,853	43,403	44,947	46,522	48,161	49,862	51,631	53,468
less: Operating Expenses	(35,595)	(40,104)	(41,036)	(42,044)	(43,680)	(45,052)	(46,331)	(47,745)	(49,266)	(50,891)	(52,222)	(53,714)
Operating Surplus/(Deficit) before Capital Amounts	892	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)
Capital Expenditure on Renewal/Replacement	(5,898)	(6,190)	(6,995)	(5,339)	(5,185)	(5,957)	(6,252)	(6,875)	(7,730)	(6,755)	(9,655)	(8,424)
add back: Depreciation, Amortisation and Impairment	7,257	8,017	8,493	8,767	9,084	9,324	9,613	9,912	10,218	10,534	10,863	11,230
add back: Sale of Replaced Assets	192	314	171	175	81	222	285	177	404	202	183	178
Net Outlays on Existing Assets	1,551	2,141	1,669	3,603	3,980	3,589	3,646	3,214	2,892	3,981	1,391	2,984
Capital Expenditure on New and Upgraded Assets	(12,149)	(8,736)	(2,120)	(5,934)	(2,435)	(2,504)	(2,575)	(2,648)	(2,722)	(2,796)	(2,875)	(2,955)
add back: Amounts Specifically for New and Upgraded Assets	5,198	2,001	300	740	224	231	237	244	251	258	265	272
add back: Sale of Surplus Assets	0	0	0	0	0	0	0	0	0	0	0	0
Net Outlays on New and Upgraded Assets	(6,951)	(6,735)	(1,820)	(5,194)	(2,211)	(2,273)	(2,338)	(2,404)	(2,471)	(2,538)	(2,610)	(2,683)
Net Lending/(Borrowing) for Financial Year	(4,508)	(7,104)	(2,206)	(3,437)	(58)	(333)	(76)	(413)	(684)	414	(1,810)	55
New Borrowings	24,150	7,150	2,100	3,400	100	300	0	300	700	0	1,700	0
Repayment of Principal on Borrowings	(14,900)	0	0	0	(100)	0	(100)	0	0	(500)	0	(100)
(Increase)/Decrease in Cash and Cash Equivalents	230	146	31	(38)	(17)	(42)	101	38	(91)	11	35	(30)
Net Balance Sheet Funding	(4,972)	(192)	75	75	75	75	75	75	75	75	75	75
Financing Transactions	4,508	7,104	2,206	3,437	58	333	76	413	684	(414)	1,810	(55)
Adjusted Operating/(Deficit) Ratio	(2)%	(7)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(1)%	0%
Net Financial Liabilities Ratio	46%	63%	67%	73%	70%	68%	66%	64%	63%	60%	61%	59%
Asset Renewal Funding Ratio	62%	141%	126%	121%	106%	109%	106%	102%	113%	87%	99%	100%

Sensitivity Analysis - Rates Increase

Comparison Model Projections as at the Q2 Review	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,666)	(2,169)	(2,003)	(1,846)	(1,613)	(1,478)	(1,390)	(1,359)	(1,012)	(764)
Operating Surplus Ratio - %	(7)%	(7)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(3)%	(2)%	(1)%
Net Financial Liabilities Ratio - %	63%	76%	72%	70%	69%	68%	67%	67%	66%	70%	69%
Total Borrowings	23,400	28,800	28,600	28,800	29,300	30,200	30,900	31,900	32,400	35,600	36,800

Consultation Model 8.5% Rate Increase	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)
Operating Surplus Ratio - %	(7)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(1)%	0%
Net Financial Liabilities Ratio - %	63%	67%	73%	70%	68%	66%	64%	63%	60%	61%	59%
Total Borrowings	23,400	25,500	28,900	28,900	29,200	29,100	29,400	30,100	29,600	31,300	31,200

Model 1 7.6% Rate Increase	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,229)	(2,037)	(2,035)	(1,875)	(1,635)	(1,504)	(1,418)	(1,379)	(973)	(665)
Operating Surplus Ratio - %	(7)%	(6)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(3)%	(2)%	(1)%
Net Financial Liabilities Ratio - %	63%	67%	74%	72%	70%	68%	67%	67%	64%	66%	64%
Total Borrowings	23,400	25,700	29,300	29,500	30,000	30,200	30,800	31,800	31,600	33,700	34,000

Model 2 6.9% Rate Increase	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,362)	(2,181)	(2,193)	(2,049)	(1,827)	(1,717)	(1,655)	(1,645)	(1,265)	(985)
Operating Surplus Ratio - %	(7)%	(6)%	(5)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%
Net Financial Liabilities Ratio - %	63%	68%	75%	73%	72%	70%	70%	70%	67%	70%	69%
Total Borrowings	23,400	25,800	29,500	29,900	30,600	31,000	31,800	33,000	33,100	35,500	36,100

Sensitivity Analysis - CPI

Consultation Model 8.5% Rate Increase	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)
Operating Surplus Ratio - %	(7)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(1)%	0%
Net Financial Liabilities Ratio - %	63%	67%	73%	70%	68%	66%	64%	63%	60%	61%	59%
Total Borrowings	23,400	25,500	28,900	28,900	29,200	29,100	29,400	30,100	29,600	31,300	31,200

Model 3 CPI 1% Higher	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(1,961)	(1,745)	(1,718)	(1,527)	(1,247)	(1,067)	(933)	(831)	(371)	(11)
Operating Surplus Ratio - %	(7)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(2)%	(1)%	0%
Net Financial Liabilities Ratio - %	63%	66%	72%	69%	66%	64%	62%	61%	57%	58%	55%
Total Borrowings	23,400	25,400	28,700	28,600	28,700	28,500	28,700	29,200	28,400	29,900	29,600

Model 4 CPI 1% Lower	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,154)	(1,957)	(1,948)	(1,784)	(1,532)	(1,388)	(1,294)	(1,240)	(827)	(508)
Operating Surplus Ratio - %	(7)%	(6)%	(5)%	(5)%	(4)%	(3)%	(3)%	(3)%	(3)%	(2)%	(1)%
Net Financial Liabilities Ratio - %	63%	67%	74%	71%	70%	68%	66%	66%	63%	65%	63%
Total Borrowings	23,400	25,600	29,100	29,300	29,700	29,700	30,300	31,100	30,800	32,800	32,900

Sensitivity Analysis - New Rates Income

Consultation Model 8.5% Rate Increase	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,055)	(1,846)	(1,827)	(1,649)	(1,384)	(1,223)	(1,105)	(1,029)	(591)	(246)
Operating Surplus Ratio - %	(7)%	(5)%	(5)%	(4)%	(4)%	(3)%	(3)%	(2)%	(2)%	(1)%	0%
Net Financial Liabilities Ratio - %	63%	67%	73%	70%	68%	66%	64%	63%	60%	61%	59%
Total Borrowings	23,400	25,500	28,900	28,900	29,200	29,100	29,400	30,100	29,600	31,300	31,200

Model 5 High Level of New Rate Revenue	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,055)	(1,846)	(1,827)	(1,138)	408	1,114	1,491	1,874	2,614	3,804
Operating Surplus Ratio - %	(7)%	(5)%	(5)%	(4)%	(3)%	1%	2%	3%	4%	5%	7%
Net Financial Liabilities Ratio - %	63%	67%	73%	70%	66%	58%	52%	46%	38%	34%	25%
Total Borrowings	23,400	25,500	28,900	28,900	28,700	26,800	24,800	22,900	19,500	18,000	13,800

Model 6 Medium Level of New Rate Revenue	2023 Estimate	2024 Year 1	2025 Year 2	2026 Year 3	2027 Year 4	2028 Year 5	2029 Year 6	2030 Year 7	2031 Year 8	2032 Year 9	2033 Year 10
Operating Surplus / (Deficit) - \$'000	(2,510)	(2,055)	(1,846)	(1,827)	(1,392)	(488)	(55)	194	425	1,015	1,781
Operating Surplus Ratio - %	(7)%	(5)%	(5)%	(4)%	(3)%	(1)%	0%	0%	1%	2%	3%
Net Financial Liabilities Ratio - %	63%	67%	73%	70%	67%	62%	58%	54%	49%	47%	41%
Total Borrowings	23,400	25,500	28,900	28,900	28,900	28,000	27,100	26,500	24,500	24,600	22,500

CORPORATE SERVICES**3.1 Airport Operating Result**

Audit Committee Meeting: 6 April 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 present the Audit & Risk Committee with information on how Long-Term Financial Plan (LTFP) projections for the Airport are impacted by the conditions imposed by Federal Government funding and propose reasonable adjustment to their targeted operating result.

SUMMARY

The previous Audit Committee requested a report on the impact that Federal Government funding conditions were likely to have on the long-term operating result of the Airport. It is proposed that the financial targets in the Airport LTFP be adjusted to take into account these impacts.

RECOMMENDATION

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

3.1 Airport Operating Result

REPORT

BACKGROUND

At the Audit Committee meeting held in April 2022, discussions were held on the impact that Federal Government funding conditions were likely to have on the long-term operating result of the Airport. The Committee requested that a report be brought back to discuss this issue in more detail.

DISCUSSION

As part of updated security measures announced by the Federal Government in 2018, Whyalla Airport was required to commence passenger and baggage screening for the first time. This involved a significant upgrade to the building, as the existing footprint was not sufficient to fit the sizable equipment into. The overall cost of the required works was almost \$6.8 million, but fortunately the Federal Government funded over \$6.1 million of this cost through a number of funding streams.

This funding was critical to the project progressing, as there was no way that Council could fund this upfront capital expense without significant increases to the passenger levy, which may have been a challenge to implement. However, the funding conditions now pose some interesting accounting issues. Council is not permitted to charge customers for the cost of any assets that were covered by the grant funding. Yet, these assets are Council's and need to be depreciated as part of our asset base.

Overall, the building upgrade and installation of screening equipment have increased annual depreciation by approximately \$130,000 per annum. This means that in effect, Council and the Airport need to carry this as a deficit over the coming years. The funding agreement is silent on how long this would be expected to occur.

It is therefore proposed, that when the next LTFP is developed, that the operating target result for the Airport and therefore Council as a whole, is built in such a way that this deficit position of \$130,000 is taken into account. It needs to be taken into account for Council as a whole, as it is not appropriate for ratepayers to subsidise the cost of the Airport, which is the reason a separate Airport LTFP was developed.

Additionally, the LTFP currently assumes that the screening equipment will be replaced after 10 years, near the end of the current LTFP. This assumption was included as part of the initial modelling undertaken for the Terminal Upgrade works. It is proposed that the renewal amount be removed from the LTFP, for two reasons:

- It is likely that the useful life of the equipment is actually greater than 10 years, if properly maintained; and
- When the equipment does need to be replaced, either a government grant will cover this, or Council will undertake modelling on the appropriate charge to passengers required to recover the capital investment.

This amount will be removed from the LTFP projections during the upcoming budget process.

Financial Implications

Updating the target results in the LTFP will ensure that Council doesn't charge airlines and passengers for depreciation costs as required within our funding agreements, while at the same time not transferring the cost of a user pays service to ratepayers.

Removing the renewal allocation for screening equipment will cause the Airport LTFP projections to be more representative. Currently, the model assumed that Council replaces the equipment, but then continues to not charge for the related costs, which should not occur.

Legislation

Local Government Act 1999

Local Government (Financial Management) Regulations 2011

Officer Direct or Indirect Interest – Nil

Risk Assessment

The financial position of the Airport continues to be a challenge for Council, due to the long recovery from Covid, the substantial capital investment required over the past few years and the ongoing costs of providing screening services. Council will be required to take steps to address this over the next few years. It is therefore important to understand the parameters that the airport should be operating within.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication – Nil

Conclusion

The nature of funding agreements with the Federal Government for upgrade works at the Airport, pose some interesting challenges when measuring the financial position of this business unit and in turn the passenger charges that should be levied. This needs to be taken into account in the LTFP process.

CONFIDENTIAL**4.1 Unsolicited Proposal – 127 Nicolson Avenue****Audit Committee** 3 April 2023**Author's Title:** Manager Finance**File No.:** 0-159**Directorate:** Corporate**Annexures**

Annexure A – Unsolicited Proposal

Annexure B – Letter of Support

Annexure C – Valuation

Annexure D – Unsolicited Proposal 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 – This report is considered confidential on the basis that it contains information of a commercial nature consistent with Section 90(3)(b) of the Local Government Act 1999.

RECOMMENDATION

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit & 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 – 127 Nicolson Avenue.

The Audit & 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.