

MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 4 APRIL 2022 AT 11.04 AM VIA MICROSOFT TEAMS

PRESENT: Mr A Rushbrook (*Chair*), Cr B Simpson, Cr S Stuppos and
Mr P Klobucar

OFFICERS IN ATTENDANCE: Chief Executive Officer (*Mr J Commons*)
Director Corporate Services (*Ms K Jarrett*)
Manager Finance (*Mr G Jennings*)
Finance Coordinator (*Mrs S Vigar*)
Manager Governance (*Mrs I Adair*)
Governance Coordinator (*Mrs J Barnes*)
Executive Coordinator Corporate (*Ms L Fisher*)

1. Acknowledgement

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

2. Attendance Record

Apologies – Mayor McLaughlin
Leave of Absence – Nil

3. Declaration of Members' Conflict of Interests – Nil

4.1 Corporate Services– Ordinary Reports

4.1.1 2022-23 Draft Annual Business Plan and Budget

Manager Finance introduced the item highlighting:

- The expanded process that had been adopted in preparing the draft Annual Business Plan and Budget including the preparation of Business Unit Plans across the organisation focussed on new initiatives and aligned to Council's Strategic Plan.
- Council's new/upgrade capital program is largely fixed following decisions previously taken by Council such as the Northern Coastline project.

11.08 am Councillor Simpson entered the meeting

- The strain on Council resources due to the impact of Covid on the Airport operations.
- The proposed rate increase of 4.9% is within (and slightly lower than) the assumptions built into Council's Long Term Financial Plan.
- The various budget pressures including higher operating costs with CPI estimated at 3.3%; supply side issues seeing capital prices being quoted at 20% higher than previous levels; and necessarily increasing capacity within the organisation to address legacy issues as well as leverage many emerging opportunities for the benefit of the City.

Discussion was held on the draft Annual Business Plan and Budget with the following being a summary of matters raised:

- In the context of confidence concerning whether the budget can be brought within the predicted CPI, it was noted that there is some ability to absorb a higher CPI due to inbuilt contingencies. However if this is insufficient, delaying or changing the scope of various projects and services may need to be considered.
- Increasing the organisation's capacity will unlock efficiencies as well as position Council to deliver services to other councils in the region. It will also position Council to ensure emerging opportunities are realised, noting that if opportunities such as hydrogen developments do not eventuate, the organisation can be realigned once more.

The organisational realignment undertaken over the last 12 months was discussed extensively with Council, staff and unions. The realignment ensures a strategic approach to addressing legacy issues as well as future opportunities, contributing to Whyalla becoming a regional capital of significance.

Whyalla is on the cusp of a once in a generation opportunity including hydrogen, with significant quantum of private investment in the area. The significance of this cannot be underestimated.

The Chair noted it was not within the Committee's ambit to comment on the reasonableness or otherwise of additional resources, however ensuring adequate funding over the term of the Long Term Financial Plan is important.

- Regarding the Airport, areas of concern included reduced passenger numbers and a slower than expected post Covid recovery; grant funding conditions placing limitations on what can be recovered via the passenger levy; and the need for continued upgrades at the Airport.

The Committee requested that further information be provided at a future Audit Committee meeting on appropriate targets / depreciation levels across Airport assets. Further discussion needs to be held regarding an adjustment to targets to account for those assets covered by the Federal funding, and which cannot be recovered via the passenger levy.

- The Chair expressed concern regarding the updated Long Term Financial Plan showing an unsustainable operating position with increasing borrowings over the life of Plan.
- In the context of funding across the term of the Long Term Financial Plan, it was noted that Council workshops were being held to discuss strategies being developed to improve sustainability, including assumptions for holding a level of vacant positions within the organisation, a detailed review of buildings with a view to rationalisation and ongoing efficiency savings.
- A Committee Member raised as to whether the proposed rate increase of 4.9% was sufficient to account for the estimated CPI and supply chain pressures. It was suggested that a further 0.5% may be needed.
- It was noted that a rate increase of 4.9% equated to \$1.00 per week for most ratepayers.

Moved Cr Stuppos, seconded Cr Simpson

AC333-2022

The Audit Committee:

1. provides the following comments to Council on the draft 2022-23 Annual Business Plan and Budget in the context of Council's adopted Budget Parameters and ongoing financial sustainability:
 - a) that the rates information required by Regulation 6(1) of the Local Government (Financial Management) Regulations 2011, be included in the draft Annual Business Plan
 - b) that the concerns raised in the report titled 2022-23 Draft Annual Business Plan and Budget regarding the deterioration in Council's financial sustainability are echoed by the Committee; and
 - c) strongly recommends that Council undertake further work in developing plans to improve Council's long term financial sustainability
2. recommend to Council that the draft 2022-23 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.

Carried Unanimously

5. **Closure** – 12.00pm
6. **Date of Next Meeting** – Monday 9 May 2022