



CITY OF

WHYALLA

'Whyalla, Where the Outback Meets the Sea'

MEMBERSHIP

Mayor C McLaughlin
Cr S Stuppos
Mr P Klobucar

Cr I Adair
Mr A Rushbrook

NOTICE OF AUDIT COMMITTEE MEETING

TO YOUR WORSHIP THE MAYOR & MEMBERS OF COUNCIL

NOTICE is hereby given pursuant to Section 126 of the Local Government Act that the Audit Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Monday 27 September 2021 at 11.00 am.

The business of the meeting is:

- Budget Review 2021/22 Quarter 1 incorporating Financial Results 2020/21
- 2020/21 Investment and Loan Performance
- 2020/21 Draft Financial Statements
- 2020/21 Financial Results
- Loan Facility
- Audit Committee Annual Report to Council
- Quarterly Report – Procurement

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

JUSTIN COMMONS

CHIEF EXECUTIVE OFFICER

Dated: 23 September 2021

AGENDA

AUDIT COMMITTEE MEETING – MONDAY 27 SEPTEMBER 2021

1. ACKNOWLEDGEMENT

“We acknowledge that this meeting is held on Barngarla Land and we give thanks for the use of this Land.”

2. ATTENDANCE RECORD

Apologies – Nil

Leave of Absence – Nil

3. DECLARATION OF MEMBERS’ CONFLICT OF INTERESTS

4. MINUTES OF PREVIOUS MEETING AND BUSINESS ARISING

4.1 *Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 19 July 2021*

Page 3

Recommendation

That the Minutes of the previous Audit Committee Meeting held on Monday 19 July 2021, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

4.2 *Business Arising*

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5. DEPUTATIONS / PRESENTATIONS – Nil

6. REPORTS – COUNCIL OFFICERS

6.1 Corporate Services– Ordinary Reports

6.1.1	<i>2020/21 Budget Review Quarter 1 incorporating Financial Results</i>	<i>Page 18</i>
6.1.2	<i>2020/21 Investment and Loan Performance</i>	<i>Page 36</i>
6.1.3	<i>2020/21 Draft Financial Statements</i>	<i>Page 40</i>
6.1.4	<i>2020/21 Financial Results</i>	<i>Page 105</i>
6.1.5	<i>Loan Facility</i>	<i>Page 121</i>
6.1.6	<i>Audit Committee Annual Report to Council</i>	<i>Page 124</i>
6.1.7	<i>Quarterly Report – Procurement</i>	<i>Page 148</i>

7. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

8. CLOSE

9. DATE OF NEXT MEETING – To be confirmed

MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 19 JULY 2021 AT 11.05 AM IN THE COUNCIL CHAMBER

PRESENT: Mr A Rushbrook (*Chair*), Mayor C McLaughlin, Crs S Stuppos, I Adair and Mr P Klobucar

OBSERVERS: Chief Executive Officer (*Mr J Commons*)
 Director Corporate Services (*Ms K Jarrett*)
 Manager Finance (*Mr G Jennings*)
 Finance Co-ordinator (*Mrs S Vigar*)

1. Acknowledgement

2. Attendance Record

Apologies – Nil

Leave of Absence – Nil

3. Declaration of Members' Conflict of Interests – Nil

4. Minutes of Previous Meeting

4.1 Confirmation of the Minutes of the previous Audit Committee Meeting held on Monday 3 May 2021

Moved Cr Stuppos, seconded Mr Klobucar

AC311-2021

That the Minutes of the previous Audit Committee Meeting held on Monday 3 May 2021, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

Carried

4.2 Business Arising

Discussion

Discussion was held on various items of business arising with the following being noted:

- Council's budget was adopted on the basis of a 4.3% rate increase as well as \$175,000 annual savings to commence in the 22/23 financial year, which in turn off-set an additional 1% rate increase. This strategy is in line with the Audit Committee's request for a return to surplus position around year 6 or 7 of the Long Term Financial Plan.
- The \$175,000 savings will be identified in the next 12 months for inclusion in the 2022/23 Annual Business Plan and Budget.

- The Audit Committee requested further details as to the rigour / plan / program of how 175,000 savings are going to be achieved. In this regard, the Committee further noted:
 - structural adjustments will need to be made and consideration of a reduction in services over the term of the Long Term Financial Plan may need to be considered, inclusive of community engagement;
 - further work will be undertaken to ensure Council understands the impact of the \$175,000 savings, as well as how this might be challenging in terms of ongoing inclusion within the Long Term Financial Plan and impact on the community if service changes are recommended / needed; and
 - the \$175,000 is on top of other savings targets built into the Long Term Financial Plan prior to the resolution of the Council.

5. Deputations/Presentations – Nil

6. Reports – Council Officers

6.1 Corporate Services– Ordinary Reports

6.1.1 Interim Management Report

Discussion

Discussion was held on the outcomes of the interim audit and clarification provided on IT system access mapping and delegations relating to credit card transactions. Clarification was also provided on changes to the capping of the landfill site and the impact on the provision made for this purpose. Additional points of clarification were made including:

- It is not usual practice to forward non-rebateable property listings to Council, given it is a statutory process with no discretion.
- The process adopted for the recovery of aged debtors is the same as for outstanding rates. The difference being that debtors' invoices are mainly not secured and so are more likely to become unrecoverable, particularly in the case of bankruptcy.
- COVID relief is not included in the budget for the 2021/22 financial year as Council's Financial Hardship Policy can provide relief in these circumstances.

Moved Cr Stuppos, seconded Mr Klobucar

AC312-2021

The Audit Committee receive and note the Interim Management Report.

Carried

6.1.2 *Internal Financial Control Self-assessment*

Discussion

Manager Finance outlined that following on from the work undertaken by UHY Haines Norton in 2019, this is an ongoing framework for the internal financial control self-assessment process, which will assist the external auditor in undertaking external audits.

Items noted during discussion included:

- when making assessments against identified risk areas, Council's risk framework is used;
- risk assessments appear to be on the 'high' side; and
- items assessed as catastrophic/high risk will be included on the Audit Committee's action statement to introduce monitoring of progress achieved.

In conclusion, the Chair noted the new system being implemented to control risks and provide assurance that they are being controlled has brought together multiple, disparate information sources which in turn will assist in the monitoring and management of risk.

Moved Cr Stuppos, seconded Cr Adair

AC313-2021

The Audit Committee endorse the proposed Internal Financial Control Self-assessment framework.

Carried

6.1.3 *Asset Accounting Policy*

Discussion

Manager Finance provided a summary of minor proposed changes to the Asset Accounting Policy, including the addition of irrigation assets into the Policy, as well as the addition of reference to green assets, which Council currently capitalises and depreciates over a period of 30 years.

Discussion was held on the proposed changes, summarised as follows

- Capitalisation of trees has been occurring for the last 3 years or so, with a current value of approximately \$150,000. It was further noted that spend on street trees will increase over time as part of Council's objective to green the City as a contribution to well-being.
- The value of street trees value included within the financial statements only represents a small part of the network and a question was raised as to whether this should be included?
- Noting the broader objective of increasing liveability, the Committee understands the direction Council is taking and recommends more detail be included in the notes to the accounts in this regard or alternatively, undertake a full assessment of the tree network.

- A question was raised as to whether the capitalisation of green assets is allowed from a technical accounting perspective. In this regard, it was requested that the auditor's views on this be sought prior to incorporating the item in the Asset Accounting Policy, noting the auditors have commented in their interim report that this item should be expensed.

Moved Cr Stuppos, seconded Mayor McLaughlin

AC314-2021

The Audit Committee recommends:

1. the updated Asset Accounting Policy to Council for adoption with the removal of green assets; and
2. requests a further report on the benefits or otherwise of the inclusion of green assets within the Asset Accounting Policy.

Carried

6.1.4 Corporate Credit Card and Entertainment and Hospitality Policies

Discussion

These are high value policies to Council, due to the public interest in these types of expenditure. The Committee expressed their approval of the clear statements of intent in these policies.

Moved Mayor McLaughlin, seconded Cr Adair

AC315-2021

The Audit Committee recommends:

1. the updated Corporate Credit Card Policy and Procedure to Council for adoption; and
2. the proposed Entertainment and Hospitality Policy to Council for adoption.

Carried

6.1.5 Quarterly Report – Procurement

Discussion

The value of local buy was acknowledged. Excellent information provided.

Moved Cr Stuppos, seconded Mr Klobucar

AC316-2021

The Audit Committee receive and note the Procurement Quarterly report.

Carried

Minutes of the Audit Committee Meeting – 19.07.21

- 7. Consideration of Confidential Items – Nil**
- 8. Closure – 12.21 pm**
- 9. Date of Next Meeting – Monday 27 September 2021**

WHYALLA CITY COUNCIL

BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 23 SEPTEMBER 2021

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	7 April 2021	<i>6.1.2 – That an update of the Governance Compliance Workplan be provided to future committee meetings</i>	Manager Governance	60/06/2022	Refer attached table	
2.	3 May 2021	<i>4.2 - Risk Profile/Action Plan – update profile/action plan and actively manage on an ongoing basis</i>	Manager Governance	31/12/21	This item will be brought back on track over the next 5 months with anticipated resourcing levels improving	
3.	19 July 2021	<i>6.1.3 – Updated Asset Accounting Policy to Council for adoption with the removal of green assets</i>	Manager Finance	30/06/2022	Completed	Council Meeting 16/08/2021
4.	19 July 2021	<i>6.1.3 – Further report on the benefits or otherwise of the inclusion of green assets within the Asset Accounting Policy</i>	Manager Finance	30/06/2022		

* Completed items to be removed are shaded

EXTERNAL REVIEWS WORKPLAN

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	1	s.41	Review Terms of Reference of Council Committees:			
			- Audit Committee	Mgr Finance	30/09/2021	Completed
			- Building & Fire Safety Committee	Mgr City Development	30/10/2021	In Progress
			- Airport Advisory and Security Committee	Dir Corporate	30/10/2021	In Progress / 30%
GHC	2	s.43	Review Charter of EPLGA	Dir Corporate	30/10/2021	In Progress / 30%
GHC	3	s.49	Review procurement policies and procedures	Mgr Finance	30/12/2021	In Progress / 10%
GHC	4	s.61	Develop Elected Member Access to Council Information Policy	Mgr Governance	30/10/2021	In Progress / 90%
GHC	5	s.90	Add the grounds for confidentiality to staff and Elected Member training program and then undertake training	Mgr Governance	30/10/2021	In Progress / 50%
GHC	6	s.103	Undertake a full review of Council's suite of HR policies	Mgr People & Culture	30/12/2021	In Progress / 20%
GHC	7	s.109	Develop Complaints Handling Procedure for Complaints against Employees as a priority	Dir Corporate	30/10/2021	In Progress
GHC	8	s.120	Add training in conflict of interest for CEO and staff to training program, and then undertake training	Mgr Governance	30/10/2021	In Progress / 50%
GHC	9	s.125	Finalise Policy / Governance Framework and implement program of policy / procedure development	Mgr Governance	30/10/2021	In Progress / 90%
GHC	11	s.140	Review of investments	Mgr Finance	30/10/2021	Completed
GHC	13	s.172	Add to list of procedures to be developed a new procedure for requests to suppress information from the Assessment Record	Mgr Governance	30/10/2021	In Progress / 50%
GHC	14	s.193	Exclusion of land from community land	Mgr City Development	tba	In Progress / 5%
GHC	15	s.194	Revocation of land from community land	Mgr City Development	tba	In Progress / 5%
GHC	16	s.196	Review of community land management plans	Mgr City Development	tba	In Progress / 5%
GHC	17	s.207	Review of Council's register of community land management plans	Mgr City Development	tba	In Progress / 5%
GHC	18	s.210	Conversion of private road to a public road	Mgr City Development	tba	In Progress
GHC	19	s.221	Consider policy / procedure / new templates for permits and authorisation documents	Mgr Governance	30/12/2021	In Progress / 70%

Source	#	Ref	Item	Responsible	Due	Status / % Complete
GHC	20	s.232	Finalise draft documents in association with tree management	Mgr Operations	tba	In Progress
GHC	21	s.246	Complete By-law review	Mgr Governance	30/08/2021	Completed
GHC	22	s.260	Review of Authorised Officers	Mgr Governance	30/07/2021	Completed
EAMR	1	High	System Access Review - User Access Levels	Finance Coord	30/06/2021	Completed
EAMR	4	Moderate	Policy Register	Mgr Governance	30/10/2021	In Progress / 90%
EAMR	9	Moderate	Completeness of Timesheet data	Payroll Officer	31/12/2021	Pending
EAMR	13	Moderate	Internal Plant hire – Documented Methodology	Mgr Finance	30/06/2021	Completed
EAMR	20	Low	RDO and TOIL balances not recorded as a liability	Finance Coord	31/08/2021	Completed
EAMR	21	Low	Payment Summaries to Payroll General Ledger – Reconciliation	Finance Coord	31/07/2021	Completed
EAMR	22	Low	Payroll Termination Procedures	Payroll Officer	30/06/2021	In Progress
EAMR	26	Low	Long-term Fixed Assets – Residual Values	Finance Officer	31/08/2021	Completed
EAMR	29	Low	Landfill Provision Assumptions – Interim Cap	Mgr Finance	31/08/2021	Completed

Whyalla City Council Audit Committee Schedule of Meetings for 2021

SCHEDULE OF MEETINGS - 2021
Monday 1 February 2021
Monday 3 May 2021
Monday 19 July 2021
Monday 27 September 2021

Whyalla City Council Audit Committee Work Program

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review annual financial statements as required by Section 126(4) of the Local Government Act prior to its presentation to Council for adoption.	S 126 (4) (a)	Annually	September	Presented	September 2020	FC
<i>Financial Reporting</i> 7.1	Monitor integrity of financial reports of the Council including:	S 126 (4) (a)					
	Budget Review	S 126 (4) (a)	Quarterly			April 2021	MF
	Full review of Long Term Financial Plan	S 122 (1a) (a) & (4) (b)	Within two years of a general election	February 2024		February 2020	MF
	Full review of Infrastructure Asset Management Plans	S 122 (1a) (b)	Within two years of a general election	February 2024		February 2020	MF
<i>Financial Reporting</i> 7.1	Consider and review, where necessary, the consistency of improvement to and/or any changes to accounting policies.		Annual As required	July		April 2021	FC/MF

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review and report to Council likely impact of ongoing financial sustainability due to changes in Strategic Management Plans.		As required	As required		April 2021	DC & MF
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan conforms to the Local Government Act.	S 123	Annually	April		April 2021	DC, MG & MF
<i>Annual Business Plan and Budget</i>	Recommend the draft Annual Business Plan prior to its formal consideration for adoption by Council.		Annually	April		April 2021	DC & MG
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan is consistent with relevant targets for Key Performance Indicators to Council.	S 123 (2) (b) (ii)	Annually	April		April 2021	DC
<i>Internal Controls and Risk Management</i> 7.2	Review practice, policy and procedure for internal controls.	S 125	Annually	February	Business arising presented to all committee meetings provides a progress report on actions / improvements identified from external reviews	July 2021	CEO/EMT/FC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2.3	Regularly review the effectiveness of Council's internal controls and risk management and governance systems.	S 126 (4) (c)	As required	As required	Business arising presented at each Audit Committee meeting now provides a progress report against actions / improvements identified from external reviews	July 2021	FC
<i>Internal Controls and Risk Management</i> 7.2	Review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls, risk management and governance.	S 126 (4) (ab)	Annually	September	Considered at this meeting	September 2020	MG & FC
<i>Internal Controls and Risk Management</i> 7.2	Review Business Continuity Plan and Disaster Management Action Plans.		Every 3 years	June 2022		July 2019	EMT
<i>Internal Controls and Risk Management</i> 7.2	Review Councils Risk Plan & Strategic Risk Plan.	S 122	Every 3 years	September 2023		September 2020	EMT

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2	Review reports from Procurement including recent tenders and high value purchases.		Quarterly	February, April, July & September	Presented at this meeting	July 2021	MG
<i>External Audit</i> 7.5	Ensure appointment of external auditor conforms with legislative provisions.	S 128 (2) & (4a)	Every five years	April 2025		April 2020	MG
<i>External Audit</i> 7.5.4	Liaise with Council's external auditors.	S 126 (4) (b)	Yearly	September	To occur at this meeting	April 2021	CEO/DC/FC
<i>External Audit</i> 7.5	Receive the independent auditor's reports.		Twice yearly	April and September	Auditors report on internal controls to be presented at this meeting	July 2021	FC
<i>External Audit</i> 7.5	Ensure actions proposed in the correspondence from the independent auditor's report are actioned.		As required	As required	Added to Business Arising documentation	July 2021	DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Public Interest Disclosure (formerly Whistle-blowing)</i> 7.3	Review the adequacy and awareness of the current Public Interest Disclosure Policy and Procedure.		Every 2 years	July 2023		July 2021	EMT
<i>Reporting Responsibilities</i> 9..7	Report annually to Council outlining the outputs of the Audit Committee, any training needs, future work proposals and invite Council to comment.		Annually	September	Considered at this meeting	September 2020	DC
<i>Reporting Responsibilities</i> 9	Ensure urgent or significant matters are formally and promptly reported to Council.		As required	As required			DC
<i>Reporting Responsibilities</i> 9.2	Ensure appropriate and timely training is provided to all members including inductions for new members.		As required	As required			DC

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Economy and Efficiency Audits</i> 7.6	Ensure any matter relating to financial management, efficient or economy of Council is examined, reported and proposed actions monitored.	S 126 (4) (ac) & S 130A	As required	As required	Business arising provides a progress report on actions / improvements identified from external reviews	July 2021	DC

6.1 Corporate

6.1.1 Budget Review 2021-22 Quarter 1 incorporating Financial Results 2020-21

Audit Committee: 27 September 2021

Author's Title: Manager Finance

File No.: 0-159

Director Corporate: Kathy Jarrett

Annexures:

Annexure A – Budget Review 2021-22 Quarter 1

Annexure B – Long Term Financial Plan – Updated Tables

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To incorporate Councils' financial results for the year ending 30 June 2021 and provide an updated projection of Councils' operating and capital budgets for the 2021-22 financial year, identifying any variations sought to Councils' original budget and the cumulative financial implications.

SUMMARY

The Quarter 1 Budget Review predominantly reflects the incorporation of the Financial Results 2020-21 and the impact this has on the 2021-22 budget and Long Term Financial Plan. However, any other known material variances are also included.

RECOMMENDATION

The Audit Committee:

1. recommend the Budget Review incorporating the Financial Results 2020-21, identifying an adjusted operating deficit of \$1,513,000 and an estimated cash position at end of reporting period of \$198,000, be submitted to Council for adoption; and
2. recommend that the 2021-22 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances.

6.1.1 Budget Review 2021-22 Quarter 1 incorporating Financial Results 2020-21

REPORT

BACKGROUND

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

DISCUSSION

This report considers the impact that the financial results from the year ending 30 June 2021 will have on Councils' 2021-22 Budget and ongoing financial sustainability.

The Budget Update comprises the following statements:

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

Refer **Annexure "A"** – Budget Review 2021-22 Quarter 1

Council's Long Term Financial Plan has been updated to reflect the impacts of the Quarter 1 Budget Review, with a full set of the updated tables included for information.

Refer **Annexure "B"** – Long Term Financial Plan – Updated Tables

The majority of variances identified in the Budget Review relate to retiming operating and capital expenditure as well as capital income that did not occur in 2020-21 as originally planned. This includes operating projects of \$199,000, capital projects of \$2.1 million and capital grant funding of \$325,000. Further details about these amounts can be found in the annexure.

Another significant item is the adjustment of the airport budget to reflect the tendered value of passenger screening services. As this service is grant funded the amendment results in an increase in both income and expenditure projections, however the income projection increases by a lower quantum. This is because the original assumption was that the depreciation of the screening equipment would be covered by funding, but this is not the case under the current funding agreement. In future years the assumption that depreciation will be funded has been maintained, but this will need to be updated as further information about the long term funding model is obtained.

The year end result has not significantly altered Council ongoing operating position. There is an increase in depreciation forecasts in future years of approximately \$20,000 and the interest expense for the airport has increased by approximately \$10,000 per annum based on slightly higher borrowing forecasts.

Council's Auditors have indicated that Local Roads and Community Infrastructure funding should be classified as operating funding instead of capital funding. This classification is being uniformly used for all South Australian councils. Council is projecting that \$1.4 million of this funding will be received in 2021-22, and this is currently classified as capital income. There is a strong possibility that a large portion of the Round 3 allocation of \$935,000, and the offsetting capital expenditure, will be retimed to 2022-23 as Council has until 30 June 2023 to acquit these funds. The reallocation from capital to operating will skew Council's projected operating result, so this will be undertaken as part of the Second Quarter Budget Review, once timing is better known.

Financial Implications

Budget 2021-22 Impact

If approved by Council, these amendments will:

- increase Council's adjusted operating deficit by \$89,000 to a projected \$1.51 million;
- not impact Council's Adjusted Operating Deficit Ratio, remaining at (4%);
- decrease Council's Net Financial Liabilities Ratio from 73% to 71%; and
- increase Council's Asset Renewal Funding Ratio from 102% to 114%.

Council is outside target range for the Adjusted Operating Ratio. This was already the case for the original budget, with a projection to return to target range next year. The increase in deficit is due to the re-budgeting of unspent budget relating to operating projects from 2020-21.

The Net Financial Liabilities Ratio and Asset Renewal Funding Ratio are within target range.

Long Term Financial Plan (LTFP) Impact

Council's operating results in future years are negatively impacted by approximately \$30,000 per annum, due to a small increase in depreciation projections and interest expense for the airport. The Net Financial Liabilities Ratio is estimated to peak at 71% in the current year, previously projected to peak at 73%. Borrowings are now estimated to peak at \$23.6 million in the current year, previously projected to peak at \$24.7 million. The loan balance is estimated to return to \$15.0 million by the year 2030-31, \$1.2 million lower than the previous projection.

Airport

In the current year, the negative impact of screening depreciation not being funded is offset by a one-off reduction in depreciation and interest expense.

There has been a \$100,000 increase in the cost of delivering the Airport Terminal and Security Upgrade, which is less than a 2% overall variance in the project. This has created an increase in interest expense of approximately \$10,000 in future years.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

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

Legislation

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

Officer Direct or Indirect Interest – Nil

Risk Assessment

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

The financial impacts recognised within this review are minimal, mainly relating to the retiming of expenditure and income between periods, or being offsetting changes in expenditure and income. For this reason, the financial risk is considered to be low.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

This report considers the impact that the financial results from the year ending 30 June 2021 will have on Councils' 2021-22 Budget and ongoing financial sustainability.

The majority of variances identified in the Budget Review relate to retiming operating and capital expenditure as well as capital income that did not occur in 2020-21 as originally planned.

The year end result has not significantly altered Council ongoing operating position.

BUDGET REVIEW 2021-22 1st Quarter

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2021-22	Amendments 2021-22	Current Budget 2021-22	Proposed Amendments 2021-22	Projected Total 2021-22	Note	Estimated Budget 2022-23	Estimated Budget 2023-24	Estimated Budget 2024-25
Council (including Airport)		1						2			
Operating Surplus/(Deficit) - \$'000			(1,423)	(1)	(1,424)	(89)	(1,513)		(812)	(679)	(537)
Adjusted Operating Surplus/(Deficit)* - \$'000			(1,423) ●	(1)	(1,424) ●	(89)	(1,513) ●		(812) ●	(679) ●	(537) ●
Adjusted Operating Surplus/(Deficit) Ratio - %	(2)% - 1%		(4%) ●	-	(4%) ●	-	(4%) ●		(2%) ●	(2%) ●	(1%) ●
Net Financial Liabilities Ratio	< 80%		73% ●	-	73% ●	(2%)	71% ●		65% ●	62% ●	56% ●
Asset Renewal Funding Ratio	90 - 110%		102% ●	-	102% ●	12%	114% ●		101% ●	101% ●	97% ●
Whyalla Airport											
Operating Surplus/(Deficit) - \$'000		9	(392) ●	-	(392) ●	(14)	(406) ●		(394) ●	(261) ●	(217) ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(18%) ●	-	(18%) ●	4%	(14%) ●		(12%) ●	(7%) ●	(6%) ●
Net Financial Liabilities Ratio - %	< 250%		187% ●	-	187% ●	(34%)	153% ●		116% ●	95% ●	77% ●

KEY

In target range ●

Above target ●

Below target ●

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

Note Explanations – 2021-22 Quarter 1:

1. The adjusted operating deficit is expected to increase by \$89,000 to \$1.51 million. This is due to amounts unexpended in 2020-21 being re-budgeted. The Adjusted Operating Deficit Ratio remains at (4%). The Net Financial Liabilities Ratio decreases by 2% from 73% to 71%. This is due to a slight ongoing reduction in loan borrowings. The Asset Renewal Funding Ratio increases by 12% from 102% to 114%, due to carry forward renewal projects.
2. Council's operating results in future years are negatively impacted by approximately \$30,000 per annum. This is due to a change in depreciation projections based on year end results as well as a slight increase in interest costs for the airport based on updated cashflows. The Net Financial Liabilities Ratio is still estimated to peak in the current year and is projected to drop to 56% by 2024-25, previously projected to be at 57% in that year. Borrowings are now estimated to peak at \$23.6 million this year, with this previously projected to be \$24.7 million. The loan balance is estimated to return to \$15.0 million by the year 2030-31, \$1.2 million lower than the previous projection.
3. Operating income is expected to increase by \$580,000, which is attributed to an increase in income relating to the screening of airport passengers, based on the contracted cost of providing this service.
4. Operating expenditure is expected to increase by \$669,000, this can be attributed to:
 - An increase in contract, material and other costs of \$824,000 due to:
 - The re-budgeting of \$119,000 on operating projects that were not completed in 2020-21, made up of the Foreshore Café lease advice, procurement review, Whyalla Visitor Guide and Foreshore Masterplan. These amounts were not spent last year, causing Council's operating result to be better than projected;
 - an increase of \$655,000 in the cost of screening airport passengers, based on the contracted cost of providing this service; and
 - removal of the \$50,000 provision for current year savings, with this being more than offset by interest reductions.
 - A reduction in interest expenses of \$155,000 in line with updated cashflow and interest rate projections.
5. An increase of \$1.1 million in the outlay on existing assets due to:
 - carry forward projects from 2020-21 of \$1.2 million including \$370,000 for repairs to the Civic Building, \$610,000 relating to the replacement of plant & equipment and \$198,000 for a number of minor building renewal projects;
 - \$20,000 for the painting of the Point Lowly Lighthouse, offset by grant funding;
 - additional budget of \$16,000 to deliver the Yacht Club toilets repairs, that will be offset by insurance funds in the future; and
 - a transfer of \$101,000 from Renewal to New/Upgrade to fund Council's matching funds for the construction of Shared Paths.
6. An increase of \$1.2 million in the outlay on new and upgraded assets due to:
 - carry forward projects from 2020-21 of \$958,000 including \$160,000 for the Airport Taxiway and Runway Safety Upgrade, \$400,000 for the Airport Terminal and Security Upgrade, \$140,000 for the Valley One stormwater project, \$10,000 for a number of stormwater projects being undertaken in conjunction with the road reseal program, \$145,000 for footpath expansion and \$100,000 for the Jubilee Park Changeroom;
 - an increase of \$100,000 for the delivery of the Airport Terminal and Security Upgrade project, with a number of additional items identified as the project nears completion;
 - an overall reduction of \$25,000 for the Jubilee Park Changeroom project, based on the overall grant funding received; and
 - allocation of \$202,000 towards the construction of shared paths, with half of this offset by grant funding and the other half being transferred from the Transport Renewal Program.

7. An increase of \$422,000 in amounts received specifically for new and upgraded assets due to:
 - grant funding of \$325,000 million retimed from 2021-21 in line with updated project timings, including \$210,000 for the Airport Terminal and Security Upgrade, \$70,000 for the Valley One stormwater project and \$45,000 of income to be claimed under the Local Roads and Community Infrastructure program;
 - \$101,000 of funding for Shared Paths from the State Bicycle Fund;
 - \$20,000 of funding for the painting of the Port Lowly Lighthouse received under the SA Heritage Grant; offset by
 - a reduction in income for the Jubilee Park Changeroom project of \$25,000 compared to original projections.

8. It is expected additional borrowings of \$7.0 million will be required in 2021-22 to meet cash flow requirements, compared to previous projections. This is a timing difference related to project outlays and receipt of income, with borrowing for 2020-21 coming in \$8.1 million lower than projected. Total borrowings at 30 June 2022 are projected to be \$23.6 million, \$1.1 million lower than projected by the adopted budget.

9. Whyalla Airport
 - The operating deficit is expected to increase by \$14,000 to \$406,000. The Operating Deficit Ratio is expected to improve by 4% from (18%) to (14%) due to an increase in the overall income base. The Net Financial Liabilities Ratio decreases from 187% to 153%, due to an increase in the overall income base.

 - The Airport's operating results in future years are negatively impacted by approximately \$10,000 per annum due to an increase in interest cost from updated cashflows.

 - The change to the operating result of \$14,000 is due to:
 - a net increase in screening costs of \$75,000, due to the fact that depreciation of the screening equipment is not covered by the current funding agreement;
 - a temporary reduction in depreciation of \$50,000 due to updated timing of the runway project; and
 - a reduction in interest costs of \$11,000 due to updated cashflows.

WHYALLA CITY COUNCIL
BUDGET REVIEW 2021-22 1st Quarter

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2021-22 \$000	Approved Amendments 2021-22 \$000	Current Budget 2021-22 \$000	Proposed Amendments 2021-22 \$000	Projected Total 2021-22 \$000	Note	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000
OPERATING ACTIVITIES										
Operating Revenues	3	33,517	-	33,517	580	34,097		35,715	36,844	38,010
less Operating Expenses	4	(34,940)	(1)	(34,941)	(669)	(35,610)		(36,527)	(37,523)	(38,547)
Operating Surplus/ (Deficit)		(1,423)	(1)	(1,424)	(89)	(1,513)		(812)	(679)	(537)
CAPITAL ACTIVITIES										
Net Outlays on Existing Assets										
Capital Expense on renewal and replacement of Existing	5	(9,531)	-	(9,531)	(1,143)	(10,674)		(4,357)	(5,614)	(4,329)
add back Depreciation, Amortisation and Impairment		7,607	-	7,607	-	7,607		7,893	8,075	8,303
add back Proceeds from Sale of Replaced Assets		178	-	178	79	257		126	143	173
Net Outlays on Existing Assets		(1,746)	-	(1,746)	(1,064)	(2,810)		3,662	2,604	4,147
Net Outlay on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	6	(14,559)	(300)	(14,859)	(1,237)	(16,096)		(3,545)	(1,832)	(2,210)
add back Amounts received specifically for New and Upg	7	8,190	150	8,340	422	8,762		1,366	353	205
Net Outlays on New and Upgraded Assets		(6,369)	(150)	(6,519)	(815)	(7,334)		(2,179)	(1,479)	(2,005)
Net Lending/ (Borrowing) for Financial Year		(9,538)	(151)	(9,689)	(1,968)	(11,657)		671	446	1,605
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		9,500	100	9,600	7,000	16,600		-	-	-
Repayment of Principal		-	-	-	-	-		(700)	(500)	(1,800)
(Increase)/Decrease in Cash and Investments		(37)	51	14	368	382		(46)	(21)	120
Net Balance Sheet funding (debtors & creditors etc)		75	-	75	-	75		75	75	75
Financing Transactions	8	9,538	151	9,689	7,368	17,057		(671)	(446)	(1,605)

WHYALLA CITY COUNCIL

BUDGET REVIEW 2021-22 1st Quarter

STATEMENT OF COMPREHENSIVE INCOME	Original Budget 2021-22 \$000	Approved Amendments 2021-22 \$000	Current Budget 2021-22 \$000	Proposed Amendments 2021-22 \$000	Projected Total 2021-22 \$000	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000
INCOME								
Rates	22,381	-	22,381	-	22,381	23,089	23,937	24,803
Statutory Charges	371	-	371	-	371	376	383	391
User Charges	4,369	-	4,369	580	4,949	5,786	6,162	6,363
Grants, subsidies and contributions	5,426	-	5,426	-	5,426	5,464	5,326	5,381
Investment Income	34	-	34	-	34	34	34	34
Reimbursements	14	-	14	-	14	14	14	14
Other Income	922	-	922	-	922	952	988	1,024
TOTAL INCOME	33,517	-	33,517	580	34,097	35,715	36,844	38,010
EXPENSES								
Employee Costs	12,786	-	12,786	-	12,786	12,684	13,056	13,395
Materials, contracts & other expenses	14,071	-	14,071	824	14,895	15,392	15,735	16,117
Depreciation, amortisation & impairments	7,607	-	7,607	-	7,607	7,893	8,075	8,303
Finance Costs	476	1	477	(155)	322	558	657	732
TOTAL EXPENSES	34,940	1	34,941	669	35,610	36,527	37,523	38,547
OPERATING SURPLUS/(DEFICIT)	(1,423)	(1)	(1,424)	(89)	(1,513)	(812)	(679)	(537)
Amounts specifically for new or upgraded assets	8,190	150	8,340	422	8,762	1,366	353	205
Net gain (loss)	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	6,767	149	6,916	333	7,249	554	(326)	(332)
Other Comprehensive Income	4,330	-	4,330	-	4,330	5,341	6,940	7,393
TOTAL COMPREHENSIVE INCOME	11,097	149	11,246	333	11,579	5,895	6,614	7,061

WHYALLA CITY COUNCIL

BUDGET REVIEW 2021-22 1st Quarter

STATEMENT OF FINANCIAL POSITION	Original Budget 2021-22 \$000	Approved Amendments 2021-22 \$000	Current Budget 2021-22 \$000	Proposed Amendments 2021-22 \$000	Projected Total 2021-22 \$000	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000
ASSETS								
Current Assets								
Cash & Cash Equivalents	617	(51)	566	(368)	198	244	265	145
Trade & Other Receivables	3,939	-	3,939	2,400	6,339	6,339	6,339	6,339
Inventories	2,802	-	2,802	-	2,802	2,802	2,802	2,802
TOTAL CURRENT ASSETS	7,358	(51)	7,307	2,032	9,339	9,385	9,406	9,286
Non-current Assets								
Infrastructure, Property, Plant & Equipment	301,718	300	302,018	2,301	304,319	309,543	315,711	321,167
Other Non-Current Assets	4,476	-	4,476	-	4,476	4,376	4,276	4,176
TOTAL NON-CURRENT ASSETS	306,194	300	306,494	2,301	308,795	313,919	319,987	325,343
Total Assets	313,552	249	313,801	4,333	318,134	323,304	329,393	334,629
LIABILITIES								
Current Liabilities								
Trade and Other Payables	6,423	-	6,423	(3,000)	3,423	3,423	3,423	3,423
Short Term Borrowings	1,300	-	1,300	(600)	700	500	1,800	1,400
Short Term Provisions	2,595	-	2,595	-	2,595	2,595	2,595	2,595
TOTAL CURRENT LIABILITIES	10,318	-	10,318	(3,600)	6,718	6,518	7,818	7,418
Non-Current Liabilities								
Long Term Borrowings	15,200	100	15,300	7,600	22,900	22,400	20,600	19,200
Long Term Provisions	1,065	-	1,065	-	1,065	1,040	1,015	990
TOTAL NON-CURRENT LIABILITIES	16,265	100	16,365	7,600	23,965	23,440	21,615	20,190
Total Liabilities	26,583	100	26,683	4,000	30,683	29,958	29,433	27,608
NET ASSETS	286,969	149	287,118	333	287,451	293,346	299,960	307,021
EQUITY								
Accumulated Surplus	49,814	149	49,963	333	50,296	50,850	50,524	50,192
Asset Revaluation Reserve	236,177	-	236,177	-	236,177	241,518	248,458	255,851
Reserves	978	-	978	-	978	978	978	978
TOTAL EQUITY	286,969	149	287,118	333	287,451	293,346	299,960	307,021

WHYALLA CITY COUNCIL
BUDGET REVIEW 2021-22 1st Quarter

STATEMENT OF CHANGES IN EQUITY	Original Budget 2021-22 \$000	Approved Amendments 2021-22 \$000	Current Budget 2021-22 \$000	Proposed Amendments 2021-22 \$000	Projected Total 2021-22 \$000	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000
Accumulated Surplus								
Balance at Beginning of Period	43,047	-	43,047	-	43,047	50,296	50,850	50,524
Change in financial position resulting from operations	6,767	149	6,916	333	7,249	554	(326)	(332)
Transfers from Other Reserves	-	-	-	-	-	-	-	-
Transfers to Other Reserves	-	-	-	-	-	-	-	-
Balance at End of Period	49,814	149	49,963	333	50,296	50,850	50,524	50,192
Asset Revaluation Reserve								
Balance at Beginning of Period	231,847	-	231,847	-	231,847	236,177	241,518	248,458
Revaluation Increment	4,330	-	4,330	-	4,330	5,341	6,940	7,393
Balance at End of Period	236,177	-	236,177	-	236,177	241,518	248,458	255,851
Other Reserves								
Balance at Beginning of Period	978	-	978	-	978	978	978	978
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-
Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-
Balance at End of Period	978	-	978	-	978	978	978	978
TOTAL EQUITY AT END OF REPORTING PERIOD	286,969	149	287,118	333	287,451	293,346	299,960	307,021

WHYALLA CITY COUNCIL
BUDGET REVIEW 2021-22 1st Quarter

STATEMENT OF CASH FLOWS	Original Budget 2021-22 \$000	Approved Amendments 2021-22 \$000	Current Budget 2021-22 \$000	Proposed Amendments 2021-22 \$000	Projected Total 2021-22 \$000	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000	Estimated Budget* 2024-25 \$000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts								
Operating Receipts	33,483	-	33,483	(4,820)	28,663	35,681	36,810	37,976
Investment Income	34	-	34	-	34	34	34	34
Payments								
Operating Payments	(26,782)	-	(26,782)	(824)	(27,606)	(28,001)	(28,716)	(29,437)
Finance Costs	(476)	(1)	(477)	155	(322)	(558)	(657)	(732)
Net Cash provided by (or used in) Operating Activities	6,259	(1)	6,258	(5,489)	769	7,156	7,471	7,841
CASH FLOWS FROM INVESTMENT ACTIVITIES								
Receipts								
Amounts specifically for new or upgraded assets	8,190	150	8,340	422	8,762	1,366	353	205
Sale of replaced assets	178	-	178	79	257	126	143	173
Sale of surplus assets	-	-	-	-	-	-	-	-
Payments								
Purchase of Renewal/Replacement Assets	(9,531)	-	(9,531)	(1,143)	(10,674)	(4,357)	(5,614)	(4,329)
Purchase of New/Expansion Assets	(14,559)	(300)	(14,859)	(1,237)	(16,096)	(3,545)	(1,832)	(2,210)
Net Cash provided by (or used in) Investing Activities	(15,722)	(150)	(15,872)	(1,879)	(17,751)	(6,410)	(6,950)	(6,161)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Proceeds from Borrowings - Council	9,500	100	9,600	7,000	16,600	-	-	-
Payments								
Repayment of Borrowings	-	-	-	-	-	(700)	(500)	(1,800)
Net Cash provided by (or used in) Financing Activities	9,500	100	9,600	7,000	16,600	(700)	(500)	(1,800)
Net Increase (Decrease) in Cash Held	37	(51)	(14)	(368)	(382)	46	21	(120)
Cash & cash equivalents at beginning of period	580	-	580	-	580	198	244	265
Cash & cash equivalents at end of period	617	(51)	566	(368)	198	244	265	145

ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	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	21,390	22,381	23,089	23,937	24,803	25,727	26,713	27,764	28,887	30,057	31,275	32,544
Statutory Charges	378	371	376	383	391	399	408	418	429	440	451	463
User Charges	2,643	4,949	5,786	6,162	6,363	6,661	6,861	7,057	7,273	7,498	7,730	7,969
Grants, subsidies, contributions	6,099	5,426	5,464	5,326	5,381	5,439	5,501	5,566	5,636	5,707	5,778	5,850
Investment Income	11	34	34	34	34	34	34	34	34	34	34	34
Reimbursements	67	14	14	14	14	14	14	14	14	14	14	14
Other Revenues	1,088	922	952	988	1,024	1,062	1,103	1,147	1,194	1,243	1,294	1,347
Total Income	31,676	34,097	35,715	36,844	38,010	39,336	40,634	42,000	43,467	44,993	46,576	48,221
EXPENSES												
Employee costs	11,846	12,786	12,684	13,056	13,395	13,757	14,073	14,454	14,859	15,275	15,703	16,143
Materials, contracts & other expenses	14,584	14,895	15,392	15,735	16,117	16,673	17,216	17,655	18,163	18,733	19,360	19,869
Depreciation	8,727	7,607	7,893	8,075	8,303	8,559	8,805	9,068	9,374	9,692	10,019	10,359
Finance Costs	184	322	558	657	732	776	816	845	871	903	957	969
Total Expenses	35,341	35,610	36,527	37,523	38,547	39,765	40,910	42,022	43,267	44,603	46,039	47,340
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(3,665)	(1,513)	(812)	(679)	(537)	(429)	(276)	(22)	200	390	537	881
Net gain/(loss) on disposal or revaluations	(767)	0	0	0	0	0	0	0	0	0	0	0
Amounts specifically for new assets	4,201	8,762	1,366	353	205	205	205	205	206	206	206	206
NET SURPLUS/(DEFICIT)	(231)	7,249	554	(326)	(332)	(224)	(71)	183	406	596	743	1,087
OTHER COMPREHENSIVE INCOME												
Changes in revaluation surplus - IPP&E	3,361	4,330	5,341	6,940	7,393	7,840	8,324	8,840	9,385	9,626	9,861	10,129
TOTAL COMPREHENSIVE INCOME	3,130	11,579	5,895	6,614	7,061	7,616	8,253	9,023	9,791	10,222	10,604	11,216
ADJUSTED OPERATING SUPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(3,644)	(1,513)	(812)	(679)	(537)	(429)	(276)	(22)	200	390	537	881

ESTIMATED STATEMENT OF FINANCIAL POSITION

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	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)
CURRENT ASSETS												
Cash & Equivalent Assets	580	198	244	265	145	210	175	160	189	1,110	134	1,164
Trade & Other Receivables	3,939	6,339	6,339	6,339	6,339	6,339	6,339	6,339	6,339	6,339	6,339	6,339
Inventories	2,802	2,802	2,802	2,802	2,802	2,802	2,802	2,802	2,802	2,802	2,802	2,802
TOTAL CURRENT ASSETS	7,321	9,339	9,385	9,406	9,286	9,351	9,316	9,301	9,330	10,251	9,275	10,305
NON-CURRENT ASSETS												
Infrastructure, Property, Plant & Equipment	281,083	304,319	309,543	315,711	321,167	327,393	334,456	342,269	351,156	359,832	371,487	381,648
Other Non-Current Assets	4,576	4,476	4,376	4,276	4,176	4,076	3,976	3,876	3,776	3,676	3,576	3,476
TOTAL NON-CURRENT ASSETS	285,659	308,795	313,919	319,987	325,343	331,469	338,432	346,145	354,932	363,508	375,063	385,124
TOTAL ASSETS	292,980	318,134	323,304	329,393	334,629	340,820	347,748	355,446	364,262	373,759	384,338	395,429
CURRENT LIABILITIES												
Trade & Other Payables	6,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423	3,423
Borrowings	0	700	500	1,800	1,400	1,300	1,300	950	700	0	100	0
Provisions	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595	2,595
TOTAL CURRENT LIABILITIES	9,018	6,718	6,518	7,818	7,418	7,318	7,318	6,968	6,718	6,018	6,118	6,018
NON-CURRENT LIABILITIES												
Borrowings	7,000	22,900	22,400	20,600	19,200	17,900	16,600	15,650	14,950	14,950	14,850	14,850
Provisions	1,090	1,065	1,040	1,015	990	965	940	915	890	865	840	815
TOTAL NON-CURRENT LIABILITIES	8,090	23,965	23,440	21,615	20,190	18,865	17,540	16,565	15,840	15,815	15,690	15,665
TOTAL LIABILITIES	17,108	30,683	29,958	29,433	27,608	26,183	24,858	23,533	22,558	21,833	21,808	21,683
NET ASSETS	275,872	287,451	293,346	299,960	307,021	314,637	322,890	331,913	341,704	351,926	362,530	373,746
EQUITY												
Accumulated Surplus	43,047	50,296	50,850	50,524	50,192	49,968	49,897	50,080	50,486	51,082	51,825	52,912
Asset Revaluation Reserve	231,847	236,177	241,518	248,458	255,851	263,691	272,015	280,855	290,240	299,866	309,727	319,856
Other Reserves	978	978	978	978	978	978	978	978	978	978	978	978
TOTAL EQUITY	275,872	287,451	293,346	299,960	307,021	314,637	322,890	331,913	341,704	351,926	362,530	373,746

ESTIMATED STATEMENT OF CASH FLOWS

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	Actual \$(‘000)	Estimate \$(‘000)	Year 1 \$(‘000)	Year 2 \$(‘000)	Year 3 \$(‘000)	Year 4 \$(‘000)	Year 5 \$(‘000)	Year 6 \$(‘000)	Year 7 \$(‘000)	Year 8 \$(‘000)	Year 9 \$(‘000)	Year 10 \$(‘000)
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts												
Operating Receipts	33,942	30,663	35,681	36,810	37,976	39,302	40,600	41,966	43,433	44,959	46,542	48,187
Investment Receipts	11	34	34	34	34	34	34	34	34	34	34	34
Payments												
Operating Payments to Suppliers and Employees	(26,979)	(29,606)	(28,001)	(28,716)	(29,437)	(30,355)	(31,214)	(32,034)	(32,947)	(33,933)	(34,988)	(35,937)
Finance Payments	(191)	(322)	(558)	(657)	(732)	(776)	(816)	(845)	(871)	(903)	(957)	(969)
Net Cash provided by (or used in) Operating Activities	6,783	769	7,156	7,471	7,841	8,205	8,604	9,121	9,649	10,157	10,631	11,315
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Amounts Specifically for New/Upgraded Assets	4,201	8,762	1,366	353	205	205	205	205	206	206	206	206
Sale of Renewed/Replaced Assets	115	257	126	143	173	125	213	187	275	245	273	194
Sale of Surplus Assets	375	0	0	0	0	0	0	0	0	0	0	0
Payments												
Expenditure on Renewal/Replacement of Assets	(4,620)	(10,674)	(4,357)	(5,614)	(4,329)	(4,806)	(5,433)	(5,843)	(6,700)	(6,464)	(9,495)	(7,921)
Expenditure on New/Upgraded Assets	(6,548)	(16,096)	(3,545)	(1,832)	(2,210)	(2,264)	(2,324)	(2,385)	(2,451)	(2,523)	(2,591)	(2,664)
Net Cash Provided by (or used in) Investing Activities	(6,477)	(17,751)	(6,410)	(6,950)	(6,161)	(6,740)	(7,339)	(7,836)	(8,670)	(8,536)	(11,607)	(10,185)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Proceeds from Borrowings	23,400	16,600	0	0	0	0	0	0	0	0	0	0
Payments												
Repayments of Borrowings	(23,400)	0	(700)	(500)	(1,800)	(1,400)	(1,300)	(1,300)	(950)	(700)	0	(100)
Net Cash provided by (or used in) Financing Activities	0	16,600	(700)	(500)	(1,800)	(1,400)	(1,300)	(1,300)	(950)	(700)	0	(100)
Net Increase/(Decrease) in cash held	306	(382)	46	21	(120)	65	(35)	(15)	29	921	(976)	1,030
Opening cash, cash equivalents or (bank overdraft)	274	580	198	244	265	145	210	175	160	189	1,110	134
Closing cash, cash equivalents or (bank overdraft)	580	198	244	265	145	210	175	160	189	1,110	134	1,164

ESTIMATED STATEMENT OF CHANGES IN EQUITY

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	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	41,136	43,047	50,296	50,850	50,524	50,192	49,968	49,897	50,080	50,486	51,082	51,825
Net Result for Year	(231)	7,249	554	(326)	(332)	(224)	(71)	183	406	596	743	1,087
Transfers to Other Reserves	(799)	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Reserves	2,941	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	43,047	50,296	50,850	50,524	50,192	49,968	49,897	50,080	50,486	51,082	51,825	52,912
ASSET REVALUATION RESERVE												
Property, Plant & Equipment	231,847	236,177	241,518	248,458	255,851	263,691	272,015	280,855	290,240	299,866	309,727	319,856
Balance at end of period	231,847	236,177	241,518	248,458	255,851	263,691	272,015	280,855	290,240	299,866	309,727	319,856
OTHER RESERVES												
Balance at end of previous reporting period	1,952	978	978	978	978	978	978	978	978	978	978	978
Transfers from Accumulated Surplus	799	0	0	0	0	0	0	0	0	0	0	0
Transfers to Accumulated Surplus	(1,773)	0	0	0	0	0	0	0	0	0	0	0
Balance at end of period	978	978	978	978	978	978	978	978	978	978	978	978
TOTAL EQUITY AT END OF REPORTING PERIOD	275,872	287,451	293,346	299,960	307,021	314,637	322,890	331,913	341,704	351,926	362,530	373,746

ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	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	31,676	34,097	35,715	36,844	38,010	39,336	40,634	42,000	43,467	44,993	46,576	48,221
less Operating Expenses	(35,341)	(35,610)	(36,527)	(37,523)	(38,547)	(39,765)	(40,910)	(42,022)	(43,267)	(44,603)	(46,039)	(47,340)
Operating Surplus/(Deficit) before Capital Amounts	(3,665)	(1,513)	(812)	(679)	(537)	(429)	(276)	(22)	200	390	537	881
Capital Expenditure on Renewal/Replacement of Existing Assets	(4,690)	(10,674)	(4,357)	(5,614)	(4,329)	(4,806)	(5,433)	(5,843)	(6,700)	(6,464)	(9,495)	(7,921)
add back Depreciation, Amortisation & Impairment	8,727	7,607	7,893	8,075	8,303	8,559	8,805	9,068	9,374	9,692	10,019	10,359
add back Proceeds from Sale of Replaced Assets	115	257	126	143	173	125	213	187	275	245	273	194
Net Outlays on Existing Assets	4,152	(2,810)	3,662	2,604	4,147	3,878	3,585	3,412	2,949	3,473	797	2,632
Capital Expenditure on New/Upgraded Assets	(6,548)	(16,096)	(3,545)	(1,832)	(2,210)	(2,264)	(2,324)	(2,385)	(2,451)	(2,523)	(2,591)	(2,664)
add back Amounts Specifically for New/Upgraded Assets	4,201	8,762	1,366	353	205	205	205	205	206	206	206	206
add back: Sale of Surplus Assets	375	0	0	0	0	0	0	0	0	0	0	0
Net Outlays on New and Upgraded Assets	(1,972)	(7,334)	(2,179)	(1,479)	(2,005)	(2,059)	(2,119)	(2,180)	(2,245)	(2,317)	(2,385)	(2,458)
Net Lending / (Borrowing) for Financial Year	(1,485)	(11,657)	671	446	1,605	1,390	1,190	1,210	904	1,546	(1,051)	1,055
FINANCING TRANSACTIONS												
New Borrowings	23,400	16,600	0	0	0	0	0	0	0	0	0	0
Repayment of Principal on Borrowings	(23,400)	0	(700)	(500)	(1,800)	(1,400)	(1,300)	(1,300)	(950)	(700)	0	(100)
(Increase)/Decrease in Cash and Cash Equivalents	(306)	382	(46)	(21)	120	(65)	35	15	(29)	(921)	976	(1,030)
Net Balance Sheet Funding	1,791	(5,325)	75	75	75	75	75	75	75	75	75	75
Financing Transactions	1,485	11,657	(671)	(446)	(1,605)	(1,390)	(1,190)	(1,210)	(904)	(1,546)	1,051	(1,055)
Adjusted Operating/(Deficit) Ratio	(12)%	(4)%	(2)%	(2)%	(1)%	(1)%	(1)%	0%	0%	1%	1%	2%
Net Financial Liabilities Ratio	40%	71%	65%	62%	56%	50%	45%	41%	37%	32%	33%	29%
Asset Renewal Funding Ratio	61%	114%	101%	101%	97%	97%	99%	101%	98%	96%	99%	100%

AIRPORT

Estimated Summary Statement including Financing Transactions

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Year Ended 30 June:	Actual \$(‘000)	Estimate \$(‘000)	Year 1 \$(‘000)	Year 2 \$(‘000)	Year 3 \$(‘000)	Year 4 \$(‘000)	Year 5 \$(‘000)	Year 6 \$(‘000)	Year 7 \$(‘000)	Year 8 \$(‘000)	Year 9 \$(‘000)	Year 10 \$(‘000)
Operating Revenues	578	2,810	3,421	3,641	3,769	3,987	4,127	4,255	4,373	4,495	4,620	4,749
<i>less Operating Expenses</i>	(1,141)	(3,216)	(3,815)	(3,902)	(3,986)	(4,153)	(4,233)	(4,309)	(4,380)	(4,469)	(4,584)	(4,702)
Operating Surplus/(Deficit) before Capital Amounts	(563)	(406)	(394)	(261)	(217)	(166)	(106)	(54)	(7)	26	36	47
Capital Expenditure on Renewal/Replacement of Existing Assets	0	(886)	0	0	0	0	0	0	0	0	(1,832)	0
<i>add back Depreciation, Amortisation & Impairment</i>	276	522	731	749	767	787	807	829	851	875	900	925
Net Outlays on Existing Assets	276	(364)	731	749	767	787	807	829	851	875	(932)	925
Capital Expenditure on New/Upgraded Assets	(4,114)	(7,350)	0	0	0	0	0	0	0	0	0	0
<i>add back Amounts Specifically for New/Upgraded Assets</i>	3,822	4,765	0	0	0	0	0	0	0	0	0	0
Net Outlays on New and Upgraded Assets	(292)	(2,585)	0	0	0	0	0	0	0	0	0	0
Net Lending / (Borrowing) for Financial Year	(579)	(3,355)	337	488	550	621	701	775	844	901	(896)	972
FINANCING TRANSACTIONS												
New Borrowings	600	3,300	0	0	0	0	0	0	0	0	0	0
Repayment of Principal on Borrowings	0	0	(300)	(500)	(600)	(600)	(700)	(800)	(850)	0	0	0
(Increase)/Decrease in Cash and Cash Equivalents	(21)	55	(37)	12	50	(21)	(1)	25	6	(901)	896	(972)
Financing Transactions	579	3,355	(337)	(488)	(550)	(621)	(701)	(775)	(844)	(901)	896	(972)
Adjusted Operating/(Deficit) Ratio	(97)%	(14)%	(12)%	(7)%	(6)%	(4)%	(3)%	(1)%	0%	1%	1%	1%
Net Financial Liabilities Ratio	161%	153%	116%	95%	77%	58%	39%	19%	(1)%	(21)%	(1)%	(21)%
Asset Renewal Funding Ratio	N/A	102%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	99%	N/A

6.1 CORPORATE

6.1.2 2020-21 Investment and Loan Performance

Audit Committee: 27 September 2021
Author's Title: Finance Coordinator
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

Nil

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

Section 140 of the Local Government Act 1999 requires Council to review the performance of its investments on an annual basis. This report reviewed by the Audit Committee will be presented to Council for adoption at its Council Meeting on 18 October 2021.

SUMMARY

Council shall receive a specific report regarding treasury management performance relative to the policy via the Audit Committee.

RECOMMENDATION

The Audit Committee note the Investment and Loan Performance Report for 2020-21.

6.1.2 2020-21 Investment and Loan Performance

REPORT

BACKGROUND

Decision making regarding investments and loans are carried out under the guidance and parameters set within Councils' Treasury Management Policy. A review is presented annually to the Audit Committee and Council.

DISCUSSION

Compliance with Treasury Management Policy

Council has complied with all elements of the Treasury Management Policy, with the exception of the target range for fixed loans. Compliance has been achieved against the following major policy requirements:

Policy Requirement	Review
Council will maintain target ranges for its Net Financial Liabilities ratio	Councils' Net Financial liabilities ratio as at 30 June 2021 was 41%. This is within the target financial indicator range of less than 80%
Council will not retain money for particular future purposes unless required by legislation or agreement with other parties	If required, funds are retained in separate accounts
Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term	Council held no investments during 2020-21, except provisionally in the "at call" account held with the Local Government Finance Authority (LGFA)
Council will apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.	All available excess funds are repaid against existing Local Government Finance Authority 'Cash Advance Debenture' facilities prior to investment
Council will borrow funds in accordance with the requirements set out in its adopted budget and Long Term Financial Plan	Council borrows funds to meet cash flow requirements
Council will hold all borrowings with the Local Government Finance Authority	Council holds all borrowings with the Local Government Finance Authority (LGFA)
Approximately 30% of Councils' total borrowings shall be fixed, with a target range of 10% to 50% over any financial year to allow for cash flow management.	Council currently hold \$5 million, or 71.4%, of its \$7 million balance at 30 June 2021 in a fixed facility. This is a result of borrowings being lower than budgeted at year end

Interest on Investments Budget Performance

The performance of Interest on Investments is also monitored and managed against the budgeted forecast. The actual amount of investment interest earned for 2020-21 was \$11,314, a 5.7% unfavourable variance against the revised budget forecast of \$12,000.

The 2020-21 financial year saw the Reserve Bank of Australia (RBA) cash rate fall once during the financial year from 0.25% to 0.10%, where it currently remains. The 24 Hour on call account interest rates reduced to 0.30% during the year.

Investments	Amount	Rate
Balance as at 30 June 2021	\$ -	-
Balance as at 30 June 2020	\$ -	-
Balance as at 30 June 2019	\$ 5,188,186	0 - 0.30%

Interest on Loans Budget Performance

The performance of Interest on loans is also monitored and managed against the budgeted forecast. The decrease to the RBA cash rate is also reflected in the cash advance drawdown facility (CAD) with the cost of funds falling 0.25% from 2.20% to 2.05%. The actual amount of loan interest expense for 2020-21 was \$184,358, a 10.1% favourable variance against the revised budget forecast of \$205,000.

During the year the Local Government Finance Authority (LGFA) provided a support package to Councils, offering discounted facilities. These discounted rates ranged between 1.30% and 1.90%.

Cash Advance Debentures (CAD)	Amount	Rate
Balance as at 30 June 2021	\$ 7,000,000	1.30 - 2.05%
Balance as at 30 June 2020	\$ 7,000,000	2.20 - 3.10%
Balance as at 30 June 2019	\$ -	-

Cash Advance Debenture Facilities as at 30 June 2021

Cash Advance Debentures (CAD)	Amount	Rate	Maturity Date
CAD 139	\$ 1,500,000	1.65%	16 July 2021*
CAD 139	\$ 1,500,000	1.70%	17 July 2023
CAD 139	\$ 2,000,000	1.90%	16 July 2025
CAD 139 CV (discounted)	\$ 2,000,000	1.30%	n/a
TOTAL	\$ 7,000,000		

* Note: This facility has been fixed for a further 12 month period at an interest rate of 1.55% (current maturity date 18 July 2022)

Financial Implications

Council monitors cash flow projections on a daily basis to ensure adequate funding is available for operational requirements.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

Section 140 of the *Local Government Act 1999* states a council must, at least once in each year, review the performance (individually and as a whole) of its investments.

Officer Direct or Indirect Interest – Nil

Risk Assessment

Daily monitoring of cash flow projections complement the framework within the Treasury Management Policy and result in a low risk to Council.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The investment and loan performance for 2020-21 was reasonable when compared to revised budgeted expectations. Council held no long term investments during the year. Cash Advance debenture (CAD) facilities were drawn down and repaid as cash flow needs required, in accordance with Councils' Treasury Management Policy.

6.1 CORPORATE

6.1.3 2020-21 Draft Financial Statements

Audit Committee: 27 September 2021
Author's Title: Finance Coordinator
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

A – General Purpose Financial Statements

B – Audit Completion Report

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the draft financial statements for the 2020-21 financial year, to ensure that they fairly present the affairs of the Council.

SUMMARY

The Audit Committee advises Council and Councils' Auditor that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2021 and is satisfied that they present fairly the state of affairs of Council.

RECOMMENDATION

The Audit Committee:

1. in accordance with Section 126(4) of the Local Government Act 1999, advise that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2021 and is satisfied that they present fairly the state of affairs of Council; and
2. advise Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2021 and is satisfied that they present fairly the state of affairs of Council.
3. the Audit Committee note the Audit Completion Report from Dean Newbery & Partners for the financial year ended 30 June 2021.

6.1.3 2020-21 Draft Financial Statements

REPORT

BACKGROUND

The preparation of the financial statements of a Council must be in accordance with the requirements set out in the Local government Act 1999 and Model Financial Statements. The Audit Committee is required to review the draft financial statements to ensure that they present fairly the affairs of the Council.

Refer **Annexure “A”** – General Purpose Financial Statements (for the year ended 30 June 2021).

DISCUSSION

The draft financial statements have been prepared for submission to the Audit Committee. The audit completion report has been presented (“**Annexure B**”) and has not identified any areas of concern. During the audit committee meeting it is proposed that staff leaving the meeting to allow the audit committee the opportunity to ask the auditors questions in relation to the 30 June 2021 external audit.

The Management Representation Letter will be tabled at the audit committee meeting.

Financial Implications

Councils’ key financial sustainability performance targets assist in ensuring the long term financial sustainability of the Council, covering the maintenance and development of the community’s assets as well as providing appropriate services.

Key Financial Indicators	Target	2021 Year End	2020 Year end	2019 Year End	3 Year Average
Operating Surplus Ratio - %	(2) – 1%	(11.6)	1.5	5.4	(2.6)
Adjusted Operating Surplus Ratio - %		(11.5)	1.3	4.0	(3.1)
Net Financial Liabilities Ratio - %	< 80%	40	33	(7)	22
Asset Renewal Funding Ratio - %	90-110%	61	188	85	111

Operating Surplus Ratio

Council is operating outside its key performance indicator target for the operating surplus ratio. This is a result of a number of significant one-off factors including the provision of Covid-19 rate rebates, low airport income affected by Covid-19 and the initial valuation of irrigation assets for the first time, which resulted in a large impairment for the asset class.

In recent years, the Federal Government has made advance financial assistance grants (FAGS) payments prior to 30 June, from future years allocations of financial assistance grants. There is minimal impact to the adjusted operating surplus ratio for the current year when removing the effects of receiving the advance payments.

Net financial Liabilities Ratio

Council is operating within its key performance indicator target for the net financial liabilities ratio, increasing from 33% in June 2020 to 40% in June 2021. Borrowings have remained relatively constant during this period. As at 30 June 2021, Council had \$7 million in borrowings and has the capacity to increase loan borrowings as required in the future.

Asset Renewal Funding Ratio

Councils' Asset Renewal Funding Ratio is below the key financial indicator target of between 90 and 110% for the 2020-21 financial year attributed to carry forward renewal projects and the delivery of the transport renewal program under budget.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

Section 126(4) of the *Local Government Act 1999*, the function of the Audit Committee is to review the annual financial statements to ensure that they present fairly the state of affairs of the Council.

Officer Direct or Indirect Interest – Nil

Risk Assessment

In assessing Council risk associated with legislative compliance and the consequence of the Audit Committee not reviewing the financial statements, it is considered a moderate risk as Council would be in breach of legislation and receive adverse criticism.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The Audit Committee review the draft financial statements for the 2020-21 financial year, to ensure that they fairly present the affairs of the Council.

DRAFT

The Corporation of the City of Whyalla

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Whyalla will be a vibrant, attractive city offering the community a diverse range of sustainable economic, social, environmental and cultural opportunities



The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2021

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The Corporation of the City of Whyalla

General Purpose Financial Statements

for the year ended 30 June 2021

Certification of Financial Statements

We have been authorised by the Council to certify the financial statements in their final form.

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2021 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Justin Commons
Chief Executive Officer

27 September 2021

Clare McLaughlin
Mayor

27 September 2021

The Corporation of the City of Whyalla

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Income			
Rates	2a	21,390	21,272
Statutory Charges	2b	378	359
User Charges	2c	2,643	3,681
Grants, Subsidies and Contributions	2g	6,099	5,287
Investment Income	2d	11	55
Reimbursements	2e	67	423
Other income	2f	1,088	1,512
Total Income		31,676	32,589
Expenses			
Employee costs	3a	11,846	10,911
Materials, Contracts and Other Expenses	3b	14,584	14,222
Depreciation, Amortisation and Impairment	3c	8,727	6,885
Finance Costs	3d	184	79
Total Expenses		35,341	32,097
Operating Surplus / (Deficit)		(3,665)	492
Asset Disposal & Fair Value Adjustments	4	(767)	(209)
Amounts Received Specifically for New or Upgraded Assets	2g	4,201	432
Net Surplus / (Deficit)		(231)	715
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to operating result			
Changes in Revaluation Surplus - I,PP&E	9a	3,361	5,811
Total Other Comprehensive Income		3,361	5,811
Total Comprehensive Income		3,130	6,526

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

The Corporation of the City of Whyalla

Statement of Financial Position as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash & Cash Equivalent Assets	5a	580	274
Trade & Other Receivables	5b	3,939	4,188
Inventories	5c	2,802	114
Total current assets		7,321	4,576
Non-current assets			
Other Non-Current Assets	6	4,576	4,080
Infrastructure, Property, Plant & Equipment	7a(i)	281,083	279,813
Total non-current assets		285,659	283,893
TOTAL ASSETS		292,980	288,469
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	6,423	4,539
Borrowings	8b	—	7,000
Provisions	8c	2,595	2,456
Total Current Liabilities		9,018	13,995
Non-Current Liabilities			
Borrowings	8b	7,000	—
Provisions	8c	1,090	1,213
Total Non-Current Liabilities		8,090	1,213
TOTAL LIABILITIES		17,108	15,208
Net Assets		275,872	273,261
EQUITY			
Accumulated surplus		43,047	41,655
Asset revaluation reserves	9a	231,847	229,654
Other reserves	9b	978	1,952
Total Council Equity		275,872	273,261
Total Equity		275,872	273,261

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

The Corporation of the City of Whyalla

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2021					
Balance at the end of previous reporting period		41,655	229,654	1,952	273,261
Adjustments (Correction of Prior Period Errors)		(519)	—	—	(519)
Net Surplus / (Deficit) for Year		(231)	—	—	(231)
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	3,361	—	3,361
- Other Movements (Closure of Revaluation Reserve)		1,168	(1,168)	—	—
Other comprehensive income		1,168	2,193	—	3,361
Total comprehensive income		937	2,193	—	3,130
Transfers between Reserves		974	—	(974)	—
Balance at the end of period		43,047	231,847	978	275,872
2020					
Balance at the end of previous reporting period		41,010	223,843	1,882	266,735
Net Surplus / (Deficit) for Year		715	—	—	715
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	—	5,811	—	5,811
- Other Movements (Closure of Revaluation Reserve)		—	—	—	—
Other comprehensive income		—	5,811	—	5,811
Total comprehensive income		715	5,811	—	6,526
Transfers between Reserves		(70)	—	70	—
Balance at the end of period		41,655	229,654	1,952	273,261

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The Corporation of the City of Whyalla

Statement of Cash Flows

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Cash flows from operating activities			
<u>Receipts</u>			
Rates Receipts		20,983	21,088
Statutory Charges		383	364
User Charges		2,790	3,937
Grants, Subsidies and Contributions (operating purpose)		6,115	5,333
Investment Receipts		11	55
Reimbursements		72	423
Other Receipts		3,599	6,130
<u>Payments</u>			
Payments to Employees		(11,543)	(10,632)
Payments for Materials, Contracts & Other Expenses		(15,431)	(20,132)
Finance Payments		(191)	(40)
Net cash provided by (or used in) Operating Activities	11b	<u>6,788</u>	<u>6,526</u>
Cash flows from investing activities			
Amounts Received Specifically for New/Upgraded Assets		4,201	432
Sale of Replaced Assets		115	76
Sale of Surplus Assets		375	3
Sale of Investment Property		—	1,181
Sale of Real Estate Developments		—	323
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(4,620)	(6,854)
Expenditure on New/Upgraded Assets		(6,548)	(14,229)
Net cash provided (or used in) investing activities		<u>(6,477)</u>	<u>(19,068)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from Borrowings		23,400	23,250
<u>Payments</u>			
Repayments of Borrowings		(23,400)	(16,250)
Repayment of Bonds & Deposits		(5)	(11)
Net Cash provided by (or used in) Financing Activities		<u>(5)</u>	<u>6,989</u>
Net Increase (Decrease) in Cash Held		<u>306</u>	<u>(5,553)</u>
plus: Cash & Cash Equivalents at beginning of period		274	5,827
Cash and cash equivalents held at end of period	11a	<u>580</u>	<u>274</u>

Additional Information:

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

The Corporation of the City of Whyalla

Notes to and forming part of the Principal Financial Statements for the year ended 30 June 2021

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared on a going concern basis using the historical cost convention in accordance with Australian Accounting Standards as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and relevant South Australian legislation.

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 27 September 2021

1.2 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

Particular areas involving a high degree of judgement or complexity include the estimation of future payments and timing in relation to tip restoration. Further information in relation to the estimation of these liabilities are given in the relevant sections of these Notes.

1.3 Estimates and assumptions

The COVID-19 pandemic has impacted the 2020/21 financial statements, which may impact on the comparability of some line items and amounts reported in these financial statements and/or the notes. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

Examples include:

1. Rate Rebates provided to businesses impacted by Covid
2. A dramatic reduction in airport passenger numbers and corresponding income

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000).

(2) The Local Government Reporting Entity

The Corporation of the City of Whyalla is incorporated under the South Australian Local Government Act 1999 and has its principal place of business at Darling Terrace, Whyalla. These financial statements include the Council's operations.

(3) Income Recognition

Income is measured at the fair value of the consideration received or receivable. Income is recognised when the Council obtains control over the assets comprising the income, or when the amount due constitutes an enforceable debt, whichever first occurs.

Where grants, contributions and donations recognised as incomes during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts subject to those undischarged conditions are disclosed in these notes. Also disclosed is the amount of grants, contributions and receivables recognised as incomes in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period.

In recent years the payment of untied financial assistance grants has varied from the annual allocation as shown in the table below:

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

\$'000	Cash Payment Received	Annual Allocation	Differenece
2018/19	\$5,055	\$4,608	+ \$447
2019/20	\$4,582	\$4,498	+ \$84
2020/21	\$4,515	\$4,538	- \$23

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

The Operating Surplus Ratio disclosed in Note 15 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues are recognised over time using the input method, with costs incurred compared to total expected costs used as a measure of progress. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(4) Cash, Cash Equivalents and other Financial Instruments

Cash Assets include all amounts readily convertible to cash on hand at Council's option with an insignificant risk of changes in value with a maturity of three months or less from the date of acquisition.

Receivables for rates and annual charges are secured over the subject land, and bear interest at rates determined in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest.

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful.

All financial instruments are recognised at fair value at the date of recognition, except for trade receivables from a contract with a customer, which are measured at the transaction price. A detailed statement of the accounting policies applied to financial instruments forms part of Note 13.

(5) Inventories

Inventories held in respect of stores have been valued by using the weighted average cost on a continual basis, after adjustment for loss of service potential. Inventories held in respect of business undertakings have been valued at the lower of cost and net realisable value.

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

Revenues arising from the sale of property are recognised in the operating statement when settlement is completed.

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

5.2 Other Real Estate Held for Resale

Properties not acquired for development, but which Council has decided to sell as surplus to requirements, are recognised at the carrying value at the time of that decision.

Certain properties, auctioned for non-payment of rates in accordance with the Local Government Act but which failed to meet the reserve set by Council and are available for sale by private treaty, are recorded at the lower of the unpaid rates and charges at the time of auction or the reserve set by Council. Holding costs in relation to these properties are recognised as an expense when incurred.

(6) Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

All assets are initially recognised at cost. For assets acquired at no cost or for nominal consideration, cost is determined as fair value at the date of acquisition.

All non-current assets purchased or constructed are capitalised as the expenditure is incurred and depreciated as soon as the asset is held "ready for use". Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees and engineering design fees and all other costs incurred. The cost of non-current assets constructed by the Council includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead.

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$2,000
Other Plant & Equipment	\$5,000
Buildings - New Construction/Extensions	\$10,000
Open Space Structures	\$10,000
Street Furniture & Playground Equipment	\$5,000
Road Construction & Reconstruction	\$10,000
Paving & Footpaths, Kerbs & Gutters	\$5,000
Drains & Culverts	\$5,000
Reticulation Extensions	\$5,000
Sidelines & Household Connections	\$5,000
Irrigation	\$5,000
Artworks	\$5,000

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 7.

6.4 Depreciation of Non-Current Assets

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over their useful lives on a straight-line basis which, in the opinion of Council, best reflects the consumption of the service potential embodied in those assets.

Depreciation methods, useful lives and residual values of classes of assets are reviewed annually.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

Major depreciation periods for each class of asset are listed below. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment

Office Equipment	5 to 10 years
Office Furniture	10 to 20 years
Vehicles and Road-making Equipment	5 to 8 years
Other Plant & Equipment	5 to 15 years

Building & Other Structures

Buildings – Masonry	50 to 100 years
Buildings – Other Construction	20 to 40 years
Buildings – Roofing	40 to 60 years
Buildings – Services	20 to 40 years
Buildings – Interior	20 to 40 years
Buildings – Sub-Structure	50 to 120 years
Buildings – Super Structure	50 to 100 years
Park Structures – Masonry	50 to 100 years
Park Structures – Other Construction	20 to 40 years
Playground Equipment	5 to 20 years
Street Furniture	10 to 20 years

Infrastructure

Sealed Roads – Surface	15 to 30 years
Sealed Roads – Pavement	65 to 100 years
Sealed Roads – Pavement Sub-Base	100 to 400 years
Unsealed Roads	10 to 20 years
Paving & Footpaths, Kerbs & Gutters	25 to 65 years
Stormwater - Drains	70 to 100 years
Stormwater - Culverts	70 to 100 years
Stormwater - Flood Control Structures	70 to 100 years
Stormwater - Dams and Reservoirs	70 to 100 years
Stormwater - Bores	20 to 40 years
Stormwater - Reticulation Pipes – PVC	70 to 80 years
Stormwater - Reticulation Pipes – Other	25 to 75 years
Stormwater - Pumps & Telemetry	15 to 25 years
Irrigation - Primary Supply Lines	80 years
Irrigation - Secondary Supply Lines	50 years
Irrigation - Sub-Surface Supply Lines (Tertiary)	25 years
Irrigation - Pump Stations & Controls	15 to 20 years
Irrigation - Sprinklers, Drippers and Valves	15 to 20 years
Irrigation - Miscellaneous	25 to 50 years

Other Assets

Library Books	1 year
Artworks	indefinite

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

6.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, are not subject to impairment testing.

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

Where an asset that has been revalued is subsequently impaired, the impairment is first offset against such amount as stands to the credit of that class of assets in Asset Revaluation Reserve, any excess being recognised as an expense.

6.6 Borrowing Costs

Borrowing costs in relation to qualifying assets (net of offsetting investment revenue) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in Note 3, and the amount (if any) of interest revenue offset against borrowing costs in Note 2.

(7) Payables

7.1 Goods & Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts other than grants received from external parties in advance of service delivery, and security deposits held against possible damage to Council assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

(8) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates, and is recorded as part of "Payables".

(9) Employee Benefits

9.1 Salaries, Wages & Compensated Absences

Liabilities for employees' entitlements to salaries, wages and compensated absences expected to be paid or settled within 12 months of reporting date are accrued at nominal amounts (including payroll based oncosts) measured in accordance with AASB 119.

Liabilities for employee benefits not expected to be paid or settled within 12 months are measured as the present value of the estimated future cash outflows (including payroll based oncosts) to be made in respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

No accrual is made for sick leave as Council experience indicates that, on average, sick leave taken in each reporting period is less than the entitlement accruing in that period, and this experience is expected to recur in future reporting periods. Council does not make payment for unused sick leave.

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme and other superannuation funds. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(10) Provisions for Reinstatement, Restoration and Rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change.

Given there is no more air space remaining in the Landfill, all adjustments made to the provision for the capping of Cell 2 and Post Closure in future years will be recognised through the Statement of Profit and Loss and Other Comprehensive Income for the life of the Provision.

As the future cash outflows are estimates that can materially impact the value of the provision, they will be externally verified once every 5 years. In the intervening years the costs will be indexed. The last external review was undertaken by Value Add Ventures as at 30 June 2020.

(11) Leases

Accounting policy applicable from 01 July 2019

The Council assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

11.1 Council as a lessee

The Council recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-Use-Assets

The Council recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and the estimate of costs to be incurred to restore the leased asset. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The right-of-use assets are also subject to impairment. Refer to the accounting policies above - Impairment of non-financial assets.

ii) Lease Liabilities

At the commencement date of the lease, the Council recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Council uses its incremental borrowing rate or the interest rate implicit in the lease.

iii) Short-term leases and leases of low-value assets

The Council applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(12) Equity Accounted Council Businesses

Council participates in cooperative arrangements with other Councils for the provision of services and facilities. Councils' interests in cooperative arrangements, which are only recognised if material, are accounted for in accordance with AASB 128 and set out in detail in Note 19.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(13) GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.

(14) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Council.

Amendments to AASB 16 Covid-19 Related Rent Concessions

In 2020, the AASB issued AASB 2020-4, Amendments to AASBs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. This amendment had no impact on the consolidated financial statements of the Group.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies all the new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Councils.

Effective for NFP annual reporting periods beginning on or after 1 January 2022

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10 and AASB 2017-5)

Effective for NFP annual reporting periods beginning on or after 1 January 2023

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and associated standards.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Summary of Significant Accounting Policies (continued)

(15) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Opening equity for the 2021/22 financial year has been restated to correct a non-material error from a previous period. This was in relation to the treatment of Rates Income received in advance and reduced opening equity by \$519,000.

During 2021/22, assets within the Plant & Equipment, Furniture & Fittings, Street Furniture and Other Assets classes were assessed as to whether residual values applied historically were still appropriate. This resulted in residual values being removed for all assets with the exception of plant items. This had an immaterial impact on depreciation.

(16) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income

\$ '000	2021	2020
(a) Rates		
General Rates		
General Rates	17,085	16,779
Less: Mandatory Rebates	(183)	(171)
Less: Discretionary Rebates, Remissions & Write Offs	(201)	(24)
Total General Rates	16,701	16,584
Other Rates (Including Service Charges)		
Natural Resource Management Levy	919	907
Waste Collection	3,907	3,903
Total Other Rates (Including Service Charges)	4,826	4,810
Other Charges		
Penalties for Late Payment	118	130
Total Other Charges	118	130
Less: Discretionary Rebates, Remissions & Write Offs	(255)	(252)
Total Rates	21,390	21,272
(b) Statutory Charges		
Development Act Fees	78	59
Town Planning Fees	27	23
Health & Septic Tank Inspection Fees	3	—
Animal Registration Fees & Fines	231	251
Parking Fines / Expiation Fees	5	3
Other Licences, Fees & Fines	34	23
Total Statutory Charges	378	359
(c) User Charges		
Cemetery/Crematoria Fees	306	277
Hall & Equipment Hire	15	21
Property Lease	221	231
Sales - General	56	37
Subsidies Received on Behalf of Users	629	610
Sundry	220	195
Airport Charges	578	779
Marina Fees	51	43
Child Care Centre	398	256
Waste Fees	169	1,232
Total User Charges	2,643	3,681

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
(d) Investment Income		
Interest on Investments		
- Local Government Finance Authority	11	52
- Banks & Other	—	3
Total Investment Income	11	55

(e) Reimbursements

Roadworks	61	407
Private Works	1	11
Other	5	5
Total Reimbursements	67	423

(f) Other income

Rebates Received	728	743
Sundry	220	564
Management Other Income	27	44
Finance Debt Collection	52	17
Quarry Income	61	144
Total Other income	1,088	1,512

(g) Grants, Subsidies, Contributions

Amounts Received Specifically for New or Upgraded Assets	4,201	432
Total Amounts Received Specifically for New or Upgraded Assets	4,201	432
Untied - Financial Assistance Grant	4,155	4,148
Roads to Recovery	386	386
Library and Communications	154	152
Sundry	1,404	601
Total Other Grants, Subsidies and Contributions	6,099	5,287
Total Grants, Subsidies, Contributions	10,300	5,719

The functions to which these grants relate are shown in Note 12.

(i) Sources of grants

Commonwealth Government	5,069	711
State Government	4,719	4,869
Other	512	139
Total	10,300	5,719

(ii) Individually Significant Items

Other	3,822	—
Airport Security and Upgrade Grants		

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Income (continued)

\$ '000	2021	2020
(h) Conditions over Grants & Contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	1,952	1,882
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Roads Infrastructure	(1,758)	(743)
Heritage & Cultural Services	(15)	(1,042)
Subtotal	(1,773)	(1,785)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Roads Infrastructure	300	1,855
Heritage & Cultural Services	498	—
Other	1	—
Subtotal	799	1,855
Unexpended at the close of this reporting period	978	1,952
Net increase (decrease) in assets subject to conditions in the current reporting period	(974)	70

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Expenses

\$ '000	Notes	2021	2020
(a) Employee costs			
Salaries and Wages		9,242	8,490
Employee Leave Expense		1,545	1,419
Superannuation - Defined Contribution Plan Contributions	18	771	671
Superannuation - Defined Benefit Plan Contributions	18	186	202
Workers' Compensation Insurance		257	273
Less: Capitalised and Distributed Costs		(155)	(144)
Total Operating Employee Costs		11,846	10,911
Total Number of Employees (full time equivalent at end of reporting period)		127	113
(b) Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		15	15
Bad and Doubtful Debts		67	16
Elected Members' Expenses		319	313
Election Expenses		7	7
Subtotal - Prescribed Expenses		408	351
(ii) Other Materials, Contracts and Expenses			
Contractors		5,111	4,744
Energy		1,161	1,211
Insurance		377	341
Maintenance		711	447
Legal Expenses		139	90
Levies Paid to Government - NRM levy		921	906
Levies - Other		152	1,023
Parts, Accessories & Consumables		959	1,030
Professional Services		1,053	974
Sundry		3,592	3,105
Subtotal - Other Material, Contracts & Expenses		14,176	13,871
Total Materials, Contracts and Other Expenses		14,584	14,222

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Expenses (continued)

\$ '000	2021	2020
(c) Depreciation, Amortisation and Impairment		
(i) Depreciation and Amortisation		
Land Improvements	632	583
Buildings & Other Structures	1,422	984
Infrastructure		
- Stormwater Drainage	390	386
- Irrigation Systems	246	93
- Playgrounds	116	159
- Roads & Footpaths	3,224	3,153
- Runway Assets	158	164
Plant & Equipment	608	591
Furniture & Fittings	269	190
Street Furniture	78	55
Landfill Assets	117	400
Other Assets	289	127
Subtotal	7,549	6,885
(ii) Impairment		
- Irrigation Systems	1,178	—
Subtotal	1,178	—
Total Depreciation, Amortisation and Impairment	8,727	6,885
(d) Finance Costs		
Interest on Overdraft and Short-Term Drawdown	184	79
Total Finance Costs	184	79

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. Asset Disposal & Fair Value Adjustments

\$ '000	2021	2020
Infrastructure, Property, Plant & Equipment		
(i) Assets Renewed or Directly Replaced		
Proceeds from Disposal	115	76
Less: Carrying Amount of Assets Sold	(619)	(484)
Gain (Loss) on Disposal	(504)	(408)
(ii) Assets Surplus to Requirements		
Proceeds from Disposal	375	3
Less: Carrying Amount of Assets Sold	(638)	(8)
Gain (Loss) on Disposal	(263)	(5)
Real Estate Development Assets		
Proceeds from Disposal	–	323
Less: Carrying Amount of Assets Sold	–	(119)
Gain (Loss) on Disposal	–	204
Net Gain (Loss) on Disposal	(767)	(209)

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Current Assets

\$ '000	2021	2020
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(a) Cash & Cash Equivalent Assets

Cash on Hand at Bank	580	274
Total Cash & Cash Equivalent Assets	580	274

(b) Trade & Other Receivables

Rates - General & Other	2,416	2,015
Council Rates Postponement Scheme	22	16
Accrued Revenues	108	182
Debtors - General	958	1,715
GST Recoupment	491	387
Prepayments	77	75
Sundry	22	19
Subtotal	4,094	4,409
Less: Allowance for Doubtful Debts	(155)	(221)
Total Trade & Other Receivables	3,939	4,188

\$ '000	Notes	2021	2020
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(c) Inventories

Stores & Materials		74	89
Trading Stock		23	25
Real Estate Developments	6	2,705	—
Total Inventories		2,802	114

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Non-Current Assets

\$ '000	2021	2020
Other Non-Current Assets		
Inventories		
Real Estate Developments	–	2,705
Total Inventories	–	2,705
Other		
Capital Works-in-Progress	4,576	1,375
Total Other	4,576	1,375
Total Other Non-Current Assets	4,576	4,080
Other disclosures		
Real Estate Developments - Current & Non-Current		
(Valued at the lower of cost and net realisable value)		
Industrial & Commercial	2,705	2,705
Total Real Estate for Resale	2,705	2,705
Represented by:		
Acquisition Costs	481	481
Development Costs	2,071	2,071
Finance Costs	153	153
Subtotal	2,705	2,705
Total Real Estate of Resale	2,705	2,705
Apportionment of Real Estate Developments		
Current Assets	2,705	–
Non-Current Assets	–	2,705

The Corporation of the City of Whyalla

Notes to the Financial Statements for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment

(a(i)) Infrastructure, Property, Plant & Equipment

		as at 30/06/20				Asset movements during the reporting period									as at 30/06/21			
	Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in P/L) (Note 3c)	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																		
Land	2	6,249	—	—	6,249	—	—	—	—	—	—	—	—	—	6,249	—	—	6,249
Land	3	25,398	—	—	25,398	—	—	—	—	—	—	—	—	—	25,398	—	—	25,398
Land Improvements	3	27,280	—	(8,854)	18,426	1,076	144	(82)	(632)	—	732	—	(166)	187	27,282	1,952	(9,550)	19,684
Buildings & Other Structures	2	12,477	—	(8,247)	4,230	—	—	—	(224)	—	—	—	—	—	12,477	—	(8,471)	4,006
Buildings & Other Structures Infrastructure	3	63,155	—	(36,500)	26,655	3,066	159	(169)	(1,198)	—	(2,605)	—	(173)	74	62,931	620	(37,742)	25,809
- Stormwater Drainage	3	35,239	285	(16,041)	19,483	168	—	—	(390)	—	(168)	—	(523)	1,025	36,549	—	(16,954)	19,595
- Irrigation Systems	3	—	9,385	(910)	8,475	69	—	(1)	(246)	(1,178)	—	—	(478)	478	9,924	—	(2,806)	7,118
- Playgrounds	3	2,325	—	(1,042)	1,283	—	—	—	(116)	—	—	—	—	—	2,325	—	(1,159)	1,166
- Roads & Footpaths	3	226,562	6,665	(77,394)	155,833	361	3,828	(282)	(3,224)	—	(112)	—	(3,846)	6,577	240,072	—	(80,936)	159,136
- Runway Assets	3	10,110	—	(5,477)	4,633	—	—	—	(158)	—	—	—	(64)	270	10,380	—	(5,699)	4,681
Plant & Equipment		—	6,659	(3,941)	2,718	210	449	(526)	(608)	—	(11)	—	—	—	—	5,765	(3,532)	2,233
Furniture & Fittings		—	4,619	(3,273)	1,346	1,361	40	(178)	(269)	—	(1,181)	—	—	—	—	3,375	(2,255)	1,120
Street Furniture		—	2,202	(957)	1,245	212	—	(1)	(78)	—	—	—	—	—	—	2,345	(966)	1,379
Landfill Assets		—	5,758	(5,640)	118	—	—	—	(117)	—	—	—	—	—	—	5,757	(5,757)	—
Other Assets		—	7,366	(3,645)	3,721	25	70	(17)	(289)	—	—	—	—	—	—	7,277	(3,768)	3,509
Total Infrastructure, Property, Plant & Equipment		408,795	42,939	(171,921)	279,813	6,548	4,690	(1,256)	(7,549)	(1,178)	(3,345)	—	(5,250)	8,611	433,587	27,091	(179,595)	281,083
Comparatives		375,583	46,187	(161,875)	259,895	14,229	6,856	(492)	(6,885)	—	—	399	(11,610)	17,421	408,795	42,939	(171,921)	279,813

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment (continued)

(b) Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

Valuation of Assets

The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to Note 7a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on Valuations

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Fair value hierarchy level 3 valuations of land - Valuations of crown land, community land and land subject to other restrictions on use or disposal, shown above as being based on fair value hierarchy level 3 valuation inputs, are based on prices for similar assets in an active market, but include adjustments for specific advantages or disadvantages attaching to the particular asset that are not directly or indirectly observable in that market, or the number and / or amount of observable adjustments of which are so great that the valuation is more fairly described as being based on level 3 valuation inputs.

Fair value hierarchy level 3 valuations of buildings, infrastructure and other assets - There is no known market for buildings, infrastructure and other assets. These assets are valued at depreciated current replacement cost. This method involves:

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

Other Information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

Upon revaluation, the current new replacement cost and accumulated depreciation are re-stated such that the difference represents the fair value of the asset determined in accordance with AASB 13 Fair Value Measurement: accumulated depreciation is taken to be the difference between current new replacement cost and fair value. In the case of land, current replacement cost is taken to be the fair value.

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment (continued)

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Land, Land Improvements & Playgrounds

- Basis of valuation: Fair Value / Cost
- Date of full valuation: 30 June 2020
- Valuer: Opteon Pty Ltd and Tonkin Consulting Pty Ltd

Council being of the opinion that it is not possible to attribute a value sufficiently reliably to qualify for recognition, land under roads has not been recognised in these reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

Freehold land and land over which Council has control, but does not have title, is recognised on the cost basis. No capitalisation threshold is applied to the acquisition of land or interests in land.

Level 3 classified land and land improvements assets relate to properties where there is an inability or restriction on Council to sell this asset in the open market.

All acquisitions made after the respective dates of valuation are recorded at cost.

Buildings & Other Structures

- Basis of valuation: Fair Value / Market Value
- Date of full valuation: 30 June 2020
- Valuer: Opteon Pty Ltd and Tonkin Consulting Pty Ltd

Buildings have been disclosed as either Fair Value Hierarchy Level 2 valuations or as Fair Value Hierarchy Level 3 valuations, in accordance with AASB 13 Fair Value Measurement.

Building valuations, disclosed as Level 2, are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

Building valuations, disclosed as Level 3 have been determined to have no known market for these assets and they are valued at depreciated current replacement cost. This method involves the determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate. This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques.

All acquisitions made after the respective dates of valuation are recorded at cost.

Infrastructure

Roads, Footpaths and Runway Assets

- Written down current replacement cost
- Date of full valuation: 1 July 2018
- Date of desktop valuation: 30 June 2021
- Valuer: Tonkin Consulting Pty Ltd

All acquisitions made after the respective dates of valuation are recorded at cost.

Stormwater Drainage

- Written down current replacement cost
- Date of full valuation: 1 July 2018
- Date of desktop valuation: 30 June 2021
- Valuer: Tonkin Consulting Pty Ltd

Irrigation

- Written down current replacement cost

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. Infrastructure, Property, Plant & Equipment (continued)

- Date of full valuation: 30 June 2021
- Valuer: Tonkin Consulting Pty Ltd

All acquisitions made after the respective dates of valuation are recorded at cost.

Information obtained during the full valuation of irrigation assets resulted in an increase in depreciation for 2021/22 of \$150,000 compared to previous projections. This increase will be ongoing into the future.

Plant & Equipment

These assets are recognised on the cost basis.

All other Assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written off.

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Liabilities

\$ '000	2021 Current	2021 Non Current	2020 Current	2020 Non Current
(a) Trade and Other Payables				
Goods & Services	4,273	—	2,248	—
Payments Received in Advance	1,660	—	1,897	—
Accrued Expenses - Employee Entitlements	301	—	231	—
Accrued Expenses - Other	117	—	82	—
Deposits, Retentions & Bonds	66	—	71	—
Other	6	—	10	—
<u>TOTAL Trade and Other Payables</u>	<u>6,423</u>	<u>—</u>	<u>4,539</u>	<u>—</u>

(b) Borrowings

Loans	—	7,000	7,000	—
<u>TOTAL Borrowings</u>	<u>—</u>	<u>7,000</u>	<u>7,000</u>	<u>—</u>

All interest bearing liabilities are secured over the future revenues of the Council

(c) Provisions

Employee Entitlements (including oncosts)	2,595	97	2,276	160
Provision for Future Works	—	—	180	—
Landfill Capping and Closure	—	983	—	1,035
Child Care Fundraising	—	10	—	18
<u>TOTAL Provisions</u>	<u>2,595</u>	<u>1,090</u>	<u>2,456</u>	<u>1,213</u>

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Reserves

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset Revaluation Reserve					
Land	17,229	–	–	–	17,229
Land Improvements	1,961	21	–	–	1,982
Buildings & Other Structures Infrastructure	19,792	(99)	–	–	19,693
- Stormwater Drainage	16,470	502	–	–	16,972
- Playgrounds	1,243	–	–	–	1,243
- Roads & Footpaths	161,960	2,731	–	–	164,691
- Runway Assets	9,831	206	–	–	10,037
Street Furniture	1,168	–	(1,168)	–	–
Total Asset Revaluation Reserve	229,654	3,361	(1,168)	–	231,847
Comparatives	223,843	5,811	–	–	229,654

	as at 30/06/20				as at 30/06/21
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other Reserves					
Committed Funds Reserve	1,952	799	(1,773)	–	978
Total Other Reserves	1,952	799	(1,773)	–	978
Comparatives	1,882	1,855	(1,785)	–	1,952

PURPOSES OF RESERVES

Asset Revaluation Reserves

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non current assets (less any subsequent impairment losses, where applicable).

Committed Funds Reserve

The committed funds reserve is used to record amounts committed for brought forward projects, unexpended grant funds and developer contributions.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10. Assets Subject to Restrictions

\$ '000	2021	2020
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The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.

Cash & Financial Assets

Other Contributions	9	8
Federal Government	471	1,855
State Government	498	89
Total Cash & Financial Assets	978	1,952
Total Assets Subject to Externally Imposed Restrictions	978	1,952

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2021	2020
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(a) Reconciliation of Cash

Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Total Cash & Equivalent Assets	5	580	274
Balances per Statement of Cash Flows		580	274

(b) Reconciliation of Change in Net Assets to Cash from Operating Activities

Net Surplus/(Deficit)		(231)	715
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		8,727	6,885
Grants for capital acquisitions treated as Investing Activity		(4,201)	(432)
Net (Gain) Loss on Disposals		767	209
		5,062	7,377
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		315	(399)
Change in Allowances for Under-Recovery of Receivables		66	(16)
Net (Increase)/Decrease in Inventories		17	(14)
Net (Increase)/Decrease in Other Assets		(132)	32
Net Increase/(Decrease) in Trade & Other Payables		1,374	42
Net Increase/(Decrease) in Unpaid Employee Benefits		256	220
Net Increase/(Decrease) in Other Provisions		(170)	(716)
Net Cash provided by (or used in) operations		6,788	6,526

(c) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

Bank Overdrafts	250	250
Corporate Credit Cards	37	37
LGFA Cash Advance Debenture Facility	26,000	12,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Council also has immediate access to a short-term draw-down facility, and variable interest rate borrowings under a cash advance facility, both from the Local Government Finance Authority of SA.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 12(b).

\$ '000	2021	INCOME 2020	2021	EXPENSES 2020	OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
					2021	2020	2021	2020	2021	2020
Functions/Activities										
Business Undertakings	30	50	21	52	9	(2)	—	—	31,601	32,976
Community Services	1,443	1,223	3,644	2,724	(2,201)	(1,501)	87	56	14,505	15,856
Culture	220	225	1,466	1,255	(1,246)	(1,030)	204	207	904	809
Economic Affairs	192	177	1,649	1,259	(1,457)	(1,082)	—	6	1,091	991
Environment	4,835	6,293	8,025	7,973	(3,190)	(1,680)	36	47	1,202	1,063
Sport & Recreation	204	376	6,667	3,961	(6,463)	(3,585)	—	—	33,336	33,364
Regulatory Services	373	369	2,743	1,581	(2,370)	(1,212)	—	—	168	168
Transport & Communication	2,245	1,705	8,277	7,111	(6,032)	(5,406)	1,606	819	193,074	185,132
Council Administration	22,134	22,171	2,849	6,181	19,285	15,990	4,166	4,152	17,099	18,110
Total Functions/Activities	31,676	32,589	35,341	32,097	(3,665)	492	6,099	5,287	292,980	288,469

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 12(b). Components of Functions

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

Property Portfolio, Private Works, Tourism, and Other Economic Development.

COMMUNITY SERVICES

Public Order and Safety, Crime Prevention, Emergency Services, Other Fire Protection, Other Public Order and Safety, Health Services, Pest Control - Health, Immunisation, Preventative Health Services, Other Health Services, Community Support, Home Assistance Scheme, Other Services for the Aged and Disabled, Child Care Centre, Children and Youth Services, Community Assistance, Family and Neighbourhood Support and Other Community Support. Community Amenities, Bus Shelters, Cemeteries/Crematoria, Public Conveniences, Car Parking – non-fee-paying, Telecommunication Networks and Other Community Amenities.

CULTURE

Library Services, Mobile Libraries and Housebound Services, Other Library Services, Cultural Services and Venues, Heritage, Museums and Art Galleries, Other Cultural Services.

ECONOMIC AFFAIRS

Employment Creation Programs, Regional Development, Support to Local Businesses, Other Economic Development.

ENVIRONMENT

Waste Management, Domestic Waste, Green Waste, Recycling, Transfer Stations, Waste Disposal Facility, Other Waste Management, Pest Control, Other Environment, Coastal Protection, Stormwater and Drainage, Street Cleaning, Street Lighting, Streetscaping, Natural Resource Management Levy and Other Environment.

SPORT & RECREATION

Jetties, Marine Facilities, Parks and Gardens, Marinas & Boat Harbours, Sports Facilities – Indoor, Sports Facilities - Outdoor, Swimming Centres - Indoors, Other Recreation and Sporting Facilities.

REGULATORY SERVICES

Dog and Cat Control, Building Control, Town Planning, Litter Control, Health Inspection, Parking Control and Other Regulatory Services.

TRANSPORT & COMMUNICATION

Aerodrome, Footpaths and Kerbing, Roads – Sealed, Roads – Formed, Roads – Natural Formed, Roads – Unformed, Traffic Management, LGGC – Roads (formula funded) and Other Transport.

COUNCIL ADMINISTRATION

Governance, Administration, N.E.C., Elected Members, Organisational, Support Services, Accounting / Finance, Payroll, Human Resources, Information Technology, Communication, Rates Administration, Records, Occupancy, Contract Management, Customer Service, Other Support Services, Revenues, LGGC – General Purpose, and Separate and Special Rates.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 0.00% and 0.30% (2020: 1.20% and 1.90%). Short term deposits have an average maturity of 1 day and an average interest rate of 0.35% (2020: 87 days and 1.80%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - Rates & Associated Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.05% (2020: 5.20%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Fees & Other Charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - Other Levels of Government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

Liabilities - Creditors and Accruals

Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - Interest Bearing Borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable and interest is charged at fixed and variable rates between 1.30% and 2.05% (2020: 2.20% and 3.10%).

Carrying Amount:

Approximates fair value.

Liabilities - Leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets					
2021					
Cash & Cash Equivalents	580	—	—	580	580
Receivables	4,094	—	—	4,094	4,094
Total Financial Assets	4,674	—	—	4,674	4,674
Financial Liabilities					
Payables	6,005	—	—	6,005	6,005
Non-Current Borrowings	7,000	—	—	7,000	7,000
Total Financial Liabilities	13,005	—	—	13,005	13,005
2020					
Cash & Cash Equivalents	274	—	—	274	274
Receivables	4,409	—	—	4,409	4,409
Total Financial Assets	4,683	—	—	4,683	4,683
Financial Liabilities					
Payables	4,226	—	—	4,226	4,226
Current Borrowings	7,154	—	—	7,154	7,000
Total Financial Liabilities	11,380	—	—	11,380	11,226

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 13. Financial Instruments (continued)

The following interest rates were applicable to Council's Borrowings at balance date:

\$ '000	2021		2020	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	6.47%	—	6.70%	—
Other Variable Rates	1.63%	7,000	2.63%	7,000
		<u>7,000</u>		<u>7,000</u>

Net Fair Value

All carrying values approximate fair value for all recognised financial instruments. There is no recognised market for the financial assets of the Council.

Risk Exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

Market Risk is the risk that fair values of financial assets will fluctuate as a result of changes in market prices. All of Council's financial assets are denominated in Australian dollars and are not traded on any market, and hence neither market risk nor **currency risk** apply.

Liquidity Risk is the risk that Council will encounter difficulty in meeting obligations with financial liabilities. In accordance with the model Treasury Management Policy (LGA Information Paper 15), liabilities have a range of maturity dates. Council also has available a range of bank overdraft and standby borrowing facilities that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Council has a balance of both fixed and variable interest rate borrowings and investments. Cash flow fluctuations are managed holistically in seeking to minimise interest costs over the longer term in a risk averse manner.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	2021	2020
---------	------	------

(a) Capital Commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Land Improvements	212	927
Buildings	785	139
Infrastructure	3,561	3,265
Plant & Equipment	437	—
Other	171	—
	5,166	4,331

These expenditures are payable:

Not later than one year	5,166	4,331
	5,166	4,331

(b) Other Expenditure Commitments

Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:

Audit Services	77	102
Waste Management Services	12,287	2,015
Other Maintenance Contracts	341	287
Other	1,431	945
	14,136	3,349

These expenditures are payable:

Not later than one year	3,743	3,166
Later than one year and not later than 5 years	9,813	183
Later than 5 years	580	—
	14,136	3,349

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15. Financial Indicators

\$ '000	Indicator 2021	Prior periods	
		2020	2019

Information paper 9

These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

1. Operating Surplus Ratio

Operating Surplus	(11.6)%	1.5%	5.4%
Total Operating Income			

This ratio expresses the operating surplus as a percentage of total operating revenue.

2. Net Financial Liabilities Ratio

Net Financial Liabilities	40%	33%	(7)%
Total Operating Income			

Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.

Adjustments to Ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.

Adjusted Operating Surplus Ratio

Operating Surplus	(11.5)%	1.3%	4.0%
Total Operating Income			

3. Asset Renewal Funding Ratio

Net Asset Renewals	61%	188%	85%
Infrastructure & Asset Management Plan required expenditure			

Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.

The Corporation of the City of Whyalla

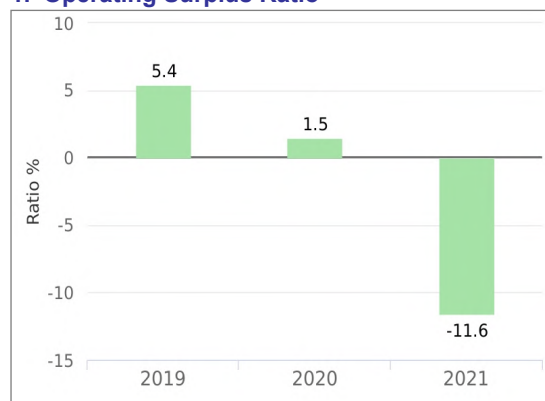
Notes to the Financial Statements

for the year ended 30 June 2021

Note 15. Financial Indicators (continued)

Financial Indicators - Graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

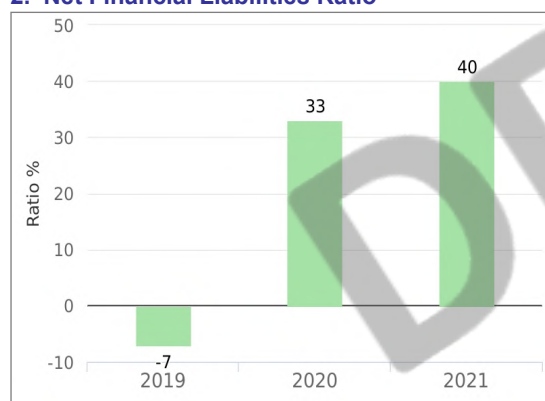
This indicator is to determine the percentage the operating revenue varies from operating expenditure

Commentary on 2020/21 result

2020/21 ratio (11.6)%

Councils' operating position has been negatively impacted by a number of significant one-off items, including provision of Covid-19 rate rebates, very low airport income also related to Covid-19 and a large impairment of irrigation assets related to undertaking a detailed valuation for the first time. While deficits are predicted for a number of years, they are projected to be much closer to normal range in the future.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

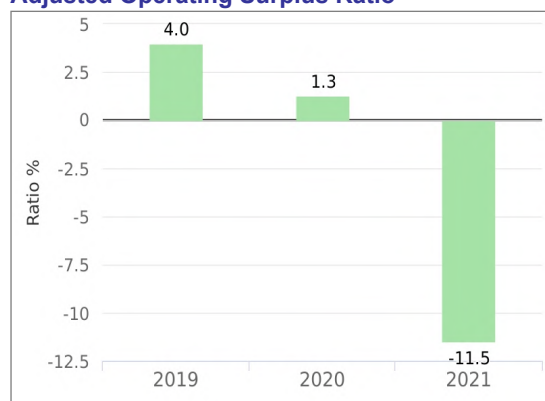
This indicator shows the significance of the net amount owed to others, compared to operating revenue

Commentary on 2020/21 result

2020/21 ratio 40%

In accordance with Councils' Treasury Management Policy, funds are borrowed in accordance with the capital expenditure requirements as set out in the Budget and Long Term Financial Plan. Borrowings have not increased significantly over the last year, but are expected to rise next year as a number of large projects are completed.

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2020/21 result

2020/21 ratio (11.5)%

This ratio removes the effects of timing differences in financial assistance grant payments. There was minimal impact for the current year.

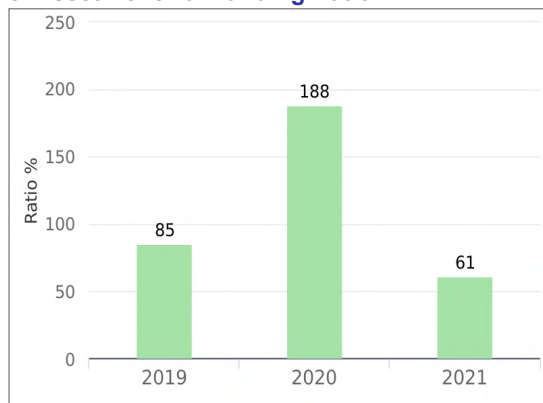
The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 15. Financial Indicators (continued)

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

This indicator aims to determine if assets are being renewed and replaced in an optimal way

Commentary on 2020/21 result

2020/21 ratio 61%

This ratio is lower than expected for this year, as a number of renewal projects were retimed for completion in 2021/22. Council are also delivering the transport renewal program under budget, meaning a lower spend has been required compared to original estimates.

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The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16. Uniform Presentation of Finances

\$ '000	2021	2020
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	31,676	32,589
less Expenses	(35,341)	(32,097)
Operating Surplus / (Deficit)	(3,665)	492
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(4,620)	(6,854)
add back Depreciation, Amortisation and Impairment	8,727	6,885
add back Proceeds from Sale of Replaced Assets	115	76
	4,222	107
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(6,548)	(14,229)
add back Amounts Received Specifically for New and Upgraded Assets	4,201	432
add back Proceeds from Sale of Surplus Assets (including investment property, real estate developments & non-current assets held for resale)	375	1,507
	(1,972)	(12,290)
Net Lending / (Borrowing) for Financial Year	(1,415)	(11,691)

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 17. Leases

Council as a lessor

Council owns various buildings, plant and other facilities that are available for hire or lease (on a non-cancellable basis wherever practicable) in accordance with the published revenue policy. Rentals received from such leases are disclosed as rent and hire of non-investment property in Note 2.

(i) Investment Property

Rentals received, and outgoings reimbursed, in relation to Investment Property are also disclosed in Note 2. These lease agreements, all of which are classified as operating leases, are made on a non-cancellable basis wherever practicable.

\$ '000	2021	2020
Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:		
Not later than one year	230	283
Later than one year and not later than 5 years	437	782
Later than 5 years	397	848
	1,064	1,913

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 18. Superannuation

The Council makes employer superannuation contributions in respect of its employees to Statewide Super (formerly Local Government Superannuation Scheme). There are two types of membership, each of which is funded differently. Permanent and contract employees of the South Australian Local Government sector with Salarylink benefits prior to 24 November 2009 have the option to contribute to the Accumulation section and/or Salarylink. All other employees (including casuals) have all contributions allocated to the Accumulation section.

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2020/21; 9.50% in 2019/20). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2019/20) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink section is a multi-employer sponsored plan. As the Salarylink sections assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.34(a), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Councils' contribution rates at some future time.

Contributions to Other Superannuation Schemes

Council also makes contributions to other superannuation schemes selected by employees under the "choice of fund" legislation. All such schemes are of the accumulation type, where the superannuation benefits accruing to the employee are represented by their share of the net assets of the scheme, and no further liability attaches to the Council.

Note 19. Interests in Other Entities

Council has no interest in any Equity Accounted Businesses such as Joint Ventures, Associates & Joint Operations.

Note 20. Non-Current Assets Held for Sale & Discontinued Operations

Council does not have any Non-Current Assets Held for Sale or any Discontinued Operations.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 21. Contingencies & Assets/Liabilities Not Recognised in the Balance Sheet

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but knowledge is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources.

1. LAND UNDER ROADS

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

At reporting date, Council controlled **353** km of road reserves of average width **20** metres.

2. POTENTIAL INSURANCE LOSSES

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time, it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to deductible "insurance excesses", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excess) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

3. BANK GUARANTEES

Council has no bank guarantees.

4. LEGAL EXPENSES

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had no notice of any appeals against planning decisions made prior to reporting date.

Council is responsible for the operations of the Mount Laura and, previously, the Newton Street landfill sites. The cost of Councils' obligations in relation to the Mount Laura site has been included in Note 8. The Newton Street site is monitored and costs are expensed on an annual basis. Requirements for future restorations have not been identified as at 30 June 2021. If applicable, once identified, the amount will be included and amortised on an annual basis.

Note 22. Events after the Balance Sheet Date

Events that occur after the reporting date of 30 June 2021, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Council is aware of the following "non adjusting events" that merit disclosure;

In August 2021 Council entered into a five-year agreement for the provision of security screening services at Whyalla Airport.

The contract is valued at \$1.9 million per year and accordingly a prudential report was prepared and presented to Council in June 2021.

This expense is completely funded by the Federal Government and has been included in the Budget and Long Term Financial Plan projections.

The Corporation of the City of Whyalla

Notes to the Financial Statements

for the year ended 30 June 2021

Note 23. Related Party Transactions

Key Management Personnel

Transactions with Key Management Personnel

The key management personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all 33 persons were paid the following total compensation

\$ '000	2021	2020
The compensation paid to Key Management Personnel comprises:		
Short-Term Employee Benefits	2,880	2,718
Post-Employment Benefits	262	184
Long-Term Benefits	247	204
Termination Benefits	76	92
Total	3,465	3,198

Receipts from Key Management Personnel comprise:

Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received the following amounts in total:

Planning and Building Application Fees	1	1
Total	1	1

Seven key management personnel and relatives own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. Purchases from five of these individual business exceeded \$5,000 during the year.

Five close family members of key management personnel are employed by Council in accordance with the terms of the Award, and as recorded in the public Register of Salaries maintained in accordance with section 105 of the Local Government Act 1999.

One key management personnel or close family members (including related parties) lodged a total of two Planning and Building applications during the year. In accordance with the Local Government Act 1999, these persons declared conflicts of interest and took no part in the assessment or approval processes for these applications.

Two planning and building approvals, with and without conditions, was granted during the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$774.

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2021

Independent Auditor's Report - Financial Statements

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The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2021

Independent Auditor's Report - Internal Controls

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The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2021

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The Corporation of the City of Whyalla for the year ended 30 June 2021, the Council's Auditor, Dean Newbery & Partners, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22(3) *Local Government (Financial Management) Regulations 2011*.

Justin Commons
Chief Executive Officer

Alan Rushbrook
Presiding Member, Audit Committee

Date: 27 September 2021

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2021

Statement by Auditor

We confirm that, for the audit of the financial statements of The Corporation of the City of Whyalla for the year ended 30 June 2021, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Auditor's Name

Audit Firm Name

Date: 27 September 2021

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Audit Completion Report

The Corporation of the City of Whyalla

Year Ended 30 June 2021

DeanNewbery

Annexure "B"

21 September 2021

Dear Mr Rushbrook

This report has been prepared for the Audit Committee of the Corporation of the City of Whyalla (the Council) in relation to the 30 June 2021 external audit.

The purpose of this report is to provide members of the Audit Committee and those charged with governance of the Council a summary of the significant matters that have arisen from our audit which we believe covers material matters dealt within our work completed.

This report has been prepared to comply with Australian Auditing Standard (ASA) 260 Communication with Those Charged with Governance and ASA 265 Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management.

We are pleased to advise that subject to finalisation of the outstanding matters outlined within this report, our audit opinion for financial year ended 30 June 2021 is expected to be issued as an unmodified audit report.

I would like to take this opportunity to thank the Administration for the assistance provided throughout the year.

Your sincerely
DEAN NEWBERY

A handwritten signature in black ink, appearing to read 'Samantha Creten', with a stylized flourish at the end.

Samantha Creten
Partner

Scope

The audit procedures have been designed and carried out by the audit team in accordance with Australian Auditing Standards and per the audit scope prescribed under the Local Government Act 1999 and applicable Regulations for the financial year ended 30 June 2021.

Independence

In accordance with our professional ethical requirements, we confirm that, for the audit of the Council for the financial year ended 30 June 2021, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board and in accordance with Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

Audit Status

All requested audit adjustments have been processed and disclosures have been made within the financial report based on audit testing completed.

All requested information has been provided by the Administration during the course of the audit.

Subject to the finalisation of the matters outlined in this report, our audit opinion for the financial year ended 30 June 2021 will be signed without reference to any qualification.

Outstanding Matters

All requested audit adjustments have been processed and disclosures within the financial report appropriately modified based on audit testing completed.

Subject to the following work being satisfactorily completed, we expect unmodified audit opinions to be issued for the financial year:

- Undertake a review of subsequent events since 30 June
- Complete a review of the draft Financial Statements and obtain certified financial statements as required
- Receipt of the signed Management Representation Letter

Fraud & Litigation

As part of our audit we have discussed with the Administration's management staff;

- The safeguards in place in relation to the prevention and detection of fraud
- The existence of any fraud
- The existence of any litigation and claims.

We have not become aware of any matter which should be brought to the Council or Audit and Risk Management Committee's attention

There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to Council's Audit Committee.

Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.

All requested audit adjustments have been processed and disclosures within the financial report have been appropriately modified based on audit testing completed.

Subject to all matters being appropriately completed as outlined in this report, we anticipate to be issuing an unqualified audit opinion on the financial statements (Section 129(1)(a) audit opinion).

Materiality

An item is considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view to the users of the financial statements. Materiality is set at the outset of planning to ensure that an appropriate level of audit work is planned. It is then used throughout the audit process in order to assess the impact of any item on the financial statements.

Any identified errors or differences are investigated and are recorded on a schedule of potential misstatements. These are assessed individually and in aggregate, discussed with the Administration and Audit Committee to further clarify the proposed treatment and/or disclosure of the matter.

Should the matter remain unadjusted and signed off by the Council's Administration in their letter of representation to us, confirming that in the Audit Committee view also that the matter(s) are immaterial to the financial statements, an item of low value may still be judged material by its nature.

An item of higher value may also be judged not material if it does not distort the accuracy and/or fairness of the financial statements.

Key Audit Matters Considered

As part of our audit planning process we identified key audit and accounting matters that were considered and tested during the course of the audit which represented areas of identified risk where material misstatements could occur.

During our Interim Audit stage, key audit matters identified were reported as part of our Management Report issued to the Council dated 29 April 2021.

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Open Balance Testing	<ul style="list-style-type: none">A review of general ledger opening balances were reviewed against prior financial year working papers was completed.	<ul style="list-style-type: none">Prepaid rates were being incorrectly recorded as income in the year of receipt which is not in conformance with the requirements per AASB 1058.A correction of \$88K was recorded to recognise prepaid rates as a liability from the commencement of FY2021. The identified error was deemed immaterial and no prior period correction was made.
Plant & Equipment - Residual Balances	<ul style="list-style-type: none">A review of the movement in the asset values was conducted.	<ul style="list-style-type: none">No issues noted, it appears all residuals have been removed.
Landfill Post Closure Provision	<ul style="list-style-type: none">A provision exists for this valued at approx. \$983K in FY21 – this is a considerable liability that is based on estimates and judgement. Review calculations performed this year and identified the original source of the calculations and estimates were third party experts.	<ul style="list-style-type: none">No significant changes in underlying assumptions.Our audit procedures have not identified any material misstatements.

Key Audit Matters Considered (cont)

As part of our audit planning process we identified key audit and accounting matters that were considered and tested during the course of the audit which represented areas of identified risk where material misstatements could occur.

During our Interim Audit stage, key audit matters identified were reported as part of our Management Report issued to the Council dated 29 April 2021.

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Grants Revenue Received	<ul style="list-style-type: none">Reviewed Grant Agreements and Identified Performance Obligation to determine if Deferred Revenue Liability was requiredReviewed Accounting Treatment of funding received (e.g. Capital vs Operating) to ensure appropriate representation in the General Ledger – in particular the treatment of the Local Roads Community Infrastructure (LRCI) to ensure this was classified as Operating	<ul style="list-style-type: none">Our audit procedures have not identified any material misstatements.
Work in Progress (WIP)	<ul style="list-style-type: none">Review WIP register to identify any slow moving projectsTest transactions allocated to WIP to ensure appropriate allocation of expenses incurred in line with AASB 116 Property, Plant & Equipment	<ul style="list-style-type: none">Our audit procedures have not identified any material misstatements

Matters to be Addressed in Future Financial Years

As a result of audit work completed, the following audit matters have been identified during the course of our audit which we have summarised below that

Audit Matter	Audit Recommendation
Asset Revaluation – Irrigation	<p>Discussions with Administration and subsequent testing identified that the irrigation revaluation data is held in a spreadsheet. This presents a risk that the spreadsheet could become corrupt or data could be altered without appropriate safeguards in place. To ensure the security of the data and ensure a higher level of accuracy around the calculation of depreciation, we recommend the revaluation information be transferred into Council's Asset Management software.</p> <p>We acknowledge that Council Administration are aware of this and are working towards having this information loaded into Tonkin's Asset Database, Conquest in FY22. We further recommend that testing is undertaken to ensure the data that is loaded into the Asset Management Software matches to the audited figures presented in the FY2021 Financial Statements.</p>
Interim Audit Report – Actions taken in response to our Interim Management Letter	<p>The matters identified in our Interim Audit Report dated 29 April 2021 for FY2021 will be considered during our FY2022 Interim attendance and reported in our FY2022 Interim Audit Report thereafter.</p>
Installation of new Payroll system	<p>With the installation of the new payroll software expected to be implemented in December 2021, a review of the internal controls will be undertaken.</p>

INDEPENDENT AUDITOR'S REPORT

To the members of the Corporation of the City of Whyalla Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the Corporation of the City of Whyalla (the Council), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion, the accompanying financial report of the Council is in accordance with the requirements of the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards (including Australian Accounting Interpretations), including;

- (i) giving a true and fair view of the Council's financial position as at 30 June 2021 and of its performance for the year then ended; and
- (ii) that the financial records kept by the Council are such as to enable financial statements to be prepared in accordance with Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described as in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the auditor independence requirements of the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report, and has determined that the basis of preparation described in Note 1 is appropriate to meet the need of the directors. Council's responsibility also includes such internal control as Council determines is necessary to enable the preparation of the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, Council is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DEAN NEWBERY

Samantha Creten

Partner

Signed on the day of 2021,
at 214 Melbourne Street, North Adelaide

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CORPORATION OF THE CITY OF WHYALLA

Opinion

In our opinion, the Council has complied, in all material respects, with Section 129(1)(b) of the Local Government Act 1999 in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for Opinion

We have audited the Internal Controls of the Corporation of the City of Whyalla (the Council) under the requirements of Section 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The Council's Responsibility for the Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999 to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applying Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Review of Financial Reports and Other Financial Information, and Other Assurance Engagements in undertaking the assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with Section 129(1)(b) of the Local Government Act 1999 in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and performed our procedure to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period.

An assurance engagement to report on the designed and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness to the controls that we consider necessary to achieve the control objectives identified. An Assurance engagement of this type also includes evaluating the suitability of the control objectives.

Limitation on Use

This report has been prepared for the members of the Council in accordance with Section 129(1)(b) of the Local Government Act 1999 in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

DEAN NEWBERY

Samantha Creten

Partner

Signed on the day of 2021,
at 214 Melbourne Street, North Adelaide

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6.1 CORPORATE

6.1.4 Financial Results 2020-21

Audit Committee: 27 September 2021

Author's Title: Manager Finance

File No.: 0-159

Director Corporate: Kathy Jarrett

Annexures:

A – Financial Results 2020-21

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the financial results of Council compared with the estimated financial results set out in the budget for the year ending 30 June 2021.

SUMMARY

Council, on adoption of the 2020-21 budget, projected an adjusted operating deficit of \$2,340,000 and an adjusted operating deficit ratio of (8%). Movements during the year have resulted in a year end adjusted operating deficit of \$3,644,000 and an adjusted operating deficit ratio of (12%).

The decline in Council's operating result can mainly be attributed to an increase in depreciation and impairment, which was approximately \$2 million higher than originally projected.

RECOMMENDATION

The Audit Committee recommends the financial results compared with the estimated financial result of Council for the financial year ending 30 June 2021, be presented to Council.

6.1.4 Financial Results 2020-21

REPORT

BACKGROUND

The Local Government (Financial Management) Regulations require the Council to consider Councils audited financial results (30 June 2021) compared with the estimated financial results (original budget, adopted September 2020) as set out in the budget for the year ending 30 June 2020. The report should be presented in a manner consistent with the Model Financial Statements.

Council has reviewed its budget three times during 2020-21, for the periods ending 30 September 2020, 31 January 2021 and 30 April 2021, as well as updating as required for any amendments related to Council resolutions.

DISCUSSION

The report on Financial Results comprises the following statements:

1. financial indicators;
2. summary of material variances to budget;
3. uniform presentation of finances; and
4. financial statements.

Explanations have been included for material variations since adoption of the 2020-21 Budget.

Refer **Annexure "A"** – Financial Results 2020-21

Financial Implications

Councils' key financial sustainability performance targets are proposed to 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.

Key Financial Indicators	Short Term Target	2020/21 Original Budget	2020/21 Current Budget	2020/21 Year End
Adjusted Operating Surplus/(Deficit) - \$'000		(2,340)	(3,160)	(3,643)
Adjusted Operating Surplus/(Deficit) Ratio	(2) - 1%	(8%)	(10%)	(12%)
Net Financial Liabilities Ratio	< 80%	94%	48%	40%
Asset Renewal Funding Ratio	90 - 110%	79%	79%	61%
Total Borrowings - \$'000		26,300	15,100	7,000

Council, on adoption of the 2020-21 budget, projected an adjusted operating deficit of \$2,340,000 and an adjusted operating deficit ratio of (8%). Movements during the year have resulted in a year end adjusted operating deficit of \$3,644,000 and an adjusted operating deficit ratio of (12%).

The decline in Council's operating result is explained in detail in the attachment but can mainly be attributed to an increase in depreciation and impairment, which was approximately \$2 million higher than originally projected. Of this increase, only \$355,000 impacted Council Long Term Financial Plan projection on an ongoing basis, based on the outcomes of the revaluation of Buildings and Open Space assets as at 30 June 2020. The remaining \$1.6 million increase was due to one-off factors, as follows:

- \$120,000 for plant depreciation related to a temporary increase in the fleet size to meet COVID-19 requirements and also due to Waste vehicles still being in the process of disposal;
- \$131,000 for irrigation assets, with this brought forward to be correctly reflected in the 2020-21 result, but had already been built into ongoing projections;
- a one-off increase of \$177,000 relating to the removal of residual values from a large number of assets in the equipment and furniture asset classes, in line with updated accounting standards; and
- a one-off impairment of \$1.2 million for irrigation assets, due to detailed componentisation, condition rating and valuation being undertaken for the first time. This suggests the asset class has historically been under depreciated.

The final two items were only recognised at year end. The difference between Council's projected position after the Third Quarter Budget Review and the Audited Financial Statements can be attributed to these two items offset by the impact of the auditors' request to move Local Roads and Community Infrastructure funding from capital income to operating income

While there are a large number of other variances listed in the analysis, these largely net off and are part of the normal process of managing resources within budget constraints for any given year.

Council's original budgeted operating position was already out of target range, due to one off impacts such as the provision of Covid Rate Remissions, as well as a drastic reduction in airport income, also relating to Covid. These impacts are not expected to have long term impacts and so are not indicative of Council's underlying operating result.

The large increase in depreciation and impairment has further eroded Council's operating position for 2020-21 and taken as a one-off could be viewed as quite concerning. However, again most of this impact is one off and not indicative of Council's underlying operating result. The increase in depreciation that did have an ongoing impact was a large part of the conversation during the recent budget process and a plan for addressing it and returning to surplus was agreed upon.

A decrease of 54% in the Net Financial Liabilities Ratio from 94% to 40% has resulted from a decrease in borrowings required. This can be attributed to three main factors:

- additional grant funding of \$4.1 million received for the Airport Terminal and Security Upgrade project;
- net carry forward projects of \$6.5 million; and

- balance sheet funding of \$6.3 million from increased payables and reduced receivables at 30 June.

Other than the first item these are just timing differences, meaning that the majority of these borrowings are now expected to occur in 2021-22 instead.

A decrease of 18% in the Asset Renewal Funding Ratio from 79% to 61% is due to the retiming of renewal projects to 2021-22, including portions of the Transport Renewal Program that were undertaken in the first few weeks of July.

The quantum of projects carried forward to 2021-22 was much higher than last year's carry forward, being \$14.9 million compared to \$2.7 million. Of this amount, over two thirds relate to a handful of large projects that were flagged as multi-year at the time of budget adoption. These are the Airport Terminal and Security Upgrade, the Airport Taxiway and Runway Safety Upgrade and Valley One stormwater. Grant funding of \$5.7 million was also retimed to 2021-22, largely relating to these same three projects.

Airport

During 2020-21, the financial performance of the Airport began to be reported separately, to ensure that this business unit can operate in a sustainable manner.

On adoption of the 2020-21 budget, the Airport was projected to make a deficit of \$418,000 and have an operating deficit ratio of 42%. This budget was based on a lower projected number of passenger due to Covid, but the numbers dropped even lower than these projections and ultimately the Airport had a year-end operating deficit of \$563,000 and an operating deficit ratio of (97%). The deficit ratio is skewed by the fact that the income base used to calculate it dropped so significantly.

The Net Financial Liabilities Ratio was originally projected to be 852% due to the high value of upfront capital required for capital projects. However, this dropped to 161% for year end, based on additional funding of \$4.1 million being achieved for the terminal upgrade and the runway upgrade being deferred to 2021-22.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

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

Legislation

The report on financial results has been prepared in accordance with Section 10 of the *Local Government (Financial Management) Regulations 2011*.

Officer Direct or Indirect Interest – Nil

Risk Assessment

By reviewing this report Council will ensure that they are compliant with legislative requirements.

The report is also a key part of the overall budget process, ensuring that Council are aware of material variances to their adopted budget. While variances are reported to Council on a quarterly basis as they are identified, this report provides an overall summary of variances, including those identified at year end.

While a large decline in Council's operating result may normally be cause for concern, the one-off nature of the variances outlined above and the fact that they are non-cash items, means that they will have no impact on Council's long term sustainability.

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The financial results for 2020-21 are presented and material variances to the 2020-21 original budget are explained. Overall, Council's final operating position has deteriorated significantly from the original budget, due almost entirely to increases in depreciation and impairment that are mostly of a one-off nature.

FINANCIAL RESULTS 2020-21

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2020-21	Current Budget 2020-21	Year End Actual 2020-21	Original Budget vs Actual 2020-21
Council (including Airport)		1				
Operating Surplus/(Deficit) - \$'000			(2,530)	(3,350)	(3,665)	(1,135)
Adjusted Operating Surplus/(Deficit)* - \$'000			(2,340)	(3,160)	(3,644)	(1,304)
Adjusted Operating Surplus/(Deficit) Ratio	(2)% - 1%		(8%)	(10%)	(12%)	(4%)
Net Financial Liabilities Ratio	< 80%		94%	48%	40%	(54%)
Asset Renewal Funding Ratio	90 - 110%		79%	79%	61%	(18%)
Whyalla Airport						
Operating Surplus/(Deficit) - \$'000		8	(418)	(616)	(563)	(145)
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(42%)	(112%)	(97%)	(55%)
Net Financial Liabilities Ratio - %	< 250%		852%	244%	161%	(691%)

KEY

In target range ● Above target ● Below target ●

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

Note Explanations – Financial Results 2020-21:

The main variances between the 2020-21 original budget and year end results are as follows:

1. Financial Indicators

- Council's Adjusted Operating Ratio has deteriorated by 4%, from (8%) to (12%) and is below target range. There have been a number of large one-off impacts on the current year operating result, as outlined in detail below, with the result expected to return to a more normal position for future years;
- a decrease of 54% in the projected Net Financial Liabilities Ratio from 94% to 40% is due to decreased borrowings, attributable to cash flows associated with projects deferred to 2021-22 as well as additional grant funding towards the Airport Security and Terminal Upgrade project; and
- a decrease of 18% in the Asset Renewal Funding Ratio to 61% due to a number of renewal projects being retimed to 2021-22.

2. Operating Activities

- a deficit of \$3.7 million as compared with Council's original adopted deficit of \$2.5 million;
- increased rates income of \$461,000 due to the number of applications received for Covid-19 rate remissions being much lower than originally projected;
- increased statutory charge income of \$11,000 due to an increase in animal management income relating to expiations issued;
- a decrease in user charges of \$238,000 due to:
 - a reduction in airport income of \$418,000 due to the COVID-19 recovery progressing at a slower rate than projected;
 - a reduction of \$26,000 in income relating to the closure of the Pt Lowly Cottages;
 - a reduction of \$22,000 in income relating to the closure of the Foreshore Café; offset by
 - an increase in childcare income of \$70,000 generated from an increase in occupancy rate at the centre; and
 - \$169,000 of unbudgeted income related to operating the waste transfer station past the original closing date of 30 June 2020.
- an increase in grants, subsidies and contributions of \$885,000 due to:
 - Local Roads and Community Infrastructure funding of \$862,000 being made available by the Federal Government;
 - grant funding of \$36,000 received to cover the increasing cost of transporting;
 - grant funding of \$32,000 received for youth programs; offset by
 - a decrease in Financial Assistance Grants received of \$37,000 partially related to timing differences.
- a decrease of \$23,000 in investment income due to the bonus payment received from the LGFA being lower than previous years;
- an increase in reimbursement income of \$54,000 due to developer contribution received late in the year, that may require additional capital expenditure at a later date;
- an increase in other income of \$45,000 due to:
 - an increase of \$31,000 in the oncharging of debt collection fees, due to increased activity when the process recommenced in the last quarter;
 - additional subsidies of \$31,000 received for trainees;
 - income of \$23,000 for the sale of stormwater pipes that were not the correct specification to be used in any projects;
 - recognition of a \$29,000 adjustment in the net present value of landfill post closure costs;
 - an increase of \$18,000 in the value of IT equipment oncharged to another Council; offset by
 - the estimated \$92,000 Workers Compensation Rebate being transferred to Employee Costs due to a change in the Model Financial Statements.

- decreased employee costs of \$1 million attributed to:
 - savings from vacant positions across the organisation of \$875,000, a portion of which was used to fund labour hire or consultants;
 - the Workers Compensation Rebate of \$244,000 being transferred from Other Income due to a change in the Model Financial Statements. This had previously been projected at \$92,000; offset by
 - a \$70,000 increase in labour costs for the childcare centre due to increased occupancy.
- increased materials, contracts & other expenditure of \$1.7 million attributed to:
 - an increase in labour hire and consulting costs of \$392,000 to backfill vacant positions;
 - the re-budgeting of \$363,000 on operating projects that were not completed in 2019-20, made up of the condition assessment of Buildings & Structures and the stormwater study, as well as the budget that previously related to Council's RDA contribution that will fund Economic Development initiatives. These amounts were not spend last year, causing Council's operating result to be better than projected;
 - \$203,000 of costs related to operating the waste transfer station past the original closing date of 30 June 2020;
 - a subsidy of \$231,000 provided to Veolia to keep waste gate fees at previous levels while an agreement on long term fees was reached;
 - expenses of \$113,000 incurred to purchase devices to allow more of the workforce to operate remotely, to assist with handling the impacts of COVID-19;
 - an increase of \$180,000 in water expenses, particularly focused around the Foreshore area. A number of new meters have been installed in the recent past, and water costs are being monitored to see if this is a one-off adjustment or will result in ongoing cost increases;
 - a write-off of \$144,000 worth of stormwater pipes previously purchased for capital works but which are not the correct specification;
 - youth program costs of \$32,000 relating to grant funding;
 - \$54,000 of costs relating to a project to digitally archive essential files stored in the old cinema, due to the WHS risk currently posed;
 - \$15,000 to undertake the delegations review;
 - an increase of \$35,000 in kerbside and hard waste costs, relating to an increase in the overall tonnages collected;
 - a \$28,000 contribution towards the Whyalla Tennis Association's court upgrades, to assist with attracting a state wide event, as per Council resolution C3865-2020 from 2 November 2020;
 - additional funding of \$70,000 to deliver the Foreshore Master Plan, as per Council resolution C3965-2021 from 22 February 2021;
 - \$50,000 to fund system modernisation in the area of payroll processing;
 - a \$25,000 contribution towards the hosting of the Whyalla Show as per Council resolution C3986-2021 from 19 April 2021;
 - additional debt collection fees of \$31,000, due to increased activity when the process recommenced in the last quarter;
 - an increase of \$10,000 in IT equipment purchased on behalf of another Council; offset by
 - a reduction in fuel cost of \$98,000 for the airport, due to lower demand for aviation and domestic fuel resulting from low passenger numbers;
 - a reduction of \$15,000 in the cost of operating the Pt Lowly Cottages due to their closure; and
 - an underspend of \$119,000 on operating projects that will need to be re-budgeted in 2021-22, made up of the Foreshore Café lease advice, procurement review, Whyalla Visitor Guide and Foreshore Masterplan.

- increased depreciation and impairment of \$2 million attributed to:
 - an increase of \$310,000 related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes;
 - an increase of \$45,000 due to updated forecasts for the Transport asset class;
 - a one-off increase in plant depreciation of \$120,000 related to a temporary increase in the fleet size to meet COVID-19 requirements and also due to Waste vehicles still being in the process of disposal;
 - an increase of \$131,000 relating to a recalculation of irrigation assets;
 - a one-off increase of \$177,000 relating to the removal of residual values from a large number of assets in the equipment and furniture asset classes, in line with updated accounting standards; and
 - a one-off impairment of \$1.2 million for irrigation assets, due to detailed componentisation, condition rating and valuation being undertaken for the first time. This suggests the asset class has historically been under depreciated.
- interest savings of \$318,000 due to the timing of cash flows associated with projects deferred to 2021-22 as well as additional grant funding towards the Airport Security and Terminal Upgrade project.

3. Capital Activities – Net Outlays on Existing Assets:

- a decrease of \$1.4 million on the renewal and replacement of existing assets due to:
 - carry forward projects from 2019-20 of \$1.2 million including \$339,000 for plant renewals in progress at year end, \$592,000 for the transport renewal program due to retiming of expenditure across the three year program, \$87,000 for renewal of electrical infrastructure to power the new jetty lighting, \$42,000 for the replacement of IT Equipment at end of life, \$43,000 for works being undertaken on buildings in the Tanderra Craft Village and \$42,000 for the Memorial Oval Scoreboard;
 - \$377,000 for the renewal of Essington Lewis avenue brought forward from 2021-22, as this is now being funded under the Local Roads and Community Infrastructure program as per Council Resolution C3760-2020;
 - \$382,000 for the renewal of kerbing on 4 roads brought forward from 2021-22, as they are is now being funded under the second round of the Local Roads and Community Infrastructure program and works needed to commence to ensure the final acquittal deadline is met;
 - \$150,000 of light plant renewal brought forward from future years, due to a number of vehicles having performance issues making them no longer fit for use and a changeover required to meet a contract requirement;
 - \$325,000 required to repair damage to the Civic Building; offset by
 - a transfer of \$113,000 from renewal to new/upgrade, relating to an expansion of the vehicle fleet to handle Covid restrictions; and
 - carry forward projects of \$3.7 million deferred to the 2021-22 financial year including \$869,000 for the Airport Taxiway and Runway Safety Upgrade, \$950,000 for the Transport Renewal Program, \$307,000 relating to building works at the Old Airport Hanger and Tanderra Craft Village, \$370,000 for repairs to the Civic Building, \$735,000 relating to the replacement of plant & equipment and \$198,000 for a number of minor building renewal projects..
- a decrease in proceeds from the sale of surplus assets of \$87,000 due to a number of vehicle trade-ins being deferred to 2021-22.

4. Capital Activities – Net Outlays on New and Upgraded Assets

- a decrease of \$9.2 million on the upgrade and expansion of assets due to:
 - carry forward projects from 2019-20 of \$1.5 million including \$888,000 for lighting projects at Bennett Oval, Memorial Oval and the Marina, \$176,000 for Building Upgrade projects already in progress and \$477,000 for Street Signage and Footpath Upgrades;
 - \$90,000 of expenditure included for the Searle Street Carpark Lighting Upgrade as this is now being funded under the Local Roads and Community Infrastructure program as per Council Resolution C3760-2020;
 - \$120,000 for the installation of cricket nets at Bennett Oval;
 - an increase of \$50,000 for the Shared Path program;
 - \$60,000 of funding allocated to the replace the Chamber microphones;
 - a transfer of \$113,000 from renewal to new/upgrade, relating to an expansion of the vehicle fleet to handle Covid restrictions;
 - offset by carry forward projects of \$11.2 million deferred to the 2021-22 financial year including \$5 million for the Airport Taxiway and Runway Safety Upgrade, \$2.2 million for the Airport Terminal and Security Upgrade, \$1.2 million for the Valley One stormwater project, \$1.7 million for a number of stormwater projects being undertaken in conjunction with the road reseal program, \$524,000 for footpath expansion, \$210,000 for the Jubilee Park Changeroom Upgrade and \$116,000 for conservation projects to be undertaken in conjunction with the Landscapes Board.
- a decrease in amounts received specifically for new and upgrade assets of \$982,000 due to:
 - additional funding towards the Airport Terminal and Security Upgrade of \$4.3 million from the Regional Airport Security Infrastructure program;
 - funding of \$38,000 for the Bennett Oval cricket nets;
 - \$50,000 of funding received for shared paths;
 - \$300,000 of funds received towards the jetty, that had originally been planned as an in-kind donation of materials;
 - offset by grant funding of \$5.7 million retimed to 2021-22 in line with updated project timings, including \$2.5 million for the Airport Taxiway and Runway Safety Upgrade, \$2.3 million for the Airport Terminal and Security Upgrade, \$700,000 for the Valley One stormwater project, \$115,000 for the Jubilee Park Changeroom Upgrade and \$58,000 for conservation projects to be undertaken in conjunction with the Landscapes Board.
- an increase in proceeds from the sale of surplus assets of \$375,000 due to the sale of a number of items no longer required after the close of the landfill site.

5. Financing Transactions

- There has been a decrease of \$10.7 million in financing transactions between Council's original budget and the year end results. This aligns to the overall reduction in capital budget from the net impact of retimed projects, being project budgets moved from 2019-20, less project budgets moved to 2021-22.

6. Movements – Statement of Comprehensive Income

- Asset disposals & fair value adjustments have increased by \$3.4 million due to asset revaluations, with the original budget not taking these into consideration.

7. Movements – Statement of Financial Position

- A movement of \$2.7 million from non-current to current assets due to a change in how Real Estate assets are reported.
- An increase in Work in Progress of \$3.2 million, due to the Airport Terminal and Security Upgrade project being very close to completion.
- A decrease of \$13.5 million in the expected value of Infrastructure, Property, Plant and Equipment assets at 30 June 2021 mainly due to a capital budget decrease of \$10.6 million from the net impact of retimed projects, as well as an increase in depreciation and impairment of \$2.0 million.
- The increase in Council's trade receivables above budget of \$1.9 million at 30 June 2021 can be attributed to the large value of capital project works undertaken in June but paid in July.
- An increase of \$550,000 from the expected value of Provisions due to the full capping of landfill cell 2 being delayed to a future year.
- Council's total loan borrowings for 2020-21 are \$12.5 million less than budgeted. Additional borrowings will be required in 2021-22 to fund deferred projects.

8. Financial Indicators – Whyalla Airport

- The Airport Operating Ratio has decreased by 55%, from (42%) to (97)%. This ratio has been heavily effect by the reduction in income caused by Covid and is expected to begin returning to a more representative position during 2021-22.
- The Net Financial Liabilities Ratio was 691% lower than projected at 161% due to a drastic reduction in required loan borrowings attributable to substantial grant funding being received for the Airport Terminal and Security Upgrade project.
- The Airport had a deficit of \$563,000 compared with an original adopted budget of a \$418,000 deficit. The variance is due to;
 - a decrease in total airport income of \$418,000 due to the impacts of Covid-19; offset by
 - a reduction in fuel costs of \$98,000 due to reduced demand;
 - a reduction in finance costs of \$114,000 due to a drastic reduction in required loan borrowings attributable to substantial grant funding being received for the Airport Terminal and Security Upgrade project;
 - a reduced allocation of \$61,000 of indirect costs from Council, including plant usage, labour overhead and Full Cost Attribution.

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2020-21

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2020-21 \$000	Current Budget 2020-21 \$000	Year End Actual 2020-21 \$000	Variance Original Budget vs Actual 2020-21 \$000
OPERATING ACTIVITIES	2				
Operating Revenues		30,481	30,636	31,676	(1,195)
less Operating Expenses		(33,011)	(33,986)	(35,341)	2,330
Operating Surplus/ (Deficit)		(2,530)	(3,350)	(3,665)	1,135
CAPITAL ACTIVITIES					
Net Outlays on Existing Assets	3				
Capital Expense on renewal and replacement of Existing Assets		(6,004)	(6,083)	(4,620)	(1,384)
add back Depreciation, Amortisation and Impairment		6,766	7,332	8,727	(1,961)
add back Proceeds from Sale of Replaced Assets		202	262	115	87
Net Outlays on Existing Assets		964	1,511	4,222	(3,258)
Net Outlay on New and Upgraded Assets	4				
Capital Expenditure on New and Upgraded Assets		(15,773)	(7,352)	(6,548)	(9,225)
add back Amounts received specifically for New and Upgraded Assets		5,183	5,090	4,201	982
add back Proceeds from Sale of Surplus Assets		-	-	375	(375)
Net Outlays on New and Upgraded Assets		(10,590)	(2,262)	(1,972)	(8,618)
Net Lending/ (Borrowing) for Financial Year		(12,156)	(4,101)	(1,415)	(10,741)
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:					
New Borrowings		12,500	8,100	23,400	(10,900)
Repayment of Principal		-	-	(23,400)	23,400
(Increase)/Decrease in Cash and Investments		51	29	(306)	357
Net Balance Sheet funding (debtors & creditors etc)		(395)	(4,028)	1,721	(2,116)
Financing Transactions	5	12,156	4,101	1,415	10,741

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2020-21

STATEMENT OF COMPREHENSIVE INCOME

	Original Budget 2020-21 \$000	Current Budget 2020-21 \$000	Year End Actual 2020-21 \$000	Variance Original Budget vs Actual 2020-21 \$000
INCOME				
Rates	20,929	21,459	21,390	(461)
Statutory Charges	367	382	378	(11)
User Charges	2,881	2,525	2,643	238
Grants, subsidies and contributions	5,214	5,317	6,099	(885)
Investment Income	34	12	11	23
Reimbursements	13	22	67	(54)
Other Income	1,043	919	1,088	(45)
TOTAL INCOME	30,481	30,636	31,676	(1,195)
EXPENSES				
Employee Costs	12,895	11,968	11,846	1,049
Materials, contracts & other expenses	12,848	14,481	14,584	(1,736)
Depreciation, amortisation & impairments	6,766	7,332	8,727	(1,961)
Finance Costs	502	205	184	318
TOTAL EXPENSES	33,011	33,986	35,341	(2,330)
OPERATING SURPLUS/(DEFICIT)	(2,530)	(3,350)	(3,665)	1,135
Amounts specifically for new or upgraded assets	5,183	5,090	4,201	982
Net gain (loss)	-	-	(767)	767
NET SURPLUS/(DEFICIT)	2,653	1,740	(231)	2,884
Other Comprehensive Income	-	12,769	3,361	(3,361)
TOTAL COMPREHENSIVE INCOME	2,653	14,509	3,130	(477)

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2020-21

STATEMENT OF FINANCIAL POSITION

	7	Original Budget 2020-21 \$000	Current Budget 2020-21 \$000	Year End Actual 2020-21 \$000	Variance Original Budget vs Actual 2020-21 \$000
ASSETS					
Current Assets					
Cash & Cash Equivalents		223	245	580	(357)
Trade & Other Receivables		4,188	6,388	3,939	249
Inventories		114	114	2,802	(2,688)
TOTAL CURRENT ASSETS		4,525	6,747	7,321	(2,796)
Non-current Assets					
Infrastructure, Property, Plant & Equipment		294,622	298,423	281,083	13,539
Other Non-Current Assets		3,935	3,980	4,576	(641)
TOTAL NON-CURRENT ASSETS		298,557	302,403	285,659	12,898
Total Assets		303,082	309,150	292,980	10,102
LIABILITIES					
Current Liabilities					
Trade and Other Payables		4,539	3,339	6,423	(1,884)
Short Term Borrowings		500	-	-	500
Short Term Provisions		2,276	2,276	2,595	(319)
TOTAL CURRENT LIABILITIES		7,315	5,615	9,018	(1,703)
Non-Current Liabilities					
Long Term Borrowings		19,000	15,100	7,000	12,000
Long Term Provisions		853	665	1,090	(237)
TOTAL NON-CURRENT LIABILITIES		19,853	15,765	8,090	11,763
Total Liabilities		27,168	21,380	17,108	10,060
NET ASSETS		275,914	287,770	275,872	42
EQUITY					
Accumulated Surplus		44,458	43,395	43,047	1,411
Asset Revaluation Reserve		229,654	242,423	231,847	(2,193)
Reserves		1,802	1,952	978	824
TOTAL EQUITY		275,914	287,770	275,872	42

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2020-21

STATEMENT OF CHANGES IN EQUITY

	Original Budget 2020-21 \$000	Current Budget 2020-21 \$000	Year End Actual 2020-21 \$000	Variance Original Budget vs Actual 2020-21 \$000
Accumulated Surplus				
Balance at Beginning of Period	41,655	41,655	41,655	-
Adjustment for previous period error	-	-	(519)	519
Change in financial position resulting from operations	2,653	1,740	(231)	2,884
Transfers from Other Reserves	550	-	2,142	(1,592)
Transfers to Other Reserves	(400)	-	-	(400)
Balance at End of Period	44,458	43,395	43,047	1,411
Asset Revaluation Reserve				
Balance at Beginning of Period	229,654	229,654	229,654	-
Revaluation Increment	-	12,769	3,361	(3,361)
Transfer to Accumulated Surplus	-	-	(1,168)	1,168
Balance at End of Period	229,654	242,423	231,847	(2,193)
Other Reserves				
Balance at Beginning of Period	1,952	1,952	1,952	-
Transfer to Accumulated Surplus	(550)	-	(974)	424
Transfer from Accumulated Surplus	400	-	-	400
Balance at End of Period	1,802	1,952	978	824
TOTAL EQUITY AT END OF REPORTING PERIOD	275,914	287,770	275,872	42

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2020-21

STATEMENT OF CASH FLOWS

	Original Budget 2020-21 \$000	Current Budget 2020-21 \$000	Year End Actual 2020-21 \$000	Variance Original Budget vs Actual 2020-21 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating Receipts	30,447	27,224	33,942	(3,495)
Investment Income	34	12	11	23
Payments				
Operating Payments	(26,138)	(27,077)	(26,979)	841
Finance Costs	(502)	(205)	(191)	(311)
Net Cash provided by (or used in) Operating Activities	3,841	(46)	6,783	(2,942)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Receipts				
Amounts specifically for new or upgraded assets	5,183	5,090	4,201	982
Sale of replaced assets	202	262	115	87
Sale of surplus assets	-	-	375	(375)
Payments				
Purchase of Renewal/Replacement Assets	(6,004)	(6,083)	(4,620)	(1,384)
Purchase of New/Expansion Assets	(15,773)	(7,352)	(6,548)	(9,225)
Net Cash provided by (or used in) Investing Activities	(16,392)	(8,083)	(6,477)	(9,915)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from Borrowings - Council	12,500	8,100	23,400	(10,900)
Payments				
Repayment of Borrowings	-	-	(23,400)	23,400
Net Cash provided by (or used in) Financing Activities	12,500	8,100	-	12,500
Net Increase (Decrease) in Cash Held	(51)	(29)	306	(357)
Cash & cash equivalents at beginning of period	274	274	274	-
Cash & cash equivalents at end of period	223	245	580	(357)

6.1 CORPORATE

6.1.5 Loan Facility

Audit Committee	27 September 2021		
Author's Title:	Manager Finance	File No.:	0-159
Director Corporate:	Kathy Jarrett		

Annexures:

Nil

Officer Direct or Indirect Conflict of Interest:

In accordance with Local Government Act 1999, Section 120

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

The establishment of a \$5 million loan facility to replace one of the same value that will soon mature, to fund the projected cash flows in Council's Annual Business Plan 2021/22 and the Long Term Financial Plan.

SUMMARY

Cash Advance Debenture loan 136, with a limit of \$5 million, will mature on 15 December 2021. Currently Council has a total loan capacity of \$26 million and it is projected that borrowings will peak in the current year at \$23.6 million, meaning that a drop in borrowing capacity of \$5 million may leave Council slightly short. For this reason, it is recommended that a new facility be established to replace the maturing one.

RECOMMENDATION

The Audit Committee recommend to Council:

1. to endorse the establishment of an \$5 million borrowing facility to replace CAD 136, to be utilised in line with approved budgets;
2. arrange this facility with the Local Government Finance Authority in the form of a Cash Advance Debenture with a term of 10 years; and
3. that the Mayor and Chief Executive Officer be authorised to sign and seal all necessary documents.

6.1.5 Loan Facility

REPORT

BACKGROUND

Cash Advance Debenture (CAD) 136 with a limit of \$5 million, will mature on 15 December 2021.

DISCUSSION

To meet the objectives specified in Council's Annual Business Plan and Budget and Long Term Financial Plan (LTFP), Council needs to maintain its borrowing capacity at near the current level of \$26 million. The LTFP predicts loans borrowings to peak in 2021-22 at \$23.6 million as per the 2019/20 Third Quarter Budget Review.

There is always some quantum of carry forward projects each year and the borrowing projections also build in the possibility that Financial Assistance Grants won't be paid in advance at the end of the year. This means that there is always the possibility that borrowings will actually peak within the limit of \$21 million that would be available without refinancing the maturing loan. However, it is considered prudent to ensure that the borrowings are available in line with projections. It also gives Council flexibility to increase loans in the short term if circumstances require.

It is important to note the new borrowing facility will only be utilised when required by Council's cash flow, to fund approved Council budgets.

As per the Treasury Management Policy, the loan would be arranged as a CAD with the Local Government Finance Authority, in effect rolling the existing loan over for another 10 year period.

Financial Implications

There are no direct financial implications of approving this facility, other than ensuring that Council can meet all existing financial commitments. Decisions to utilise borrowings and increase finance costs are made during budget and budget review processes.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

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

Legislation – Nil

Officer Direct or Indirect Interest – Nil

Risk Assessment

The financial risk of approving the borrowing facility is considered low, as Council has internal controls to manage the flow of funds in line with approved budgets.

If the borrowing facility is not approved, then Council may not be able to fund all commitments proposed in the Annual Business Plan and Budget 2021-22, meaning projects could be delayed or that funds may not be available to pay suppliers when required. This poses moderate reputational, service delivery and people risk to Council.

Social Considerations – Nil

Community Engagement

Community engagement is not required for loan facilities. Council's Annual Budget is based on extensive community engagement for both the Annual Budget and the Long Term Financial Plan, which include projections of Council's loan borrowings.

Environmental Implications – Nil

Communication – Not applicable

Conclusion

To meet the objectives specified in Council's Annual Business Plan and Budget and Long Term Financial Plan (LTFP), Council needs to maintain its borrowing capacity at near the current level of \$26 million. The LTFP predicts loans borrowings to peak in 2021-22 at \$23.6 million as per the 2019/20 Third Quarter Budget Review.

This will require a new loan facility of \$5 million to replace one of the same value that matures in December 2021.

6.1 CORPORATE

6.1.6 Audit Committee Annual Report to Council

Audit Committee: 27 September 2021

Author's Title: Manager Finance

File No.: 0-159

Director Corporate: Kathy Jarrett

Annexures

A – Draft 2020/21 Audit Committee Annual Report to Council

B – Audit Committee Self-Assessment Survey

C – 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*

☐

Yes

☒

No

Reason – Nil

PURPOSE

To provide a draft 'Audit Committees Annual Report to Council' for Committee Member's feedback prior to its presentation to Council at the 18 October 2021 Council Meeting.

SUMMARY

Clause 9.7 of the Committee's Terms of Reference provides that the Committee shall '*at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval*'.

After reviewing the Committee's operations during the 2020/2021 financial year, it is noted that the Committee's operations were in alignment with its Terms of Reference and the requirements of the *Local Government Act 1999*.

RECOMMENDATION

The Audit Committee:

1. Receive and note the "Audit Committee Annual Report to Council" report; and
2. Provides feedback on the outline and content to be included in the 2020/2021 Audit Committee Annual Report to Council provided at Appendix 1 to this report; and
3. Requests the Chair of the Audit Committee finalise the Annual Report on the Committee's behalf based on the feedback received and when finalised refer the report '2020/2021 Audit Committee Annual Report' to Council at the 18 October 2021 Council meeting.

6.1.6 Audit Committee Annual Report to Council

REPORT

BACKGROUND

This report provides an outline for the Audit Committee's annual report to Council detailing the Committee's activities for the last twelve months and considers any recommended changes to the terms of reference to improve the Committee's operations.

DISCUSSION

Presenting an annual report to Council from the Audit Committee outlining the Committee's activities during the previous year is an important communication tool with the Council in addition to the minutes received after each meeting.

Committee Activities

Provided at **Annexure A** is a draft outline of the Audit Committee Annual Report to the Whyalla City Council for 2020/2021 which has been populated with information relating to the key items that the Committee have considered over the preceding year.

Feedback will be sought from Committee Members during the meeting as to the content of the report following which it is recommended that the Committee's Chair be authorised to finalise the report on the Committee's behalf. Once a draft is finalised, it will be distributed to Audit Committee members out of session for any further feedback. The Report will then be submitted to Council for consideration at the 18 October 2021.

Review of Performance

A self assessment tool has been included at **Annexure B**. Each member of the committee is asked to complete this prior to the meeting. This information will then be compiled and added to the Annual Report.

The self assessment from last year was highly positive with the main area for improvement being the need to ensure that Committee Members are receiving adequate training. The development of a training and development plan for Committee Members was flagged as a future requirement but has not been addressed at this time. Based on the self-assessment for this year, any identified focus areas will be added to the Action Items under Business Arising until such time as they have been completed.

Terms of Reference

The Committee's current Terms of Reference are included at **Annexure C** for review.

It is noted that the Terms of Reference of the Committee will likely need to be updated once changes to section 126 of the *Local Government Act 1999* are enacted. The date for this is currently unknown, but will likely align with the elections to be held next year. For this reason, it is not suggested that major changes be made at this time.

Financial Implications – Nil

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

Local Government Act (SA) 1999, Section 126(4) specifies the functions of an Audit Committee.

Officer Direct or Indirect Interest – Nil

Risk Assessment – Not applicable

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

Presenting an annual report to Council from the Audit Committee outlining the Committee's activities during the previous year is an important communication tool with the Council in addition to the minutes received after each meeting.

2020/21 Audit Committee Annual Report to the Whyalla City Council

Introduction

Clause 9.7 of the Audit Committee Terms of Reference provides that the Committee shall report annually to the Council detailing a review of its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend changes it considers necessary to the Council for approval.

This report provides an overview of the Committee's operations in 2020/21 as well as a brief indicator of the Committee's focus for the next 12 months. It includes:

- a summary of the Committee's performance during the year through:
 - details of the Committee's activities, aligned to the Committee's Terms of Reference and work program;
 - details of meetings, including the number of meetings held during the period and the number of meetings attended by each member;
 - outcomes of the Committee's self-assessment of its own performance for the year ending 30 June 2021
- recommendations to Council as to any changes considered necessary to the Committee's constitution and Terms of Reference to ensure it is operating at maximum effectiveness
- a brief indicator of the Committee's focus for 2021/22.

The report is intended to invite comment from the Council on all the above. In so doing, as provided for under the *Local Government Act 1999* and the Committee's Terms of Reference, a summary of the Committee's role is:

- review annual financial statements to ensure that they fairly present the state of affairs of Council;
- propose, and contribute relevant information to, a review of Council's Strategic Management Plan or Annual Business Plan;
- propose and review the exercise of powers in relation to "other investigations" as specified under Section 130A of the Local Government Act 1999 (e.g. the conduct of efficiency and economy audits);
- oversee Council's relationship with the external auditor and liaise with Council's auditors as needed;
- review Council's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. These arrangements are under in accord with the Public Interest Disclosure Act 2018;
- monitor and review the effectiveness of Council's internal audit function in the context of Council's overall risk management systems; and
- reviewing the adequacy of Council's accounting, internal control, risk management systems, reporting and other financial management systems and practices on a regular basis.

Summary of the Committee’s Performance During the Year

Committee Activities

This section outlines significant items brought before the Committee for consideration during the year.

Risk Management and Internal Controls

During the period, significant effort has been placed on the development of Council’s approach to risk management with the development of Risk Appetite Statements that were reviewed by the Committee and recommended to Council. In addition, the Risk Management Action Plans and Strategic Risk Register were reviewed by the Committee.

A Governance Health Check was undertaken, which took a holistic approach to ensuring that Council is meeting all of its legislative requirements. This resulted in a large number of recommendations for improvement that is being implemented by the administration. The Audit Committee is providing oversight in the implementation of these recommendations.

Financial Management and External Audit

The following is a summary of work progressed by the Committee during 2020/21 in the key focus area of financial management and external audit:

- 2020/21 Annual Business Plan and Budget – the Committee reviewed the draft 2020/21 Annual Business Plan and Budget and recommended it to Council for public consultation.
- 2019/20 end of year financial statements – the committee undertook a detailed review of the draft 2019/20 financial statements and questioned the auditor and staff on various items in the financial report. After receiving satisfactory responses, the Committee recommended to Council the adoption of the financial statements. After satisfying himself of the independence of the auditor the, Presiding Member of the Committee signed the certificate of auditor independence.
- 2021/22 Annual Business Plan and Budget – the Committee reviewed and recommended to Council the process and parameters to be used for the development of the draft 2021/22 Annual Business Plan and Budget.

The Committee reviewed the draft 2021/22 Annual Business Plan and Budget and recommended it to Council for public consultation. As part of this recommendation the Committee requested that a report be presented to Council on options to bring Council’s operating result back into surplus within 5 to 7 years, rather than outside the term of the Long Term Financial Plan. This was then a key part focus of the consultation undertaken with the community on the budget. Ultimately a mixture of a higher rate increase and savings target was implemented to meet the Committee’s intended outcome.

- Quarterly budget reviews – the Committee considered the impact of the three quarterly budget reviews for 2020/21 and recommended them to Council for adoption. In addition, the financial results for 2019/20 were considered along the financial statements, outlining all material variations between the original adopted budget and the audited actuals.

- Interim External Audit – the Committee considered the first Management Report issued by Council's new external auditor Dean Newbery. This included a large number of recommended improvements for Council, but no areas of concern that would lead to the issue of a qualified opinion. The Audit Committee is providing oversight in the implementation of these recommendations.

Policy Reviews

During the year, several policies were reviewed by the Committee and recommended to Council for adoption, being:

- Asset Accounting Policy
- Budget Management and Review Policy
- Prudential Management Policy
- Rating Policy

Having appropriate policies and procedures in place strengthens Council's governance and internal controls and the Committee will continue to review policies within the Committee's Terms of Reference on a rolling basis.

Other Items

A number of other activities were undertaken by the Committee, including:

- A review of the proposed changes to Local Government Act to assist with providing feedback to the Office of Local Government.
- A review of the updated Corporate Reporting Framework, to improve the information being provided to Council for decision making.
- Reviewing performance against Council's Procurement Policy on a quarterly basis.

Details of Meetings Held

During the 2020/21 financial year, a total of five (5) Audit Committee meetings were held on the following dates:

20 July 2020

30 September 2020

1 February 2021

7 April 2021

3 May 2021

Audit Committee attendance at meetings during the year was:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr Alan Rushbrook (Independent Member and Chair)	5	5
Mayor Clare McLaughlin (Council Member representative)	5	2

Cr Soto Stuppos (Council Member Representative)	5	5
Cr David Knox (Council Member Representative)	4	4
Mr Peter Klobucar (Independent Member)	5	5

Council Knox resigned from the Audit Committee prior to the meeting held 3 May 2021.

Audit Committee Self-Assessment Outcomes

[insert self-assessment outcomes]

Review of the Committee's Constitution and Terms of Reference

[insert review outcomes]

Future Work Program

Major items for the Committee to review and provide comment and feedback on during 2021/22 include:

- Discussing and advising on key governance practices and policies
- Discussing and advising on approaches to internal audit and the development of an internal audit plan aligned to Council's risk profile
- Annual Business Plan and Budget
- Liaising with the Council's external auditor on the end of year financial statements
- Review of the Audit Committee's performance and operations

Alan Rushbrook
Chair
Whyalla City Council Audit Committee

Annexure "B"

AUDIT COMMITTEE SELF-ASSESSMENT YEAR ENDED 30 JUNE 2021



Self assessment on its own performance for the year ending 30 June 2021

Statement	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Operational					
1) Does the Audit Committee terms of reference meets legislative requirements and provides for adequate oversight of Council's financial, internal controls and risk environment?					
2) Does the Audit Committee review annually its terms of reference and recommend any necessary changes to the Council?					
3) Are Committee members independent of the Council's management, and do they exercise their own judgement, voice their own opinions and act freely from any conflicts of interest?					
4) Does the Audit Committee have sufficient skills, experience, time and resources to undertake its duties?					
5) Do all Committee members demonstrate the highest level of integrity (including maintaining utmost confidentiality and identifying, disclosing and managing conflicts of interest)?					
6) Does the Audit Committee have access to appropriate resources provided to it to ensure it functions effectively?					
7) Is an induction program provided for new audit committee members (e.g. the committee's role, terms of reference and expected time commitment by members, overview of the Council; and the main operation and financial dynamics and risks)?					
8) The ongoing training requirements of committee members are agreed at the start of each year according to their specific needs and development requirements?					
Meetings					
9) Have Committee Members attended meetings on a regular basis?					
10) Does the Audit Committee chair run meetings appropriately to ensure that the audit committee's workload is dealt with effectively?					
11) Does the Audit Committee work constructively as a team and work well with staff and individuals that attend meetings?					
12) Does the Committee provide effective support to the Council in fulfilling its responsibility and adding value to the Council?					
13) Does the Committee have, and has it implemented, a Work Program that covers its main responsibilities?					
14) Do the meeting arrangements enhance the Audit Committee's effectiveness (e.g. frequency, timing, duration, venue and format) and allow sufficient time for the discussion of substantive matters?					
15) Are meeting agendas and related background information circulated in a timely manner?					

Annexure "B"

Statement	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
16) Does the Audit Committee receive whatever information, presentations, or explanations it considers necessary to fulfill its responsibilities?					
17) Are meeting agendas and supporting papers well structured and well written?					
18) Does the follow-up process for outstanding actions arising from Audit Committee meetings work well?					
19) Do meetings allow Committee members to raise any issue they believe relevant?					
20) Does the audit committee report to Council on a timely and accurate basis, and are such communications comprehensive, meaningful and focused?					
Functional					
21) Does the audit committee have effective mechanisms to understand and gain confidence over the:					
- Appropriateness of the Council accounting policies, estimates and judgements?					
- Clarity and completeness of disclosure in the financial statements?					
- Impact on the financial statements of any developments in accounting standards or generally accepted accounting practice?					
22) If the audit committee were not satisfied with any aspect of the proposed financial reporting, would it report such views to the Council and seek changes?					
23) Is the audit committee satisfied that appropriate processes are in place to;					
- Ensure compliance with applicable regulation and best practice recommendations?					
- Identify, evaluate and monitor key risks facing the council (including financial, strategic and operational?)					
- Provide it with suitable reports on effectiveness of the systems of internal control?					
24) Does management respond to external audit recommendations in a timely and appropriate manner?					

<p>Statement</p> <p>Please identify any additional items or changes to the Committee's Terms of Reference you think would enhance the Committee's effectiveness:</p> <p>Do you have any comments on Council's approach to business continuity and its level of preparedness in the event of a disruption?</p>

Annexure "B"

Statement
<p>Do you have any views on Council's risk environment and the level of maturity of Council's systems of risk management and internal control? Where do you think Council's focus should be placed in 2021/22?</p>
<p>Do you have any views on Council's overall financial sustainability and associated financial policies, plans and management strategies? Where do you think Council's focus should be placed in 2021/22?</p>
<p>Do you have any additional comments or suggestions on how the Audit Committee can operate more effectively?</p>

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
Audit Committee	<p>The following comprise the Terms of Reference for Whyalla City Council's Audit Committee.</p> <p>Council to report the existence of Section 41 Committees on formation, and Committee to provide annual advice to Council of potential civil liability claims against the committee or its members.</p> <p>1. Members</p> <p>1.1 Members of the Committee shall be appointed by the Council. The Committee shall consist on two Independent Members and three Elected Members. Council may appoint a proxy in the event that an Elected Member cannot attend a meeting.</p> <p>1.2 Independent member(s) of the Committee shall have recent and relevant financial experience. The Presiding Member of the Council (shall) be a member of the Committee.</p> <p><i><u>Note:</u> That a person would not be considered independent if he or she was an employee or an existing or previous Elected Member of that Council. Subject to any codes of conduct adopted by Councils, this does not preclude an Elected Member or an employee of a Council from being a member of an Audit Committee of <u>another</u> Council.</i></p>	<p>Members</p> <p>1st Independent – Chair</p> <p>2nd Independent</p> <p>Mayor</p> <p>Councillor 1 Councillor 2 Councillor 3 – Proxy</p> <p>Staff Observers</p> <p>Chief Executive Officer</p> <p>Director Corporate</p> <p>Senior Finance Officer</p> <p>Corporate Strategy Business Partner</p>	First meeting – 6 May 2019	<p>The Committee is to meet <u>at least</u> three times per year.</p> <p>The Committee has power of recommendation only.</p> <p>Meetings to be held in the Council Chamber.</p> <p>Administrative support for Agenda, Minutes and correspondence to be provided by the Executive Assistant – Elected Body / Executive.</p>

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>1.3 Only members of the Committee are entitled to vote in Committee meetings, however, (other individuals such as the Chief Executive Officer, Finance Manager and if applicable the heads of risk, compliance and internal audit and representatives from the finance function) may attend any meetings as advisers or be responsible for preparing papers for the Committee. In accordance with the principles of open, transparent and informed decision-making, Committee meetings must be conducted in a place open to the public. The Agenda and Minutes of the Committee meetings, subject to any items that are discussed in confidence under the relevant legislative provisions, are also required to be made available to the public.</p> <p>1.4 Council's external auditors and internal auditors, may be invited to attend meetings of the Committee.</p> <p>1.5 Appointments of Elected Members to the Committee shall be for a period until the end of the term of the Council.</p> <p>1.6 Appointment of the Independent Member(s) shall be across 2 terms of Council but not exceed a period of 4 years without reappointment.</p> <p>1.7 The Council shall appoint the Independent Committee Chair for the term of their appointment not exceeding a period of 4 years.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>2. Secretarial Resources</p> <p>2.1 The Chief Executive Officer shall provide sufficient secretarial resources to the Committee to adequately carry out its functions.</p> <p>3. Quorum</p> <p>3.1 The quorum necessary for the transaction of business shall be 50% of the number of members of the Committee plus one. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.</p> <p>4. Frequency of Meetings</p> <p>4.1 The Committee shall meet <u>at least</u> three times a year at appropriate times in the reporting and audit cycle.</p> <p>5. Notice of Meetings</p> <p>5.1 Ordinary meetings of the Committee will be held at times and places appointed by Council or, subject to a decision of Council, the Committee. A Special Meeting of the Committee shall be called by the Chief Executive Officer at the request of its Presiding Member or any two members of the Committee.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>5.2 Unless otherwise agreed, Notice of each meeting confirming the venue, time and date, together with an Agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear days before the date of the meeting. Supporting papers shall be sent to Committee Members and to other attendees as appropriate, at the same time.</p> <p>6. Minutes of Meetings</p> <p>6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted.</p> <p>6.2 The Chief Executive Officer shall include on the Agenda the declaration by any Committee member, the existence if any conflicts of interest and minute them accordingly.</p> <p>6.3 Minutes of a meeting of the Committee shall be presented to the next meeting of the Council.</p> <p>6.4 Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and members of the Council.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7. Role of the Committee</p> <p>7.1 <u>Financial Reporting</u></p> <p>7.1.1 The Committee shall monitor the integrity of the financial statements of the Council, including its annual report, reviewing significant financial reporting issues and judgments which they contain.</p> <p>7.1.2 The Committee shall review and consider where necessary:</p> <p>7.1.2.1 the consistency of improvement to and /or any changes to, accounting policies;</p> <p>7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;</p> <p>7.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;</p> <p>7.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and</p> <p>7.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement insofar as it relates to the audit and risk management.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.2 <u>Internal Controls and Risk Management Systems</u></p> <p>The Committee shall:</p> <p>7.2.1 Consider and make recommendations on the program of the internal controls and audit including the adequacy of resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.</p> <p>7.2.2 Ensure that appropriate policies, practices and procedures of internal control (and other financial and risk management systems) are implemented, reviewed and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.</p> <p>7.2.3 Review Council's risk management framework and monitor the performance of Council's risk management program.</p> <p><i><u>Note:</u> That it is important that the Audit Committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the internal and external auditors and by presentations by management on how business risks are managed.</i></p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.3 <u>Whistleblowing</u></p> <p>The Committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up actions and are referred to Whyalla City Council's Whistleblowers Protection Policy.</p> <p>7.4 <u>Internal Audit</u></p> <p>The Committee shall:</p> <p>7.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management systems;</p> <p>7.4.2 Consider and make recommendation on the programme of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.</p> <p><i><u>Note:</u> That this may include the review of the areas that have been identified for review and the frequency of review. The Committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that internal audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.</i></p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.4.3 Review all reports on the Council's operations from the internal auditors;</p> <p><i>Note: That the reports to the Audit Committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.</i></p> <p>7.4.4 Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and</p> <p>7.4.5 Where appropriate, meet the officer who undertakes the internal audit (internal or outsourced) at least once a year, without management being present to discuss any issues arising from the internal audits carried out. In addition, the officer / agent undertakes the internal audit shall be given the right of direct access to the Presiding Officer of the Council and to the Chairperson of the Committee.</p> <p>7.5. <u>External Audit</u></p> <p>The Committee shall:</p> <p>7.5.1 Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.2 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;</p> <p>7.5.3 Oversee Council's relationship with the external auditor including, but not limited to:</p> <p>7.5.3.1 recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;</p> <p>7.5.3.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement.</p> <p>7.5.3.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the auditor, including the provision of any non-audit services.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.3.4 satisfying itself that there are no relationships such as family, employment, investment, financial or business between the external auditor and the Council other than in the ordinary course of business;</p> <p>7.5.3.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and</p> <p>7.5.3.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on the Audit Committee's own internal quality procedures;</p> <p>7.5.4 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year, without management being present; to discuss the external auditor's report and any issues arising from the audit;</p> <p>7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.5.6 Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:</p> <p>7.5.6.1 a discussion of any major issues which arose during the external audit;</p> <p>7.5.6.2 any accounting and audit judgments; and</p> <p>7.5.6.3 levels of errors identified during the external audit.</p> <p>7.5.7 The Committee shall review the effectiveness of the external audit.</p> <p>7.5.8 Review any representation letter(s) requested by the external auditor before they are signed by management;</p> <p><i>Note: That these representation letters are a standard practice of any audit and provide the auditor confirmation from management, (in particular the Senior Financial Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.</i></p> <p>7.5.9 Review the management letter and management's response to the external auditor's findings and recommendations.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>7.6 <u>Economy and Efficiency Audits</u></p> <p>7.6.1 To monitor and review any report resulting from the exercise of powers under Section 130A of the Local Government Act. To examine any matter relating to financial management, or the efficiency and economy with which the Council manages or uses its resources to achieve its objectives and make recommendations to Council regarding outcomes and proposed actions.</p> <p>8. <u>Reporting Responsibilities</u></p> <p>8.1 The minutes of the proceedings of the Audit Committee will be circulated to all Council members. If requested by Council, the Committee Chair shall report to the Council, either in writing as a Presiding Member's report or verbal.</p> <p>8.2 The minutes will also, after confirmation, be made available to the public:</p> <p>8.3 The Presiding Member may attend a Council meeting at any time that the Presiding Member sees fit to discuss any issue or concern relating to the Audit Committee's responsibilities. Depending on the nature of the matter, this may be held in confidence in accordance with Section 90 of the Local Government Act 1999 and staff may be requested to withdraw from the meeting.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>The Committee shall:</p> <p>9.1 Have access to reasonable resources in order to carry out its duties;</p> <p><i><u>Note:</u> That this is subject to any budget allocation being approved by Council.</i></p> <p>9.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;</p> <p>9.3 Give due consideration to laws and regulations of the Local Government Act, 1999;</p> <p>9.4 Make recommendations on co-ordination of the internal and external auditors;</p> <p>9.5 Oversee any investigation of activities which are within its terms of reference; and</p> <p>9.6 Oversee action to follow up on matters raised by the external auditors;</p> <p>9.7 At least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.</p>			

Audit Committee Terms of Reference – May 2019

Name of Committee	Terms of Reference	Membership	Review Date	Comments
	<p>9.8 Independent members of the committee are entitled to a sitting fee, as set by Council, where the presiding member is an independent member, a higher sitting fee, as set by Council, will apply.</p> <p>10. Authority</p> <p>10.1 To seek any information it requires from any employee of the Council (after advising the CEO) in order to perform its duties;</p> <p>10.2 To obtain, at the Council's expense, (after consultation with the CEO) outside legal or other professional advice on any matter within its terms of reference.</p>			

6.1 CORPORATE

6.1.7 Quarterly Report – Procurement

Audit Committee Meeting: 27 September 2021

Author's Title: Procurement Co-ordinator

File No.: 0-159

Director: Corporate

Annexures – Nil

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐

Yes

☒

No

☐

Yes

☒

No

Reason – not applicable

PURPOSE

The purpose of this report is to provide information regarding Council's procurement activities during the period 1 July to 10 September 2021.

SUMMARY

Clause 7 of the Procurement Policy requires quarterly reporting on procurement exemptions to the Audit Committee.

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

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

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

RECOMMENDATION

The Audit Committee receive and note the Procurement Quarterly report.

6.1.7 Quarterly Report – Procurement

REPORT

BACKGROUND

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

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

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

DISCUSSION

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

The following tenders were undertaken or in progress for the period 1 July to 10 September 2021:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Cleaning of Council owned Buildings	Via Tenders SA website	13	Currently being evaluated.
Wallack Terrace Stormwater Drainage	Via Tenders SA website	Currently Open	Closes 2pm Monday 11 October 2021
Wallack Terrace Stormwater Drainage Construction	Via Tenders SA website	Currently Open	Closes Wednesday 6 October 2021

2. POLICY EXEMPTIONS:

From 1 July to 10 September 2021 the following 8 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)
HPE Extended Warranties	\$30,639.20	HPE extended warranties for next business day support for hardware and software support for Council's server infrastructure that are outside of HPE's initial warranties. Official pricing from HPE independent of reseller.
Interim Airport Manager	\$50,616.00	Only one quote was sourced for this work given the urgency of having a person with the necessary skills and qualifications to undertake the role of Airport Manager following the short notice retirement of the incumbent. Jayne Flemington is recognised as an industry leader in the management of regional airports and is already well versed in the operation of the Whyalla Airport. The requirement to have such skills available is critical to maintain confidence in the operation of the airport and also to the confidence of Home Affairs and Civil Aviation Safety Authority (CASA).
Volumetric Survey of Mt Laura Landfill Site	\$11,200.00	Surveys carried out in October 2020 and April 2021 did not meet the expectations or provide detail required so a direct engagement was done in order to provide the information required by the due date for EPA reporting requirements.
MWO 2021-014 Supply/Install Security Cameras & NX Server Extension	\$44,300.00	One quote was sourced for this work from HawksVision Security as it is an extension to the current security camera system at the Whyalla Airport and they supplied and installed the current security camera system. I seek permission to single source this engagement as we are expanding the current system and alternatives will not be compatible or interchangeable with the existing system. This security system expansion will ensure security of Council's asset into the future.
Asset Consulting Services	\$48,500.00	Alternate suppliers do not meet service/quality standard.
Licences for Replacement PDF Editing Software	\$23,560.80	Replacement software for Adobe Acrobat Pro which will increase in price at end of licensing period 30 August 2021. Change will save Council approx. \$30,000 over 3 years. Price set by vendor and LGAP, not reseller.
Server and Storage Hardware Upgrade for Cleve Council	\$48,237.31	Cleve Council preference is that Whyalla City Council procure IT services and hardware on their behalf and be recharged, Data#3 has previously installed and configured similar equipment for Whyalla Council in the recent past.
Annual Support for Wireless WAN and CCTV Microwave Equipment	\$59,068.06	Supply of technical support and NBD replacement of faulty microwave radios for Council's wireless WAN and CCTV network by contractor that installed the equipment and monitors the network.

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

The following is a summary of Policy exemptions for the 2021/2022 year:

Exemptions by Department	Amount	Percentage
City Growth	0	0.00%
Corporate	6	75.00%
Infrastructure	2	25.00%
Executive	0	0.00%
Total	8	100.00%

Exemptions by Procurement Thresholds (\$)	Amount	Percentage
0 – 5,000	0	0%
5,001 – 30,000	2	25.00%
30,001 – 200,000	6	75.00%
200,001 +	0	0.00%
Total	8	100.00%

3. LOCAL PURCHASES:

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

Out of a total of 603 purchase orders raised for goods, works or services for the quarter

- 343 were local; and
- 260 were non-local

There was an overall spend of \$7,896,003.02 broken down as follows:

- Local spend \$2,260,593.31; and
- Non-local spend \$5,635,409.71

A total of 56.88% were local purchases and 43.12% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

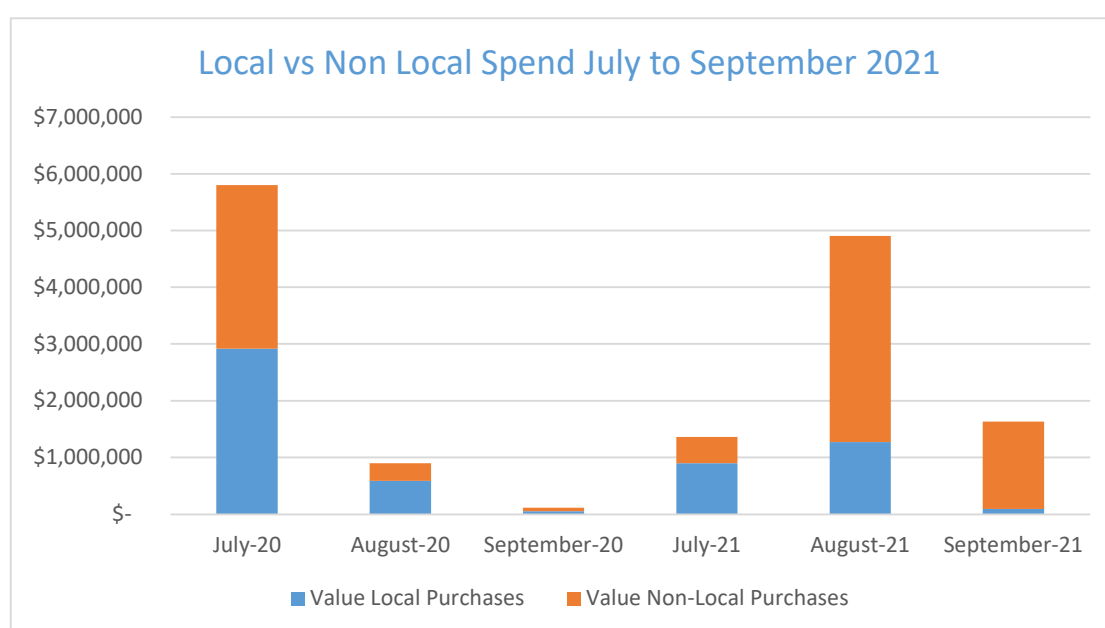
- Specialised products or services not available locally
- Training not available locally
- Conferences/Meetings/Accommodation (non local)
- Membership renewals
- Software licence renewals (2020/2021)
- Subscription renewals (2020/2021)
- Tendered works/services

- Continuation of Tendered Contracts:
 - Kerbside Collection
 - Kerbing Program
 - Footpath Program
 - Linemarking Program
 - Hard Waste Collection
 - Waste Transfer Station Putrescible Waste Disposal
 - Rubbish Collection, Weed Clean Up & Laneway Maintenance
 - Sanitary Disposal (Council Buildings)
 - Security Services (Council Buildings)
 - Window Cleaning (Council Buildings)

The following tables represent local vs non-local purchase order number and value comparison for 1 July to 10 September 2021 and includes a comparison with the previous year.

2021	July	August	September	Total
Local Purchases	137	147	59	343
Non-Local Purchases	111	114	35	260
Value Local Purchases	\$897,031	\$1,269,286	\$94,277	\$2,260,593
Value Non-Local Purchases	\$462,641	\$3,636,045	\$1,536,724	\$5,635,410

2020	July	August	September	Total
Local Purchases	205	162	33	400
Non-Local Purchases	121	101	17	239
Value Local Purchases	\$2,917,621	\$585,843	\$54,929	\$3,558,393
Value Non-Local Purchases	\$2,883,577	\$315,455	\$62,634	\$3,261,667



Non-local spend for August and September 2021 was higher than usual due to the following tendered works:

- Continuation of Roadworks Program
- Airport Security Screening Service commencement.
- Continuation of Operation & Management of Leisure Centre
- Continuation of Cleaning Contract

Legislation

Local Government Act (SA) 1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

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

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication - Nil

Conclusion

56.88% of purchase orders raised during the period 1 July to 10 September 2021 were for goods and services from local suppliers.

7. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

8. CLOSE

9. DATE OF NEXT MEETING

To be Advised