



### **MEMBERSHIP**

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

### **NOTICE OF AUDIT AND RISK COMMITTEE MEETING**

#### **TO THE CHAIR & MEMBERS OF THE AUDIT AND RISK COMMITTEE**

**NOTICE** is hereby given pursuant to Section 87(4) of the Local Government Act 1999 that the Audit and Risk Committee Meeting will be held in the Murraylands and Riverland Board Room, LGA House, Ground Floor, 148 Frome Street, Adelaide and via Teams on Monday 5 February 2024 at 11.00am.

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

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

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

**JUSTIN COMMONS**  
**CHIEF EXECUTIVE OFFICER**  
Dated: 31 January 2024

## AGENDA

### AUDIT AND RISK COMMITTEE MEETING

To be held at the Murraylands and Riverland Board Room, LGA House, Ground Floor, 148 Frome Street, Adelaide and via Teams on Monday 5 February 2024 at **11.00am**

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

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

**Apologies:**

### WELCOME TO COUNTRY

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

1. STANDING ITEMS	Action	Page
1.1 Welcome and Apologies		
1.2 Declaration of Members Conflict of Interests		
1.3 Committee Members/ Staff/Auditors Discussion (if required)		
1.4 Minutes from Previous Meetings – 3 October 2023	Adopt	3
1.5 Business Arising from Previous Meetings (including progress against external/internal review recommendations)	Note	17
2. ITEMS FOR DECISION		
2.1 Review of the Asset Management Strategy and Long-Term Financial Plan	Recommend	28
2.2 Budget Review 2023/24 Quarter 2	Recommend	124
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2.4 Implementation of Service Review and Internal Audit Services	Recommend	148
3. ITEMS FOR NOTING		
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4. CONFIDENTIAL ITEMS		
4.1 Prudential Report for Foreshore Masterplan Delivery	Note	196
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4.4 Standing Item – Reports on any matters arising about good public administration	Note	
5. MOTIONS WITH NOTICE		
Nil		
6. MOTIONS WITHOUT NOTICE		
7. NEXT MEETING		
Monday 8 April 2024 11.00am – 2.00pm	Note	
8. CLOSE		
	Note	

## 1. STANDING ITEMS

### 1.4 Minutes of Audit and Risk Committee Meeting – 3 October 2023

**Audit and Risk Committee** 5 February 2024

**Meeting:**

**Author's Title:** Executive Coordinator - Corporate

**File No.:** 0-159

**Director:** Corporate

#### Annexures

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

#### Officer Direct or Indirect Conflict of Interest:

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

☐

Yes

☒

No

#### Status:

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

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Yes

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No

**Reason** –Nil

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#### PURPOSE

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

#### BACKGROUND / DISCUSSION

The last meeting of Council's Audit and Risk Committee was held on 3 October 2023. The confidential version of the minutes were distributed to Committee Members on 12 October 2023, which now require confirmation. Note that attached to this report are the public version of those minutes.

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

#### RECOMMENDATION

**The Audit and Risk Committee:**

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

**MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING  
HELD ON MONDAY 3 OCTOBER 2023 AT 11.02 AM IN THE COUNCIL CHAMBER**

- PRESENT:** Mr G Strawbridge (*Chair*), Ms P Christie, Mr L Kozlovic (*via Teams*) and Cr P Borda (*Proxy*)
- OFFICERS IN ATTENDANCE:** Chief Executive Officer (*Mr J Commons*)  
Director Corporate Services (*Ms K Jarrett*)  
Manager Finance (*Mr G Jennings*)  
Finance Co-ordinator (*Mrs S Vigar*)  
Manager Governance (*Ms I Adair*)  
Manager People and Culture (*Mrs S King*)  
Governance Co-ordinator (*Mr M Whitfield*)  
Dean Newbery and Partners (*Ms S Creten*)  
Dean Newbery and Partners (*Mr K Harrison*)  
Executive Co-ordinator – CEO and Mayor (*Mrs M Armstrong*)
- COUNCIL MEMBERS:** Mayor Phill Stone
- OBSERVERS:** BDO Australia (*Mr Kyffin Thompson*)  
BDO Australia (*Mr Paul Sansome*)  
BDO Australia (*Mr Scott Way via Teams for the Service Review item*)

**ACKNOWLEDGEMENT**

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

**1. STANDING ITEMS**

**1.1 Welcome and Apologies**

Apologies – Cr P Klobucar  
Leave of Absence – Nil

**1.2 Declaration of Members' Conflict of Interests – Nil**

**1.3 Committee Members and Auditors Discussion – Nil**

**1.4 Minutes of Previous Meeting – Monday 17 July 2023**

The Chair noted that confidential items from the previous meeting were not included within the Minutes distributed with the Agenda papers, but that the full Minutes had been distributed to Committee Members on 1 August 2023

Moved Ms Christie, seconded Mr Kozlovic

**AC384-2023**

That the Audit and Risk Committee confirm the minutes of the Audit and Risk Committee Meeting held on Monday 17 July 2023 as a true and correct record of proceedings subject to the inclusion of confidential items noted above.

**Carried**



**1.5 Business arising from Previous Meetings – as at 3 October 2023**

The Director Corporate provided introductory comments on Business Arising from Previous Meetings including:

- Many of the items included in Annexure A are now completed;
- Annexure B, the Cyber Security review will be included as confidential items to the Committee;
- Annexure C, will be replaced following the Committee's consideration of the schedule of meetings for 2024;
- Annexure D, many of the items included in the work schedule for the October 23 meeting have not been included in this agenda including:
  - o Review of Committee procedures at 7.10 will be scheduled for the February 2024 Committee meeting
  - o The Review of the Strategic Management Framework at 10.1 has been deferred to February 2024, noting the Council held its second 'Whats the Future' Workshop which was largely a continuation of the April workshop, and taking into consideration the Audit and Risk Committee feedback.
  - o The Rating Review considerations report will be presented in February 2024
  - o Risk Management Policy and Framework will be presented in the February meeting following the Risk Workshops scheduled today ensuring a review of Council systems of control is included in the yet to be developed internal audit program.

General discussion was held on Business Arising including a requirement for future reports to include revised dates for completion.

Moved Cr Borda, seconded Mr Kozlovic

**AC385-2023**

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

Carried

**2. ITEMS FOR DECISION****2.1 Review Annual Financial Statements (including in-camera session with Dean Newbery auditors)**

Moved Ms Christie, seconded Cr Borda

**AC386-2023**

Pursuant to Section 90(2) and (3)(e) of the Local Government Act 1999, the Audit and Risk Committee orders that the public be excluded from the meeting, with the exception of Grant Strawbridge; Chair, P Christie, L Kozlovic, Cr P Borda, Ms S Creten; Dean Newbery and Partners and Mr K Harrison; Dean Newbery and Partners for Agenda Item 2.1 – Review Annual Financial Statements, as the Audit and Risk Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Audit and Risk Committee will receive and consider matters affecting the security of

the council, members or employees of the council, or council property, or the safety of any person.

**Carried**

In-Camera session

Participants leaving the session at 11:12 am were:

Chief Executive Officer (*Mr J Commons*)  
 Director Corporate Services (*Ms K Jarrett*)  
 Manager Finance (*Mr G Jennings*)  
 Finance Co-ordinator (*Mrs S Vigar*)  
 Manager Governance (*Ms I Adair*)  
 Manager People and Culture (*Mrs S King*)  
 Governance Co-ordinator (*Mr M Whitfield*)  
 Executive Co-ordinator – CEO and Mayor (*Mrs M Armstrong*)  
 Mayor Phill Stone  
 BDO Australia (*Mr Kyffin Thompson*)  
 BDO Australia (*Mr Paul Sansome*)

General discussion was held on the 30 June 2023 External Audit.

Participants were invited to return to the meeting at 11:24 am

The Chair advised that given the nature of discussion held with the External Auditor, no update would be provided.

A high-level review of the Annual Financial statements was undertaken including:

Management Representative Letter – page 80

The reason for the Financial Assistance Grant and potential negative flow on impact to the 2023/24 financial year.

Valuations – page 55

The Asset valuation and the material increase along with capital increases, as well as the asset valuation for the Civic Building given the discussions being held on the future direction of the site

The Manager Finance advised that there is no impact on the financial statement for the potential demolition of the Civic Building or divestment of the Civic Building given the proposed direction has not been firmed and the carrying value is based on the previous impairment notice.

Estimates and Assumptions – page 39

The level of ongoing COVID-19 operating income from the Airport operations.

Accounting Standards – page 45

The process for early adoption of Accounting Standards and any benefit of early adoption of accounting standards. The position reached by management on early adoption was supported.

Operating Surplus – page 34

Items impacting on reserves, which had not been disclosed and/or reported to the Council and/or the Committee.

Grants, Subsidies and Contributions – page 47 – 48

The large variation of the amounts received for renewal or upgraded assets.

The Manager Finance advised that the year before, Council received significant funding for the Whyalla Airport terminal upgrade, including the commencement of the sealing of the second runway.

Other Reserves – page 59

The Manager Finance advised that the other reserves includes grant funding that has not been spent, e.g. on hold until grant requirements have been met.

The Management Representation letter as well as Independence Declaration by the External Auditor was noted.

Moved Cr Borda, seconded Mr Kozlovic

**AC387-2023**

That the Audit and Risk Committee:

1. notes the Audit Completion Report from Dean Newbery and Partners for the financial year ended 30 June 2023
2. in accordance with Section 126(4) of the Local Government Act 1999, advise that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2023 and is satisfied that they present fairly the state of affairs of Council;
3. advises Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2023 and is satisfied that they present fairly the state of affairs of Council; and

**Carried**

The Audit and Risk Committee passed on their appreciation to Council's Finance Team for the work undertaken in preparing the Annual Financial Statements.

*External Auditors Dean Newbery and Partners (Ms S Creten) and Dean Newbery and Partners (Mr K Harrison) left the meeting at 11:59 am*

**2.2 Financial Results 2022/23 - page 104**

The Manager Finance provided an overview of the Financial Results noting Council's financial result has been detrimentally impacted this financial year by \$1.7m with the following attributing to this position:

- Waste costs will be an ongoing budget pressure
- Relocation costs as a one-off cost with two amounts budgeted for this work
- Electricity Costs have now flowed through the LTFP and Budget
- Interest expenses a one-off impact of the increase
- One-off move from capital to operating
- Animal Rehoming cost increases have now been flowed through the LTFP and Budget

Discussion was held on the financial results and the potential negative flow on into 2023/24. It was agreed that a sense of urgency and focus is required, and priorities need to look at sources of revenue, “re-engineer” activities, or other revenue sources being rate increases.

Moved Ms Christie, seconded Cr Borda

**AC388-2023**

That the Audit and Risk Committee recommends the financial results, compared with the estimated financial result of Council for the financial year ending 30 June 2023, be presented to Council.

**Carried**

**2.3 Review Council Investments and Loans for noting**

The Manager Finance spoke to the requirements of Council loan balance within the Treasury Management policy.

Discussion was held on the fixing of interest rates and the relatively short duration of the fixed portfolio.

Moved Mr Kozlovic, seconded Cr Borda

**AC389-2023**

That the Audit and Risk Committee note the Investment and Loan Performance Report for 2022/23.

**Carried**

**2.4 Audit and Risk Committee Annual Report to Council**

The Manager Governance outlined the rationale of the Audit and Risk Committee annual reporting to the Council on its activity and work program.

**Action:**

The Committee requested a feedback loop from Council on the performance and value add of the Audit and Risk Committee by Council.

Moved Ms Christie, seconded Cr Borda

**AC390-2023**

That the Audit and Risk Committee:

1. note the 'Audit and Risk Committee Annual Report to Council' report;
2. provide feedback on the outline and content to be included in the 2023 Audit and Risk Committee Annual Report to Council, provided at Annexure "A" to this report; and
3. requests the Chair of the Audit and Risk Committee to finalise the Annual Report on the Committee's behalf, considering the feedback, and when finalised, refer the report '2023 Audit Committee Annual Report' to Council at the 16 October 2023 Ordinary Council Meeting.

**Carried**

*The Chair sought leave of the meeting to bring forward Agenda Item 2.7 "Implementation of Service Review and Internal Audit Services".*

*The leave of the meeting was granted.*

*Mr Scott Way joined the meeting at 12:12 pm*

## **2.7 Implementation of Service Review and Internal Audit Services**

The Director Corporate welcomed Mr Scott Way; Director – BDO Australia.

Three Service Reviews have been identified as early stages of this program, following which a service review program over a four-year program and will take into account Council's risk profile, pressure and cost points.

Three Service Reviews have been identified as key importance to Council whereby Service efficiency and effectiveness could be made or whether the service should be provided by Council or not. These three services are the Airport, Child Care Centre and Open Space Services.

Discussion was held on the proposed Airport Service Review, and it was agreed this service review would have a three-part approach being; a) the viability of aggregation as a desktop approach, b) a strategic approach including other providers of airport services, and c) a more traditional operational service review process.

Discussion was held on the scope of the Child Care Service Review and it was agreed the project scope is to ensure consideration is given to whether Council wants to remain in the business of providing Child Care or wants to divest its interest, and the strategies associated with both positions.

Discussion was held on the scope of the Open Space Service Review included an explanation of the city's extensive open space areas including Bennett and Memorial Ovals both maintained at AFL or SACA playing standard. It was noted that the rationale of the scope was in line with rationalisation and utilisation with the inclusion of Service levels for open spaces in general.

**ACTION:**

To review the service review program scope for the Airport to include a three-stage approach  
To review and consider whether Council wants to remain in the business of providing Child Care or wants to divest its interest and the strategies associated with both positions.

Moved Mr Kozlovic, Seconded Cr Borda

**AC391-2023**

That the Audit and Risk Committee:

1. Note the actions taken to date to implement Service Review and Internal Audit Services
2. Subject to the inclusion of any feedback received above endorses the scope of service reviews for the following services.
  - a. Airport
  - b. Childcare Services
  - c. Open Spaces Services

Carried

***Adjournment of Meeting***

Moved Cr P Borda, Seconded Mr L Kozlovic

**AC392-2023**

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

Carried

***The Audit and Risk Committee Meeting adjourned at 12:42pm***

***The Audit and Risk Committee Meeting reconvened at 1.05pm***

**2.5 Budget Review 2023/24 Q1 Incorporating Financial Results 2022/23**

The Manager Finance provided an overview of Council Budget Review 2023/24 Q1 purpose to identify the impact of the year-end financial statements.

**ACTION:**

To identify and advise the re-engineering activities and review what options are available to reduce the projected deficit back to budget.

Moved Ms Christie, Seconded Cr Borda

**AC393-2023**

That the Audit and Risk Committee:

1. recommend the Budget Review incorporating the Financial Results 2022/23, identifying an operating deficit of \$3,759,000 and an estimated cash position at end of reporting period of \$173,000, be submitted to Council for adoption and;
2. recommend that the 2023-24 Annual Business Plan and Budget and Long-Term Financial Plan be amended to reflect the variances.

**Carried**

## **2.6 2024/25 Annual Business Plan and Budget Process and Parameters**

The Manager Finance presented the report and the planning approach and items which will form the plan and the financial assumptions.

Discussion was held on the benefit of the Risk and Audit Committee being included in the workshop with Council to provide input into the financial parameter setting for the Annual Business Plan and Budget consideration.

Moved Ms Christie, Seconded Cr Borda

**AC394-2023**

That the Audit and Risk Committee:

Recommends to Council the proposed process and parameters for the development of the 2024/25 budget process incorporating the following suggestions;

- a) a joint workshop with Council Members and the Audit and Risk Committee on the financial assumptions prior to the formulation of the budget.

**Carried**

## **2.8 Business Continuity Plan**

The Manager Governance provided an overview of the Business Continuity Plan purpose, noting it is to build organisational capabilities to support the continued achievement of critical business objectives in the face of uncertainty or disruption and minimise the impact to stakeholders and community members.

The comprehensive nature of the Business Continuity report was noted with consideration to be given to removal of duplication and whether the Audit and Risk Committee need to be included in the plan, particularly in escalation and reporting events.

**ACTION:**

The Business Continuity Plan to consider the role of the Audit and Risk Committee in relation to escalation and reporting process.

There should be only one point of contact for media - normally the CEO.

Consideration to be given to retaining a Public Relations entity to assist and prepare public media releases.

Business Continuity Plans to be refined through scenario testing and a schedule of testing to be presented to the Audit and Risk Committee.

Moved Cr Borda, Seconded Ms Christie

**AC395-2023**

That the Audit and Risk Committee

Subject to the consideration of points listed, notes this report and recommends to Council the adoption of the Whyalla City Council Business Continuity Plan.

**Carried**

**2.9 Time and Place for the Audit and Risk Committee Meetings**

The report was presented by the Manager Governance with the following changes to nominated dates being agreed.

Moved Ms Christie, Seconded Cr Borda

**AC396-2023**

That the Audit and Risk Committee

1. Sets the 2024 schedule of ordinary meetings for the Audit and Risk Committee to be held at 11.00 am at the Council's Civic Building, Grindel Street on
  - Monday 5 February 2024 (to coincide with a joint workshop with Council to be confirmed)
  - Monday 15 April 2024
  - Monday 6 May 2024
  - Monday 15 July 2024
  - Wednesday 2 October 2024

**Carried**



**2.10 CEO Report on Internal Controls**

The Chief Executive Office presented the report on Internal Controls.

Discussion was held on the value of the contents of the report and alternate reporting conventions

Moved Cr Borda, Seconded Ms Christie

**AC397-2023**

That the Audit and Risk Committee notes the CEO Report on Internal Controls.

**Carried**

**2.11 Review CEO's Annual Report on the Effectiveness of the Organisation's Culture**

The Chief Executive Office provided a verbal update to this report noting the survey undertaken by UniSA is a three year program and that Council also has a 360-degree feedback process.

The Chief Executive Officer noted that the results from the UniSA survey benchmark data against other entities including other Council, with two key observations that Whyalla City Council response data is good and consistently good.

Discussion was held on benchmarking reference points and key targets to ensure the improvements are occurring as targeted.

**ACTION:**

The CEO to report back to the Committee from a risk culture point of view if there is anything identified within the surveys that assists the understanding of the risk culture.

Moved Cr Borda, Seconded Ms Christie

**AC398-2023**

That the Audit and Risk Committee

1. Notes the CEO's Annual Report regarding Council's current Organisational Culture .

**Carried**

**3. ITEMS FOR NOTING****3.1 Quarterly Procurement Report**

General Discussion was held on the quarterly report

Moved Ms P Christie, Seconded Cr P Borda

**AC399-2023**

That the Audit and Risk Committee receive and note the Quarterly Report – Procurement 1 July to 8 September 2023.

**Carried**

**3.2 Civic Building Demolition Update**

The Director Corporate provided a verbal update to the report and the engineering report recommendations for demolition by or prior to July 2024 and a prospectus approach for demolition/redevelopment of the Civic Building Darling Terrace for release to market.

**ACTION:**

Consideration be given to a 'health check' on the proposed approach from an independent property advisor to add value to the overarching approach being adopted.

Moved Ms Christie, Seconded Cr P Borda

**AC400-2023**

That the Audit and Risk Committee;

1. Note the proposed approach to be taken regarding the demolition of the Civic Building and provide any feedback accordingly.

**Carried**

**4. CONFIDENTIAL ITEMS**

**4.1 Verbal Update on Council Business and City Developments**

The Chief Executive Officer provided a verbal update to this item

Moved Ms P Christie, Seconded Cr P Borda

#### **AC401-2023**

Pursuant to Section 90(2) of the Local Government Act 1999, the Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate Services, Grant Jennings; Manager Finance, Sandra Vigar; Finance Coordinator, Irene Adair; Manager Governance, Sue King; Manager People and Culture, Mark Whitfield; Governance Coordinator and Michelle Armstrong; Executive Co-Ordinator – CEO and Mayor for Agenda Item 4.1 – Verbal Update on Council Business and City Developments.

The Committee is satisfied that, pursuant to Section 90(3)(d) of the Act, the information to be received, discussed or considered in relation to this Agenda Item is commercial information not being a trade secret the disclosure of which could reasonably be expected to prejudice the commercial position of the person who supplied the information, or confer a commercial advantage on a third party, would on balance be contrary to the public interest.

Having considered Agenda Item 4.1 – Verbal Update on Council Business and City Developments in confidence under Section 90(2) of the Local Government Act 1999, the Council pursuant to Section 91(7) of the Act orders that this Report and Minutes be kept confidential and not available for public inspection on the basis that the Report and Minutes contain information commercial information. This order is to remain in force, notwithstanding that it will be reviewed annually in February of each year.

**Carried**

#### **4.2 Reports on any matters arising about good public administration**

The Chief Executive Officer provided a verbal update to this item

Moved Cr P Borda Seconded Ms P Christie

#### **AC402-2023**

Pursuant to Section 90 (3)(b) and Section 90 (3)(h) of the Local Government Act 1999, the Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Irene Adair; Manager Governance, Grant Jennings; Manager Finance, Sue King; Manager People and Culture, Mark Whitfield; Governance Coordinator and Michelle Armstrong; Executive Co-Ordinator – CEO and Mayor for Agenda Item 4.2

The Committee considers that the requirement for the meeting to be conducted in a place open to the public has been outweighed in circumstances where the Committee will receive and consider information the disclosure of which could reasonably be expected to prejudice the legal and commercial position of the Council and would, on balance, be contrary to the public interest.

That the Audit and Risk Committee note any update provided under this item

**Carried**

**5. MOTIONS WITH NOTICE**

Nil

**6 MOTIONS WITHOUT NOTICE**

Nil

**7. DATE OF NEXT MEETING – Monday 5 February 2024 at 11am**

**8. CLOSE – Meeting closed at 2.29pm**

Confirmed: .....  
Presiding Member – February 2024

## 1. STANDING ITEMS

### 1.5 Business Arising from Previous Meetings – as at 5 February 2024

**Audit and Risk Committee** 5 February 2024

**Meeting:**

**Author's Title:** Lisette Symons - Executive Coordinator, Corporate

**File No.:** 0-159

**Director:** Corporate

#### Annexures

A – Business Arising from Previous Meetings

B – External/Internal Reviews Work Program

C – Meeting Schedule

D – Work Program

#### Officer Direct or Indirect Conflict of Interest:

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

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Yes

☒

No

#### Status:

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

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Yes

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No

#### PURPOSE

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

#### BACKGROUND / DISCUSSION

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

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

Also attached are the Committee's:

- Meeting Schedule
- Work Program - note that while many of the items on the work program have been included on the Agenda, the following items have been deferred to future meetings due to resource availability:
  - o emergency management and business continuity
  - o review of Council's Fraud and Corruption Policy
  - o review of the Audit and Risk Committee's Terms of Reference

#### RECOMMENDATION

**The Audit and Risk Committee:**

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

## “ANNEXURE A”

### WHYALLA CITY COUNCIL

### BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS

AS AT 5 February 2024

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
1.	8 May 2023	<b>3.4 ESCOSA Advice</b> <i>A deeper insight into the granular assumptions within the LTFP will be required when receiving and responding to ESCOSA advice</i>	Manager Finance	April 2024	This item will be responded to during the upcoming ESCOSA review	
2.	17 July 2023	<b>1.5 Business Arising</b> <i>The timeline for the review of Council's Asset Management Strategy is to be aligned with Council's Strategic Management Framework.</i>	Manager Finance	31 March 2024	Document reviewed and included on current agenda	100%
3.	17 July 2023	<b>3.3 Management of Excess Leave</b> <i>The percentage of Council's workforce with excess leave is to be included in future reports.</i>	Manager Finance	February 2024	Report updated with requested information	100%
4.	17 July 2023	<b>4.2 Cyber Security Review</b> <i>Consider a Cyber Security Health Check in the internal audit program and; Ensure progress reporting on actions identified in the Cyber Security Report.</i>	Manager Finance	February 2024	Internal Audit Program includes Cyber Security Health Check.  Update on Cyber Security actions added to External/Internal Review Workplan and will be provided under separate cover	100%

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
5.	3 Oct 2023	<b>2.4 Audit &amp; Risk Committee Annual Report to Council</b> <i>The Audit and Risk Committee requested a feedback loop from Council on its performance and value add.</i>	Manager Governance	5 February 2024	<p>The Audit and Risk Committee's Annual Report was presented to Council at their October 2024 meeting.</p> <p>Feedback has been received from Council that the Members recognise and thank the Audit and Risk Committee for their input to Council and their assistance, guidance and expertise. Members look forward to continuing their valuable relationship into 2024. In particular, the Committee's input on strategies to ensure the long-term financial sustainability of the Council have been welcomed.</p> <p>Note that in addition to this feedback, it is proposed that during 2024, an Audit and Risk Committee Performance Evaluation process will be undertaken, inclusive of 360 degree feedback from the Council and Executive.</p>	100%
6.	3 Oct 2023	<b>2.7 Implementation of Service Review and Internal Audit Services</b> <i>To review the service review program scope for the Airport to include a three-stage approach.</i> <i>To review and consider whether Council wants to remain in the business of providing Childcare or wants to divest</i>	Director Corporate	5 February 2024	<p>Both the Airport and Childcare Service Review scopes have been updated in line with the Committee's feedback.</p> <p>Refer also to Agenda Item 2.4 for a further update on these projects.</p>	100%

	Date of Meeting	Item	Responsible	Due Date	Status	Completed
		<i>its interest and the strategies associated with both positions</i>				
7.	3 Oct 2023	<b>2.5 Budget Review 2023/24 Q1 Incorporating Financial Results 2022/23</b> <i>Identify and advise the re-engineering activities and review what options are available to reduce the projected deficit back to budget.</i>	Manager Finance	5 February 2024	Council has received an increase in our Financial Assistance Grant allocation from the Federal Government. This is due to Council receiving below our calculated share for a number of years due to the mechanisms by which reallocations occur. As part of the LTFR Review, these funds have been used to build capacity and improve financial results in future years. Re-engineering opportunities may be highlighted by Service Review processes currently underway.	100%
8.	3 Oct 2023	<b>2.8 Business Continuity Plan</b> <i>Consider the role of the Audit and Risk Committee in relation to escalation and reporting process.</i> <i>Amend point of contact for media – should be one, normally CEO.</i> <i>Consider to be given to retaining a Public Relations entity to assist and prepare public media releases.</i> <i>Business Continuity Plans to be refined through scenario testing and a schedule of testing to be presented to the Audit and Risk Committee</i>	Manager Governance	5 February 2024	Due to resource issues, this item's due date is being deferred to April 2024	



	Date of Meeting	Item	Responsible	Due Date	Status	Completed
9.	3 Oct 2023	<b>2.11 Review CEO's Annual Report on the Effectiveness of the Organisation's Culture</b> <i>CEO to report back to the Committee from a risk culture point of view if there is anything identified within the surveys that assists the understanding of the risk culture</i>	Manager People and Culture	5 February 2024	The (3 year) UniSA CERM PI organisational culture surveys do not have anything that will assist in understanding the risk culture of the organisation. There has been a body of work completed including a Risk Management Framework, Risk Management Policy and Action Plan and managers/risk owners have established risk appetite statements. There is further work needed to embed a risk culture.	100%
10.	3 Oct 2023	<b>3.2 Civic Building Demolition Update</b> <i>Consideration to be given to a 'health check' on the proposed approach from an independent property advisor to add value to the overarching approach being adopted.</i>	Director Corporate	April 2024	This item is still being actioned	

\* Completed items to be removed are shaded

## EXTERNAL/INTERNAL REVIEWS WORKPLAN

Source	Date of Report	#	Item	Responsible	Progress Comment	Original Due Date	Revised Due Date	Status / % Complete
GHC	Mar-21	6	Undertake a full review of Council's suite of WHS and HR policies	Mgr People & Culture	A review of all P&C and WHS policies and procedures has been completed. This review has identified the policies and procedures to be updated, rescinded and reviewed. All WHS Policies and Procedures have been developed/reviewed and are subject to regular review cycles.	30/06/2023	30/04/2024	WHS - 100% P&C - 80%
GHC	Mar-21	16	Review of community land management plans	Mgr Governance	Overall review of all expired leases and land management plans being undertaken in tandem. Land Management data base updated in preparation for new plan population. Workshop completed with Kelledy Jones 25/9/23	30/06/2024		In Progress/50%
EAMR	Jun-22	9	Review of expired lease agreements	Mgr Governance	Overall review of all expired leases and land management plans being undertaken in tandem. Review of expired leases and licences is progressing.	30/06/2024		In Progress / 60%
EAMR	May-23	4	Review the Asset Management Strategy	Mgr Finance / Assets Coordinator	Due within the first two years of the new Council	31/03/2024		Completed/100%
CSA	Jul-23	-	Cyber Security Actions	Mgr Finance	Update provided under separate cover due to security risk of making these actions public	Ongoing		Ongoing

\* Shaded items to be deleted

GHC - Governance Health Check

EAMR - External Audit Management Report

IFCSA - Internal Financial Controls Self Assessment

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

**“ANNEXURE C”****WHYALLA CITY COUNCIL  
AUDIT AND RISK COMMITTEE****INDICATIVE MEETING SCHEDULE AND WORK PROGRAM - 2024**

<b>Schedule of Ordinary Meetings</b>	
Monday 5 February 2024 at 11am	
Monday 8 April 2024 at 11am	
Monday 13 May 2024 at 11am	
Monday 15 July 2024 at 11am	
Tuesday 8 October 2024 at 11am	In person, to include joint workshop with Council.

# AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
5.4	Communication											
	Updates on relevant Council considerations since the last meeting	As required										Note
7	Meetings											
7.8	Set annual schedule of meetings					x					X	
7.8	Annual joint workshop with Council – topics tbd					X					X	Endorse
7.10	Review Committee meeting procedures					X					X	Endorse
9.3	Reporting											
	Audit and Risk Committee annual report to Council					x						Endorse
10.1	Strategic Management											
	Review Strategic Management Framework, including report on WTF: What's the future workshop outcomes and consideration of transformation / investment / development strategies				X							Note
	Review of strategic management plans (Strategic Plan, LTFFP, AMP, WP, ITP), including consideration of transformation / investment / development strategies					X	2.1	X				Recommend
	Review ABP&B parameters and process for following year					x					X	Recommend
	Review draft ABP&B		X					X				Recommend
	Review ESCOSA material			X				X				Note
10.2	Financial and Prudential Management											
	Review annual financial statements					x					X	Recommend
	Review quarterly budget reports	X		X		x	2.2		X		X	Recommend
	Review application for new loan				X							Recommend
	Review Council investments & loans					x						Recommend
	Rating review considerations					X						Recommend
	Review any prudential report	As required										Recommend
	Review any business case / unsolicited proposals	As required										Recommend
	Review financial/prudential policies:									X		Recommend

# AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee’s Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
	- Asset Accounting - Budget Management & Review - Corporate Credit Card - Entertainment and Hospitality - Financial Hardship											
	- Financial Hardship Policy – Retail Water Customers	Due 2026										Recommend
	- Disposal of Land and Other Assets				X							Recommend
	- Financial Internal Control						2.3					Recommend
	- Procurement Policy				X							Recommend
	- Prudential Management					X						Recommend
	- Rating Policy						X	X				Recommend
	- Retail Water – Pricing	Due 2026										Recommend
	- Treasury Management								X			Recommend
	- Unsolicited Proposals	Due 2027										Recommend
	- Water Connection & Billing	Due 2026										Recommend
	Quarterly Procurement Report			X	X	3 .1	3.1		X	X	X	Note
10.3	External Audit											
	Oversee any tender process undertaken and recommend to Council the appointment of the external auditor.	Due February 2026										Recommend
	Review annual audit plan						2.4					Recommend
	Receive interim management report			X					X			Note
	Receive end of year audit completion report					x					X	Note
	Meet with external auditor without management present					x					X	Note
	Monitor management’s responses to and progress against audit findings			X	X	X	1.5	X	X	X	X	Note
10.4	Risk Management											
	Review Risk Management Policy, framework, appetite statements, strategic risk profile				X	X		X			X	Recommend
	Review emergency management and business continuity policies and plans				X	x				X		Note
	Cyber security review report				X					X		Note

# AUDIT AND RISK COMMITTEE WORK PROGRAM



ToR Ref	Deliverables derived from the Committee's Terms of Reference	Feb 23	Apr 23	May 23	July 23	Oct 23	Feb 24	Apr 24	May 24	Jul 24	Oct 24	Action
	Information or Annual report on Council insurances, claims			X	X					X		Note
	Monitor management's responses to and progress against any risk reports			X	X	x	1.5	X	X	X	X	Note
10.5	Internal Audit, Internal Controls and Service Reviews											
	Oversee Council's engagement of an internal audit and service review service provider			X	X							Recommend
	Review and monitor the program of service reviews and internal audit assignments					x					X	Note
	Review and monitor the outcomes of service review and internal audit assignments						1.5	X	X	X	X	Recommend or note
	Review internal financial controls – self assessment						2.3					Recommend
	Review CEO's report on the effectiveness and improvement of internal control (only required for 2023, prior to establishing internal audit program)					x						Note
	Meet with service review and internal audit service provider without management present					x					X	Note
	Monitor management's responses to and progress against service review and internal audit reports							X	X	X	X	Note
	Review update report on management of excess leave				X							Note
	Review final reports from Systems Modernisation review (confidential)				X					X		Recommend
11.1	Performance assessment, induction and professional development											
	Review performance assessment methodology									X		Endorse
	Receive and consider performance assessment report including any professional development needs										X	Endorse
	Review the Committee's Terms of Reference						Defer to April 2024				X	Recommend
11.2	Ethics, Integrity and Culture											
	Ensure a review of council's systems of control on ethical					X						Endorse



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

## 2. Items for Decision

### 2.1 Review of the Asset Management Strategy and Long-Term Financial Plan

**Audit and Risk** 5 February 2024

**Committee:**

**Author's Title:** Grant Jennings - Manager Finance **File No.:** 0-159

**Director:** Corporate

#### Annexures:

Annexure A – Draft 2025-2034 Asset Management Strategy

Annexure B – Draft 2025-2034 Long-Term Financial Plan

#### 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

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#### PURPOSE

To present the Audit & Risk Committee with Council's draft Asset Management Strategy and draft Long-Term Financial Plan, which have been reviewed in line with legislative requirements, seeking their feedback before they are released for public consultation.

#### SUMMARY

There has been a high level of community involvement in the development of the Community Plan, which sets the direction for the city as a whole. The Strategic Plan sets out Council's part in delivering on the areas of the Community Plan that fall within its responsibility. The ability of Council to make wholesale changes to the LTFP and AMS is quite limited, as Council has a responsibility to maintain the assets for which it has care and control, and the current financial position leaves little room to move. The main area of interest to the community is likely to be the required level of rate increases, which remain consistent with the previous plan.

For these reasons, it is proposed that the consultation on the three Strategic Management Plans will take a light touch. This will include a notice in the Whyalla News, a media release, Facebook posts and providing the ability to review the documents and provide feedback via Council's website. This is considered to meet Council's legislative requirements.



## **RECOMMENDATION**

**The Audit & Risk Committee provides the following feedback on the draft 2025-2034 Asset Management Strategy and draft 2025-34 Long-Term Financial Plan which have been prepared for public consultation:**

- ....
- ....
- ....

## 2.1 Review of the Asset Management Strategy and Long-Term Financial Plan

### **REPORT**

#### **BACKGROUND**

Council's Strategic Management Plans consist of:

- the Strategic Plan;
- the Asset Management Strategy (AMS); and
- the Long-Term Financial Plan (LTFP).

The AMS is prepared using the Combined Asset Management Strategy template developed by the Institute of Public Works Engineering Australasia, in line with industry standards.

Under Section 122(4)(b) of the *Local Government Act 1999*, Council must review these plans within 2 years of each general election.

A joint workshop with Council Members and the Audit & Risk Committee was held on Monday 4 December 2023, to discuss the development of the Long-Term Financial Plan and Asset Management Strategy, including testing of the underlying assumptions being proposed.

A workshop was held with Council Members on Tuesday 12 December 2023 to work through the inclusions in the Strategic Plan.

The Audit & Risk Committee's role in reviewing Council's Strategic Management Plans as per their Terms of Reference, includes but isn't limited to the following matters:

- the assumptions underpinning the plans (including rating / funding considerations)
- the consistency between plans
- the adequacy of the plans in the context of maintaining financial sustainability
- the efficiency, effectiveness and sustainability of significant programs and activities
- managing, deploying, improving and developing the resources available to Council.

The following information and attachments are provided to facilitate feedback from the Committee

#### **DISCUSSION**

For this review cycle, it was decided that Council would facilitate the development of a Community Plan. This plan has been developed through significant engagement processes and has seen a high level of community participation. The plan will be owned by the community, with a local community service provider to take on the role of being the lead moving forward.

This plan is nearing completion and forms the basis for the review of the Strategic Plan. The Strategic Plan sets out Council's part in delivering on the areas of the Community Plan that fall within its responsibility.

A review of the existing Strategic Plan highlighted that a large number of included items were still relevant to delivering on the aspirations of the community. However, some items were able to be removed, to remove duplication, items that weren't strategic in nature, or actions that had already been delivered on.

The areas of focus for the Community Plan were cross referenced to what remained in the plan and any gaps were highlighted.

These outcomes were then workshopped with Council Members, who helped to develop the specific actions they felt were needed to deliver on the Community Plan. This was a very successful process and helps to ensure that the plan delivered is owned by the Council Members, who are the ones providing oversight on its delivery.

The draft Strategic Plan is currently being finalised and will be presented to Council at their February meeting.

### Asset Management Strategy

#### **Refer Annexure A – Draft 2025-2034 Asset Management Strategy**

The draft AMS provides the framework for how Council will maintain its extensive asset base over the medium to long term in line with community expectations. The draft CAMS has been prepared to comply with regulatory requirements and provide a breakdown of funding projected over a ten-year reporting period.

The draft AMS is a combined document that includes the six major asset categories of Transport, Buildings, Open Space (Structures), Stormwater, Irrigation and Plant & Equipment. Individual Asset Management Plans for each category are considered to be internal operational documents and will be reviewed annually.

Furniture and Fittings are not included in the AMS. Instead, this category is provided an annual renewal allowance in line with depreciation projections, which is considered appropriate due to the short-term nature of these assets.

The figures throughout the document are based on the philosophy of 100% asset renewal funding and maintaining existing operational service levels. This is in line with Council's high level budget parameters.

The AMS is based on extensive data. Each major asset class is condition rated and valued on a 5 yearly basis, with engineering experts providing this data. The exception is Plant & Equipment assets, which are held at cost and with the replacement schedule based on age in the first instance.

Assets should be renewed as they fall due, to avoid the risk of failure or increased cost of replacement. However, there is flexibility to move items a year or two, to ensure that programs can be delivered with maximum efficiency and to smooth our large spikes in expenditure that can cause delivery issues. However, overall there is not extensive capacity to adjust the expenditure required in the plan.

Improvements that have occurred since the AMS was review four years ago include:

- detailed componentisation of Building assets
- detailed componentisation of Open Space (Structures) assets
- detailed componentisation of Irrigation assets
- Unsealed Roads added to Transport assets
- Traffic Signals added to Transport assets

The draft CAMS proposes \$55.5 million for projected asset renewal requirements over the ten-year period. Figures included in the draft CAMS are the 2023/24 real values, with the total spend shown in the draft LTFP being \$66.1 million due to the application of indexation.

### Long-Term Financial Plan

#### **Refer Annexure B – Draft 2025-2034 Long-Term Financial Plan**

The draft LTFP is based on a conservative estimate of zero rates growth, based on the experience of council over the past few years. For this reason, the plan includes no capacity for increases in existing services or the introduction of new programs, unless growth can be achieved.

In fact, the plan builds in a reduction of approximately 3 Management FTE from the 25/26 financial year, an assumptions that was included during the 2023/24 budget process. This assumption recognises that Council increased their management FTE during a restructure 3 years ago, to deal with the increased workload of getting the Council ready for the growth that is expected to soon commence. If this growth doesn't occur, resources will need to be scaled back accordingly.

The 10 year Long-Term Financial Plan is prepared using a number of assumptions which reflect an assessment of the economic climate and predictions on variables which will impact on Council operations. Some of these key assumptions are:

- The forecast for the Consumer Price Index (CPI) is based on projections provided by the Reserve Bank of Australia (RBA) in the short term, and then decreases to 2.5% over the term of the plan, the mid point of the RBA medium to long term target range.
- Wages are locked in with the Enterprise Agreement for the first 3 years, and after this are predicted to increase at 0.3% above CPI each year.
- Depreciation is predicted to increase by a combined 4% less than CPI over the next 5 years, as a correction to a spike in capital costs since Covid. In the long term Deprecation is predicted to increase by 0.3% above CPI each year.
- The forecast for interest rates is based on projections provided by the National Australia Bank in the short term, adjusted for the discount available to Local Government, and then gradually increases to 6.5% over the term of the plan.

During the review process, a number of new assumptions have been built into the LTFP to help move the projected financial position back to a breakeven position in a timely manner.

This includes:

- An increase in the allocation of Financial Assistance Grants received from the Federal Government will be split, with approximately half improving the financial position ongoing, and the other half increasing Council's budget capacity.
- An assumption that Transport depreciation can be reduced by \$150,000 from 2024/25, as an analysis of the current renewal schedule suggests that useful lives for pavements can be extended.
- An assumption that a portion of capital projects will remain in progress at year end in line with previous experience. This assumption updates the cashflow projection to make it more realistic, with the figure starting at \$4 million at the start of the plan, but reducing to zero by 2034.

The draft Long-Term Financial Plan as presented is consistent with the draft Combined Asset Management Strategy, as required by s122(1b) of the *Local Government Act 1999*. The draft Asset Management Strategy includes renewal figures in 2023/24 real values, while the draft Long-Term Financial Plan includes indexation.

In addition to Council's asset renewal requirements of \$66.1 million, the Long-Term Financial Plan includes allocation for new capital works of \$24.3 million over the life of the plan. \$3.3 million of this relates to a number of projects that have already been approved and budgeted in a future year. The remaining \$21 million provides scope for Council to deliver key projects to deliver the strategic direction for the city. Any proposed projects will require final approval by Council during future annual budget processes.

Council has adopted a rating strategy that seeks to achieve a reasonable degree of stability and predictability in the overall rates burden over time while ensuring ratepayers are paying for those services and assets that they are consuming. Rates will be set at an affordable level having regard to the Council's strategic direction and its social and economic objectives balanced against the community's ability to pay. Rate increases of 1.6% above CPI each year of the plan are proposed, to ensure that the plan is funded in a sustainable manner. In the second half of the plan, Council may be able to consider a reduction in the rate increase to approximately 0.8% above CPI each year, if a surplus position is achieved.

It is important that the Airport is correctly cost recovering to ensure that operations are not subsidised by Rates. A separate Long-Term Financial Plan has been prepared for the Airport, which currently shows that the Airport is not operating in a financially sustainable manner, which will need to be an area of focus over the coming years. A plan showing Council's operations without the impact of the Airport has also been prepared, and this plan is the one primarily used to measure Council's financial performance.

### **Financial Implications**

Council has revised its targets for its Key Financial Indicators. 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. The targets promote a breakeven position in the medium term plus a margin for risk and uncertainty. Council has set short, medium and long term targets to achieve this aim.

<b>Council (including Airport)</b>	<b>Target Short Term</b>	<b>Target Medium Term</b>	<b>Target Long Term</b>
<b>Indicator</b>	<b>Year 1-3</b>	<b>Year 4-6</b>	<b>Year 7-10</b>
<b>Operating Surplus/(Deficit) Ratio - %</b>	(2) - 1	0 - 3	2 - 5
<b>Net Financial Liabilities Ratio - %</b>	< 80	< 80	< 80
<b>Asset Renewal Funding Ratio - %</b>	90 - 110	90 - 110	90 - 110

The draft LTFP predicts Council will achieve a breakeven position in 2027/28 following deficits in preceding years. The operating deficits for the first three years of the plan are impacted heavily by the projected result of the airport. The operating ratio, whilst negative in the short term becomes increasingly positive over the life of the plan and is 5% in year 10. With the exception of 2024/25, Council remains within its proposed targets for the operating surplus/(deficit) ratio over the life of the LTFP.

The Statement of Financial Position forecasts an increase in total assets from \$387 million in 2023/24 to \$482 million in 2033/34. Loan borrowings peak at \$25.3 million in the first year of the plan and reduce to \$10.6 million by the end of the plan. The net financial liabilities ratio peaks at 58% in 2024/25 and reduces to 14% by the end of the plan. Council remains within its proposed target range for the net financial liabilities ratio over the life of the LTFP.

The asset renewal funding ratio is forecast to be 100% in all years of the plan, with the exception of 2024/25 due to deferred projects, showing that the LTFP is aligned with the draft CAMS, ensuring that required renewal is correctly funded.

Although the draft LTFP predicts that Council will be within its desired key financial indicators over the majority of the ten year period, Council needs to be mindful that other needs are likely to emerge in future that may adversely impact on these projections. Council will also need to maintain strict financial discipline over the coming years, including ensuring that a drop in resourcing committed in the plan is followed through.

Council has recognised the need for the Airport to operate as a sustainable business unit and to ensure the costs of service delivery are borne by those using them. Different targets are proposed for the Airport LTFP. These targets recognise that a higher proportion of borrowings are required up front due to recent investment and that there is more variability in operating results.

<b>Airport</b>	<b>Target Short Term</b>	<b>Target Medium Term</b>	<b>Target Long Term</b>
<b>Indicator</b>	<b>Year 1-3</b>	<b>Year 4-6</b>	<b>Year 7-10</b>
<b>Operating Surplus/(Deficit) Ratio - %</b>	(10) - 0	(5) - 5	0 - 10
<b>Net Financial Liabilities Ratio - %</b>	< 250	< 225	< 200
<b>Asset Renewal Funding Ratio - %</b>	90 - 110	90 - 110	90 - 110

The Airport is currently not meeting its financial targets across the term of the plan. This will need to be an area of focus for Council over the coming years and a number of difficult decisions may need to be made in this regard. The outcomes of the Service Review currently underway will provide guidance in this space.

A separate LTFP has also been prepared for Council excluding the Airport, which provides a good measure of core underlying financial performance.

<b>Council (excluding Airport)</b>	<b>Target Short Term</b>	<b>Target Medium Term</b>	<b>Target Long Term</b>
<b>Indicator</b>	<b>Year 1-3</b>	<b>Year 4-6</b>	<b>Year 7-10</b>
<b>Operating Surplus/(Deficit) Ratio - %</b>	(1) - 1	1 - 3	3 - 5
<b>Net Financial Liabilities Ratio - %</b>	< 75	< 65	< 55
<b>Asset Renewal Funding Ratio - %</b>	90 - 110	90 - 110	90 - 110

The draft LTFP predicts Council will achieve a breakeven position in 2025/26 following a deficit in year 1 of the plan. The operating ratio, whilst negative in the short term becomes increasingly positive over the life of the plan and is 7% in year 10. After 2024/25, Council remains within its proposed targets for the operating surplus/(deficit) ratio over the majority of the plan, except where it is above target range in 2032/33 and 2033/34.

Loan borrowings peak at \$16.6 million in 2024/25, reducing to nil by 2033/34. The net financial liabilities ratio peaks at 39% in 2024/25 and reduces to (5%) by the end of the plan.

The asset renewal funding ratio is forecast to be 100% in all years of the plan, with the exception of 2024/25 due to deferred projects, showing that the LTFP is aligned with the draft CAMS, ensuring that required renewal is correctly funded.

### Sensitivity Analysis

The figures in the LTFP are based on a number of assumptions about economic indicators over the life of the plan. While these assumptions are based on the best data available, by their nature they are hard to predict and subject to some variability. Variations in these assumptions can have a material impact on Council's predicted results.

Sensitivity analysis has been undertaken to show the impacts of a number of key assumptions

- CPI
- Growth
- Rates

This information helps with decision making and understanding the risk profile of the plan. The largest risk to Council is that CPI is lower than currently predicted in the first two years of the plan, due to the fact that wage increases are already locked in for this period.

### **Strategic Plan**

The draft Long-Term Financial Plan has been developed in conjunction with the review of Council's Strategic Plan and is the key planning document to allow for the delivery of all outcomes outlined in the plan.

### **Legislation**

The draft Long-Term Financial Plan has been prepared in accordance with s122(1a)(a) of the *Local Government Act 1999* and s5 of the *Local Government (Financial Management) Regulations 2011*.

The draft Combined Asset Management Strategy has been prepared in accordance with s122(1a)(b) of the *Local Government Act 1999*.

#### **Officer Direct or Indirect Interest – Nil**

#### **Risk Assessment**

Undertaking the review of Council's Strategic Management Plans at this time ensures that Council is compliant with its legislative requirements.

Council continues to experience ongoing risk in its financial projections, although increasingly this risk is transferring to the ongoing operation of the Whyalla Airport. Improving Council's financial position is an ongoing focus and the review of the LTFP has included a number of measures to improve both the underlying position as well as the capacity of the plan to deal with budget pressures and unexpected events.

Over the past 4 year planning cycle, Council has continued to improve its asset management data and processes, decreasing the risk of asset failures. There is still more work to do in this area, particularly in the areas of Buildings and Open Space assets.

#### **Social Considerations – Not applicable**

#### **Community Engagement**

The *Local Government Act 1999* requires that a council must adopt processes to ensure that members of the public are given a reasonable opportunity to be involved in the development and review of its strategic management plans.

There has been a high level of community involvement in the development of the Community Plan, which sets the direction for the city as a whole. The Strategic Plan sets out Council's part in delivering on the areas of the Community Plan that fall within its responsibility. The ability of Council to make wholesale changes to the LTFP and CAMS is quite limited, as Council has a responsibility to maintain the assets for which it has care and control, and the current financial position leaves little room to move. The main area of interest to the community is likely to be the required level of rate increases, which remain consistent with the previous plan.

For these reasons, it is proposed that the consultation on the three Strategic Management Plans will take a light touch. This will include a notice in the Whyalla News, a media release, Facebook posts and providing the ability to review the documents and provide feedback via Council's website. This is considered to meet Council's legislative requirements.

#### **Environmental Implications – Not applicable**

#### **Communication**

Consultation will be advertised via a notice in the Whyalla News, a media release and Facebook posts. All documents will be available on Council's website.



## **Conclusion**

The Combined Asset Management Strategy and Long-Term Financial Plan form two of Council's suite of Strategic Management Plans and outline how Council will resource the delivery of Council's Strategic Plan.

A review of these documents has been undertaken to test the key assumptions and to make improvements to Council's ongoing financial projections.

The Strategic Management Plans will be released for public consultation, but only minimal engagement is planned based on the nature of the documents.



# ASSET MANAGEMENT STRATEGY

2025 - 2034



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## 1. EXECUTIVE SUMMARY

### CONTEXT

Whyalla City Council's Strategic Plan, Long Term Financial Plan and Asset Management Strategy are the three strategic management plans of Council. All three plans can be viewed online at [www.whyalla.sa.gov.au/strategicmanagementplans](http://www.whyalla.sa.gov.au/strategicmanagementplans).

This Asset Management Strategy ('the Strategy') is prepared to assist Council in improving the way it delivers services from infrastructure, including road and transport related infrastructure, buildings, recreation & open space, stormwater, irrigation, plant and equipment. The combined replacement value for all Council Assets is \$497,513,472.

The Strategy has been compiled to combine all asset classes into one summarised document. Adopting the Strategy will assist Council in meeting the requirements of the National Sustainability Framework, the Local Government Act 1999, the Financial Audit and Management Act 2012; and provide services needed by the community in a financially sustainable manner.

Asset Management Plans (AM Plans) for specific asset categories are held as operational documents and are reviewed regularly to underpin the implementation of the Strategy. The Strategy ensures;

- the asset portfolio will meet the service delivery needs of the community into the future.
- Council's Asset Management Policy can be achieved,
- integration of Council's Asset Management with its long term strategic and financial plans.

### STRATEGIC OUTLOOK

1. Council is able to continue to improve the level of service provided by its assets and to meet optimal levels of service identified in condition surveys.
2. Council must consider strategies to fund the projected asset renewal expenditure over next 10 years.
3. Council's current asset management maturity is considered at 'core' level. Continued investment is required to ensure that data verification, system management and evaluation continues to mature towards an 'advanced' system level.
4. Council endeavours to optimise the life of assets at the most economic cost over time (lifecycle approach) including the development of new technologies to support optimisation.
5. Reducing the demand for new assets through demand management techniques and consideration of alternative service delivery options.

## WHAT IS COVERED?

Council is responsible for managing its assets at a level that ensures the desired standards of service are achieved and maintained in a cost effective and timely manner.

The assets included within this strategy are;

- Transport Assets
- Stormwater Assets
- Irrigation
- Plant and Equipment
- Recreation and Open Space
- Building Assets
- Furniture and Fittings/ Other Assets

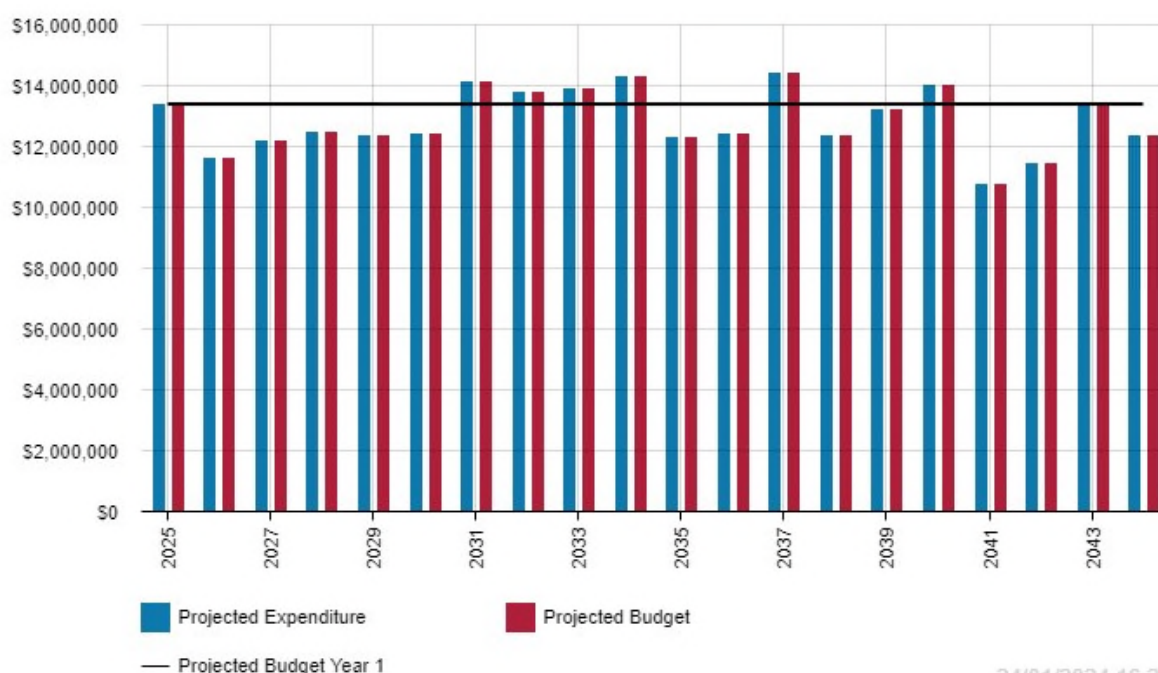
## WHAT DOES IT COST?

The projected outlays necessary to provide the services covered by this Strategy, include; operations, maintenance, renewal and upgrade of existing assets over the 10 year and is calculated at \$130,441,448 or \$13,044,145 on average per year for the planning period (2025-2034).

Estimated available funding for this period is \$130,441,448 or \$13,044,145 on average per year which is 100% of the cost to provide the service.

The graph below demonstrates projected and budget expenditure for all assets. Projected Expenditure for year 2024 (2023/24 financial year) includes those assets which are expired or due to expire within the first year of this planning period.

**WCC: Lifecycle Forecast and Planned Budget**  
Buildings, Irrigation, Plant, Stormwater, Structures, Transport



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## WHAT WE WILL DO

We plan to provide Infrastructure services for the following:

- Operation, maintenance, renewal of Council's transport network to meet service levels set by Council in annual budgets.
- Building portfolio review with view of multi-use facilities and putting forward suggestions for re-negotiating lease terms and disposals of surplus building stock
- Building categorisation to assist with assessing leases, licences, service levels, whole of life costs to ensure optimal expenditure across Councils Building infrastructure.
- Maintain open spaces to encourage continual and regular use from the entire community across the city.
- Focus on mitigation projects that reduce risks identified by the Stormwater Management Plan.
- Irrigation infrastructure to be maintained and repaired to enable optimal operation of potable and recycled water networks across medians and open space areas
- Continued implementation of master plans as considered in Council's Long Term Financial Plan.

## WHAT WE CANNOT DO

We do not have enough funding to provide services at a higher level than currently delivered or provide new services, unless considered separately by Council.

## MANAGING THE RISKS

The following have been identified as major risks:

- Limitation of data, particularly those categories which have data which has recently been componentised to optimise forward planning and renewal. Some assets are over componentised whilst others not far enough which creates risk for maintaining current data and providing accurate projections from the data.
- Gifted assets once handed to Council are fit for purpose with any damage rectified and brought to standard.
- Responding to reactive maintenance through Council's Customer Request system to alleviate and manage risk of increased asset deterioration.
- Reliance on historical data and knowledge available for asset categories which are below a 'core' level of maturity.
- Compliance with legislative requirements on limited resources.

Council will endeavour to manage these risks by:

- Ensuring continuous improvement of Council's Conquest Asset Management System and systematic componentisation of assets to ensure optimum performance.
- Identifying assets most at risk and undertake necessary testing to quantify function and condition.
- Maintain the 10-year asset renewal program across all asset classes, with continued analysis prior to compiling annual works program.
- Undertake conditioning surveys for each asset class on a rotating five-year schedule, to rectify any data deficiencies over the 10-year period.
- Continue planned and some reactive maintenance through Council's maintenance programs.
- Record, inspect, repair and finalise specific concerns through the customer service system.

## CONFIDENCE LEVELS

This Strategy, on balance, is based on a medium level of confidence in information. Data pertaining to categories with the majority value, including Transport, Buildings, Recreation and Open Space, Stormwater and Irrigation is provided with a high level of confidence. However, continued investment is required to achieve similar validation of data to Plant and Equipment. Currently the return on investment for bringing these assets into conquest isn't seen as viable but this can be reassessed at the next major update of this plan (or at annual review).

## THE NEXT STEPS

The actions resulting from this Strategy are:

- Complete revision of AM Plans for all Asset classes to ensure effective management of Assets.
- Investigate and implement innovative cost-effective treatment methods and solutions to extend the life of Council Assets.
- Compile a 10 year forward works program in line with treatments and/or recommendations.
- Undertake testing on key assets where details are unknown or assumed.
- Implement the Asset Management Policy in line with national framework requirements.
- Refine the existing Asset Management System to comply with Asset Management Policy and ensure that the Conquest data is suitably componentised and inclusive of all asset categories.
- Enact the asset management improvement program (Table 6.1) which details a program of tasks to be completed and resources required to bring Council to an 'advanced' level of asset maturity and competence.

## 2. INTRODUCTION

### 2.1 BACKGROUND

This Strategy is designed to;

- demonstrate responsive management of assets (and services provided from assets), compliance with regulatory requirements, and to communicate funding needed to provide the required levels of service over a 20 year planning period.
- follow the format recommended in Section 4.2.6 of the International Infrastructure Management Manual<sup>1</sup>.
- be read with the organisation's Asset Management Policy, Whyalla City Council Strategic Plan and the Long Term financial Plan.

This infrastructure assets covered by this Strategy are shown in Table 2.1. These assets are used to provide a range of services to the community.

**Table 2.1: Assets covered by this Plan**

Asset category	Category Components
Transport Assets	Road Pavement (Base) Road Surface (Seal) Unsealed Roads Airport Runway Local Area Traffic Management Kerb and Channel Footpaths
Building Assets	Community Facilities Council Operational Facilities Public Toilets Sporting Facilities Community Halls
Recreation and Open Space	Land Improvements Playgrounds and Open Space Community Facilities
Stormwater	Stormwater Pits (above ground infrastructure) Stormwater Pipe (below ground infrastructure)

<sup>1</sup> IPWEA, 2011, Sec 4.2.6, *Example of an Asset Management Plan Structure*, pp 4 | 24 – 27.

Plant and Equipment	Minor Plant Major Plant Mower Light Vehicles
Irrigation	Recycled Water Network Irrigation pipework Valves and miscellaneous fittings
Furniture and Fittings/ Other Assets*	Information Technology Furniture Miscellaneous Equipment Other

Key stakeholders in the preparation and implementation of this Strategy are shown in Table 2.1.1.

\* Due to the total value making up a small portion of Council's total asset stock, Furniture and Fittings is low risk from an Asset Management perspective and is therefore excluded from individual renewal plans. Risk is mitigated by providing an allowance for annual renewal (assessed annually) in the Long Term Financial Plan which is reflected in the total renewal figures listed in this Asset Management Strategy.

**Table 2.1.1: Key Stakeholders in the AM Strategy**

Key Stakeholder	Role in Asset Management Strategy
Mayor and Elected Members	<ul style="list-style-type: none"> <li>Represent needs of community/stakeholders,</li> <li>Ensure organisation is financially sustainable.</li> </ul>
Chief Executive Officer	<ul style="list-style-type: none"> <li>Allocate resources to meet the organisation's objectives in providing services while managing risks,</li> <li>Ensure organisation is financial sustainable.</li> </ul>
Director Infrastructure	<ul style="list-style-type: none"> <li>Overall responsibility for Engineering and Infrastructure Department.</li> <li>Ensuring compliance of Strategic Plan Objectives</li> <li>Guidance and leadership based on expertise within asset management category.</li> </ul>
Manager Assets and Planning / Asset Management Coordinator	<ul style="list-style-type: none"> <li>Responsibility for ensuring asset management tasks and improvement plan are undertaken in line with objectives set out in Asset Management Strategy</li> <li>Guidance and leadership based on expertise within asset management category.</li> <li>Direct Responsibility of Technical Assist</li> <li>Drafting of Asset Management related plans for approval</li> <li>Capital works projects</li> </ul>
Project Engineer, Project Manager Landscape, Manager Roads	<ul style="list-style-type: none"> <li>Capital works projects</li> <li>Report of any asset defects or deficiencies noted during inspections</li> </ul>
Manager Operations, Civil/ Maintenance Coordinator and Open Spaces Coordinator	<ul style="list-style-type: none"> <li>Responsible for reactive and planned maintenance schedules</li> <li>Completion of customer requests relating to asset maintenance issues</li> <li>Report of any asset defects or deficiencies noted during inspections</li> </ul>
Technical Assistant	<ul style="list-style-type: none"> <li>Responsible for Data integrity, storage and retrieval</li> <li>Update and maintain GIS systems</li> <li>Assist with capital works projects</li> </ul>



The Community (residents, businesses, property owners)	<ul style="list-style-type: none"> <li>• Provide feedback on Level of Service and the implications on revenue and budget expenditure</li> <li>• Reporting of any asset defects or deficiencies through Council's Customer Service System</li> </ul>
Federal and State Governments	<ul style="list-style-type: none"> <li>• Liaise for funding opportunities through various Government Agencies</li> <li>• Reporting body for any issues or service deficiencies for DPTI infrastructure</li> </ul>

## 2.2 RESOURCING STRATEGY

Council's asset management strategy is aligned with the vision and objectives set in Council's strategic plan. Central to this is forecasting the service delivery needs and the capacity to meet them on a short, medium and long term basis.

Cost occurs in all phases of an asset's life. It is important to attribute the costs to each phase of an asset's life cycle so that the total life cycle costs can be determined to enable better management decision making. There are four key phases of the asset management lifecycle of a council's asset: acquisition, operation and maintenance, renewal and disposal. These phases are interrelated.

The cost of implementing the Asset Management Plan has been incorporated within Council's delivery program and financial estimates and LTFP. However, it should be noted that this strategy reflects council's intention at the time of publication. As with any plan or budget the actual results may vary from that forecast.

## 2.3 GOALS AND OBJECTIVES OF ASSET MANAGEMENT

Council exists to provide services to the community. Some of these services are provided by public infrastructure assets. We have acquired infrastructure assets by 'purchase', by contract, construction by our staff and by donation of assets constructed by developers and others to meet increased levels of service.

Our goal in managing infrastructure assets is to meet the defined level of service (as amended from time to time) in the most cost effective manner for present and future consumers. The key elements of infrastructure asset management are:

- Continuous improvement in asset management practices,
- Providing a defined level of service and monitoring performance,
- Managing the impact of growth through demand management and infrastructure investment,
- Taking a lifecycle approach to developing cost-effective management strategies for the long-term that meet the defined level of service,
- Identifying, assessing and appropriately controlling risks, and
- Having a long-term financial plan which identifies required, affordable expenditure and how it will be financed.<sup>2</sup>

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<sup>2</sup> Based on IPWEA, 2011, IIMM, Sec 1.2 p 1|7.

## 2.4 FRAMEWORK

Key elements of the Strategy are:

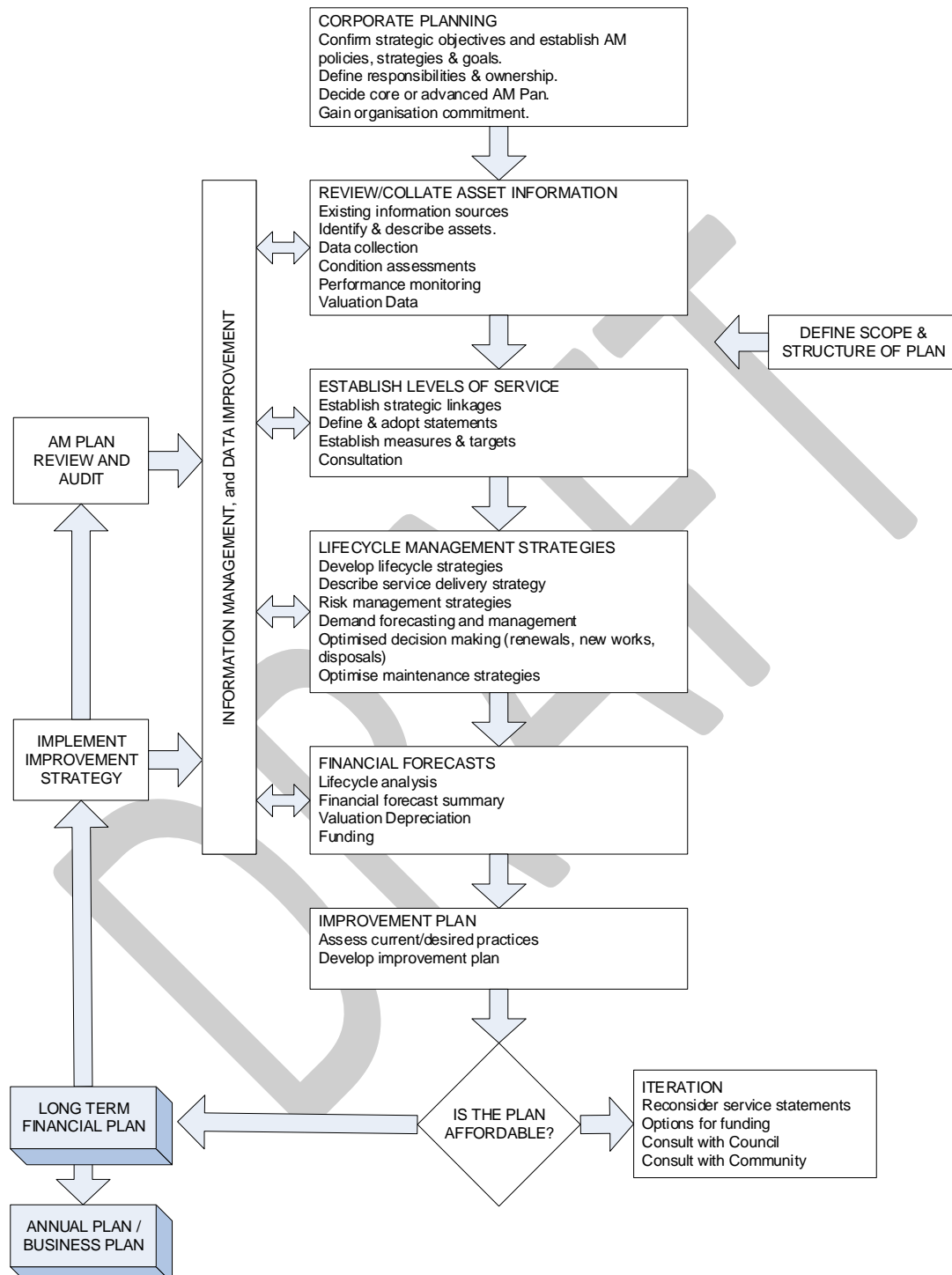
- Life cycle management – how Council will manage its existing and future assets to provide defined levels of service,
- Financial summary – what funds are required to provide the defined services,
- Asset management practices,
- Monitoring – how the plan will be monitored to ensure it is meeting organisation's objectives,
- Asset management improvement plan.

A road map for preparing an AM Plan is shown over page.

DRAFT

### Road Map for preparing an Asset Management Plan

Source: IPWEA, 2006, IIMM, Fig 1.5.1, p 1.11.



## 2.5 CORE AND ADVANCED ASSET MANAGEMENT

This Strategy is prepared as a 'core' asset management plan over a 20 year planning period in accordance with the International Infrastructure Management Manual<sup>3</sup>. It is prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting. Core asset management is a 'top down' approach where analysis is applied at the 'system' or 'network' level.

The Strategy provides an approach to asset management based on:

- Best available current information
- Current level of service
- Contrasting existing management strategies with opportunities for improvement.
- A long term financial plan for 10 years with an advanced approach, resulting from financial needs prediction through particular asset's economic life span.
- Prioritising work for rolling forward programming focusing in detail on capital, operational and maintenance requirements.
- A life cycle approach

This Strategy is based on the best information available at the time of preparation. The plan will be regularly reviewed and updated with the level of sophistication improving incrementally to an optimum level that is appropriate to the needs of council and the community.

Future revisions of this Strategy and the associated operational plans will move towards 'advanced' asset management using a 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels.

An advanced asset management approach contains optimisation of activities and programs to meet agreed service standards, through the development of management tactics based on the collection and analysis of key information on asset condition, performance, lifecycle costs, risk costs and treatment options.

## 2.6 COMMUNITY CONSULTATION

This 'core' asset management strategy is prepared to facilitate community consultation initially through feedback on public display of the draft prior to adoption by Council. Future revisions of the Strategy will incorporate community consultation on service levels and costs of providing the service. This will assist Council and the community in matching the level of service needed by the community, service risks and consequences with the community's ability and willingness to pay for the service.

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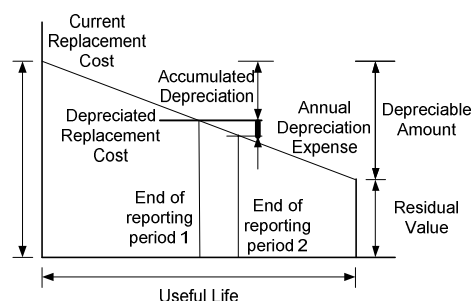
<sup>3</sup> IPWEA, 2011, IIMM.

### 3. LIFECYCLE MANAGEMENT PLAN

#### 3.1 ASSET VALUATIONS

The value of assets recorded in the asset register as at 30 June 2023 covered by this asset management strategy is shown below.

Current Replacement Cost	\$497,513,472
Depreciable Amount	\$497,513,472
Depreciated Replacement Cost <sup>4</sup>	\$306,347,000
Annual Depreciation Expense	\$7,432,694



Key assumptions made in preparing the valuations were:

- Asset Data available at time of audit is accurate and based on sound methodology
- Depreciation being calculated using a straight-line method
- Current depreciated value based on standard life
- Land assets, street furniture and office furniture are not included in the above asset valuations as these assets are not considered to require individual renewal plans. An allowance for annual renewal (which is assessed annually) has been included in the Long Term Financial Plan for these asset groups. Their total value makes up a small portion of Council's total asset stock and they are therefore considered to be low risk from an Asset Management perspective.

Various ratios of asset consumption and expenditure have been prepared to help guide and gauge asset management performance and trends over time.

Rate of Annual Asset Consumption (Depreciation/Depreciable Amount)	1.49%
Rate of Annual Asset Renewal (Capital renewal exp/Depreciable amount)	1.10%

In 2025 the organisation plans to renew assets at 79% of the rate they are being consumed. Increases in asset stock are considered 0% in the year throughout this plan as upgrade/new is being developed separately.

#### 3.2 INFRASTRUCTURE RISK MANAGEMENT PLAN

An assessment of risks<sup>5</sup> associated with service delivery from infrastructure assets has identified critical risks that will result in loss or reduction in service from infrastructure assets or a 'financial shock' to the organisation. The risk assessment process identifies credible risks, the likelihood of the risk event occurring, the consequences should the event occur, develops a risk rating, evaluates the risk and develops a risk treatment plan for non-acceptable risks.

<sup>4</sup> Also reported as Written Down Current Replacement Cost (WDCRC).

<sup>5</sup> Council's Risk Management Policy

Critical risks, being those assessed as 'Very High' - requiring immediate corrective action and 'High' – requiring prioritised corrective action identified in the Infrastructure Risk Management Plan, together with the estimated residual risk after the selected treatment plan is operational are summarised in Table 3.1. These risks are reported to management and Council.

**Table 3.1: Critical Risks and Treatment Plans**

Service or Asset at Risk	What can Happen	Risk Rating (VH, H)	Risk Treatment Plan	Residual Risk *
All assets	Administrative errors resulting in inaccurate calculations for useful life, renewal costs and asset depreciation	VH	Componentisation of all asset classes and the uploading of this data into Conquest for programming and reporting	L
All assets	Further deterioration compounding existing back log	VH	Measure capital renewal expenditure against annual depreciation across the medium and long term	L
All assets	Assets built in single period fail in close succession	H	Long term renewal projections to smoothen capital expenditure and allow more thorough planning periods.	
Stormwater Management	Interruption of services, road network etc as a result of flooding	H	Execute Stormwater Management Plan projects in alignment with road renewal program	M
Open Space	Limitation to available water	H	Optimise and maintain irrigation network	M
Open Space & Buildings	Operations and Maintenance costs become unsustainable to maintain current service levels	H	Regular condition assessment and develop renewal, upgrade & divestment plans	M

Note \* The residual risk is the risk remaining after the selected risk treatment plan is operational.

### 3.3 ROUTINE OPERATIONS AND MAINTENANCE PLAN

Operations include regular activities to provide services such as public health, safety and amenity, e.g. cleansing, street sweeping, grass mowing and street lighting.

Routine maintenance is the regular on-going work that is necessary to keep assets operating, including instances where portions of the asset fail and need immediate repair to make the asset operational again.

#### 3.3.1 Operations and Maintenance Plan

Operations activities affect service levels including quality and function through street sweeping and grass mowing frequency, intensity and spacing of street lights and cleaning frequency and opening hours of building and other facilities.

Maintenance includes all actions necessary for retaining an asset as near as practicable to an appropriate service condition including regular ongoing day-to-day work necessary to keep assets operating, eg road patching but excluding rehabilitation or renewal. Maintenance may be classified into reactive, planned and specific maintenance work activities.

Reactive maintenance is unplanned repair work carried out in response to service requests and management/supervisory directions.

Planned maintenance is repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown experience, prioritising, scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Specific maintenance is replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, replacing air conditioning units, etc. This work falls below the capital/maintenance threshold but may require a specific budget allocation.

Actual past operating and maintenance expenditure is shown in Table 3.3.1.

**Table 3.3.1: Operating and Maintenance Expenditure Trends**

Asset Class	Operating & Maintenance Expenditure
Transport Assets	\$2,263,147
Building Assets	\$1,111,994
Recreation and Open Space	\$2,882,427
Stormwater Assets	\$99,599
Plant and Equipment	\$711,417
Irrigation	\$368,740

Assessment and prioritisation of reactive maintenance is undertaken by Council staff using experience, judgement, and feedback from the community through Council's Customer Service System and through further refinement of Council's inspection regime.

### 3.3.2 Operations and Maintenance Strategies

The organisation will operate and maintain assets to provide the defined level of service to approved budgets in the most cost-efficient manner. The operation and maintenance activities include:

- Scheduling operations activities to deliver the defined level of service in the most efficient manner,
- Undertaking maintenance activities through a planned maintenance system to reduce maintenance costs and improve maintenance outcomes. Undertake cost-benefit analysis to determine the most cost-effective split between planned and unplanned maintenance activities (50 – 70% planned desirable as measured by cost),
- Maintain a current infrastructure risk register for assets and present service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council/Board,
- Review asset utilisation to identify underutilised assets and appropriate remedies, and over utilised assets and customer demand management options,
- Maintain a current hierarchy of critical assets and required operations and maintenance activities,
- Develop and regularly review appropriate emergency response capability,
- Review management of operations and maintenance activities to ensure Council is obtaining best value for resources used.

### 3.3.3 Asset hierarchy

An asset hierarchy provides a framework for structuring data in an information system to assist in collection of data, reporting information and making decisions. The hierarchy includes the asset class and component used for asset planning and financial reporting and service level hierarchy used for service planning and delivery. Council has developed a hierarchy system to assist with asset management strategies into the future and will continue to develop this throughout future iterations of Asset Management Plans (refer to improvement plan).

### 3.3.4 Critical Assets

Critical assets are those assets which have a high consequence of failure but not necessarily a high likelihood of failure. By identifying critical assets and critical failure modes, Council can target and refine investigative activities, maintenance plans and capital expenditure plans at the appropriate time.

Operations and maintenance activities may be targeted to mitigate critical assets failure and maintain service levels. These activities may include increased inspection frequency, higher maintenance intervention levels, etc. Critical assets failure modes and required operations and maintenance activities are detailed in Table 3.3.4.

**Table 3.3.4: Critical Assets and Service Level Objectives**

Critical Assets	Critical Failure Mode	Operations & Maintenance Activities
Footpaths	Unserviceable for use with particular risk to the elderly or those who rely on mobility aids	Undertake planned and reactive maintenance in line with Council's customer service charter and internal schedules and policies.
Roads	Unserviceable for vehicular traffic due to failure	Undertake planned and reactive maintenance in line with Council's customer service charter and internal schedules and policies.
Culverts and similar road structures	Failure/Collapse	Continued inspection procedures to identify and complete maintenance as required
Sporting facilities	Unserviceable for use by community and/or sporting clubs.	Undertaken planned and reactive maintenance in line with Council's customer service charter and internal schedules and policies.
Traffic Signals	Failure events	Specific maintenance plan be independent experts to ensure high standard is held between capital renewal events.
Council core business buildings (Airport, Childcare, Civic Building, Visitor Centre, Cemetery)	Unserviceable for use to the community	Maintenance and operations to be specifically resourced separately to blanket budgets and standard plans.
Playgrounds	Unserviceable for use due to failure	Undertaken planned and reactive maintenance in line with Council's customer service charter and internal inspections and policies.
Public furniture/structures	Failure/Collapse	Continued inspection procedures to identify and complete maintenance as required



### 3.3.5 Standards and specifications

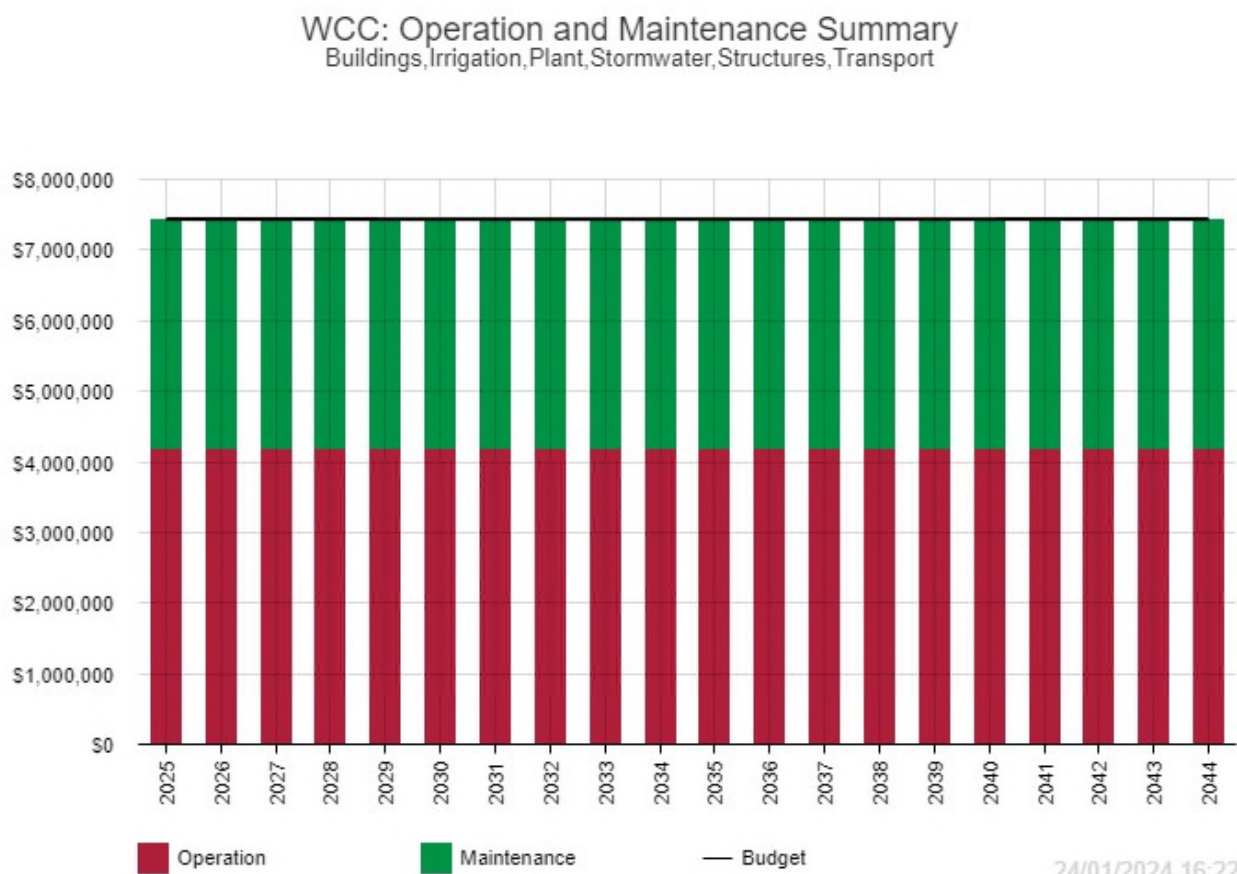
Maintenance work is carried out in accordance with the following Standards and Specifications.

- SAA HB81 parts 1-9: Field Guide for Traffic Control at Works on Roads
- AS 1472 parts 1-13: Manual of Uniform Traffic Control Devices
- Ministers Notice to Council – 9 September 2013
- Various internal policies
- Approved maintenance schedules

### 3.3.6 Summary of future operations and maintenance expenditures

Future operations and maintenance expenditure is forecast to trend in line with the value of the asset stock as shown in Figure 1. Note that all costs are shown in current 2023/24 dollar values (i.e. real values).

**Figure 1: Projected Operations and Maintenance Expenditure**



Deferred maintenance i.e. works that are identified for maintenance and unable to be funded are to be included in the risk assessment and analysis in the infrastructure risk management plan.

### 3.4 RENEWAL/REPLACEMENT PLAN

Renewal and replacement expenditure is major work which does not increase the asset's design capacity but restores, rehabilitates, replaces or renews an existing asset to its original or lesser required service potential. Work over and above restoring an asset to original service potential is upgrade/expansion or new works expenditure.

#### 3.4.1 Renewal plan

Assets requiring renewal/replacement are identified from one of three methods provided in the 'Expenditure Template'.

- Method 1 uses Asset Register data to project the renewal costs using acquisition year and useful life to determine the renewal year, or
- Method 2 uses capital renewal expenditure projections from external condition modelling systems (such as Pavement Management Systems), or
- Method 3 uses a combination of average network renewals plus defect repairs in the Renewal Plan and Defect Repair Plan worksheets on the 'Expenditure template'.

Achieving an asset maturity to allow for the use of Method 2 across all categories is Council's preference. To develop this strategy a mix of Method 1 and Method 2 was used subject to information available for each asset category.

#### 3.4.2 Renewal and Replacement Strategies

Council will plan capital renewal and replacement projects to meet level of service objectives and minimise infrastructure service risks by:

- Planning and scheduling renewal projects to deliver the defined level of service in the most efficient manner,
- Undertaking project scoping for all capital renewal and replacement projects to identify:
  - the service delivery 'deficiency', present risk and optimum time for renewal/replacement,
  - the project objectives to rectify the deficiency,
  - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
  - and evaluate the options against evaluation criteria adopted by the organisation, and
  - select the best option to be included in capital renewal programs,
- Using 'low cost' renewal methods (cost of renewal is less than replacement) wherever possible,
- Maintain a current infrastructure risk register for assets and service risks associated with providing services from infrastructure assets and reporting Very High and High risks and residual risks after treatment to management and Council/Board,
- Review current and required skills base and implement workforce training and development to meet required construction and renewal needs,
- Maintain a current hierarchy of critical assets and capital renewal treatments and timings required ,
- Review management of capital renewal and replacement activities to ensure Council is obtaining best value for resources used.

#### 3.4.3 Asset Improvement Program & Revaluation Schedule

AM Plans will be prepared in accordance with this Strategy and the International Infrastructure Management Manual. They will be prepared to meet minimum legislative and organisational requirements for sustainable service delivery and long term financial planning and reporting.

Further revisions of the AM Plans will move towards 'advanced' asset maturity and further develop 'bottom up' approach for gathering asset information for individual assets to support the optimisation of activities and programs to meet agreed service levels. Objectives provided in the Asset Improvement Program (see Table 6.1) will be incorporated in to the AM Plans to provide operational direction and underpin the implementation of this Strategy.

AM Plans will be based on refined data that Council has available with each iteration. It is anticipated that the AM Plans will be significantly revised and enhanced regularly in line with the Asset Revaluation Schedule provided in table 3.4.3 below with the emphasis being using the latest technology to collect and store data for all asset classes.

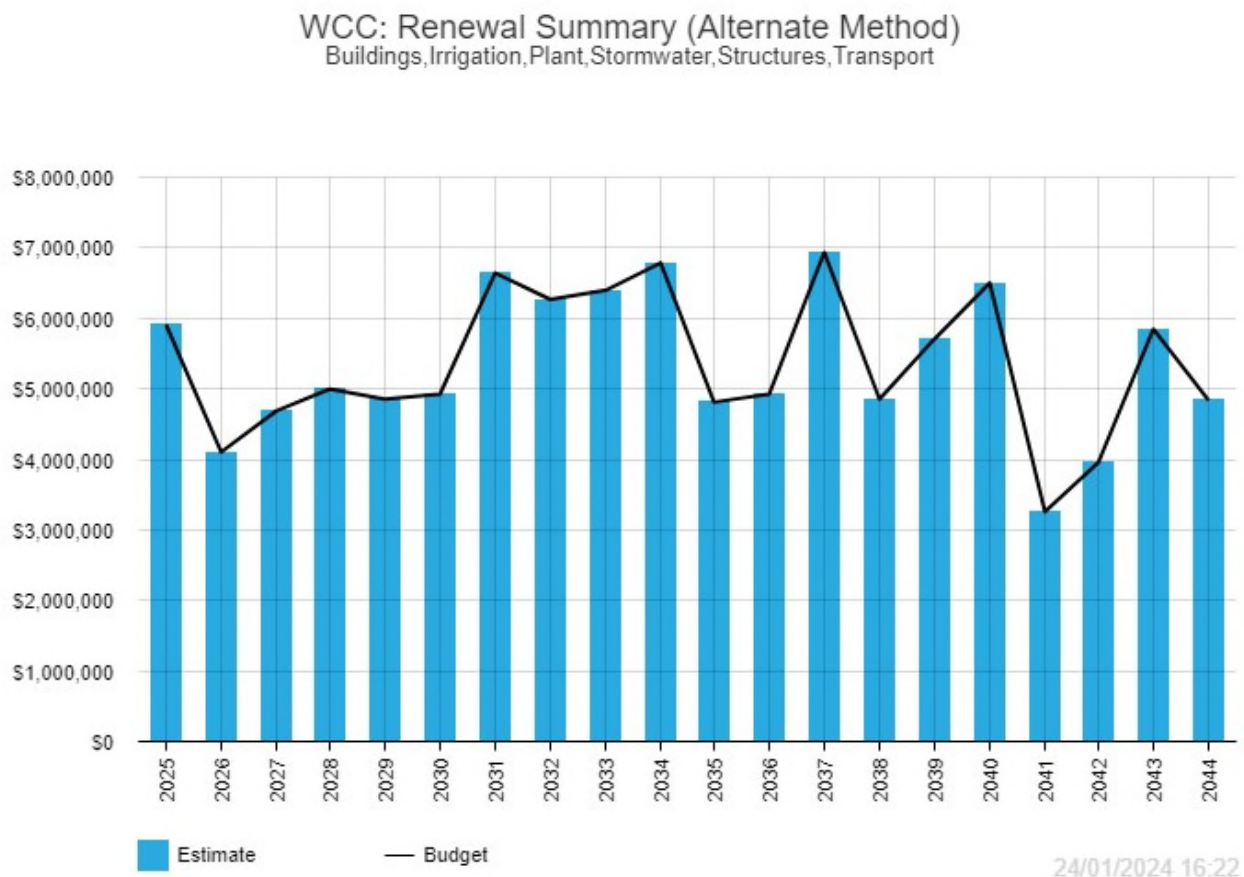
**Table 3.4.3 - Asset Revaluation Schedule**

Asset Class	Asset Type	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Transport	Road Network	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk
Transport	Kerbs	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk
Transport	Footpaths	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk
Transport	Local Area Traffic Mgt	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk
Stormwater	Pits	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond
Stormwater	Pipes	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk	Cond
Buildings	Level 2	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk
Buildings	Level 3	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk
Open Space	Land Improvements	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk
Open Space	Playgrounds	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk	Desk
Irrigation	Recycled Water Network	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk
Irrigation	Other	Desk	Cond	Desk	Desk	Desk	Desk	Cond	Desk	Desk	Desk

Cond – Condition Assessment; Desk – Desktop Valuation

### 3.4.4 Summary of future renewal and replacement expenditure

Projected future renewal and replacement expenditures are forecast to increase over time as the asset stock increases from growth. The expenditure is summarised in Fig 2. Note: that all amounts are shown in real values.

**Fig 2: Projected Capital Renewal and Replacement Expenditure**

Deferred renewal and replacement, i.e. those assets identified for renewal and/or replacement and not scheduled in capital works programs are to be included in the risk analysis process in the risk management plan.

Renewals and replacement expenditure in the organisation's capital works program will be accommodated in the long term financial plan.

### 3.5 CREATION/ACQUISITION/UPGRADE PLAN

New works are those works that create a new asset that did not previously exist, or works which upgrade or improve an existing asset beyond its existing capacity. They may result from growth, social or environmental needs. Assets may also be acquired at no cost to the organisation from land development.

Any asset upgrade or Asset creation will require a project plan and to be tested against the LTFP.

### 3.5.1 Capital Investment Strategies

The organisation will plan capital upgrade and new projects to meet level of service objectives by:

- Planning and scheduling capital upgrade and new projects to deliver the defined level of service in the most efficient manner,
- Undertake project scoping for all capital upgrade/new projects to identify:
  - the service delivery 'deficiency', present risk and required timeline for delivery of the upgrade/new asset,
  - the project objectives to rectify the deficiency including value management for major projects,
  - the range of options, estimated capital and life cycle costs for each options that could address the service deficiency,
  - management of risks associated with alternative options,
  - and evaluate the options against evaluation criteria adopted by Council, and
  - select the best option to be included in capital upgrade/new programs,
- Review current and required skills base and implement training and development to meet required construction and project management needs,
- Review management of capital project management activities to ensure Council is obtaining best value for resources used.

Standards and specifications for new assets and for upgrade/expansion of existing assets are the same as those for renewal shown in Section 3.4.2.

Projected capital upgrade/new asset expenditure costs are being developed outside of this Asset Management Plan and will be accommodated for in the organisations long term financial plan.

### 3.6 DISPOSAL PLAN

Disposal includes any activity associated with disposal of a decommissioned asset including sale, demolition or relocation. Further investigation regarding assets identified for possible decommissioning and disposal, together with estimated annual savings from not having to fund operations and maintenance of the assets require further reinvestigation to determine the required levels of service and see what options are available for alternate service delivery, if any.

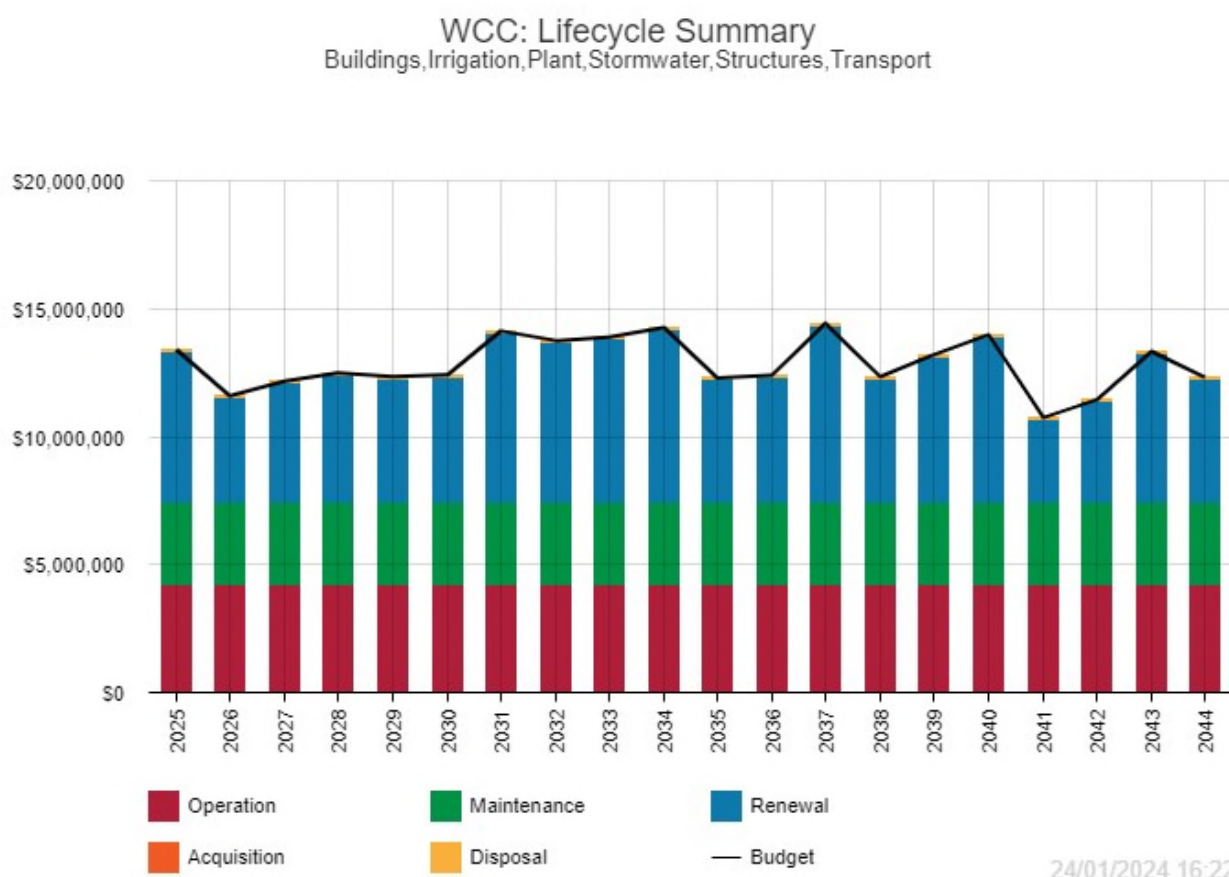
## 4. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

### 4.1 FINANCIAL STATEMENTS AND PROJECTIONS

The financial projections are shown in Fig 4 for projected operating (operations and maintenance) and capital renewal expenditure (acquisition/upgrade assets are zero due to being developed outside this plan). Note that all costs are shown in real values.

**Fig 4: Projected Operating and Capital Expenditure**



#### 4.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

#### 4.1.2 Asset Renewal Funding Ratio

Asset Renewal Funding Ratio <sup>6</sup>	100%
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The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, Council is forecasting that it will have 100% of the funds required for the optimal renewal and replacement of its assets.

#### 4.1.3 Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$14,694,053 per year.

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$13,179,411 per year.

Life cycle expenditure is 90% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

#### 4.1.4 Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$13,376,920 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$13,376,920 on average per year indicating that Council expects to have 100% of the projected expenditures needed to provide the services documented in the asset management plan.

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<sup>6</sup> AIFMG, 2012, Version 1.3, Financial Sustainability Indicator 4, Sec 2.6, p 2.16



#### 4.1.5 Medium Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$12,135,862 on average per year.

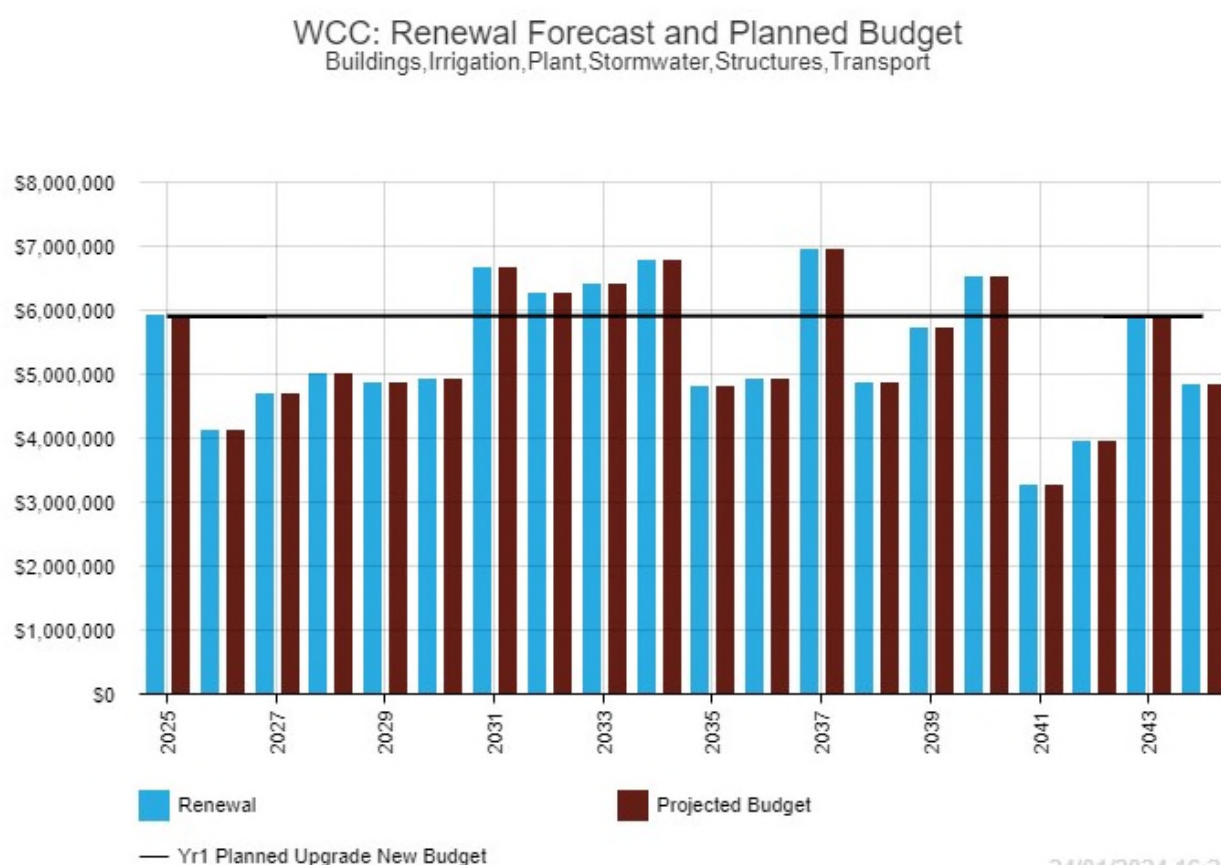
Estimated (budget) operations, maintenance and capital renewal funding is \$12,135,862 on average per year indicating that Council expects to have 100% of projected expenditures required to provide the services shown in this asset management plan.

## 4.2 ASSET MANAGEMENT FINANCIAL INDICATORS

Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the first years of the asset management plan and ideally over the 10-year life of the Long Term Financial Plan.

Figure 6 shows the projected asset renewal and replacement expenditure over the 20 years of the AM Plan. The projected asset renewal and replacement expenditure is compared to renewal and replacement expenditure in the capital works program, which is accommodated in the long term financial plan.

**Figure 6: Projected and LTFP Budgeted Renewal Expenditure**





### 4.3 PROJECTED EXPENDITURES FOR LONG TERM FINANCIAL PLAN

Table 4.3 shows the projected expenditures for the 10 year long term financial plan.

Expenditure projections are in 2024 real values.

**Table 4.3: Projected Expenditures for Long Term Financial Plan (\$000)**

Year	Operations (\$000)	Maintenance (\$000)	Projected Capital Renewal (\$000)
2025	\$4,199	\$3,238	\$5,909
2026	\$4,199	\$3,238	\$4,103
2027	\$4,199	\$3,238	\$4,688
2028	\$4,199	\$3,238	\$4,997
2029	\$4,199	\$3,238	\$4,855
2030	\$4,199	\$3,238	\$4,925
2031	\$4,199	\$3,238	\$6,643
2032	\$4,199	\$3,238	\$6,267
2033	\$4,199	\$3,238	\$6,397
2034	\$4,199	\$3,238	\$6,784

### 4.4 VALUATION FORECASTS

Asset values are forecast to increase as additional assets are added to the asset stock from construction and acquisition by Council and from assets constructed by land developers and others and donated to Council.

The depreciated replacement cost will vary over the forecast period depending on the rates of addition of new assets, disposal of old assets and consumption and renewal of existing assets.

Valuations are expected to be updated annually in line with the Asset Revaluation Schedule in Table 3.4.3.

### 4.5 KEY ASSUMPTIONS MADE IN FINANCIAL FORECASTS

This section details the key assumptions made in presenting the information contained in this asset management plan and in preparing forecasts of required operating and capital expenditure and asset values, depreciation expense and carrying amount estimates. It is presented to enable readers to gain an understanding of the levels of confidence in the data behind the financial forecasts.

Key assumptions made in this asset management plan and risks that these may change are shown in Table 4.5.

**Table 4.5: Key Assumptions made in AM Plan and Risks of Change**

Key Assumptions	Risks of Change to Assumptions
Asset Data available at time of audit is accurate and based on sound methodology	Asset data is based on historical data that is incomplete. Further testing is required to confirm assumptions made from visual inspection.
Current depreciated value based on standard life	Actual service life may vary, resulting in reduced or increased life of assets.
Growth not considered in this plan as all figures are in real values.	Unexpected growth may result in unplanned/unbudgeted maintenance and renewal.

## 4.6 FORECAST RELIABILITY AND CONFIDENCE

The expenditure and valuations projections in this AM Plan are based on best available data. Currency and accuracy of data is critical to effective asset and financial management. Data confidence is classified on a 5 level scale<sup>7</sup> in accordance with Table 4.6.1.

**Table 4.6.1: Data Confidence Grading System**

Confidence Grade	Description
A Highly reliable	Data based on sound records, procedures, investigations and analysis, documented properly and recognised as the best method of assessment. Dataset is complete and estimated to be accurate $\pm 2\%$
B Reliable	Data based on sound records, procedures, investigations and analysis, documented properly but has minor shortcomings, for example some of the data is old, some documentation is missing and/or reliance is placed on unconfirmed reports or some extrapolation. Dataset is complete and estimated to be accurate $\pm 10\%$
C Uncertain	Data based on sound records, procedures, investigations and analysis which is incomplete or unsupported, or extrapolated from a limited sample for which grade A or B data are available. Dataset is substantially complete but up to 50% is extrapolated data and accuracy estimated $\pm 25\%$
D Very Uncertain	Data is based on unconfirmed verbal reports and/or cursory inspections and analysis. Dataset may not be fully complete, and most data is estimated or extrapolated. Accuracy $\pm 40\%$
E Unknown	None or very little data held.

The estimated confidence level for and reliability of data used in this AM Plan is shown in Table 4.6.2.

<sup>7</sup> IPWEA, 2011, IIMM, Table 2.4.6, p 2|59.

**Table 4.6.2: Data Confidence Assessment for Data used in AM Plan**

<b>Data</b>	<b>Confidence Assessment</b>	<b>Comment</b>
Demand drivers	B	Demand drivers are based on historical trends and are not expected to vary significantly.
Growth projections	N/A	Growth projections are not considered in this plan.
Operations expenditures	B	Are expected to remain steady
Maintenance expenditures	B	Are expected to remain steady
Projected Renewal exps. - Asset values	B	Values are based on latest contract values for correspondence asset subcategories to reflect current market
- Asset residual values	B	Asset residual values are only considered for assets with an active market such as plant & equipment.
- Asset useful lives	B	Asset useful lives are based on visual inspection applied to historical information to revise the expiry.
- Condition modelling	B	Conditions are based on visual inspections undertaken in line with the inspection schedule
- Network renewals	B	Renewals are analysed after a visual inspection, methodology is expected to be accurate.
- Defect repairs	B	Treatments in line with Asset Audit Deliverables
Upgrade/New expenditures	B	Capital delivery program and LTFP allows for careful scoping of projects. This will be evaluated in conjunction with renewal programs to ensure intervention point is optimised and budget is based on historical expenditure.
Disposal expenditures	C	Written down value (accumulated depreciation) is based on standard life estimations. Actual residual value may be greater if actual useful life exceeds standard useful life.

Over all data sources, the data confidence is assessed as medium to high confidence level for data used in the preparation of this Strategy.

## 5. STRATEGIC AND CORPORATE GOALS

### 5.1 ALIGNMENT TO ORGANISATIONAL GOALS

This Strategy is prepared under the direction of the organisation's vision, mission, goals and objectives.

Our vision is:

**Whyalla will be vibrant, attractive City offering our community a diverse range of sustainable economic, social, environmental and cultural opportunities.**

Our mission is:

**We will provide access to quality infrastructure, services and facilities, capitalising on and protecting our attractive coastal and outback landscapes.**

**We will be home to an energetic, harmonious, integrated community actively involved in shaping Whyalla for current and future generations.**

Relevant organisational goals and objectives and how these are addressed in this asset management plan are:

**Table 5.1: Organisation Goals and how these are addressed in this Plan**

Goal	Objective	How Goal and Objectives are addressed in AM Plan
Infrastructure is appropriately planned, maintained and managed.	Plan, Maintain and Enhance Council's infrastructure assets to meet, as far as practicable, the community's economic, social, environmental and financial needs.	<p>Develop annual work programs and long-term projects to reflect maintenance and investment priorities, risk and available resources and be proactive and link them to Council's annual budgeting and long term financial plan.</p> <p>By ensuring that expenditure reflect both the current requirement to bring transport assets to a suitable standard in conjunction with a commitment to ensure capital renewal exceeding annual depreciation.</p> <p>Asset management plans will define outcomes, service standards, condition, performance, maintenance and investment requirements.</p> <p>Asset Management Plan and system will outline for optimised maintenance cost through next 3-5 years by looking at best mixture of reactive and planned maintenance, asset rehabilitation and renewal interventions.</p> <p>Asset management plan will outline the projected future funding requirements and funding gaps for the next 20 years.</p>

<p>Council will be recognised for being financially responsible.</p>	<p>Ensure the provision of appropriate services and maintenance of assets by:</p> <ul style="list-style-type: none"> <li>- Cost containment</li> <li>- Income generation</li> <li>- Rate setting policy review</li> <li>- Adopting a flexible and sustainable rating structure</li> <li>- Exploring cost recovery mechanisms</li> </ul> <p>Use financial risk management strategies and take appropriate action to manage these risks across the organisation.</p>	<p>Identify long term funding gaps, discuss strategies to minimise those gaps as ongoing.</p> <p>Prepare Long term financial plans and funding forecasts for long term sustainability of transport assets.</p> <p>Continue to work in partnership with State and Federal Government organisations and funding bodies.</p> <p>Prepare maintenance and rehabilitation plans, identify interventions to provide agreed service levels at a minimum life cycle cost.</p> <p>Maintain a collaborative and interactive relationship with Audit Committee.</p> <p>Assess the suitability of current Asset Management System to meet the current and future requirements of the council and community.</p> <p>Asset Management Plans for all assets evolve from core Asset Management Plans, i.e. Generation 1 towards advance Asset Management Plans following current international Asset Management principals and guidelines.</p>
<p>Council is inclusive in its financial governance</p>	<p>Involve the Whyalla community early in the annual budget and rate-setting process.</p> <p>Proactively inform the Whyalla community on developments with Council's finances and communicate and explain the rate-setting and services-provision processes in as open and transparent way.</p>	<p>By linking ability to pay to level of service and setting the level of service to a price the community are willing to pay.</p> <p>As a part of new Asset Management Policy the Council will undertake customer satisfaction surveys on an annual basis so quantifiable information can be gathered, this will then be implemented in future iterations of this Asset Management Plan.</p> <p>Continue engagement with community to ensure assets providing services are still required to be held by council, i.e. divest certain assets if deemed appropriate.</p> <p>The community understand what we are doing and how we are doing it.</p>

The organisation will exercise its duty of care to ensure public safety is accordance with the infrastructure risk management plan prepared in conjunction with this Strategy (refer to Asset Management Improvement Program).

## 5.2 LEGISLATIVE REQUIREMENTS

The organisation must meet many legislative requirements including Federal and State legislation and State regulations. These include:

**Table 3.3: Legislative Requirements**

Legislation	Requirement
Local Government Act	Sets out role, purpose, responsibilities and powers of local governments including the preparation of a long term financial plan supported by asset management plans for sustainable service delivery.
Road Traffic Act	Sets out the requirements for public consultation and notification requirements for road events, road closures etc.
Work Health and Safety Act 2012 & Regulations	Set out roles and responsibilities to secure the health, safety and welfare of persons at work.
Native Vegetation Act	Sets out the requirements under the Act to protect and preserve native vegetation.
Highways Act	A reference for legislation relating to state roads
AS 1742 Manual of uniform traffic control devices	Standards in relation to traffic control devices for general use and works on roads, speed control, street names, service and tourist signs, railways crossings, freeways, bicycle facilities, pedestrian controls, parking controls, bus transit and truck lanes and local area traffic management
Australian Road Rules	Ensure that Transport facilities satisfy the requirements of Road rules for example road marking to be consistent with legal requirements
AS/NZS 2890 Parking Facilities	Sets out parking requirements in various forms (Off-street parking, on-street parking, etc)
AS1428 Design for access and mobility	Reference for access requirements relating to transport (ie ramps, parking, pedestrian ways, etc)
Austroads Design Guidelines	Ensure that transport facilities satisfy the requirements of guidelines.
Development Act 1993	Sets out parameters for Developments, including what developments required Development Approval (Planning Consent/Building Rules Consent) and the process required to obtain such consents.
Building Codes Australia	Sets out Technical requirements relating to building works.
Disability Discrimination Act 1993	Set outs requirements for equality of access to services and facilities.

## 6. PLAN IMPROVEMENT AND MONITORING

### 6.1 IMPROVEMENT PROGRAM

The asset management improvement plan generated from this Strategy is shown in Table 6.1.

**Table 7.2: Asset Management Improvement Plan**

Task No	Task	Responsibility	Resources Required	Timeline
<b>Transport Assets</b>				
4	Community Satisfaction Survey and desired level of service identification	AMC	Staff time	Annually
6	Identification of gaps within data and sourcing of required data	AMC	Staff time	Annually
8	Signage audit and development of 10 year cyclic maintenance program	AMC	Staff time	Dec 2024
9	Review of useful life projections at valuation	AMC	Staff time/consultant	Annually
	Local Area Traffic Management audit and develop 10 year renewal program	AMC	Staff time	Completed
11	Risk Management Plans, AM Plans and other various operation documents as required.	AMC	Staff Time	Annually
12	Maintenance Response Levels of Service	MO	Staff Time	Ongoing
<b>Buildings</b>				
2	Standard actions into conquest to capture capital renewal	AMC	Staff time	June 2024
4	Integrate Asset Hierarchy into Conquest	AMC	Staff time/consultant	Dec 2024
5	Community Satisfaction Survey and desired level of service identification	AMC	Staff time/consultant	Oct 2024
6	Introduce new field in Conquest for lease responsibility and Council ownership	AMC	Staff Time/Consultant	Dec 2024
8	Standard action development for maintenance and operational activities	AMC	Staff Time	June 2024
	Enhance capital projections by factoring specific project costs which sit outside standard replacements	AMC	Staff time	Annually
9	Review of useful life projections at valuation	AMC	Staff time	annually
11	Risk Management Plans and AM Plans for operational purposes	AMC	Staff Time	annually
12	Maintenance Response Levels of Service	AMC	Staff Time	Ongoing
13	Conduct Utilisation Study and fit for purpose/functionality of assets and present recommendations for consideration by Council	AMC	Staff time/consultant	Oct 2024
<b>Recreation and Open Space</b>				
2	Further componentisation of assets by validating data collected on Buildings Plus with a 1:1 match	AMC	Staff time	June 2024
4	Development of Asset Hierarchy and categories	AMC	Staff time/consultant	Dec 2024
5	Community Satisfaction Survey and desired level of service identification	AMC	Staff time/consultant	Aug 2024
8	Renewal/Replacement Plans and annual review of 10 year capital programs	AMC	Staff Time	Annually
9	Standard action upload to conquest of all maintenance activities	AMC	Staff time	June 2024
11	Risk Management Plans	AMC	Staff Time	Every six months
12	Maintenance Response Levels of Service	AMC	Staff Time	Ongoing
13	Conduct Utilisation Study and fit for purpose/functionality of assets and present recommendations for consideration by Council	AMC	Staff time/consultant	Oct 2024

<b>Stormwater</b>				
1	Further Development into Asset Management System by picking up non existing SW assets	AMC	Staff time/consultant	30 June 2024
2	Update of Asset Registers and upload into Conquest	AMC	Staff/consultant	Completed
3	Community Satisfaction Survey and desired level of service identification	AMC	Staff time/consultant	Oct 2024
4	Enhance Asset Condition data /surveys	AMC	Staff Time/Consultant	Condition assessment 2024
6	Renewal/Replacement Plans and annual review of 10 year capital programs in line with Stormwater Management Plan	AMC	Staff Time	Annually
7	Review of useful life projections at valuation	AMC	Staff time	Annually
7	Risk Management Plans and AM Plans for operational purposes	AMC	Staff Time	Annually
8	Maintenance Response Levels of Service	AMC	Staff Time	Ongoing
<b>Plant and Equipment</b>				
3	Develop a renewal system / register with optimised figures (maximising trade in values against depreciated replacement cost)	AMC	Staff Time/Consultant	Oct 2024
5	Renewal/Replacement Plans and annual review of 10 year capital programs	AMC	Staff Time	Annually
6	Review of useful life projections at valuation	AMC	Staff time	Annually
7	Conduct association maturity Assessment in line with national framework	AMC	Staff Time	Annually
8	Risk Management Plans and operational AM Plans	AMC	Staff Time	Annually
8	Maintenance Response Levels of Service	AMC	Staff Time	Ongoing
<b>Irrigation</b>				
1	Further Development Asset Management System by amalgamating low value assets into assemblies.	AMC	Staff time/consultant	Ongoing
3	Community Satisfaction Survey and desired level of service identification	AMC	Staff time/consultant	November 2024
6	Renewal/Replacement Plans and annual review of 10 year capital programs	AMC	Staff Time	Annually
7	Review of useful life projections at valuation	AMC		Annually
8	Conduct association maturity Assessment in line with national framework	AMC	Staff Time	Annually
9	Risk Management Plans and operational AM Plans	AMC	Staff Time	Annually
10	Maintenance Response Levels of Service	AMC	Staff Time	Ongoing

## 6.2 MONITORING AND REVIEW PROCEDURES

This Asset Management Plan will be reviewed during annual budget planning processes and amended to recognise any material changes in service levels and/or resources available to provide those services as a result of budget decisions.

The AM Plan will be updated annually to ensure it represents the current service level, asset values, projected operations, maintenance, capital renewal and replacement and asset disposal expenditures and projected expenditure values incorporated into the Council's long term financial plan. Noting that upgrade/new will be considered outside of this plan.

The AM Plan has a life of 4 years (Council election cycle) and is due for complete revision and updating within 2 years of each Council election.



## 6.3 PERFORMANCE MEASURES

The effectiveness of the asset management plan can be measured in the following ways:

- The degree to which the required projected expenditures identified in this asset management plan are incorporated into the organisation's long term financial plan,
- The degree to which 1-5-year detailed works programs, budgets, business plans and organisational structures take into account the 'global' works program trends provided by the asset management plan,
- The degree to which the existing and projected service levels and service consequences (what we cannot do), risks and residual risks are incorporated into the organisation's Strategic Plan and associated plans,
- The Asset Renewal Funding Ratio achieving the target of 1.0.

## 6.4 STATUS OF ASSET MANAGEMENT PRACTICES

### 6.4.1 Accounting and financial systems

Financial records are maintained within the Synergy Soft system and Asset Management within the Conquest Asset Management System. This system provides links to Asset Maintenance, Records, Property Files and other services provided by Council.

Asset Management Coordinator is responsible for regular up-dating of asset data on Conquest. Finance Manager, provides supervision for Finance staff in the regular up-dating of Synergy Soft. Technical support is provided by IT Vision and Tonkin Consulting.

Council maintains records and reports financial information in accordance with AASB standards, The Local Government Act 1999 and the Financial Regulations.

### 6.4.2 Accounting standards and regulations

IPWEA, 2011, "International Infrastructure Management Manual", Institute of Public Works Engineering Australia, Sydney, [www.ipwea.org.au](http://www.ipwea.org.au)

IPWEA, August 2007, "A Guided Pathway to Asset Management Planning", Institute of Public Works Engineering Australia Limited.

IPWEA, December 2009, "Australian infrastructure Financial Management Guidelines", Institute of Public Works Engineering Australia Limited.

### 6.4.3 Asset management system

Council currently records asset details for the Transport, Buildings, Recreation and Open Space, Stormwater, and Irrigation Asset Category's within the Asset Management System Conquest. Records are updated as and when required by Finance staff (in Synergy Soft) and by Infrastructure Staff (in Conquest).

Procedures assist with timely flow through of information between the Asset Register and Accounting system.

Director Finance is responsible for the management of financial data, Director Infrastructure is responsible for Asset Management Systems. Manager Operations is responsible for the Planned and reactive maintenance of Infrastructure Assets.

The key information flows into this infrastructure and asset management plan are:

- The asset register data on size, age, value, remaining life of the network;
- The unit rates for categories of work/material;
- The adopted service levels;
- Projections of various factors affecting future demand for services;
- Correlations between maintenance and renewal, including decay models;
- Data on new assets acquired by council.

The key information flows from this asset management plan are:

- The assumed Works Program and trends;
- The resulting budget, valuation and depreciation projections;
- The useful life analysis.

These will impact the Long Term Financial Plan, Strategic Business Plan, annual budget and departmental business plans and budgets. Annual Maintenance and renewal requirements are used for the purpose of budgeting for expenditure. New assets are recognised and recorded at the date on which they are available for use. This usually occurs on 30 June of each year. Assets are depreciated from the date of recognition.

## 7. REFERENCES

IPWEA, 2006, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, [www.ipwea.org/IIMM](http://www.ipwea.org/IIMM)

IPWEA, 2008, 'NAMS.PLUS Asset Management', Institute of Public Works Engineering Australasia, Sydney, [www.ipwea.org/namsplus](http://www.ipwea.org/namsplus)

IPWEA, 2009, 'Australian Infrastructure Financial Management Guidelines', Institute of Public Works Engineering Australasia, Sydney, [www.ipwea.org/AIFMG](http://www.ipwea.org/AIFMG)

IPWEA, 2011, 'International Infrastructure Management Manual', Institute of Public Works Engineering Australasia, Sydney, [www.ipwea.org/IIMM](http://www.ipwea.org/IIMM)

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## 8. APPENDICES

Appendix A LTFP Budgeted Expenditures

Appendix B Renewal Forecast by Asset Category

Appendix C Asset Intervention Levels

Appendix D Abbreviations

Appendix E Glossary

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## APPENDIX A Budgeted Expenditures Accommodated in LTFP

Long Term Financial Plan Report

Year	Acquisition	Operation	Maintenance	Renewal	Disposals	Total Budget
2025	0	4,199,099	3,238,221	5,908,819	50,000	13,396,139
2026	0	4,199,099	3,238,221	4,102,501	50,000	11,589,820
2027	0	4,199,099	3,238,221	4,688,303	50,000	12,175,622
2028	0	4,199,099	3,238,221	4,997,438	50,000	12,484,757
2029	0	4,199,099	3,238,221	4,855,229	50,000	12,342,549
2030	0	4,199,099	3,238,221	4,925,380	50,000	12,412,700
2031	0	4,199,099	3,238,221	6,643,091	50,000	14,130,411
2032	0	4,199,099	3,238,221	6,266,678	50,000	13,753,998
2033	0	4,199,099	3,238,221	6,396,754	50,000	13,884,074
2034	0	4,199,099	3,238,221	6,784,058	50,000	14,271,378
2035	0	4,199,099	3,238,221	4,811,194	50,000	12,298,514
2036	0	4,199,099	3,238,221	4,922,764	50,000	12,410,083
2037	0	4,199,099	3,238,221	6,932,843	50,000	14,420,163
2038	0	4,199,099	3,238,221	4,852,895	50,000	12,340,215
2039	0	4,199,099	3,238,221	5,708,792	50,000	13,196,112
2040	0	4,199,099	3,238,221	6,500,650	50,000	13,987,970
2041	0	4,199,099	3,238,221	3,254,990	50,000	10,742,310
2042	0	4,199,099	3,238,221	3,954,143	50,000	11,441,463
2043	0	4,199,099	3,238,221	5,844,637	50,000	13,331,957
2044	0	4,199,099	3,238,221	4,835,164	50,000	12,322,483

## APPENDIX B      Renewal Forecast by Asset Category

### Asset Renewal Projections (2023/24 Values)

\$'000	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Transport</b>	\$ 1,516	\$ 2,377	\$ 2,393	\$ 2,320	\$ 2,333	\$ 2,390	\$ 2,306	\$ 3,476	\$ 3,559	\$ 3,319
<b>Buildings</b>	\$ 2,460	\$ 921	\$ 996	\$ 960	\$ 836	\$ 1,078	\$ 1,820	\$ 1,202	\$ 854	\$ 1,090
<b>Open space</b>	\$ 441	\$ 313	\$ 205	\$ 549	\$ 507	\$ 352	\$ 512	\$ 536	\$ 604	\$ 592
<b>Stormwater</b>	\$ 94	\$ -	\$ 57	\$ 63	\$ 2	\$ 108	\$ 66	\$ 56	\$ 56	\$ 58
<b>Plant &amp; Equipment</b>	\$ 996	\$ 492	\$ 808	\$ 899	\$ 898	\$ 809	\$ 1,771	\$ 853	\$ 1,137	\$ 1,530
<b>Irrigation</b>	\$ 402	\$ -	\$ 229	\$ 208	\$ 229	\$ 190	\$ 158	\$ 145	\$ 188	\$ 195
<b>Total Renewal as per Combined Asset Management Strategy</b>	<b>\$ 5,909</b>	<b>\$ 4,103</b>	<b>\$ 4,688</b>	<b>\$ 4,999</b>	<b>\$ 4,805</b>	<b>\$ 4,927</b>	<b>\$ 6,633</b>	<b>\$ 6,268</b>	<b>\$ 6,398</b>	<b>\$ 6,784</b>
<b>Allowance for Furniture &amp; Fittings</b>	<b>\$ 479</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>	<b>\$ 379</b>

## APPENDIX C Asset Intervention Levels

### Buildings, Structures and Land

#### Asset Class Overview

First pass asset register was originally developed in 2014 but data was too complex to maintain. It was later understood that this register was developed independent of certain leased sites which fell under Councils Care and Control. These additional sites along with any other capital works since this original capture, were updated and included in the subsequent reviews.

#### Assumptions

In 2019-20 the asset class was fully condition inspected and migrated to a new system under a new componentised structure which simplified the asset class. The methodology involves a visual inspection based on observable defects and should not be confused with an engineering assessment of sites.

#### Useful life

Useful life of assets ranges depending on the component. Some service assets require regular replacement starting from 10 years whereas structural elements typically range from 20 – 120 years, depicted as below:

Building and Other Structures	Useful Life
Buildings – masonry (overall)	50 to 100 years
Buildings – other construction	20 to 40 years
Buildings – roofing	40 to 60 years
Buildings - Services	10 to 100 years
Buildings - Interior	20 to 40 years
Buildings – Sub Structure	50 to 120 years
Buildings - Super Structure	50 to 100 years
Open Space Structures – masonry	50 to 100 years
Open Space Structures – other construction	20 to 40 years
Playground equipment	5 to 20 years

Useful life was based on industry standards and assumes upkeep of facilities such as painting, cleaning and general maintenance as required. Useful life does not consider negligence such as termite damage or water ingress into a facility as the expectation is that these will be picked up during routine inspections.

#### Intervention Level- Consumption Value

All of Councils Buildings and Structures were condition assessed using weighted averages and figures under the respective components listed. Consumption calculation is based off age and condition of assets. The overall condition of buildings is an aging asset class with a backlog of works acknowledged. Renewal planning uses two CEOL figures, CEOL 80 for high importance sites and CEOL 90 for all other sites.

Future iterations of the plan will likely see the CEOL figures adjusted to a lower figure, which is likely more in line with community expectations but noting this exceeds the current service level offered. Continual consideration of asset disposal could assist in reducing CEOL.

#### Level of service

Current level of service is for the facility to provide an asset that is functional, safe, accessible, and clean. It does not provide measure for a modern facility, and it is acknowledged this may be a conceived gap between planning and expectations from stakeholders.

## Irrigation

### Asset Class Overview

Assets register was developed in 2021 as a first pass where compensation was undertaken based on a series of assumptions from internal interviews and historical document compilation. This asset class is still maturing, and the expectation is that this will be further refined throughout ongoing capital works improvements and field inspections. It is known that there are assets that are not componentised due to missing data.

### Assumptions

Assumptions of asset age were made based on available history however its expected that throughout subsequent reviews, various installation years will be updated and therefore the resulting useful life and consumption values will be affected.

### Useful life

Useful life of assets have a broad range depending on the componentised category. Useful life range for each category is as per below:

Irrigation	Useful Life
Primary Supply Lines	80 years
Secondary Supply Lines	50 years
Sub-Surface Supply Lines (Tertiary)	25 years
Pump Stations & Controls	15 to 20 years
Sprinklers, Drippers and Valves	15 to 20 years
Miscellaneous	25 to 50 years

Useful life was based on industry standards mixed with known reported issues and field data from internal stakeholders. It is likely that during the useful life of assets, some maintenance will be required to maintain service of these assets.

### Intervention Level - Consumption Value

Approximately 50% of Councils Irrigation assets were installed in 2007 or prior. As such there are a portion of short life assets which in the first pass were due to expire, this meant the following intervention level method used was used to develop the asset management plan:

- Consumption methodology used which is based off installation date of assets. Consumption is a calculation of age and standard life.
- A Consumption score of CEOL 90 shows asset requires renewal.
- For assets which have a consumption of 100 or above, they have been manually assigned to fall due the year of the next condition assessment. This is to ensure all assets that are in service are still depreciating assets and also to allow for reassessing intervention levels.
- All network assets which have capital works undertaken will have the consumption value recalculated accordingly at time of capitalisation.
- Future improvement is to calculated consumption based on condition data (rather than the current age-based consumption calculation)

### Level of service

Level of service for Irrigation assets is to provide adequate irrigation to each site. This is typically determined by the condition of the asset as well as the output however for Whyalla's Irrigation network consumption (age) has been used as a substitute to condition.

There are circumstances where its necessary to replace assets in good physical condition to upgrade the output of the overall irrigation in a particular area. This may be due to an asset being no longer suitable for purpose i.e., capacity is exceeded or otherwise could be due to whole of life costings being more economical to replace an entire asset network rather than replacing each asset individually as they fall due.



## Stormwater

### Asset Class Overview

Assets register was developed in a 2013 data development project where approximately 25% of Councils stormwater pipes were visually inspected using CCTV cameras. Since the original data capture, iterations of condition have been progressively updated using externally verified assumptions by asset consultants.

### Assumptions

Asset condition was extrapolated following the original 25% network assessment. In 2018/19 a desktop revaluation was undertaken to cross check respective unit rates were up to the industry standard. This asset class requires careful coordination between transport assets as valuation of pavement reinstatement is not considered under Stormwater valuation.

### Useful life

Useful life of assets has a broad range depending on the componentised category. Useful life range for each category is as per below:

Stormwater Infrastructure	Useful Life
Drains	70 to 100 years
Culverts	70 to 100 years
Flood control structures	70 to 100 years
Dams and reservoirs	70 to 100 years
Bores	20 to 40 years
Reticulation pipes – PVC	70 to 80 years
Reticulation pipes – other	25 to 75 years
Pumps and telemetry	15 to 25 years

Useful life was based on limited data so far, this will be re-assessed at next condition assessment to ascertain whether the projected extrapolated data is in alignment with updated condition data.

Assumption is that maintenance such as cleaning, unblocking or patching is undertaken at appropriate intervals in order to maintain proposed useful lives.

### Intervention Level – Condition & Consumption Hybrid Value

Condition end of life is used for Stormwater assets.

- CEOL set to 100, because these assets are to be used until they fail i.e. 100 score. They either work or they don't.
- Long life assets with estimates that network majority is not expiring within this current Asset Management Plan (to be confirmed during next condition assessment).
- Intervention on non-valued assets is zero i.e., no service level currently.
- For assets not yet assessed, consumption is calculated from age whilst considering the condition found from similar assets which were assessed (part of the 25% network assessment).

### Level of service

Level of service is the ability to collect and channel stormwater runoff effectively in rainfall events as per the original design. The level of service more takes into consideration the structural condition of the asset and less so the capacity as this captured by the original design. It may become the best option to replace assets prior to end of life, to upgrade capacity in particular parts of the network to maintain the required level of service. There is currently no allowance for any shorter useful lives that would results due to improper capacity from original design calculations.

## Transport

### Asset Class Overview

Assets register was originally collected in 2010 and then first audited in 2012 with the first iteration used for asset planning. Condition data for this asset class is considered reasonably matured in contrast to Councils other assets. Airport runway is included in this asset class which falls under both a road but also runway characteristics and reporting requirements – which are managed by the Airport Operations staff.

### Assumptions

The transport asset register was fully inspected in 2018-19 and again throughout 2022-23. Assets held in this asset class are componentised and segmented down into manageable sizes which are considered best use for asset planning and financial modelling purposes. This asset class uses predictive modelling for optimising life cycle costs. The impacts of the recent valuation will be incorporated into the renewal projections over the next 12 months.

### Useful life

Useful life of assets ranges from 10 years for unsealed right up to 400 years for pavement bases. The unsealed network has not reached the same maturity in its data as what the sealed network has i.e. sealed surface data has reasonable confidence due to maturity. Council is still developing data against pavement bases and will benchmark performance against condition data each time new data is taken from field assessments. The below table represents the useful lives of each component:

Transport Infrastructure	Useful Life
Sealed Roads – Surface	15 to 30 years
Sealed Roads – Pavement Base	65 to 100 years
Sealed Roads – Pavement Sub-Base	100 to 400 years*
Unsealed roads	10 to 20 years
Paving and footpaths, kerb, and gutters	25 to 65 years

Useful life based on a road segment that is broken up into components. It is expected that to meet the intended useful life, maintenance such as crack sealing or patching is undertaken as required.

### Intervention Level- Consumption Value

Sealed surface CEOL varies from 35-45, intervention is early in line with level of service and is so that the overall whole of life costs for the asset is reduced i.e. the philosophy is that early intervention provides greater economic value than running to failure. Road assets of CEOL of 75 or greater would be considered a road that requires extensive remedial works and likely be considered not safe to drive on.

Consumption was measured by assigning each asset a condition score, this includes all road assets, footpaths, and kerbs. Consumption is calculated from individual condition measurements, dependent on what asset type is being assessed. The following is worth noting:

- Good condition roads are assumed to have longer life than poor condition roads built at similar time.
- Roads are expected to be renewed several times before the pavement requires intervention. Long life assets such as pavements, can have expiry dates approximately aligned to surface renewals.
- Intervention for footpaths is CEOL 60. This weighs up economic benefit against public safety implications considering trip hazard, crossfall and surface texture.
- CEOL for kerb is 80. Kerb intervention aligned with road seal renewals where possible.

### Level of service

The service level of roads is a smooth and safe ride at the design speed for the road segment, whilst protecting the underlying pavement asset through a watertight surface. Footpath is ability to provide safe pedestrian access, whilst kerb is the ability to remove stormwater and act as road delineation. Noting an acceptable level of service can be provided by kerb assets even following physical condition displaying deterioration (hence later intervention).

## Plant and Other Assets

### Asset Class Overview

This includes plant and equipment both major and minor as well as furniture and fittings which includes all information technology assets, furniture, and general miscellaneous equipment. Assets register uses assets held at capital cost.

### Assumptions

Due to the total value making up a small portion of councils total asset stock, these assets are considered a low risk from an asset management perspective and are therefore excluded from individual asset management plans. Renewal projections for plant are calculated using purchase data and standard useful lives for each plant/vehicle type. Renewal for other assets is covered by an allocation based on annual depreciation.

### Useful life

Useful life of assets ranges, but are typically shorter in contrast to other infrastructure assets. These are listed as per below:

<b>Plant, Furniture and Equipment</b>	<b>Useful Life</b>
Office equipment	5 to 10 years
Office furniture	10 to 20 years
Vehicles and road-making equipment	5 to 8 years
Other plant and equipment	5 to 15 years
<b>Other Assets</b>	<b>Useful Life</b>
Artworks	indefinite
Street furniture	10 to 20 years

Useful life was based on typical replacement intervals based on historical purchases, this is acceptable given the nature of the assets involved i.e. most plant and furniture are standardised equipment across the industry.

### Intervention Level- Consumption Value

Intervention is typically based on meeting useful life based on age of fleet or equipment. Annual assessment of the asset replacement program allows for any specific requirements from users to manually adjust the program to ensure timing is adequately maintained for assets to provide the agreed service level.

### Level of service

Level of service is to maintain the intended service by the plant and equipment assets for the allocated time provided in the useful life criteria.

## APPENDIX D      Abbreviations

<b>AAAC</b>	Average annual asset consumption
<b>AM</b>	Asset management
<b>AM Plan</b>	Asset management plan
<b>AMC</b>	Asset Management Coordinator
<b>ARI</b>	Average recurrence interval
<b>ASC</b>	Annual service cost
<b>BOD</b>	Biochemical (biological) oxygen demand
<b>CRC</b>	Current replacement cost
<b>CWMS</b>	Community wastewater management systems
<b>DA</b>	Depreciable amount
<b>DI</b>	Director Infrastructure
<b>DRC</b>	Depreciated replacement cost
<b>EF</b>	Earthworks/formation
<b>IRMP</b>	Infrastructure risk management plan
<b>LCC</b>	Life Cycle cost
<b>LCE</b>	Life cycle expenditure
<b>LTFP</b>	Long term financial plan
<b>MMS</b>	Maintenance management system
<b>PCI</b>	Pavement condition index
<b>RV</b>	Residual value
<b>SoA</b>	State of the Assets
<b>SS</b>	Suspended solids
<b>vph</b>	Vehicles per hour
<b>WDCRC</b>	Written down current replacement cost

## APPENDIX E

## Glossary

### Annual service cost (ASC)

- 1) Reporting actual cost  
The annual (accrual) cost of providing a service including operations, maintenance, depreciation, finance/opportunity and disposal costs less revenue.
- 2) For investment analysis and budgeting  
An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operations, maintenance, depreciation, finance/opportunity and disposal costs, less revenue.

### Asset

A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment which are non-current assets with a life greater than 12 months and enable services to be provided.

### Asset category

Sub-group of assets within a class hierarchy for financial reporting and management purposes.

### Asset class

A group of assets having a similar nature or function in the operations of an entity, and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

### Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

### Asset hierarchy

A framework for segmenting an asset base into appropriate classifications. The asset hierarchy can be based on asset function or asset type or a combination of the two.

### Asset management (AM)

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

### Asset renewal funding ratio

The ratio of the net present value of asset renewal funding accommodated over a 10 year period in a long term financial plan relative to the net present value of projected capital renewal expenditures identified in an asset management plan for the same period [AIFMG Financial Sustainability Indicator No 8].

### Average annual asset consumption (AAAC)\*

The amount of an organisation's asset base consumed during a reporting period (generally a year). This may be calculated by dividing the depreciable amount by the useful life (or total future economic benefits/service potential) and totalled for each and every asset OR by dividing the carrying amount (depreciated replacement cost) by the remaining useful life (or remaining future economic benefits/service potential) and totalled for each and every asset in an asset category or class.

### Borrowings

A borrowing or loan is a contractual obligation of the borrowing entity to deliver cash or another financial asset to the lending entity over a specified period of time or at a specified point in time, to cover both the initial capital provided and the cost of the interest incurred for providing this capital. A borrowing or loan provides the means for the borrowing entity to finance outlays (typically physical assets) when it has insufficient funds of its own to do so, and for the lending entity to make a financial return, normally in the form of interest revenue, on the funding provided.

### Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

### Capital expenditure - expansion

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to a new group of users. It is discretionary expenditure, which increases future operations and maintenance costs, because it increases the organisation's asset base, but may be associated with additional revenue from the new user group, eg. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

**Capital expenditure - new**

Expenditure which creates a new asset providing a new service/output that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operations and maintenance expenditure.

**Capital expenditure - renewal**

Expenditure on an existing asset or on replacing an existing asset, which returns the service capability of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it generally has no impact on revenue, but may reduce future operations and maintenance expenditure if completed at the optimum time, eg. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval.

**Capital expenditure - upgrade**

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operations and maintenance expenditure in the future because of the increase in the organisation's asset base, eg. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility.

**Capital funding**

Funding to pay for capital expenditure.

**Capital grants**

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

**Capital investment expenditure**

See capital expenditure definition

**Capitalisation threshold**

The value of expenditure on non-current assets above which the expenditure is recognised as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.

**Carrying amount**

The amount at which an asset is recognised after deducting any accumulated depreciation / amortisation and accumulated impairment losses thereon.

**Class of assets**

See asset class definition

**Component**

Specific parts of an asset having independent physical or functional identity and having specific attributes such as different life expectancy, maintenance regimes, risk or criticality.

**Core asset management**

Asset management which relies primarily on the use of an asset register, maintenance management systems, job resource management, inventory control, condition assessment, simple risk assessment and defined levels of service, in order to establish alternative treatment options and long-term cashflow predictions. Priorities are usually established on the basis of financial return gained by carrying out the work (rather than detailed risk analysis and optimised decision-making).

**Cost of an asset**

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, including any costs necessary to place the asset into service. This includes one-off design and project management costs.

**Critical assets**

Assets for which the financial, business or service level consequences of failure are sufficiently severe to justify proactive inspection and rehabilitation. Critical assets have a lower threshold for action than noncritical assets.

**Current replacement cost (CRC)**

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

**Deferred maintenance**

The shortfall in rehabilitation work undertaken relative to that required to maintain the service potential of an asset.

**Depreciable amount**

The cost of an asset, or other amount substituted for its cost, less its residual value.

**Depreciated replacement cost (DRC)**

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

**Depreciation / amortisation**

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

**Economic life**

See useful life definition.

**Expenditure**

The spending of money on goods and services. Expenditure includes recurrent and capital outlays.

**Expenses**

Decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or increases in liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

**Fair value**

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction.

**Financing gap**

A financing gap exists whenever an entity has insufficient capacity to finance asset renewal and other expenditure necessary to be able to appropriately maintain the range and level of services its existing asset stock was originally designed and intended to deliver. The service capability of the existing asset stock should be determined assuming no additional operating revenue, productivity improvements, or net financial liabilities above levels currently planned or projected. A current financing gap means service levels have already or are currently falling. A projected financing gap if not addressed will result in a future diminution of existing service levels.

**Heritage asset**

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

**Impairment Loss**

The amount by which the carrying amount of an asset exceeds its recoverable amount.

**Infrastructure assets**

Physical assets that contribute to meeting the needs of organisations or the need for access to major economic and social facilities and services, eg. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components and hence the assets have long lives. They are fixed in place and are often have no separate market value.

**Investment property**

Property held to earn rentals or for capital appreciation or both, rather than for:  
(a) use in the production or supply of goods or services or for administrative purposes; or  
(b) sale in the ordinary course of business.

**Key performance indicator**

A qualitative or quantitative measure of a service or activity used to compare actual performance against a standard or other target. Performance indicators commonly relate to statutory limits, safety, responsiveness, cost, comfort, asset performance, reliability, efficiency, environmental protection and customer satisfaction.

**Level of service**

The defined service quality for a particular service/activity against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental impact, acceptability and cost.

**Life Cycle Cost \***

1. **Total LCC** The total cost of an asset throughout its life including planning, design, construction, acquisition, operation, maintenance, rehabilitation and disposal costs.
2. **Average LCC** The life cycle cost (LCC) is average cost to provide the service over the longest asset life cycle. It comprises average operations, maintenance expenditure plus asset consumption expense, represented by depreciation expense projected over 10 years. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.



### Life Cycle Expenditure

The Life Cycle Expenditure (LCE) is the average operations, maintenance and capital renewal expenditure accommodated in the long term financial plan over 10 years. Life Cycle Expenditure may be compared to average Life Cycle Cost to give an initial indicator of affordability of projected service levels when considered with asset age profiles.

### Loans / borrowings

See borrowings.

### Maintenance

All actions necessary for retaining an asset as near as practicable to an appropriate service condition, including regular ongoing day-to-day work necessary to keep assets operating, eg road patching but excluding rehabilitation or renewal. It is operating expenditure required to ensure that the asset reaches its expected useful life.

- **Planned maintenance**

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

- **Reactive maintenance**

Unplanned repair work that is carried out in response to service requests and management/ supervisory directions.

- **Specific maintenance**

Maintenance work to repair components or replace sub-components that needs to be identified as a specific maintenance item in the maintenance budget.

- **Unplanned maintenance**

Corrective work required in the short-term to restore an asset to working condition so it can continue to deliver the required service or to maintain its level of security and integrity.

### Maintenance expenditure \*

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

### Materiality

The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

### Modern equivalent asset

Assets that replicate what is in existence with the most cost-effective asset performing the same level of service. It is the most cost efficient, currently available asset which will provide the same stream of services as the existing asset is capable of producing. It allows for technology changes and, improvements and efficiencies in production and installation techniques

### Net present value (NPV)

The value to the organisation of the cash flows associated with an asset, liability, activity or event calculated using a discount rate to reflect the time value of money. It is the net amount of discounted total cash inflows after deducting the value of the discounted total cash outflows arising from eg the continued use and subsequent disposal of the asset after deducting the value of the discounted total cash outflows.

### Non-revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council, eg. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

### Operations

Regular activities to provide services such as public health, safety and amenity, eg street sweeping, grass mowing and street lighting.

### Operating expenditure

Recurrent expenditure, which is continuously required to provide a service. In common use the term typically includes, eg power, fuel, staff, plant equipment, on-costs and overheads but excludes maintenance and depreciation. Maintenance and depreciation is on the other hand included in operating expenses.



**Operating expense**

The gross outflow of economic benefits, being cash and non cash items, during the period arising in the course of ordinary activities of an entity when those outflows result in decreases in equity, other than decreases relating to distributions to equity participants.

**Operating expenses**

Recurrent expenses continuously required to provide a service, including power, fuel, staff, plant equipment, maintenance, depreciation, on-costs and overheads.

**Operations, maintenance and renewal financing ratio**

Ratio of estimated budget to projected expenditure for operations, maintenance and renewal of assets over a defined time (eg 5, 10 and 15 years).

**Operations, maintenance and renewal gap**

Difference between budgeted expenditures in a long term financial plan (or estimated future budgets in absence of a long term financial plan) and projected expenditures for operations, maintenance and renewal of assets to achieve/maintain specified service levels, totalled over a defined time (e.g. 5, 10 and 15 years).

**Pavement management system (PMS)**

A systematic process for measuring and predicting the condition of road pavements and wearing surfaces over time and recommending corrective actions.

**PMS Score**

A measure of condition of a road segment determined from a Pavement Management System.

**Rate of annual asset consumption \***

The ratio of annual asset consumption relative to the depreciable amount of the assets. It measures the amount of the consumable parts of assets that are consumed in a period (depreciation) expressed as a percentage of the depreciable amount.

**Rate of annual asset renewal \***

The ratio of asset renewal and replacement expenditure relative to depreciable amount for a period. It measures whether assets are being replaced at the rate they are wearing out with capital renewal expenditure expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

**Rate of annual asset upgrade/new \***

A measure of the rate at which assets are being upgraded and expanded per annum with capital upgrade/new expenditure expressed as a

percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

**Recoverable amount**

The higher of an asset's fair value, less costs to sell and its value in use.

**Recurrent expenditure**

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operations and maintenance expenditure.

**Recurrent funding**

Funding to pay for recurrent expenditure.

**Rehabilitation**

See capital renewal expenditure definition above.

**Remaining useful life**

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life.

**Renewal**

See capital renewal expenditure definition above.

**Residual value**

The estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

**Revenue generating investments**

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, eg public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

**Risk management**

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

**Section or segment**

A self-contained part or piece of an infrastructure asset.

**Service potential**

The total future service capacity of an asset. It is normally determined by reference to the operating capacity and economic life of an asset. A measure of service potential is used in the not-for-profit sector/public sector to value assets, particularly those not producing a cash flow.

**Service potential remaining**

A measure of the future economic benefits remaining in assets. It may be expressed in dollar values (Fair Value) or as a percentage of total anticipated future economic benefits. It is also a measure of the percentage of the asset's potential to provide services that is still available for use in providing services (Depreciated Replacement Cost/Depreciable Amount).

Additional and modified glossary items shown \*

**Specific Maintenance**

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

**Strategic Longer-Term Plan**

A plan covering the term of office of councillors (4 years minimum) reflecting the needs of the community for the foreseeable future. It brings together the detailed requirements in the Council's longer-term plans such as the asset management plan and the long-term financial plan. The plan is prepared in consultation with the community and details where the Council is at that point in time, where it wants to go, how it is going to get there, mechanisms for monitoring the achievement of the outcomes and how the plan will be resourced.

**Sub-component**

Smaller individual parts that make up a component part.

**Useful life**

Either:

- (a) the period over which an asset is expected to be available for use by an entity, or
- (b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the Council.

**Value in Use**

The present value of future cash flows expected to be derived from an asset or cash generating unit. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate net cash inflows, where the entity would, if deprived of the asset, replace its remaining future economic benefits.

Source: IPWEA, 2009, Glossary



Photographer: Betty Nottle





# LONG TERM FINANCIAL PLAN

2025 - 2034

## ACKNOWLEDGEMENT OF COUNTRY

Whyalla City Council acknowledges the Barngarla People as the traditional custodians of Whyalla and the surrounding region. We respect the Barngarla People's spiritual relationship with their country, with land, sea and sky and acknowledge their Elders – past, present and future.





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# Overview

An aerial photograph of a suburban town. The foreground shows residential houses with various roof colors (red, grey, brown) and some greenery. A large, rectangular green sports field is visible in the middle ground. The town extends to the horizon under a clear blue sky.

The Long Term Financial Plan (LTFP) is a fundamental instrument of accountability for Council's planned activities over a ten year timeframe.



# Overview

Whyalla City Council's Strategic Plan, Long Term Financial Plan (LTFP) and Asset Management Strategy are the three strategic management plans of Council. All three plans can be viewed online at [www.whyalla.sa.gov.au](http://www.whyalla.sa.gov.au).

The key objective of Council's LTFP is financial sustainability in the medium to long term, while still achieving Council's corporate objectives as specified in its Strategic Plan and Asset Management Strategy. We must ensure that we understand the impact of decisions made today on our future. This means ensuring the cost-effective delivery of works and services, and the appropriate maintenance and renewal of our significant asset base in a financially sustainable manner.

The purpose of this plan is not to provide specific detail about individual works or services. The LTFP provides a decision-making tool that allows various assumptions and sensitivity analysis to be carried out that will indicate the ability of Council to deliver cost effective services to our community in the future in a financially sustainable manner. Council has adopted a rating strategy that seeks to achieve a reasonable

degree of stability and predictability in the overall rates burden over time, while ensuring ratepayers are paying for those services and assets that they are consuming.

Rates will be set at an affordable level having regard to Council's strategic direction and its social and economic objectives, balanced against the community's ability to pay. Rate Revenue forecasts have been based on nil growth plus consumer price index (CPI) plus 1.6% for sustainability and projects. The actual increase payable by any individual ratepayer may be more or less than this depending on the relative movement in the capital value of their property.

The LTFP covers the years 2024/25 to 2033/34. The basis for the plan is consistent with the Financial Statements 30 June 2023 and the 2023/24 Annual Business Plan and Budget adopted by Council and any authorised amendments. The LTFP has been based on detailed budgets for 2025 to 2027, extrapolated over the 10-year period using the assumptions outlined in this document. Renewal budgets are based on the requirements set out in Council's Asset Management Strategy.





## Overview

The projections contained in the appendices are fluid and will be updated and amended over time as circumstances change. Council currently reviews its LTFP twice each year, once during the preparation of its Annual Business Plan and Budget and again following the financial year end.

The LTFP projections are also updated any other time that a budget is amended, but not presented in full to Council. Additionally, a full review is required within two years after a Council election.

The 10 year LTFP is prepared using a number of assumptions (refer to pages 15-20) with regard to the drivers that impact increases in operating income and expenditure as well as capital expenditure. Given the reliance on estimating these assumptions, it should be appreciated that actual results are likely to vary from the information contained in the LTFP and at times these variations could be material. A sensitivity

analysis has been undertaken for some key areas to project the impacts of such movements; this information is available on pages 21-24.

Council has prepared an Asset Management Strategy to assist in determining the funding impact of maintaining and replacing our assets. These projections are based on the current understanding of asset management needs over the next ten years and ensure that assets are maintained at a safe and functional standard that meet community expectations and cater for future growth and demographic changes.

Council is proposing extensive capital works totalling \$97 million over the ten years of the plan, to see a variety of benefits delivered to the community. This includes renewal of Council's existing assets base of \$73 million as well as an allocation of \$24 million to deliver key strategic projects. These projects will be identified and approved through Council's annual budget processes, including an assessment of how they deliver on Council's overall strategic direction.





## Overview

The operational budget will be structured in such a way that there is no reliance on asset sales to fund core services. However, Council may identify key strategic projects that should be funded via strategic land sales.

Debt will be regarded primarily as a tool to be used in a strategic perspective to provide community assets.

Debt will be considered:

- in the context of the strategic objectives of Council
- in the context of long term financial forecasts and objectives
- as funding for long term infrastructure asset creation
- as a means of spreading the recovery of infrastructure costs over time
- as a mechanism to fund cashflow projections.

To determine whether this LTFP ensures financial sustainability of council operations over the long term, a number of financial indicators are used to track performance, with target ranges for the short, medium and long term.

Ideally a council should raise enough revenue from rates to cover all of its operating expenses. This means that a council should aim for a break-even operating position where total income equals total expenses and ratepayers in that year are paying for all the resources consumed. However, Council is mindful of the community's ability to pay.

To avoid excessive rate increases in any one year, it is acceptable to run an

operating deficit in the short term (total revenue is less than total operating expenditure), while positioning to reach a break even operating result in the medium term.

Operating deficits are not sustainable or equitable in the long term as they result in services consumed by current ratepayers being paid for by future ratepayers. A fair and equitable tax system is one in which taxes paid by each generation is in proportion to the benefits which that generation receives.

Operating cash surpluses will be used, when possible, to fund Capital Expenditure on Renewal and New & Upgraded assets. The balance of available surplus funds will be used to retire debt or minimise the use of new debt.

Council's Annual Business Plan and Budget is prepared on the basis of the Long Term Financial Plan, taking into account any new information and economic factors at the time of preparation.

The LTFP estimates are presented as a series of reports comprising the following:

- Estimated Statement of Comprehensive Income
- Estimated Statement of Financial Position
- Estimated Statement of Cashflows
- Estimated Statement of Changes in Equity
- Estimated Summary Statement
- Estimated Key Financial Indicators

Please refer to **Appendices A and B**.



# rates delivering Council Services

**All Councils have responsibilities under the Local Government Act, the Planning, Development & Infrastructure Act, the Public and Environmental Health Act, the Landscapes Act and other relevant legislation.**

These include:

- regulatory activities e.g. maintaining the voters roll and supporting the elected Council;
- setting rates, preparing an annual budget and determining longer-term strategic management plans for the area;
- management of basic infrastructure including roads, footpaths, parks, sporting facilities, public open space, street lighting and storm-water drainage;
- street cleaning and rubbish collection;
- development planning and control, including building safety assessment;
- various environmental health programs, animal management and community safety;
- protection of natural resources including coastal areas.

**In response to community needs the Council also provides further services and programs including:**

- economic development;
- environmental programs;
- community programs;
- libraries; and
- tourism including information services and community events.

**The Council operates a number of facilities on a fee for service basis. These provide important community benefits while also generating revenue for services and projects of benefit to the City of Whyalla:**

- recreation facilities including swimming pools and Museum;
- Child Care Centre
- Airport
- Sporting grounds; and
- Marinas

# FINANCIAL CONTEXT

Once in a generation projects have the potential to transform the future of the city, centered around the development of a hydrogen industry at Port Bonython and Cultana. However, with this opportunity also comes significant challenges, with ageing infrastructure in the city meaning that a high level of investment is going to be required to support the change.

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

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

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

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

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

The level of borrowings being carried by Council are reasonable, with the Net Financial Liabilities Ratio only projected to peak just above 56%. Council have set a conservative ceiling for this ratio of 80%, below the 100% recommended by the LGA. This shows that there is capacity to undertake additional investment, however Council doesn't currently have the capacity to service additional assets and debt.

So, while Council is currently restricted in what it can do financially, the decision to move ahead on the current path was a fully informed decision, based on the situation Council finds itself in. However, Council have recognised that this cannot continue indefinitely, and so resolved to implement a modest reduction in Management positions and reduce ongoing capital budget capacity from 2025/26, if additional income is not certain by this time.

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



# Measuring our Performance



## Key Financial Indicators

	Target Short Term	Target Medium Term	Target Long Term
Indicator	Year 1-3	Year 4-6	Year 7-10
Operating Surplus/(Deficit) Ratio - %	(2) - 1	0 - 3	2 - 5
Net Financial Liabilities Ratio - %	< 80	< 80	< 80
Asset Renewal Funding Ratio - %	90 - 110	90 - 110	90 - 110

# Key Financial Indicators

Key Financial Indicators enable an assessment of Council's long term financial performance and position and will place Council on a path to deliver long term sustainability of operations (based on the assumptions used in the modelling) and give it the flexibility to respond to future changes.

The Key Financial Indicators support a positive forward outlook and adherence over the longer term to Council's financial sustainability.

Council has set targets for its Key Financial Indicators to guide revenue and expenditure decisions, overall budget strategies and future decision making. These

targets promote a breakeven position in the long term plus a margin for risk and uncertainty. Council has set short, medium and long term targets to achieve this aim.

## Operating Surplus/(Deficit) Ratio

The Operating Ratio measures the extent to which Council's operating income meets its operating expenditure.

Council projects an improvement in operating position moving from projected operating deficits in the first few years, to a strong surplus position by the end of the plan.

This reflects an ongoing strategy over the short term to move to a breakeven

operating result, without imposing unexpected spikes in rates, or imposing reductions in service at a time when the city needs increased investment.

The Operating Ratio, while negative in the short term becomes increasingly positive over the life of the plan and is 5% in Year 10.

This demonstrates Council's ability to move to a breakeven operating position where Council's

revenues can meet total operating costs and then a surplus position in the future where surplus funds can be used to fund increased capital expenditure or pay down loan balances.

The target range for the Operating Ratio increases over the term of the plan, to ensure that Council has capacity to deal with the risk of unknown future events, which increases in the medium to long term.

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
(4)%	(2)%	(2)%	0%	1%	2%	2%	3%	4%	5%

# Net Financial Liabilities Ratio

The Net Financial Liabilities Ratio indicates the extent to which the net financial liabilities of Council could be met by its annual operating revenue. Where the ratio is falling, it indicates Council's capacity to meet its financial obligations from operating revenue is strengthening. This demonstrates Council's

ability to fund capital expansion projects during the planning period.

Loan borrowings peak at \$25.3 million the first year of the plan, reducing to \$10.6 million by the end of the plan. To effectively manage its cash flows and reduce the impact of debt, Council utilises cash advance debenture facilities.

The Net Financial Liabilities Ratio peaks at 58% in 2024/25 and reduces to 14% by the end of the plan.

Over this period the Statement of Financial Position forecasts an increase in total assets from \$387 million in 2023/24 to \$482 million in 2033/34, an overall increase of \$95 million.

**Council's target is for the Net Financial Liabilities Ratio to remain below 80% over the term of the plan. While Council could comfortably accommodate a debt level higher than this, the current financial position does not give Council capacity to service increased debt.**

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
58%	52%	49%	44%	39%	32%	30%	24%	20%	14%

## Asset Renewal Funding Ratio

The Asset Renewal Funding Ratio is a measure of Council's capital expenditure on renewal or replacement of assets relative to the level of such expenditure proposed in Council's Asset Management Strategy.

Council has ensured that these documents are aligned, so the Asset

Renewal Funding Ratio is 100% for all years of the plan, with the exception of 2024/25, due to deferred projects.

Council target is for the Asset Renewal Funding Ratio to be between 90 and 110% in any given year. This range allows for timing changes that can occur in program delivery.

2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
129%	100%	100%	100%	100%	100%	100%	100%	100%	100%

# Estimated Summary Statement

Year Ending 30 June:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	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	39,424	39,987	41,381	43,279	44,805	46,471	48,083	49,753	51,484	53,276	55,136	57,066
less: Operating Expenses	(40,353)	(43,427)	(43,124)	(44,247)	(45,481)	(46,595)	(47,706)	(48,912)	(50,260)	(51,440)	(52,684)	(54,028)
<b>Operating Surplus/(Deficit) before Capital Amounts</b>	<b>(929)</b>	<b>(3,440)</b>	<b>(1,743)</b>	<b>(968)</b>	<b>(676)</b>	<b>(124)</b>	<b>377</b>	<b>841</b>	<b>1,224</b>	<b>1,836</b>	<b>2,452</b>	<b>3,038</b>
Capital Expenditure on Renewal/ Replacement	(3,555)	(7,826)	(8,532)	(4,825)	(5,612)	(6,118)	(6,044)	(6,341)	(8,589)	(8,345)	(8,721)	(9,449)
add back: Depreciation, Amortisation and Impairment	7,954	8,796	8,940	9,156	9,360	9,578	9,782	10,042	10,310	10,587	10,900	11,222
add back: Sale of Replaced Assets	232	283	157	93	156	171	166	174	343	178	241	319
<b>Net Outlays on Existing Assets</b>	<b>4,631</b>	<b>1,253</b>	<b>565</b>	<b>4,424</b>	<b>3,904</b>	<b>3,631</b>	<b>3,904</b>	<b>3,875</b>	<b>2,064</b>	<b>2,420</b>	<b>2,420</b>	<b>2,092</b>
Capital Expenditure on New and Upgraded Assets	(5,135)	(5,911)	(5,173)	(2,517)	(1,900)	(1,958)	(2,000)	(2,049)	(2,100)	(2,154)	(2,207)	(2,261)
add back: Amounts Specifically for New and Upgraded Assets	1,149	1,298	746	170	175	180	184	189	194	198	203	208
add back: Sale of Surplus Assets	1,421	-	-	-	-	-	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	<b>(2,565)</b>	<b>(4,613)</b>	<b>(4,427)</b>	<b>(2,347)</b>	<b>(1,725)</b>	<b>(1,778)</b>	<b>(1,816)</b>	<b>(1,860)</b>	<b>(1,906)</b>	<b>(1,956)</b>	<b>(2,004)</b>	<b>(2,053)</b>
<b>Net Lending/(Borrowing) for Financial Year</b>	<b>1,137</b>	<b>(6,800)</b>	<b>(5,605)</b>	<b>1,109</b>	<b>1,503</b>	<b>1,729</b>	<b>2,465</b>	<b>2,856</b>	<b>1,382</b>	<b>2,300</b>	<b>2,868</b>	<b>3,077</b>

## Financing Transactions

Year Ending 30 June:

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	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
New Borrowings	2,600	10,300	3,500	300	200	100	200	200	200	300	200	200
Repayment of Principal on Borrowings	(7,350)	-	-	(1,400)	(800)	(2,000)	(1,700)	(3,100)	(700)	(2,600)	(2,200)	(2,100)
(Increase)/Decrease in Cash and Cash Equivalents	242	(105)	30	(84)	22	96	(40)	(31)	43	(75)	57	(1,252)
Net Balance Sheet Funding	3,371	(3,395)	2,075	75	(925)	75	(925)	75	(925)	75	(925)	75
<b>Financing Transactions</b>	<b>(1,137)</b>	<b>6,800</b>	<b>5,605</b>	<b>(1,109)</b>	<b>(1,503)</b>	<b>(1,729)</b>	<b>(2,465)</b>	<b>(2,856)</b>	<b>(1,382)</b>	<b>(2,300)</b>	<b>(2,868)</b>	<b>(3,077)</b>





# Airport

Council maintains and manages the Whyalla Airport. Council recovers the cost of the operating the service primarily through a passenger fee, but also collects other income such as car parking fees, landing fees for non-passenger flights and hanger rental.

It is important for the airport to be financially sustainable in the medium to long term, and to ultimately make a return on the investment made by the community, to ensure a positive outcome for the city. To achieve this, a separate LTFP is prepared.

The operating environment for regional airports since Covid has become increasingly

difficult, in addition to the extra complexity of security screening which has been recently introduced for Tier 2 Airports, of which Whyalla Airport is one.

The LTFP for the Airport shows large deficits across the entire 10 year horizon, which is not sustainable. Council is investigating a number of options to ensure that this vital community service remains viable.





# Key Financial Indicators (Airport)

	Target Short Term	Target Medium Term	Target Long Term
Indicator	Year 1-3	Year 4-6	Year 7-10
<b>Operating Surplus/(Deficit) Ratio - %</b>	(10) - 0	(5) - 5	0 - 10
<b>Net Financial Liabilities Ratio - %</b>	< 250	< 225	< 200
<b>Asset Renewal Funding Ratio - %</b>	90 - 110	90 - 110	90 - 110

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Operating Surplus/(Deficit) Ratio - \$'000</b>	(975)	(1,130)	(801)	(780)	(752)	(744)	(764)	(791)	(815)	(845)	(855)	(860)
<b>Operating Surplus/(Deficit) Ratio</b>	(39)%	(49)%	(29)%	(26)%	(24)%	(23)%	(22)%	(23)%	(23)%	(23)%	(22)%	(22)%
<b>Net Financial Liabilities Ratio</b>	308%	362%	312%	294%	286%	281%	279%	277%	275%	273%	272%	269%
<b>Asset Renewal Funding Ratio</b>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Operating Ratio is outside target range for all years of the plan.

The Net Financial Liabilities Ratio peaks at 362% in 2023/24, and only reduces to 269% by the end of the plan.

Total borrowings are projected to continue to increase slowly over the plan, reaching \$10.6 million by 2033/34.

Currently no renewal is included within the Airport, as there is no

capacity to fund works. This means that the Asset Renewal Funding Ratio is not applicable.







# COUNCIL

## (Excluding Airport)

As Council prepares a separate LTFP for the Whyalla Airport, it also makes sense to present a version for Council without the impact of the Airport.

As the operating result of the Airport is substantially subject to the impacts of external forces beyond Council's control, this LTFP

model gives a much more representative view of Council's underlying financial performance, and so may be considered more useful for decision making.

While Council is currently in a deficit position, there are a number of strategies in place to move this to a breakeven position over the next couple of years,

while still focusing on the priorities for the city. Some of this improvement in financial position is based on a reduction in management positions in 2025/26. If Council is able to generate additional rates income from growth this may not be required, but it is important that Council does follow through with this commitment in the event that additional income is not forthcoming.







# Key Financial Indicators (Council)

	Target Short Term	Target Medium Term	Target Long Term
Indicator	Year 1-3	Year 4-6	Year 7-10
Operating Surplus/(Deficit) Ratio - %	(1) - 1	1 - 3	3 - 5
Net Financial Liabilities Ratio - %	< 75	< 65	< 55
Asset Renewal Funding Ratio - %	90 - 110	90 - 110	90 - 110

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Surplus/(Deficit) Ratio - \$'000	46	(2,310)	(942)	(188)	76	620	1,141	1,632	2,039	2,681	3,307	3,898
Operating Surplus/(Deficit) Ratio	0%	(6)%	(2)%	0%	0%	1%	3%	4%	4%	5%	6%	7%
Net Financial Liabilities Ratio	22%	32%	39%	34%	31%	25%	21%	13%	11%	6%	1%	(5)%
Asset Renewal Funding Ratio	130%	133%	129%	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Operating Ratio is within range for the majority of years, being below target in 2024/25 and above target in the final 2 years.

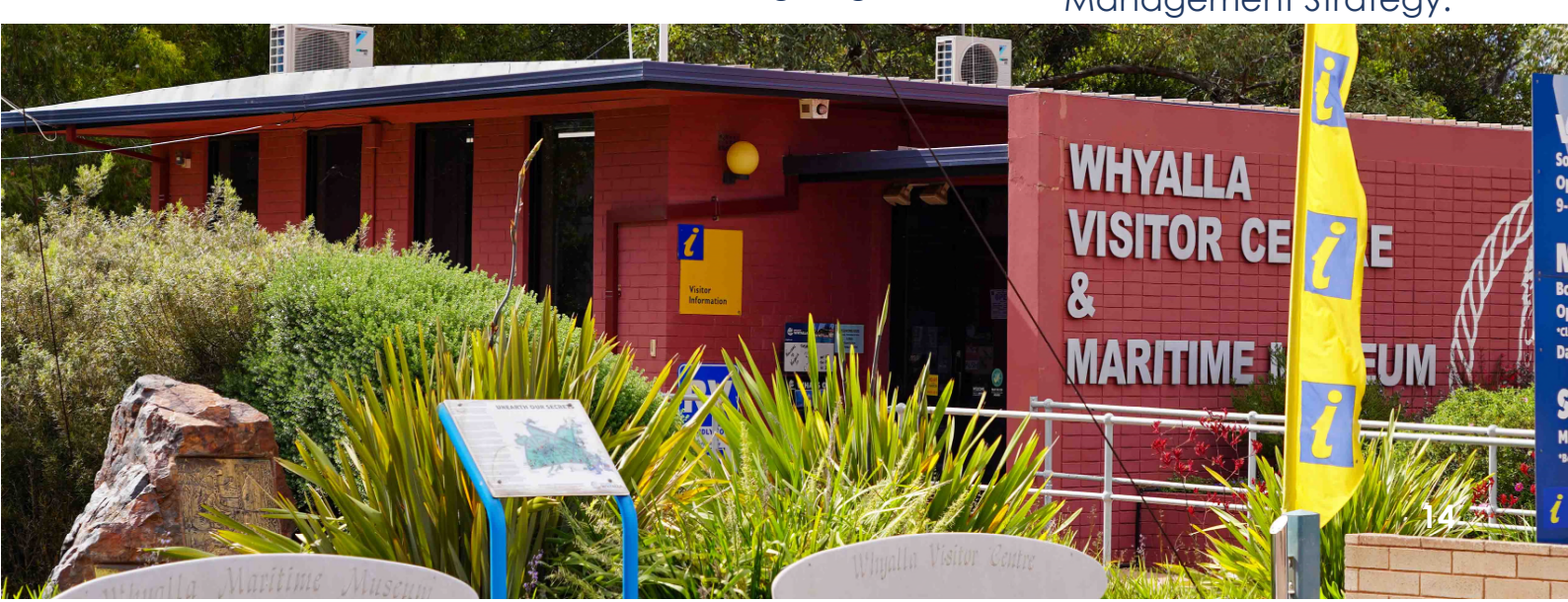
The Net Financial Liabilities Ratio peaks at

39% in 2024/25, and reduces to (5%) by the end of the plan.

Total borrowings are projected to peak at \$16.6 million in 2024/25 reducing to nil by 2033/34. Council may need to consider forgiving some of

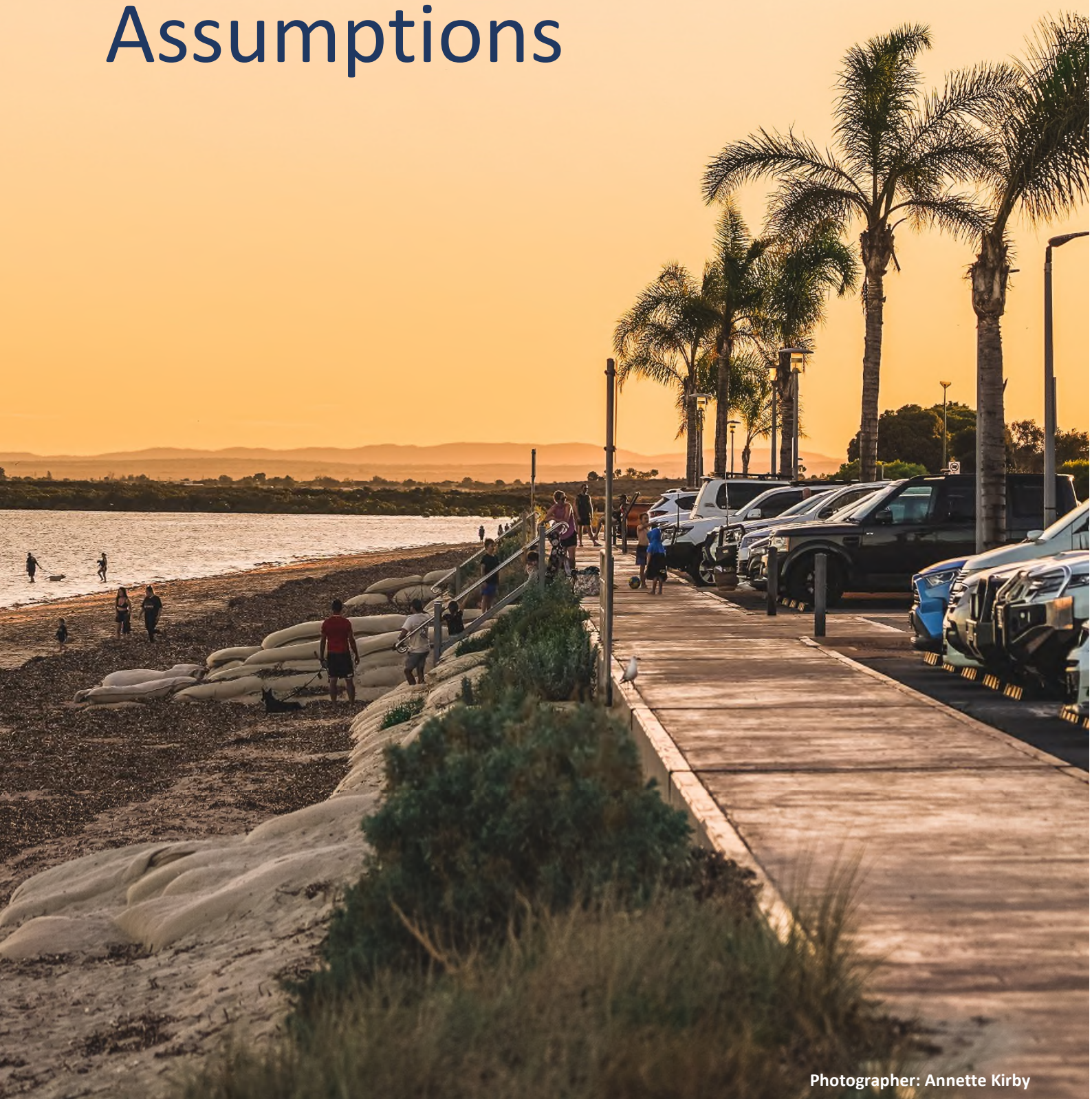
the Airports debt at some point in the future.

The Asset Renewal Funding Ratio is 100% in all years except 2024/25, showing that renewal budgets are in line with Council's Asset Management Strategy.





# Assumptions



# Operating income

## Rating Components

2025-34

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Forecast CPI</b>	4.2%	3.3%	2.9%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
<b>Allocation for Local Government Costs</b>	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
<b>Allocation for Budget Repair</b>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Allocation for projects</b>	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
<b>Forecast increase to the average rate assessment</b>	<b>5.8%</b>	<b>4.9%</b>	<b>4.5%</b>	<b>4.3%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>	<b>4.1%</b>

## General Rates

The rate increase to the average assessment is projected to be 4.4%\* per annum over the term of the plan. CPI is projected to average 2.8% over this period, with an additional 1.6% increase required per year. Of this 1.6%, 1.4% is required to sustainably deliver Council's existing services while also moving out of a deficit position, while the other 0.2% gives Council the capacity to deliver strategic projects. No rates growth has been included in the projections, based on Council's experience over the last few years.

This strategy attempts to reconcile the impact of pressure on Council's costs for service provision, which can

increase greater than CPI, against ratepayers expectations of rate increases based on CPI and still achieve long term financial sustainability.

General Rates as a percentage of operating income is an average of 54% for the period of the plan.

\* The actual increase payable by any individual ratepayer may be more or less than this depending on the movement in the capital value of the relative property.

## Rates Other

Rates Other revenue includes the State Government's Landscape Levy collected on behalf of the Landscape Board as well as Council's Waste Collection Service Charge. Increases in Other Rates have been indexed by CPI.

Rates Other as a percentage of operating income is an average of 12% for the period of the plan.

## Statutory Charges

Statutory charges are fees for regulatory services. They are associated with the granting of a permit/ licence or the regulation of an activity. They include Planning, Development and Infrastructure Act fees, Animal Registration charges and Parking Fines. Increases in statutory charges are made in accordance with legislative requirements and have been indexed by CPI.

Statutory Charges as a percentage of operating income is an average of 1% for the period of the plan.







## Operating income Cont.

### Grants, Subsidies and Contributions

Operating Grants are based on identified grants and include grants, subsidies and contributions from all sources but excludes amounts specifically received for new/upgraded assets (i.e. the acquisition or enhancement of assets).

The Roads to Recovery Grant is fixed for a 5 year period, so no indexation has been included. All other ongoing grants have been projected to increase in line with CPI.

Grants, subsidies and contributions as a percentage of operating income is an average of 15% for the period of the plan.

### User Charges

User charges relate mainly to the recovery of service delivery costs through the charging of fees to users of Council's services. They include hire and leasing of community facilities, childcare fees, cemetery and airport income.

Hire, leasing and cemetery incomes are projected to increase at twice CPI to move these services towards cost recovery, taking pressure off rates income. All other user charges are projected to increase with CPI.

User Charges as a percentage of operating income is an average of 15% for the period of the plan.

### Investment Income

Investment income is based on cash flows for the relevant year and are immaterial as Council is in a borrowing position.

### Reimbursements and Other Revenues

Reimbursements are amounts received as payment for work done by the Council acting as an agent for others. Other Revenue is revenue not separately classified above, mainly being income in lieu of rates received from the steelworks. For these income classifications CPI has been applied for indexation purposes.

Reimbursements and Other Revenue as a percentage of operating income is an average of 3% for the period of the plan.

## Amounts Specifically for New/upgraded assets

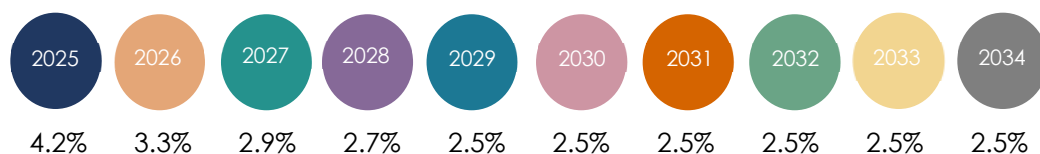
Income for New/ Upgraded Assets is based on anticipated grants and contributions being received for identified capital works projects and have been indexed by CPI.

These grants are received predominantly from the Federal and State Government.

Over the ten years of the LTFP Council anticipates it will receive \$2.4 million in capital income.

This amount is subject to application and approval for specific projects.

# Operating Expenses



## Forecast CPI

## Wage Increases

## Depreciation Increases

## Interest Rates

4.5%	4.5%	3.2%	3.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
3.2%	2.3%	1.9%	2.2%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%
5.1%	5.3%	5.5%	5.7%	5.9%	6.1%	6.3%	6.5%	6.5%	6.5%

## Employee Costs

Employee costs include all labour related expenses such as wages and salaries, and on-costs such as allowances, leave entitlements and employer superannuation.

Enterprise Bargaining Agreements for staff covered by the ASU and AWU awards have impacted on salary and wages by 4.0% for 24/25 and 25/26, as well as additional 0.5% for both these years due to the increase in the superannuation guarantee. Subsequent years have been based on CPI plus 0.3%.

The model assumes a reduction of 3 Management positions from 25/26, with this to be reviewed if property growth begins to be experienced. Additionally the plan assumes that 1.5 Full Time positions will be vacant at any given time and budgets accordingly.

Employee costs as a percentage of operating expenditure is an average of 36% for the period of the plan.

## Materials, Contracts & Other Expenses

Materials cover payments for physical goods, this includes purchase of consumables, water and energy. Contract services involve payments for the external provision of services. Other Expenses cover costs such as Training and Insurance. Over the period of the plan CPI has been applied for indexation purposes.

Materials, Contracts and Other Expenses as a percentage of operating expenditure is an average of 41% for the period of the plan.

## Finance Costs

Finance costs cover the costs of financing the Council's activities through borrowings. The interest expense is based on cash flows with projected interest rates increasing from 5.1% to 6.5% over the life of the plan. This is based on low fixed term interest rate loans converting to higher variable rates over time.

Finance costs as a percentage of operating expenditure is an average of 2% for the period of the plan.

## Depreciation

Depreciation is an accounting measure, which records the consumption of Council's infrastructure, property, plant and equipment and has been based on Council's Asset Management Strategy.

It reflects the combined effect of the impact of depreciable assets created by capital expenditure on new/upgraded assets, and the ongoing impact of regularly revaluing infrastructure assets on a 'fair value' basis.

Over the past few years depreciation expenditure has experienced large increases, primarily due to supply issues caused by Covid. For this reason, it has been assumed that depreciation will increase by 4% less than CPI over the next 5 years, as a long term correction to current pricing.

Depreciation expense as a percentage of operating expenditure is an average of 21% for the period of the plan.





## Net Outlays on New & Existing Assets

Sale of assets is based on Council's Plant Replacement program; no estimate has been allocated for the disposal of assets surplus to Council's needs, these will be added as they become known.

Asset Renewals are based on Council's Asset Management Strategy, with \$73 million

allocated over the ten years of the plan as outlined below.

The allocation for New and Upgrade Assets has been based on affordability with \$24 million allocated over the ten years of the plan.

Due to the nature of the planning process for projects, including design and

procurement, there is a percentage of project budgets that will inevitably carry forward to a future year. This has been incorporated into Council's cashflows so as not to overstate loan borrowings, starting at \$4 million, but reducing to zero by the end of the plan.

	Buildings	Rec and Open Spaces	Transport	Irrigation	Stormwater	Plant & Equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Renewal</b>	15,642	6,247	30,994	2,279	664	16,750





## Proceeds and repayments of loans

Council funds are preserved and invested in accordance with its legislative and common law responsibilities ensuring that interest costs of borrowing are minimised.

All investments and borrowings are to be made exercising care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons.

To effectively manage its cash flows and reduce the impact of debt, Council holds all borrowings as cash advance debenture facilities with the Local Government Finance Authority.

## Balance Sheet

### Assets

Trade, Other Receivables and Inventories such as outstanding rates and other debtor balances are not expected to change significantly and therefore have been largely based in accordance with the 2023 Financial Statements.

Non-Current Assets reflect the combined effect of all capital expenditure, the depreciation of existing assets, the book value of assets sold and the ongoing revaluation of infrastructure assets on a fair value basis.

### Liabilities

Trade, Other Payables and Provisions are not expected to change significantly and therefore have been largely based in accordance with the 2023 Financial Statements.

### Equity

Council's total equity is forecast to increase from \$358 million in 2023/24 to \$465 million in 2030/34. This is primarily due to projected increases in the asset revaluation reserves for the period of the plan, which have been based on annual CPI projections.



# Sensitivity Analysis





# Sensitivity Analysis

The figures in the LTFP are based on a number of assumptions about economic indicators over the life of the plan. While these assumptions are based on the best data available, by their nature they are hard to predict and subject to some variability.

Variations in these assumptions can have a material impact on Council's predicted results.

Sensitivity analysis has been undertaken to show the impacts of a number of key assumptions

- CPI
- Growth
- Rates

## CPI impacts of +1% and -1% annual change

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Adjusted Operating Suplus/(Deficit) - CPI Current</b>	(1,743)	(968)	(676)	(124)	377	841	1,224	1,836	2,452	3,038
<b>Adjusted Operating Suplus/(Deficit) - CPI +1%</b>	(1,623)	(673)	(332)	288	871	1,444	1,956	2,725	3,405	3,976
<b>Adjusted Operating Suplus/(Deficit) - CPI -1%</b>	(1,863)	(1,260)	(1,012)	(521)	(100)	278	554	1,045	1,521	1,984

The LTFP model forecasts that CPI will incrementally return to 2.5% in the long term, the mid-point of the Reserve Bank of Australia's target range.

The table above shows changes to Council's Operating Result for 1% movements in this assumption, a reduction in CPI worsens Council's operating position while an increase in CPI strengthens Council's operating position.

The model is particularly sensitive to changes in CPI in the first two years, as wage increases are fixed under the current Enterprise Bargaining agreement. From year 3 the model is relatively neutral to CPI.





# GROWTH

impacts of +0.2% and +0.5% annual change

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

## Adjusted Operating Suplus/(Deficit) - Growth Current

(1,743)	(968)	(676)	(124)	377	841	1,224	1,836	2,452	3,038
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## Adjusted Operating Suplus/(Deficit) - Growth +0.2%

(1,703)	(876)	(528)	86	657	1,206	1,682	2,401	3,112	3,708
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## Adjusted Operating Suplus/(Deficit) - Growth +0.5%

(1,638)	(737)	(305)	406	1,091	1,767	2,392	3,240	3,990	4,649
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The LTFP model assumes nil growth. Changes in the level of growth can affect the cost of providing services and rate income. The table above shows that if consistent Growth can be achieved this will

significantly improve Council's operating position due to the extra Rates income generated. The current no growth model provides little capacity for increases in services.

It is envisioned that if Growth is achieved, these funds will be reinvested in the expansion of existing services and the provision of new ones, as will be demanded by a growing population.





# RATES

impacts of -0.5% and -1.0% annual change

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

<b>Adjusted Operating Suplus/(Deficit) - Rates Current</b>	(1,743)	(968)	(676)	(124)	377	841	1,224	1,836	2,452	3,038
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<b>Adjusted Operating Suplus/(Deficit) - Rates - 0.5%</b>	(1,853)	(1,203)	(1,056)	(669)	(357)	(101)	43	381	699	998
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<b>Adjusted Operating Suplus/(Deficit) - Rates - 1.0%</b>	(1,963)	(1,440)	(1,438)	(1,212)	(1,079)	(1,026)	(1,114)	(1,036)	(997)	(1,010)
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The LTFP model assumes rate increases of 1.6% above CPI per annum for the term of the plan. Our General Rate income is in the vicinity of \$21 million per annum, therefore, any movement in the rate increase relative to CPI can have a significant impact

on our rate income and operating result. The table below shows that a decrease in the rate assumption above CPI of 0.5% will result in deficits for an additional 2 years, which is not consistent with Council's aim of moving back to break even in a timely manner.

Further, the table shows a decrease in the rate assumption above CPI of 1% will affect the ability of Council to continue to operate without significant service cuts, with significant and static deficits predicted for all ten years of the plan.









# Appendix A





# ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

Year Ending 30 June:

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
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

<b>INCOME</b>												
Rates	23,715	25,727	27,136	28,378	29,566	30,744	31,912	33,124	34,382	35,688	37,046	38,458
Statutory Charges	412	442	460	475	489	502	515	528	541	555	569	583
User Charges	3,742	4,799	5,882	6,268	6,547	6,796	7,010	7,231	7,461	7,698	7,943	8,198
Grants, subsidies, contributions - capital	1,227	840	386	386	386	386	386	386	386	386	386	386
Grants, subsidies, contributions - operating	8,964	6,930	6,346	6,549	6,544	6,721	6,889	7,062	7,239	7,420	7,606	7,796
Investment Income	38	42	12	12	12	12	12	12	12	12	12	12
Reimbursements	97	41	11	11	11	11	11	11	11	11	11	11
Other Income	1,229	1,166	1,148	1,200	1,250	1,299	1,348	1,399	1,452	1,506	1,563	1,622
<b>TOTAL INCOME</b>	<b>39,424</b>	<b>39,987</b>	<b>41,381</b>	<b>43,279</b>	<b>44,805</b>	<b>46,471</b>	<b>48,083</b>	<b>49,753</b>	<b>51,484</b>	<b>53,276</b>	<b>55,136</b>	<b>57,066</b>

<b>EXPENSES</b>												
Employee costs	13,869	14,690	15,837	16,013	16,526	17,022	17,498	17,988	18,492	19,010	19,542	20,089
Materials, contracts & other expenses	17,885	19,140	17,146	17,766	18,280	18,704	19,190	19,738	20,384	20,826	21,364	21,966
Depreciation	7,954	8,796	8,940	9,156	9,360	9,578	9,782	10,042	10,310	10,587	10,900	11,222
Finance Costs	645	801	1,201	1,312	1,315	1,291	1,236	1,144	1,074	1,017	878	751
<b>TOTAL INCOME</b>	<b>40,353</b>	<b>43,427</b>	<b>43,124</b>	<b>44,247</b>	<b>45,481</b>	<b>46,595</b>	<b>47,706</b>	<b>48,912</b>	<b>50,260</b>	<b>51,440</b>	<b>52,684</b>	<b>54,028</b>

<b>OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS</b>	<b>(929)</b>	<b>(3,440)</b>	<b>(1,743)</b>	<b>(968)</b>	<b>(676)</b>	<b>(124)</b>	<b>377</b>	<b>841</b>	<b>1,224</b>	<b>1,836</b>	<b>2,452</b>	<b>3,038</b>
Net gain/(loss) on disposal or revaluations	(2,071)	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new assets	1,149	1,298	746	170	175	180	184	189	194	198	203	208
<b>NET SURPLUS/(DEFICIT)</b>	<b>(1,851)</b>	<b>(2,142)</b>	<b>(997)</b>	<b>(798)</b>	<b>(501)</b>	<b>56</b>	<b>561</b>	<b>1,030</b>	<b>1,418</b>	<b>2,034</b>	<b>2,655</b>	<b>3,246</b>

<b>OTHER COMPREHENSIVE INCOME</b>												
Changes in revaluation surplus - IPP&E	40,989	21,302	11,781	8,836	7,433	8,722	8,067	10,227	10,434	10,664	10,917	11,171
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>39,138</b>	<b>19,160</b>	<b>10,784</b>	<b>8,038</b>	<b>6,932</b>	<b>8,778</b>	<b>8,628</b>	<b>11,257</b>	<b>11,852</b>	<b>12,698</b>	<b>13,572</b>	<b>14,417</b>

<b>ADJUSTED OPERATING SUPPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS</b>	<b>(2,648)</b>	<b>(3,440)</b>	<b>(1,743)</b>	<b>(968)</b>	<b>(676)</b>	<b>(124)</b>	<b>377</b>	<b>841</b>	<b>1,224</b>	<b>1,836</b>	<b>2,452</b>	<b>3,038</b>
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# ESTIMATED STATEMENT OF FINANCIAL POSITION

Year Ending 30 June:

	2023 Actual	2024 Estimate	2025 Year 1	2026 Year 2	2027 Year 3	2028 Year 4	2029 Year 5	2030 Year 6	2031 Year 7	2032 Year 8	2033 Year 9	2034 Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>												
<b>CURRENT ASSETS</b>												
Cash & Equivalent Assets	108	213	183	267	245	149	189	220	177	252	195	1,447
Trade & Other Receivables	4,336	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706	8,706
Inventories	2,783	2,783	2,783	2,783	2,783	2,783	2,783	2,783	2,783	2,783	2,783	2,783
<b>Total Current Assets</b>	<b>7,227</b>	<b>11,702</b>	<b>11,672</b>	<b>11,756</b>	<b>11,734</b>	<b>11,638</b>	<b>11,678</b>	<b>11,709</b>	<b>11,666</b>	<b>11,741</b>	<b>11,684</b>	<b>12,936</b>
<b>NON-CURRENT ASSETS</b>												
Infrastructure, Property, Plant & Equipment	349,661	373,21	388,010	394,939	401,368	408,417	415,580	423,981	435,451	445,849	457,553	468,893
Other Non-Current Assets	1,681	1,581	1,481	1,381	1,281	1,181	1,081	981	881	781	681	581
<b>Total Non-Current Assets</b>	<b>351,342</b>	<b>375,202</b>	<b>389,491</b>	<b>396,320</b>	<b>402,649</b>	<b>409,598</b>	<b>416,661</b>	<b>424,962</b>	<b>436,332</b>	<b>446,630</b>	<b>458,234</b>	<b>469,474</b>
<b>TOTAL ASSETS</b>	<b>358,342</b>	<b>386,904</b>	<b>401,163</b>	<b>408,076</b>	<b>414,383</b>	<b>421,236</b>	<b>428,339</b>	<b>436,671</b>	<b>447,998</b>	<b>458,371</b>	<b>469,918</b>	<b>482,410</b>
<b>LIABILITIES</b>												
<b>CURRENT LIABILITIES</b>												
Trade & Other Payables	4,843	3,743	3,743	3,743	3,743	3,743	3,743	3,743	3,743	3,743	3,743	3,743
Borrowings	-	-	1,400	800	2,000	1,700	3,100	700	2,600	2,200	2,100	-
Provisions	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747	2,747
<b>Total Current Liabilities</b>	<b>6,006</b>	<b>6,490</b>	<b>7,890</b>	<b>7,290</b>	<b>8,490</b>	<b>8,190</b>	<b>9,590</b>	<b>7,190</b>	<b>9,090</b>	<b>8,690</b>	<b>8,590</b>	<b>6,490</b>
<b>NON-CURRENT LIABILITIES</b>												
Borrowings	11,500	21,800	23,900	23,400	21,600	20,000	17,100	16,600	14,200	12,300	10,400	10,600
Provisions	1,032	1,007	982	957	932	907	882	857	832	807	782	757
<b>Total Non-Current Liabilities</b>	<b>12,532</b>	<b>22,007</b>	<b>24,382</b>	<b>23,757</b>	<b>22,032</b>	<b>20,507</b>	<b>17,482</b>	<b>16,957</b>	<b>14,532</b>	<b>12,507</b>	<b>9,882</b>	<b>9,957</b>
<b>TOTAL LIABILITIES</b>	<b>20,122</b>	<b>29,297</b>	<b>32,772</b>	<b>31,647</b>	<b>31,022</b>	<b>29,097</b>	<b>27,572</b>	<b>24,647</b>	<b>24,122</b>	<b>21,797</b>	<b>19,772</b>	<b>17,847</b>
<b>NET ASSETS</b>	<b>338,447</b>	<b>357,670</b>	<b>368,391</b>	<b>376,429</b>	<b>383,361</b>	<b>392,139</b>	<b>400,767</b>	<b>412,024</b>	<b>423,876</b>	<b>436,574</b>	<b>450,146</b>	<b>464,563</b>
<b>EQUITY</b>												
Accumulated Surplus	46,582	44,440	43,443	42,645	42,144	42,200	42,761	43,791	45,209	47,243	49,898	53,144
Asset Revaluation Reserve	291,578	312,880	324,661	333,497	340,930	349,652	357,719	367,946	378,380	389,044	399,961	411,132
Other Reserves	287	287	287	287	287	287	287	287	287	287	287	287
<b>TOTAL EQUITY</b>	<b>338,447</b>	<b>357,607</b>	<b>368,391</b>	<b>376,4239</b>	<b>383,361</b>	<b>392,139</b>	<b>400,767</b>	<b>412,024</b>	<b>423,876</b>	<b>436,574</b>	<b>450,146</b>	<b>464,563</b>

# ESTIMATED STATEMENT OF CASH FLOWS

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Year Ending 30 June:

	2023 Actual	2024 Estimate	2025 Year 1	2026 Year 2	2027 Year 3	2028 Year 4	2029 Year 5	2030 Year 6	2031 Year 7	2032 Year 8	2033 Year 9	2034 Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>												
<b>RECEIPTS</b>												
Operating Receipts	42,484	34,735	40,983	42,881	44,407	46,073	47,685	49,355	51,086	52,878	54,738	56,668
Investment Income	38	42	12	12	12	12	12	12	12	12	12	12
<b>PAYMENTS</b>												
Operating Payments	(32,842)	(34,855)	(32,908)	(33,704)	(34,731)	(35,651)	(36,613)	(37,651)	(38,801)	(39,761)	(40,831)	(41,980)
Finance Costs	(510)	(801)	(1,201)	(1,312)	(1,315)	(1,291)	(1,236)	(1,144)	(1,074)	(1,017)	(878)	(751)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>9,170</b>	<b>(879)</b>	<b>6,886</b>	<b>7,877</b>	<b>8,373</b>	<b>9,143</b>	<b>9,848</b>	<b>10,572</b>	<b>11,223</b>	<b>12,112</b>	<b>13,041</b>	<b>13,949</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>RECEIPTS</b>												
Amounts Specifically for New Assets	1,149	1,298	746	170	175	180	184	189	194	198	203	208
Grants Utilised for Capital Purposes	1,227	840	386	386	386	386	386	386	386	386	386	386
Sale of Renewed/Replaced Assets	232	283	157	93	156	171	166	174	343	178	241	319
Sale of Surplus Assets	1,420	-	-	-	-	-	-	-	-	-	-	-
<b>PAYMENTS</b>												
Expenditure on Renewal/Replacement of Assets	(3,555)	(6,826)	(7,532)	(4,825)	(6,112)	(6,118)	(6,544)	(6,341)	(9,089)	(8,345)	(9,221)	(9,449)
Expenditure on New/Upgraded Assets	(5,135)	(4,911)	(4,173)	(2,517)	(2,400)	(1,958)	(2,500)	(2,049)	(2,600)	(2,154)	(2,707)	(2,261)
<b>Net Cash Provided by (or used in) Investing Activities</b>	<b>(4,662)</b>	<b>(9,316)</b>	<b>(10,416)</b>	<b>(6,693)</b>	<b>(7,795)</b>	<b>(7,339)</b>	<b>(8,308)</b>	<b>(7,641)</b>	<b>(10,766)</b>	<b>(9,737)</b>	<b>(11,098)</b>	<b>(10,797)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>RECEIPTS</b>												
Proceeds from Borrowings	2,600	10,300	3,500	300	200	100	200	200	200	300	200	200
<b>PAYMENTS</b>												
Repayments of Borrowings	(7,350)	-	-	(1,400)	(800)	(2,000)	(1,700)	(3,100)	(700)	(2,600)	(2,200)	(2,100)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(4,750)</b>	<b>10,300</b>	<b>3,500</b>	<b>(1,100)</b>	<b>(600)</b>	<b>(1,900)</b>	<b>(1,500)</b>	<b>(2,900)</b>	<b>(500)</b>	<b>(2,300)</b>	<b>(2,000)</b>	<b>(1,900)</b>
Net Increase/(Decrease) in cash held	(242)	105	(30)	84	(22)	(96)	40	31	(43)	75	(57)	1,252
Opening cash, cash equivalents or (bank overdraft)	350	108	213	183	267	245	149	189	220	177	252	195
<b>Closing cash, cash equivalents or (bank overdraft)</b>	<b>108</b>	<b>213</b>	<b>183</b>	<b>267</b>	<b>245</b>	<b>149</b>	<b>189</b>	<b>220</b>	<b>177</b>	<b>252</b>	<b>195</b>	<b>1,447</b>

# ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ending 30 June:

2023 Actual	2024 Estimate	2025 Year 1	2026 Year 2	2027 Year 3	2028 Year 4	2029 Year 5	2030 Year 6	2031 Year 7	2032 Year 8	2033 Year 9	2034 Year 10
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

<b>ACCUMULATED SURPLUS</b>												
Balance at end of previous reporting period	48,045	46,582	44,440	43,443	42,645	42,144	42,200	42,761	43,791	45,209	47,243	49,898
Net Result for Year	(1,851)	(2,142)	(997)	(798)	(501)	56	561	1,030	1,418	2,034	2,655	3,246
Net Transfers from Other Reserves	388	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of period</b>	<b>46,582</b>	<b>44,440</b>	<b>43,443</b>	<b>42,645</b>	<b>42,144</b>	<b>42,200</b>	<b>42,761</b>	<b>43,791</b>	<b>45,209</b>	<b>47,243</b>	<b>49,898</b>	<b>53,144</b>
<b>ASSET REVALUATION RESERVE</b>												
Balance at end of previous reporting period	250,589	291,578	312,880	324,661	333,497	340,930	349,652	357,719	367,946	378,380	389,044	399,961
Asset Revaluation	40,989	21,302	11,781	8,836	7,433	8,722	8,067	10,227	10,434	10,664	10,917	11,171
<b>Balance at end of period</b>	<b>291,578</b>	<b>312,880</b>	<b>324,661</b>	<b>333,497</b>	<b>340,930</b>	<b>349,652</b>	<b>357,719</b>	<b>367,946</b>	<b>378,380</b>	<b>389,044</b>	<b>399,961</b>	<b>411,132</b>
<b>OTHER RESERVES</b>												
Balance at end of previous reporting period	655	287	287	287	287	287	287	287	287	287	287	287
Net Transfers to Accumulated Surplus	(388)	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at end of period</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>
<b>TOTAL EQUITY AT END OF REPORTING PERIOD</b>	<b>338,447</b>	<b>357,607</b>	<b>368,391</b>	<b>376,429</b>	<b>383,361</b>	<b>392,139</b>	<b>400,767</b>	<b>412,024</b>	<b>423,876</b>	<b>436,574</b>	<b>450,146</b>	<b>464,563</b>



# Appendix B



Photographer: Annette Kirby

## ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ending 30 June:

	2023 Actual	2024 Estimate	2025 Year 1	2026 Year 2	2027 Year 3	2028 Year 4	2029 Year 5	2030 Year 6	2031 Year 7	2032 Year 8	2033 Year 9	2034 Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenues	2,512	2,319	2,779	3,027	3,179	3,304	3,399	3,496	3,597	3,700	3,806	3,916
<i>less:</i> Operating Expenses	(3,487)	(3,449)	(3,580)	(3,807)	(3,931)	(4,048)	(4,163)	(4,287)	(4,412)	(4,545)	(4,661)	(4,776)
<b>Operating Surplus/(Deficit) before Capital Amounts</b>	<b>(975)</b>	<b>(1,130)</b>	<b>(801)</b>	<b>(780)</b>	<b>(752)</b>	<b>(744)</b>	<b>(764)</b>	<b>(791)</b>	<b>(815)</b>	<b>(845)</b>	<b>(855)</b>	<b>(860)</b>
Capital Expenditure on Renewal/Replacement	(6)	-	-	-	-	-	-	-	-	-	-	-
<i>add back:</i> Depreciation, Amortisation and Impairment	416	508	529	541	551	563	574	589	604	620	636	652
<b>Net Outlays on Existing Assets</b>	<b>410</b>	<b>508</b>	<b>529</b>	<b>541</b>	<b>551</b>	<b>563</b>	<b>574</b>	<b>589</b>	<b>604</b>	<b>620</b>	<b>636</b>	<b>652</b>
Capital Expenditure on New and Upgraded Assets	(2,211)	(35)	-	-	-	-	-	-	-	-	-	-
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	141	-	-	-	-	-	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	<b>(2,070)</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Lending/(Borrowing) for Financial Year</b>	<b>(2,635)</b>	<b>(657)</b>	<b>(272)</b>	<b>(239)</b>	<b>(201)</b>	<b>(181)</b>	<b>(190)</b>	<b>(202)</b>	<b>(211)</b>	<b>(225)</b>	<b>(219)</b>	<b>(208)</b>
New Borrowings	2,600	700	200	300	200	100	200	200	200	300	200	200
Repayment of Principal on Borrowings	-	-	-	-	-	-	-	-	-	-	-	-
(Increase)/Decrease in Cash and Cash Equivalents	35	(43)	72	(61)	1	81	(10)	2	11	(75)	19	8
<b>Financing Transactions</b>	<b>2,635</b>	<b>657</b>	<b>272</b>	<b>239</b>	<b>201</b>	<b>181</b>	<b>190</b>	<b>202</b>	<b>211</b>	<b>225</b>	<b>219</b>	<b>208</b>

## ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ending 30 June:

	2023 Actual \$'000	2024 Estimate \$'000	2025 Year 1 \$'000	2026 Year 2 \$'000	2027 Year 3 \$'000	2028 Year 4 \$'000	2029 Year 5 \$'000	2030 Year 6 \$'000	2031 Year 7 \$'000	2032 Year 8 \$'000	2033 Year 9 \$'000	2034 Year 10 \$'000
Operating Revenues	36,912	37,668	38,602	40,252	41,626	43,167	44,684	46,257	47,887	49,576	51,330	53,150
<i>less:</i> Operating Expenses	(36,866)	(39,978)	(39,544)	(40,440)	(41,550)	(42,547)	(43,543)	(44,625)	(45,848)	(46,895)	(48,023)	(49,252)
<b>Operating Surplus/(Deficit) before Capital Amounts</b>	<b>46</b>	<b>(2,310)</b>	<b>(942)</b>	<b>(188)</b>	<b>76</b>	<b>620</b>	<b>1,141</b>	<b>1,632</b>	<b>2,039</b>	<b>2,681</b>	<b>3,307</b>	<b>3,898</b>
Capital Expenditure on Renewal/Replacement	(4,690)	(7,826)	(8,532)	(4,825)	(5,612)	(6,118)	(6,044)	(6,341)	(8,589)	(8,345)	(8,721)	(9,449)
<i>add back:</i> Depreciation, Amortisation and Impairment	7,538	8,288	8,411	8,615	8,809	9,015	9,208	9,453	9,706	9,967	10,264	10,570
<i>add back:</i> Proceeds from Sale of Replaced Assets	232	283	157	93	156	171	166	174	343	178	241	319
<b>Net Outlays on Existing Assets</b>	<b>3,080</b>	<b>745</b>	<b>36</b>	<b>3,883</b>	<b>3,353</b>	<b>3,068</b>	<b>3,330</b>	<b>3,286</b>	<b>1,460</b>	<b>1,800</b>	<b>1,784</b>	<b>1,440</b>
Capital Expenditure on New and Upgraded Assets	(2,434)	(5,876)	(5,173)	(2,517)	(1,900)	(1,958)	(2,000)	(2,049)	(2,100)	(2,154)	(2,207)	(2,261)
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	1,008	1,298	746	170	175	180	184	189	194	198	203	208
<i>add back:</i> Proceeds from Sale or Surplus Assets	1,421	-	-	-	-	-	-	-	-	-	-	-
<b>Net Outlays on New and Upgraded Assets</b>	<b>(5)</b>	<b>(4,578)</b>	<b>(4,427)</b>	<b>(2,347)</b>	<b>(1,725)</b>	<b>(1,778)</b>	<b>(1,816)</b>	<b>(1,860)</b>	<b>(1,906)</b>	<b>(1,956)</b>	<b>(2,004)</b>	<b>(2,053)</b>
<b>Net Lending/(Borrowing) for Financial Year</b>	<b>3,121</b>	<b>(6,143)</b>	<b>(5,333)</b>	<b>1,348</b>	<b>1,704</b>	<b>1,910</b>	<b>2,655</b>	<b>3,058</b>	<b>1,593</b>	<b>2,525</b>	<b>3,087</b>	<b>3,285</b>
New Borrowings	-	9,600	3,300	-	-	-	-	-	-	-	-	-
Repayment of Principal on Borrowings	(7,350)	-	-	(1,400)	(800)	(2,000)	(1,700)	(3,100)	(700)	(2,600)	(2,200)	(2,100)
(Increase)/Decrease in Cash and Cash Equivalents	207	(62)	(42)	(23)	21	15	(30)	(33)	32	-	38	(1,260)
Net Balance Sheet Funding	4,022	(3,395)	2,075	75	(925)	75	(925)	75	(925)	75	(925)	75
<b>Financing Transactions</b>	<b>(3,121)</b>	<b>6,143</b>	<b>5,333</b>	<b>(1,348)</b>	<b>(1,704)</b>	<b>(1,910)</b>	<b>(2,655)</b>	<b>(3,058)</b>	<b>(1,593)</b>	<b>(2,525)</b>	<b>(3,087)</b>	<b>(3,285)</b>



## 2 ITEMS FOR DECISION

### 2.2 Budget Review 2023/24 Quarter 2

**Audit and Risk** 5 February 2024

**Committee:**

**Author's Title:** Grant Jennings - Manager Finance **File No.:** 0-159

**Director:** Corporate

#### Annexures:

Annexure A – Budget Review 2023/24 Quarter 2

#### 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

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#### PURPOSE

To provide an updated projection of Council's operating and capital budgets for the 2023/24 financial year, identifying any variations sought to Council's original budget and the cumulative financial implications.

#### SUMMARY

The Quarter 2 Budget Review identifies all known variances to Council's 2023/24 budget at this stage, with a number of large variances negatively impacting on Council's financial position.

Council received an increase in Financial Assistance Grant allocations. This occurred as Council has been receiving a payment for the last few years that is below the optimal figure calculated by the Grants Commission, due to rules surrounding how much allocations can increase or decrease in any given year. This additional allocation has been used in future years to increase Council's budget capacity, as well as to improve the overall operating result. In the current year it has been used to fund a number of budget pressures.

#### RECOMMENDATION

**The Audit and Risk Committee:**

1. recommend the Budget Review 2023/24 Quarter 3, identifying an operating deficit of \$3,440,000 and an estimated cash position at end of reporting period of \$213,000, be submitted to Council for adoption; and
2. recommend that the 2023/24 Annual Business Plan and Budget and Long-Term Financial Plan be amended to reflect the variances.

## 2.2 Budget Review 2023/24 Quarter 2

### REPORT

#### BACKGROUND

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

#### DISCUSSION

The Budget Review comprises the following statements:

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

Refer **Annexure A** – Budget Review 2023/24 Quarter 2

Council received an increase in Financial Assistance Grant allocations. This occurred as Council has been receiving a payment for the last few years that is below the optimal figure calculated by the Grants Commission, due to rules surrounding how much allocations can increase or decrease in any given year. This additional allocation has been used in future years to increase Council's budget capacity, as well as to improve the overall operating result. In the current year it has been used to fund a number of budget pressures.

The majority of these budget pressures are one-off and include:

- costs for loss of income for the Leisure Centre while it is closed for major capital works
- legal costs due to a small number of ongoing matters
- catch-up works on cleaning the Lincoln Highway drain
- Economic Development Advisor expenses
- additional costs to complete the relocation to the new Civic site
- additional costs to relocate junior soccer to Jubilee Park.

Some ongoing budget pressures that will need to be managed on an ongoing basis include:

- disposal costs for hard waste and illegal littering
- cleaning costs
- costs of running the fleet.

Overall, the Budget Review has a negative overall impact on Council's operating result of \$181,000. However, Council excluding Airport has an overall improvement in operating result of \$105,000, with the Airport seeing a significant worsening in result due to reduced passenger numbers since Rex left the market. Council does not have capacity in the budget to absorb negative budget pressures for the Airport.

The budget review attachment has been updated to highlight budget variances that are having an overall impact on Council's financial position. Many of the variances are offsetting

or relate to timing variances, so this change is intended to help draw attention to important items.

## **Financial Implications**

### Budget 2023/24 Impact

If approved by Council, these amendments will:

- increase Council's operating deficit by \$181,000 to a projected \$3.44 million;
- deteriorate Council's Operating Deficit Ratio, from (8%) to (9%);
- decrease Council's Net Financial Liabilities Ratio from 60% to 51%; and
- decrease Council's Asset Renewal Funding Ratio from 150% to 133%.

Council is outside target range for the Operating Ratio. This was already the case for the original budget but has worsened over the financial year. It should be noted that the overall change in the operating result compared to the original budget can be attributed to the following three items:

- budget items carried forward from 2022/23 that were unspent
- depreciation increases from the large increase in capital values at 30 June 2023
- reductions in Airport income due to reduced passengers.

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

### Long Term Financial Plan (LTFP) Impact

Council's operating results in future years are negatively impacted by approximately \$35,000 per annum, primarily due to interest expenses for the Airport, due to increased cash requirements in the current year.

The Net Financial Liabilities Ratio is estimated to peak at 58% in 2024/25, previously projected to peak at 65% in the same year. Borrowings are estimated to peak at \$25.3 million in 2024/25, previously predicted to be \$27.7 million, and then reduces to \$10.6 million by the end of the plan. The large decrease is due to the updated assumptions in the plan around carry forward capital projects.

The LTFP projections are based on the updated model that has been developed as part of the overall review of Council's Strategic Management Plans.

### Airport

The Airport's operating result has been negatively impacted by \$286,000 for the current year, primarily due to reduced income from lower than predicted passenger numbers.

The Airport's ongoing operating result has been negatively impacted by approximately \$75,000 per annum, due to the higher ongoing interest costs mentioned above, as well as increased cleaning and insurance costs.

The Airport operating result continues to be the biggest challenge for Council's overall budget position, both in the current year and on an ongoing basis. Unless passenger

numbers begin to increase in the next few years, some difficult decisions are likely to be required in how the Airport will operate into the future.

### **Strategic Plan**

*Objective 1.1 – Unearth community pride within the city*

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

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

### **Legislation**

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

**Officer Direct or Indirect Interest – Nil**

### **Risk Assessment**

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

The main financial risk for Council remains the Airport, as the financial projections are already not in a sustainable position and are heavily reliant on increasing passenger numbers to pre-Covid levels, which based on current experience appears to be unachievable.

**Social Considerations – Not applicable**

**Community Engagement – Nil**

**Environmental Implications – Not applicable**

**Communication – Not applicable**

### **Conclusion**

There are a large number of variances to Council's budget, which is reflective of the large number of activities being undertaken and priorities identified. In large part these variances have been offset, with the exception of the reduction in Airport income, which remains a large challenge for Council.



## BUDGET REVIEW 2023-24 2nd Quarter

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2023-24	Amendments 2023-24	Current Budget 2023-24	Proposed Amendments 2023-24	Projected Total 2023-24	Note	Estimated Budget 2024-25	Estimated Budget 2025-26	Estimated Budget 2026-27
<b>Council (including Airport)</b>		<b>1</b>						<b>2</b>			
Operating Surplus/(Deficit) - \$'000			(2,499)	(760)	(3,259)	(181)	(3,440)		(1,743)	(968)	(676)
Operating Surplus/(Deficit) Ratio	(2)% - 1%		(6%) ●	(2%)	(8%) ●	(1%)	(9%) ●		(4%) ●	(2%) ●	(2%) ●
Net Financial Liabilities Ratio	< 80%		67% ●	(7%)	60% ●	(9%)	51% ●		58% ●	52% ●	49% ●
Asset Renewal Funding Ratio	90 - 110%		132% ●	18%	150% ●	(17%)	133% ●		129% ●	100% ●	100% ●
<b>Council (excluding Airport)</b>											
Operating Surplus/(Deficit) - \$'000			(1,576) ●	(839)	(2,415) ●	105	(2,310) ●		(942) ●	(188) ●	76 ●
Operating Surplus/(Deficit) Ratio	(2)% - 1%		(4%) ●	(3%)	(7%) ●	1%	(6%) ●		(2%) ●	0% ●	0% ●
Net Financial Liabilities Ratio - %	< 80%		51% ●	(8%)	43% ●	(11%)	32% ●		39% ●	34% ●	31% ●
Asset Renewal Funding Ratio - %	90 - 110%		132% ●	18%	150% ●	(17%)	133% ●		129% ●	100% ●	100% ●
<b>Whyalla Airport</b>											
Operating Surplus/(Deficit) - \$'000		<b>9</b>	(923) ●	79	(844) ●	(286)	(1,130) ●		(801) ●	(780) ●	(752) ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(34%) ●	3%	(31%) ●	(18%)	(49%) ●		(29%) ●	(26%) ●	(24%) ●
Net Financial Liabilities Ratio - %	< 250%		291% ●	10%	301% ●	61%	362% ●		362% ●	312% ●	294% ●

## 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.

**WHYALLA CITY COUNCIL**  
**BUDGET REVIEW 2023-24 2nd Quarter**

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2023-24 \$000	Approved Amendments 2023-24 \$000	Current Budget 2023-24 \$000	Proposed Amendments 2023-24 \$000	Projected Total 2023-24 \$000	Note	Estimated Budget* 2024-25 \$000	Estimated Budget* 2025-26 \$000	Estimated Budget* 2026-27 \$000
<b>OPERATING ACTIVITIES</b>										
Operating Revenues	3	39,263	76	39,339	648	39,987		41,381	43,279	44,805
less Operating Expenses	4	(41,762)	(836)	(42,598)	(829)	(43,427)		(43,124)	(44,247)	(45,481)
<b>Operating Surplus/ (Deficit)</b>		<b>(2,499)</b>	<b>(760)</b>	<b>(3,259)</b>	<b>(181)</b>	<b>(3,440)</b>		<b>(1,743)</b>	<b>(968)</b>	<b>(676)</b>
<b>CAPITAL ACTIVITIES</b>										
<b>Net Outlays on Existing Assets</b>										
Capital Expense on renewal and replacement of Existing	5	(7,692)	(1,104)	(8,796)	970	(7,826)		(8,532)	(4,825)	(6,112)
add back Depreciation, Amortisation and Impairment		8,451	295	8,746	50	8,796		8,940	9,156	9,360
add back Proceeds from Sale of Replaced Assets		238	45	283	-	283		157	93	156
<b>Net Outlays on Existing Assets</b>		<b>997</b>	<b>(764)</b>	<b>233</b>	<b>1,020</b>	<b>1,253</b>		<b>565</b>	<b>4,424</b>	<b>3,404</b>
<b>Net Outlay on New and Upgraded Assets</b>										
Capital Expenditure on New and Upgraded Assets	6	(5,195)	(1,077)	(6,272)	361	(5,911)		(5,173)	(2,517)	(2,400)
add back Amounts received specifically for New and Upg	7	1,100	18	1,118	180	1,298		746	170	175
<b>Net Outlays on New and Upgraded Assets</b>		<b>(4,095)</b>	<b>(1,059)</b>	<b>(5,154)</b>	<b>541</b>	<b>(4,613)</b>		<b>(4,427)</b>	<b>(2,347)</b>	<b>(2,225)</b>
<b>Net Lending/ (Borrowing) for Financial Year</b>		<b>(5,597)</b>	<b>(2,583)</b>	<b>(8,180)</b>	<b>1,380</b>	<b>(6,800)</b>		<b>(5,605)</b>	<b>1,109</b>	<b>503</b>
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		5,600	8,000	13,600	(3,300)	10,300		3,500	300	200
Repayment of Principal		-	-	-	-	-		-	(1,400)	(800)
(Increase)/Decrease in Cash and Investments		(78)	13	(65)	(40)	(105)		30	(84)	22
Net Balance Sheet funding (debtors & creditors etc)		75	(5,430)	(5,355)	1,960	(3,395)		2,075	75	75
<b>Financing Transactions</b>	<b>8</b>	<b>5,597</b>	<b>2,583</b>	<b>8,180</b>	<b>(1,380)</b>	<b>6,800</b>		<b>5,605</b>	<b>(1,109)</b>	<b>(503)</b>

## Note Explanations – 2023-24 Quarter 2:

1. The operating deficit is expected to increase by \$181,000 to \$3.44 million. The Operating Deficit Ratio deteriorates from (8%) to (9%). The Net Financial Liabilities Ratio decreases by 9% from 60% to 51%. The Asset Renewal Funding Ratio decreases by 35% from 150% to 115%, due to carry forward renewal projects.
2. Council's operating results in future years are negatively impacted by approximately \$35,000 per annum. This can be primarily attributed to higher interest costs for the Airport, due to higher borrowings required in the current year. The Net Financial Liabilities Ratio is estimated to peak in 2025 at 58%, and then will reduce to 14% by the end of the plan. Borrowings are now estimated to be \$25.3 million in 2025 then reduce to \$10.6 million by the end of the plan.
3. Operating income is expected to increase by \$648,000, which is attributed to:
  - An increase in rates of \$27,000, due to an increase in properties receiving a waste pickup.
  - A decrease in user charges of \$444,000 due to:
    - increased Visitor income of \$65,000 from Maritime Museum admission, steelworks tours and souvenir sales;
    - \$65,000 of additional fuel sales at the airport;
    - an increase in childcare income of \$50,000 generated from an increase in occupancy rate at the centre; offset by
    - a reduction in airport income of \$260,000, primarily related to passenger numbers being lower than previously projected;
    - a reduction in screening income of \$170,000, due to a reduction in the cost of the screening contract;
    - \$115,000 of income moved from user charges to grants, due to funding for airport screening being extended until mid-November 2023;
    - removal of leasing income of \$37,000 for the old RDA building, as it has been sold;
    - a reduction in general leasing income of \$24,000; and
    - reduced crematorium income of \$20,000.
  - An increase in grants & contributions of \$960,000 due to:
    - Financial Assistance grant funding from the Federal Government being \$542,000 higher than projected;
    - additional Financial Assistance grant funding of \$246,000 short paid during 2022/23;
    - \$115,000 of income moved from user charges to grants, due to funding for airport screening being extended until mid-November 2023;
    - a waste grant of \$42,000 to assist with the costs of transporting recyclables;
    - an Australia Day grant of \$10,000; and
    - a library innovation grant of \$5,000.
  - An increase in investment income of \$30,000 due to a bonus received from the Local Government Finance Authority.
  - An increase in reimbursement income of \$25,000 due to:
    - oncharging of \$32,000 of costs incurred as host of the Regional Assessment Panel; offset by
    - removal of \$7,000 of funding for maintaining median strips, as this arrangement is no longer in place.
  - An increase in other income of \$50,000 due to:
    - an increase of \$50,000 in the oncharge of debt collection costs;
    - sponsorship of new signage at the cuttlefish dive site for \$10,000;
    - an increase in bonuses paid by Council's insurer of \$8,000;
    - \$7,000 of sponsorship for the pageant and carols event;
    - income of \$5,000 for purchases of IT equipment oncharged to a third party; offset by
    - a reduction of \$30,000 of income from the rental of property to staff, due a reduction in these arrangements; and

4. Operating expenditure is expected to increase by \$829,000, this can be attributed to:
  - A decrease in labour costs of \$28,000 due to:
    - savings from vacant positions of \$90,000, used to fund labour hire;
    - an increase in the workers compensation rebate of \$48,000; offset by
    - a \$50,000 increase in labour costs for the childcare centre due to increased occupancy, generating higher income; and
    - a \$60,000 increase in labour for the Visitor Information Centre, based on operational requirements.
  - An increase in contract, material and other costs of \$917,000 due to:
    - an increase of \$210,000 for hard waste and illegal dumping, due to the high costs to dispose of the items collected;
    - cost impacts of \$150,000 due to the lost income from the closure of the leisure centre for major repairs;
    - \$110,000 to develop an updated concept for the cuttlefish dive site, with this funding coming from the deferred Northern Coastline Masterplan project and allowing Council to access grant funding with the State Government;
    - increased legal costs of \$100,000 relating to a number of ongoing matters;
    - increased cleaning costs of \$90,000, due to larger than normal increases in award rates;
    - an increase in labour hire and consulting costs of \$90,000 to backfill vacant positions, offset by labour savings;
    - catch-up work to clean the Lincoln Highway drain of \$80,000;
    - increased fuel costs at the airport of \$65,000, due to increased sales;
    - increased debt collection costs \$50,000;
    - increased costs of \$50,000 to run Council's fleet;
    - costs related to the Economic Development Advisor of \$50,000, with this now an unbudgeted item after Council rejoined the RDA;
    - additional budget of \$50,000 being required for the relocation of the Civic Centre, with some additional IT requirements identified during the moving process;
    - an increase in waste costs of \$42,000 due to higher tonnages of kerbside waste collections;
    - an increase of \$40,000 in the cost to relocate junior soccer to Jubilee Park compared to initial estimates compiled 2 years ago;
    - additional costs of \$32,000 incurred due to Council being the host for the Regional Assessment Panel, with these costs oncharged to the two other councils;
    - \$25,000 required to undertake urgent works to repair a water main leak impacting airport operations;
    - grant funded expenditure for Australia Day of \$10,000;
    - signage at the cuttlefish dive site of \$10,000;
    - \$9,000 of cost incurred for the s184 process that could not be recouped from sales;
    - sponsorship funded expenditure for the pageant and carols of \$7,000;
    - purchases of IT equipment for a third party of \$5,000;
    - grant funded expenditure for the library \$5,000;
    - an increase of \$5,000 in costs related to hiring buses for steelwork tours; offset by
    - a \$170,000 reduction in screening costs, based on updated contract costs;
    - deferral of \$110,000 from the building demolition program to 2024/25, to try and achieve cost benefits from a larger program;
    - reduced costs of \$37,000 for the old RDA Building, as it has been sold;
    - reduced costs for rental properties for Council employees of \$30,000, due to a reduction in these arrangements; and
    - decreased costs of \$24,000 for maintenance of the streetlighting network, paid to SA Power Networks.
  - An increase in depreciation expense of \$50,000, which is attributed to minor changes in the fleet.
  - A decrease in interest expenses of \$110,000, due to updated cashflow projections.

5. A decrease of \$970,000 in the outlay on existing assets due to:
  - \$1.2 million of project expenditure carried forward to 2024/25 in line with updated project schedules, including \$700,000 for marina renewal works and \$500,000 for crematorium renewal works; offset by
  - retiming of \$150,000 of road resealing works from year 3 of the program (2024/25), based on updated work schedules;
  - **urgent spend of \$50,000 required to undertake renewal works on the breakwater;** and
  - \$30,000 carried forward from 2022/23 for minor renewal works on the Visitor Information Centre, missed from the First Quarter Review.
6. A decrease of \$361,000 in the outlay on new and upgraded assets due to:
  - \$800,000 of project expenditure carried forward to 2024/25 in line with the updated project schedule for the Foreshore Plaza project; offset by
  - \$180,000 of spend on the Gulf View Drive upgrade funded by grant income;
  - \$127,000 increase in the cost of the Point Lowly Cottages Upgrade, due to additional unforeseen works required on site. This is being funded from deferred capital allocations originally included in the 2023/24 budget;
  - \$50,000 for furniture fit out of the Point Lowly Cottages in line with the Management Agreement, with this able to be funded from future renewal allocations;
  - \$47,000 carried forward from 2022/23 for irrigation works on Mcdouall Stuart Avenue, missed from the First Quarter Review; and
  - **upgrades to the airside refuelling equipment of \$35,000, required to continue selling fuel.**
7. An increase of \$180,000 in amounts received specifically for new and upgraded assets relating to Special Local Roads funding of \$180,000 received for Gulf View Drive upgrades.
8. It is expected a reduction in borrowings of \$3.3 million will be required in 2023/24 to meet cash flow requirements, compared to previous projections. This mainly relates to an updated assumption that a portion of approved projects will not be completed in the current year, based on previous experience. This reduced projected loan borrowings by \$4 million, offset by additional cash requirements of \$400,000 for the airport, and \$300,000 of capital expenditure retimed from a future year. Total borrowings at 30 June 2024 are projected to be \$21.8 million, \$4.3 million lower than projected by the adopted budget.
9. Whyalla Airport
  - The operating deficit is expected to decrease by \$286,000 to \$1.13 million. The Operating Deficit Ratio is expected to deteriorates by 18% from (31%) to (49%). The Net Financial Liabilities Ratio increases from 301% to 362%.
  - The Airport's operating results in future years are negatively impacted by approximately \$75,000 per annum due to an increase in cleaning and insurance costs and higher interest from increased borrowings.
  - The change to the operating result of \$286,000 is due to:
    - **a net reduction in airport income of \$260,000, after taking into account that additional fuel income is offset by higher fuel costs;**
    - **increased insurance costs of \$26,000;**
    - **\$25,000 required to undertake urgent works to repair a water main leak impacting operations;**
    - **increased cleaning costs of \$15,000;**
    - **increased insurance costs of \$17,000, due to higher asset values;** offset by
    - **\$40,000 of labour costs transferred to Council operations.**

#### Key

Negative variance

Positive variance

No variance – offset or timing difference



**WHYALLA CITY COUNCIL**  
**BUDGET REVIEW 2023-24 2nd Quarter**

<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Original Budget 2023-24 \$000</b>	<b>Approved Amendments 2023-24 \$000</b>	<b>Current Budget 2023-24 \$000</b>	<b>Proposed Amendments 2023-24 \$000</b>	<b>Projected Total 2023-24 \$000</b>	<b>Estimated Budget* 2024-25 \$000</b>	<b>Estimated Budget* 2025-26 \$000</b>	<b>Estimated Budget* 2026-27 \$000</b>
<b>INCOME</b>								
Rates	25,700	-	25,700	27	25,727	27,136	28,378	29,566
Statutory Charges	442	-	442	-	442	460	475	489
User Charges	5,568	(325)	5,243	(444)	4,799	5,882	6,268	6,547
Grants, subsidies and contributions - capital	840	-	840	-	840	386	386	386
Grants, subsidies and contributions - operating	5,569	401	5,970	960	6,930	6,346	6,549	6,544
Investment Income	12	-	12	30	42	12	12	12
Reimbursements	16	-	16	25	41	11	11	11
Other Income	1,116	-	1,116	50	1,166	1,148	1,200	1,250
<b>TOTAL INCOME</b>	<b>39,263</b>	<b>76</b>	<b>39,339</b>	<b>648</b>	<b>39,987</b>	<b>41,381</b>	<b>43,279</b>	<b>44,805</b>
<b>EXPENSES</b>								
Employee Costs	14,718	-	14,718	(28)	14,690	15,837	16,013	16,526
Materials, contracts & other expenses	17,637	586	18,223	917	19,140	17,146	17,766	18,280
Depreciation, amortisation & impairments	8,451	295	8,746	50	8,796	8,940	9,156	9,360
Finance Costs	956	(45)	911	(110)	801	1,201	1,312	1,315
<b>TOTAL EXPENSES</b>	<b>41,762</b>	<b>836</b>	<b>42,598</b>	<b>829</b>	<b>43,427</b>	<b>43,124</b>	<b>44,247</b>	<b>45,481</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(2,499)</b>	<b>(760)</b>	<b>(3,259)</b>	<b>(181)</b>	<b>(3,440)</b>	<b>(1,743)</b>	<b>(968)</b>	<b>(676)</b>
Amounts specifically for new or upgraded assets	1,100	18	1,118	180	1,298	746	170	175
Net gain (loss)	-	-	-	-	-	-	-	-
<b>NET SURPLUS/(DEFICIT)</b>	<b>(1,399)</b>	<b>(742)</b>	<b>(2,141)</b>	<b>(1)</b>	<b>(2,142)</b>	<b>(997)</b>	<b>(798)</b>	<b>(501)</b>
Other Comprehensive Income	21,302	-	21,302	-	21,302	11,781	8,836	7,433
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>19,903</b>	<b>(742)</b>	<b>19,161</b>	<b>(1)</b>	<b>19,160</b>	<b>10,784</b>	<b>8,038</b>	<b>6,932</b>

**WHYALLA CITY COUNCIL**  
**BUDGET REVIEW 2023-24 2nd Quarter**

<b>STATEMENT OF FINANCIAL POSITION</b>	<b>Original Budget 2023-24 \$000</b>	<b>Approved Amendments 2023-24 \$000</b>	<b>Current Budget 2023-24 \$000</b>	<b>Proposed Amendments 2023-24 \$000</b>	<b>Projected Total 2023-24 \$000</b>	<b>Estimated Budget* 2024-25 \$000</b>	<b>Estimated Budget* 2025-26 \$000</b>	<b>Estimated Budget* 2026-27 \$000</b>
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash & Cash Equivalents	186	(13)	173	40	213	183	267	245
Trade & Other Receivables	4,336	4,330	8,666	40	8,706	8,706	8,706	8,706
Inventories	2,783	-	2,783	-	2,783	2,783	2,783	2,783
<b>TOTAL CURRENT ASSETS</b>	<b>7,305</b>	<b>4,317</b>	<b>11,622</b>	<b>80</b>	<b>11,702</b>	<b>11,672</b>	<b>11,756</b>	<b>11,734</b>
<b>Non-current Assets</b>								
Infrastructure, Property, Plant & Equipment	375,161	1,841	377,002	(3,381)	373,621	388,010	394,939	401,368
Other Non-Current Assets	1,581	-	1,581	-	1,581	1,481	1,381	1,281
<b>TOTAL NON-CURRENT ASSETS</b>	<b>376,742</b>	<b>1,841</b>	<b>378,583</b>	<b>(3,381)</b>	<b>375,202</b>	<b>389,491</b>	<b>396,320</b>	<b>402,649</b>
<b>Total Assets</b>	<b>384,047</b>	<b>6,158</b>	<b>390,205</b>	<b>(3,301)</b>	<b>386,904</b>	<b>401,163</b>	<b>408,076</b>	<b>414,383</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Trade and Other Payables	4,843	(1,100)	3,743	-	3,743	3,743	3,743	3,743
Short Term Borrowings	-	-	-	-	-	-	900	1,000
Short Term Provisions	2,747	-	2,747	-	2,747	2,747	2,747	2,747
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,590</b>	<b>(1,100)</b>	<b>6,490</b>	<b>-</b>	<b>6,490</b>	<b>6,490</b>	<b>7,390</b>	<b>7,490</b>
<b>Non-Current Liabilities</b>								
Long Term Borrowings	17,100	8,000	25,100	(3,300)	21,800	25,300	23,300	22,600
Long Term Provisions	1,007	-	1,007	-	1,007	982	957	932
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>18,107</b>	<b>8,000</b>	<b>26,107</b>	<b>(3,300)</b>	<b>22,807</b>	<b>26,282</b>	<b>24,257</b>	<b>23,532</b>
<b>Total Liabilities</b>	<b>25,697</b>	<b>6,900</b>	<b>32,597</b>	<b>(3,300)</b>	<b>29,297</b>	<b>32,772</b>	<b>31,647</b>	<b>31,022</b>
<b>NET ASSETS</b>	<b>358,350</b>	<b>(742)</b>	<b>357,608</b>	<b>(1)</b>	<b>357,607</b>	<b>368,391</b>	<b>376,429</b>	<b>383,361</b>
<b>EQUITY</b>								
Accumulated Surplus	45,183	(742)	44,441	(1)	44,440	43,443	42,645	42,144
Asset Revaluation Reserve	312,880	-	312,880	-	312,880	324,661	333,497	340,930
Reserves	287	-	287	-	287	287	287	287
<b>TOTAL EQUITY</b>	<b>358,350</b>	<b>(742)</b>	<b>357,608</b>	<b>(1)</b>	<b>357,607</b>	<b>368,391</b>	<b>376,429</b>	<b>383,361</b>

**WHYALLA CITY COUNCIL**  
**BUDGET REVIEW 2023-24 2nd Quarter**

<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>Original Budget 2023-24 \$000</b>	<b>Approved Amendments 2023-24 \$000</b>	<b>Current Budget 2023-24 \$000</b>	<b>Proposed Amendments 2023-24 \$000</b>	<b>Projected Total 2023-24 \$000</b>	<b>Estimated Budget* 2024-25 \$000</b>	<b>Estimated Budget* 2025-26 \$000</b>	<b>Estimated Budget* 2026-27 \$000</b>
<b>Accumulated Surplus</b>								
Balance at Beginning of Period	46,582	-	46,582	-	46,582	44,440	43,443	42,645
Change in financial position resulting from operations	(1,399)	(742)	(2,141)	(1)	(2,142)	(997)	(798)	(501)
Transfers from Other Reserves	-	-	-	-	-	-	-	-
Transfers to Other Reserves	-	-	-	-	-	-	-	-
<b>Balance at End of Period</b>	<b>45,183</b>	<b>(742)</b>	<b>44,441</b>	<b>(1)</b>	<b>44,440</b>	<b>43,443</b>	<b>42,645</b>	<b>42,144</b>
<b>Asset Revaluation Reserve</b>								
Balance at Beginning of Period	291,578	-	291,578	-	291,578	312,880	324,661	333,497
Revaluation Increment	21,302	-	21,302	-	21,302	11,781	8,836	7,433
<b>Balance at End of Period</b>	<b>312,880</b>	<b>-</b>	<b>312,880</b>	<b>-</b>	<b>312,880</b>	<b>324,661</b>	<b>333,497</b>	<b>340,930</b>
<b>Other Reserves</b>								
Balance at Beginning of Period	287	-	287	-	287	287	287	287
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-
Transfers from Accumulated Surplus	-	-	-	-	-	-	-	-
<b>Balance at End of Period</b>	<b>287</b>	<b>-</b>	<b>287</b>	<b>-</b>	<b>287</b>	<b>287</b>	<b>287</b>	<b>287</b>
<b>TOTAL EQUITY AT END OF REPORTING PERIOD</b>	<b>358,350</b>	<b>(742)</b>	<b>357,608</b>	<b>(1)</b>	<b>357,607</b>	<b>368,391</b>	<b>376,429</b>	<b>383,361</b>

**WHYALLA CITY COUNCIL**  
**BUDGET REVIEW 2023-24 2nd Quarter**

<b>STATEMENT OF CASH FLOWS</b>	<b>Original Budget 2023-24 \$000</b>	<b>Approved Amendments 2023-24 \$000</b>	<b>Current Budget 2023-24 \$000</b>	<b>Proposed Amendments 2023-24 \$000</b>	<b>Projected Total 2023-24 \$000</b>	<b>Estimated Budget* 2024-25 \$000</b>	<b>Estimated Budget* 2025-26 \$000</b>	<b>Estimated Budget* 2026-27 \$000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Operating Receipts	38,411	( 4,254)	34,157	578	34,735	40,983	42,881	44,407
Investment Income	12	-	12	30	42	12	12	12
<b>Payments</b>								
Operating Payments	( 32,280)	( 1,686)	( 33,966)	( 889)	( 34,855)	( 32,908)	( 33,704)	( 34,731)
Finance Costs	( 956)	45	( 911)	110	( 801)	( 1,201)	( 1,312)	( 1,315)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>5,187</b>	<b>( 5,895)</b>	<b>( 708)</b>	<b>( 171)</b>	<b>( 879)</b>	<b>6,886</b>	<b>7,877</b>	<b>8,373</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>								
<b>Receipts</b>								
Amounts specifically for new or upgraded assets	1,100	18	1,118	180	1,298	746	170	175
Grants Utilised for Capital Purposes	840	-	840	-	840	386	386	386
Sale of replaced assets	238	45	283	-	283	157	93	156
<b>Payments</b>								
Purchase of Renewal/Replacement Assets	( 7,692)	( 1,104)	( 8,796)	1,970	( 6,826)	( 7,532)	( 4,825)	( 6,112)
Purchase of New/Expansion Assets	( 5,195)	( 1,077)	( 6,272)	1,361	( 4,911)	( 4,173)	( 2,517)	( 2,400)
<b>Net Cash provided by (or used in) Investing Activities</b>	<b>( 10,709)</b>	<b>( 2,118)</b>	<b>( 12,827)</b>	<b>3,511</b>	<b>( 9,316)</b>	<b>( 10,416)</b>	<b>( 6,693)</b>	<b>( 7,795)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds from Borrowings - Council	5,600	8,000	13,600	( 3,300)	10,300	3,500	300	200
<b>Payments</b>								
Repayment of Borrowings	-	-	-	-	-	-	( 1,400)	( 800)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>5,600</b>	<b>8,000</b>	<b>13,600</b>	<b>( 3,300)</b>	<b>10,300</b>	<b>3,500</b>	<b>( 1,100)</b>	<b>( 600)</b>
<b>Net Increase (Decrease) in Cash Held</b>	<b>78</b>	<b>( 13)</b>	<b>65</b>	<b>40</b>	<b>105</b>	<b>( 30)</b>	<b>84</b>	<b>( 22)</b>
Cash & cash equivalents at beginning of period	108	-	108	-	108	213	183	267
<b>Cash &amp; cash equivalents at end of period</b>	<b>186</b>	<b>( 13)</b>	<b>173</b>	<b>40</b>	<b>213</b>	<b>183</b>	<b>267</b>	<b>245</b>

## 2. ITEMS FOR DECISION

### 2.3 Financial Internal Controls – Self-Assessment 2023 and Policy Review

**Audit and Risk Committee** 5 February 2024

**Meeting:**

**Author's Title:** Grant Jennings - Manager Finance

**File No.:** 0-159

**Director:** Corporate

#### Annexures

A – Control Self-Assessment – *under separate cover*

B – Controls Requiring Improvement

C – Draft Financial Internal Control Policy

#### Officer Direct or Indirect Conflict of Interest:

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

☐

Yes

☒

No

#### Status:

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

☐

Yes

☒

No

**Reason** – not applicable

#### PURPOSE

To inform the Audit & Risk Committee of the outcome of the self-assessment of internal financial controls undertaken in late 2023 and to undertake a minor review of the Financial Internal Control Policy.

#### SUMMARY

The annual self-assessment of internal financial controls was undertaken in late 2023 in line with the relevant policy and shows that Council's system of internal controls is operating effectively. A number of areas for improvement were identified, with these being areas that have already previously been identified and improvements are taking place over an extended period. None of these areas pose significant risk to Council, as the improvements relate to best practice, rather than legislative compliance or fraud risks.

Only minor changes are proposed to the Financial Internal Control Policy, with the main one being a recommended change to a 4 yearly review cycle, as 2 years is too short a timeframe for a process of this nature. This doesn't restrict the ability to review earlier if required.

#### RECOMMENDATION

**The Audit & Risk Committee:**

1. notes the outcomes of the 2023 financial internal control self-assessment, including controls requiring improvement; and
2. recommends the updated Financial Internal Control Policy to Council for adoption.



## 2.3 Financial Internal Controls – Self-Assessment 2023 and Policy Review

### REPORT

#### BACKGROUND

In accordance with section 125 of the *Local Government Act 1999*, Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained.

The process used to undertake annual self-assessments of Council's internal financial controls was endorsed by the Audit Committee at their meeting in July 2021. This process compliments the work undertaken by Council's external auditor and provides increased confidence that controls are being applied consistently. The process used is in line with the *Better Practice Model—Internal Financial Controls*, as is required by the *Local Government (Financial Management) Regulations 2011*.

#### DISCUSSION

In October and November 2023, the annual self-assessment process was undertaken. Both the annual and biennial control review groups were reviewed as part of this cycle, covering controls rated as extreme, high or medium. The triennial control review group was last reviewed in 2022, covering controls rated as low.

Refer **Annexure A – Control Self-Assessment** (*under separate cover*)

A complete list of all assessments undertaken has been included, showing the officers involved, the rated level of effectiveness and the reasons given for this. This has been provided under separate cover, as some of the information provided on the operation of financial internal control processes may expose Council to increased risk if made publicly available.

Of the controls assessed, the following rating were given:

Rating	Assessor	Reviewer
Effective	119	124
Majority effective	30	30
Partially effective	4	6
Requires significant improvement	1	1
Ineffective	0	0
Not rated	7	0

Refer **Annexure B – Controls Requiring Improvement**

This shows that Council's system of internal controls is operating effectively, in line with the assessments undertaken by Council's external auditor. A total of 7 controls were rated as partially effective or lower, meaning that action is required to be taken to improve these controls.

None of the identified issues are of particular concern, being mostly areas that have been identified as needing overall process improvements, rather than acute issues likely to cause loss to Council. This includes the areas of credit card usage, project management, project scoping and training. None of the deficiencies identified pose a serious risk to Council. The actions will continue to be worked on and will also be assessed by Council's External Auditor. It is not proposed to add these items to the list of actions monitored by the Audit & Risk Committee, as many of these relate to long term improvement processes, rather than short term actions.

### Policy Review

#### **Refer Annexure C – Draft Financial Internal Control Policy**

The Financial Internal Controls Policy is currently due for review. The policy is currently working well as an internal review of the policy has highlighted mainly minor amendments. This includes outlining the responsibilities of the Audit & Risk Committee in the process and providing context around how low risk, high resource controls may be actioned over a longer timeframe.

The main recommended change is a move to a 4 yearly review cycle for this policy, up from the current 2 yearly cycle. This process is fairly mature at this stage and not expected to change considerably in the short term, so a review timeframe of once per Council cycle appears appropriate. This doesn't restrict the ability to review earlier if required for any reason.

A review of the residual risks assigned to each control are due for review, having last been undertaken in September 2019. This assessment is the basis for the review cycle assigned to each control. Some commentary from the previous Audit Committee was that the assigned residual risks appeared to be a bit high and that some of the assessment cycles could likely drop. This task will be undertaken as resources allow, likely towards the end of 2024.

### **Financial Implications**

There are no direct costs related to this process, as all work was undertaken internally using existing resources. Some of the action plans for improvement may require some additional resources to implement. These will be identified as the actions are progressed and reported through normal budgeting processes as required.

### **Legislation**

Section 125 *Local Government Act 1999*

Section 10A *Local Government (Financial Management) Regulations 2011*

### **Officer Direct or Indirect Interest – Nil**

### **Risk Assessment**

The system of internal financial control is a key risk mitigation factor for Council and is considered important enough that the external auditor provide a separate opinion on how it is operating. Undertaking a self-assessment provides additional confidence to the external auditor that the system is operating as intended, and also provided additional opportunities for improvement, to reduce risk further over time.

**Social Considerations – Nil**

**Community Engagement – Nil**

**Environmental Implications – Nil**

**Communication - Nil**

**Conclusion**

The annual self-assessment for internal financial controls was recently undertaken and shows that Council's system of internal controls is operating effectively. A number of areas for improvement were identified, with these being areas that have already previously been identified and improvements are taking place over an extended period.

## Controls Requiring Improvement 2023

	Risk	Control	Control Effectiveness	Comments	Action/Improvement Required	Due Date
3.8.2	Appropriate approvals are not received for the establishment and changes in project scope or costs	2 Processes are in place for establishing and changing project scope and budgets with approvals in accordance with Delegations of Authority.	Partially effective	Process for changing project scope is improving, with the implementation of monthly meetings where any issues with Projects can be discussed with the whole Leadership. In addition, project groups have been developed for higher risk projects. No issues with things being done outside delegation, it is the opposite where too many decisions require high level sign off.	Continuous improvement action, as internal project management skills improve over time, improvements are expected in this area.	Ongoing
6.3.2	Elected Members obtain unauthorised private benefit from Council	2 Where use of public assets or services by Elected members is identified debtors invoice is raised for reimbursement	Requires significant improvement	Invoices cannot be raised if officers are not advised of benefits provided.	Need to develop more robust procedure for this process, noting that this has not been identified as an area that is likely to be being misused.	Ongoing
6.4.2	Credit Cards are used for purchases of a personal nature	2 There is a process in place to approve all credit card transactions to ensure compliance with the policies and procedures covering credit card usage.	Partially effective	Credit card reconciliations are performed by the card holder and authorised by a relevant senior officer. Provision of invoices from staff needs improvement. Have had some issues with credit cards being used incorrectly or for personal use	Ongoing process of monitoring performance against timeframes and policy position and pushing for improvements. If policy is not followed, card access may need to be revoked.	Ongoing
6.4.2	Credit Cards are used for purchases of a personal nature	4 Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.	Partially effective	Ongoing Improvement required re providing tax invoices and documentation in a timely manner.	Ongoing process of monitoring performance against timeframes and policy position and pushing for improvements. If policy is not followed, card access may need to be revoked.	Ongoing

7.1.1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process	5	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	Partially effective	The contract management process requires improvements, as this is often an oversight, particularly for ongoing contracts.	Processes have been put in place for high risk, high value contracts, but resources will be required to roll these down to contracts more widely.	Ongoing
8.1.3	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation	1	There is a process to ensure staff are aware of policies and procedures referenced in the Better Practice Model.	Partially effective	Regular training regime required to ensure that this is always up to date.	Regular training program needs to be put in place, as part of overall organisational development framework.	Ongoing
8.1.3	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation	2	There is a process in place for staff to be made aware of the Code of Conduct and Conflict of Interest.	Partially effective	Staff are required to be familiar with these as part of induction. Regular training regime required to ensure that this is always up to date.	Regular training program needs to be put in place, as part of overall organisational development framework.	Ongoing





## Whyalla City Council

Financial Internal Control Policy	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Finance Coordinator
Policy Adopted	February 202 <del>4</del> <sup>2</sup>
Review Period	<del>Four</del> <sup>Two</sup> years
Last Reviewed	July 2018 ( <i>now archived</i> )
Next Review Date	Feb 202 <del>8</del> <sup>4</sup>
Policy Version Number	<del>6</del> <sup>5</sup>
Applicable Legislation	<ul style="list-style-type: none"> <li>Local Government Act 1999 –Section 125</li> </ul>
Related Documents	<ul style="list-style-type: none"> <li><i>Better Practice Model – Internal Financial Controls</i></li> <li>Accounting Procedures and Policy</li> <li>Rating Procedures</li> <li>Asset Management Policy</li> <li>Leasing Procedures</li> <li>Internal Control Procedures</li> <li>Procurement Procedures</li> <li>Annual Business Plan and Budget Procedure</li> <li>Quarterly Budget Review Procedure</li> <li>Authorised Officers Register</li> </ul>
Public Consultation Required	No
Purpose	To provide direction to Management, Staff and Council in relation to the financial internal control function.

## 1. Introduction

Internal control is part of Councils' Corporate Governance Framework and covers areas such as strategic management, business development, project management, finance, etc. It comprises procedures to mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded, legislation and Council policies/rulings are complied with and financial reporting is accurate and reliable.

A complete risk management and Corporate Governance Framework for the financial component of internal controls are required to ensure Council resources are used prudently and in an efficient, effective and economical manner. These include accounts payable, payroll, budgeting, management reporting, banking, purchasing and contracting. Financial internal controls are critical to effective risk management of a Councils' operations and promote the achievement of its goals and objectives.

Council is committed to maintaining an effective financial internal control environment.

## 2. Policy Objective

Councils' objectives of this policy are:

- risks relating to the stewardship of public resources are adequately managed through effective internal controls;
- a framework for an effective financial internal control system which conveys to Managers that they are responsible for ensuring that internal controls are established, documented, maintained, utilised and adhered to across the Council, and to all employees that they are responsible for utilising and adhering to those internal controls; and
- to ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Council objectives through operational efficiency.

## 3. Scope

Internal control is an important function designed to help safeguard Council by minimising risks and protecting assets through accurate record-keeping, operational efficiency and adherence to policies, rules, and regulations.

## 4. Definitions – Nil

## 5. Policy Statement

Councils' internal control framework identifies risks which may prevent Council from meeting its objectives or not maximising its opportunities. It is recognised that all risks cannot be eliminated, however, the application of internal controls should reduce the likelihood of the risk occurring to within acceptable limits of risk.

Council will develop a culture that emphasises integrity, ethical values and competence.

### 5.1 Roles and Responsibilities

Council is responsible for approval of the Financial Internal Control Policy and the Chief Executive Officer is responsible for developing and maintaining a financial internal control framework, which ensures Council objectives are achieved efficiently, accountably and effectively. Updates on changes to the framework will be presented to the Audit Committee.

The Executive Management Team must adopt a risk management approach to identifying and assessing risks and apply cost/benefit analysis in the development of internal controls. Council employees must conduct their duties in accordance with all financial internal control policies, procedures and practices of Council.

The Audit & Risk Committee will review the outcomes of internal self-assessments and monitor the implementation of any identified actions. Actions may also be identified by Council's external auditor or other external reviews, with these to be monitored by the Audit & Risk Committee.

### 5.2 Elements of an Internal Control Framework

The essential elements of an effective internal control framework are:

- structure and culture of Council;
- delegations of authority;
- policies and procedures
- trained and properly qualified staff;
- information technology controls;
- review processes, e.g. internal audit;
- liaison with auditors and legal advisors;
- senior management compliance assurance; and
- risk identification and assessment.

### 5.3 Risk Management Process

#### Establish Goals and Contexts

Effective risk management requires a thorough understanding of the goals and context of Council to assist in establishing the assessment criteria for risk management.

#### Risk Management

The risks relevant to Council are outlined within the *Better Practice Model – Internal Financial Controls*. A full assessment on each of these risks will be undertaken once every three years, but more often if required, using the process below.

*Identify Risks* – identify the risks most likely to impact on the achievement of Councils' objectives.

*Analyse Risks* – assess the effectiveness of risks in terms of likelihood and consequence to identify the current risk level.

*Evaluate Risks* – determine whether the risks are acceptable or unacceptable and document findings.

*Treat Risks* – Discontinue the activity that generates the risk, reduce the likelihood of occurrence, reduce the consequence of occurrence, transfer the risk or retain the risk.

#### Consultation/Communication

Ensure that all stakeholders, including employees and Elected Members, understand why actions are required.

#### Monitor/Review

Responsible officers must be identified for each internal control. Managers monitor and report progress to the Executive Management Team and the Audit & Risk Committee on a regular basis, as outlined in section 5.4 below.

### 5.4 Review of Database of Internal Controls

Each of the controls in the *Better Practice Model – Internal Financial Controls* will be assigned to a review schedule of 1, 2 or 3 years, based on the level of the risks associated with it, as follows:

Risk	Review Cycle
Extreme	Annually
High	Annually
Moderate	Biennially
Low	Triennially

If there is a change in the risk environment for a particular control, that risk will need to be reassessed and assigned to a different review period. All risks will be reassessed once every three years.

Each control will be assigned to both an assessor and a reviewer, with the assessor role to be undertaken by the officer responsible for implementing the control and the reviewer to be their supervisor.

Each year, each applicable control will be reviewed for effectiveness by the assessor and reviewer, with each control to be given one of the following ratings:

Score	Description
Effective	The control has been fully implemented and has, in all cases been consistently and/or effectively applied.
Majority effective	The control has been implemented, and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
Partially effective	The control has been implemented but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
Requires significant improvement	The control has been implemented, but with significant deficiencies in the consistency and effectiveness of the implementation. Significant management action is required to implement processes to improve the effectiveness of the control.
Ineffective	The control has not been implemented. Urgent management action is required to implement the described control processes.

Comments will also be provided, outlining how the given rating was arrived at.

~~All~~ Controls with a rating of Partially Effective or lower will require an action plan, where appropriate, outlining how the effectiveness of the control will be improved. In some cases where the risks to Council are not material and where significant resources are required to undertake improvements, a control may be flagged as a long term continuous improvement item.

The Executive Management Team and the Audit & Risk Committee will be updated regularly on the progress of any action plans identified during the review process.

## 6. Authority

Adopted by Council – ~~1924~~ February 2024~~2~~

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## 7. History

Superseded Version 5: adopted by Council – February 2022

Superseded Version 4: adopted by Council – July 2018

Superseded Version 3: adopted by Council – May 2012

Superseded Version 2: adopted by Council – July 2006

Superseded Version 1



## 2. ITEMS FOR DECISION

### 2.4 Implementation of Service Review and Internal Audit Services

**Audit and Risk Committee** 5 February 2024

**Meeting:**

**Author's Title:** Kathy Jarrett - Director Corporate

**File No.:** 0-159

**Director:** Corporate

#### Annexures

A – Draft Strategic Risk Assessment

B – Draft Internal Audit Plan

#### 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

## DISCUSSION

Since the appointment of BDO as Council's provider of Service Review and Internal Audit Services, the following progress has been achieved in implementing the services:

- The holding of two workshops on 3 October 2023 with the Audit and Risk Committee, the Executive Management Team and Council to inform an update of Council's strategic risk assessments and appetite.
- Commencement of three (3) service reviews as follows – Airport; Childcare Services; and Open Space Services

Regarding the above service reviews, first draft reports have been received outlining the stage 1 findings for the Airport and Childcare Centre reviews. These reports are currently being reviewed by Management, and once this process has been finalised, they will be circulated out of session to the Audit and Risk Committee for comment.

The Open Space review is progressing well with data collection and analysis underway. The BDO team were present in Whyalla during the week commencing 23 January, interviewing relevant staff, touring various open space parcels and gathering both qualitative and quantitative data. The outcomes of this review will be presented to the April 2024 Audit and Risk Committee meeting for consideration.

In addition to progressing the above reviews, work will soon commence on the development of a program of service reviews, to be presented to the April 2024 meeting.

- Development of a draft Strategic Risk Assessment following the October workshops and an Internal Audit Plan, which is aligned with the identified strategic risks.

The primary purpose of this report is to present to the Audit and Risk Committee the draft Strategic Risk Assessment and Internal Audit Plan for feedback (refer to **Annexures A and B**).

The Strategic Risk Assessment sets out the key strategic risks to Council achieving its objectives. As will be noted (and unsurprisingly), Financial Sustainability and Growth; Strategic Directions; and Asset Management have all been ranked as high risks. Accordingly, the draft Internal Audit Plan places emphasis in the first instance on these areas.

In relation to these two documents, it is noted:

- Additional work will be undertaken on the Strategic Risk Assessment as Council's risk maturity evolves, and resources are available to keep this work progressing. A further update in this regard will be provided during the meeting.
- Feedback received from the October 2023 workshop with Council on their risk appetite is currently being incorporated into an updated Risk Appetite Statement, to be presented to the Audit and Risk Committee in April 2024.
- As the internal audit program progresses, changes to the scope of projects, timing and estimated budgeted hours may occur.
- Each internal audit project will cover the requirements of the Local Government Act in terms of evaluating and improving the effectiveness of Council's internal control practices and procedures in the area under review (e.g. budget management, governance etc).
- The internal audit plan includes a project focused on ICT infrastructure, which encompasses an independent review of cyber security risk.

### **Financial implications**

Council's budget for the implementation of Service Review and Internal Audit Services is \$65,000 per annum, allowing for approximately 6 projects per year depending on the scope of the project.

The three Service Review projects currently being undertaken are being accommodated within the 2023/24 budget. The proposed Internal Audit Plan has been structured such that Council will remain within its budget for each year of the program. Note that one internal audit project is planned in 2023/24, that being budget establishment, monitoring and management.

### **CONCLUSION**

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

## **RECOMMENDATION**

### **The Audit and Risk Committee:**

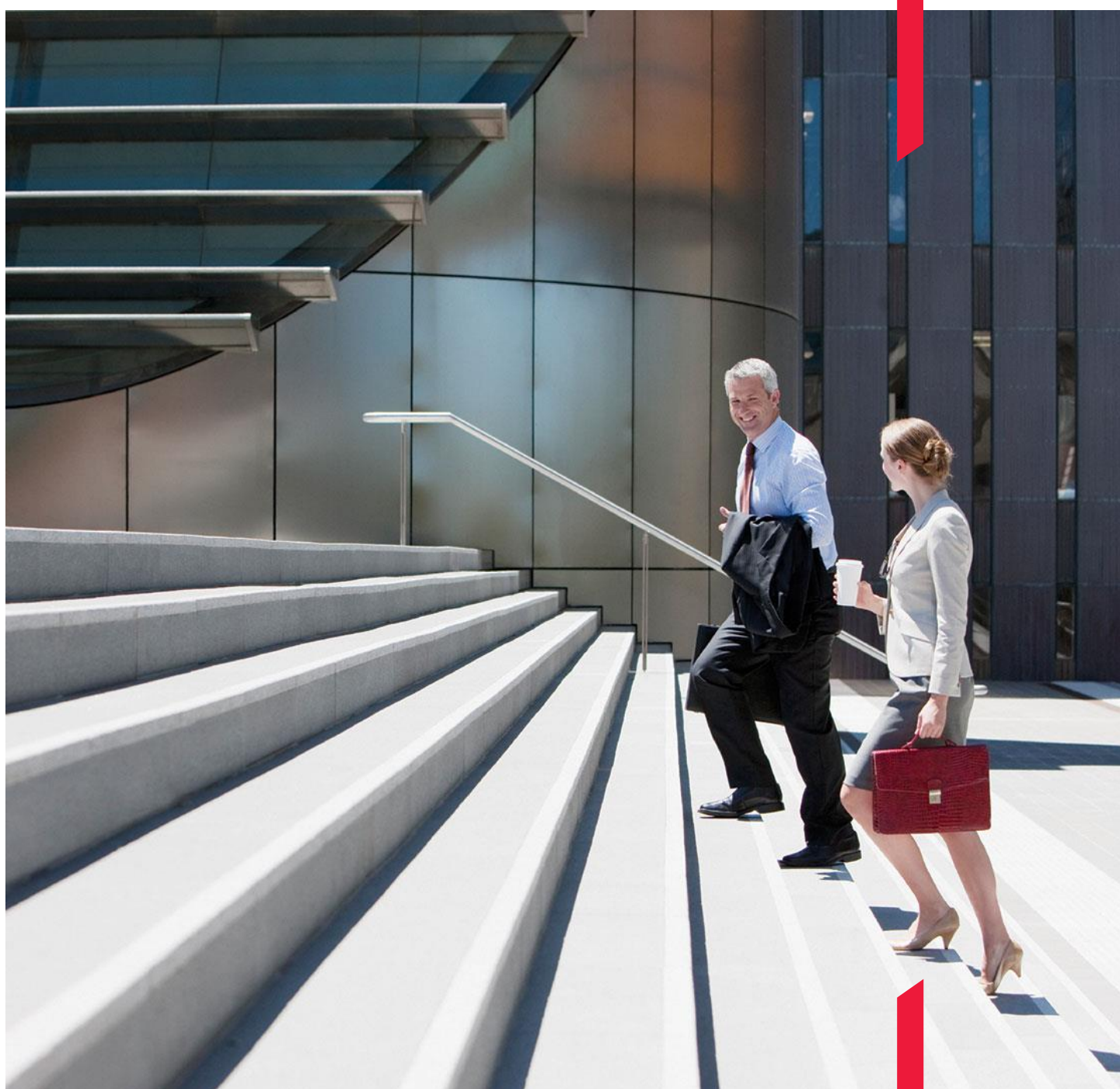
- 1. Note the actions taken to date to implement Service Review and Internal Audit Services**
- 2. Subject to the inclusion of any feedback received, recommends that Council endorse the Whyalla Council's:**
  - a. Strategic Risk Assessment**
  - b. Internal Audit Plan**



# WHYALLA CITY COUNCIL

## Strategic Risk Assessment

January 2024





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## EXECUTIVE SUMMARY

The Whyalla City Council (WCC) has engaged BDO to facilitate a Strategic Risk Assessment Workshop with nominated representatives from WCC. The resulting Strategic Risk Assessment will inform the development of WCC's Internal Audit Plan.

The purpose of the workshop was to collectively identify and prioritise the strategic risks to WCC in achieving its business objectives.

Prior to the workshops, BDO reviewed the key risks identified by 10 workshop participants, from WCC Executive and Audit and Risk Committee, which were then consolidated to identify a suite of strategic risk categories. These risk categories were reviewed, and risk rated as part of the risk workshops.

At the workshops held on, workshop participants:

- ▶ Considered (added/edited/deleted) the identified risks
- ▶ Reviewed the associated current controls
- ▶ Assessed the consequence and likelihood of the risk occurring, considering current controls
- ▶ Discussed which risks require particular monitoring.

The finalised results of the risk assessment produces a WCC strategic risk register which is detailed in the remainder of this report, and includes:

- ▶ Summary of the key risks including the identified risk, and the residual risk rating
- ▶ Graphical representation of the risk ratings and relativities of each risk
- ▶ Individual Risk Worksheets which capture the identified risk, risk descriptors, associated risk ratings and the proposed risk management strategies
- ▶ Risk ratings and definitions used during the workshop
- ▶ Listing of workshop participants.

Following the Strategic Risk Assessment, it was agreed that the Internal Audit Plan (for the next three years) should be developed and endorsed by Executive and the Audit and Risk Committee. In addition, risk owners should be assigned to each risk and risk mitigation strategies developed for identified significant risks.



## KEY RISK SUMMARY

The following table provides a summary of:

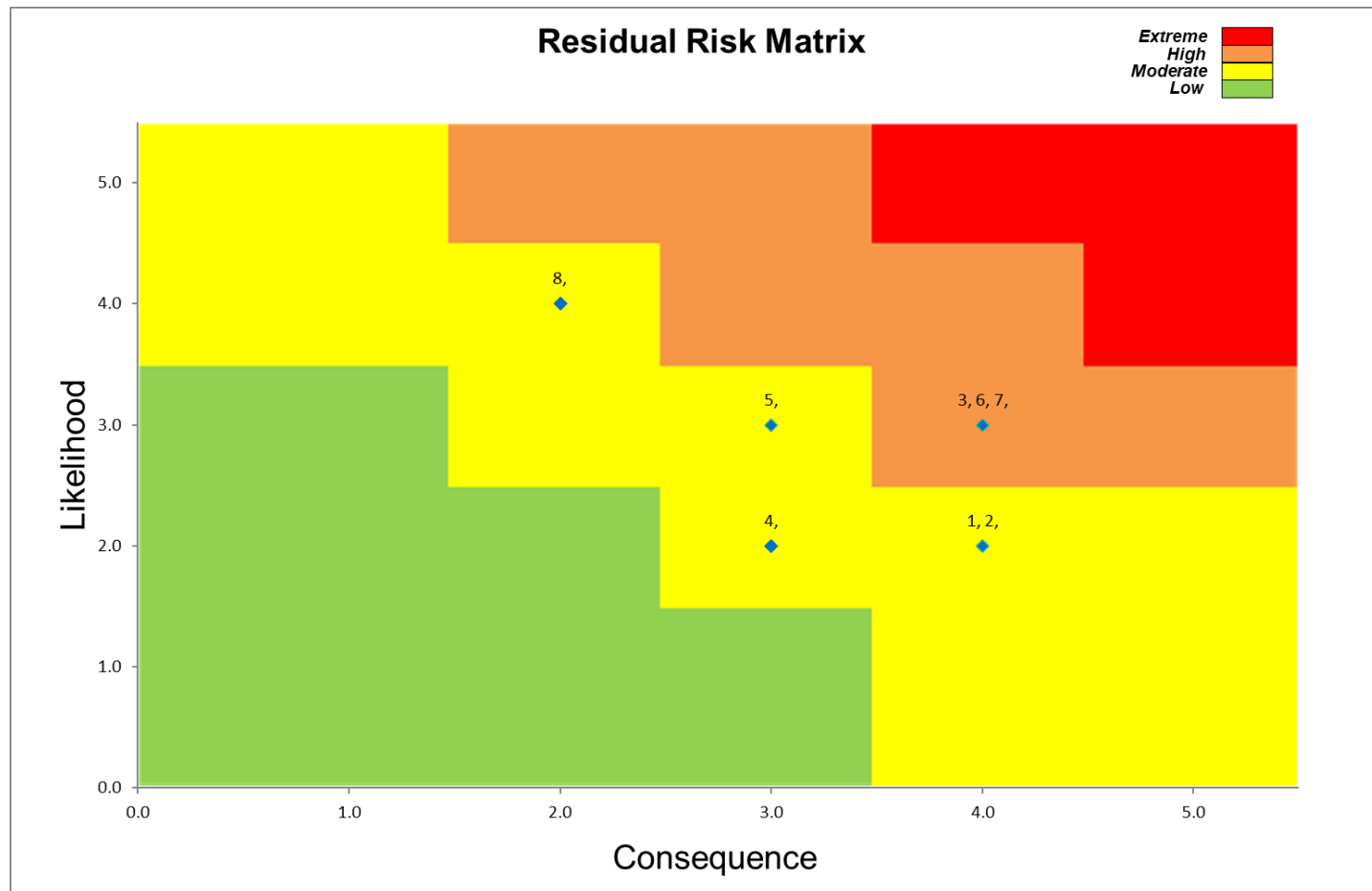
- ▶ WCC's key strategic risks
- ▶ Risk consequence and risk likelihood scores
- ▶ Residual risk rating

as finalised at workshop held on 3 October 2023.

Risk ID	Risk Category	Risk Definition	Risk Consequence	Risk Likelihood	Residual Risk Rating
1	Community Expectations	Inability to build and maintain community expectations and trust	4	2	M
2	Organisational Development / Human Resource Management	Lack of effective organisational development and human resource strategy	4	2	M
3	Financial Sustainability and Growth	Mismatch between revenue/cost base and expected activity (BAU, legacy and degradation of financial performance)	4	3	H
4	Governance	Ineffective governance framework and mechanisms	3	2	M
5	Information and Communication Technologies (ICT)	ICT resources are inadequate to deliver Council's requirements, including business critical and cybersecurity systems	3	3	M
6	Strategic Direction	Ineffective alignment and delivery of strategic direction	4	3	H
7	Asset Management	Inadequate asset management planning to ensure Council has appropriate infrastructure to meet current and future needs	4	3	H
8	Airport Operations	Inability for airport operations to deliver public value	2	4	M

## RESIDUAL RISK MATRIX

Graphical representation of the residual risk ratings and relativities of each risk.



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Risk Management Worksheet
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BDO

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## Risk Management Worksheet

Whyalla City Council



▲ ▼	2	Organisational Development / Human Resource Management	Responsibility assigned to :	
<b>Risk Definition and Risk Descriptors</b>				
◆	<b>Lack of effective organisational development and human resource strategy</b>			
◆	<ul style="list-style-type: none"> <li>◆ It can be difficult to recruit specialist positions in Whyalla, due to the location, housing pressures and wage structure; Short term resource budget constraints</li> <li>◆ Risk of significant loss of corporate knowledge highlighting the need for information management controls</li> <li>◆ Local Government has a much older workforce in comparison to other community service industries</li> <li>◆ Need to develop a policy and procedure framework to promote a safe resilient and dynamic workforce</li> <li>◆ Not having appropriate staff resourcing and/or expertise to deliver identified objectives - quality staff turnover; WHS risk (stress from stretched resources); reputational damage</li> <li>◆ There is a risk dropping the ball on a whole bunch of things because of how far people are stretched and single person risk</li> <li>◆ Lack of manager depth - Some work not getting the attention it deserves from the appropriate person or one-up (safety reports/minutes for example)</li> <li>◆ As the priorities of the city change, it can be difficult to make the organisational structure fluid enough to respond appropriately</li> <li>◆ Lack of an overall organisational development program based on outcomes from culture and pulse surveys, and identification of leadership priorities</li> </ul>			
<b>Associated Controls</b>		<b>Associated Controls Continued</b>	<b>Assessment</b>	
◆	<ul style="list-style-type: none"> <li>◆ HR/WHS/Injury Management Policies and Procedures</li> <li>◆ Employee Assistance program (EAP)</li> <li>◆ Performance Development Plan</li> <li>◆ Policy framework</li> <li>◆ Position design</li> <li>◆ Cultural survey</li> <li>◆ Training needs analysis</li> <li>◆ Recruitment strategy</li> </ul>		<b>Consequence</b>	<b>4</b>
◆			<b>Likelihood</b>	<b>2</b>
◆			<b>Residual Risk Rating</b>	<b>M</b>
◆				
<b>Risk Management Strategies</b>		<b>Responsibility</b>	<b>Timing</b>	<b>Status</b>
◆	Workforce planning			
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## Risk Management Worksheet

Whyalla City Council

▲ ▼	3	Financial Sustainability and Growth	Responsibility assigned to :	
<b>Risk Definition and Risk Descriptors</b>				
◆	<b>Mismatch between revenue/cost base and expected activity (BAU, legacy and degradation of financial performance)</b>			
◆	Rating income does not supply sufficient income to provide the infrastructure and services needed (Expenditure is not aligned to revenue). Other revenue sources needed.			
◆	Long term asset management inadequate and services provided inefficient or unnecessary/unsupportable			
◆	Ability of current ratepayers to pay for the upkeep of the city			
◆	The cost to undertake projects in region makes them unviable			
◆	Insufficient financial resources to address the significant renewal, upgrade, transformation needs of the city			
◆	Council has no capacity in its budget to deal with adverse events			
◆	Inadequate budget setting/compliance with mismatch between cost base and expected activity			
◆	External economic conditions			
<b>Associated Controls</b>		<b>Associated Controls Continued</b>	<b>Assessment</b>	
◆	Budget process		<b>Consequence</b>	<b>4</b>
◆	Annual Business Plan		<b>Likelihood</b>	<b>3</b>
◆	Long Term Financial Plan (LTFP)		<b>Residual Risk Rating</b>	<b>H</b>
◆	External Audit/Internal Controls			
◆	Council Agenda/Public Consultation			
◆	Prudential Review Policy			
◆	Internal Audit and Service Review program			
◆	Audit and Risk Committee			
◆				
<b>Risk Management Strategies</b>		<b>Responsibility</b>	<b>Timing</b>	<b>Status</b>
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## Risk Management Worksheet

Whyalla City Council



▲ ▼	5	Information and Communication Technologies (ICT)	Responsibility assigned to :	
<b>Risk Definition and Risk Descriptors</b>				
◆	ICT resources are inadequate to deliver Council's requirements, including business critical and cybersecurity systems			
◆	Insufficient investment/governance in internal systems/processes (IT/business practices); inability to move fast enough as technology changes – leads to inefficiencies/costs			
◆	Cyber crime/fraud risk not effectively managed leading to potential cyber attack, services disruption, system failure, compromised data, financial loss, reputational exposure			
◆	Failure of business critical ICT systems - loss of information, threat to continuity of operations, workplace safety compromised)			
◆	Underinvestment in ICT systems to improve efficiency and customer experience. Investment is hard to envisage in the current climate, with large deficits and competing priorities			
◆	Reliability and integrity of Council IT systems			
◆	AI influence			
◆	Resources and assets			
◆	Knowledge management			
◆	Business Interruption - IT resources are constrained; current levels of support for key systems impact staff if there is planned leave or illness due to absence of support staff			
<b>Associated Controls</b>		<b>Associated Controls Continued</b>	<b>Assessment</b>	
◆	Multifactor identification		Consequence	3
◆	Data penetration report and controls		Likelihood	3
◆	IT Disaster Recovery Protocol		Residual Risk Rating	M
◆	Phishing controls			
◆	Trusted Vendor engagement			
◆	Project management cost for ICT factored into all projects			
◆	Training			
<b>Risk Management Strategies</b>		Responsibility	Timing	Status
◆	Systems Modernisation Strategy			
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## Risk Management Worksheet

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▲ ▼	6	Strategic Direction	Responsibility assigned to :		
<b>Risk Definition and Risk Descriptors</b>					
◆	Ineffective alignment and delivery of strategic direction				
◆	<ul style="list-style-type: none"> <li>Lack of a systems approach to strategic directions; Little articulation of strategic direction and failure to plan for change</li> <li>Decline of Whyalla as an economic centre, caused by inadequate planning, policy and reputation, resulting in, a decline of business investment and loss of business confidence.</li> <li>Inappropriate allocation of resources to strategic imperatives, which makes it difficult to prepare the city before the population boom</li> <li>Inconsistent knowledge, understanding and commitment to and progress towards strategic direction and vision. Due to inconsistent communication.</li> <li>A political change in direction of the city, could have an impact in the long term viability of the city.</li> <li>Insufficient data capability to inform strategic direction and engage with ratepayers/community</li> <li>Ensure that the region remains a strong and vibrant place to live, work and visit; and communities can respond positively to the challenges presented by a changing climate</li> <li>Resources directed to developments that will not contribute to the city's long term future and currently doing too many projects</li> <li>Alignment with all levels of government; insufficient leadership across the city resulting in lower levels of public / private investment</li> <li>Competitors; Insufficient infrastructure and Council's poor reputation</li> </ul>				
<b>Associated Controls</b>		<b>Associated Controls Continued</b>	<b>Assessment</b>		
◆	<ul style="list-style-type: none"> <li>Budget Bid process</li> <li>Consultation - broadly/Council/Audit Committee</li> <li>Linkage with LTFP/Annual Business Plan</li> <li>Strategic Plan 2021 - 2030 and Whyalla 2040 (in development)</li> <li>Advocacy with State and C/W Govt</li> <li>Strategic Alliance membership</li> <li>Upper Spencer Gulf Cities Association</li> <li>Economic Development Plan</li> <li>Regional Development Australia</li> <li>Lead for strategy and delivery</li> </ul>		<b>Consequence</b>		<b>4</b>
<b>Likelihood</b>			<b>3</b>		
<b>Residual Risk Rating</b>			<b>H</b>		
<b>Risk Management Strategies</b>		<b>Responsibility</b>	<b>Timing</b>	<b>Status</b>	
◆					
◆					
◆					
◆					
◆					
◆					
◆					
◆					
Approved by:		Date:			

Whyalla City Council - Strategic Risk Assessment





## APPENDIX 1: RISK RATINGS AND DEFINITIONS

CONSEQUENCE			
1 - Low		5 - High	
5	Catastrophic	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Significant number of major strategic plan objectives not achieved Significant asset destruction or other financial/economic loss Long term workplace/community harm Cessation of multiple services or programs Permanent long term environmental harm, loss of significant environmental assets Long term damage and loss of confidence by community
4	Major	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	A number of strategic objectives not achieved Loss of asset or damage lasting many months or other major financial/economic loss Significant long term workforce/community harm, industrial action over many months Cessation of some services or programs Significant long term environmental harm, loss and damage of significant environmental assets Sustained damage and loss of confidence for many months
3	Medium	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Major components of strategic objectives not achieved Loss of asset or damage lasting several months or some financial/economic loss Significant short term workforce/community harm, short term industrial action Disruption to some services or programs Significant release of pollutants with mid term recovery, significant but temporary damage to environmental assets Significant but short term damage to reputation/image
2	Minor	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Minor parts of strategies not achieved Loss of asset or damage lasting up to a month or minor financial/economic loss Minor transient workforce/community harm, threats of industrial action Some disruption to services or programs Minor transient environmental harm, minor temporary damage to environmental assets Some negative mention of an agency or agencies in the press
1	Insignificant	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	No effect on strategies or objectives Loss of assets or damage lasting days or insignificant financial or economic loss Incident without workforce or community harm, dialogue with industrial groups No interruptions to services or programs No environmental damage or loss No damage to reputation

LIKELIHOOD		
1 - Low		5 - High
5	Almost certain	Is expected to occur in most circumstances. In probability terms this may mean that it is greater than 80% probability of occurring.
4	Likely	Will probably occur in most circumstances. In probability terms this may mean that it has 60% to 79% probability of occurring.
3	Possible	Might occur at some time. In probability terms this may mean that it is between 40% to 59% probability of occurring.
2	Unlikely	Could occur at some time. In probability terms this may mean that it is between 20% to 39% probability of occurring.
1	Rare	May occur in exceptional circumstances. In probability terms may mean that it is less than 19% probability of occurring.

RESIDUAL RISK	
<b>Extreme</b>	The consequences would threaten the survival of the activity but also the organisation, possibly causing major problems for clients. Controls and treatments must be effective
<b>High</b>	The consequences would threaten the survival or continued effective operation of an organisation. Controls and treatments must be effective
<b>Moderate</b>	The consequences would threaten the activity. Existing controls must be maintained and possibly additional treatments effectively implemented.
<b>Low</b>	The consequences are dealt with by routine operations

Likelihood	5	Moderate	High	High	Extreme	Extreme
	4	Moderate	Moderate	High	High	Extreme
	3	Low	Moderate	Moderate	High	High
	2	Low	Low	Moderate	Moderate	Moderate
	1	Low	Low	Low	Moderate	Moderate
		1	2	3	4	5
		Consequence				

## APPENDIX 2: WORKSHOP PARTICIPANTS

3 October 2023	Name
Audit and Risk Committee Independent Members	Grant Strawbridge
	Pat Christie
	Laurie Kozlovic
Executive	Justin Commons
	Kathy Jarret
	Jade Ballantine
	Kristen Clark
	Grant Jennings
Leadership Members	Sue King
	Irene Adair
BDO	Kyffin Thompson
	Paul Sansome



# WHYALLA CITY COUNCIL (WCC)

INTERNAL AUDIT PLAN  
2023/24 - 2025/26



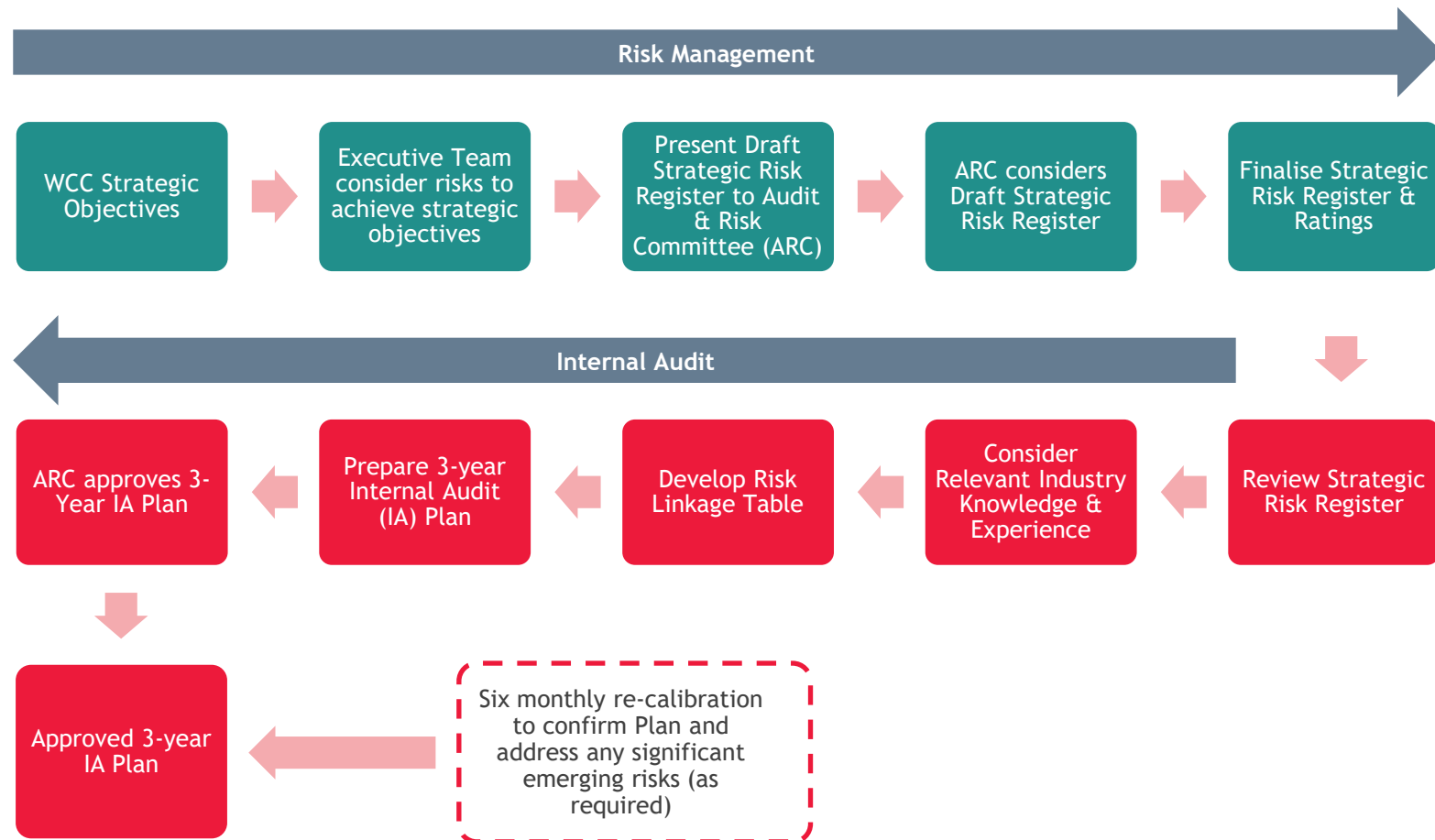
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# OVERVIEW OF PLANNING APPROACH

The below diagram provides a high level overview of the development process typically undertaken in creating a 3-Year Internal Audit (IA) Plan.



## WCC RISK ASSESSMENT

The WCC Risk Profile in Appendix 1 highlights the assessment of WCC's identified residual risks (refer Appendix 2 for WCC Risk Categories) based on the assessed risk consequence and likelihood. Consequence considers the significance of the risk impacting the achievement of WCC's strategic objectives. Likelihood considers the chance of the risk occurring (having considered the effectiveness of existing controls) over the next 12-18 months.

The Risk Profile is based on the relativity of each risk to each other. The position on the matrix of each risk represents the relative significance and likelihood of these risks resulting in business impact on WCC considering the associated internal controls.

We have developed the Internal Audit (IA) Plan with reference to the WCC Risk Profile, to determine the focus of internal audit projects. Our analysis of the Risk Profile allows us to determine the focus areas as follows:

- For risks with relatively high consequence and high likelihood: These risks represent a significant threat to the organisation if not managed. Internal Audit projects may be considered to identify risk management strategies to manage that risk (refer risks #3,6,7).
- For risks with relatively high consequence and low likelihood: These risks have a significant impact on the organisation and rely heavily on internal controls to reduce the likelihood of occurrence. Internal Audit projects may be considered to test the effectiveness of internal controls (refer risk #1 and #2).
- For risks with low consequence and high likelihood: These risks do not have a significant impact on the organisation but indicate that internal controls may require improvement to reduce likelihood (refer risk #8).
- For risks with moderate consequence and moderate likelihood: These risks are generally tolerable however Internal Audit projects may be considered to test the effectiveness of internal controls and/or identify process/risk management improvements (refer risks #4 and #5).
- For risks with low consequence and low likelihood: These risks are not significant and typically do not require Internal Audit projects at this time (N/A).

The timing of proposed projects within the Internal Audit Plan takes into account the significance of the assessed risks per the Risk Profile, the budget impact of the IA project, and current activities being undertaken by WCC to manage risks (for example, Service Reviews).

# ALLOCATION OF INTERNAL AUDIT RESOURCES

Typically, an Internal Audit Plan is split into two (2) components:

1. **Planned Projects** - completing and reporting on Internal Audit projects outlined within the risk based Internal Audit Plans. Planned Projects are typically categorised into three (3) categories:
  - **Compliance Audits (CA)** - this type of project focuses on assessing compliance with contractual, legislative, or regulatory requirements. Examples of these types of projects may include Legal/Regulatory Compliance, Payroll, Procurement and Contract management.
  - **Assurance Audits (AA)** - this type of project focuses on assessing operational performance of systems, policies, and processes. Examples of these types of projects may include Asset Management, Cost Management, Project Management.
  - **Strategic Audits (SA)** - this type of project focuses on assessing the achievement of strategic objectives of a program, function, operation, or system.. Examples of these types of projects may include Strategic and Business Planning, Workforce Planning and Management, Business Continuity Planning and Disaster Recovery.
2. **Special Projects** - undertaking “special” projects requested by WCC, for example, fraud investigations or reviews of a particular area of concern resulting from a newly identified risk or changed risk rating.

This Internal Audit Plan covers Planned Projects only. Project Plans for Special Projects will be determined as required.

## Planned Projects - Linked to Risks

Seven (7) projects over the 2023/24 - 2025/26 period have been proposed to address WCC’s current key business risks considering each risk’s associated controls. The following Risk & Internal Audit Project Linkage table outlines the proposed Internal Audit projects and their relationship, to addressing the key WCC risks. Individual Project Plans have been developed (refer to Appendix 4).

We have included indicative project sizes and fee ranges, however, the project fees will be determined and agreed, in conjunction with the WCC project owner, on development of the project brief. The indicative project sizes are as follows:

- Compliance Audit: fee range \$12,000-\$16,000 (e.g. internal controls review including testing)
- Assurance Audit: fee range \$16,000-\$20,000 (e.g. performance review and/or complex process review)
- Strategic Audit: fee range \$20,000-\$24,000 (e.g. strategic assessment including ICT reviews).

# RISK & INTERNAL AUDIT PROJECT LINKAGE TABLE

Risk Ratings  
Extreme  
High  
Medium  
Low



Link to Assurance Activities ✓

Risks

Inability to build and maintain community expectations and trust	Lack of effective organisational development and human resource strategy	Mismatch between revenue/cost base and expected activity (BAU, legacy and degradation of financial performance)	Ineffective governance framework and mechanisms	ICT resources are inadequate to deliver Council's requirements, including business critical and cybersecurity systems	Ineffective alignment and delivery of strategic direction	Inadequate asset management planning to ensure Council has appropriate infrastructure to meet current and future needs	Inability for airport operations to deliver public value
1	2	3	4	5	6	7	8
M	M	H	M	M	H	H	M

Project Ref Internal Audit (IA) Projects (in order of priority)

#	Project Title	Project Description													
1	Budget Establishment, Monitoring and Management	Performance review of budget setting, monitoring and management processes including alignment of budgets to strategic plans, budget establishment, monitoring (including forecasts to complete), budget variance reporting and escalation processes.			✓	✓		✓	✓	Not included in Internal Audit Plan - risk addressed by separate Service Review	AA	2023-24	80-100 hours	\$16k-\$20k	
2	Strategic and Business Planning Process	Assessment of strategic and business planning, and implementation and management processes to meet WCC's strategic objectives. The review will consider strategic planning framework and alignment with WCC's vision/mission, government policy impacts, strategic plan and business plan development, implementation and monitoring/management processes.	✓	✓	✓	✓		✓			SA	2024-25	100-120 hours	\$20k-\$24k	
3	Asset Management	Performance review of asset/infrastructure management planning and maintenance processes including: current and future demand requirements, strategic asset planning, capitalisation methodology, asset condition monitoring, maintenance and budget management.	✓		✓	✓			✓		AA	2024-25	80-100 hours	\$16k-\$20k	

CA = Compliance Audit; AA = Assurance Audit; SA = Strategic Audit



Risk Ratings  
Extreme  
High  
Medium  
Low



Link to Assurance Activities ✓

Risks

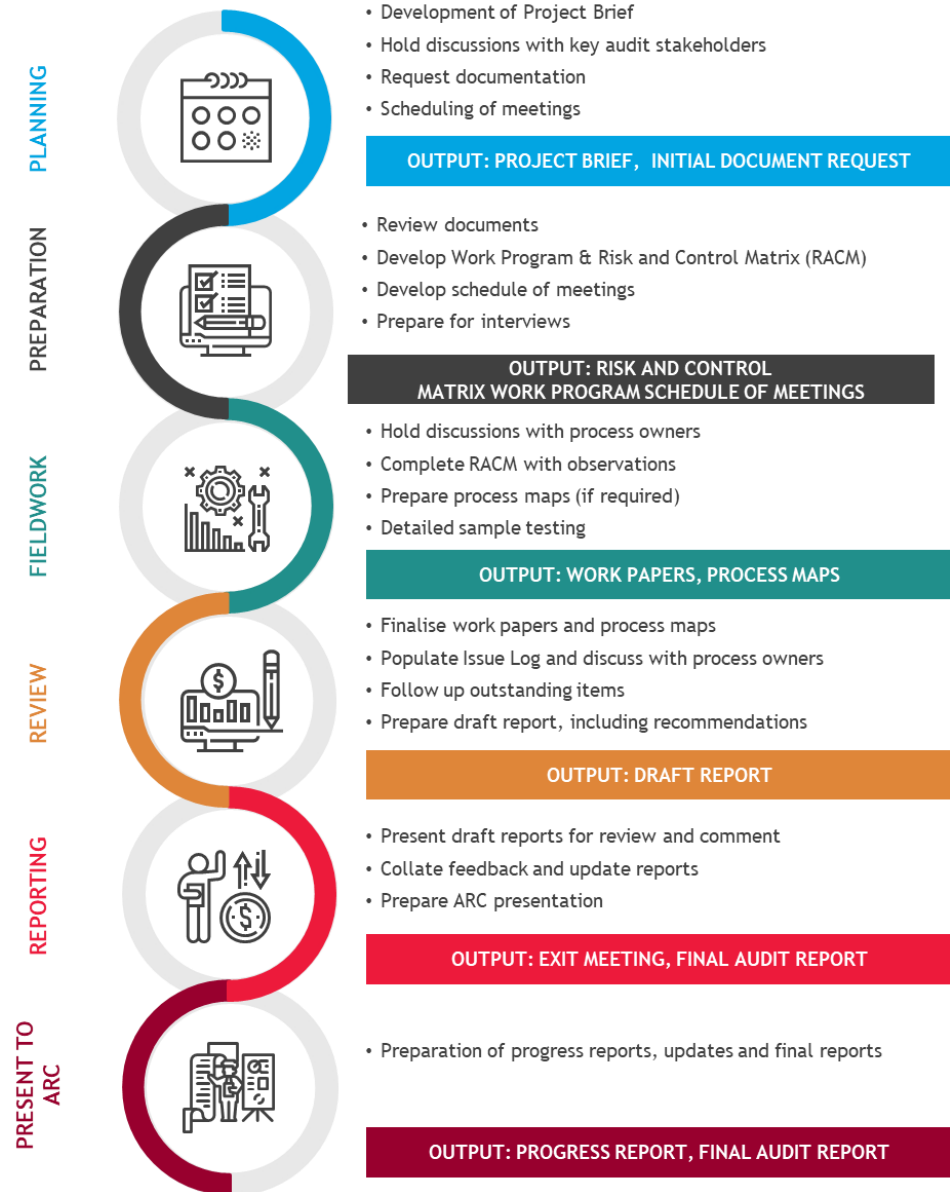
Inability to build and maintain community expectations and trust	Lack of effective organisational development and human resource strategy	Mismatch between revenue/cost base and expected activity (BAU, legacy and degradation of financial performance)	Ineffective governance framework and mechanisms	ICT resources are inadequate to deliver Council's requirements, including business critical and cybersecurity systems	Ineffective alignment and delivery of strategic direction	Inadequate asset management planning to ensure Council has appropriate infrastructure to meet current and future needs	Inability for airport operations to deliver public value
1	2	3	4	5	6	7	8
M	M	H	M	M	H	H	M

Project Ref	Internal Audit (IA) Projects (in order of priority)									Project Type	Suggested Timing	Indicative Effort	Project Fee Band (excl. GST)
#	Project Title	Project Description											
4	Human Resource Planning and Management	Review of human resource planning and management processes to ensure skills and service requirements are met. The review will consider the processes/internal controls relevant to identification of skills requirements, attraction and retention of staff, training and professional development, resource allocation, succession planning/knowledge retention, staff culture/wellbeing and industrial relations impacts.		✓				✓		AA	2024-25	80-100 hours	\$16k-\$20k
5	External Stakeholder Relationship Management	Assessment of external stakeholder relationship management and engagement effectiveness (primarily community). The review will focus on the type/frequency of stakeholder communications, community engagement and consultation, stakeholder requests and stakeholder engagement monitoring.	✓			✓		✓	✓	AA	2024-25	80-100 hours	\$16k-\$20k
6	Governance and Compliance	Review of general compliance management and reporting processes including governance requirements (e.g. WCC policies, governance structures). This review will also consider how WCC manages the impact of legislative/regulatory changes on the organisation.	✓			✓		✓		CA	2025-26	60-80 hours	\$12k-\$16k
7	ICT Infrastructure	Review to assess design and operating effectiveness of WCC's ICT systems and resources, including business critical and cybersecurity systems, to ensure WCC can achieve its strategic objectives. This review will consider the key ICT risks impacting WCC and assess mitigating strategies that have been put in place (e.g. Systems Modernisation Strategy).		✓		✓	✓			SA	2025-26	100-120 hours	\$20k-\$24k
Not included in Internal Audit Plan - risk addressed by separate Service Review													

CA = Compliance Audit; AA = Assurance Audit; SA = Strategic Audit

# INTERNAL AUDIT PROJECT EXECUTION

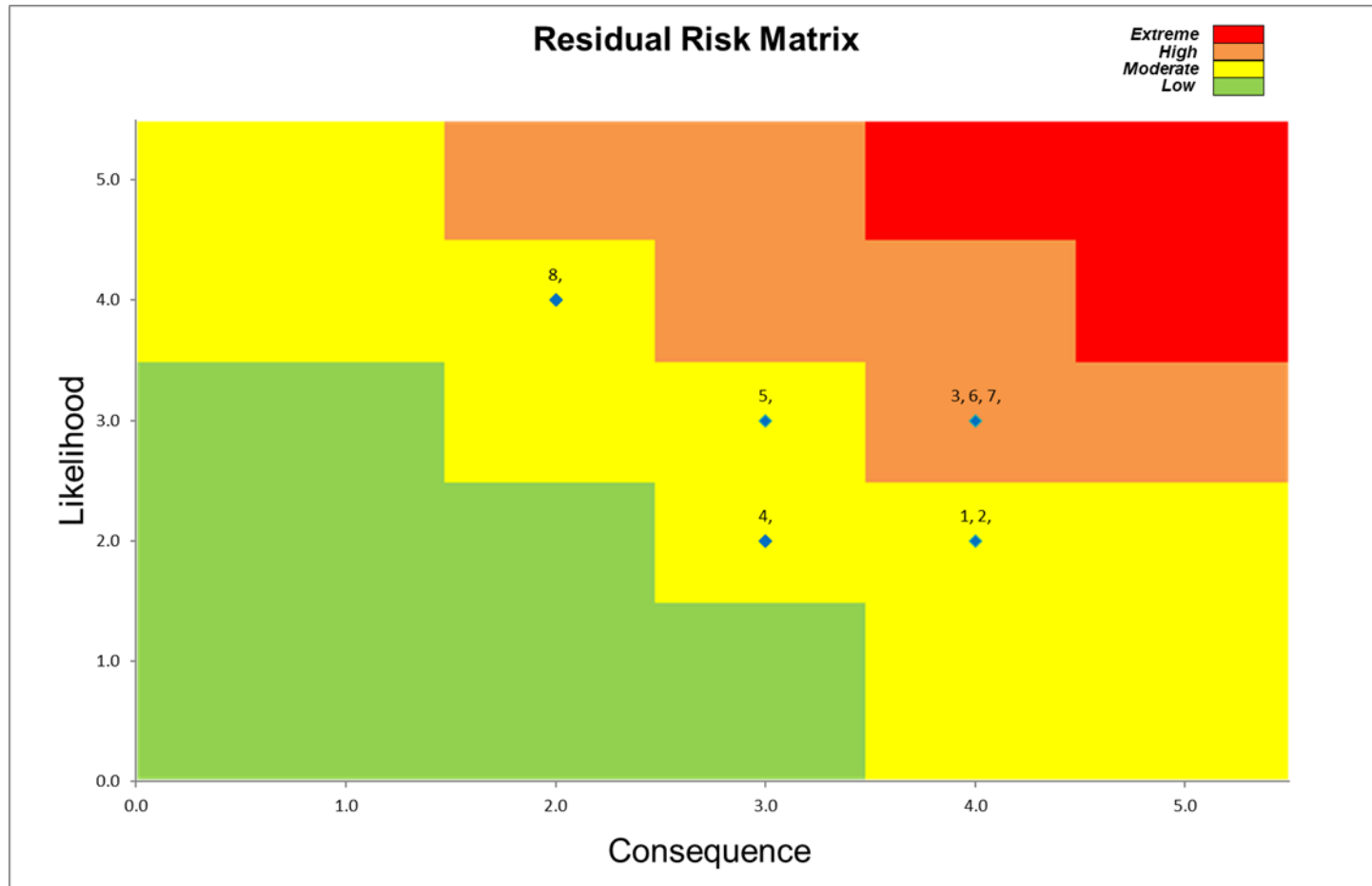
The adjacent diagram provides a high-level overview of the proposed approach to executing IA projects.



# APPENDICES



# APPENDIX 1: WCC RESIDUAL RISK PROFILE



## APPENDIX 2: WCC RISK CATEGORIES

Risk ID	Risk Category	Risk Definition
1	Community Expectations	Inability to build and maintain community expectations and trust
2	Organisational Development / Human Resource Management	Lack of effective organisational development and human resource strategy
3	Financial Sustainability and Growth	Mismatch between revenue/cost base and expected activity (BAU, legacy and degradation of financial performance)
4	Governance	Ineffective governance framework and mechanisms
5	Information and Communication Technologies (ICT)	ICT resources are inadequate to deliver Council's requirements, including business critical and cybersecurity systems
6	Strategic Direction	Ineffective alignment and delivery of strategic direction
7	Asset Management	Inadequate asset management planning to ensure Council has appropriate infrastructure to meet current and future needs
8	Airport Operations	Inability for airport operations to deliver public value



# APPENDIX 3: BDO RISK RATING MATRIX

## CONSEQUENCE RATING TABLE

CONSEQUENCE			
1 - Low		5 - High	
5	Catastrophic	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Significant number of major strategic plan objectives not achieved Significant asset destruction or other financial/economic loss Long term workplace/community harm Cessation of multiple services or programs Permanent long term environmental harm, loss of significant environmental assets Long term damage and loss of confidence by community
4	Major	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	A number of strategic objectives not achieved Loss of asset or damage lasting many months or other major financial/economic loss Significant long term workforce/community harm, industrial action over many months Cessation of some services or programs Significant long term environmental harm, loss and damage of significant environmental assets Sustained damage and loss of confidence for many months
3	Medium	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Major components of strategic objectives not achieved Loss of asset or damage lasting several months or some financial/economic loss Significant short term workforce/community harm, short term industrial action Disruption to some services or programs Significant release of pollutants with mid term recovery, significant but temporary damage to environmental assets Significant but short term damage to reputation/image
2	Minor	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	Minor parts of strategies not achieved Loss of asset or damage lasting up to a month or minor financial/economic loss Minor transient workforce/community harm, threats of industrial action Some disruption to services or programs Minor transient environmental harm, minor temporary damage to environmental assets Some negative mention of an agency or agencies in the press
1	Insignificant	Strategy Economic Social/People Service Delivery Environmental Reputation & Image	No effect on strategies or objectives Loss of assets or damage lasting days or insignificant financial or economic loss Incident without workforce or community harm, dialogue with industrial groups No interruptions to services or programs No environmental damage or loss No damage to reputation

# APPENDIX 3: BDO RISK RATING MATRIX

## LIKELIHOOD RATING TABLE AND RISK RATING MATRIX

LIKELIHOOD		
1 - Low		5 - High
5	Almost certain	Is expected to occur in most circumstances. In probability terms this may mean that it is greater than 80% probability of occurring.
4	Likely	Will probably occur in most circumstances. In probability terms this may mean that it has 60% to 79% probability of occurring.
3	Possible	Might occur at some time. In probability terms this may mean that it is between 40% to 59% probability of occurring.
2	Unlikely	Could occur at some time. In probability terms this may mean that it is between 20% to 39% probability of occurring.
1	Rare	May occur in exceptional circumstances. In probability terms may mean that it is less than 19% probability of occurring.

RESIDUAL RISK	
<b>Extreme</b>	The consequences would threaten the survival of the activity but also the organisation, possibly causing major problems for clients. Controls and treatments must be effective
<b>High</b>	The consequences would threaten the survival or continued effective operation of an organisation. Controls and treatments must be effective
<b>Moderate</b>	The consequences would threaten the activity. Existing controls must be maintained and possibly additional treatments effectively implemented.
<b>Low</b>	The consequences are dealt with by routine operations

Likelihood	5	Moderate	High	High	Extreme	Extreme
	4	Moderate	Moderate	High	High	Extreme
	3	Low	Moderate	Moderate	High	High
	2	Low	Low	Moderate	Moderate	Moderate
	1	Low	Low	Low	Moderate	Moderate
		1	2	3	4	5
		Consequence				

## APPENDIX 4: PROPOSED INTERNAL AUDIT PROJECTS

### BUDGET ESTABLISHMENT, MONITORING & MANAGEMENT (Project 1)

#### Risk Issues

Potential risk issues include:

- Insufficient financial resources to deliver services and provide adequate infrastructure
- Mismatch between revenue/cost base and expected activity
- Inability of rate payers to support increased revenue requirements
- Inadequate budget setting and monitoring processes/systems and/or reporting resulting in variances not being identified/escalated appropriately

#### Objectives & Areas for Review

To assess the adequacy of budget setting, monitoring and management processes to ensure WCC's strategic objectives are met within government budget constraints.

The review will consider: alignment of budgets to strategic plans, budget setting, monitoring (including forecasts to complete), budget variance reporting and escalation processes. The review will have a process improvement focus, to address key risks in WCC meeting its strategic objectives within budget limitations.

**Estimated Timing: 2023-24**

**Indicative Budget: \$16,000 - \$20,000**

### STRATEGIC & BUSINESS PLANNING PROCESS (Project 2)

#### Risk Issues

Potential risk issues include:

- Lack of systematic approach to strategic direction and planning
- Unanticipated government policy, economic, social or environmental changes impact long term viability of city
- Inconsistent communication of strategic direction
- Ineffective/inadequate strategic and business planning, implementation and/or monitoring processes

#### Objectives & Areas for Review

To assess the adequacy of strategic and business planning, implementation and management processes to meet WCC's strategic objectives, including delivery of strategic projects, with a focus on identifying improvement opportunities.

The review will consider: strategic planning framework and alignment with WCC's strategic direction, government policy and other impacts, strategic plan and business plan development, implementation and monitoring/management processes. Consideration will also be given to stakeholder engagement, governance processes, documentation and communication of strategic/business plans across the organisation.

**Estimated Timing: 2024-25**

**Indicative Budget: \$20,000 - \$24,000**

Continued...

## ASSET MANAGEMENT REVIEW (Project 3)

### Risk Issues

Potential risk issues include:

- Inadequate asset/infrastructure planning, management and maintenance
- Inadequate funding for asset projects and for asset/infrastructure maintenance
- Failure of assets, including safety issues
- Asset management plans do not meet long term financial plan (LTFP) and/or community expectations

### Objectives & Areas for Review

To assess adequacy of asset/infrastructure management planning, maintenance and funding processes to ensure assets are fit-for-purpose and meet community expectations.

Our scope will include: current and future demand requirements, strategic asset planning (including alignment with the LTFP), capitalisation methodology, asset condition monitoring, maintenance, funding/budget management and community engagement/consultation. The review will have a 'process improvement' focus, to address key risks within the asset/infrastructure management planning and funding processes.

**Estimated Timing: 2024-25**

**Indicative Budget: \$16,000 - \$20,000**

## HUMAN RESOURCE PLANNING AND MANAGEMENT (Project 4)

### Risk Issues

Potential risk issues include:

- Lack of effective human resource and organisational development strategy
- Inadequate scale and depth of workforce
- Insufficient resources to deliver current/future community outcomes
- Inadequate policy and procedure framework to support workforce

### Objectives & Areas for Review

To assess the adequacy of human resource planning and management processes to ensure current/future skills and service requirements are met.

The review will consider: processes/internal controls relevant to identification of skills requirements, attraction and retention of staff, training and professional development, resource allocation, succession planning, staff culture/wellbeing and industrial relations impacts. The project will also assess compliance with WCC's human resource management policies and procedures.

**Estimated Timing: 2024-25**

**Indicative Budget: \$16,000 - \$20,000**

*Continued...*

## EXTERNAL STAKEHOLDER RELATIONSHIP MANAGEMENT (Project 5)

### Risk Issues

Potential risk issues include:

- Ineffective external community/stakeholder engagement impacts community confidence and reputation
- Inability to build and maintain community expectations and trust
- Inadequate identification of stakeholder needs/expectations
- Ineffective systems to plan and deliver community projects

### Objectives & Areas for Review

To assess the effectiveness of stakeholder relationship management and engagement effectiveness (primarily community), across all key operational areas.

The review will consider: type and frequency of stakeholder communications, community engagement and consultation, stakeholder requests and stakeholder engagement monitoring. Consideration will also be given to stakeholder management-related training, and establishment/ monitoring of performance measures.

**Estimated Timing: 2024-25**

**Indicative Budget: \$16,000 - \$20,000**

## GOVERNANCE AND COMPLIANCE (Project 6)

### Risk Issues

Potential risk issues include:

- Potential non-compliance with general legislative, regulatory, policy, employment and contractual requirements
- Ineffective management of routine legislative framework changes
- Ineffective governance framework, mechanisms and roles
- Inadequate preparation for significant sector reform implications

### Objectives & Areas for Review

To assess the adequacy of general compliance management and governance frameworks, mechanisms and roles.

The review will consider: compliance management and reporting processes (including legislative, regulatory, policy, employment and contractual compliance) and governance framework, mechanisms (e.g. WCC policies) and roles/accountabilities. Consideration will also be given to processes in place to identify and manage the impact of legislative/regulatory changes on the organisation.

**Estimated Timing: 2025-26**

**Indicative Budget: \$12,000 - \$16,000**



*Continued...*

## ICT INFRASTRUCTURE (Project 7)

### Risk Issues

Potential risk issues include:

- Failure of business-critical ICT systems
- Inadequate management of cybersecurity risks
- Underinvestment in ICT systems to improve efficiencies and customer service
- Business interruptions due to strained ICT resources

### Objectives & Areas for Review

To assess the design and operating effectiveness of WCC's ICT systems and resources to ensure WCC can achieve its strategic objectives.

The review will consider: design, structure and operational effectiveness of business critical and cybersecurity systems, and the adequacy of support provided by associated ICT resources. The review will identify the key ICT risks impacting WCC and assess the effectiveness of any mitigating strategies that have been put in place (e.g. Systems Modernisation Strategy). The review will have an improvement opportunity focus, to ensure key ICT risk areas are adequately addressed.

**Estimated Timing: 2025-26**

**Indicative Budget: \$20,000 - \$24,000**

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### 3 ITEMS FOR NOTING

#### 3.1 Quarterly Report – Procurement 9 September to 31 December 2023

**Audit and Risk Committee** 5 February 2024

**Meeting:**

**Author's Title:** Diane Aspey - Procurement Coordinator **File No.:** 0-159

**Director:** Corporate

**Annexures** – Nil

**Officer Direct or Indirect Conflict of Interest:**

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

☐

Yes

☒

No

**Status:**

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

☐

Yes

☒

No

**Reason** – not applicable

---

#### PURPOSE

The purpose of this report is to provide information regarding Council's procurement activities during the period 9 September to 31 December 2023.

#### SUMMARY

The Procurement Policy requires quarterly reporting on procurement exemptions.

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

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

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

#### RECOMMENDATION

**The Audit & Risk Committee receive and note the Quarterly Report – Procurement for the period 9 September to 31 December 2023.**

### 3.1 Quarterly Report – Procurement 9 September to 31 December 2023

#### REPORT

#### **BACKGROUND**

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

Council's Procurement Policy exemptions from the policy to be appropriately approved, recorded and reported quarterly to the Audit and Risk Committee and Council.

#### **DISCUSSION**

##### **1. TENDERS (greater than \$250,000):**

The following tenders were undertaken or in progress for the period 9 September to 31 December 2023:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Nil.			

##### **2. POLICY EXEMPTIONS:**

From 9 September to 31 December 2023 the following 15 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
2 x RFID Gates Premium Single Aisle – buried cable, installation & shipping	\$25,556	Contractor is current supplier of all RFID hardware and software for library.	This is an asset renewal and any changes to supplier would cause all RFID hardware and software to be changed over as well with considerable cost to Council for no gain.
Detail & Contour Survey of Foreshore Precinct	\$19,210	Extensive intellectual property on Foreshore area is already with Consultant. They are able to meet a tight timeframe and have committed to commencing the works within the week.	Consultant is a local company, who are able to meet a tight turnaround for the works required.
What's The Future (WTF) Whyalla 2040 Community Engagement	\$37,800	Consultant is well-respected thought leader in field of community engagement and leading social impact entrepreneur. Consultant is energetic & dynamic speaker who leaves audiences feeling educated & inspired to improve the way they involve people in decision making, or indeed to get involved with own community. Work is extension of Community Workshop held in April 2023 to create a Community Plan based on YOUR voice for OUR community developing a Community Plan – Whyalla 2040. Consultant will provide necessary energy to promote	Only one quote was sought for this work due to the opportunity to engage a highly skilled and experienced community engagement consultant who was available on the dates required and has previously been engaged for similar work.

		Community blue sky thinking and introduce innovative thought to Community Plan – Whyalla 2040.	
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## Exemptions Continued....

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
Provision of a Cuttlefish Coast Visitor Experience Precinct Plan	\$90,909	Consultants have worked with DEW on other similar natured projects and are considered specialists in their field. This group were strongly recommended to partner within this project, this combined with the timeframe for delivery.	Comes from DEW having worked with the contractor in the past and their experience in preparing master plans of this nature.
Project Management Services to Infrastructure Department (1 Year)	\$130,000	Recent departure of staff member requires backfilling. This was necessary to ensure current projects and planning of pending works are able to continue and not left in abeyance. In order to maintain delivery of projects and maintain planning for future projects to ensure Council does not breach funding conditions, Council requires an additional staff member in the role of Project Manager Delivery. Given the need to be proficient in Project Management and having a level of Engineering understanding being a key skill set for these works, and the time sensitive nature, Council approached a previously used source for labour hire of an Engineer/Project Manager. The labour hire arrangement is funded by a vacant FTE.	Council negotiated with the consultant to ensure both parties were successful in achieving their goals with Council's expenditure being within a preconceived budget. Without having this service provided, Council would potentially not have capacity to meet grant funding obligations and would be significantly impacted. Consultant has previously provided short term labour hire while Council advertise to fill a role.
Lincoln Highway Drain Cleaning & Ongoing Maintenance (3 Years)	\$180,460	Two quotes were sourced via onsite briefings without using RFQ template document. Contractor has carried out these works in the past. Quotes were sourced via site briefings using the 2020 RFQ scope and the work is required to be carried out as a matter of urgency. Rather than send out template document to request same quotes again we seek permission to award the work with the quotes already sourced. There are no other companies to undertake the works. Out of town companies will require mobilisation costs for machinery required to do job so costs will be considerably higher than local quote received.	We only had 2 companies with equipment and knowledge to undertake the works. Want to undertake these works with the preferred contractor due to costings supplied, coming in at a considerably lower price, also being a Whyalla based and owned company employing local people.
Geographic Information System (GIS) Migration Project (3 Years)	\$109,645	Went directly to Supplier for GIS Services. They are one of the two key main players in industry with Supplier being the other (this is who we are already currently with).	The ongoing subscription price is similar to our current subscription cost with Supplier (existing is around \$27,000). Supplier has demonstrated superior service offering and better software integration.
Installation of CCTV at Civic Building on Grundle Street	\$16,911	Contractor has considerable background knowledge and experience or specialist expertise on that particular Council project or asset eg an extension of a previous project"	Contractor has installed previous CCTV systems at the Airport and the Depot – need to continue to use the same system for storing and retrieving vision.
Ongoing Control of Vegetation in Lincoln Highway/ Jubilee Park Drain	\$34,880	No other suppliers known in Whyalla who can undertake the works. Drains are overtaken by vegetation and require immediate rectification.	Quote is comparative to the hourly rate given for the same works in 2020



## Exemptions continued...

PROJECT TITLE	VALUE (GST EX)	NATURE & REASON FOR EXEMPTION (Clause 7 of Procurement Policy)	HOW COUNCIL IS RECEIVING VALUE FOR MONEY FROM THIS PROCUREMENT
Foreshore Sand Replenishment Program	\$85,800	Contractors completing these works must have a license to dredge issued by the EPA. Contractor is only local company that has this license.	In July 2022 Contractor moved sand at rate of \$11.60/m3. For December 2024 project have quoted \$13/m3. Increase of \$1.40/m3 is due to steep rises in fuel and labour, as well as new EPA levy of \$850/day to dredge, which would total \$8,500 for full 10 days. Taking this into account, Council is continuing to receive great value for money for these works (ie remove daily EPA fees – not payable by Contractor in 2022), to get a rate of \$11.70/m3 of sand moved.
Norton Park Toilet Block – High Grade Vandal Proof Doors	\$10,000	Existing Toilet block was supplied and installed by contractor and proposed replacement doors being supplied and installed by the same company. This ensures replacement doors are suitable for use on toilet block. Doors will be fitted with specialised 5 lock system in factory due to weight and strength of doors.	It is believed that this is best and most cost-effective option offered to Council. Council has previously had locks, grates and other components of doors repaired or replaced by local contractors. Original doors have had many repairs recently with no success in limiting damage to toilet block. Doors are highest grade of vandal proof on market for public spaces.
Purchase of 2 Uninterruptable Power Supply (UPS) for Server Room	\$26,857	Contractor or consultant has considerable background knowledge and experience or specialist expertise on that particular Council project or asset eg an extension of a previous project.	Supplier annually services council's existing UPSes and is travelling to Whyalla to do this, it is logical to purchase from them.
Stormwater Asset Revaluation & Condition Assessment	\$72,545	Consultant has previously provided this service for Council. They also hold an existing agreement to help Council manage our asset system Conquest which is a necessary skill set within this project, in addition they conducted the Stormwater Management Plan which is a document that will be reference throughout the project.	Asset Register Improvements creates better information systems for asset planning purposes.
Supply/Install Carpet Tiles Whyalla Visitor Centre	\$10,904	Contractor is the only local supplier, two options were sought from them. This option is the cheaper of the two options given.	Two options for flooring in the Visitor Centre were sought by Visitor Experience Coordinator. Option 1 was for carpet tiles throughout and second option for carpet tiles and vinyl plank (for public areas). Carpet tiles throughout was cheaper of options.
Electrical Work for Pool Plant Room at Leisure Centre	\$12,593	Contractor has previous experience in electrical works involved at Leisure Centre.	Contractor has experience and are able to do works required within timeframe to fit in with other contractors working onsite.

Due to the recent Procurement Framework Review the following positions are authorised to approve exemptions from undertaking procurement processes as specified in Council's Procurement Policy:

- Up to \$100,000 – Director
- Above \$100,000 – Chief Executive Officer

The following is a summary of Policy exemptions for the 2023/2024 year:

Exemptions by Department	Amount	Percentage
City Growth	8	36.36%
Corporate	7	31.82%
Infrastructure	4	18.18%
Executive	3	13.64%
<b>Total</b>	<b>22</b>	<b>100.00%</b>

Exemptions by Procurement Thresholds (\$)	Amount	Percentage
10,001 – 40,000	12	54.55%
40,001 – 250,000	9	40.90%
250,001 +	1	4.55%
<b>Total</b>	<b>22</b>	<b>100.00%</b>

It is noted that there are more exemptions this quarter than the long term average. A review of the exemptions listed doesn't highlight any items out of the ordinary or of concern, and it is assumed at this stage that this increase may be a one-off anomaly due to a number of factors. The number of exemptions will be monitored over the coming quarters and if there is a noticeable upwards trend, then discussions will be held on whether any action is required.

### 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 1,017 purchase orders raised for goods, works or services for the quarter:

- 638 were local; and
- 379 were non-local

There was an overall spend of \$5,078,772 broken down as follows:

- Local spend           \$1,320,953; and
- Non-local spend     \$3,757,819

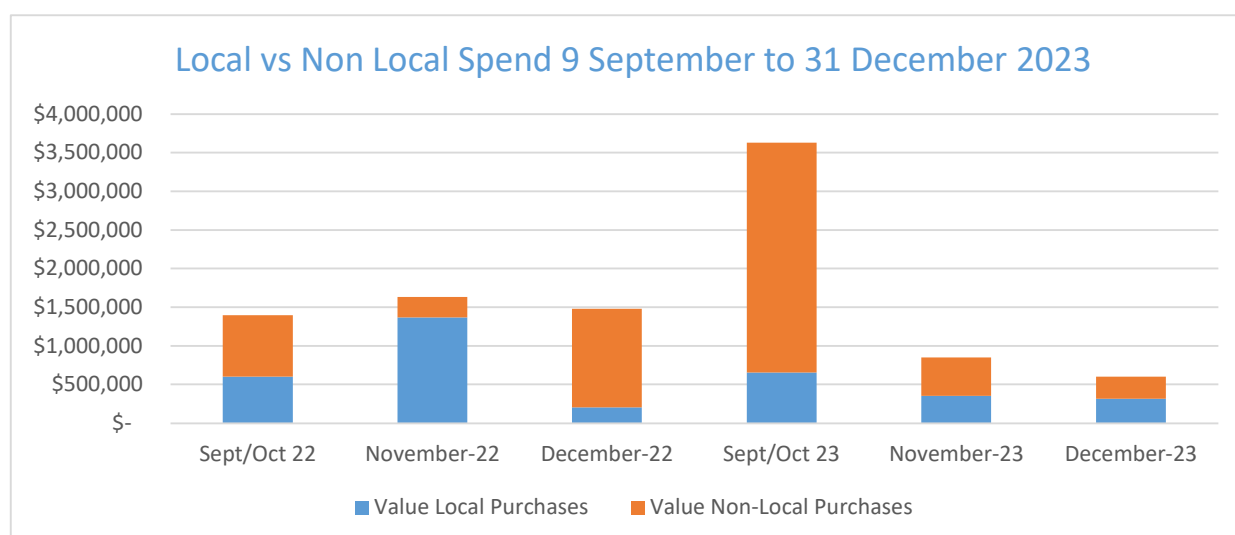
A total of 62.73% were local purchases and 37.27% were non-local purchases for goods, works or services. Non-local purchases for this period were reviewed and were for the following reasons:

- Specialised products or services
- Training/Conferences/Meetings/Accommodation
- Memberships/Subscriptions
- Tendered goods/works/services
- Sponsorship
- Advertising
- PLAN SA online lodgement fees
- Vehicle Registration Searches
- Events – Australia Day
- Software licences
- Laptops

The following tables represent local vs non-local purchase order number and value comparison for 9 September to 31 December 2023 and includes a comparison with the previous year.

2023	9 Sept/October	November	December	Total
Local Purchases	277	182	179	638
Non-Local Purchases	188	111	80	379
Value Local Purchases	\$655,214	\$350,803	\$314,935	\$1,320,953
Value Non-Local Purchases	\$2,973,912	\$499,234	\$284,674	\$3,757,820

2022	17 Sept/October	November	December	Total
Local Purchases	199	190	121	510
Non-Local Purchases	158	115	97	370
Value Local Purchases	\$602,592	\$1,368,487	\$204,634	\$2,175,714
Value Non-Local Purchases	\$793,503	\$262,675	\$1,275,633	\$2,331,811



Non-local spend for the quarter included the following tendered works and where purchase orders were raised for continuation of works/services for the new financial year:

- Leisure Centre Renewals
- Cleaning of Council owned Buildings
- Whyalla Beach Central Plaza & Playground Precinct Development (Stage 1 – Design Review & Detailed Design)
- Project Management Services for Infrastructure Department
- Geographic Information System (GIS) Migration Project
- Relocation of Office Assets from Civic Building to Civic on Grundel
- Decommissioning, Removal and Relocation of Existing Audio Visual Equipment from Civic Building to Civic on Grundel
- Whyalla Cuttlefish Coast Visitor Experience Infrastructure Plan, Economic Development Strategy, Point Lowly Cottages Fit Out
- Vehicle & Minor Plant Trade In/Replacement

## **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**

62.73% of purchase orders raised during the period 9 September to 31 December 2023 were for goods, works and services from local suppliers.

### 3 ITEMS FOR NOTING

#### 3.2 Management of Excess Leave

**Audit and Risk Committee** 5 February 2024  
**Author's Title:** Sandra Vigar - Finance Coordinator **File No.:** 0-159  
**Director:** Corporate

**Annexures:**

Nil

**Officer Direct or Indirect Conflict of Interest:**

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

**Status:**

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

☐ Yes

☒ No

☐ Yes

☒ No

**Reason** – Not applicable

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#### PURPOSE

To provide a bi-annual update to the Audit and Risk Committee regarding the progress implemented to reduce excess leave balances and the impact that this has had to date.

#### SUMMARY

A process to manage excess leave balances was initially implemented in March 2023, for employees that have more than 8 weeks of Annual Leave and/or more than 13 weeks of Long Service Leave accrued. Administration has been working with affected employees to ensure their excess accruals are reduced to within acceptable guidelines.

This process has continued to assist in reducing the outstanding leave balances when compared to previous balances.

#### RECOMMENDATION

**The Audit and Risk Committee notes the progress on managing excess leave balances.**



## 3.2 Management of Excess Leave

### REPORT

#### BACKGROUND

The following process for managing excess leave balances was implemented in March 2023:

- Supervisors/managers are advised of employees, without sufficient planned leave, who have more than 8 weeks of Annual Leave and/or more than 13 weeks of Long Service leave accrued.
- These employees are asked to submit leave forms for leave to be taken prior to the end of financial year, giving consideration to further leave that will accrue up to the 30<sup>th</sup> June.
- If this is not possible, due to balances being too high, future retirement plans or extended leave outside of 12 months, an excess leave management plan needs to be completed and submitted.

This process is undertaken internally every 3 months, and an update is provided to the Audit and Risk Committee bi-annually. This process encourages employees to take leave and provides management with the opportunity to regularly monitor and control leave balances.

#### DISCUSSION

Council has a number of long-term employees with large leave balances. It is anticipated the process may take longer than 12 months to reduce within allowable limits (up to 3 years).

Employees have the option to cash out a minimum of two weeks long service leave. Tax implications will be provided to employees upon request.

Cashing out of annual leave is generally not permitted but may be considered as a one-off payment in extenuating circumstances. Current year entitlements of annual leave are not to be cashed out as they incur an additional cost to Council.

As at 30<sup>th</sup> June 2023 the number of employees with excess leave balances was:

Type	June 2023	Eligible Employees*	Percentage of Eligible Employees
Long Service Leave	20	150	13.33%
Annual Leave	11	135	8.15%

As at 14<sup>th</sup> January 2024 the number of employees with excess leave balances was:

Type	January 2024	Eligible Employees*	Percentage of Eligible Employees
Long Service Leave	13	153	8.50%
Annual Leave	11	139	7.91%

*\*All employees are eligible for long service leave accruals, full time and part time employees are entitled to annual leave accruals*

## **Long Service Leave**

Since 30 June 2023 11 employees have taken leave and are no longer considered to have excess leave. Four employees have been newly added to the list and communication is currently progressing with all employees involved to reduce their accruals to within allowable entitlements.

Of the 13 employees with excess long service leave balances, it is expected that at least 7 employees will be within their allowable accrual limits by the end of the current financial year, or shortly thereafter.

Employees with excess long service leave has reduced in the 6-month period by 7 employees or 35%.

## **Annual Leave**

Since 30 June 2023, 5 employees have taken leave and are no longer considered to have excess leave. Five employees have been newly added to the list and communication is currently progressing with all employees involved to reduce their accruals to within allowable entitlements.

Of the 11 employees with excess annual leave balances, it is expected that at least 8 employees will be within their allowable accrual limits by the end of the current financial year, or shortly thereafter.

Employees with excess annual leave has remained at 11 over the six-month period.

## **Report**

A report on the management of excessive leave balances will be presented to the Audit and Risk Committee on a bi-annual basis.

## **Financial Implications**

While Council has provisions for outstanding leave and can cash flow the payment of these amounts, there are still some financial implications of large leave balances. All leave needs to be paid at current pay rates, so every time an annual pay increase occurs balances are revalued, with the impact being higher as overall outstanding balances increase. If an individual with a large balance receives a promotion, then the value of their leave balance can increase materially, especially if it is a number of levels higher. Another risk for increasing LSL is where a person who has been part time for a large number of years and then goes full time.

## **Strategic Plan**

*Objective 1.1 – Unearth community pride within the city*

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

## **Legislation**

*Long Service Leave Act 1987*

*Fair Work Act 1994*

**Officer Direct or Indirect Interest – Nil**

## **Risk Assessment**

Employees not taking regular leave is considered to be a key risk of fraud. Ensuring that employees take their leave increases the probability of uncovering fraud or the potential of fraud occurring.

**Social Considerations – Nil**

**Community Engagement – Nil**

**Environmental Implications – Nil**

**Communication – Not applicable**

## **Conclusion**

Dealing with leave balances reduces financial risk for Council, while also boosting employee wellbeing by ensuring that everyone has sufficient downtime from work.

#### 4. CONFIDENTIAL ITEMS

##### 4.1 Prudential Reports – Stage 1 Foreshore Masterplan - **CONFIDENTIAL**

**Audit and Risk Committee:** 5 February 2024  
**Author's Title:** Grant Jennings - Manager Finance **File No.:** 0-159  
**Directorate:** Corporate

#### Annexures

A – Report on the Growing Regions Grant

B – Prudential Report: Foreshore Master Plan – Stage One (referenced as Annexure A in attached Report)

C – Prudential Report: Foreshore Master Plan – Open Space (referenced as Annexure B in attached Report)

#### Officer Direct or Indirect Conflict of Interest:

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

☐

Yes

☒

No

#### Status:

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

☒

Yes

☐

No

**Reason** – Commercial in Confidence

Pursuant to Section 90(2) and (3)(b) of the Local Government Act 1999, the Audit & Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate Services, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Sue King; Manager People & Culture, Sandra Vigar; Finance Coordinator and Lisette Symons; Executive Co-ordinator – Corporate Services for Agenda Item 4.1 – Prudential Reports – Stage 1 Foreshore Masterplan.

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

#### 4. CONFIDENTIAL

##### 4.2 Unsolicited Proposal – Purchase of Crown Land - **CONFIDENTIAL**

**Audit and Risk** 5 February 2024

**Committee:**

**Author's Title:** Grant Jennings - Manager Finance **File No.:** 0-216

**Directorate:** Corporate

#### Annexures

Annexure A – Unsolicited Proposal – Purchase of Crown Land

Annexure B – Process for Sale of Crown Land

#### Officer Direct or Indirect Conflict of Interest:

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

☐ Yes

☒ No

#### Status:

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

☒ Yes

☐ No

**Reason** – This report is considered confidential on the basis that it contains information of a commercial nature consistent with Section 90(3)(d) of the Local Government Act 1999.

#### RECOMMENDATION

Pursuant to Section 90(2) and (3)(d) of the Local Government Act 1999, the Audit & Risk Committee orders that the public be excluded from the meeting with the exception of Justin Commons; Chief Executive Officer, Kathy Jarrett; Director Corporate, Jade Ballantine; Director City Growth, Irene Adair; Manager Governance, Grant Jennings; Manager Finance and Knowledge Management, Sue King; Manager People & Culture and Lisette Symons; Executive Coordinator – Corporate for Agenda for Agenda Item 4.2– Unsolicited Proposal – Purchase of Crown Land.

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