



CITY OF

WHYALLA

'Whyalla, Where the Outback Meets the Sea'

MEMBERSHIP

Mayor C McLaughlin
Cr S Stuppos
Mr P Klobucar

Cr D Knox
Mr A Rushbrook

NOTICE OF AUDIT COMMITTEE MEETING

TO HER WORSHIP THE MAYOR & MEMBERS OF COUNCIL

NOTICE is hereby given pursuant to Section 126 of the Local Government Act that the Audit Committee Meeting will be held in the Council Chamber, Darling Terrace, Whyalla on Wednesday 30 September 2020 at 11.00 am.

The business of the meeting is:

- Prudential Management Policy
- Budget Management and Review Policy
- Risk Management Action Plan
- Quarterly Report – Procurement Department
- 2019/20 Draft Audit Completion Report
- 2019/20 Draft Financial Statements
- 2019/20 Financial Results
- Budget Review 2020/21 Quarter 1, incorporating Financial Results 2019/20
- 2019/20 Audit Committee Annual Report to Council
- Audit Committee Work Plan and Meeting Schedule for 2021

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

KRISTEN CLARK
ACTING CHIEF EXECUTIVE OFFICER

Dated: 24 September 2020

AGENDA

AUDIT COMMITTEE MEETING – WEDNESDAY 30 SEPTEMBER 2020

1. ATTENDANCE RECORD

Apologies – Nil

Leave of Absence – Nil

2. DECLARATION OF MEMBERS' CONFLICT OF INTERESTS

3. MINUTES OF PREVIOUS MEETING

- 3.1 *Confirmation of the Minutes of the Audit Committee Meeting held on Monday 20 July 2020* *Page 3*

Recommendation

That the Minutes of the Audit Committee Meeting held on Monday 20 July 2020, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

4. DEPUTATIONS / PRESENTATIONS – Nil

5. REPORTS – COUNCIL OFFICERS

5.1 Corporate – Ordinary Reports

- | | | |
|--------|-----------------------------------------------------------------------------------------------|-----------------|
| 5.1.1 | <i>Prudential Management Policy</i> | <i>Page 7</i> |
| 5.1.2 | <i>Budget Management and Review Policy</i> | <i>Page 27</i> |
| 5.1.3 | <i>Risk Management Action Plan</i> | <i>Page 38</i> |
| 5.1.4 | <i>Quarterly Report – Procurement Department</i> | <i>Page 45</i> |
| 5.1.5 | <i>2019/20 Draft Audit Completion Report</i> | <i>Page 51</i> |
| 5.1.6 | <i>2019/20 Draft Financial Statements</i> | <i>Page 56</i> |
| 5.1.7 | <i>2019/20 Financial Results</i> | <i>Page 106</i> |
| 5.1.8 | <i>Budget Review 2020/21 Quarter 1, incorporating Financial Results 2019/20</i> | <i>Page 121</i> |
| 5.1.9 | <i>2019/20 Audit Committee Annual Report to Council
(to be sent under separate cover)</i> | |
| 5.1.10 | <i>Audit Committee Work Plan and Meeting Schedule for 2021</i> | <i>Page 140</i> |

6. CONSIDERATION OF CONFIDENTIAL ITEMS – Nil

7. CLOSURE

8. DATE OF NEXT MEETING – To be confirmed

**MINUTES OF THE AUDIT COMMITTEE MEETING
HELD ON MONDAY 20 JULY 2020 AT 11.02 AM IN THE COUNCIL CHAMBER**

PRESENT: Mr A Rushbrook (*Chair*), Mayor C McLaughlin, Crs S Stuppos, D Knox,
Mr P Klobucar (*11.12 am*)

OBSERVERS: Acting Chief Executive Officer (*Mr K Clark*)
Director Corporate (*Ms R Dunstall*)
Corporate Strategy Business Partner (*Mrs L Watson*)
Business Planning Manager (*Mr G Jennings*)
Senior Finance Officer (*Mrs S Vigar*)
Customer Service Framework Consultant (*Ms K Jarrett*)
Executive Assistant (*Mrs M Armstrong*)

1. Attendance Record

Apologies – Nil
Leave of Absence – Nil

2. Declaration of Members' Conflict of Interests – Nil

3. Minutes of Previous Meeting

3.1 Confirmation of the Minutes of the Audit Committee Meeting held on Monday 25 May 2020

Moved Cr Knox, seconded Cr Stuppos

AC273-2020

That the Minutes of the Audit Committee Meeting held on Monday 25 May 2020, as per copies supplied to Members, be adopted as a true and correct record to that meeting.

Carried

4. Deputations/Presentations – Nil

5. Reports – Council Officers

5.1 Corporate – Ordinary Reports

5.1.1 Statutes Amendment (Local Government) Review Bill 2020

Moved Cr Stuppos, seconded Cr Knox

AC274-2020

That the Audit Committee:

1. note the report on the Statutes Amendment (Local Government) Review Bill 2020; and
2. support the Local Government Association of South Australia's position on opposing four of the proposed amendments.

Carried

5.1.2 Changes to Accounting Standards

Moved Cr Knox, seconded Cr Stuppos

AC275-2020

That the Audit Committee:

1. note the changes resulting from the implementation of AASB 15, AASB 1058 and AASB 16;
2. recommend to Council that it does not recognise the financial impact of volunteer benefits received and that it discloses total volunteer hours and related information in the notes to the financial statements.

Carried

5.1.3 Asset Accounting Policy

Moved Mayor McLaughlin, seconded Cr Stuppos

AC276-2020

That the Audit Committee recommend to Council, the adoption of the Asset Accounting Policy.

Carried

5.1.4 *Quarterly Report – Procurement Department*

Moved Cr Knox, seconded Mayor McLaughlin

AC277-2020

That the Audit Committee receive and note the Procurement Quarterly report.

Carried

5.1.5 *Risk Management Action Plan*

Moved Cr Stuppos, seconded Cr Knox

AC278-2020

That the Audit Committee:

1. receive and note the draft Risk Appetite Statements for Whyalla City Council (refer Annexure “A”); and
2. refer to Council the adoption of the draft Risk Appetite Statements.

Carried

5.1.6 *2020/21 Draft Annual Business Plan and Budget*

Moved Cr Knox, seconded Cr Stuppos

AC279-2020

That the Audit Committee:

1. receive and note the draft 2020/21 Annual Business Plan and Budget and Rating Policy; and
2. recommend to Council, that they be released for public consultation in accordance with Council’s Public Consultation Policy.

Carried

5.1.7 *Audit Committee Work Plan*

Moved Mayor McLaughlin, seconded Cr Knox

AC280-2020

That the Audit Committee receive and note the Work Plan.

Carried

6. **Consideration of Confidential Items – Nil**
7. **Closure – 12.39 pm**
8. **Date of Next Meeting – Monday 28 September 2020**

5.1 CORPORATE

5.1.1 Prudential Management Policy

Audit Committee Meeting: 30 September 2020
Author's Title: Corporate Strategy Business Partner **File No.:** 0-159
Directorate: Corporate

Annexures:

A – Draft Prudential Management Policy
 B – Prudential Management Policy dated 2016
 C – Draft Prudential Management Policy with tracked changes

Officer Direct or Indirect Conflict of Interest:

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

☐

Yes

☒

No

Status:

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

☐

Yes

☒

No

Reason – Nil

PURPOSE

To present to the Audit Committee, the draft Prudential Management Policy.

SUMMARY

The Prudential Management Policy is required under Section 48 of the *Local Government Act (SA) 1999*.

This report is to present to the Audit Committee:

- the draft Prudential Management Policy (refer Annexure "A");
- the existing Prudential Management Policy dated 2016 (refer Annexure "B"); and
- the draft Prudential Management Policy with tracked changes (refer Annexure "C").

RECOMMENDATION

That the Audit Committee receive and note the draft Prudential Management Policy attached at Annexure "A".

5.1.1 Prudential Management Policy

REPORT

BACKGROUND

The Prudential Management Policy is required under Section 48 of the *Local Government Act (SA) 1999* ("the Act").

DISCUSSION

Council has developed the draft Prudential Management Policy (refer Annexure "A") upon review of the previous version and current requirements under the Act.

The draft Prudential Management Policy ("the draft policy") reflects the financial and non-financial considerations Council should undertake when considering a project. Further, the draft policy provides consideration for appropriate due diligence to be undertaken when a project may not necessarily meet the stipulated requirements of financial cost to Council.

Financial Implications

Adequate policies are required under the Act.
Inadequate policies may result in financial detriment to Council.

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

Legislation

Local Government Act (SA)1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with these items, may expose Council to a number of risks including reputational, financial or external review.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication

Any relevant matters or changes will be communicated through reports to Council and the Audit Committee.

Conclusion

That the Audit Committee note this report and the draft Prudential Management Policy.



Annexure "A"

Whyalla City Council

Prudential Management Policy	
Type	Governance
GDS Category	Governance – Public
Responsible Officer	Director Corporate
Policy Adopted	October 2020
Review Period	Four years
Last Reviewed	January 2016
Next Review Date	October 2024
Policy Version Number	2
Applicable Legislation	Local Government Act 1999; Section 48 (aa1)
Related Documents	<ul style="list-style-type: none"> • Risk Management Framework and Policy • Procurement Policy
Public Consultation Required	No
Purpose	This policy is a guide on prudential management of all Council projects.

1. INTRODUCTION

This document sets out the policy of the Whyalla Council for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size.

2. PROJECT DEFINITION

A project may be defined as:

“A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability or accepting an asset.”

This should not be interpreted to mean that all Council activities are “projects”. Regular, ongoing deliveries of Council services are not “new and discrete” activities so therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to produce products or services.

All projects should be considered in the context of not only this policy but also Council’s Risk Management Framework and Policy.

3. POLICY OBJECTIVES

This policy has two objectives:

- 3.1 to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and
- 3.2 to ensure that each Council project is:

- managed during the project; and
- evaluated after the project

to achieve identified public benefits or needs and to minimise financial risks.

The objectives of this policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.

4. LEGISLATION

This policy is made pursuant to Section 48 (aa1) of the [Local Government Act 1999](#) (“the Act”) which provides:

“A Council must develop and maintain prudential management policies practices and procedures for the assessment of projects to ensure that the Council:

- a) acts with due care diligence and foresight; and*
- b) identifies and manages risks associated with a project; and*
- c) makes informed decisions; and*
- d) is accountable for the use of Council and other public resources.”*

Without limited Subsection 48(aa1), a Council must obtain and consider a report that addresses the prudential issues set out in Subsection (2) before the Council:

- (a) *engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body);*
 - (i) *where the expected expenditure of the Council over the ensuing five years is likely to exceed 20 per cent of the Council's average annual operating expenses over the previous five financial years (as shown in the Council's financial statements); or*
 - (ii) *where the expected capital cost of the project over the ensuing five years is likely to exceed \$4,000,000 (indexed); or*
 - (iii) *where the Council considers that it is necessary or appropriate.*

Section 48 (3) of the Act states that:

A report is not required under subsection (1) in relation to –

- (a) *road construction or maintenance; or*
- (b) *drainage works*

As such, this policy applies to all Council projects that are covered under the legislative definitions above, and other projects deemed necessary by the Council or the Chief Executive Officer based on the general risk of the project proposal.

5. DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE

Any proposed project must first be assessed as to the level of due diligence that is required.

A Director or the Chief Executive Officer has delegated authority to exercise some of the Council's powers to approve projects (depending upon budgetary allocations and other Council policies). Therefore, for a particular project, the decision-maker may be a Director, the Chief Executive Officer or the Council.

When approval is being sought or considered for a specific project, information must be provided to the decision-maker to indicate approximately, at first instance:

- the specific benefits or needs to be addressed;
- the extent to which it may be substantially similar to other past projects;
- alignment to strategic plans
- impact on local businesses, the community and/or the environment
- partnership/funding/grant opportunities
- the expected whole-of-life costs of the project;
- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; and
- a risk assessment.

The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

6. DUE DILIGENCE REPORT

Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:

- an analysis of the need or demand;
- consideration of the adequacy of any public consultation (required or elective);
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks (including the financial risks of not proceeding or delaying the project) and consideration of ways they can be managed and/or mitigated; and
- an evaluation that weighs up all of the factors above.

For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision-maker, with input from two or more officers.

For example, the decision-maker may request a DDR from a working party of Council officers or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, banking, town planning, etc.

For large commercial or non-commercial projects, Section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest-level, most thorough type of DDR for the purposes of this policy and the issues that must be addressed by this report is set out in Section 48(2) of the Act. A report of this nature must be prepared if the one of the following conditions is met:

- the capital value of the project over the next 5 years is expected to exceed \$4,000,000 (as indexed at \$4,888,000 as at October 2019, and is indexed annually using September CPI for Adelaide); or
- the operating costs related to the project over the next 5 years are expected to exceed 20% of the Council's operating costs over the last 5 years. After the 2019-20 financial year, this would require total operating costs of \$30 million over 5 years, or \$6 million per annum.

A full prudential report may also be commissioned under Section 48, for "any other project for which the Council considers that it is necessary or appropriate".

7. DUE DILIGENCE DURING A PROJECT

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

8. DUE DILIGENCE AFTER A PROJECT

After a project has been completed, it will be evaluated, according to the principles of due diligence to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy;
- learnings from the undertaking of the project that can be applied for continuous improvement objectives; and
- has avoided or mitigated the financial risks identified in the DDR.

9. FURTHER INFORMATION

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's web-site site www.whyalla.sa.gov.au .

Copies will be provided to interested parties upon request. Email council@whyalla.sa.gov.au

Grievances in relation to this policy or its application should be forwarded in writing and addressed to:

Chief Executive Officer
Corporation of the City of Whyalla
PO Box 126
WHYALLA SA 5600



Whyalla City Council

Prudential Management Policy	
Type	Governance
GDS Category	Governance – Public
Responsible Officer	Group Manager Finance and Corporate
Policy Adopted	January 2016
Review Period	Two yearly
Last Reviewed	–
Next Review Date	January 2018
Policy Version Number	1
Applicable Legislation	Local Government Act 1999; Section 48 (aa1)
Related Documents	<ul style="list-style-type: none"> • Risk Management Plan and Policy • Procurement Policy • Project Management Budget Application Template • Project Evaluation Procedure • Risk Management Procedure • Decision-making Procedure
Public Consultation Required	No
Purpose	This policy is a guide on prudential management of all Council projects.

1. INTRODUCTION

This document sets out the policy of the Whyalla Council for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size.

2. PROJECT DEFINITION

A project may be defined as:

“A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability or accepting an asset.”

This should not be interpreted to mean that all Council activities are “projects”. Regular, ongoing deliveries of Council services are not “new and discrete” activities so therefore are not included within this definition. A project is a temporary endeavour with a defined beginning and end. The temporary nature of projects stands in contrast to business as usual (or operations) which are repetitive, ongoing functional activities to produce products or services.

Simply purchasing an item of plant or equipment, e.g. a single vehicle or a parcel of land, will constitute a “project” if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council’s Procurement Policy, however, a “project” will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure, it may include, for example, receiving land or other assets for free or granting permission for a private activity on Council land.

All projects should be considered in the context of not only this policy but also Council’s Risk Management Plan.

3. POLICY OBJECTIVES

This policy has two objectives:

3.1 to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and

3.2 to ensure that each Council project is:

- managed during the project; and
- evaluated after the project

to achieve identified public health benefits or needs and to minimise financial risks.

The objectives of this policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.

4. LEGISLATION

This policy is made pursuant to Section 48 (aa1) of the [Local Government Act 1999](#) (“the Act”) which provides:

“A Council must develop and maintain prudential management policies practices and procedures for the assessment of projects to ensure that the Council:

- a) acts with due care diligence and foresight; and*
- b) identifies and manages risks associated with a project; and*
- c) makes informed decisions; and*
- d) is accountable for the use of Council and other public resources.”*

As such, this policy applies to all Council projects, no matter how large or small, to ensure compliance with this provision, and that decision-making in respect of any project is made with reliable, accurate and timely information.

5. DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE

Any proposed project must first be assessed as to the level of due diligence that is required.

A Group Manager or the Chief Executive Officer has delegated authority to exercise some of the Council's powers to approve projects (depending upon budgetary allocations and other Council policies). Therefore, for a particular project, the decision-maker may be a Group Manager, the Chief Executive Officer or the Council.

When approval is being sought or considered for a specific project, information must be provided to the decision-maker to indicate approximately, at first instance:

- the specific benefits or needs to be addressed;
- the extent to which it may be substantially similar to other past projects;
- the expected whole-of-life costs of the project; and
- what, if anything, is known about the levels of financial risk that may be involved.

5.1 Two Threshold Questions

The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

As a first step, the decision-maker must ascertain:

- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; and
- whether the proposed project will (or might) generate any additional financial risk for the Council.

Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, then no further action is necessary, however, in many cases, the decision-maker will not be sure of these answers, and will require a second step.

5.2 Due Diligence Report

To resolve any doubt, the decision-maker must request preparation of a **due diligence report** (DDR) (refer Section 6 below).

For large commercial or non-commercial projects, Section 48(1) of [the Act](#) requires that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest-level, most thorough type of DDR for the purposes of this policy.

A full prudential report may also be commissioned under Section 48, for "any other project for which the Council considers that it is necessary or appropriate".

If a full prudential report is not sought, the Council will record its reasons for *not* obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed project has been assessed under 5.1 of this policy, or under a DDR as being of low or negligible financial risk.

6. DUE DILIGENCE BEFORE A DECISION ON WHETHER TO PROCEED

Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:

- an analysis of the need or demand;
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks (including the financial risks of not proceeding or delaying the project) and consideration of ways they can be managed and/or mitigated; and
- an evaluation that weighs up all of the factors above.

For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision-maker, with input from two or more officers.

For example, the decision-maker may request a DDR from a working party of Council officers or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, banking, town planning, etc.

In requesting and preparing a DDR, the decision-maker and Council officers must consider where the proposed project should be placed within each of the following two tables.

Financial Risk (FR) over the whole of life (FR)	Insignificant (i.e. FR less than 1% or \$5,000)	Minor i.e. FR Up to 5% of budget (or <\$50K)	Moderate i.e. FR Up to 20% of budget (or <\$500K)	Major i.e. FR Up to 40% of budget (or <\$5M)	Serious i.e. FR Greater than 40% of budget (or >\$5M)
Almost certain	Medium	High	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	High	High	High
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Medium	Medium	High

Whole of life (WOL) costs	Insignificant (i.e. WOL costs less than \$20,000)	Minor i.e. WOL costs between \$20,000 and \$100,000	Moderate i.e. WOL costs between \$100,001 and \$1,000,000	Major i.e. WOL costs between \$1,000,000 and \$5,000,000	Serious i.e. WOL costs greater than \$5,000,001

For any project that falls into the orange and red shaded area of either table, a DDR must also include a project feasibility study to provide a high level consideration of the expected costs and revenues over the life of the project, using discounted cash-flow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market conditions.

7. DUE DILIGENCE DURING A PROJECT

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

8. DUE DILIGENCE DURING A PROJECT

After a project has been completed, it will be evaluated, according to the principles of due diligence to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy; and
- has avoided or mitigated the financial risks identified in the DDR.

9. FURTHER INFORMATION

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Copies will be provided to interested parties upon request. Email council@whyalla.sa.gov.au

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Chief Executive Officer
Corporation of the City of Whyalla
PO Box 126
WHYALLA SA 5600

Annexure "C"



Whyalla City Council

Prudential Management Policy	
Type	Governance
GDS Category	Governance – Public
Responsible Officer	Group Manager Finance and Director Corporate
Policy Adopted	January 2016 October 2020
Review Period	Two Four years
Last Reviewed	January 2016
Next Review Date	January 2018 October 2024
Policy Version Number	21
Applicable Legislation	Local Government Act 1999; Section 48 (aa1)
Related Documents	<ul style="list-style-type: none"> • Risk Management Plan and Framework and Policy • Procurement Policy • Project Management Budget Application Template • Project Evaluation Procedure • Risk Management Procedure • Decision making Procedure
Public Consultation Required	No
Purpose	This policy is a guide on prudential management of all Council projects.

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Prudential Management Policy – Version ~~21 – January 2016~~ October 2020

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1. INTRODUCTION

This document sets out the policy of the Whyalla Council for prudential management of all its projects. This policy applies to all projects (as defined below) regardless of size.

2. PROJECT DEFINITION

A project may be defined as:

“A new and discrete undertaking or activity that would involve the expenditure of money, deployment of resources, incurring or assuming a liability or accepting an asset.”

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~~Simply purchasing an item of plant or equipment, e.g. a single vehicle or a parcel of land, will constitute a “project” if the purchase is not part of a wider project or part of ongoing operations. Any purchase must comply with Council’s Procurement Policy, however, a “project” will typically involve more than merely purchasing. It will always involve Council staff time, often in undertaking activities in association with other organisations. On the other hand, a project need not entail any expenditure, it may include, for example, receiving land or other assets for free or granting permission for a private activity on Council land.~~

All projects should be considered in the context of not only this policy but also Council’s Risk Management [Plan Framework and Policy](#).

3. POLICY OBJECTIVES

This policy has two objectives:

- 3.1 to ensure that a Council project is undertaken only after an appropriate level of “due diligence” is applied to the proposed project; and
- 3.2 to ensure that each Council project is:
 - managed during the project; and
 - evaluated after the project

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to achieve identified public ~~health~~ benefits or needs and to minimise financial risks.

The objectives of this policy shall be considered in a report on any potential project, regardless of the financial impact or the size of the project.

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4. LEGISLATION

This policy is made pursuant to Section 48 (aa1) of the Local Government Act 1999 (“the Act”) which provides:

“A Council must develop and maintain prudential management policies practices and procedures for the assessment of projects to ensure that the Council:

- a) acts with due care diligence and foresight; and*
- b) identifies and manages risks associated with a project; and*
- c) makes informed decisions; and*
- d) is accountable for the use of Council and other public resources.”*

Without limited Subsection 48(aa1), a Council must obtain and consider a report that addresses the prudential issues set out in Subsection (2) before the Council:

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(a) engages in any project (whether commercial or otherwise and including through a subsidiary or participation in a joint venture, trust, partnership or other similar body);

(i) where the expected expenditure of the Council over the ensuring five years in likely to exceed 20 per cent of the Council’s average annual operating expenses over the previous five financial years (as shown in the Council’s financial statements); or

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(ii) where the expected capital cost of the project over the ensuring five years is likely to exceed \$4,000,000 (indexed); or

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(iii) where the Council considers that it is necessary or appropriate.

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Section 48 (3) of the Act states that:

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A report is not required under subsection (1) in relation to –

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(a) road construction or maintenance; or

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(b) drainage works

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As such, this Policy applies to all Council projects that are covered under the legislative definitions above, and other projects deemed necessary by the Council or the Chief Executive Officer based on the general risk of the project proposal.

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5. DECIDING UPON AN APPROPRIATE LEVEL OF DUE DILIGENCE

Any proposed project must first be assessed as to the level of due diligence that is required.

A ~~Group Manager~~ Director or the Chief Executive Officer has delegated authority to exercise some of the Council’s powers to approve projects (depending upon budgetary allocations and other Council policies). Therefore, for a particular project, the decision-maker may be a ~~Group Manager~~ Director, the Chief Executive Officer or the Council.

When approval is being sought or considered for a specific project, information must be provided to the decision-maker to indicate approximately, at first instance:

- the specific benefits or needs to be addressed;
- the extent to which it may be substantially similar to other past projects;

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- alignment to strategic plans
- impact on local businesses, the community and/or the environment
- partnership/funding/grant opportunities
- the expected whole-of-life costs of the project; and
- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; and
- what, if anything, is known about the levels of financial risk that may be involved a risk assessment.

5.1 Two Threshold Questions

The decision-maker accordingly should make an evaluation as to the extent of due diligence that must be embarked upon before any subsequent decision is made whether or not to proceed with the proposed project.

As a first step, the decision maker must ascertain:

- whether funding of the whole-of-life costs of the proposed project will (or might) require additional allocations beyond those already accommodated in Council's long-term financial plan; and
- whether the proposed project will (or might) generate any additional financial risk for the Council.

Seeking the answers to these two questions is a threshold 'due diligence' test. If the decision-maker is sure that whole-of-life costs and financial risks are already accounted for, then no further action is necessary, however, in many cases, the decision maker will not be sure of these answers, and will require a second step.

5.2 Due Diligence Report

To resolve any doubt, the decision maker must request preparation of a **due diligence report** (DDR) (refer Section 6 below).

For large commercial or non-commercial projects, Section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest level, most thorough type of DDR for the purposes of this policy.

A full prudential report may also be commissioned under Section 48, for "any other project for which the Council considers that it is necessary or appropriate".

If a full prudential report is not sought, the Council will record its reasons for not obtaining such a report. This might be satisfied simply by noting (if appropriate) that the proposed project has been assessed under 5.1 of this policy, or under a DDR as being of low or negligible financial risk.

6. DUE DILIGENCE ~~BEFORE A DECISION ON WHETHER TO PROCEED~~REPORT

Depending upon the extent of due diligence required by the decision-maker, a DDR of greater or lesser detail will be prepared. This DDR will include, in relation to the proposed project:

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- an analysis of the need or demand;
- consideration of the adequacy of any public consultation (required or elective);
- identification and quantification of the expected financial and other benefits;
- identification and quantification of the likely whole-of-life financial and other costs, including staffing and project management costs;
- assessment of the associated financial risks (including the financial risks of not proceeding or delaying the project) and consideration of ways they can be managed and/or mitigated; and
- an evaluation that weighs up all of the factors above.

For the smallest projects with least financial risk, this DDR may comprise only a single page and may be prepared by a single staff member. Larger, more complicated and/or financially riskier projects will require a DDR containing correspondingly more information and assessment, as required by the decision-maker, with input from two or more officers.

For example, the decision-maker may request a DDR from a working party of Council officers or an external consultant, or a combination of both. Consideration will be given to whether those preparing a DDR require special skills such as engineering, finance, banking, town planning, etc.

For large commercial or non-commercial projects, Section 48(1) of the Act requires that a full prudential report be prepared for Council. A report under Section 48 will be regarded as the highest-level, most thorough type of DDR for the purposes of this policy and the issues that must be addressed by this report is set out in Section 48(2) of the Act. A report of this nature must be prepared if the one of the following conditions is met:

- the capital value of the project over the next 5 years is expected to exceed \$4,000,000 (as indexed at \$4,888,000. This figure is as at October 2019, and is indexed annually using September CPI for Adelaide); or
- the operating costs related to the project over the next 5 years are expected to exceed 20% of the Council's operating costs over the last 5 years. After the 2019-20 financial year, this would require total operating costs of \$30 million over 5 years, or \$6 million per annum.

A full prudential report may also be commissioned under Section 48, for "any other project for which the Council considers that it is necessary or appropriate".

In requesting and preparing a DDR, the decision maker and Council officers must consider where the proposed project should be placed within each of the following two tables.

Financial Risk (FR) over the whole of life (FR)	Insig nifica nt	Min or	Mod erat e	Maj or	Seri ous
Likelihood of FR occurring	(i.e. FR less than 1% of \$5,000 0)	i.e. FR Up to 5% of budg et (or <\$50 K)	i.e. FR Up to 20% of budg et (or <500 K)	i.e. FR Up to 40% of budg et (or <\$5 M)	i.e. FR Grea ter than 40% of budg et (or >\$5 M)

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Almost certain	Medium	High	High	Very High	Very High
Likely	Medium	Medium	High	High	Very High
Possible	Low	Medium	High	High	High
Unlikely	Low	Low	Medium	High	High
Rare	Low	Low	Medium	Medium	High

Whole of life (WOL) costs	Insignificant (i.e. WOL costs less than \$20,000)	Minor (i.e. WOL costs between \$20,000 and \$100,000)	Moderate (i.e. WOL costs between \$100,000 and \$1,000,000)	Major (i.e. WOL costs between \$1,000,000 and \$5,000,000)	Severe (i.e. WOL costs greater than \$5,000,000)
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For any project that falls into the orange and red shaded area of either table, a DDR must also include a project feasibility study to provide a high level consideration of the expected costs and revenues over the life of the project, using discounted cash flow analysis. One important aspect that will be considered in such a study is the reliability of these costs and revenues within these calculations, particularly if revenues are dependent on future market conditions.

7. DUE DILIGENCE DURING A PROJECT

After a decision has been made to commence a project, it will be managed according to the principles of due diligence.

The Council will take action to manage the project so that:

- the project remains focussed upon the expected public benefits or needs that have been identified in the DDR; and
- financial risks identified in the DDR are managed appropriately.

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8. DUE DILIGENCE ~~AFTER~~DURING A PROJECT

After a project has been completed, it will be evaluated, according to the principles of due diligence to determine the extent to which the project:

- has achieved the public benefits or needs identified in the DDR that it was intended to achieve or satisfy;

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- [learnings from the undertaking of the project that can be applied for continuous improvement objectives](#); and
- has avoided or mitigated the financial risks identified in the DDR.

9. FURTHER INFORMATION

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's web-site site www.whylla.sa.gov.au.

Copies will be provided to interested parties upon request. Email council@whylla.sa.gov.au

Grievances in relation to this policy or its application should be forwarded in writing and addressed to:

Chief Executive Officer
Corporation of the City of Whyalla
PO Box 126
WHYALLA SA 5600

5.1 CORPORATE

5.1.2 Budget Management and Review Policy

Audit Committee Meeting: 30 September 2020
Author's Title: Business Performance Manager **File No.:** 0-159
Director: Robyn Dunstall

Annexures:

A – Draft Budget Management and Review Policy

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the Budget Management and Review Policy.

SUMMARY

Council's Budget Management and Review Policy has been updated and is presented to the Audit Committee for review. Some changes to the document are proposed, to increase the clarity of the policy position in regard to the overall budgeting process.

RECOMMENDATION

That the Audit Committee recommend to Council, the adoption of the Budget Management and Review Policy.

5.1.2 Budget Management and Review Policy

REPORT

BACKGROUND

The Budget Management and Review Policy is due for review, and so the proposed changes are presented for consideration.

DISCUSSION

Refer **Annexure “A”** – Draft Budget Management and Review Policy

Council’s Budget Management and Review Policy has been updated and is presented to the Audit Committee for review. The main changes are:

- outlining the key aims of the budget process which must be considered when developing the annual budget;
- outlining that ideally the two budget updates will be presented in the format of a budget review, exceeding the requirements under the regulations; and
- other minor wording changes aimed at improving the clarity of the policy position.

This policy is designed to outline the overall aims of Council’s budgeting process, providing direction on the key considerations when making budgeting decisions.

This policy also provides flexibility for Council’s operations to react to emergency situations, by giving the Chief Executive Officer the power to authorise spending outside of the authorised budget when circumstances warrant. Transparency and control is still maintained, as these changes must be reported to Council within the next quarter, including a rationale for the decision.

Financial Implications

This policy sets out the financial considerations that will be considered when developing or amending a budget, however, there are no financial implications directly related to adopt the updated policy.

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

Local Government Act 1999; Section 123

Local Government (Financial Management) Regulations 2011; Part 2

Officer Direct or Indirect Interest – Nil

Risk Assessment

Financial risk should be reduced by increasing the clarity of this policy, as budgeting decisions will be made within a more robust framework.

Social Considerations – Nil

Community Engagement

The community are extensively engaged on the annual budgeting process and reference to this is included within this policy.

Environmental Implications – Nil

Communication – Not applicable

Conclusion

This policy is designed to outline the overall aims of Council's budgeting process, providing direction on the key considerations when making budgeting decisions.

Annexure "A"



Whyalla City Council

Budget Management and Review Policy	
Type	Financial
GDS Category	Financial Management – Public
Responsible Officer	Senior Finance Officer Business Performance Manager
Policy Adopted	October*** 2020 18
Review Period	Two years
Last Reviewed	October 2012 September 2015 (now archived)
Next Review Date	October*** 2018 22
Policy Version Number	5 5
Applicable Legislation	<u>Local Government Act 1999; Section 123</u> <u>Local Government (Financial Management) Regulations 2011; Sections 7, 9 and 10</u>
Related Documents	<ul style="list-style-type: none"> • Annual Business Plan and Budget Process Procedure • Budget Monitoring and Review Procedure • Template 4-0-102 Project Management – Budget Application <ul style="list-style-type: none"> • Template 4-5-227 Budget Update Report 20XX (Appendix 1) • Template 4-5-228 Mid-Year Budget Review 20XX (Appendix 2) • Template 4-5-229 Report on Financial Results 20XX (Appendix 3)
Public Consultation Required	No
Purpose	This policy covers the presentation of Annual Budget documents and the review of documents for both Operating and Capital Budgets. key principles to consider when developing the annual budget and when making subsequent amendments to, and measuring performance against that budget

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1. Policy Objective

To provide clear direction to Management and staff in the management, review and reporting of performance against Council's adopted Budget and to increase the accountability of responsible officers by providing a framework to operate within in regard to the following:

- content, timing and process to be followed for development and presentation for adoption of the Annual Budget;
- content, timing and process to be followed for reporting to Council on its performance against budget;
- mechanism for the process of approval of budget variations;
- the scope and conditions associated with the Chief Executive Officer approving variations in activity ~~(that are within the scope of the approved budget allocations) without before~~ obtaining Council approval; and
- the process required to be followed and general guidelines in relation to carry forward of expenditure associated with projects included in the budget for the previous year.

2. Scope

This policy covers the presentation of Annual Budget documents and the review of documents for both Operating and Capital Budgets.

3. Risk Management

Refer Control Track.

4. Definitions – Nil

5. Policy Statement

5.1 Annual Budget

The Annual Budget ~~(Operating and Capital)~~ will be developed through consultation with senior staff, Elected Members and the community and must be consistent with the objectives of Council's Strategic Plan and Council's Long Term Financial Plan.

The budget should be prepared with the aim of operating within the Key Financial Indicator targets within Council's Long Term Financial Plan. Where this is not the case, commentary shall be included as to why this is not the case and the impact on Council's long-term financial sustainability.

The ultimate goal of the budgeting process is to sustainability fund all operating activities, while balancing with the desire to provide stability and certainty in rate increases over time. Any consideration of expanded service delivery must take these goals into consideration, including the decision to deliver of new assets.

The budget will be adopted in a format consistent with the Model Financial Statements.

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5.2 Timing and Content of Budget Review Reporting

Each year, Council receives a total of four Budget Review Reports in the following formats.

5.2.1 2 x Budget Update Reports ~~(Appendix 1) – Template 4-5-227~~

These are to be prepared for the periods ending 30 September and 30
April~~March~~ each year and included in the Agenda of the Ordinary Meeting
of Council for Council review as soon as reasonably practical after these
dates. The report will ~~highlight at summary level~~include the following for
both operating and capital activities:

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- ~~• budget activity of Operating and Capital for the year to date;~~
- original budget;
- revised budget;
- latest revised forecast of expected result for the year; and
- an explanation of any proposed budget variations that have not previously been approved.

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This report will at a minimum present this information in a format consistent with the Uniform Presentation of Finances (Note 16 of the Financial Statements) but ideally will be in the format of a Budget Review, outlined below.

- The impacts of the update on Council's Long Term Financial Plan will be discussed.

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5.2.2 1 x Mid-year Budget Review Report (Appendix 2) – Template 4-5-228

~~This is to be prepared for the period ending 31 January each year and included in the Agenda of the Ordinary Meeting of Council for Council review as soon as reasonably practical after this date. The report will include the following; and presented after the annual financial statements for the previous year have been completed but no later than mid March of the budget year.~~

- Four principal financial statements showing a revised full year forecast compared to estimates set out in the original budget.
- Revised forecast of key performance indicators compared with targets established in the original budget.

- original budget;

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- revised budget;

- latest revised forecast of expected result for the year; and

- an explanation of any proposed budget variations that have not previously been approved.

This report will present this information in a format consistent with the Model Financial Statements as well as the Uniform Presentation of Finances (Note 16 of the Financial Statements).

The impacts of the update on Council's Long Term Financial Plan will be discussed.

- ~~• A summary report of operating and capital activity showing original full year budget, full year revised budget and preliminary estimate for the following year.~~

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- ~~At the activity level, proposed revised budget, variance between adopted budget and revised budget and the reasons for the variation.~~
- ~~At the Capital level, proposed revised budget, variance between adopted budget and revised budget and the reasons for the variation, percentage complete and estimated completion date.~~
- ~~Review of Council's Long Term Financial Plan, indicating how this will be affected by operational or environmental factors as highlighted in the mid-year review.~~

5.2.3 Report on Financial Results ~~(Appendix 3) – Template 4-5-229~~

~~This is~~ **This** is an accountability document that compares audited information on ~~aggregate~~ financial results and compares this to results set out in the original budget for the previous year, including written explanation of material variances between actual and budgeted in the ~~following form~~ **following form of the Model Financial Statements as well as the Uniform Presentation of Finances (Note 16 of the Financial Statements. Variances in the Key Financial Indicators must also be presented.**

- ~~Four principal financial statements:~~
 - i. ~~Statement of Comprehensive Income~~
 - ii. ~~Statement of Financial Position~~
 - iii. ~~Statement of Changes in Equity; and~~
 - iv. ~~Statement of Cash Flows.~~
- ~~Financial indicators; and~~
- ~~Summary report of Operating and Capital activities.~~

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5.3 Approval of Variations outside the Scope of the Budget

Council approval must be sought and obtained before commitments are made that would result in activity outside of the budget limits.

In considering a request for a revision to its budget, Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. It will also consider the capacity to increase revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to off-set the variation and the merit of doing so.

5.4 ~~Approval of Variations within the Scope of the Budget~~

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Where circumstances warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may, ~~in consultation with the Principal Member,~~ authorise variations in activity. Whenever such variations are made, the following Budget Review or Update Report must include from the Chief Executive Officer a statement of changes and rationale for the decisions. Changes can only be those that ~~are within the scope of approved limits for budget items providing that variations do not:~~

- ~~in aggregate exceed threshold value limits for that function/activity outlined in the budget;~~
- materially impact on the quantity, frequency, range and level of service previously provided for or implicitly intended in the original allocation; and
- impact on any explicit proposals Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

5.54 Guidelines in Relation to the Carry Forward of Expenditure ~~Authority Associated with Projects~~ Included in the Budget for the Previous Financial Year

- Funding approved for ~~non-project~~ budget activity not completed at the end of any budget year is forfeited unless approval to carry-over the activity and ~~associated budget or~~ remaining budget allocation is granted by Council ~~resolution either separately or as part of a budget update/review, except where that activity is covered by funding already received from an external source.~~
- ~~Funding approved for budget activity not completed at the end of any budget year is forfeited unless funding is provided from an external source and those funds have been received (e.g. OPAL and Healthy Lifestyles).~~
- Operational and Capital projects that will not commence in the year that they have been budgeted for, will be re-evaluated and considered against competing priorities and where warranted included in the budget for the following year. This will be completed as part of the final Budget Update of the year, unless known earlier.
- The scope and funding requirements of capital and operating activities that are underway or committed but not completed at the end of the financial year

Budget Management and Review Policy – ~~Version 55 – *** 2019~~ October 2020

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must be reviewed and considered for carry forward as part of the first annual Budget Update report.

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- 5.56 Project Managers will report, at a minimum, at the mid-year budget review on all Council approved major projects, in detail providing a full review of the status of projects, current expenditure and revenue and current stage of completion. ~~All outstanding resolutions not yet commenced are to be reported to Council as part of the Resolutions/Actions reports.~~
- 5.7 ~~Projects not likely to be completed if any, along with reasons for delays and suggestions for future actions, must be reported to Council in May of each year.~~
- 5.68 ~~The Senior Finance Officer~~ Finance is responsible for providing timely and accurate budget reports to ~~Group Managers~~ Directors and Managers each month to assist them to manage financial performance in accord with Council's budget.
- 5.79 Budget savings arising as a result of works and other planned expenditure activities costing less than estimated shall be used in the first instance to offset any over-expenditure against approved budget lines once approved by Council and thereafter to improve Council's operating result and reduce the amount of loan borrowings ~~proposed in the budget~~ required.
- 5.810 In any year an increase in the scope of budgeted activities or the addition of new budget items or activities must be approved by Council and are to be funded by deletion or reduction in the scope of budgeted activities to an equivalent value where possible.
- 5.911 Requests from the community for works and other activities not in the current budget may ~~only~~ be added to the budget if of sufficient priority, ~~but only if~~ in accordance with 5.3 ~~and 5.4~~ above. All other requests for additional works and activities will be considered during the planning process for the following year's budget.

5. Authority

~~Endorsed by the Audit Committee~~ ~~*** 2018~~

Adopted by Council – ~~October~~ ~~***~~ 2020 18

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6. History

Version 5: adopted by Council – October 2020

~~Superseded~~ Version 4: adopted by Council – September 2015

~~Superseded~~ Version 3

~~Superseded~~ Version 2: adopted by Council – October 2012

~~Superseded~~ Version 1: adopted by Council – September 2008

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5.1 CORPORATE

5.1.3 Risk Management Action Plan

Audit Committee Meeting: 30 September 2020
Author's Title: Corporate Strategy Business Partner **File No.:**
Directorate: Corporate

Annexures:

A – Risk Management Action Plan for 2020-2021 as at September 2020

B – Strategic Risk Register for Whyalla City Council

Officer Direct or Indirect Conflict of Interest:

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

☐

Yes

☒

No

Status:

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

☐

Yes

☒

No

Reason – Nil

PURPOSE

To present to the Audit Committee, the draft Risk Management Action Plan for 2020-2021, resulting from the 2019 Risk Evaluation by Local Government Risk Services and associated actions.

SUMMARY

The Risk Management Action Plan (refer **Annexure "A"**) is a schedule of all risk items identified for action within the 2019 Risk Evaluation Summary Report of Whyalla City Council (previously provided to the Audit Committee on 3 February 2020), as completed by the Mutual Liability Scheme and the Workers Compensation Scheme.

The Risk Evaluation Report 2019 is based on the evaluation undertaken in September by Local Government Risk Services and has been used to develop the 2020-2021 Risk Management Action Plan.

This report is to update the Audit Committee on the Strategic Risk Register (refer **Annexure "B"**) and Operational Risk Register, relating to Items 1a, 1b and 1c of the Risk Management Action Plan.

RECOMMENDATION

That the Audit Committee receive and note the Risk Management Action Plan 2020-2021 as at September 2020, attached at Annexure "A" and the Strategic Risk Register, attached at Annexure "B".

5.1.3 Risk Management Action Plan

REPORT

BACKGROUND

The Risk Management Action Plan is a schedule of all risk items identified for action within the 2019 Risk Evaluation Summary Report of Whyalla City Council, as completed by the Mutual Liability Scheme and the Workers Compensation Scheme.

The Risk Management Action Plan is updated and reported to the Executive Management Team bimonthly.

DISCUSSION

Council has developed the Draft Risk Management Action Plan 2020-2021 by reviewing the recommendations within the 2019 Risk Evaluation Summary Report, which was presented to the Audit Committee in February 2020.

Council has taken steps to reduce and mitigate a number of the risks identified within the 2019 Risk Evaluation Summary Report and progress will be noted in the Action Plan.

Council has recently adopted the Risk Management Policy and Framework, presented to the Audit Committee on 25 May 2020 and adopted by Council on 15 June 2020. Following on from the adoption of these documents, Council's Executive Management Team undertook a workshop on the Risk Appetite for Council on Monday 1 June 2020. The outcomes of this workshop were presented to Council at a Council Workshop held on Wednesday 8 July 2020. Council supported the statements resulting from the Executive Management Team's workshop. The Risk Appetite Document was presented to the Audit Committee on 20 July 2020 and adopted by Council on 27 July 2020.

Council officers from the Executive Management Team and Leadership Group undertook workshops on Thursday 9 July 2020 and Tuesday 11 August 2020, to review and finalise the Strategic Risk Register for Council. The final Strategic Risk Register is now presented to the Audit Committee as **Annexure "B"**.

Council is also participating in a program to review and enhance its operational risk register. This program runs for the 2020 calendar year and it is anticipated a revised operational risk register will be complete early 2021.

Financial Implications

Adequate risk management systems and controls are required to reduce and maintain Council's insurance premiums.

Inadequate risk management systems and controls may result in financial detriment to Council.

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

Legislation

Local Government Act (SA)1999

Officer Direct or Indirect Interest – Nil

Risk Assessment

Non-compliance with these items, may expose Council to a number of risks, including:

Inadequate Risk Management Systems

- Failure to identify and mitigate risks.
- Inability for Council to monitor and control or mitigate risks or exposure to risk.
- Wellbeing of safety of staff and members of the public.
- Potential liability or legal exposure of Council.

Social Considerations – Nil

Community Engagement – Nil

Environmental Implications – Nil

Communication

Any relevant matters or changes will be communicated through reports to Council and the Audit Committee.

Conclusion

That the Audit Committee note this report, the Risk Management Action Plan 202-2021 as at September and the Strategic Risk Register.

Council:	Whyalla City Council	Version: 1 (DRAFT) Issued: November 2019 Next Review: September 2020	Approved by EMT 17/12/2019	Progress Report for month of: AUGUST 2020	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Total	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Total			
<p><i>Please note: The close out date for the completion of 2019 -2020 actions is 30th September 2020.</i></p> <p><i>Applications for extensions must be provided to the LGAWCS WHS and Risk Manager, outlining why special consideration should be given.</i></p>					Proposed Actions for the Month	0	0	0	0	0	1	0	2	6	0	3	0	12	0	4	1	0	0	1	0	0	1	0	3	0	10		
					Actual / Completed Actions for the Month	0	0	0	0	0	1	0	0	4	0	3	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
					Proposed YTD (accumulated)	0	0	0	0	0	1	1	3	9	9	12	12	12	0	4	5	5	5	6	6	7	7	10	10	10	10		
					Actual / Completed YTD (accumulated)	0	0	0	0	0	1	1	1	5	5	8	8	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
					Total percentage complete	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	100%	100%	33%	56%	56%	67%	67%	67%	#DIV/0!	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Risk Management Systems																																
Evaluation Score	Risk Evaluation Q or Source	Action Agreed	Due	Responsible Person	Progress	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20		Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21		
Baseline Not Met	1a	Review & update risk management policy in line with model LGRS policy or AS/NZS ISO 31000:2019, taking into account the current organisation structure & responsibilities. Adapt and endorse the model LGRS risk management framework to reflect Council's risk criteria & organisation structure. Develop a risk management implementation plan that includes identification, evaluation & treatment of strategic & operational risks within a structured reporting	Aug-20	Corporate Strategy Business Partner	Implementation Plan with Jo Callis includes operational risk register workshops. Audit committee endorsed and Risk Management policy endorsed in June									O		P																
Baseline Not Met	1b	Develop workable risk register/investigate risk management software options. Identify & evaluate strategic risks (executive/managers).	Aug-20	Corporate Strategy Business Partner	Jo C scheduled for 9/8 Skytrust to be used for corporate risk registers.Plan to use project risk module in Skytrust in addition. RRC 15/9/2020 Strategic Risk Workshop completed on site with Jo Callis in August. Skytrust to be used for corporate and strategic risks											C																
		Identify & evaluate operational risks (managers/supervisors).	Aug-20	Corporate Strategy Business Partner	RRC 15/9/2020 In Progress. Operational Risk Workshops being conducted in conjunction with EP Councils and Jo Callis																											
		Record Strategic and Operational Risks into Risk Management Software (Skytrust) and establish review timeframes for monitoring risk treatments	Sep-20	Corporate Strategy Business Partner																												
Baseline Not Met	1c	Customise risk assessment template to reflect risk management framework. Identify opportunities for integration of risk management into existing processes. Develop reporting templates/structures to enable reporting and monitoring of risks, (including implementation and effectiveness of controls,) at appropriate levels within the organisation.	Dec-20	Corporate Strategy Business Partner	Reporting will be encapsulated in Skytrust. RRC_ Waiting for update to Skytrust risk categories - in progress RRC 15/9/2020 Skytrust risk categories updated. Riskmatrix will be updated by RRC to capture corporate risk classes into consequence table of risk matrix.																P											

Roads and Footpaths					Reporting																											
Evaluation Score	Risk Evaluation Q or Source	Action Agreed	Due	Responsible Person	Progress	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20		Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21		
Baseline Not Met	2a(1)	Review and update procedures that reference Section 221 of the LG Act &/or use of permit. Identify suitable contingency personnel to process S221 Permit applications.Update sub-delegations to provide appropriate authorisation to contingency personnel.	May-20	Manager Assets	RRC 15/9/2020_ Complete. Sightedupdated procedureG:/Infrastructure\Work Permits\Database 2019.accdb City Works Permits Procedure. Sighted access database updated with requirments of s221 clauses(3)								P			O																
	2a(2)	Update sub delegations with authorities for contingency personnel Provide contingency personnel with training in updated procedure, assessment process and use of database.	May-20	Manager Asses	RRC 15/9/2020 Subdelegations in progress with Robyn Nottle. Training planned and in progress. TNA and training attended should be updated in Skytrust against contingency roles identified																											
Opportunity for Improvement	2c	Include requirement for applicant to indemnify Council in the S221 application form.	May-20	Manager Assets	RRC 15/9/2020 Sighted indemnity clause, although Council may wish to consider including the more specific wording as provided in the LGASA template (emailed to RG same day for consideration)								P			O																
Baseline Not Met	2d	Verify current status of Asset Management Plans (AMPs) for specific asset classes. Update AMPs to reflect required/long term budgeted expenditure. Check for consistency between over-arching strategy and plans, (e.g. service standards, prioritisation,) and that these are consistent with methodology used in modelling asset maintenance/renewal.	Jun-20	Manager Assets	RRC_Follow up with Robert Updated strategy earlier this year (see line 23) Follow up with Robert to try to break down into manageable chunks									P																		
Baseline Not Met	2d	Endorse 10 year asset management plans for each asset class, (as per Asset Management Strategy 2018-2027.)	Jun-20		RRC_Sighted update AMP 2021 - 2030 on Council webpage. Endorsed and published March 2020. Split this action out of line 22, as action contains multiple components in line 22						O			P																		

Procurement and Contracts																															
Evaluation Score	Risk Evaluation Q or Source	Action Agreed	Due	Responsible Person	Progress	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20		Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	
Baseline Not Met	3a	Undertake a review of the currency and relevance of policies and procedures relating to procurement and asset disposal, including: - Disposal policy (due for review July 2019) - Prudential management policy (due for review January 2018) - Simple procurement procedure (due for review January 2018) - Request for Tender procedure (due for review January 2018) - Procurement framework (version 1, January 2016) to ensure consistency with the current policy, process and delegations.	Nov-20	Senior Procurement Officer/Corporate Strategy Business Partner	RRC Note_ LW advised all parts of action to be kept together as it will go to audit committee. 12 month review program															P											
Baseline Not Met	3b	Review and update procurement and project risk identification and evaluation process and tools, with a view to embedding risk management within the procurement and project planning process. Provide training to all staff who are involved in procurement and project management. Monitor effectiveness and application of the updated tools and process.	Nov-20	Senior Procurement Officer/Corporate Strategy Business Partner																P											
Opportunity for Improvement	3c	Based on pre-purchase risk assessment, determine evaluation weightings prior to issuing go-to-market documentation and include in information provided to bidders.	Nov-20	Senior Procurement Officer/Corporate Strategy Business Partner																P											
Opportunity for Improvement	3f	Review usage of purchase orders to confirm that they are issued for acquisition of goods only. If purchase orders be issued for services, review and update of the terms & conditions to capture indemnity, public liability and sub-contracting requirements.	Nov-20	Senior Procurement Officer/Corporate Strategy Business Partner																P											

Tree Management																														
Evaluation Score	Risk Evaluation Q or Source	Action Agreed	Due	Responsible Person	Progress	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20		Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Baseline Not Met	E4a	Update Tree Management policy & procedure to reflect current practice, available guidance materials and templates. Develop a roll-out plan, (which may include training, supporting documentation, etc.) for the Street Tree Master Plan.	Jun-20	Manager Operations	Policy was replaced with a Tree Management Directive.Endorsed in Council meeting June 2020. Sighted Council minutes and Agenda									C																

G:\Governance\Meetings\Audit Committee\2020\30 september 2020\csbp report - risk management action plan - annexure a

Date of risk identification	Risk ID	Business Unit	Objective	Risk Type	Risk Category	Risk Description	Consequence Type(s)	Risk Owner	Causes	Inherent Risk			Controls				Risk Appetite	Residual Risk		Further treatment required (if residual risk rating is not acceptable)	Control Owner	Recommendation	Management Actions	Link to corrective actions register	Comments	
										Consequence	Likelihood	Inherent Risk Rating	Description	Design Effectiveness	Operating Effectiveness	Controls Rating		Consequence	Likelihood							Residual Risk Rating
9-Jul-20	SR-01	Protect natural environment Climate change preparedness Infrastructure meets community needs	Strategic	Assets & Infrastructure	Extreme weather events, (e.g. hurricanes, fire, flood, storm, prolonged droughts) cause significant damage to the natural environment. Council assets and infrastructure and private property	Financial Service Delivery Infrastructure Reputation Environment	CEO	Failure to recognise or understand potential impact of climate change/extreme weather events Assets/infrastructure not built/maintained to appropriate standard to withstand impacts of extreme weather events Lack of planned/coordinated response to extreme	Major	Rare	High	Strategic Plan (Climate/adaptation incorporated in Theme 2) Alignment of Long Term Financial Plan with Strategic Plan and Asset Management Strategy Stormwater Management Plan Flood mapping contained within development plan, linked to partly additional controls required for development in flood prone areas)	Partially adequate	Effective	Partially Effective	Accept	Moderate	Rare	Medium	(a) Climate Change Adaptation Plan to be reviewed (b) Council Ready Program (develop community emergency response & provide training to employees) (c) Workplace Emergency Response Plan review & update	(a) Executive Management Team (b) Corporate Strategy Business Partner (c) WHS Coordinator					
9-Jul-20	SR-02	Community wellbeing Protect natural environment Climate change preparedness Infrastructure meets community needs Create attractive city	Strategic	Assets & Infrastructure	The impacts of climate change may lead to a decline in service levels and viability of existing facilities and infrastructure	Service Delivery Infrastructure	CEO	Failure to recognise or understand potential impact of climate change/extreme weather events Failure to implement strategies/reduce contribution to climate change or mitigate the effects of climate change Assets/infrastructure not built/maintained to appropriate standard to withstand changing climate (absence of resilience) Failure to seek appropriate/ informed direction on infrastructure planning & operation to minimise carbon emissions Change in community expectations, (e.g. shade structures) Existing facilities may become obsolete before	Moderate	Possible	High	Business management plan Stormwater management plan Tree Management Plan Coastline Plan (in partnership with Landscapes SA) Development Plan (transitioning to State plan under PCI Act) Asset Management Strategy	Partially adequate	Effective	Partially Effective	Accept	Moderate	Possible	High	(a) Finalise review of Climate Change Adaptation Plan & incorporate strategies into Masterplan process (b) Include climate modelling (e.g. coastal flooding) in planning for new assets (c) Review risk to existing assets and develop mitigation strategies (d) Liaise/collaborate with adjoining Councils (e) Masterplan's to factor in impact of extreme heat, e.g. height activities, different operations in winter & summer, lifestyle changes (f) Whylla Landscape Master Plan	(a) Executive Management Team & Manager Environment Health Services and Planning (b) Executive Management Team, Project Engineer and Manager Environment Health Services and Planning (c) Executive Management Team and Leadership Group (d) Executive Management Team and Leadership Group				Around 70% of global greenhouse gas emissions are attributed to infrastructure construction and operations, power plants, transport, buildings, construction. There are several scenarios, including increasing temperatures, rising sea levels, changing rainfall patterns and an increase in regularity of extreme weather events (SA, SGM). •Decreasing wintering rainfall is projected with high confidence. •Increased intensity of extreme rainfall events is projected, with high confidence. • Mean sea level will continue to rise and height of extreme sea-level events will also increase (very high confidence). With respect to the management of stormwater in Whylla, the projected changes in climate represent the following risks • a reduced level of service (greater frequency of flooding)	
9-Jul-20	SR-03	Protect natural environment Minimise ecological footprint Climate change preparedness	Strategic	Assets & Infrastructure	Water shortages reduce capacity for increase cost to maintain open spaces and undertake construction activities	Service Delivery Infrastructure Environment	CEO	Aging water infrastructure (seweral replacement not adequately funded) Murray line failure Less water (Murray & recycled) Prolonged drought - increasing demand for potable water Climate change	Moderate	Possible	High	Greening Whylla Plan (e.g. SA Water & other stakeholders) Open Space & Integration asset management plans	Partially adequate	Effective	Partially Effective	Accept	Moderate	Possible	High	(a) Climate Change Adaptation Plan (b) Stormwater Harvest & Reuse Strategy (under development) (c) Greening Whylla, (Implement sub surface irrigation projects throughout city as need/opportunity arises) (d) Foster relationship with SA Water to ensure long term sustainability	(a) Executive Management Team (b) Executive Management Team & Project Engineer (c) Director Infrastructure (d) Director Infrastructure					
9-Jul-20	SR-04	Integrated education & training options Maintain & build workforce skills Connect & mobilise the community to work collectively Infill community pride Attractive city for the community, visitors & good governance	Strategic	Service Delivery	Council are unable to adapt and respond to significant changes in local economic conditions, (e.g. significant loss or gain of industry, decline or growth of population), later continue to provide services and facilities that do not meet the community's expectations	Financial Service Delivery Infrastructure Reputation	CEO	Loss of major employment Loss of education & training opportunities Population decline Reduced employment opportunities Changes in social economic status	Major	Unlikely	High	Maintain relationships with defence, schools, businesses & industry groups Spencer Gulf cities alliance Advocacy with state & federal government to sector develop industry & education opportunities - Advocacy for smart technology & support for development of technology driven businesses - Linking youth integrated education to defence & industry opportunities - Facilitating a task force to explore economic diversification Development of tourism infrastructure	Partially adequate	Partially effective	Partially Effective	Accept	Major	Unlikely	High	(a) Sport & Recreation Master Plan - (b) Economic Development Plan, which includes strategic sub-plans to address - Building community capacity/wellness - Advocacy for boarding at new secondary school - Advocacy for smart technology & support for development of technology driven businesses - Linking youth integrated education to defence & industry opportunities - Facilitating a task force to explore economic diversification Development of tourism infrastructure	(a) Director Infrastructure (b) Manager Economic Development (c) Corporate Strategy Business Partner					
9-Jul-20	SR-05	Good governance Infill community pride	Strategic	Governance & Compliance	Significant breach of key legislative obligations resulting in unnecessary legal costs, adverse media coverage and loss of community confidence	Reputation Legal/Regulatory	CEO	Cultural differences Inadequate internal financial controls to prevent fraud or misstatement Inaccurate recordal reporting	Major	Possible	Extreme	Policies & procedures in place Controls self-assessment (S&A's Better Practice Model) Internal & external audits Authoritative delegations made appropriately and reviewed annually	Adequate	Effective	Effective	Avoid	Minor	Unlikely	Low	(a) Strengthen internal audit processes (b) Independent review of internal control framework	(a) Corporate Strategy Business Partner (b) Corporate Strategy Business Partner					
9-Jul-20	SR-06	Unearth community pride Create vibrant, diverse, actively engaged community with sense of belonging Connect & mobilise the community to work collectively Attractive city for the community, visitors & potential investors Protect natural environment & minimise ecological footprint	Strategic	Governance & Compliance	Council's strategic objectives and actions are not aligned with the needs of our community and fail to provide expected economic, social, environmental and cultural opportunities	Service Delivery Reputation	CEO	Disconnected between community aspirations and what Council actually delivers Lack of engagement and communication Apathy from community Lack of designated 'neat street' place making Changing demographics increase in ageing population Social economic status	Moderate	Possible	High	Strategic Planning process Annual Business Plan consultation Public Consultation Policy Facebook My Local Services app Media - television, newspaper, radio	Adequate	Partially effective	Partially Effective	Resistant	Minor	Unlikely	Low	(a) New media/ communications consultation strategy that recognises the value of targeted communications to areas of the community & initiatives - How announcements will be planned, fact checked and followed through - Innovative strategies to engage with all sectors of the community to overcome apathy (b) Community survey to gauge level of engagement/ satisfaction (outside of strategic planning process) (c) Development of Master Plans	(a) Manager Media and Communications (b) Director Corporate and Corporate Strategy Business Partner (c) Executive Management Team					
9-Jul-20	SR-07	Unearth community pride Create vibrant, diverse, actively engaged community with sense of belonging Connect & mobilise the community to work collectively Attractive city for the community, visitors & potential investors Protect natural environment & minimise ecological footprint	Strategic	Financial	Council are not adequately resourced to implement strategies to achieve its strategic objectives and deliver on its overall vision	Financial Service Delivery Infrastructure Reputation	CEO	Federal/ state local relationships sour Reduced rate revenue Limited grant opportunities Terms & obligations of grant funding not met Population decline Loss of major industry has focus on effect on practical application of technical training - risk of TAFE closing Expenditure not consistent	Major	Possible	Extreme	Alignment of Long Term Financial Plan with Strategic Plan and Asset Management Strategy Quarterly budget review/ monitoring by Audit Committee Grants approved by management &/or Council to ensure all obligations can be met & that grant is in line with Strategic Objectives User pays charges reviewed annually (cost recovery)	Adequate	Effective	Effective	Resistant	Minor	Unlikely	Low	(a) More proactive lobbying/ advocacy with Federal/ State governments (particularly re health, doctors, education, investment in industry & housing) (b) Revised rate remission/charity policy (impact on LTPF) borrowings (c) Investigate alternative revenue sources (e.g. commercial opportunities) (d) Pricing strategy to be put in place including user pays & cost recovery principles	(a) Executive Management Team (b) Director Corporate (c) Executive Management Team (d) Director Corporate					
9-Jul-20	SR-08	Attractive city that showcases natural and built assets Infrastructure meets community needs	Strategic	Assets & Infrastructure	Council assets and infrastructure are either underutilised or deteriorate to a point where they no longer meet the community's economic, social and physical needs	Service delivery	CEO	Funding/ resource allocation inadequate or misaligned to strategy Loss of key staff/ corporate knowledge	Major	Possible	Extreme	Alignment of Long Term Financial Plan, Asset Management Plan & Strategic Plan Asset Management Strategy	Adequate	Effective	Effective	Accept	Minor	Unlikely	Low	(a) New media/ communications/ marketing strategy that outlines Council's approach to introduce & engage community consultation (b) Verify that all asset classes are captured in Asset Management Plan(s) (c) Endorse Whylla Landscape Master Plan and incorporate into LTPF and AMP	(a) Manager Media and Communications (b) Manager Assets (c) Executive Management Team					
9-Jul-20	SR-09	Vibrant, diverse, actively engaged community with sense of belonging	Strategic	People (including WHS)	Council are unable to attract, recruit, retain staff and commensurate with the skills, knowledge and drive to deliver on our corporate vision and values	People	CEO	Lack of career pathways Decline in population Lack of rental and overnight accommodation Travel demands/ costs Perception that Whylla is	Moderate	Possible	High	Internal recruitment given first priority Flexible working arrangements - working remote policy Ageing workforce strategy Training & apprenticeship program, graduate program	Partially adequate	Partially effective	Partially Effective	Resistant	Minor	Possible	Medium	(a) Develop People & Culture Plan that addresses - employee retention, - succession planning, - transition to retirement, - succession planning, - mentoring & coaching & - career plan development for every employee	(a) Manager People and Culture					

[illegible]

5.1 CORPORATE

5.1.4 Quarterly Report – Procurement Department

Audit Committee Meeting: 30 September 2020

Author's Title: Senior Procurement Officer

File No.: 0-159

Director: Robyn Dunstall

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 to the Audit Committee and Elected Members on the progress the Procurement Department has made during the period 1 July to 7 September 2020 (the last month has been cut short to meet report deadline).

SUMMARY

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

This report also provides a snapshot of the following procurements which have been undertaken by Council staff during the period 1 July to 7 September 2020:

- tenders;
- use of Local vs non-local goods, works and services; and
- use of Local goods, works and services (under \$2,000)

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

RECOMMENDATION

That the Audit Committee receive and note the Procurement Quarterly report.

5.1.4 Quarterly Report – Procurement Department

REPORT

BACKGROUND

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

In addition to this, the Procurement Policy 2019 requires the following to be reported quarterly to the Audit Committee and Elected Members:

- Clause 7 requires exemptions from the policy to be appropriately approved and are to be recorded and reported to the Audit Committee quarterly.
- Clause 4.1.4 requires purchases under \$2,000, should where possible, be made to local suppliers. Information has also been given for local vs non-local purchases and spend amounts.

DISCUSSION

1. TENDERS:

The following tenders are in progress for the period 1 July to 7 September 2020:

PROCUREMENT	TENDERS REQUESTED	TENDERS RECEIVED	STATUS
Whyalla Airport - Terminal Building Security Upgrade	Expression of Interest undertaken then shortlisted Select Tender issued to preferred builders via Tenders SA website	5	Contract Drafted. Successful tenderer seeking legal advice on: <ul style="list-style-type: none"> • Draft Contract; and • Provision of Airport Contractor's Liability Insurance for duration of contract.
Whyalla Airport – Provision of Security Screening Services	Request for Tender document drafted. LGA Procurement to facilitate the tender process due to the complexity of the procurement		

2. POLICY EXEMPTIONS:

From 1 July to 7 September 2020 the following 4 procurement exemptions were made:

PROJECT TITLE	VALUE (GST EX)	REQUEST TYPE & REASON FOR DISPENSATION (Clause 7 of Procurement Policy)	DEPT	DISPENSATED BY
Council Chamber Audio Upgrade	\$60,058.00	Single Source – No local suppliers available. Contractor had previously installed equipment in the Civic Building conference room. It was appropriate to use similar equipment in the Chamber. Urgent due to the health restrictions. Contractor was able to quote, supply and install the equipment quickly	Corporate	Manager IT Director A/CEO
Asset & Spatial Consulting	\$43,500.00	Single Source – existing and previous support provided by Tonkin who are experience with our internal systems and software	Corporate	Manager Assets A/Director A/CEO
Grinding of Mattresses, Tyres, Stumps at Landfill	\$54,545.45	Single Source - Closure of Landfill – materials require processing for disposal before 7/8/2020 to leave site clean and ready for leasing to third party	Infrastructure	Co-ord. Landfill A/Director A/Acting CEO
Upgrade to Civic Building to Depot WAN Link	\$65,264.90	Single Source – Contractor to maintain Council's WAN Link – to ensure compatibility is maintained with the rest of the network.	Corporate	Manager IT Director A/CEO

Note: Authorisation of Exemptions:

Sole Source Means only one supplier/contractor/consultant can provide the required goods, works or services - Only the Requesting Officer and Supervisor are required to sign the Procurement Memo (if within their procurement delegation or the Director authorises it)

Single Source: Means more than one supplier/contractor/consultant can provide the required goods, works or services but for the reason given in the procurement memo we are using this supplier/contractor/consultant. 3 signatures are required (Requesting Officer, Director & CEO)

This makes four (4) exemptions for the period 1 July to 7 September for FY 2020/2021.

Dispensations Summary by Department for Q1 2020/2021	Amount	Percentage
City Development	0	20.00%
Corporate	3	60.00%
Infrastructure	1	20.00%
Executive	0	00.00%
Total	4	100.00%

Dispensations by Procurement Thresholds (\$) for Q1 2020/2021	Amount	Percentage
0 – 5,000	0	00.00%
5,001 – 30,000	0	00.00%
30,001 – 200,000	4	100.00%
200,001 +	0	00.00%
Total	4	100.00%

All dispensations were approved and recorded as per Clause 7 of the Procurement Policy.

3. LOCAL PURCHASES:

Out of a total of 639 purchase orders raised for goods, works or services for the first period:

- 400 were local; and
- 239 were non-local

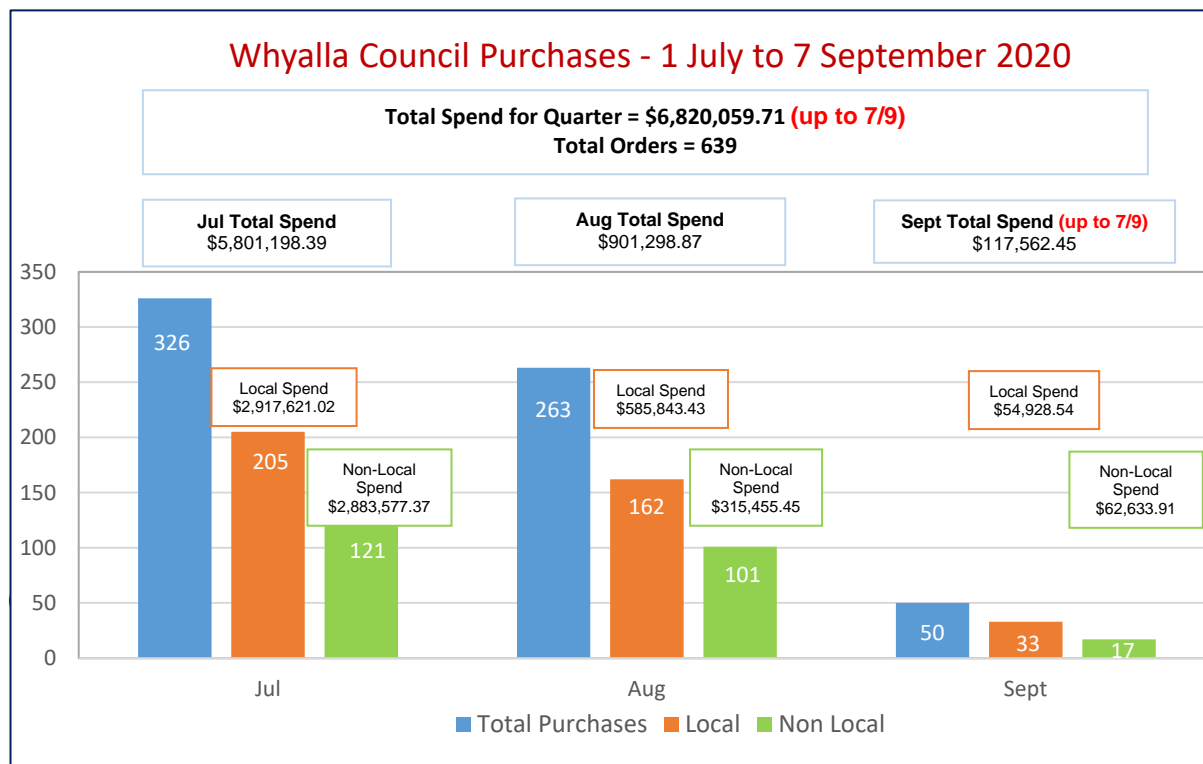
There was an overall spend of \$6,820,059.71 and it equated to:

- Local spend \$3,558,392.99; and
- Non-local spend \$3,261,666.73

A total of 62.60% were local purchases and 37.40% 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 not available locally
- Specialised services not available locally
- Software licence renewals (2020/2021)
- Subscription renewals (2020/2021)
- Tendered works/services

Refer to the graph below for the local vs non-local purchase order and spend comparison then refer to the explanation after the graph highlighting why the non-local spend was high this quarter.



4. LOCAL PURCHASES (UNDER \$2,000):

The July 2019 version of the Procurement Policy included a new requirement for:

"Item 4.1.4 - Purchases under \$2,000 should, where possible, be made to local suppliers".

Out of a total of 469 purchase orders raised that were under \$2,000 for goods, works or services for the quarter:

- 309 were local purchases; and
- 160 were non-local purchases.

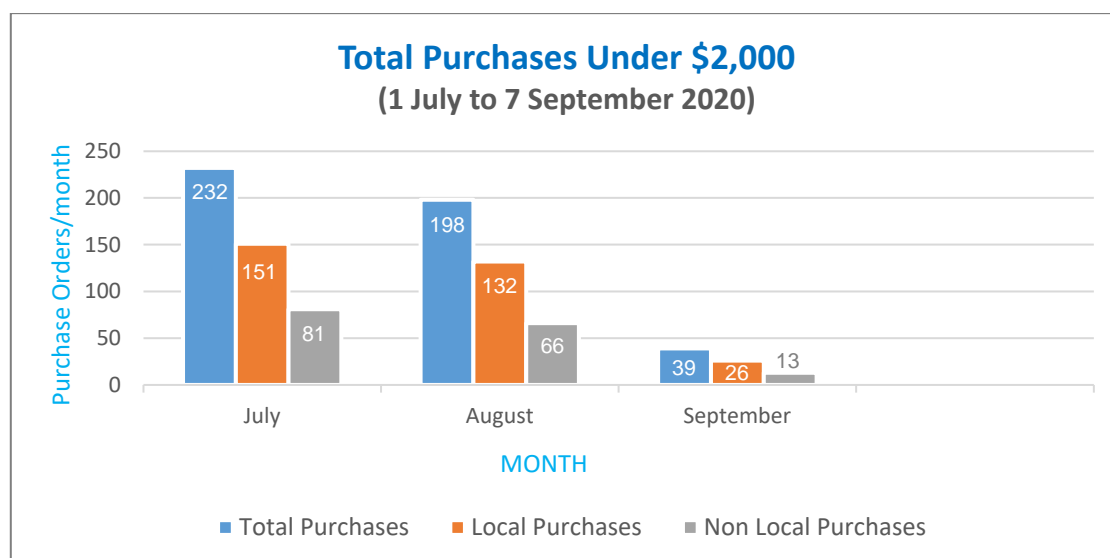
There was an overall spend of \$249,870.35 and it equated to:

- Local spend (Under \$2,000) \$155,511.29; and
- Non-local spend (Under \$2,000) \$94,359.07

A total of 65.88% of purchases were local and 34.12% were non-local purchases for goods works or services (under \$2,000).

All of the non-local spends have been reviewed and are considered reasonable given the nature of the transactions.

Refer to the graph below for the local vs non-local purchase order comparison:



Financial Implications – Nil

Strategic Plan

Objective 1.1 – Unearth community pride within the city

Strategy 1.1.1 – Regularly inform the community of council activities, decisions and actions

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

Any relevant changes will be communicated through Council's website and social media.

Conclusion

That the Audit Committee note this report.

5.1 Corporate

5.1.5 2019/20 Draft Audit Completion Report

Audit Committee: 30 September 2020
Author's Title: Senior Finance Officer
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

A – Draft Audit Completion Report

Officer Direct or Indirect Conflict of Interest:

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

☐ Yes

☒ No

Status:

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

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To provide the Audit Committee with the Audit Completion Report received from the external auditor, in relation to the external audit performed for the 2019/20 financial year.

SUMMARY

Councils' external auditor, Ian McDonald provides a draft Audit Completion Report for the financial year ending 30 June 2020 (refer **Annexure "A"**). This report is prepared to summarise significant matters that have arisen from the balance date audit of the Council for the year ended 30 June 2020. The audit opinion has been signed without qualification.

RECOMMENDATION

That the Audit Committee note the Draft Audit Completion Report from Ian McDonald for the financial year ended 30 June 2020.

5.1.5 2019/20 Draft Audit Completion Report

REPORT

BACKGROUND

Councils' external auditor, Ian McDonald, provides a draft Audit Completion Report for the financial year ending 30 June 2020 for the Audit Committee to review. This report is prepared to summarise significant matters that have arisen from the balance date audit of the Council for the year ended 30 June 2020 and will be tabled at the meeting.

Ian McDonald was on-site from the 28-30 April 2020 for the interim visit and 2-4 September 2020 for the financial and internal control audit for the 2019/20 financial year.

Ian McDonald provided an interim management letter that was received by the Audit Committee at its meeting on 25 May 2020 (AC267-2020).

DISCUSSION

The focus of the interim audit visit was to review internal financial controls and as per previous Audit Committee Agenda items. Council has provided its internal financial controls assessment and is continuing to implement its action plan to address identified risks.

The focus of the final audit visit was to complete control testing and assess the 2019/20 draft financial statements. The draft audit completion letter states the financial audit for the year ending 30 June has been completed and the audit opinion has been signed without qualification.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

Under Sections 132A and 125 of the *Local Government Act 1999*, a Council must ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with any statutory requirements and to achieve and maintain standards that reflect good administrative practices.

Officer Direct or Indirect Interest – Nil

Risk Assessment

In assessing Council risk associated with legislative compliance and the consequence of the Audit Committee not reviewing the financial statements, it is considered a moderate risk as Council would be in breach of legislation and receive adverse criticism. The likelihood of this occurring would be rare and only in exceptional circumstances, by supporting this recommendation the risk is removed.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

To provide the Draft Audit Completion Report for the 2019/20 financial year to the Audit Committee.

DRAFT

18 September 2020

Annexure "A"

Mayor Clare McLaughlin
The Corporation of the City of Whyalla
PO Box 126
WHYALLA SA 5600

Dear Mayor McLaughlin,

We are pleased to advise that we have now completed the external audit of your Council for the financial year ended 30 June 2020.

The audit opinion has been signed without qualification.

1. Report on Matters Arising from the Audit

- There is no matter that requires a report to the Minister.
- We are satisfied with the action taken in relation to our audit communication during the year.
- The Auditor's Independence Declaration has been provided to the Chief Executive Officer.

2. Adequacy of the Internal Control Environment

- In our opinion, Council's internal control environment is adequate.
- A review of the internal control framework documentation should be undertaken annually.

3. Financial Statements

Based on the financial indicators, Council's sustainability is reported as follows:

- The operating surplus before capital amounts was \$492,000 (2019: \$1,719,000).
- Net financial liabilities increased by \$11,691,000. This is detailed in Note 16 – Uniform Presentation of Finances.
- Employee entitlements have increased from \$2,216,000 to \$2,436,000. They now equate to 22% of the annual employee costs.

There was no significant distortion from the prepayment of the financial assistance grant from the Federal Government this year as four quarterly payments were received. However, there was a prepayment of supplementary roads funding for the next two years. This is explained in Note 1 – 3 Income Recognition under Significant Accounting Policies. During the year Council elected to use cash reserves and loans to fund infrastructure reserves. At year end the cash balance was \$274,000 and the loan balance \$7,000,000. A grant of \$1,900,000 had also been received for the Airport. As a result when the Government decides to not prepay the financial assistance grant and the Airport work is completed Council may need to borrow an additional \$4,700,000.

During the year land, buildings and improvements were revalued. The carrying values increased by 9%.

Please do not hesitate to contact us if further information is required.

Yours sincerely,

Ian McDonald

CC: *Audit Committee Chairperson*
Chief Executive Officer

5.1 CORPORATE

5.1.6 2019/20 Draft Financial Statements

Audit Committee: 30 September 2020
Author's Title: Senior Finance Officer
Directorate: Corporate

File No.: 0-159, 0-209

Annexures:

A – General Purpose Financial Statements

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the draft financial statements for the 2019/20 financial year, to ensure that they fairly present the affairs of the Council.

SUMMARY

The Audit Committee advises Council and Councils' Auditor that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2020 and is satisfied that they present fairly the state of affairs of Council.

RECOMMENDATION

That the Audit Committee:

1. in accordance with Section 126(4) of the Local Government Act 1999, advise that it has reviewed the draft Annual Financial Statements of the Council for the financial year ended 30 June 2020 and is satisfied that they present fairly the state of affairs of Council; and
2. advise Councils' Auditor that it has reviewed the Annual Financial Statements of the Council for the financial year ended 30 June 2020 and is satisfied that they present fairly the state of affairs of Council.

5.1.6 2019/20 Draft Financial Statements

REPORT

BACKGROUND

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

Refer **Annexure “A”** – General Purpose Financial Statements (for the year ended 30 June 2020).

DISCUSSION

The draft financial statements have been prepared for submission to the Audit Committee.

Financial Implications

Councils’ key financial sustainability performance targets are proposed to ensure the long term financial sustainability of the Council, covering the maintenance and development of the community’s assets as well as providing appropriate services.

Key Financial Indicators	Target	2020	2019	2018	3 Year
		Year End	Year end	Year End	Average
Operating Surplus Ratio - %	2.5-7.5	2	5	4	4
Adjusted Operating Surplus Ratio - %		1	4	4	3
Net Financial Liabilities Ratio - %	0-50	33	(7)	(4)	7
Asset Sustainability Ratio - %	90-110	188	85	65	113

Operating Surplus Ratio

Councils’ operating surplus ratio and adjusted operating surplus ratio both fall slightly outside (below) the key financial performance targets. When compared to the previous year financial statements, Councils’ operating surplus ratio has decreased by 3%, from a surplus of 5% for 2019 to a surplus 2% for 2020.

In recent years, the Federal Government has made advance financial assistance grants (FAGS) payments prior to 30 June, from future years allocations of financial assistance grants. The adjusted operating surplus ratio removes the effects of receiving the advance payments and provides a more accurate basis for comparison. The adjusted operating surplus ratio which has remained relatively constant and is within Council key financial indicators.

Net financial Liabilities Ratio

The Net Financial Liabilities ratio has increased to 33% at 30 June 2020 as a result of additional borrowings to fund the 2019/20 capital program and is within the key financial indicator target range. This indicates the extent to which the net financial liabilities of Council can be serviced by its operating revenue. As at 30 June 2020, Council had \$7 million in borrowings and has the capacity to increase loan borrowings as required in the future.

Asset Sustainability Ratio

Councils' Asset Sustainability Ratio has increased from 85% for 2019 to 188% for 2019/20 and is above the target of between 90 and 110%. A ratio above 110% indicates that Council is maintaining, replacing, renewing existing infrastructure assets or reducing the existing 'renewal back-log' to ensure projected service levels and/or useful lives are sustained.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

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

Officer Direct or Indirect Interest – Nil

Risk Assessment

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

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The Audit Committee review the draft financial statements for the 2019/20 financial year, to ensure that they fairly present the affairs of the Council.

Annexure "A"

The Corporation of the City of Whyalla

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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



The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2020

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The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2020

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Councils' financial position at 30 June 2020 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Councils' financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Councils' accounting and other records.

Kristen Clark
ACTING CHIEF EXECUTIVE OFFICER

Clare McLaughlin
MAYOR

Date: 30 September 2020

The Corporation of the City of Whyalla

Statement of Comprehensive Income for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Income			
Rates	2a	21,272	20,519
Statutory Charges	2b	359	332
User Charges	2c	3,681	3,887
Grants, Subsidies and Contributions	2g	5,287	5,737
Investment Income	2d	55	129
Reimbursements	2e	423	52
Other Income	2f	1,512	1,174
Total Income		32,589	31,830
Expenses			
Employee Costs	3a	10,911	10,614
Materials, Contracts & Other Expenses	3b	14,222	12,968
Depreciation, Amortisation & Impairment	3c	6,885	6,503
Finance Costs	3d	79	26
Total Expenses		32,097	30,111
Operating Surplus / (Deficit)		492	1,719
Asset Disposal & Fair Value Adjustments	4	(209)	(430)
Amounts Received Specifically for New or Upgraded Assets	2g	432	1,527
Net Surplus / (Deficit) ¹		715	2,816
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I, PP&E	9a	5,811	26,383
Total Other Comprehensive Income		5,811	26,383
Total Comprehensive Income		6,526	29,199

¹ Transferred to Statement of Changes in Equity

The Corporation of the City of Whyalla

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	274	5,827
Trade & Other Receivables	5b	4,188	3,805
Inventories	5c	114	100
Total Current Assets		4,576	9,732
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	7a	279,813	259,895
Other Non-Current Assets	6	4,080	4,530
Total Non-Current Assets		283,893	264,425
TOTAL ASSETS		288,469	274,157
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	4,539	3,327
Borrowings	8b	7,000	-
Provisions	8c	2,456	2,679
Total Current Liabilities		13,995	6,006
Non-Current Liabilities			
Provisions	8c	1,213	1,416
Total Non-Current Liabilities		1,213	1,416
TOTAL LIABILITIES		15,208	7,422
Net Assets		273,261	266,735
EQUITY			
Accumulated Surplus		41,655	41,010
Asset Revaluation Reserves	9a	229,654	223,843
Other Reserves	9b	1,952	1,882
Total Council Equity		273,261	266,735

The Corporation of the City of Whyalla

Statement of Changes in Equity for the year ended 30 June 2020

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2020					
Balance at the end of previous reporting period		41,010	223,843	1,882	266,735
Net Surplus / (Deficit) for Year		715	-	-	715
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	5,811	-	5,811
Other Comprehensive Income		-	5,811	-	5,811
Total Comprehensive Income		715	5,811	-	6,526
Transfers between Reserves		(70)	-	70	-
Balance at the end of period		41,655	229,654	1,952	273,261
2019					
Balance at the end of previous reporting period		37,951	197,460	2,125	237,536
Net Surplus / (Deficit) for Year		2,816	-	-	2,816
Other Comprehensive Income					
- Gain (Loss) on Revaluation of I,PP&E	7a	-	26,383	-	26,383
Other Comprehensive Income		-	26,383	-	26,383
Total Comprehensive Income		2,816	26,383	-	29,199
Transfers between Reserves		243	-	(243)	-
Balance at the end of period		41,010	223,843	1,882	266,735

The Corporation of the City of Whyalla

Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Cash Flows from Operating Activities			
<u>Receipts</u>			
Rates		21,088	20,284
Statutory Charges		364	357
User Charges		3,937	4,166
Grants, Subsidies and Contributions (operating purpose)		5,333	5,760
Investment Receipts		55	129
Reimbursements		423	52
Other Receipts		6,130	2,629
<u>Payments</u>			
Payments to Employees		(10,632)	(10,635)
Payments for Materials, Contracts & Other Expenses		(20,132)	(15,239)
Finance Payments		(40)	(26)
Net Cash provided by (or used in) Operating Activities	11b	6,526	7,477
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		432	1,527
Sale of Replaced Assets		76	144
Sale of Surplus Assets		3	-
Sale of Investment Property		1,181	-
Sale of Real Estate Developments		323	-
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(6,854)	(4,672)
Expenditure on New/Upgraded Assets		(14,229)	(2,191)
Net Cash provided by (or used in) Investing Activities		(19,068)	(5,192)
Cash Flows from Financing Activities			
<u>Receipts</u>			
Proceeds from Borrowings		23,250	8,200
Proceeds from Bonds & Deposits		-	77
<u>Payments</u>			
Repayments of Borrowings		(16,250)	(8,325)
Repayment of Bonds & Deposits		(11)	(56)
Net Cash provided by (or used in) Financing Activities		6,989	(104)
Net Increase (Decrease) in Cash Held		(5,553)	2,181
plus: Cash & Cash Equivalents at beginning of period	11	5,827	3,646
Cash & Cash Equivalents at end of period	11	274	5,827

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies.

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The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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n/a - not applicable

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

The financial report was authorised for issue by certificate under regulation 14 of the *Local Government (Financial Management) Regulations 2011* dated 30 September 2020.

1.2 Critical Accounting Estimates

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

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

1.3 Rounding

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

2 The Local Government Reporting Entity

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

operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income Recognition

The Council recognises revenue under *AASB 1058 Income of Not-for-Profit Entities* (AASB 1058) or *AASB 15 Revenue from Contracts with Customers* (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the Council to acquire or construct a recognisable non-financial asset that is to be controlled by the Council. In this case, the Council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years the payment of untied grants (financial assistance grants / local roads / supplementary grants) has varied from the annual allocation as shown in the table below:

\$'000	Cash Payment Received	Annual Allocation	Difference
2016/17	\$6,409	\$4,232	+ \$2,177
2017/18	\$4,342	\$4,287	+ \$55
2018/19	\$5,055	\$4,608	+ \$447
2019/20	\$4,148	\$4,098	+ \$50

Because these grants are untied, the Australian Accounting Standards require that payments be

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported had the grants been paid in the year to which they were allocated.

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Inventories

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

5.1 Real Estate Assets Developments

Real Estate Assets developments have been classified as Inventory in accordance with AASB 102 and are valued at the lower of cost or net realisable value. Cost includes the costs of acquisition, development, borrowing and other costs incurred on

financing of that acquisition and up to the time of sale. Any amount by which cost exceeds the net realisable value has been recognised as an expense.

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

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

5.2 Other Real Estate Held for Resale

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

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

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$2,000
Other Plant & Equipment	\$5,000
Buildings - New Construction/Extensions	\$10,000
Park & Playground Furniture & Equipment	\$5,000
Road Construction & Reconstruction	\$10,000
Paving & Footpaths, Kerb & Gutter	\$5,000
Drains & Culverts	\$5,000
Reticulation Extensions	\$5,000
Sidelines & Household Connections	\$5,000
Artworks	\$5,000

6.3 Subsequent Recognition

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

6.4 Depreciation of Non-Current Assets

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

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

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

should be used in interpreting financial information based on these estimates.

Plant, Furniture & Equipment

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

Building & Other Structures

Buildings – Masonry (overall)	50 to 100 years
Buildings – Other Construction	20 to 40 years
Buildings – Roofing	40 to 60 years
Buildings – Services	20 to 40 years
Buildings – Interior	20 to 40 years
Buildings – Sub-Structure	50 to 120 years
Buildings – Super Structure	50 to 100 years
Park Structures – Masonry	50 to 100 years
Park Structures – Other Construction	20 to 40 years
Playground Equipment	5 to 20 years
Benches, Seats, etc.	10 to 20 years

Infrastructure

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 & Footpaths, Kerb & Gutter	25 to 65 years
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 & Telemetry	15 to 25 years

Other Assets

Library Books	1 year
Artworks	indefinite

6.5 Impairment

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

Other assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

(which is the higher of the present value of future cash inflows or value in use).

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

6.6 Borrowing Costs

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

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

Borrowings are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is

accrued over the period to which it relates, and is recorded as part of "Payables".

9 Employee Benefits

9.1 Salaries, Wages & Compensated Absences

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

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

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

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme and other superannuation funds. The Statewide Superannuation Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Councils' involvement with the schemes are reported in Note 18.

10 Provisions for Reinstatement, Restoration and Rehabilitation

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

the related disturbance occurs and are carried at the net present value of estimated future costs.

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

11 Leases

Accounting policy applicable from 01 July 2019

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

11.1 Council as a lessee

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

i.) Right-of-Use-Assets

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

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

ii.) Lease Liabilities

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

borrowing rate or the interest rate implicit in the lease.

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

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

12 Equity Accounted Council Businesses

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

13 Construction Contracts

Construction works undertaken by Council for third parties are generally on an agency basis where the third party reimburses Council for actual costs incurred, and usually do not extend beyond the reporting period. As there is no profit component, such works are treated as 100% completed. Reimbursements not received are recognised as receivables and reimbursements received in advance are recognised as "payments received in advance".

For works undertaken on a fixed price contract basis, revenues and expenses are recognised on a percentage of completion basis. Costs incurred in advance of a future claimed entitlement are classified as work in progress in inventory. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

14 GST Implications

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

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

15 New and amended accounting standards and interpretations

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Councils' accounting policies.

The Corporation of the City of Whyalla has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

Adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

The Council applied AASB 15 and AASB 1058, for the first time from 1 July 2019. AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15. These Standards supersede the NFP income recognition requirements previously in AASB 1004 Contributions (with the exception of certain matters relating to public sector NFP entities) as well as current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service). Details of the accounting policy adopted for these standards can be found in Note 1 Significant Accounting Policies. The Council has elected to adopt the modified retrospective method on transition to the new standards with an initial application date of 1 July

2019. The cumulative effect of initially applying AASB 15 and AASB 1058 is recognised at the date of initial application as an adjustment to the opening balance of Accumulated Surplus. Therefore, the comparative information was not restated and continues to be reported under AASB 111, AASB 118, AASB 1004 and related Interpretations.

The Council has determined the impact of the new standards will mainly impact the timing of revenue recognition in relation to special purpose grants. These grants are provided to the Council to construct or acquire an asset to be controlled by the Council. They are accounted for under AASB 1058 and as such, amounts received in relation to these grants are recorded as a liability "Amounts in Advance" and recorded in revenue as the asset is constructed.

AASB 16 Leases

The Council applied AASB 16 Leases, for the first time from 1 July 2019. This standard requires that the right of use conveyed by leasing contracts (except leases with a maximum term of 12 months and leases for low-value assets) be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2019, Council has no leases to which this treatment will need to be applied.

Adoption of AASB 16 Leases (AASB 16)

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease and other related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet under a single on-balance sheet model. The Council has lease contracts for various items of plant, equipment, and computers. Before the adoption of AASB 16, the Council classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 1. Summary of Significant Accounting Policies (continued)

the standard is expected to have a significant impact for Council then further information has been provided in this note.

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

Effective for NFP annual reporting periods beginning on or after 1 January 2020

- AASB 1059 Service Concession Arrangements: Grantors
- AASB 2018-6 Amendments to Australia Accounting Standards – Definition of a Business
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

Effective for NFP annual reporting periods beginning on or after 1 January 2021

- AASB 17 Insurance Contracts

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

- AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended by AASB 2015-10 and AASB 2017-5)

16 Comparative Figures

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

17 Disclaimer

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 2. Income

\$ '000	Notes	2020	2019
(a). Rates Revenues			
General Rates			
General Rates		16,779	16,155
Less: Mandatory Rebates		(171)	(165)
Less: Discretionary Rebates, Remissions & Write Offs		(24)	(25)
Total General Rates		16,584	15,965
Other Rates (Including Service Charges)			
Natural Resource Management Levy		907	883
Waste Collection		3,903	3,772
Total Other Rates		4,810	4,655
Other Charges			
Penalties for Late Payment		130	147
Total Other Charges		130	147
Less: Discretionary Rebates, Remissions & Write Offs		(252)	(248)
Total Rates Revenues		21,272	20,519
(b). Statutory Charges			
Development Act Fees		59	85
Town Planning Fees		23	33
Animal Registration Fees & Fines		251	186
Parking Fines / Expiation Fees		3	6
Other Licences, Fees & Fines		23	22
Total Statutory Charges		359	332
(c). User Charges			
Cemetery/Crematoria Fees		277	271
Hall & Equipment Hire		21	26
Property Lease		231	286
Sales - General		37	44
Subsidies Received on Behalf of Users		610	468
Sundry		195	273
Airport Charges		779	908
Marina Fees		43	60
Child Care Centre		256	352
Waste Fees		1,232	1,199
Total User Charges		3,681	3,887

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	Notes	2020	2019
(d). Investment Income			
Interest on Investments			
- Local Government Finance Authority		52	120
- Banks & Other		3	9
Total Investment Income		55	129
(e). Reimbursements			
Roadworks		407	6
Private Works		11	41
Other		5	5
Total Reimbursements		423	52
(f). Other Income			
Rebates Received		743	727
Sundry		564	217
Management Other Income		44	91
Finance Debt Collection		17	73
Quarry Income		144	66
Total Other Income		1,512	1,174
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		432	1,527
Total Amounts Received Specifically for New or Upgraded Assets		432	1,527
Untied - Financial Assistance Grant		4,148	4,101
Roads to Recovery		386	280
Library and Communications		152	149
Sundry		601	1,207
Total Other Grants, Subsidies and Contributions		5,287	5,737
Total Grants, Subsidies, Contributions		5,719	7,264
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		711	627
State Government		4,869	6,280
Other		139	357
Total		5,719	7,264
(ii) Individually Significant Items			
Other		-	891

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 2. Income (continued)

\$ '000	Notes	2020	2019
(h). Conditions over Grants & Contributions			
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:			
Unexpended at the close of the previous reporting period		1,882	2,126
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
Roads Infrastructure		(743)	(1,222)
Heritage & Cultural Services		(1,042)	(148)
Subtotal		(1,785)	(1,370)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
Roads Infrastructure		1,855	103
Heritage & Cultural Services		-	1,023
Subtotal		1,855	1,126
Unexpended at the close of this reporting period		1,952	1,882
Net increase (decrease) in assets subject to conditions in the current reporting period		70	(244)

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 3. Expenses

\$ '000	Notes	2020	2019
(a). Employee Costs			
Salaries and Wages		8,490	8,483
Employee Leave Expense		1,419	1,159
Superannuation - Defined Contribution Plan Contributions	18	671	641
Superannuation - Defined Benefit Plan Contributions	18	202	210
Workers' Compensation Insurance		273	295
Less: Capitalised and Distributed Costs		(144)	(174)
Total Operating Employee Costs		10,911	10,614
Total Number of Employees (full time equivalent at end of reporting period)		113	117
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Auditing the Financial Reports		15	15
Bad and Doubtful Debts		16	60
Elected Members' Expenses		313	314
Election Expenses		7	95
Subtotal - Prescribed Expenses		351	484
(ii) Other Materials, Contracts and Expenses			
Contractors		4,744	3,899
Energy		1,211	1,209
Insurance		341	325
Maintenance		447	227
Legal Expenses		90	43
Levies Paid to Government - NRM levy		906	883
Levies - Other		1,023	823
Parts, Accessories & Consumables		1,030	1,043
Professional Services		974	899
Sundry		3,105	3,133
Subtotal - Other Material, Contracts & Expenses		13,871	12,484
Total Materials, Contracts and Other Expenses		14,222	12,968

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 3. Expenses (continued)

\$ '000	Notes	2020	2019
(c). Depreciation and Amortisation			
Land Improvements		583	527
Buildings & Other Structures		984	958
Infrastructure			
- Stormwater Drainage		386	385
- Irrigation Systems		93	91
- Playgrounds		159	137
- Street Furniture		55	65
- Roads & Footpaths		3,153	3,124
- Runway Assets		164	163
Plant & Equipment		591	514
Furniture & Fittings		190	212
Landfill Assets		400	199
Other Assets		127	128
Total Depreciation and Amortisation		6,885	6,503
(d). Finance Costs			
Interest on Overdraft and Short-Term Drawdown		79	22
Interest on Loans		-	4
Total Finance Costs		79	26

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced

Proceeds from Disposal	76	144
Less: Carrying Amount of Assets Sold	(484)	(572)
Gain (Loss) on Disposal	(408)	(428)

(ii) Assets Surplus to Requirements

Proceeds from Disposal	3	-
Less: Carrying Amount of Assets Sold	(8)	(2)
Gain (Loss) on Disposal	(5)	(2)

Real Estate Development Assets

Proceeds from Disposal	323	-
Less: Carrying Amount of Assets Sold	(119)	-
Gain (Loss) on Disposal	204	-

Net Gain (Loss) on Disposal or Revaluation of Assets	(209)	(430)
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The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 5. Current Assets

\$ '000	Notes	2020	2019
(a). Cash & Cash Equivalent Assets			
Cash on Hand at Bank		274	639
Short Term Deposits & Bills, etc.		-	5,188
Total Cash & Cash Equivalent Assets		274	5,827
(b). Trade & Other Receivables			
Rates - General & Other		2,015	1,835
Council Rates Postponement Scheme		16	12
Accrued Revenues		182	95
Debtors - General		1,715	1,690
GST Recoupment		387	336
Prepayments		75	21
Sundry		19	21
Subtotal		4,409	4,010
Less: Allowance for Doubtful Debts		(221)	(205)
Total Trade & Other Receivables		4,188	3,805
(c). Inventories			
Stores & Materials		89	77
Trading Stock		25	23
Total Inventories		114	100

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 6. Non-Current Assets

\$ '000	Notes	2020	2019
(i) Inventories			
Real Estate Developments		2,705	3,154
Total Inventories		2,705	3,154
(ii) Other			
Capital Works-in-Progress		1,375	1,376
Total Other		1,375	1,376
Total Other Non-Current Assets		4,080	4,530
Other disclosures			
Real Estate Developments - Current & Non-Current			
(Valued at the lower of cost and net realisable value)			
Industrial & Commercial		2,705	3,154
Total Real Estate for Resale		2,705	3,154
Represented by:			
Acquisition Costs		481	562
Development Costs		2,071	2,414
Finance Costs		153	178
Total Real Estate of Resale		2,705	3,154
Apportionment of Real Estate Developments			
Non-Current Assets		2,705	3,154
		2,705	3,154

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

Note 7a (i). Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2019				Asset Movements during the Reporting Period							as at 30/6/2020			
		At Fair Value	At Cost	Acc. Dep'n	Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	Adjustments & Transfers	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Acc. Dep'n	Carrying Value
						New / Upgrade	Renewals									
Land	2	1,034	447	-	1,481	-	-	-	-	3,603	-	1,165	6,249	-	-	6,249
Land	3	29,533	-	-	29,533	-	-	-	-	(3,274)	(861)	-	25,398	-	-	25,398
Land Improvements	3	11,330	7,602	6,328	12,604	8,728	508	-	(583)	(3,205)	(3,203)	3,577	27,280	-	8,854	18,426
Buildings & Other Structures	2	5,901	200	603	5,498	-	-	-	(98)	-	(7,546)	6,376	12,477	-	8,247	4,230
Buildings & Other Structures	3	54,033	3,133	38,752	18,414	2,913	176	(6)	(886)	-	-	6,044	63,155	-	36,500	26,655
Infrastructure																
- Stormwater Drainage		35,250	-	15,663	19,587	182	103	(3)	(386)	-	-	-	35,239	285	16,041	19,483
- Irrigation Systems		-	8,861	817	8,044	479	45	-	(93)	-	-	-	-	9,385	910	8,475
- Playgrounds		1,708	776	1,360	1,124	86	-	(27)	(159)	-	-	259	2,325	-	1,042	1,283
- Street Furniture		920	1,271	902	1,289	-	11	-	(55)	-	-	-	-	2,202	957	1,245
- Roads & Footpaths		225,141	4,212	76,614	152,739	1,372	5,293	(418)	(3,153)	-	-	-	226,562	6,665	77,394	155,833
- Runway Assets		10,110	-	5,313	4,797	-	-	-	(164)	-	-	-	10,110	-	5,477	4,633
Plant & Equipment		-	6,199	3,660	2,539	347	458	(35)	(591)	-	-	-	-	6,659	3,941	2,718
Furniture & Fittings		-	4,326	3,104	1,222	122	195	(3)	(190)	-	-	-	-	4,619	3,273	1,346
Landfill Assets		623	5,066	5,241	448	-	-	-	(400)	70	-	-	-	5,758	5,640	118
Other Assets		-	4,094	3,518	576	-	67	-	(127)	3,205	-	-	-	7,366	3,645	3,721
Total Infrastructure, Property, Plant & Equipment		375,583	46,187	161,875	259,895	14,229	6,856	(492)	(6,885)	399	(11,610)	17,421	408,795	42,939	171,921	279,813
Comparatives		364,060	47,335	178,735	232,660	1,532	6,351	(574)	(6,503)	46	(3,378)	29,761	375,583	46,187	161,875	259,895

Note 7a (ii). Investment Property

Nil

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

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

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

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

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

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

Valuation of Assets (continued)

Transfers between fair value hierarchy levels

In the course of revaluing (name the asset classes), the nature of the inputs applied was reviewed in detail for each asset and where necessary, the asset reassigned to the appropriate fair value hierarchy level. Such transfers take effect as at the date of the revaluation.

Other Information

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

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

Highest and best use

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

Transition to AASB 13 - Fair Value Measurement

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

Land & Land Improvements

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

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

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

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 7b. Valuation of Infrastructure, Property, Plant & Equipment & Investment Property (continued)

Valuation of Assets (continued)

Buildings & Other Structures

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

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

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

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

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

Infrastructure

Roads, Footpaths and Runways

- Written down current replacement cost
- Date of valuation: 1 July 2018
- Valuer: Tonkin Consulting

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

Stormwater Drainage

- Written down current replacement cost
- Date of valuation: 1 July 2018
- Valuer: Tonkin Consulting

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

Plant & Equipment

These assets are recognised on the cost basis.

All other Assets

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 8. Liabilities

\$ '000	Notes	2020 Current	2020 Non Current	2019 Current	2019 Non Current
(a). Trade and Other Payables					
Goods & Services		2,248	-	2,947	-
Payments Received in Advance		1,897	-	27	-
Accrued Expenses - Employee Entitlements		231	-	147	-
Accrued Expenses - Other		82	-	114	-
Deposits, Retentions & Bonds		71	-	82	-
Other		10	-	10	-
Total Trade and Other Payables		4,539	-	3,327	-

(b). Borrowings

Loans		7,000	-	-	-
Total Borrowings		7,000	-	-	-

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

(c). Provisions

Employee Entitlements (including oncosts)		2,276	160	2,127	89
Provision for Future Works		180	-	552	-
Landfill Capping and Closure		-	1,035	-	1,327
Child Care Fundraising		-	18	-	-
Total Provisions		2,456	1,213	2,679	1,416

Note 9. Reserves

\$ '000	1/7/2019	Increments (Decrements)	Transfers	Impairments	30/6/2020
(a). Asset Revaluation Reserve					
Land	16,925	304	-	-	17,229
Land Improvements	1,587	374	-	-	1,961
Buildings & Other Structures	14,918	4,874	-	-	19,792
Infrastructure					
- Stormwater Drainage	16,470	-	-	-	16,470
- Playgrounds	984	259	-	-	1,243
- Street Furniture	1,168	-	-	-	1,168
- Roads & Footpaths	161,960	-	-	-	161,960
- Runway Assets	9,831	-	-	-	9,831
Total Asset Revaluation Reserve	223,843	5,811	-	-	229,654
Comparatives	197,460	26,383	-	-	223,843

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 9. Reserves (continued)

\$ '000	1/7/2019	Tfrs to Reserve	Tfrs from Reserve	Other Movements	30/6/2020
(b). Other Reserves					
Committed Funds Reserve	1,882	1,855	(1,785)	-	1,952
Total Other Reserves	1,882	1,855	(1,785)	-	1,952
Comparatives	2,125	1,126	(1,369)	-	1,882

PURPOSES OF RESERVES

Asset Revaluation Reserves

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

Committed Funds Reserve

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

Note 10. Assets Subject to Restrictions

\$ '000	Notes	2020	2019
<p>The uses of the following assets are restricted, wholly or partially, by legislation or other externally imposed requirements. The assets are required to be utilised for the purposes for which control was transferred to Council, or for which the revenues were originally obtained.</p>			
Cash & Financial Assets			
Unexpended amounts received from Federal Government			
Developer Contributions		8	126
Federal Government		1,855	101
State Government		89	1,655
Total Cash & Financial Assets		1,952	1,882
Total Assets Subject to Externally Imposed Restrictions		1,952	1,882

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 11. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2020	2019
(a). Reconciliation of Cash			
Cash Assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Total Cash & Equivalent Assets	5	274	5,827
Balances per Statement of Cash Flows		274	5,827
(b). Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus/(Deficit)		715	2,816
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		6,885	6,503
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(432)	(1,527)
Net (Gain) Loss on Disposals		209	430
		7,377	8,222
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		(399)	(344)
Change in Allowances for Under-Recovery of Receivables		(16)	(59)
Net (Increase)/Decrease in Inventories		(14)	55
Net (Increase)/Decrease in Other Current Assets		32	118
Net Increase/(Decrease) in Trade & Other Payables		42	(751)
Net Increase/(Decrease) in Unpaid Employee Benefits		220	125
Net Increase/(Decrease) in Other Provisions		(716)	111
Net Cash provided by (or used in) operations		6,526	7,477

(c). Financing Arrangements

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

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019	Actual 2020	Actual 2019
\$ '000										
Business Undertakings	50	99	52	83	(2)	16	-	-	32,976	34,167
Community Services	1,223	1,234	2,724	2,568	(1,501)	(1,334)	56	75	15,856	10,651
Culture	225	227	1,255	1,302	(1,030)	(1,075)	207	194	809	650
Economic Affairs	177	211	1,259	1,366	(1,082)	(1,155)	6	6	991	774
Environment	6,293	5,741	7,973	7,056	(1,680)	(1,315)	47	127	1,063	1,360
Sport & Recreation	376	238	3,961	3,420	(3,585)	(3,182)	-	-	33,364	23,425
Regulatory Services	369	325	1,581	1,757	(1,212)	(1,432)	-	-	168	130
Transport & Communication	1,705	2,149	7,111	6,864	(5,406)	(4,715)	819	1,234	185,132	181,712
Council Administration	22,171	21,606	6,181	5,695	15,990	15,911	4,152	4,101	18,110	21,288
Total Functions/Activities	32,589	31,830	32,097	30,111	492	1,719	5,287	5,737	288,469	274,157

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 12b. Components of Functions

The activities relating to Council functions are as follows:

BUSINESS UNDERTAKINGS

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

COMMUNITY SERVICES

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

CULTURE

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

ECONOMIC AFFAIRS

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

ENVIRONMENT

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

SPORT & RECREATION

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

REGULATORY SERVICES

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

TRANSPORT & COMMUNICATION

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

COUNCIL ADMINISTRATION

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.20% and 1.90% (2019: 1.70% and 2.20%). Short term deposits have an average maturity of 87 days and an average interest rate of 1.80% (2019: 89 days and 2.11%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables

Rates & Associated Charges

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 5.20% (2019: 6.35%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

Recognised Financial Instruments

Receivables

Other Levels of Government

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Liabilities

Creditors and Accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities

Interest Bearing Borrowings

Accounting Policy:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed or variable rates between 2.20% and 3.10% (2019: 3.35% and 5.33%).

Carrying Amount:

Approximates fair value.

Liabilities

Leases

Accounting Policy:

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2020					
Financial Assets					
Cash & Equivalents	274	-	-	274	274
Receivables	4,409	-	-	4,409	4,409
Total Financial Assets	4,683	-	-	4,683	4,683
Financial Liabilities					
Payables	4,226	-	-	4,226	4,226
Current Borrowings	7,154	-	-	7,154	7,000
Total Financial Liabilities	11,380	-	-	11,380	11,226
2019					
Financial Assets					
Cash & Equivalents	5,827	-	-	5,827	5,827
Receivables	4,010	-	-	4,010	4,010
Total Financial Assets	9,837	-	-	9,837	9,837
Financial Liabilities					
Payables	3,066	-	-	3,066	3,066
Total Financial Liabilities	3,066	-	-	3,066	3,066

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

	30 June 2020		30 June 2019	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft	6.70%	-	7.12%	-
Other Variable Rates	2.63%	7,000	3.58%	-
		7,000		-

Net Fair Value

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

Risk Exposures

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

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

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 14. Capital Expenditure and Investment Property Commitments

\$ '000	Notes	2020	2019
(a). Capital Commitments			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Land Improvements		927	281
Buildings		139	167
Infrastructure		3,265	3,710
Other		-	75
		4,331	4,233
These expenditures are payable:			
Not later than one year		4,331	4,233
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
		4,331	4,233
(b). Other Expenditure Commitments			
Other non-capital expenditure commitments in relation to investment properties at the reporting date but not recognised in the financial statements as liabilities:			
Maintenance Contracts		287	217
Waste Management Services		2,015	1,838
Audit Services		102	25
Other		945	618
		3,349	2,698
These expenditures are payable:			
Not later than one year		3,166	2,690
Later than one year and not later than 5 years		183	8
Later than 5 years		-	-
		3,349	2,698

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 15. Financial Indicators

\$ '000	Amounts 2020	Indicator 2020	Prior Periods 2019	2018
These Financial Indicators have been calculated in accordance with <i>Information paper 9 - Local Government Financial Indicators</i> prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.				
1. Operating Surplus Ratio				
Operating Surplus	492	2%	5%	4%
Total Operating Income	32,589			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net Financial Liabilities	10,746	33%	(7%)	(4%)
Total Operating Income	32,589			
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>				
Adjustments to Ratios				
<i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>				
Adjusted Operating Surplus Ratio		1%	4%	4%
Adjusted Net Financial Liabilities Ratio		41%	1%	4%
3. Asset Renewal Funding Ratio				
Net Asset Renewals	6,778	188%	85%	65%
Infrastructure & Asset Management Plan required expenditure	3,603			
<i>Net asset renewals expenditure is defined as net capital expenditure on the renewal and replacement of existing assets, and excludes new capital expenditure on the acquisition of additional assets.</i>				

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 15. Financial Indicators - Graphs (continued)

<p>1. Operating Surplus Ratio</p> <p>Ratio %</p> <p>2018 2019 2020</p>	<p>Purpose of Operating Surplus Ratio</p> <p>This indicator is to determine the percentage the operating revenue varies from operating expenditure</p>	<p>Commentary on 2019/20 Result</p> <p>2019/20 Ratio 2%</p> <p>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants which, along with the reduction in user charges and increase in operating expenses as a result of the Covid-19 pandemic, has affected this indicator.</p>
<p>2. Net Financial Liabilities Ratio</p> <p>Ratio %</p> <p>2018 2019 2020</p>	<p>Purpose of Net Financial Liabilities Ratio</p> <p>This indicator shows the significance of the net amount owed to others, compared to operating revenue</p>	<p>Commentary on 2019/20 Result</p> <p>2019/20 Ratio 33%</p> <p>In Councils' Treasury Management Policy funds are borrowed in accordance with the capital expenditure requirements as set out in the Long Term Financial Plan. The increase in this ratio is due to an increase in expenditure on the capital program for the 2019/20 financial year.</p>
<p>Adjusted Operating Surplus Ratio</p> <p>Ratio %</p> <p>2018 2019 2020</p>	<p>Purpose of Adjusted Operating Surplus Ratio</p> <p>This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure</p>	<p>Commentary on 2019/20 Result</p> <p>2019/20 Ratio 1%</p> <p>This ratio removes the effects of receiving advance financial assistance grant payments.</p>
<p>3. Asset Renewal Funding Ratio</p> <p>Ratio %</p> <p>2018 2019 2020</p>	<p>Purpose of Asset Renewal Funding Ratio</p> <p>This indicator aims to determine if assets are being renewed and replaced in an optimal way</p>	<p>Commentary on 2019/20 Result</p> <p>2019/20 Ratio 188%</p> <p>Councils' Asset Renewal Funding Ratio has increased by 103%. This indicator measures the extent to which assets are being renewed / replaced in comparison to the amount they are being consumed (depreciated). The higher ratio indicates Council are reducing the existing 'renewal backlog'.</p>

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 16. Uniform Presentation of Finances

\$ '000	2020	2019
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	32,589	31,830
less Expenses	(32,097)	(30,111)
Operating Surplus / (Deficit)	492	1,719
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(6,854)	(4,672)
<i>add back</i> Depreciation, Amortisation and Impairment	6,885	6,503
<i>add back</i> Proceeds from Sale of Replaced Assets	76	144
Subtotal	107	1,975
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(14,229)	(2,191)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	432	1,527
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property, Real Estate Developments and Non-Current Assets Held for Resale)	1,507	-
Subtotal	(12,290)	(664)
Net Lending / (Borrowing) for Financial Year	(11,691)	3,030

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 17. Leases

\$ '000

2020

2019

Leases Providing Revenue to the Council

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

(i) Investment Property

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

Future minimum rentals receivable under non-cancellable operating leases as at 30 June, are as follows:

Not later than one year	283	112
Later than one year and not later than 5 years	782	157
Later than 5 years	848	392
	1,913	661

Note 18. Superannuation

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019/20; 9.50% in 2018/19). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2018/19) of "superannuation" salary.

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 18. Superannuation (continued)

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

The Salarylink section is a multi-employer sponsored plan. As the Salarylink section's assets and liabilities are pooled and are not allocated by each employer, and employees may transfer to another employer within the local government sector and retain membership of the Fund, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), Council does not use defined benefit accounting for these contributions.

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willie Towers Watson as at 30 June 2017. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Councils' contribution rates at some future time.

Contributions to Other Superannuation Schemes

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

Note 19. Interests in Other Entities

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

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

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

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

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

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 350 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has no bank guarantees.

4. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council did not have any notice of appeals against planning decisions made prior to reporting date.

Council is responsible for the operations of the Mount Laura and, previously, the Newton Street landfill sites. The cost of Councils' obligations in relation to the Mount Laura site has been included in Note 8. The Newton Street site is monitored and costs are expensed on an annual basis. Requirements for future restorations have not been identified as at 30 June 2020. If applicable, once identified, the amount will be included and amortised on an annual basis.

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 22. Events After the Statement of Financial Position Date

Events that occur after the reporting date of 30 June 2020, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 30/09/20.

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

Council agreed to move ahead with both parts of the Whyalla Airport Upgrade – Business Case, as consulted on during August and September 2019, and included within the Prudential Report considered by Council in October 2019, as follows:

- On 20 July 2020, approved the safety upgrade to runway 05/23, taxiways and apron areas to the value of \$5.71 million, offset by \$2.455 million of approved funding.
- On 17 August 2020, approved the screening and terminal upgrade in line with Federal Government requirements to the value of \$6.442 million, offset by \$1.855 million of approved funding. Further funding is expected from the Regional Airports Screening Infrastructure program, with the outcome likely to be known in late September 2020.

The Corporation of the City of Whyalla

Notes to and forming part of the Financial Statements for the year ended 30 June 2020

Note 23. Related Party Transactions

\$ '000	2020	2019
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Key Management Personnel

Transactions with Key Management Personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the *Local Government Act 1999*. In all, 31 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	2,440	2,035
Post-Employment Benefits	184	143
Long-Term Benefits	12	7
Termination Benefits	92	106
Total	2,728	2,291

Amounts paid as direct reimbursement of expenses incurred on behalf of Council have not been included above.

Receipts from Key Management Personnel comprise:

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

Planning and Building Application Fees	1	2
Total	1	2

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

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

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

One planning and building approval, with and without conditions, was granted during the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$376.

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2020

Auditor's Report - Financial Statements

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The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2020

Auditor's Report - Internal Controls

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DRAFT

The Corporation of the City of Whyalla

General Purpose Financial Statements for the year ended 30 June 2020

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The Corporation of the City of Whyalla for the year ended 30 June 2020, the Council's Auditor has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Kristen Clark
CHIEF EXECUTIVE OFFICER

Alan Rushbrook
PRESIDING MEMBER, AUDIT COMMITTEE

Date:

The Corporation of the City of Whyalla

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2020

Audit Certificate of Audit Independence

We confirm that, for the audit of the financial statements of The Corporation of the City of Whyalla for the year ended 30 June 2020, we have maintained our independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011* made under that Act.

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



Ian G McDonald FCA

Date 2 September 2020

5.1 CORPORATE

5.1.7 2019/20 Financial Results

Audit Committee: 30 September 2020

Author's Title: Business Performance Manager

File No.: 0-159

Directorate: Corporate

Annexures:

A – Financial Results 2019/20

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To review the financial results of Council compared with the estimated financial results set out in the budget for the year ending 30 June 2020.

SUMMARY

In accordance with the Local Government (Financial Management) Regulations 2011, this report provides a summary of material variances of the financial results compared with Council's Original Adopted Budget for the financial year ending 30 June 2020.

RECOMMENDATION

That the Audit Committee recommend, the financial results compared with the estimated financial result of Council for the financial year ending 30 June 2020, be presented to Council.

5.1.7 2019/20 Financial Results

REPORT

BACKGROUND

The Local Government (Financial Management) Regulations require the Council to consider Councils' audited financial results (30 June 2020) compared with the estimated financial results (original budget, adopted July 2019), as set out in the budget for the year ending 30 June 2020. The report should be presented in a manner consistent with the Model Financial Statements.

Council has reviewed and updated its budget four times during 2019/20, for the periods ending 30 September 2019, 31 January 2020 and 30 April 2020, as well as an update for variances adopted at the April Council Meeting.

DISCUSSION

The report on Financial Results comprises the following statements:

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

Explanations have been included for material variations since adoption of the 2019/20 Budget.

Refer **Annexure "A"** – Financial Results 2019-20

Financial Implications

Councils' key financial sustainability performance targets are proposed to ensure the long-term financial sustainability of the Council covering the maintenance and development of the community's assets as well as providing appropriate services.

Key Financial Indicators	Short Term Target	2019/20 Original Budget	2019/20 Current Budget	2019/20 Year End
Adjusted Operating Surplus/(Deficit) - \$'000		(65)	(635)	408
Adjusted Operating Surplus/(Deficit) Ratio	(2) - 1%	0%	(2%)	1%
Net Financial Liabilities Ratio	< 80%	52%	56%	33%
Asset Renewal Funding Ratio	90 - 110%	165%	204%	190%
Total Borrowings - \$'000		14,400	13,800	7,000

Council, on adoption of the 2019/20 budget, projected an adjusted operating deficit of \$65,000 and an adjusted operating deficit ratio of 0%. Movements during the year, have resulted in a year end adjusted operating surplus of \$408,000 and an adjusted operating surplus ratio of 1%.

The improvement in Council's operating result is explained in detail in the attachment but can mainly attributed to higher than projected income due to being prudent with these projections, as well as a number of operating projects not being completed during 2019/20. The \$363,000 of underspend relating to these uncompleted projects will need to be re-budgeted in 2020/21 and so will have an off-setting negative result in that year. Overall, Council have managed to perform better than the original budget projection, despite the negative financial impacts related to Covid-19.

A decrease of 19% in the Net Financial Liabilities Ratio from 52% to 33% has resulted from a decrease in borrowings required, attributable to carry forward projects of \$2.7 million and the receipt of grant funding in advance in June 2020. This is a timing difference, meaning that these borrowings are now expected to occur in 2020/21 instead.

An increase of 25% in the Asset Renewal Funding Ratio from 165% to 190 is predominantly due to carry forward of a portion of the 2018-19 road renewal program which was completed in the 2019/20 financial year. The Asset Management Strategy was reviewed and adopted during 2019/20, meaning that for future years the projections that this ratio is calculated on will be more accurate.

The quantum of projects carried forward to 2020/21 was much lower than last year's carry forward, being \$2.7 million compared to \$7.9 million. All but one of the projects with a carry forward amount have already been commenced, with much of the work occurring in the first few months of 2020/21. The large carry forward amounts from last year mainly related to three projects, the jetty, Bennett and Memorial Oval upgrades, and the completion of the 2018/19 Road Renewal Program. All these projects were completed during 2019/20, with the exception of the lighting at the ovals, which was in progress. Approximately 90% of the capital program was completed, an impressive result with a capital program of over \$23 million.

Airport

During 2019/20, the financial performance of the Airport began to be reported separately, to ensure that this business unit can operate in a sustainable manner.

On adoption of the 2019/20 budget, the Airport was projected to make a surplus of \$62,000 and have an operating surplus ratio of 7%, however, this figure was not correctly reflecting the impacts of overheads and full cost attribution and so during subsequent budget reviews the airport projection changed to a deficit position. The Airport was also significantly impacted by Covid-19 and so ultimately had a year-end operating deficit of \$317,000 and an operating deficit ratio of (41%).

The Net Financial Liabilities Ratio was originally projected to be 0%, however, the lower than projected operating result required borrowings relating to the Airport and meant that the ratio was 45% at year end.

Loans and Investments

Section 140 of the Local Government Act 1999 requires Council to review the performance of its investments. A summary of Council investments as at 30 June 2020 is provided below.

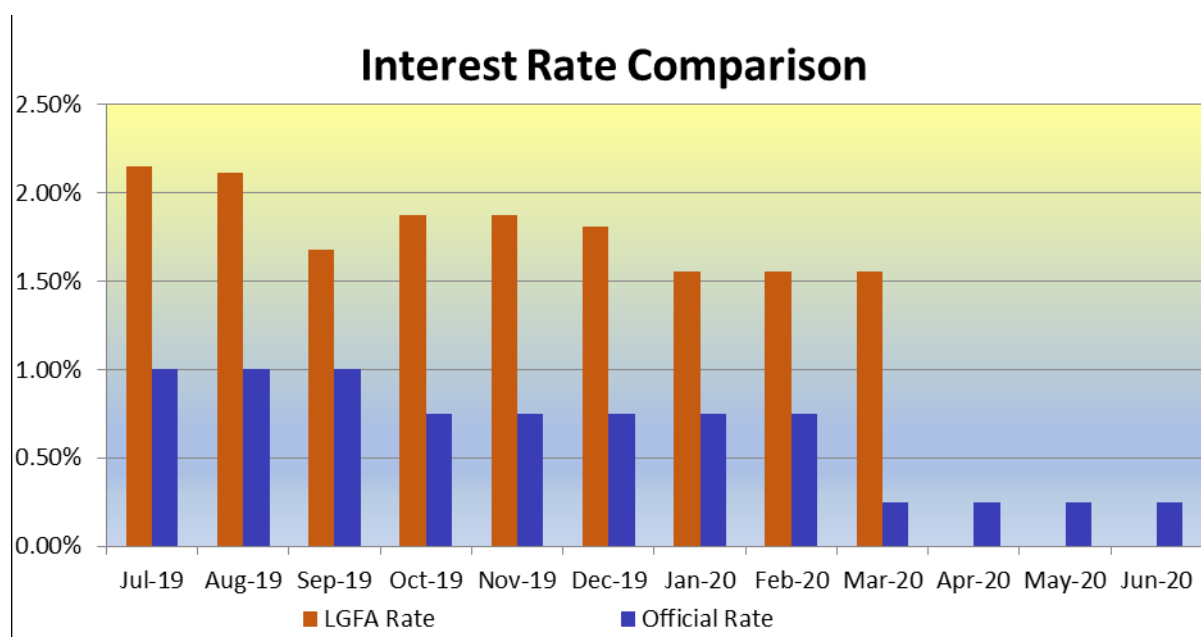
As at	Total Funds Invested at 30 June	Average interest Rate	% held by LGFA	% held by Banks and Other Financial Institutions
30/06/2020	\$0	n/a	n/a	n/a
30/06/2019	\$4,750,002	2.11%	100%	0%
30/06/2018	\$2,802,899	2.29%	100%	0%

In accordance with Councils' Treasury Management Policy, Council will prioritise funds to reduce its loan borrowings and so held no investments at 30 June 2020.

Investments held from July 2019 to March 2020 were held with the Local Government Finance Authority (LGFA), achieving a high quality, low risk investment portfolio by obtaining investment return rates which deliver the best value within investment guidelines. During this period, investments had an average maturity date of 87 days and an average interest rate of 1.80%.

The Reserve Bank of Australia (RBA) cash rate at 3 July 2019 was 1.00%. It was reduced to 0.75% in September 2019 before being lowered twice in March 2020 to 0.25%. Council investment interest rates ranged from 1.70% to 2.20% on funds invested during the period and interest earned was \$129,000 for the year.

The following graph provides a comparison of Councils' average investment interest rates for investments held with the LGFA compared to the official Reserve Bank of Australia interest rates for the 2019-20 financial year.



As at 30 June 2020, Council held a balance of \$7 million in loans. In line with the updated Treasury Management Policy, a portion of these loan balances have been fixed early in 2020/21 and performance against the target ranges will be reported at the end of the financial year.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

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

Legislation

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

Officer Direct or Indirect Interest – Nil

Risk Assessment

In assessing Council risk associated with legislative compliance and the consequence of the Audit Committee not reviewing the financial results, it is considered high risk as Council would be in breach of legislation and receive adverse criticism. The financial risk associated with Council not receiving the report is that internal control weaknesses could go undetected in that large budget variations might not be disclosed. By supporting the recommendation, the risk is removed.

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

The financial results for 2019/20 are presented and material variances to the 2019/20 original budget are explained. Overall, Council have managed to perform better than the original budget projection, despite the negative financial impacts related to Covid-19. Approximately 90% of the capital program was completed, an impressive result with a capital program of over \$23 million.

FINANCIAL RESULTS 2019-20

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2019-20	Current Budget 2019-20	Year End Actual 2019-20	Original Budget vs Actual 2019-20
Council (including Airport)		1				
Operating Surplus/(Deficit) - \$'000			(255)	(3,122)	492	747
Adjusted Operating Surplus/(Deficit)* - \$'000			(65) ●	(635) ●	408 ●	473
Adjusted Operating Surplus/(Deficit) Ratio	(2)% - 1%		0% ●	(2%) ●	1% ●	1%
Net Financial Liabilities Ratio	< 80%		52% ●	56% ●	33% ●	(19%)
Asset Renewal Funding Ratio	90 - 110%		165% ●	204% ●	190% ●	25%
Whyalla Airport						
Operating Surplus/(Deficit) - \$'000		8	62 ●	(380) ●	(317) ●	(379)
Operating Surplus/(Deficit) Ratio - %	1% - 6%		7% ●	(51%) ●	(41%) ●	(48%)
Net Financial Liabilities Ratio - %	< 250%		0% ●	69% ●	45% ●	45%

KEY

● In target range ● Above target ● Below target

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

Note Explanations – Financial Results 2019-20:

The main variances between the 2019-20 original budget and year end results are as follows:

1. Financial Indicators – Council (including Airport)

- Council's Adjusted Operating Ratio has improved by 1%, from 0% to 1% and is within target range;
- a decrease of 19% in the projected Net Financial Liabilities Ratio from 52% to 33% is due to decreased borrowings, mainly attributable to cash flows associated with projects deferred to 2020-21; and
- an increase of 25% in the Asset Renewal Funding Ratio to 190% due to a capital renewal budget increase of \$462,000 from the net impact of retimed projects.

2. Operating Activities

- a surplus of \$492,000 as compared with Council's original adopted deficit of \$255,000;
- increased rates income of \$120,000 due to:
 - a \$97,000 increase in Rates Received in Advance from 2018-19 to 2019-20;
 - \$25,000 related to less objections being received than projected; offset by
 - a reduction of \$12,000 relating to the waiving of fines on 4th quarter rates.
- decreased statutory charge income of \$9,000 due to:
 - a reduction in income from planning applications of \$20,000; offset by
 - increased income of \$17,000 from dog registrations and expiations.
- a decrease in user charges of \$263,000 due to:
 - a reduction in lease income of \$155,000 due to the support provided to tenants during Covid-19, as well as reduced income from the industrial estate;
 - a reduction of \$65,000 attributable to closing of tourist attractions due to Covid-19;
 - a reduction in waste gate takings of \$75,000, as these relate to internal charges, with an offsetting reduction in expenditure budget;
 - an overall decrease in total airport income of \$49,000, initially expected to increase by \$179,000, but subsequently reduced by \$228,000 due to the impacts of Covid-19; offset by
 - an increase in Childcare income of \$96,000, which funds a required increase in childcare labour.
- an increase in grants, subsidies and contributions of \$287,000 due to:
 - an increase in Council's Roads to Recovery allocation of \$77,000;
 - an increase in Financial Assistance Grants received of \$163,000 partially related to timing differences; and
 - an increase of \$61,000 from several small grants, including library materials, risk management projects, foreshore management and stormwater mapping, offset by additional expenditure.
- an increase of \$20,000 in investment income due to the bonus payment received from the LGFA;
- an increase in reimbursement income of \$415,000 due to:
 - \$45,000 received from the AFL to cover operating costs of the Marsh Community Series game;
 - a one off \$283,000 payment from SA Power Networks, related to overcharges in previous financial years; and
 - developer contributions of \$99,000 received late in the year, that may require additional capital expenditure at a later date.
- an increase in other income of \$456,000 due to:
 - recognition of \$180,000 of extra income due to the jetty demolition cost being lower than the estimated provision;
 - recognition of \$189,000 of extra income due to the capping of cell 1 at the landfill site being completed under budget by utilising materials available on site;

- a refund received from SA Water of \$84,000 due to a review of historical charges showing that Council had been incorrectly levied;
- an increase of \$42,000 in mining royalties received;
- ex-gratia rates being \$17,000 higher than estimated due to the impacts of indexation; offset by
- the estimated \$90,000 Workers Compensation Rebate being transferred to Employee Costs due to a change in the Model Financial Statements.
- decreased employee costs of \$475,000 attributed to:
 - savings from vacant positions in Library, IT, Tourism, Infrastructure and Operations of \$554,000, a portion of which was used to fund labour hire;
 - the Workers Compensation Rebate of \$140,000 being transferred from Other Income due to a change in the Model Financial Statements. This had previously been projected at \$90,000; offset by
 - \$122,000 of labour movement from capital to operating;
 - an increase in the cost of leave entitlements of \$50,000 due to changes in government bond rates; and
 - a \$75,000 increase in Childcare labour, offset by income.
- increased materials, contracts & other expenditure of \$1,021,000 attributed to:
 - \$50,000 for additional IT software purchases;
 - \$85,000 for the Childcare service review;
 - \$117,000 transferred from capital relating to the demolition of B-Block;
 - \$45,000 of operating costs for the Marsh Community Series game, reimbursed by the AFL;
 - a \$179,000 increase in operating budget for the airport in line with last year's result, this was offset by income prior to the impacts of Covid-19;
 - \$61,000 of costs offset by several small grants, including library materials, risk management projects, foreshore management and stormwater mapping;
 - increased water costs of \$108,000 for Parks & Gardens due to the use of potable water when recycled water has been unavailable;
 - a \$39,000 increase in the line marking budget, allowing for approximately 29,000 lineal metres of urgent work to be undertaken to ensure that minimum standards are met;
 - recognition of a provision for \$180,000 for clean-up required at the landfill site after the new transfer station opens;
 - \$150,000 for a stormwater study moved from capital due to the nature of the expenditure;
 - an increase in labour hire costs of \$421,000 to backfill vacant positions, offset by labour savings;
 - an increase in the EPA Levy of \$24,000 based on final tonnes processed through the landfill site; offset by
 - an underspend of \$363,000 on operating projects that will need to be re-budgeted in 2020-21, made up of the condition assessment of Buildings & Structures and the stormwater study, both of which are underway as at 30 June, as well as the budget that previously related to Council's RDA contribution that will fund Economic Development initiatives; and
 - a reduction in expenditure budget of \$75,000 relating to internal waste charges, with an offsetting reduction in income budget.
- reduced depreciation of \$198,000 due to a reduction in transport depreciation based upon the 2018-19 revaluation;
- interest savings of \$69,000 due to the timing of cash flows associated with projects deferred to 2020-21 and reduced interest rates.

3. Capital Activities – Net Outlays on Existing Assets:

- an increase of \$861,000 on the renewal and replacement of existing assets due to:
 - carry forward projects from 2018-19 of \$1.5 million completed during 2019-20 including \$1.2 million for the completion of the previous transport renewal program;

- a transfer of \$220,000 from new/upgrade to renewal, relating to components of the Bennett and Memorial Oval Upgrade projects;
- \$125,000 relating to the 2020-21 plant renewal program being brought forward to allow for a temporary increase in fleet size to handle Covid-19 operational requirements. The vehicles set for trade-in will be sold by auction next year;
- an increase in site costs for works on the HMAS Whyalla of \$22,000 due to unavoidable delays;
- \$24,000 required to renew equipment to allow the smooth operations of Airport carparking;
- offset by carry forward projects of \$1 million deferred to the 2020-21 financial year including \$339,000 for plant renewals in progress at year end and \$592,000 for the transport renewal program due to retiming of expenditure across the three year program.

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

- an increase of \$4.8 million on the upgrade and expansion of assets due to:
 - carry forward projects from 2018-19 of \$6.4 million completed in 2019-20 including \$3.1 million for the Jetty Upgrade, \$1.4 million for the Bennett and Memorial Oval Upgrade Projects, \$395,000 for the Norton Park Upgrade, \$316,000 for the Black Spot roundabout project, \$200,000 for the Changing Places Toilet, \$432,000 for Stormwater and Footpath Upgrades and \$162,000 for the Safer Civic Park project;
 - additional funding of \$473,000 required to complete the Black Spot roundabout project due to required design changes resulting in contract variations;
 - an increase of \$171,000 for additional plant items required to maintain the upgraded Bennett and Memorial Ovals;
 - \$176,000 for design works undertaken on the Airport Upgrade project;
 - \$110,000 of additional works required on the Airport Temporary Terminal;
 - \$32,000 for the installation of a shade sail at the wetlands playground due to safety concerns;
 - \$15,000 for the installation of a camera platform at Bennett Oval;
 - an increase of \$30,000 for Ada Ryan Gardens Power Upgrade, with extra trenching required to avoid damage to tree roots;
 - an increase of \$250,000 in the overall amount required for the Bennett & Memorial Upgrade projects, relating to tenders received for lighting. This will also include the movement of existing lights to Jubilee Oval to allow for training to occur at this facility;
 - offset by the removal of \$501,000 for capping at the landfill from the capital program, as this is already covered by a provision;
 - the reallocation of \$130,000 for the B-Block demolition from capital to operating;
 - a transfer of \$220,000 from new/upgrade to renewal, relating to components of the Bennett and Memorial Oval Upgrade projects;
 - \$150,000 saving relating to the change in scope of the wetlands entry and carpark, as decided at the March Council Meeting. The additional works will be considered in the future as part of an overall precinct plan;
 - \$150,000 for a stormwater study being moved to operating due to the nature of the expenditure; and
 - carry forward projects of \$1.7 million deferred to the 2020-21 financial year including \$1 million for lighting projects at Bennett Oval, Memorial Oval, the Marina and the Jetty, \$219,000 for Building Upgrade projects already in progress and \$477,000 for Street Signage and Footpath Upgrades.
- an increase in amounts received specifically for new and upgrade assets of \$182,000 due to funding being received for the Black Spot roundabout project; and
- an increase in proceeds from the sale of surplus assets of \$326,000 due to the sale of a block in the industrial estate.

5. Financing Transactions

- There has been an increase of \$3.4 million in financing transactions between Council's original budget and the year end results. This relates to a capital budget increase of \$3.6 million from the net impact of retimed projects, being project budgets moved from 2018-19, less project budgets moved to 2020-21. As Council had cash available at the beginning of the year, this did not result in higher loan borrowings.

6. Movements – Statement of Comprehensive Income

- Asset disposals & fair value adjustments have increased by \$3.5 million due to asset class transfers, with this offset by increases in the revaluation reserve.

7. Movements – Statement of Financial Position

- A decrease of \$5.5 million in cash & cash equivalents is due to Council moving to a borrowing position for 2019-20 and reducing cash to a minimum in line with the Treasury Management Policy.
- An increase of \$3.3 million in the expected value of Infrastructure, Property, Plant and Equipment assets at 30 June 2020 is mainly due to a capital budget increase of \$3.6 million from the net impact of retimed projects.
- The increase in Council's trade receivables above budget of \$1.2 million at 30 June 2020 can be attributed to the large value of capital project works undertaken in June but paid in July.
- Council's total loan borrowings for 2019-20 are \$1.3 million less than budgeted. As explained above, this is because the opening cash balance was used to fund cash flows before borrowings were utilised, in line with the Treasury Management Policy. Additional borrowings will be required in 2020-21 to fund deferred projects.

8. Financial Indicators – Whyalla Airport

- The Airport Operating Ratio has decreased by 48%, from 7% to (41)%. The Net Financial Liabilities Ratio was 45% higher than projected at 45% due to increased borrowings, mainly attributable to reduced cash flows related to Covid-19.
- The Airport had a deficit of \$317,000 compared with an original adopted budget of a \$62,000 surplus. The variance is due to;
 - a decrease in total airport income of \$228,000 due to the impacts of Covid-19;
 - an increased allocation of \$151,000 of indirect costs from Council, including plant usage, labour overhead and for the first time Full Cost Attribution. Full Cost Attribution allocates the cost of Council's support departments to the services they help to deliver, in line with s11(2) of the Local Government (Financial Management) Regulations 2011, with this cost being \$127,000 for the airport for 2019-20.

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2019-20

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2019-20 \$000	Current Budget 2019-20 \$000	Year End Actual 2019-20 \$000	Variance Original Budget vs Actual 2019-20 \$000
OPERATING ACTIVITIES					
Operating Revenues		31,563	29,520	32,589	(1,026)
less Operating Expenses		(31,818)	(32,642)	(32,097)	279
Operating Surplus/ (Deficit)	2	(255)	(3,122)	492	(747)
CAPITAL ACTIVITIES					
Net Outlays on Existing Assets					
Capital Expense on renewal and replacement of Existing Assets		(5,995)	(7,611)	(6,855)	860
add back Depreciation, Amortisation and Impairment		7,083	6,960	6,885	198
add back Proceeds from Sale of Replaced Assets		50	276	76	(26)
Net Outlays on Existing Assets	3	1,138	(375)	106	1,032
Net Outlay on New and Upgraded Assets					
Capital Expenditure on New and Upgraded Assets		(9,442)	(16,202)	(14,228)	4,786
add back Amounts received specifically for New and Upgraded Assets		250	428	432	(182)
add back Proceeds from Sale of Surplus Assets		-	120	326	(326)
Net Outlays on New and Upgraded Assets	4	(9,192)	(15,654)	(13,470)	4,278
Net Lending/ (Borrowing) for Financial Year		(8,309)	(19,151)	(12,872)	4,563
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:					
New Borrowings		8,300	13,800	23,250	(14,950)
Repayment of Principal		-	-	(16,250)	16,250
(Increase)/Decrease in Cash and Investments		49	5,579	5,553	(5,504)
Net Balance Sheet funding (debtors & creditors etc)		(40)	(228)	319	(359)
Financing Transactions	5	8,309	19,151	12,872	(4,563)

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2019-20

STATEMENT OF COMPREHENSIVE INCOME	Note	Original Budget 2019-20 \$000	Current Budget 2019-20 \$000	Year End Actual 2019-20 \$000	Variance Original Budget vs Actual 2019-20 \$000
INCOME					
Rates		21,152	21,175	21,272	(120)
Statutory Charges		368	339	359	9
User Charges		3,944	3,548	3,681	263
Grants, subsidies and contributions		5,000	2,863	5,287	(287)
Investment Income		35	55	55	(20)
Reimbursements		8	313	423	(415)
Other Income		1,056	1,227	1,512	(456)
TOTAL INCOME		31,563	29,520	32,589	(1,026)
EXPENSES					
Employee Costs		11,386	11,235	10,911	475
Materials, contracts & other expenses		13,201	14,357	14,222	(1,021)
Depreciation, amortisation & impairments		7,083	6,960	6,885	198
Finance Costs		148	90	79	69
TOTAL EXPENSES		31,818	32,642	32,097	(279)
OPERATING SURPLUS/(DEFICIT)		(255)	(3,122)	492	(747)
	6				
Amounts specifically for new or upgraded assets		250	428	432	(182)
Asset disposals & fair value adjustments		50	276	(209)	259
NET SURPLUS/(DEFICIT)		45	(2,418)	715	(670)
Other Comprehensive Income		8,294	7,408	5,811	2,483
TOTAL COMPREHENSIVE INCOME		8,339	4,990	6,526	1,813

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2019-20

STATEMENT OF FINANCIAL POSITION

	Note 7	Original Budget 2019-20 \$000	Current Budget 2019-20 \$000	Year End Actual 2019-20 \$000	Variance Original Budget vs Actual 2019-20 \$000
ASSETS					
Current Assets					
Cash & Cash Equivalents		5,778	248	274	5,504
Trade & Other Receivables		3,806	3,805	4,188	(382)
Inventories		100	100	114	(14)
TOTAL CURRENT ASSETS		9,684	4,153	4,576	5,108
Non-current Assets					
Infrastructure, Property, Plant & Equipment		276,543	284,156	279,813	(3,270)
Other Non-Current Assets		4,530	4,064	4,080	450
TOTAL NON-CURRENT ASSETS		281,073	288,220	283,893	(2,820)
Total Assets		290,757	292,373	288,469	2,288
LIABILITIES					
Current Liabilities					
Trade and Other Payables		3,357	3,327	4,539	(1,182)
Short Term Borrowings		8,300	-	7,000	1,300
Short Term Provisions		2,679	2,307	2,456	223
TOTAL CURRENT LIABILITIES		14,336	5,634	13,995	341
Non-Current Liabilities					
Long Term Borrowings		-	13,800	-	-
Long Term Provisions		1,347	1,214	1,213	134
TOTAL NON-CURRENT LIABILITIES		1,347	15,014	1,213	134
Total Liabilities		15,683	20,648	15,208	475
NET ASSETS		275,074	271,725	273,261	1,813
EQUITY					
Accumulated Surplus		41,205	38,742	41,655	(450)
Asset Revaluation Reserve		232,137	231,251	229,654	2,483
Reserves		1,732	1,732	1,952	(220)
TOTAL EQUITY		275,074	271,725	273,261	1,813

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2019-20

STATEMENT OF CHANGES IN EQUITY

	Original Budget 2019-20 \$000	Current Budget 2019-20 \$000	Year End Actual 2019-20 \$000	Variance Original Budget vs Actual 2019-20 \$000
Accumulated Surplus				
Balance at Beginning of Period	41,010	41,010	41,010	-
Change in financial position resulting from operations	45	(2,418)	715	(670)
Transfers from Other Reserves	550	550	-	550
Transfers to Other Reserves	(400)	(400)	(70)	(330)
Balance at End of Period	41,205	38,742	41,655	(450)
Asset Revaluation Reserve				
Balance at Beginning of Period	223,843	223,843	223,843	-
Revaluation Increment	8,294	7,408	5,811	2,483
Balance at End of Period	232,137	231,251	229,654	2,483
Other Reserves				
Balance at Beginning of Period	1,882	1,882	1,882	-
Transfers to Accumulated Surplus	(550)	(550)	-	(550)
Transfers from Accumulated Surplus	400	400	70	330
Balance at End of Period	1,732	1,732	1,952	(220)
TOTAL EQUITY AT END OF REPORTING PERIOD	275,074	271,725	273,261	1,813

WHYALLA CITY COUNCIL
FINANCIAL RESULTS 2019-20

STATEMENT OF CASH FLOWS

	Original Budget 2019-20 \$000	Current Budget 2019-20 \$000	Year End Actual 2019-20 \$000	Variance Original Budget vs Actual 2019-20 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts				
Operating Receipts	31,496	29,466	38,456	(6,960)
Investment Income	35	55	55	(20)
Payments				
Operating Payments	(24,595)	(25,821)	(30,775)	6,180
Finance Costs	(148)	(90)	(40)	(108)
Net Cash provided by (or used in) Operating Activities	6,788	3,610	7,696	(908)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Receipts				
Amounts specifically for new or upgraded assets	250	428	432	(182)
Sale of replaced assets	50	276	76	(26)
Sale of surplus assets	-	120	326	(326)
Payments				
Purchase of Renewal/Replacement Assets	(5,995)	(7,611)	(6,855)	860
Purchase of New/Expansion Assets	(9,442)	(16,202)	(14,228)	4,786
Net Cash provided by (or used in) Investing Activities	(15,137)	(22,989)	(20,249)	5,112
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from Borrowings - Council	8,300	13,800	23,250	(14,950)
Payments				
Repayment of Borrowings	-	-	(16,250)	16,250
Net Cash provided by (or used in) Financing Activities	8,300	13,800	7,000	1,300
Net Increase (Decrease) in Cash Held	(49)	(5,579)	(5,553)	5,504
Cash & cash equivalents at beginning of period	5,827	5,827	5,827	-
Cash & cash equivalents at end of period	5,778	248	274	5,504

5.1 Corporate

5.1.8 Budget Review 2020/21 Quarter 1, incorporating Financial Results 2019/20

Audit Committee: 30 September 2020

Author's Title: Business Performance Manager

File No.: 0-159

Director Corporate: Robyn Dunstall

Annexures:

A – Budget Review 2020/21 Quarter 1

B – Long Term Financial Plan – Updated Tables

Officer Direct or Indirect Conflict of Interest:

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

Status:

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

☐ Yes

☒ No

☐ Yes

☒ No

Reason – Not applicable

PURPOSE

To incorporate Councils' financial results for the year ending 30 June 2020 and provide an updated projection of Councils' operating and capital budgets for the 2020-21 financial year, identifying any variations sought to Councils' original budget and the cumulative financial implications.

SUMMARY

The Quarter 1 Budget Review predominantly reflects the incorporation of the Financial Results 2019/20 and the impact this has on the 2020-21 Budget and Long Term Financial Plan, however, any other known material variances are also included.

RECOMMENDATION

That the Audit Committee:

1. recommend the Budget Review incorporating the Financial Results 2019/20, identifying an adjusted operating deficit of \$2,916,000 and an estimated cash position at end of reporting period of \$189,000, be submitted to Council for adoption; and
2. recommend that the 2020/21 Annual Business Plan and Budget and Long Term Financial Plan be amended to reflect the variances.

5.1.8 Budget Review 2020/21 Quarter 1, incorporating Financial Results 2019/20

REPORT

BACKGROUND

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

DISCUSSION

This report considers the impact that the financial results from the year ending 30 June 2020 will have on Councils' 2020/21 Budget and ongoing financial sustainability.

The Budget Update comprises the following statements:

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

Refer **Annexure "A"** – Budget Review 2020-21 Quarter 1

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

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

The main ongoing impact on Council's Long Term Financial Plan is an increase in depreciation related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes. This is estimated to increase by approximately \$310,000 per annum over previous projections, with most of this relating to buildings.

This has been caused by detailed componentisation of this asset class being undertaken for the first time. The internal components, such as fit-out and services have a shorter life when individually identified, and so the overall weighted useful life of the asset class is lowered. Extensive review of the final figures was undertaken with the contractor undertaking the work and it is felt that the updated projections better reflect the economic reality.

It is felt that this is a good opportunity to undertake a review of this asset class, to see if any service level adjustments or asset rationalisation are required, based on the large increase in costs. It is planned to workshop this with Council in the near future, with any subsequent suggestions to be presented to the Audit Committee before being decided on by Council.

Financial Implications

Budget 2020/21 Impact

If approved by Council, these amendments will:

- increase Council's adjusted operating deficit by \$576,000 to a projected \$2.92 million;
- increase Council's Adjusted Operating Deficit Ratio from (8%) to (10%);
- decrease Council's Net Financial Liabilities Ratio from 94% to 85%; and
- increase Council's Asset Renewal Funding Ratio from 79% to 101%.

Council is outside target range for the Adjusted Operating Ratio. This was already the case for the original budget, as this allowed for targeted rates relief to be delivered as well as an organisational realignment to be undertaken. The increase in deficit is due to the re-budgeting of unspent budget relating to operating projects from 2019-20 as well as the increase in depreciation discussed above.

The Net Financial Liabilities Ratio is above target range. This was already the case for the original budget and is due to capital expenditure for the Airport Security and Terminal Upgrade being brought forward from a future year.

The Asset Renewal Funding Ratio is within target range.

Long Term Financial Plan (LTFP) Impact

Council's operating results in future years are negatively impacted by approximately \$310,000 per annum. This is due to an increase in depreciation related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes. The Net Financial Liabilities Ratio is estimated to peak at 86% in 2021-22, previously projected to peak at 94% in the same year. Borrowings are now estimated to peak at \$30.0 million in 2021/22, previously projected to peak at \$30.3 million in the same year. The loan balance is estimated to return to \$16.9 million by the year 2029/30; \$600,000 lower than the previous projection.

Airport

There has been very little change on the Airport budget or Long Term Financial Plan resulting from year end results.

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

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

Legislation

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

Officer Direct or Indirect Interest – Nil

Risk Assessment

Due to the cumulative impacts of the financial implications presented within this report, the financial risk is considered to be high, however, work will be undertaken with Council to moderate these impacts, by reviewing the services delivered by Council's building asset class. Other potential adjustments to overall service delivery or funding models will need to be explored if this process is not able to offset the majority of the impacts.

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.

Social Considerations – Not applicable

Community Engagement – Nil

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

This report considers the impact that the financial results from the year ending 30 June 2020 will have on Councils' 2020/21 Budget and ongoing financial sustainability.

The main ongoing impact on Council's Long Term Financial Plan is an increase in depreciation related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes. This is estimated to increase by approximately \$310,000 per annum over previous projections, with most of this relating to Buildings.

BUDGET REVIEW 2020-21 Quarter 1

KEY FINANCIAL INDICATORS	Target	Note	Original Budget 2020-21	Approved Amendments 2020-21	Current Budget 2020-21	Proposed Amendments 2020-21	Projected Total 2020-21	Note	Estimated Budget 2021-22	Estimated Budget 2022-23	Estimated Budget 2023-24
Council (including Airport)		1						2			
Operating Surplus/(Deficit) - \$'000			(2,530)	-	(2,530)	(576)	(3,106)		(1,329)	(858)	(463)
Adjusted Operating Surplus/(Deficit)* - \$'000			(2,340) ●	-	(2,340) ●	(576)	(2,916) ●		(1,329) ●	(858) ●	(463) ●
Adjusted Operating Surplus/(Deficit) Ratio	(2)% - 1%		(8%) ●	-	(8%) ●	(2%)	(10%) ●		(4%) ●	(2%) ●	(1%) ●
Net Financial Liabilities Ratio	< 80%		94% ●	-	94% ●	(9%)	85% ●		86% ●	77% ●	73% ●
Asset Renewal Funding Ratio	90 - 110%		79% ●	-	79% ●	22%	101% ●		106% ●	63% ●	102% ●
Whyalla Airport											
Operating Surplus/(Deficit) - \$'000		9	(418) ●	-	(418) ●	4	(414) ●		(186) ●	(47) ●	58 ●
Operating Surplus/(Deficit) Ratio - %	1% - 6%		(42%) ●	-	(42%) ●	-	(42%) ●		(6%) ●	(1%) ●	2% ●
Net Financial Liabilities Ratio - %	< 250%		852% ●	-	852% ●	(14%)	838% ●		244% ●	207% ●	172% ●

KEY

In target range ● Above target ● Below target ●

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

Note Explanations – 2020-21 Quarter 1:

1. The adjusted operating deficit is expected to increase by \$576,000 to \$2.92 million. This is due to amounts unexpended in 2019-20 being re-budgeted, as well as an increase in depreciation expense. The Adjusted Operating Deficit Ratio increases from (8%) to (10%). The Net Financial Liabilities Ratio decreases by 9% from 94% to 85%. This is due to a slight reduction in loan borrowings, as well as change in assumption around the likely timing of Financial Assistance Grants. The Asset Renewal Funding Ratio increases by 22% from 79% to 101%, due to carry forward renewal projects.
2. Council's operating results in future years are negatively impacted by approximately \$310,000 per annum. This is due to an increase in depreciation related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes. The Net Financial Liabilities Ratio is estimated to peak at 86% in 2021-22, previously projected to peak at 94% in the same year. Borrowings are now estimated to peak at \$30.0 million in 2021-22, previously projected to peak at \$30.3 million in the same year. The loan balance is estimated to return to \$16.9 million by the year 2029-30, \$600,000 lower than the previous projection.
3. Operating income is expected to decrease by \$109,000, this can be attributed to:
 - the estimated \$92,000 Workers Compensation Rebate being transferred to Employee Costs due to a change in the Model Financial Statements; and
 - a reduction in income from advertising in the updated Whyalla Visitor Guide of \$17,000, in line with Council Resolution C3759-2020.
4. Operating expenditure is expected to increase by \$467,000, this can be attributed to:
 - A decrease in labour costs of \$152,000 due to:
 - the estimated \$92,000 Workers Compensation Rebate being transferred to Employee Costs due to a change in the Model Financial Statements; and
 - a \$60,000 reduction in labour costs due to vacant positions, used to offset increase in training budget.
 - An increase in contract, material and other costs of \$436,000 due to:
 - The re-budgeting of \$363,000 on operating projects that were not completed in 2019-20, made up of the condition assessment of Buildings & Structures and the stormwater study, both of which are underway as at 30 June, as well as the budget that previously related to Council's RDA contribution that will fund Economic Development initiatives. These amounts were not spend last year, causing Council's operating result to be better than projected;
 - an increase in training budget of \$60,000. This had been temporarily dropped for 2020-21 during the budget process, but needs to be retuned to the previous level to meet the requirements of the Enterprise Bargaining Agreement. This has been offset against labour savings; and
 - a cost of \$13,000 to support water costs for Community Groups impacted by Covid-19, as per Council Resolution C3753-2020.
 - An increase in depreciation, amortisation & impairments of \$270,000 due to;
 - an increase in depreciation of \$310,000 related to the recent valuation undertaken on the Building, Land Improvement and Playground asset classes. Work will be undertaken with Council in the near future to review the Building asset class, to see if service levels can be adjusted to reduce this figure;
 - offset by a one-off reduction in depreciation of \$40,000 related to projects not completed as at 20 June 2020.
 - A reduction in interest expenses of \$87,000 in line with updated cashflow projections.
5. An increase of \$1.7 million in the outlay on existing assets due to:
 - carry forward projects from 2019-20 of \$1.2 million including \$339,000 for plant renewals in progress at year end, \$592,000 for the transport renewal program due to retiming of expenditure across the three year program, \$87,000 for renewal of electrical infrastructure to power the new jetty lighting, \$42,000 for the replacement of IT Equipment at end of life, \$43,000 for works being undertaken on buildings in the Tanderra Craft Village and \$42,000 for the Memorial Oval Scoreboard;

- \$377,000 for the renewal of Essington Lewis avenue brought forward from 2021-22, as this is now being funded under the Local Roads and Community Infrastructure program as per Council Resolution C3760-2020; and
 - \$150,000 of light plant renewal brought forward from future years, due to a number of vehicles having performance issues making them no longer fit for use and a changeover required to meet a contract requirement. Due to the early trade in a higher sale value was achieved, with the lower changeover cost helping to offset the interest expense of performing this early. Additional sale income of \$60,000 was received.
6. An increase of \$1.6 million in the outlay on new and upgraded assets due to:
- carry forward projects from 2019-20 of \$1.5 million including \$888,000 for lighting projects at Bennett Oval, Memorial Oval and the Marina, \$176,000 for Building Upgrade projects already in progress and \$477,000 for Street Signage and Footpath Upgrades; and
 - \$90,000 of expenditure included for the Searle Street Carpark Lighting Upgrade as this is now being funded under the Local Roads and Community Infrastructure program as per Council Resolution C3760-2020.
7. An increase of \$468,000 in amounts received specifically for new and upgraded assets, relating to funds from the Local Roads and Community Infrastructure program.
8. It is expected additional borrowings of \$6.7 million will be required in 2020-21 to meet cash flow requirements, compared to previous projections. This is a timing difference related to project outlays and receipt of income, with borrowing for 2019-20 coming in \$6.8 million lower than projected. Total borrowings at 30 June 2021 are projected to be \$26.2 million, \$100,000 lower than projected by the adopted budget.
9. Whyalla Airport
- The operating deficit is expected to decrease by \$4,000 to \$414,000. The Operating Deficit Ratio is expected to remain at (42%). The Net Financial Liabilities Ratio decreases from 852% to 838%, due to slightly lower than expected borrowings at 30 June 2020.
 - The Airport's operating results in future years are unchanged.
 - The change to the operating result of \$154,000 is due to:
 - a small reduction in interest cost based on updated borrowing projections.

WHYALLA CITY COUNCIL

BUDGET REVIEW 2020-21 Quarter 1

UNIFORM PRESENTATION OF FINANCES	Note	Original Budget 2020-21 \$000	Approved Amendments 2020-21 \$000	Current Budget 2020-21 \$000	Proposed Amendments 2020-21 \$000	Projected Total 2020-21 \$000	Note	Estimated Budget* 2021-222 \$000	Estimated Budget* 2022-23 \$000	Estimated Budget* 2023-24 \$000
OPERATING ACTIVITIES										
Operating Revenues	3	30,481	-	30,481	(109)	30,372		34,371	35,539	36,745
less Operating Expenses	4	(33,011)	-	(33,011)	(467)	(33,478)		(35,700)	(36,397)	(37,208)
Operating Surplus/ (Deficit)		(2,530)	-	(2,530)	(576)	(3,106)		(1,329)	(858)	(463)
CAPITAL ACTIVITIES										
Net Outlays on Existing Assets										
Capital Expense on renewal and replacement of Existing Assets	5	(6,004)	-	(6,004)	(1,695)	(7,699)		(8,270)	(3,666)	(5,706)
add back Depreciation, Amortisation and Impairment		6,766	-	6,766	270	7,036		7,776	8,066	8,221
add back Proceeds from Sale of Replaced Assets		202	-	202	60	262		196	158	144
Net Outlays on Existing Assets		964	-	964	(1,365)	(401)		(298)	4,558	2,659
Net Outlay on New and Upgraded Assets										
Capital Expenditure on New and Upgraded Assets	6	(15,773)	-	(15,773)	(1,628)	(17,401)		(2,370)	(1,812)	(1,851)
add back Amounts received specifically for New and Upgraded Assets	7	5,183	-	5,183	468	5,651		204	204	205
Net Outlays on New and Upgraded Assets		(10,590)	-	(10,590)	(1,160)	(11,750)		(2,166)	(1,608)	(1,646)
Net Lending/ (Borrowing) for Financial Year		(12,156)	-	(12,156)	(3,101)	(15,257)		(3,793)	2,092	550
Financing transactions associated with the above net overall deficit, or applying the overall net funding surplus are as follows:										
New Borrowings		12,500	-	12,500	6,700	19,200		4,300	-	300
Repayment of Principal		-	-	-	-	-		(500)	(2,300)	(900)
(Increase)/Decrease in Cash and Investments		51	-	51	34	85		(82)	133	(25)
Net Balance Sheet funding (debtors & creditors etc)		(395)	-	(395)	(3,633)	(4,028)		75	75	75
Financing Transactions	8	12,156	-	12,156	3,101	15,257		3,793	(2,092)	(550)

WHYALLA CITY COUNCIL

BUDGET REVIEW 2020-21 Quarter 1

STATEMENT OF COMPREHENSIVE INCOME

	Original Budget	Approved	Current Budget	Proposed	Projected Total	Estimated	Estimated	Estimated
	2020-21	Amendments	2020-21	Amendments	2020-21	Budget*	Budget*	Budget*
	\$000	\$000	\$000	\$000	\$000	2021-222	2022-23	2023-24
						\$000	\$000	\$000
INCOME								
Rates	20,929	-	20,929	-	20,929	22,365	23,179	24,048
Statutory Charges	367	-	367	-	367	373	379	386
User Charges	2,881	-	2,881	(92)	2,789	5,338	5,601	5,841
Grants, subsidies and contributions	5,214	-	5,214	-	5,214	5,262	5,311	5,363
Investment Income	34	-	34	-	34	34	34	34
Reimbursements	13	-	13	-	13	13	13	13
Other Income	1,043	-	1,043	(17)	1,026	986	1,022	1,060
TOTAL INCOME	30,481	-	30,481	(109)	30,372	34,371	35,539	36,745
EXPENSES								
Employee Costs	12,895	-	12,895	(152)	12,743	12,671	12,537	12,825
Materials, contracts & other expenses	12,848	-	12,848	436	13,284	14,410	14,784	15,066
Depreciation, amortisation & impairments	6,766	-	6,766	270	7,036	7,776	8,066	8,221
Finance Costs	502	-	502	(87)	415	843	1,010	1,096
TOTAL EXPENSES	33,011	-	33,011	467	33,478	35,700	36,397	37,208
OPERATING SURPLUS/(DEFICIT)	(2,530)	-	(2,530)	(576)	(3,106)	(1,329)	(858)	(463)
Amounts specifically for new or upgraded assets	5,183	-	5,183	468	5,651	204	204	205
Net gain (loss)	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	2,653	-	2,653	(108)	2,545	(1,125)	(654)	(258)
Other Comprehensive Income	-	-	-	12,769	12,769	6,616	6,813	7,220
TOTAL COMPREHENSIVE INCOME	2,653	-	2,653	12,661	15,314	5,491	6,159	6,962

WHYALLA CITY COUNCIL

BUDGET REVIEW 2020-21 Quarter 1

STATEMENT OF FINANCIAL POSITION

	Original Budget	Approved Amendments	Current Budget	Proposed Amendments	Projected Total	Estimated Budget*	Estimated Budget*	Estimated Budget*
	2020-21	2020-21	2020-21	2020-21	2020-21	2021-222	2022-23	2023-24
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
ASSETS								
Current Assets								
Cash & Cash Equivalents	223	-	223	(34)	189	271	138	163
Trade & Other Receivables	4,188	-	4,188	2,200	6,388	6,388	6,388	6,388
Inventories	114	-	114	-	114	114	114	114
TOTAL CURRENT ASSETS	4,525	-	4,525	2,166	6,691	6,773	6,640	6,665
Non-current Assets								
Infrastructure, Property, Plant & Equipment	294,622	-	294,622	15,762	310,384	319,668	323,735	330,147
Other Non-Current Assets	3,935	-	3,935	45	3,980	3,880	3,780	3,680
TOTAL NON-CURRENT ASSETS	298,557	-	298,557	15,807	314,364	323,548	327,515	333,827
Total Assets	303,082	-	303,082	17,973	321,055	330,321	334,155	340,492
LIABILITIES								
Current Liabilities								
Trade and Other Payables	4,539	-	4,539	(1,200)	3,339	3,339	3,339	3,339
Short Term Borrowings	500	-	500	-	500	2,300	900	2,500
Short Term Provisions	2,276	-	2,276	-	2,276	2,276	2,276	2,276
TOTAL CURRENT LIABILITIES	7,315	-	7,315	(1,200)	6,115	7,915	6,515	8,115
Non-Current Liabilities								
Long Term Borrowings	19,000	-	19,000	6,700	25,700	27,700	26,800	24,600
Long Term Provisions	853	-	853	(188)	665	640	615	590
TOTAL NON-CURRENT LIABILITIES	19,853	-	19,853	6,512	26,365	28,340	27,415	25,190
Total Liabilities	27,168	-	27,168	5,312	32,480	36,255	33,930	33,305
NET ASSETS	275,914	-	275,914	12,661	288,575	294,066	300,225	307,187
EQUITY								
Accumulated Surplus	44,458	-	44,458	(258)	44,200	43,075	42,421	42,163
Asset Revaluation Reserve	229,654	-	229,654	12,769	242,423	249,039	255,852	263,072
Reserves	1,802	-	1,802	150	1,952	1,952	1,952	1,952
TOTAL EQUITY	275,914	-	275,914	12,661	288,575	294,066	300,225	307,187

WHYALLA CITY COUNCIL

BUDGET REVIEW 2020-21 Quarter 1

STATEMENT OF CHANGES IN EQUITY

	Original Budget	Approved	Current Budget	Proposed	Projected Total
	2020-21	Amendments	2020-21	Amendments	2020-21
	\$000	2020-21	2020-21	2020-21	2020-21
		\$000	\$000	\$000	\$000
Accumulated Surplus					
Balance at Beginning of Period	41,655	-	41,655	-	41,655
Change in financial position resulting from operations	2,653	-	2,653	(108)	2,545
Transfers from Other Reserves	550	-	550	(550)	-
Transfers to Other Reserves	(400)	-	(400)	400	-
Balance at End of Period	44,458	-	44,458	(258)	44,200
Asset Revaluation Reserve					
Balance at Beginning of Period	229,654	-	229,654	-	229,654
Revaluation Increment	-	-	-	12,769	12,769
Balance at End of Period	229,654	-	229,654	12,769	242,423
Other Reserves					
Balance at Beginning of Period	1,952	-	1,952	-	1,952
Transfers to Accumulated Surplus	(550)	-	(550)	550	-
Transfers from Accumulated Surplus	400	-	400	(400)	-
Balance at End of Period	1,802	-	1,802	150	1,952
TOTAL EQUITY AT END OF REPORTING PERIOD	275,914	-	275,914	12,661	288,575

Estimated	Estimated	Estimated
Budget*	Budget*	Budget*
2021-222	2022-23	2023-24
\$000	\$000	\$000
44,200	43,075	42,421
(1,125)	(654)	(258)
-	-	-
-	-	-
43,075	42,421	42,163
242,423	249,039	255,852
6,616	6,813	7,220
249,039	255,852	263,072
1,952	1,952	1,952
-	-	-
-	-	-
1,952	1,952	1,952
294,066	300,225	307,187

WHYALLA CITY COUNCIL

BUDGET REVIEW 2020-21 Quarter 1

STATEMENT OF CASH FLOWS

	Original Budget	Approved Amendments	Current Budget	Proposed Amendments	Projected Total	Estimated Budget*	Estimated Budget*	Estimated Budget*
	2020-21	2020-21	2020-21	2020-21	2020-21	2021-222	2022-23	2023-24
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts								
Operating Receipts	30,447	-	30,447	(3,509)	26,938	34,337	35,505	36,711
Investment Income	34	-	34	-	34	34	34	34
Payments								
Operating Payments	(26,138)	-	(26,138)	(517)	(26,655)	(27,006)	(27,246)	(27,816)
Finance Costs	(502)	-	(502)	87	(415)	(843)	(1,010)	(1,096)
Net Cash provided by (or used in) Operating Activities	3,841	-	3,841	(3,939)	(98)	6,522	7,283	7,833
CASH FLOWS FROM INVESTMENT ACTIVITIES								
Receipts								
Amounts specifically for new or upgraded assets	5,183	-	5,183	468	5,651	204	204	205
Sale of replaced assets	202	-	202	60	262	196	158	144
Sale of surplus assets	-	-	-	-	-	-	-	-
Payments								
Purchase of Renewal/Replacement Assets	(6,004)	-	(6,004)	(1,695)	(7,699)	(8,270)	(3,666)	(5,706)
Purchase of New/Expansion Assets	(15,773)	-	(15,773)	(1,628)	(17,401)	(2,370)	(1,812)	(1,851)
Net Cash provided by (or used in) Investing Activities	(16,392)	-	(16,392)	(2,795)	(19,187)	(10,240)	(5,116)	(7,208)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Proceeds from Borrowings - Council	12,500	-	12,500	6,700	19,200	4,300	-	300
Payments								
Repayment of Borrowings	-	-	-	-	-	(500)	(2,300)	(900)
Net Cash provided by (or used in) Financing Activities	12,500	-	12,500	6,700	19,200	3,800	(2,300)	(600)
Net Increase (Decrease) in Cash Held	(51)	-	(51)	(34)	(85)	82	(133)	25
Cash & cash equivalents at beginning of period	274	-	274	-	274	189	271	138
Cash & cash equivalents at end of period	223	-	223	(34)	189	271	138	163

Annexure "B"

ESTIMATED KEY PERFORMANCE INDICATORS

	2020 Actual \$'000	2021 Estimate \$'000	2022 Year 1 \$'000	2023 Year 2 \$'000	2024 Year 3 \$'000	2025 Year 4 \$'000	2026 Year 5 \$'000	2027 Year 6 \$'000	2028 Year 7 \$'000	2029 Year 8 \$'000	2030 Year 9 \$'000	2031 Year 10 \$'000
Adjusted Operating Surplus / (Deficit)	408	(2,916)	(1,329)	(858)	(463)	(299)	(173)	(64)	271	577	883	1,134
Adjusted Operating Surplus / (Deficit) Ratio	1%	(10)%	(4)%	(2)%	(1)%	(1)%	0%	0%	1%	1%	2%	2%
Net Financial Liabilities Ratio	33%	85%	86%	77%	73%	64%	58%	52%	46%	40%	35%	35%
Asset Renewal Funding Ratio	188%	101%	106%	63%	102%	100%	102%	100%	99%	99%	91%	100%

ESTIMATED KEY PERFORMANCE INDICATORS - AIRPORT

	2020 Actual \$'000	2021 Estimate \$'000	2022 Year 1 \$'000	2023 Year 2 \$'000	2024 Year 3 \$'000	2025 Year 4 \$'000	2026 Year 5 \$'000	2027 Year 6 \$'000	2028 Year 7 \$'000	2029 Year 8 \$'000	2030 Year 9 \$'000	2031 Year 10 \$'000
Operating Surplus / (Deficit)	(317)	(414)	(186)	(47)	58	97	67	131	213	313	417	492
Operating Surplus / (Deficit) Ratio	(41)%	(42)%	(6)%	(1)%	2%	3%	2%	3%	5%	8%	10%	11%
Net Financial Liabilities Ratio	45%	838%	244%	207%	172%	142%	113%	83%	53%	21%	(12)%	(3)%

ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

Year Ending 30 June:	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INCOME												
Rates	21,272	20,929	22,365	23,179	24,048	24,937	25,885	26,877	27,934	29,064	30,240	31,466
Statutory Charges	359	367	373	379	386	394	402	411	421	432	443	455
User Charges	3,681	2,864	5,338	5,601	5,841	6,015	6,201	6,402	6,616	6,849	7,089	7,337
Grants, subsidies, contributions	5,287	5,214	5,262	5,311	5,363	5,418	5,476	5,538	5,603	5,673	5,744	5,816
Investment Income	55	34	34	34	34	34	34	34	34	34	34	34
Reimbursements	423	13	13	13	13	13	13	13	13	13	13	13
Other Income	1,512	951	986	1,022	1,060	1,099	1,141	1,185	1,231	1,281	1,333	1,387
TOTAL INCOME	32,589	20,372	34,371	35,539	36,745	37,910	39,152	40,460	41,852	43,346	44,896	46,508
EXPENSES												
Employee costs	10,911	12,743	12,671	12,537	12,825	13,133	13,462	13,812	14,185	14,582	14,990	15,409
Materials, contracts & other expenses	14,222	13,284	14,410	14,784	15,066	15,460	15,978	16,530	16,928	17,444	17,973	18,608
Depreciation	6,885	7,036	7,776	8,066	8,221	8,452	8,714	8,992	9,288	9,602	9,927	10,262
Finance Costs	79	415	843	1,010	1,096	1,164	1,171	1,190	1,180	1,141	1,123	1,095
TOTAL INCOME	32,097	33,478	35,700	36,397	37,208	38,209	39,325	40,524	41,581	42,769	44,013	45,374
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	492	(3,106)	(1,329)	(858)	(463)	(299)	(173)	(64)	271	577	883	1,134
Net gain/(loss) on disposal or revaluations	(209)	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new assets	432	5,651	204	204	205	205	205	205	205	206	206	206
NET SURPLUS/(DEFICIT)	715	2,545	(1,125)	(654)	(258)	(94)	32	141	476	783	1,089	1,340
OTHER COMPREHENSIVE INCOME												
Changes in revaluation surplus - IPP&E	5,811	12,769	6,616	6,813	7,220	7,689	8,138	8,640	9,171	9,732	9,960	10,221
TOTAL COMPREHENSIVE INCOME	6,526	15,314	5,491	6,159	6,962	7,595	8,170	8,781	9,647	10,515	11,049	11,561
ADJUSTED OPERATING SUPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	408	(2,916)	(1,329)	(858)	(463)	(299)	(173)	(64)	271	577	883	1,134

ESTIMATED STATEMENT OF FINANCIAL POSITION

Year Ending 30 June:

	2020 Actual	2021 Estimate	2022 Year 1	2023 Year 2	2024 Year 3	2025 Year 4	2026 Year 5	2027 Year 6	2028 Year 7	2029 Year 8	2030 Year 9	2031 Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
CURRENT ASSETS												
Cash & Equivalent Assets	274	189	271	138	163	206	248	247	130	264	626	268
Trade & Other Receivables	4,188	6,388	6,388	6,388	6,388	6,388	6,388	6,388	6,388	6,388	6,388	6,388
Inventories	114	114	114	114	114	114	114	114	114	114	114	114
Total Current Assets	4,576	6,691	6,773	6,640	6,665	6,708	6,750	6,749	6,632	6,766	7,128	6,770
NON-CURRENT ASSETS												
Investment Property	2,705	2,705	2,705	2,705	2,705	2,705	2,705	2,705	2,705	2,705	2,705	2,705
Infrastructure, Property, Plant & Equipment	279,813	310,384	319,668	323,735	330,147	335,274	342,077	349,434	357,273	365,729	375,641	387,635
Other Non-Current Assets	1,375	1,275	1,175	1,075	975	875	775	675	575	475	375	275
Total Non-Current Assets	283,893	314,364	323,548	327,515	333,827	338,854	345,557	352,814	360,553	368,909	378,721	390,615
TOTAL ASSETS	288,469	321,055	330,321	334,155	340,492	345,562	352,307	359,563	367,185	375,675	385,849	397,385
LIABILITIES												
CURRENT LIABILITIES												
Trade & Other Payables	4,539	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339	3,339
Borrowings	7,000	500	2,300	900	2,500	1,400	1,500	2,000	2,000	950	-	-
Provisions	2,456	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276	2,276
Total Current Liabilities	13,995	6,115	7,915	6,515	8,115	7,015	7,115	7,615	7,615	6,565	5,615	5,615
NON-CURRENT LIABILITIES												
Borrowings	-	25,700	27,700	26,800	24,600	23,200	21,700	19,700	17,700	16,750	16,850	16,850
Provisions	1,213	665	640	615	590	565	540	515	490	465	440	415
Total Non-Current Liabilities	1,213	26,365	28,340	27,415	25,190	23,765	22,240	20,215	18,190	17,215	17,290	17,265
TOTAL LIABILITIES	15,208	32,480	36,255	33,930	33,305	30,780	29,355	27,830	25,805	23,780	22,905	22,880
NET ASSETS	273,261	288,575	294,066	300,225	307,187	314,782	322,952	331,733	341,380	351,895	362,944	374,505
EQUITY												
Accumulated Surplus	41,655	44,200	43,075	42,421	42,163	42,069	42,101	42,242	42,718	43,501	44,590	45,930
Asset Revaluation Reserve	229,654	242,423	249,039	255,852	263,072	270,761	278,899	287,539	296,710	306,442	316,402	326,623
Other Reserves	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952
TOTAL EQUITY	273,261	288,575	294,066	300,225	307,187	314,782	322,952	331,733	341,380	351,895	362,944	374,505

ESTIMATED STATEMENT OF CASH FLOWS

Year Ending 30 June:

2020 Actual	2021 Estimate	2022 Year 1	2023 Year 2	2024 Year 3	2025 Year 4	2026 Year 5	2027 Year 6	2028 Year 7	2029 Year 8	2030 Year 9	2031 Year 10
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

CASH FLOWS FROM OPERATING ACTIVITIES											
RECEIPTS											
Operating Receipts	38,456	26,938	34,337	35,505	36,711	37,876	39,118	40,426	41,818	43,312	44,862
Investment Income	55	34	34	34	34	34	34	34	34	34	34
PAYMENTS											
Operating Payments	(30,775)	(26,655)	(27,006)	(27,246)	(27,816)	(28,518)	(29,365)	(30,267)	(31,038)	(31,951)	(32,888)
Finance Costs	(40)	(415)	(843)	(1,010)	(1,096)	(1,164)	(1,171)	(1,190)	(1,180)	(1,141)	(1,123)
Net Cash provided by (or used in) Operating Activities	7,696	(98)	6,522	7,283	7,833	8,228	8,616	9,003	9,634	10,254	10,885
CASH FLOWS FROM INVESTING ACTIVITIES											
RECEIPTS											
Amounts Specifically for New/Upgraded Assets	432	5,651	204	204	205	205	205	205	205	206	206
Sale of Renewed/Replaced Assets	76	262	196	158	144	113	200	214	170	278	277
Sale of Surplus Assets	326	-	-	-	-	-	-	-	-	-	-
PAYMENTS											
Expenditure on Renewal/Replacement of Assets	(6,854)	(7,699)	(8,270)	(3,666)	(5,706)	(3,771)	(5,293)	(5,577)	(5,715)	(6,126)	(7,610)
Expenditure on New/Upgraded Assets	(14,229)	(17,401)	(2,370)	(1,812)	(1,851)	(2,232)	(2,286)	(2,346)	(2,411)	(2,478)	(2,546)
Net Cash Provided by (or used in) Investing Activities	(20,249)	(19,187)	(10,240)	(5,116)	(7,208)	(5,685)	(7,174)	(7,504)	(7,751)	(8,120)	(9,673)
CASH FLOWS FROM FINANCING ACTIVITIES											
RECEIPTS											
Proceeds from Borrowings	23,250	19,200	4,300	-	300	-	-	-	-	-	100
PAYMENTS											
Repayments of Borrowings	(16,250)	-	(500)	(2,300)	(900)	(2,500)	(1,400)	(1,500)	(2,000)	(2,000)	(950)
Net Cash provided by (or used in) Financing Activities	7,000	19,200	3,800	(2,300)	(600)	(2,500)	(1,400)	(1,500)	(2,000)	(2,000)	(850)
Net Increase/(Decrease) in cash held	(5,553)	(85)	82	(133)	25	43	42	(1)	(117)	134	362
Opening cash, cash equivalents or (bank overdraft)	5,827	274	189	271	138	163	206	248	247	130	264
Closing cash, cash equivalents or (bank overdraft)	274	189	271	138	163	206	248	247	130	264	268

ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ending 30 June:

2020 Actual	2021 Estimate	2022 Year 1	2023 Year 2	2024 Year 3	2025 Year 4	2026 Year 5	2027 Year 6	2028 Year 7	2029 Year 8	2030 Year 9	2031 Year 10
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

ACCUMULATED SURPLUS												
Balance at end of previous reporting period	41,010	41,655	44,200	43,075	42,421	42,163	42,069	42,101	42,242	42,718	43,501	44,590
Net Result for Year	715	2,545	(1,125)	(654)	(258)	(94)	32	141	476	783	1,089	1,340
Transfers to Other Reserves	(70)	-	-	-	-	-	-	-	-	-	-	-
Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period	41,655	44,200	43,075	42,421	42,163	42,069	42,101	42,242	42,718	43,501	44,590	45,930
ASSET REVALUATION RESERVE												
Property Plant & Equipment	229,654	242,423	249,039	255,852	263,072	270,761	278,899	287,539	296,710	306,442	316,402	326,623
Balance at end of period	229,654	242,423	249,039	255,852	263,072	270,761	278,899	287,539	296,710	306,442	316,402	326,623
OTHER RESERVES												
Balance at end of previous reporting period	1,882	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952
Transfers from Accumulated Surplus	70	-	-	-	-	-	-	-	-	-	-	-
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952	1,952
TOTAL EQUITY AT END OF REPORTING PERIOD	273,261	288,575	294,066	300,225	307,187	314,782	322,952	331,733	341,380	351,895	362,944	374,505

ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ending 30 June:

	2020 Actual \$'000	2021 Estimate \$'000	2022 Year 1 \$'000	2023 Year 2 \$'000	2024 Year 3 \$'000	2025 Year 4 \$'000	2026 Year 5 \$'000	2027 Year 6 \$'000	2028 Year 7 \$'000	2029 Year 8 \$'000	2030 Year 9 \$'000	2031 Year 10 \$'000
Operating Revenues	32,589	30,372	34,371	35,539	36,745	37,910	39,152	40,460	41,852	43,346	44,896	46,508
<i>less:</i> Operating Expenses	(32,097)	(33,478)	(35,700)	(36,397)	(37,208)	(38,209)	(39,325)	(40,524)	(41,581)	(42,769)	(44,013)	(45,374)
Operating Surplus/(Deficit) before Capital Amounts	492	(3,106)	(1,329)	(858)	(463)	(299)	(173)	(64)	271	577	883	1,134
Capital Expenditure on Renewal/Replacement	(6,856)	(7,699)	(8,270)	(3,666)	(5,706)	(3,771)	(5,293)	(5,577)	(5,715)	(6,126)	(7,610)	(9,687)
<i>add back:</i> Depreciation, Amortisation and Impairment	6,885	7,036	7,776	8,066	8,221	8,452	8,714	8,992	9,288	9,602	9,927	10,262
<i>add back:</i> Proceeds from Sale of Replaced Assets	76	262	196	158	144	113	200	214	170	278	277	270
Net Outlays on Existing Assets	105	(401)	(298)	4,558	2,659	4,794	3,621	3,629	3,743	3,754	2,594	845
Capital Expenditure on New and Upgraded Assets	(14,229)	(17,401)	(2,370)	(1,812)	(1,851)	(2,232)	(2,286)	(2,346)	(2,411)	(2,478)	(2,546)	(2,618)
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	432	5,651	204	204	205	205	205	205	205	206	206	206
<i>add back:</i> Proceeds from Sale of Surplus Assets	326	-	-	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(13,471)	(11,750)	(2,166)	(1,608)	(1,646)	(2,027)	(2,081)	(2,141)	(2,206)	(2,272)	(2,340)	(2,412)
Net Lending/(Borrowing) for Financial Year	(12,874)	(15,257)	(3,793)	2,092	550	2,468	1,367	1,424	1,808	2,059	1,137	(433)
New Borrowings	23,250	19,200	4,300	-	300	-	-	-	-	-	100	-
Repayment of Principal on Borrowings	(16,250)	-	(500)	(2,300)	(900)	(2,500)	(1,400)	(1,500)	(2,000)	(2,000)	(950)	-
(Increase)/Decrease in Cash and Cash Equivalents	5,553	85	(82)	133	(25)	(43)	(42)	1	117	(134)	(362)	358
Net Balance Sheet Funding	321	(4,028)	75	75	75	75	75	75	75	75	75	75
Financing Transactions	12,874	15,257	3,793	(2,092)	(550)	(2,468)	(1,367)	(1,424)	(1,808)	(2,059)	(1,137)	433

ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ending 30 June:

	2020 Actual \$'000	2021 Estimate \$'000	2022 Year 1 \$'000	2023 Year 2 \$'000	2024 Year 3 \$'000	2025 Year 4 \$'000	2026 Year 5 \$'000	2027 Year 6 \$'000	2028 Year 7 \$'000	2029 Year 8 \$'000	2030 Year 9 \$'000	2031 Year 10 \$'000
Operating Revenues	779	995	3,184	3,387	3,562	3,665	3,775	3,892	4,016	4,149	4,286	4,428
<i>less:</i> Operating Expenses	(1,096)	(1,409)	(3,370)	(3,434)	(3,504)	(3,568)	(3,708)	(3,761)	(3,803)	(3,836)	(3,869)	(3,936)
Operating Surplus/(Deficit) before Capital Amounts	(317)	(414)	(186)	(47)	58	97	67	131	213	313	417	492
Capital Expenditure on Renewal/Replacement	-	(886)	-	-	-	-	-	-	-	-	-	(1,851)
<i>add back:</i> Depreciation, Amortisation and Impairment	240	291	754	803	822	842	863	886	910	935	961	987
Net Outlays on Existing Assets	240	(595)	754	803	822	842	863	886	910	935	961	(864)
Capital Expenditure on New and Upgraded Assets	(315)	(11,283)	-	-	-	-	-	-	-	-	-	-
<i>add back:</i> Amounts Specifically for New and Upgraded Assets	38	4,310	-	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	(277)	(6,973)	-	-	-	-	-	-	-	-	-	-
Net Lending/(Borrowing) for Financial Year	(354)	(7,982)	568	756	880	939	930	1,017	1,123	1,248	1,378	(372)
New Borrowings	450	7,900	-	-	-	-	-	-	-	-	-	-
Repayment of Principal on Borrowings	-	-	(500)	(800)	(900)	(900)	(900)	(1,000)	(1,200)	(1,200)	(950)	-
(Increase)/Decrease in Cash and Cash Equivalents	(96)	82	(68)	44	20	(39)	(30)	(17)	77	(48)	(428)	372
Financing Transactions	354	7,982	(568)	(756)	(880)	(939)	(930)	(1,017)	(1,123)	(1,248)	(1,378)	372

5.1 CORPORATE

5.1.10 Audit Committee Work Plan and Meeting Schedule for 2021

Audit Committee Meeting: 30 September 2020
Author's Title: Corporate Strategy Business Partner **File No.:** 0-159
Directorate: Corporate

Annexures:

A – Audit Committee Work 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

Reason – Nil

PURPOSE

To review the Audit Committee's Work Plan to ensure it reflects the activity areas determined by the Audit Committee's Terms of Reference and to propose dates for meetings of the Audit Committee to be held in 2021.

SUMMARY

Setting an annual work program helps to ensure the Audit Committee addresses the scope of activities identified in the Local Government Act 1999 and the Committee's Terms of Reference. It ensures the workload of the Committee is planned, managed and resourced.

Setting a schedule of meetings allows the Committee to relay the dates and times of meetings to the community and provides for business to be dealt with in a timely manner.

The Audit Committee's Terms of Reference requires that the Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle. The proposed meeting dates outlined in this report exceeds this requirement in order to manage the workload of the Committee.

RECOMMENDATION

That the Audit Committee:

1. receive and note the Work Plan;
2. set the following Schedule of Meetings for 2021:
 - Monday 1 February 2021 at 11.00 am.
 - Monday 3 May 2021 at 11.00 am.
 - Monday 19 July 2021 at 11.00 am; and
 - Monday 27 September 2021 at 11.00 am.

5.1.10 Audit Committee Work Plan and Meeting Schedule for 2021

REPORT

BACKGROUND

This report details the Audit Committee Work Plan and remaining outstanding actions under the guidance and responsibility of the Audit Committee for the financial year but also on an ongoing basis. It also proposes a meeting schedule for 2021.

DISCUSSION

A summary of the actions and responsibilities of the Audit Committee is provided to assist the Committee in their monitoring of activities within their responsibility outlined in a central document (the Work Plan – refer **Annexure “A”**).

In accordance with the *Local Government Act (SA) 1999*, Section 126, the functions of an Audit Committee include:

- reviewing annual financial statements to ensure that they fairly present the state of affairs of a Council;
- proposing, and contributing relevant information to, a review of a Council’s Strategic Management Plan or Annual Business Plan;
- proposing and reviewing the exercise of powers in relation to “other investigations” as specified under Section 130A of the Act (e.g. the conduct of efficiency and economy audits);
- liaising with the Council’s auditors; and
- reviewing the adequacy of the Council’s accounting, internal control, reporting and other financial management systems and practices on a regular basis.

The Work Plan (refer **Annexure “A”**) highlights in yellow, the activities for presentation or discussion at this meeting.

The item relating to 9.7 ‘Reporting Responsibilities’ of the Terms of Reference, has been deferred from January to this meeting. Council officers recommend this report be presented at the same time as the financial statements which can then be presented to Council by the Chair of the Audit Committee.

In relation to meeting dates for 2021, the following recommended schedule has been developed having regard to Council’s annual business plan and budget processes as well as the timing of end of financial year processes.

Recommended meeting schedule for 2021:

- Monday 1 February 2021 at 11.00 am;
- Monday 3 May 2021 at 11.00 am;
- Monday 19 July 2021 at 11.00 am; and
- Monday 27 September 2021 at 11.00 am.

Financial Implications – Nil

Strategic Plan

Objective 1.1 – Unearth community pride within the city

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

Legislation

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

Officer Direct or Indirect Interest

No officer involved in the preparation of this report has any conflicts of interest.

Risk Assessment

Failure to adhere to the *Local Government Act (SA) 1999* may result in financial or reputational risk.

Social Considerations – Not applicable

Community Engagement – Not applicable

Environmental Implications – Not applicable

Communication – Not applicable

Conclusion

Council are to ensure that the Audit Committee are kept informed of appropriate information within their responsibilities and the Work Program is continually reviewed.

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review annual financial statements as required by Section 126(4) of the Local Government Act prior to its presentation to Council for adoption.	S 126 (4) (a)	Annually	September	To be presented at this meeting	October 2019	SFO
<i>Financial Reporting</i> 7.1	Monitor integrity of financial reports of the Council including:	S 126 (4) (a)					
	Budget Review	S 126 (4) (a)	Quarterly		To be presented at this meeting	February 2020	BPM
	Long Term Financial Plan	S 122 (1a) (a) & (4) (b)	Within two years of a general election			February 2020	BPM
	Infrastructure Asset Management Plans	S 122 (1a) (b)	Two-year program			February 2020	BPM
<i>Financial Reporting</i> 7.1	Consider and review, where necessary, the consistency of improvement to and/or any changes to accounting policies.		Annual	July		July 2020	SFO

CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Financial Reporting</i> 7.1	Review and report to Council likely impact of ongoing financial sustainability due to changes in Strategic Management Plans.		As required	As required		February 2020	DC & BPM
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan conforms to the Local Government Act.	S 123	Annually	April		July 2020	DC, CSBP & BPM
<i>Annual Business Plan and Budget</i>	Recommend the draft Annual Business Plan prior to its formal consideration for adoption by Council.		Annually	April		July 2020	DC & CSBP
<i>Annual Business Plan and Budget</i>	Ensure the Annual Business Plan is consistent with relevant targets for Key Performance Indicators to Council.	S 123 (2) (b) (ii)	Annually	April		July 2020	DC
<i>Internal Controls and Risk Management</i> 7.2	Review practice, policy and procedure for internal controls.	S 125	Annually	February		February 2020	CEO/EMT/SFO

CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2.3	Regularly review the effectiveness of Council's internal controls and risk management and governance systems.	S 126 (4) (c)	As required	As required	To be discussed at this meeting?	February 2020	SFO
<i>Internal Controls and Risk Management</i> 7.2	Review and recommend the approval, where appropriate, of statements to be included in the Annual Report concerning internal controls, risk management and governance.	S 126 (4) (ab)	Annually	September	To be presented at this meeting.	October 2019	CSBP & SFO
<i>Internal Controls and Risk Management</i> 7.2	Review Business Continuity Plan and Disaster Management Action Plans.		Every 3 years	June 2022		July 2019	EMT
<i>Internal Controls and Risk Management</i> 7.2	Review Councils Risk Plan & Strategic Risk Plan.	S 122	Every 3 years	June 2019	To be presented at this meeting.	October 2019, May 2020, July 2020	EMT

CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Internal Controls and Risk Management</i> 7.2	Review reports from Procurement including recent tenders and high value purchases.		Quarterly	January, April, July & September	To be presented at this meeting.		CSBP & SFO
<i>External Audit</i> 7.5	Ensure appointment of external auditor conforms with legislative provisions.	S 128 (2) & (4a)	Every five years	2025		April 2020	CSBP
<i>External Audit</i> 7.5.4	Liaise with Council's external auditors.	S 126 (4) (b)	Yearly	September	To be presented at this meeting.	October 2019	CEO/SFO/DC
<i>External Audit</i> 7.5	Receive the independent auditor's reports.		Twice yearly	April and September	To be presented at this meeting.	October 2019	SFO
<i>External Audit</i> 7.5	Ensure actions proposed in the correspondence from the independent auditor's report are actioned.		As required	As required			DC

CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

Terms of Reference	Proposed Activity	LG Act	Frequency	Review Month	Comments	Date Last Reviewed/ Completed	Responsible Officer
<i>Public Interest Disclosure (formerly Whistle-blowing)</i> 7.3	Review the adequacy and awareness of the current Public Interest Disclosure Policy and Procedure.		Annually	July	No changes are required to the policy or procedure. Policy is due for review July 2021.	July 2019	EMT
<i>Reporting Responsibilities</i> 9..7	Report annually to Council outlining the outputs of the Audit Committee, any training needs, future work proposals and invite Council to comment.		Annually	September	To be presented at this meeting.		DC
<i>Reporting Responsibilities</i> 9	Ensure urgent or significant matters are formally and promptly reported to Council.		As required	As required			DC
<i>Reporting Responsibilities</i> 9.2	Ensure appropriate and timely training is provided to all members including inductions for new members.		As required	As required			DC

CITY OF WHYALLA – AUDIT COMMITTEE WORK PROGRAM

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

6. **CONSIDERATION OF CONFIDENTIAL ITEMS – Nil**
7. **CLOSURE**
8. **DATE OF NEXT MEETING – To be confirmed**