



Audit Committee

NOTICE OF MEETING

Notice is hereby given that a meeting of the Audit Committee will be held in the

**Kingston Room, Civic Centre
24 Jetty Road, Brighton**

Wednesday 5 February 2020 at 6.00pm

Roberto Bria
CHIEF EXECUTIVE OFFICER

Please note: This agenda contains Officers' reports and recommendations that will be considered by the Committee. Any confidential items listed on the agenda will be circulated to Members separately.



Audit Committee Agenda

1. OPENING

The General Manager Strategy and Business Services will declare the meeting open at 6.00pm pm.

2. APOLOGIES

3.1 Apologies received

3.2 Absent

3. DECLARATION OF INTEREST

If a Member has an interest (within the terms of the Local Government Act 1999) in a matter before the Committee they are asked to disclose the interest to the Committee and provide full and accurate details of the relevant interest. Members are reminded to declare their interest before each item.

4. CONFIRMATION OF MINUTES

Motion

That the minutes of the Audit Committee held on 4 December 2019 be taken as read and confirmed.

Moved _____, Seconded _____

Carried

5. PRESENTATION

6.1 Asset Plan Presentation

7. ACTION ITEMS

7.1 Action List - 9 October 2019

8. REPORTS BY OFFICERS

8.1 Standing Items – February 2020 (Report No: 26/20)

8.2 2020-2021 Budget Development (Report No: 27/20)

8.3 Long Term Financial Review (Report No: 28/20)

9. AUDIT COMMITTEE FORWARD AGENDA

10. URGENT BUSINESS – Subject to the Leave of the Meeting

11. DATE AND TIME OF NEXT MEETING

The next meeting of the Audit Committee will be held on 8 April 2020 at 6.00pm in the Kingston Room, Civic Centre, 24 Jetty Road, Brighton.

12. CLOSURE

**ROBERTO BRIA
CHIEF EXECUTIVE OFFICER**

Item No: 8.1
Subject: **STANDING ITEMS – FEBRUARY 2020**
Date: 5 February 2020
Written By: Manager Finance
General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

The Audit Committee is provided with a report on standing items at each ordinary meeting.

RECOMMENDATION

That the Audit Committee advises Council it has received and considered a Standing Items Report addressing:

- **Monthly financial statements**
 - **Risk Management and Internal control**
 - **Audit – External/Internal**
 - **Public Interest Disclosures – previously Whistle-Blowing**
 - **Economy and efficiency audits**
 - **Audit Committee Meeting Schedule**
-

COMMUNITY PLAN

Culture: Enabling high performance
Culture: Being financially accountable
Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not applicable

STATUTORY PROVISIONS

Local Government Act 1999, Sections 41 and 126
Public Interest Disclosure Act 2018

BACKGROUND

The Audit Committee has previously resolved that a report be included in the agenda of each meeting of the Committee addressing the following standing items:

- Monthly financial statements
- Risk management and Internal Controls
- Audit – External/Internal
- Public Interest Disclosures – previously Whistle-Blowing
- Economy and efficiency audits

Also included in this Standing Items report is an item to formally advise the Committee of the outcomes of its recommendations and advice to Council. This is aimed at ‘closing the communication loop’ between the Committee and Council.

REPORT

Monthly Financial Reports

Members of the Committee receive copies of the monthly financial reports as soon as practical after they are provided to Council.

Financial reports for Municipal and Alwyndor operations for the months ended 30 September 2019 and 31 October 2019 were considered by Council at its meetings on 22 October 2019 and 26 November 2019 respectively. Members of the Committee have received copies of the August report.

There was no November month end report due to the timing and reduced number of Council meetings in December and January. The half yearly financial report to 31 December 2019 is scheduled to be presented to Council on 11 February 2020. Members of the Committee will receive copies of this report prior to the Council meeting.

Risk Management

Administration is not aware of any material changes to Council’s risk profile not otherwise disclosed since the previous Standing Items Report on 9 October 2019.

Internal Controls

Administration is not aware of any material changes to Council’s internal controls not otherwise disclosed since the previous Standing Items report on 9 October 2019.

External Audit

Council’s external auditor, BDO, attended the Audit Committee on 9 October 2019 to discuss the final audit of the 2018/19 financial statements. The 2018/19 consolidated financial statements were adopted by Council on 22 October 2019. BDO subsequently issued an unqualified audit opinion on the Council and Alwyndor 2018/19 Financial Statements and Internal Controls.

Refer Attachment 1

The term of Council's external auditor will be completed when the 2019/20 financial year audit is finalised and is expected to be during October 2020. The committee has previously resolved that external audit services be put to tender prior to the commencement of the work required for the 2020/21 financial year (Report 137/19). This work is expected to commence in early 2021. A report on the tender process will be presented to the next meeting of the committee.

Internal Audit

A credit card internal audit was undertaken during May 2019 to provide Council and Alwyndor assurance in regards to the robustness of internal controls around credit cards. The Committee received the audit report at its meeting on 9 October 2020 including a draft updated policy for consideration. The policy has been amended to exclude mention of benefit schemes and is resubmitted for the committee's consideration and further feedback as attached.

Refer Attachment 2

An updated progress report is provided on outstanding internal audit actions.

Refer Attachment 3

Council's internal auditor Galpins will present a draft Strategic Risk Register and Internal Audit Plan at the committee meeting.

Public Interest Disclosures

On 1 July 2019 the *Public Interest Disclosure Act 2018* came into effect replacing the *Whistleblowers Protection Act 1993*. The new laws strengthen transparency and accountability across government by establishing a scheme that encourages and facilitates the appropriate disclosure of public interest information to certain persons or authorities. Council has endorsed the Public Interest Disclosure Policy aligned to the model policy provided by the Local Government Association.

There have been no public interest disclosures made to Council since the previous standing items report on 9 October 2020.

Sec 130A Economy and Efficiency Audits

Council has not initiated any review pursuant to section 130A of the *Local Government Act* since the previous Standing Items Report on 28 August 2019.

Council Recommendations

At its meeting on 22 October 2019 Council received the minutes and endorsed the recommendations of the meeting of the Audit Committee held on 9 October 2019 and the special

meeting held on 4 December 2019. The minutes of the special Audit Committee meeting held on 4 December 2019 will be received at a future meeting of Council.

2020 Meeting Schedule

The Audit Committee's terms of reference require it to meet at least 4 times each year and at least once each quarter. During 2020 meetings have been set to align with the two important financial programs in which the Audit Committee plays important roles:

- Development of the annual business plan and budget
- Completion of the annual financial statements, external audit and annual report.

In order to accommodate the above reporting requirements the following ordinary meeting schedule is proposed for 2020:

- Wednesday 8 April 2020
- Thursday 4 June 2020
- Wednesday 26 August 2020
- Wednesday 7 October 2020.

BUDGET

This report does not have any budget implications.

LIFE CYCLE COSTS

This report does not have any full life cycle costs implications.

Attachment 1



INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF HOLDFAST BAY

Opinion

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of Holdfast Bay (“the Council”) in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2018 to 30 June 2019 relevant to ensuring such transactions have been conducted properly and in accordance with law.

In our opinion, in all material respects:

- (a) The controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) The controls operated effectively as designed throughout the period from 1 July 2018 to 30 June 2019.

Basis for opinion

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

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

The Council’s responsibilities for the internal controls

The Council is responsible for:

- a) The receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) Identifying the control objectives
- c) Identifying the risks that threaten achievement of the control objectives
- d) Designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) Operating effectively the controls as designed throughout the period.

Our independence and quality control

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



Assurance practitioner's responsibilities

Our responsibility is to express an opinion, in all material respects, on the suitability of the design to achieve the control objectives and the operating effectiveness of controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities. ASAE 3150 requires that we plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.

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

Limitations of controls

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

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

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BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'G K Edwards'.

G K Edwards
Director

Adelaide, 24 October 2019

CERTIFICATION OF AUDITOR INDEPENDENCE

I confirm that, for the audit of the financial statements of the City of Holdfast Bay for the year ended 30 June 2019, I have maintained my 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.



G K Edwards
Director

BDO Audit (SA) Pty Ltd

Adelaide, 24 October 2019

INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF THE CITY OF HOLDFAST BAY

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of the City of Holdfast Bay ("the Council"), which comprises the statement of financial position as at 30 June 2019, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of the City of Holdfast Bay, presents fairly, in all material respects, the Council's financial position as at 30 June 2019 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report of the City of Holdfast Bay, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Council's responsibility for the Financial Report

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'BDO'.

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink that reads 'G K Edwards'.

G K Edwards
Director

Adelaide, 24 October 2019

Attachment 2



Trim Container	TRIM Container Number
First Issued / Approved:	Date of first issue/approval
Last Reviewed:	Date of last review
	Resolution Number
Next Review:	Review Date

1. PREAMBLE

1.1 Purpose

This policy covers the use of Corporate Credit Cards by City of Holdfast Bay staff.

1.2 Scope

This policy extends to City of Holdfast Bay Staff who have designated use of a Corporate Credit card, are responsible for authorising the issue or changing limits on Corporate Credit Cards, or who are responsible for Corporate Credit Card Administration.

1.3 Definitions

There are no specific definitions associated with this policy.

1.4 Strategic Reference

Culture: Being financially accountable

2. PRINCIPLES

Council and Alwyndor Aged Care Facility will each operate a Corporate Credit Card system which permits an appropriate level of cards to be issued to operational staff throughout the organisation. A Corporate Credit card can only be issued with approval of the responsible General Manager. Cards may be withdrawn at the discretion of the Chief Executive Officer.

The Corporate Cardholder must comply with the Corporate Credit Card Conditions of Use Agreement that is acknowledged prior to application. This document details limits on usage and conditions relating to substantiation required to support credit card transactions.

2.1 Corporate Credit Card Approval and Limits

The expenditure limit for Corporate Credit Card use is up to a maximum of \$3,000 per month GST inclusive as approved by the relevant General Manager. Any changes to the expenditure limit approved for the cardholder up to \$3,000 can be approved by the General Manager. Only the Chief Executive Officer is authorised to approve a higher monthly limit greater than \$3,000 for an individual officer to address their specific operational requirements. Only the Mayor can approve the

CORPORATE CARD POLICY

issue or increase in limit of a Corporate Credit Card for the Chief Executive Officer.

Maximum transaction limits are defined in accordance with the Corporate Credit Card Conditions of Use Agreement and the Corporate Credit Card Procedure.

2.2 Finance Responsibilities

Only senior Finance staff are able to authorise card issues and limit changes with the bank on receipt of approval from the Cardholder's General Manager, or if the required limit is over \$3,000, the Chief Executive Officer.

The Financial Accountant and Finance Manager Alwyndor each have overall responsibility for the maintenance, approval and support of documents relating to cards at Council and Alwyndor Aged Care respectively.

Further, it is the responsibility of the Financial Accountant and Finance Manager Alwyndor to minimise the potential of operational risk by maintaining best practices in particular, adequate:

- segregation of duties;
- documentation of procedures;
- systems and controls;
- efficiency of operation;

Council and Alwyndor Finance staff shall keep a register of Corporate Cardholders showing card approval officer name, approval date, card limits, changes in detail information including change approval officer and approval date, termination date if applicable, and card cancellation date.

2.3 Cardholder Responsibilities

Each Cardholder is expected to understand and adhere to this Policy, Corporate Credit Card Conditions of Use agreement, Corporate Credit Card Procedure, Entertainment Policy, delegations and authority limits. In terms of purchasing within a business unit budget, it remains the responsibility of the Manager/General Manager to ensure compliance.

Monthly Reconciliation of Transactions

- The Cardholder shall reconcile and allocate transactions each month.
- Copies of supporting documentation should be provided with these transactions. This would include a Tax Invoice for each transaction (or other proof of purchase if the transaction has been for a non taxable supply, including overseas purchases) and be of sufficient detail to substantiate the transaction. If an invoice or receipt or is not available, the Cardholder shall provide a statutory declaration for this transaction.
- If food is purchased, a FBT Meal entertainment form should be completed and also attached to the transaction reconciliation. An exception for this would be food purchased for resale or for HACC and CHSP operational programs.

CORPORATE CARD POLICY

- The allocated transactions must then be submitted for review and approval by either their General Manager or the Chief Executive Officer or, in the case of the Chief Executive Officer, the Mayor.
- The Cardholder is responsible for completion of reconciliation and obtaining authorisation of their statement within 14 days of receiving their Corporate Credit Card statement. An extension to this may be granted by Finance when the Cardholder is on leave during this period.

Fraudulent Transactions

If a Cardholder detects fraudulent transactions on their statement, they must immediately call the bank on the phone number provided on their card to cancel the card and have a new card reissued and obtain a transaction dispute form to complete and forward to the bank for processing. They must notify Finance immediately of the fraudulent transactions and of the last 4 digits of the card number when it is reissued.

Staff who fail to comply with this Policy or the Corporate Credit Card Conditions of Use Agreement may have the card(s) withdrawn and be subject to disciplinary action.

2.5 Authorising Officers

Authorising Officers are as follows:

Cardholder	Authorising Officer
Chief Executive Officer	Mayor or Elected Member
General Manager	Chief Executive Officer
All Other Staff	General Manager

Authorising Officers are responsible for reviewing and approving all transactions on card reconciliations/allocations.

3. REFERENCES

Corporate Credit Card Conditions of Use Agreement
Corporate Credit Card Procedure
Entertainment Policy (pending adoption by Council)

Attachment 3



Entity	Project	Period	Ref	Title	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status	Update
City of Holdfast Bay	Asset Management	Q1 2017	4	Lack of service standards and KPIs' monitoring	Our audit found that currently there is no service standards determined for City Asset Team. The review and discussion of KPIs are not monitored and minuted in the team performance meeting. We also noted that there is no asset management KPI reporting arrangements. As advised by the City Asset Team, the asset management system implementation was planned to introduce measures and service levels in a staged approach. The first stage concentrated on understanding the metrics to be measured, the purpose of the measures. It was expected that during the implementation of Stage 2 enough demand data would have been created to allow the development and structuring of relevant reports. Due to processes not being implemented and followed as envisaged, there is also a question over the quality of the data for monitoring purposes. There is some work required in analysing the reports to ascertain whether the deviation from the processes has or will impact on the setting of service standards e.g. customer enquiries being entered into the system as proactive work orders rather than a Customer Request.	- Lack of service standards and KPIs' monitoring could result in noncompliance with internal policies and procedures - Strategic planning objective may not be met - KPIs not be sufficiently monitored to improve performance of Council's City Asset Team.	Moderate	We recommend that management develop Service Standards at all levels of assets. We also recommend management add KPI data to the team performance meeting, and monitor any action items that are raised from the meeting. This will evidence all KPIs are being reviewed and constantly monitored, and that the Council's City Asset Team is operating at optimal effectiveness. For a KPI to be meaningful, it should contain, at a minimum, these four components: objective, source, performance criteria, and action plan. We recommend that a regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor asset management and ensure activities are aligned with legislation and Council strategies.	Service Standards at all levels of assets are being developed. KPI are being developed and team meetings will monitor the actions raised	31/12/2017 Revised to June 2020	Rajiv Mouvert, Manager Assets & Facilities	In progress	The assets have been organised into smaller groups in order to establish KPIs and set clear service standards. Condition asset team is now in place to monitor the performance of asset groups.
City of Holdfast Bay	Asset Management	Q1 2017	5	Maintenance plans not developed for all asset classes	Our audit found that there is no evidence of a formal maintenance plan developed and implemented for all assets. For example, the stormwater maintenance officers out on the ground know exactly what to do and where to go, but nothing is documented through a maintenance plan. As maintenance is not recorded, it is hard to know the current up-keep of the drains, pipes, etc. Currently only ad hoc and unplanned maintenance is performed. We also noted that maintenance is not being considered, planned and communicated at construction stage of new assets. It is up to project manager to define what maintenance may be required, however, those plans and costs are not being considered and recorded.	- Lack of maintenance plans could result in noncompliance with internal policies and procedures - Strategic planning objective may not be met - Improper operation within the ranges to optimise the asset life cycle - Infrastructure not maintained timely and effectively, thereby posing a high/extreme safety risk to staff and the general public	High	We recommend management develop and implement appropriate maintenance plan for all asset classes. These plans could include: - Street maintenance maintenance plan - Buildings & facilities maintenance plan - Park maintenance plan - Beach maintenance plan - Ecological asset maintenance plan - Coastal asset maintenance plan - Transport asset maintenance plan - Fleet maintenance plan - Waste asset maintenance plan - Infrastructure maintenance plan We also recommend management to carry out maintenance work in accordance with the Standards and Specifications.	Processes are now in place to develop appropriate maintenance plans. The plans identified include: - Street maintenance plan - Buildings & facilities maintenance plan - Park maintenance plan - Beach maintenance plan - Ecological asset maintenance plan - Coastal asset maintenance plan - Transport asset maintenance plan - Fleet maintenance plan - Waste asset maintenance plan - storm water Infrastructure maintenance plan	31/12/2017 Revised to December 2020	Rajiv Mouvert, Manager Assets & Facilities	In progress	Maintenance Plans have been developed for street sweeping and open space assets. Current approach is to develop maintenance plan for all assets at a facility or place with multi-skilled work crews being able to complete a range of activities adopting a "whole service" model. Work crews will report completion of scheduled works based on "test points" allowing a full assessment of all scheduled work. Development of a draft Facilities Management Plan is also underway for Glenelg Oval, which will act as a test case for building assets. Following testing of the open space maintenance plans, work will begin on developing precinct based maintenance plans for streetscapes and street infrastructure.
City of Holdfast Bay	Procure to Pay Implementation	Q2 2017	10	Lack of customer charter and service levels	A "Customer Charter" defines and articulates to suppliers the commitments in regards to not only how CHB will conduct business, but more importantly the period within which CHB will guarantee the payment of accounts. Internal service levels should then be based on this "Customer Charter". The time limits in the internal service levels should be shorter than those articulated in the "Customer Charter". Council is establishing an environment where CHB constantly under promise and over deliver. The internal service levels will need to be closely linked to the capacity to deliver, therefore these should be established as part of the efficiency improvements to the procurement processes. The Customer Charter should be based on a reasonable expectation to constantly deliver within the guaranteed timeframe. Currently there is no clear performance standard for payment and receipting of goods. Council's general terms and conditions indicate a payment period of 30 days. The payment period should be consistent with those articulated by each supplier in their invoice. This change was implemented in the "Finance One" system, however there was no assessment regarding whether the current P2P process had the capability to support such a change. Consequently, there is a number of payment agreements that are not able to be met, particularly in relation to those payment terms of 7 days. There needs to be an understanding of the processes capacity to deliver before establishing and expectation with a supplier. The current "Terms and Conditions" located on the Council's web page still indicates that the payment period is 30 days.	- Lack of customer charter and service levels could result in noncompliance with internal policies and procedures - Use of the incomplete or out-dated Contract/Purchase Terms and Conditions could exposes Council to additional risks including compromised insurances and reduced WH&S coverage.	Moderate	No.5. Establish and articulate a "Customer Charter". This charter should be based on the principle of under promising and over delivering. No.6. Develop internal service levels, which amongst other things, addresses the processing and receipt of invoices. These service levels should be established and updated as efficiency improvements are made to our procurement processes and should align to the capacity to deliver. No.7. Establish a suite of measures based on the internal service levels and Customer Charter to measure the operational performance and corporate commitment. No.8. Establish internal policies and procedures with clear accountability measures linked to the functional responsibilities of those with financial delegated authority. No.9. Incorporate procurement responsibilities, financial delegations, accountability, Council policy directions, and service levels in the induction program for all new managers to be conducted within a week of their commencement.	A Supplier Charter, outlining Council's service levels, has been endorsed by Council and has been mailed each of our Suppliers. It has also been published on the Council website. Internal policies have been drafted that clearly outline roles and responsibilities and internal service levels, which will be approved and implemented with the system in Q4 2017. The system is being configured to allow for reporting against the service levels. The induction is being reviewed to incorporate delegations and outlining procurement accountability for Managers.	14/4/2017 Item 7 - Revised to 30/6/20	Melissa Kretschmer/Nicole Roberts - Team Leader Governance Chris Kavanagh - Project Manager - Kate Pillay - Procurement/supply Management Officer.	In progress	Recommendations 5, 6, 8 and 9 have been completed. The organisation is currently undertaking a Customer Experience Strategy. An key outcome of that strategy is the development of external and internal service measures and a reporting system to monitor them. Recommendation 7 will be completed with the completion of this work.
City of Holdfast Bay	Procure to Pay Implementation	Q2 2017	12	Lack of KPI's monitoring and reporting	The successful implementation changes to the P2P process will be heavily reliant on the development of appropriate service levels and associated performance measures. A one step approval process reliant on the Budget Manager to approve requisitions will create a potential constraint point, particularly if the system is locked down. Consequently there needs to be in-house service levels for approving requisitions linked to an escalation process. Although such service levels need to be established after consultation with business units, it should not exceed three days. In the electronic CI Anywhere environment this may be reduced significantly. Clear reporting measure to ascertain the number and process time of requests within the system need to be established. These should be aligned to efficiency targets and reflected in measures of success.	- Lack of KPI's monitoring and reporting could result in noncompliance with internal policies and procedures - Inappropriate or unauthorised spending undetected - Strategic planning objective may not be met - KPIs not be sufficiently monitored to improve performance.	Moderate	No.27. Establish clear reporting measures to ascertain the number and process time of requests within the system. These should be aligned to efficiency targets and reflected in measures of success.	Internal service levels have been established in the draft internal policies. These service levels and reporting are being built within the system to measure the efficiency and effectiveness of the end-to-end process.	31/8/2017 Revised to 30/9/19	Melissa Kretschmer/Nicole Roberts - Team Leader Governance Chris Kavanagh - Project Manager - Kate Pillay - Procurement/supply Management Officer.	In progress	Business analytics have been developed to measure the number of requests and the time taken to process them. This will be formalised into a report for the Executive team to be tabled on a monthly basis.
Alwyndor Aged Care	Payroll Process - Alwyndor	Q4 2017	17	Termination process	Termination process is not fully formalised with the following findings identified: - No exit checklist was applied including return of properties, and - No exit interview was applied to permanent employees, therefore, not compliant with the relevant Alwyndor's Exit Interview Policy & Procedure dated March 2016. In absence of a termination policy, Alwyndor follows relevant requirements of the Alwyndor's Enterprise Agreement (EA). Although EA states the notice requirement and the employee's entitlement for payment; however, the following key areas are not included in the agreement: - Termination payments are correct. - Alwyndor's assets, such as purchasing cards, all mobile devices and IT equipment are returned prior to termination; and - Access to IT systems, such as BRS, are removed prior to termination. Although there was no issue identified so far, there is a potential of incorrect termination payment, assets loss, and inappropriate access to IT systems by terminated employees.	- Incorrect payroll practice conducted by someone unfamiliar with the termination process may result in financial loss or breach of EA or legislation; - Increased errors in process with no formalised and reviewed policies and procedures where there is a change of staff may result in financial loss or breach of EA or legislation; and - Incorrect payment, assets loss, and inappropriate access due to lack of Termination Policy.	Low	We recommend management: - Formalise the standard termination process; - Apply an exit checklist including return of properties, and remove of system access; - Conduct exit interview as required by the Exit Interview Policy & Procedure; and - Provide education and training to employees to ensure consistent implementation.	We are reviewing the current termination process and developing a new policy on terminations, which will include a process on exit interviews.	30/06/2018 Revised to 31/12/19 Revised to 30/04/20	Brett Gapes - Chief People and Culture Officer Dan McCartney - Manager of People and Culture	In progress	A new Manager of People and Culture commenced at Alwyndor in December 2019. The process is expected to be completed by April 2020.
Alwyndor Aged Care	Care Systems Post Implementation	Q3 2018	26	Care systems controls	The Care Systems do not have controls over tracking and monitoring the operators' activities including the Administrators' activities. There are risks of lack of audit trail, visibility into database activity and breach of data security. Care Systems currently has three Administrators and ten other users from the Finance Unit and the Customer Liaison Unit managed by the Chief Financial Officer (CFO) (for details refer to Appendix 4); additionally, there are four external and default users with Administrators access to the system. Although the level of access is commensurate with the system users' duties and suitable segregation exists for an operation of this size, the Care Systems do not record the operators' names (or other identifier) in General Ledgers and there is no audit trail to trace who has made what changes in the system. The risks are heightened as there is no tracking or monitoring of the Care Systems Administrators' activities, including external and default users. Administrators are the most powerful identities because they are required to access all sensitive financial and personal information and security functions in the system. Therefore, monitoring and controlling privileged user access is a necessary part of any reliable system security management.	- Lack of visibility into database activity; - Error and fraud can occur unnoticed; - Breach of data security; and - Reputational damage.	High	We recommend management communicate with the Care Systems Technical Support to resolve the issues regarding no tracking and monitoring of the operators' activities including the Administrators' activities.	- Log an enhancement request with Care Systems Technical Support to include operator details against all transactions. - As at the 27th August, Care Systems had advised that they were in the process of developing testing audit trail reports. Follow up with Care Systems on release date.	31/10/2018 Revised to 31/12/19 Revised to 14/02/20	Alwyndor - CFO/ Finance Manager	In progress	No progress from Care Systems however staff are entering their initials against transactions. Care Systems is installing an update in February 2020 with enhanced auditing functions. Alwyndor will test the new functions and provide feedback to Care Systems if the update does not address the control issues.

Item No: **8.2**

Subject: **2020-21 BUDGET TIMETABLE AND DEVELOPMENT**

Date: 5 February 2020

Written By: Manager Finance

General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

The 2020-21 budget development, timelines, initial assumptions and parameters will be presented to Council at a workshop on 4 February 2020. Pursuant to its term of reference, the Audit Committee has an opportunity to review the presentation providing comments to Council in relation to the commencement and planning of the draft 2020-21 budget.

RECOMMENDATION

That the Audit Committee supports the 2020-21 budget timetable, development, and key parameters as identified in this report.

COMMUNITY PLAN

Culture: Being financially accountable

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Section 123 of the *Local Government Act, 1999* (the Act).

BACKGROUND

The first workshop on the 2020-21 Budget development and parameters (excluding Alwyndor operations) will be on 4 February 2020. The Audit Committee has an opportunity to provide comments to Council on the presentation including budget framework, timelines and parameters. Further opportunities will arise for the Audit Committee to receive information on the detailed Draft Budget and Annual Business Plan progress (DB&ABP) at its meetings in April and June 2020.

REPORT

Development of the Draft 2020–21 Budget

The Draft 2020-21 Budget and Annual Business Plan (DB&ABP) (excluding Alwyndor) process has commenced and is based on a number of initial timing considerations and parameters. The draft budget is informed by the existing Long term Financial Plan (LTFP).

Budget and Annual Business Plan Timeline

A Council workshop will be held on 4 February to receive an update on the development of the draft budget.

The full presentation will be shown to the Audit Committee at this meeting. However the key items are listed in this report.

A number of further meetings and workshops are scheduled to meet the requirements of the budget timetable as follows:

- 3 March: Council Workshop – first draft of 2020-21 budget including capital works program.
- 26 March: Alwyndor Budget signed off by Alwyndor Management Committee.
- 7 April: Council Workshop – Second draft of budget including Alwyndor and Jetty Road Mainstreet.
- 8 April (tbc): Audit Committee review DB&ABP.
- 9 April: Council receives Audit Committee recommendations and approves draft DB&ABP for community consultation.
- 21 April - 14 May: Community consultation
- 19 May: Council workshop to review consultation results.
- 26 May: Council accept and note results of consultation.
- 4 June (tbc): Audit Committee review updated DB&ABP.
- 9 June: Council receives Audit Committee recommendations and endorse final 2020-21 Budget and Annual Business Plan.
- 23 June: Council rate declaration.

The timetable allows for the Audit Committee to have further opportunities in April and June to:

- propose and provide information relevant to a review of Council's Annual Business Plan; and
- review and provide recommendations to Council on the sustainability of Council financial performance and proposals.

Key initial budget parameters as per the LTFP

- Deloitte Access Economics has forecast 2020-21 Adelaide CPI at 1.6%.
- LTFP has used the Local Government Price Index (LGPI) – which is an additional 0.3% based on the last six years average as published by the University of Adelaide.
- The latest LGPI to September 2019 is 1.9%.
- Current LTFP has provided for 2.7% rate increase comprising forecast LGPI 1.9% (Deloitte forecast 1.6% plus .3% LGPI) plus 0.8% to cover the increase in the waste management levy. The levy has increased from \$110 per tonne from July 2019 to \$130 per tonne from 1 January 2020. New development growth has been factored in at 0.5%.
- Local Government Price Index (LGPI) applied where applicable to revenue.
- The LTFP had provided for 2.5% average employment cost increase.
- Alwyndor budget to be self-funding. The draft Alwyndor budget is to be presented at the Council workshop on 7 April 2020.
- Jetty Road Mainstreet budget – cost neutral with % rate increase yet to be determined.

Other considerations

- Draft budget is being prepared using a “zero-based” methodology. While LGPI is a guide, it is not uniformly applied to expenditure. Budgets are drafted based on “base case” business requirements.
- Roads to Recovery Grant (\$300,000) included being the second year of a 5 year program totaling \$1.5m.
- Depreciation is based on existing asset valuations and where new assets are forecast to be completed additional depreciation and maintenance expenditure has been modelled.
- Proposed new initiatives are being assessed based on detailed business cases.

- Capital renewal program based on existing Asset Management Plan and will be presented to Council at the Council workshop on 3 March.
- Fees and charges are being reviewed and assessed in accordance with a user pays principle, taking LGPI into account.

Draft Budget Financial Performance and Position targets

The draft budget (excluding Alwyndor) financial targets are as per the LTFP being:

- an operating surplus for Council's municipal activities;
- a Net Financial Liabilities Ratio below the ceiling of 75% for Council municipal activities;
- an interest cover ratio below a 5% ceiling.

Long Term Financial Plan

The current long term financial plan (LTFP) has been reviewed and is presented to the Audit Committee as part of this agenda.

The LTFP shows that the main financial indicators substantially remain within the targets and thresholds until 2028 when additional capital renewal is required and the net financial liabilities ratio increases.

Draft Annual Business Plan

The Draft 2020–21 Annual Business Plan will contain more detailed analysis of the projected financial performance for the coming year including new strategic initiatives. The document will include Alwyndor operations and will be presented to the Audit Committee on 8 April 2020.

BUDGET

The cost of production of the 2020–21 Annual Business Plan and associated community engagement will be met within the current budget.

LIFE CYCLE COSTS

This report does not have any direct full lifecycle cost implications.

Item No: **8.3**

Subject: **LONG TERM FINANCIAL PLAN REVIEW**

Date: 5 February 2020

Written By: Manager Finance

General Manager: Strategy and Business Services, Ms P Jackson

SUMMARY

The Long Term Financial Plan (LTFP) has been reviewed and updated to include the 2019/20 Annual Business Plan and 2018/19 audited financial statements and budget updates to 30 September 2019. The projections in the LTFP indicate Council remains in a sound financial position.

The LTFP has also been informed by Asset Management Plans (AMP) and direction from Council with regard to Council's commitment to financial sustainability. A number of assumptions have been reviewed in updating the plan and these are detailed in the report.

The LTFP will be enhanced as part of the 2020/21 budget process to include major projects that have been identified to be undertaken over the next 10 years.

RECOMMENDATION

That the Audit Committee advises Council it has received and noted the revised Long Term Financial Plan.

COMMUNITY PLAN

Culture: Being financially accountable

COUNCIL POLICY

Not Applicable

STATUTORY PROVISIONS

Local Government Act 1999, Section 122

Local Government (Financial Management) Regulations 2011, Regulation 5

BACKGROUND

The Act requires Council to review its LTFP as soon as practicable after adopting the annual business plan. The LTFP was reviewed and updated to include the 2019/20 budget, 2018/19 Annual Financial Statements and budget updates to 30 September 2019.

The annual update has reviewed the existing LTFP assumptions, and has taken into consideration economic conditions and inflation, and used current available financial information. It is noted that the LTFP is not a static document and its purpose is to provide broad financial projections to assist in making key decisions.

Alwyndor Aged Care has been excluded from the LTFP as it is managed as a financially self-sustaining operation, however it will develop its own Long Term Financial Plan.

REPORT

Financial Principles and Targets

Council's key financial principles include the following:

- Delivering a balanced budget that fully funds the costs of its services including depreciation.
- Developing sound infrastructure and asset management planning by creating, enhancing and using long-term infrastructure and asset management plans.
- Providing the community with a reasonable degree of predictability for rate over the medium term.

Council's key financial performance measures and targets include the following:

- Operating result as a percentage of rate revenue between 0% - 10% over a rolling 5-year period.
- Net Financial Liabilities as a percentage of operating revenue less than 75%.
- Net interest expense as a percentage of operating revenue less than 5%.

Revised underlying assumptions

The existing LTFP assumptions have been reviewed including consideration of current economic conditions, inflation and other current financial information.

Inflation Forecasts

The following table provides inflation forecast information. It lists forecasts for the Consumer Price Index (CPI) and Local Government Price Index (LGPI). The forecast CPI has been sourced from Deloitte Access Economics. The LGPI is published by the University of Adelaide and measures price movements faced by Councils in South Australia. The LGPI increase has been determined by averaging the last six years LGPI increase above CPI. The applied LGPI is the addition of the two

measures. The LGPI has been used in the LTFP model for indexing operating expenditure (excluding employment costs) and income and capital expenditure.

<u>Year</u>	<u>CPI</u>	<u>LGPI Increase</u>	<u>LGPI</u>
2020/21	1.6%	0.3%	1.9%
2021/22	2.0%	0.3%	2.3%
2022/23	2.3%	0.3%	2.6%
2023/24	2.2%	0.3%	2.5%
2024/25	2.0%	0.3%	2.3%
2025/26	1.9%	0.3%	2.2%
2067/27	2.1%	0.3%	2.4%
2027/28	2.3%	0.3%	2.6%
2028/29	2.2%	0.3%	2.5%
2029/30	2.2%	0.3%	2.5%

Existing Forecasts

- Asset renewal/upgrades updated and are based on 3 year capital program and adopted Asset Management Plan.
- Base Case and New Strategic Projects modelled from 2019/20.
- LGPI General Rate Increase; 0.5% rate increase for new development.
- LGPI applied for other expenditure/revenue.
- 2.5% employment costs with the Superannuation Guarantee rate forecast commencing at 9.5% for 2020/21 increasing to 12% by 2025/26.
- Provision for new initiatives - \$500,000 operating; \$500,000 capital.
- Provision for election costs has been allowed for every four years, commencing at \$340,000 in 2022/23.
- New Strategic Projects have been allowed for throughout the forecast period (including forecast grant funding) as follows:
 - Storm-water upgrades \$1m Council funding per year over 10 years (indexed).
 - Brighton Sporting Community Centre Stage 2 - \$5m fully funded by grants.
 - Glenelg Oval Masterplan - \$11.1m net.
 - Jetty Road Glenelg Masterplan - \$8.6m net.
 - Coast Park and Kingston Park Masterplan - \$1.3 m net.
 - Foreshore irrigation upgrade - \$331,000 over 3 years.
 - Glenelg Town Hall Restoration Stage 3 – conservation works \$1.3m.
 - Caravan Park buildings upgrade – Stage 2 \$1.38m.
- Additional depreciation provided for new and upgraded assets based on the average useful life of the class of asset.

Rate Income

Rate predictability is one of the key financial principles in the LTFP. The model has been updated to ensure at least a break-even operating result in future years.

Rate revenue increase

A rate revenue increase based on the forecast LGPI is assumed reflecting Council's direction to keep rate increases as low as practical. An additional 0.5% pa has been provided for property development growth as a result of increases to a property's value, or new developments such as replacing an existing building. The annual increase in rate revenue excludes changes to the NRM Levy collected by Council on behalf of the Natural Resources Management Board.

An additional \$270,000 (0.8%) rate revenue has been factored in to provide for the increase in expected waste management costs associated with the increase in the solid waste levy which increased from \$110 per tonne from 1 July 2019 to \$140 per tonne from 1 January 2020.

Employment Costs

Employment costs have been revised in accordance with current enterprise agreements (EA). The LTFP model has used 2.5% for the term of plan.

Grants and subsidies

Council receives a mixture of grant funding from the State Government to support its programs and activities. Some grants, like the Financial Assistance Grants, are recurring and received every year. These are assumed to increase by forecast LGPI. The Roads to Recovery (RTR) Federal Government program has been extended from 1 July 2019 to 30 June 2024 with an overall allocation of \$1.49m. The LTFP has included this program.

Remaining Assumptions

Apart from the application of LGPI indexation the remaining key assumptions are unchanged from the existing LTFP and include:

- The 2019/20 capital works program will be completed by 30 June 2020.
- Asset renewal and upgrades are based on the latest forecast for 2020/21 and the existing AMP information.
- No asset sales have been forecast. The property portfolio is reviewed regularly with the aim of improving utilization of facilities and reducing holding costs.
- Additional depreciation and maintenance costs are included for new assets, based on average useful lives and capital costs of the new assets.
- Cash and cash equivalents are modelled to include all investments and reserve funds, and borrowings and cash advance debentures are only provided for when cash is required.
- New borrowings have been forecast on a 20 year repayment basis at current long term LGFA borrowing rates of 3.1% for new loans 3.1% and 2.95% for cash advance debentures.
- Alwyndor Aged Care is assumed to operate with a break-even forecast. Alwyndor will be preparing a LTFP as part of the 2020/21 budget process and the Audit Committee will be advised of the outcomes.

- The SRWRA net-gain equity is based on Council's 15% share of the SRWRA operating profit as forecast in the current adopted SRWRA LTFP.

PROJECTIONS

A full set of financial forecast details (base case and with strategic projects) is provided for reference as per attachment.

Refer Attachment 1

The results have been charted and show projections for our key financial performance indicators over the 10-year planning horizon. They provide a measure of overall financial capacity to respond to circumstances and undertake major new initiatives without adversely affecting the continued provision of services to our community.

Operating Surplus/ratio

In broad terms, the Operating Surplus is the difference between day-to-day income and expenditure for the period.

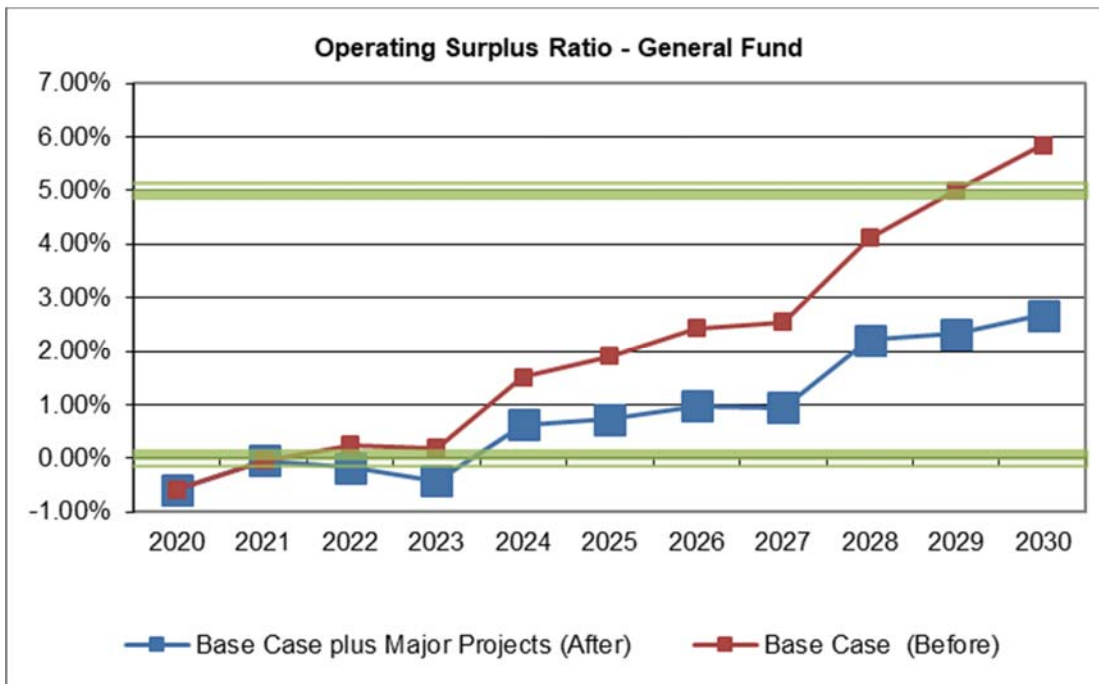
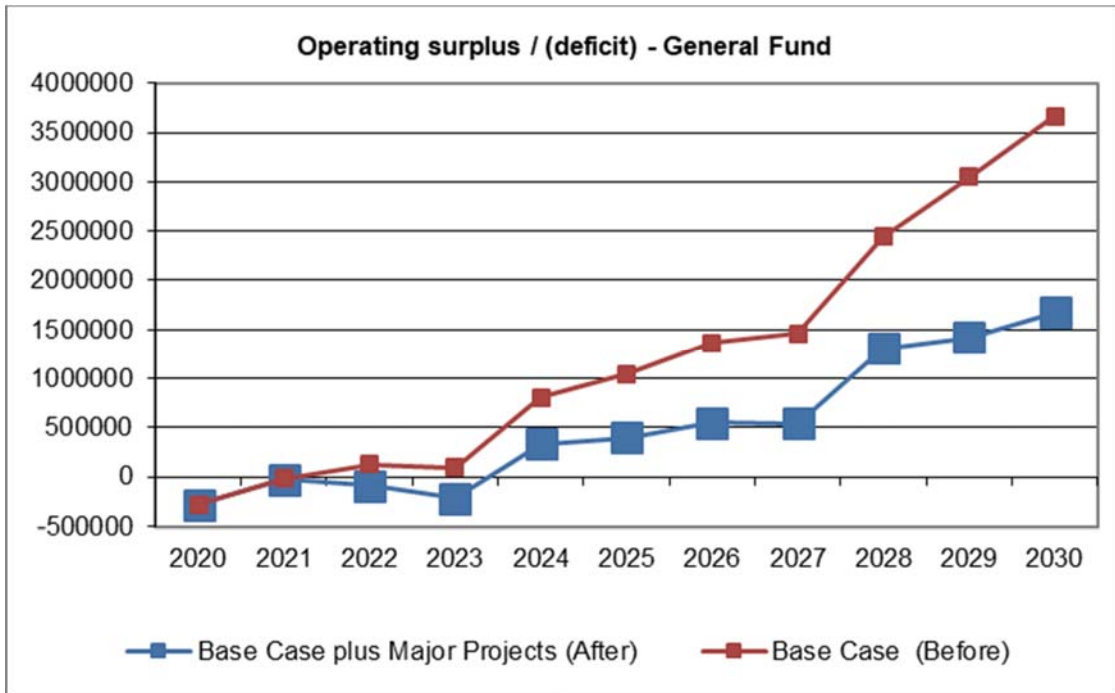
Council's income (or revenue) includes rate revenue, user charges, statutory charges, investment income and grants and subsidies of an operating nature from third parties. Operating expenditure is expenditure incurred in the ordinary course of providing Council's services, including a charge for depreciation of infrastructure and assets. Depreciation reflects a portion of the capital cost or value of an asset used or consumed during the year and can be regarded as the cost of "wear and tear".

The 2020/21 forecast shows a marginal deficit, increasing in the short term as depreciation and maintenance costs increase for new capital projects.

The Operating Ratio measures the Operating Surplus as a percentage of rate revenue.

A positive ratio indicates the percentage of rates available to help fund current and future capital expenditure. A negative ratio indicates the percentage increase in rate revenue that would have been required to achieve a break-even operating result.

Council has set an Operating Ratio target of between 0 and 10% over a rolling 5-year period. This recognises the impact of one-off events that distort an annual ratio. After adjusting for one-off operating grants for renewed assets, the operating ratio over a rolling 5-year period commencing from 2014/15 to the current financial year has been 1% surplus.



Net Financial Liabilities

Net Financial Liabilities is a measure of Council’s net debt — what Council owes others less what is owed to Council and is calculated as total liabilities less financial assets.

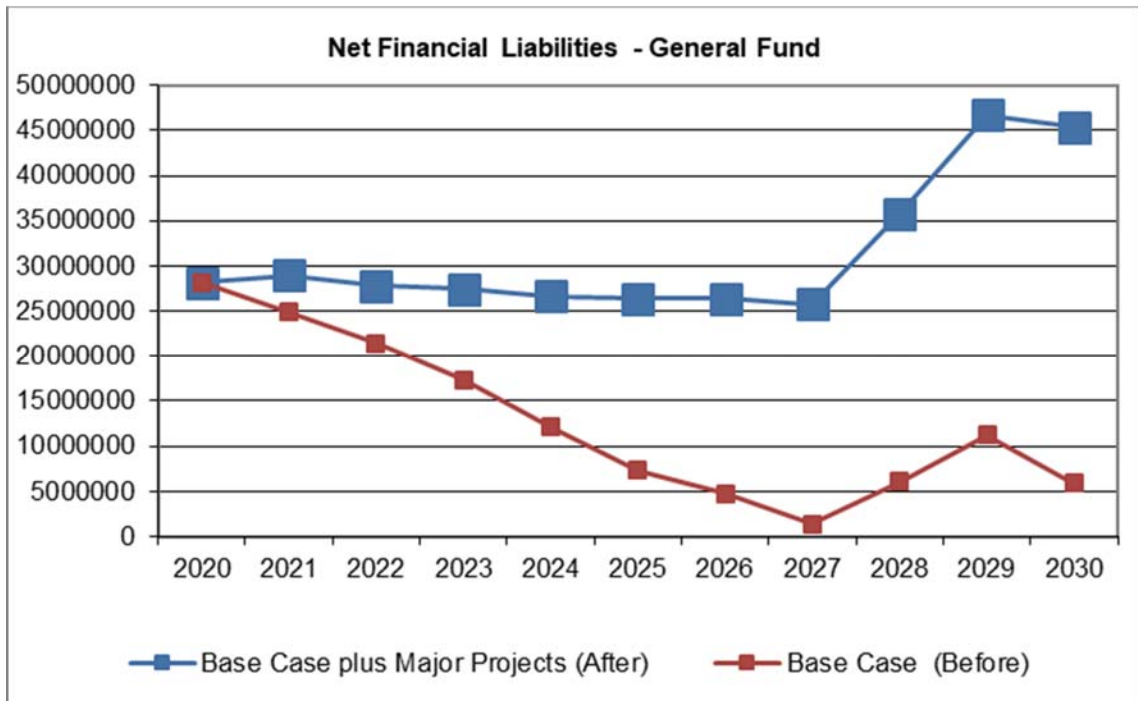
It is a broader and more appropriate measure than just debt and recognises Council’s available financial assets (such as cash and investments) and other liabilities (including employee entitlements and creditors).

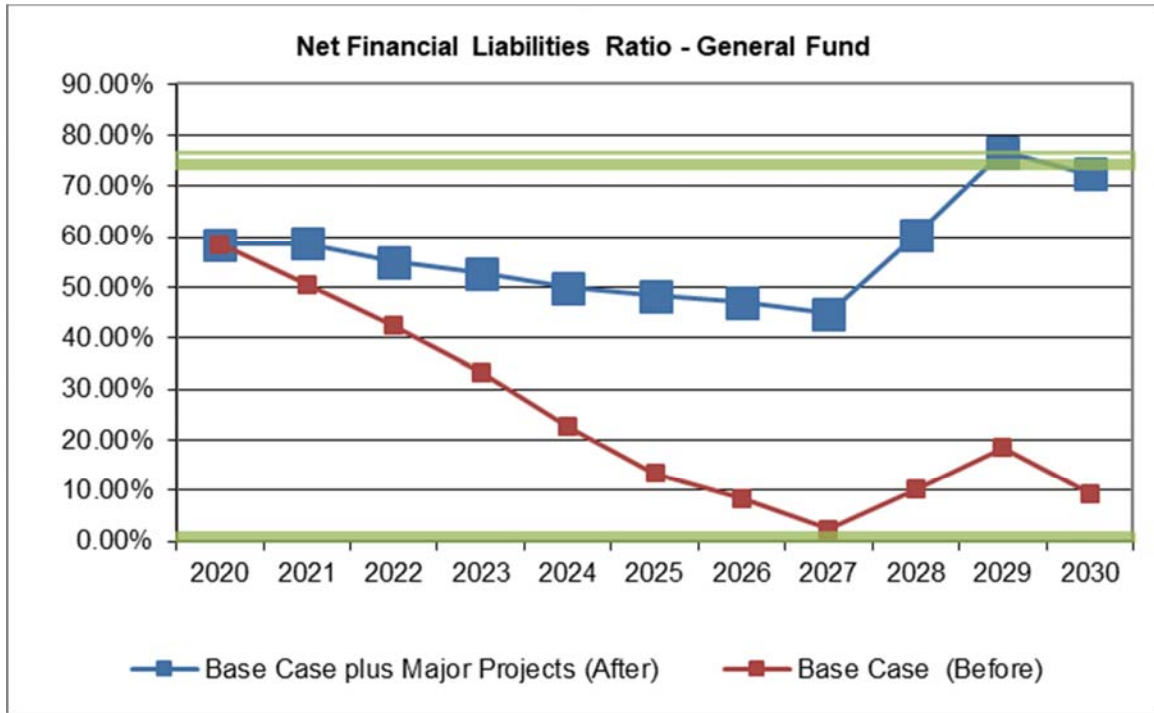
Net Financial Liabilities Ratio

The Net Financial Liabilities Ratio indicates how significant Council’s Net Financial Liabilities are compared to income and indicates the extent to which Net Financial Liabilities could be met by revenue. It is calculated by expressing Net Financial Liabilities as a percentage of revenue.

A declining Net Financial Liabilities Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations.

Council has set a target to maintain a Net Financial Liabilities Ratio of not more than 75%. This is analogous to a household with an annual income of \$100,000 having a mortgage and credit card debt of \$75,000.





This chart also shows a peak period during 2019/20 due to funding of major capital projects including Brighton Oval Sporting Complex and Jetty Road Glenelg Masterplan.

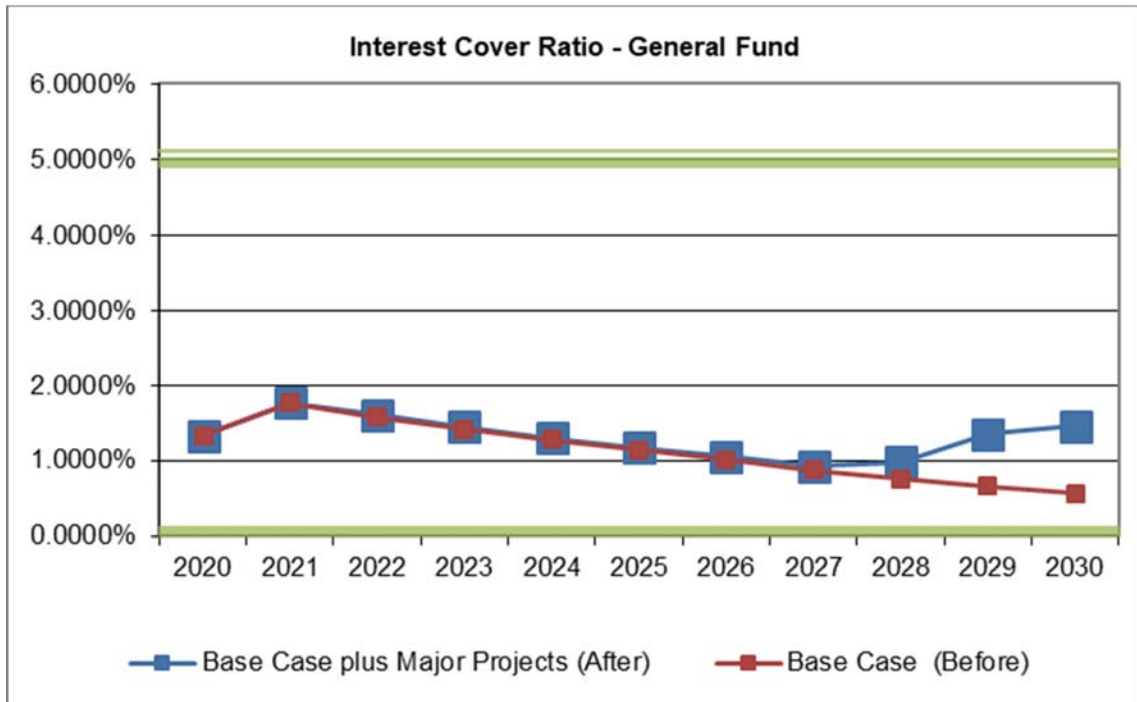
Interest Cover Ratio

The Interest Cover Ratio measures the portion of annual revenue required to meet Council’s net interest expenses.

As with the Net Financial Liabilities Ratio, a declining Interest Cover Ratio indicates that Council has a corresponding increase in capacity to service its financial obligations. This may be the result of declining Net Financial Liabilities and/or falling interest rates.

A high Interest Cover Ratio indicates that Council has reduced flexibility to fund its services.

Council has set a target to maintain an Interest Cover Ratio of not more than 5%. This means that 5 cents out of every \$1 of revenue is used to pay net interest.



Asset Sustainability

Asset Sustainability is expressed capital expenditure on renewal and replacement as a percentage of the optimal expenditure identified in Council’s Asset Management Plans.

The AMP has provided the capital renewal expenditure figures and therefore this percentage amount is 100%.

What do the revised projections tell us?

The revised financial projections contained in this overview are based on a variety of estimates and assumptions. A modest change in one may have a material effect on the projections. For example reducing the rate decrease from 2.5% to 2% will result in a reduced operating result over a number of years.

The revised projections indicate that, based on current assumptions, Council remains within the target range for a balanced budget with a more favourable outlook over the mid-term.

The LTFP assumes a ‘no change’ policy (ie a continuation of existing services and programs). As Council responds to changing community expectations, it will make decisions to change services and invest in new and improved infrastructure, such as community facilities, that will be funded from the projected strong financial capacity.

This can be achieved by:

- Continually reviewing and enhancing services to our community;
- continue to invest in renewal and replacement of our assets and infrastructure to ensure they meet the service needs in the most cost-effective manner;
- taking advantage of opportunities and respond to emerging issues; and
- using additional borrowings to fund new or upgraded assets.

As with all projections, the view can change as underlying circumstances change. For this reason, Council will closely monitor its strategic and financial planning outlook.

Financial Strategies

The revision of the LTFP enables Council to reinforce its financial strategies to:

- maintain long-term financial sustainability
- build and maintain adequate financial capacity to fund its services including the flexibility to respond to changing needs and circumstances

The financial strategies to maintain long-term financial sustainability include:

- using the LTFP in key decision making,
- continually improving and enhancing Asset Management Plans,
- continue to improve the model underpinning the LTFP,
- regularly review the LTFP,
- reduce the reliance on rate revenue,
- continually improving financial management practices, and
- measuring and reporting performance against targets.

Chief Executive Officer Comment

It is a requirement under the Act that a review of the LTFP include a report from the Chief Executive Officer on the sustainability of Council's long term financial performance. The following comments from the CEO have been provided in this regard.

The LTFP has been revised and updated to include the 2019/20 Annual Business Plan and 2018/19 Financial Statements. It has also taken into account budget updates to 30 September 2019. As indicated within this report the LTFP is a modelling tool that needs to be reviewed and monitored to assist in financial forecasting and decision making.

A number of assumptions have been revised including forecasting the level of rate increase (excluding new development growth) at 1.9% forecast LGPI plus 0.8% for additional waste management levy and thereafter at LGPI. The indexation for other expenditure and revenue is forecast at LGPI. The revised LTFP indicates that Council is sustainable with the Operating Ratio target of between 0 and 10% over a rolling 5-year period being met.

The LTFP also indicates that the Net Financial Liabilities Ratio (NFLR) will remain below the Council agreed threshold of 75%. The LTFP and NFLR indicate that the current forecast level of borrowings is sustainable over the mid-term and that from 2020/21 Council has the capacity to borrow additional funds for new major projects and remain under the threshold.

Council continually reviews and enhances its services to the community. Future decisions will also be made to invest in new and improved infrastructure and community facilities and the LTFP will assist in this regard. The revised LTFP indicates that Council is in a strong financial position with a sustainable outlook and has the financial capacity to fund future capital projects as they arise.

BUDGET

The LTFP informs the budget and is used as a tool in financial decisions making

LIFE CYCLE COSTS

This report does not have any direct full life cycle cost implications.

Attachment 1



City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2030
INCOME STATEMENT - GENERAL FUND
Scenario: Base Case Only

	Actuals	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income												
Rates	36,020	37,153	38,282	39,321	40,507	41,687	42,819	43,938	45,174	46,535	47,891	49,287
Statutory Charges	2,282	2,298	2,342	2,396	2,458	2,519	2,577	2,634	2,697	2,767	2,836	2,907
User Charges	4,191	4,138	4,217	4,314	4,426	4,537	4,641	4,743	4,857	4,983	5,108	5,236
Grants, Subsidies and Contributions	3,676	2,885	2,932	2,981	3,032	3,084	2,838	2,892	2,946	3,003	3,060	3,118
Investment Income	182	84	86	88	90	92	94	96	98	100	102	104
Reimbursements	324	712	726	743	762	781	799	817	837	859	880	902
Other Income	1,189	565	576	589	604	619	633	647	663	680	697	714
Net gain - equity accounted Council businesses	76	230	124	160	148	131	322	321	315	351	369	369
Total Income	47,940	48,065	49,285	50,592	52,027	53,450	54,723	56,088	57,587	59,278	60,943	62,637
Expenses												
Employee Costs	16,454	17,453	17,929	18,409	19,044	19,608	20,188	20,785	21,305	21,837	22,325	22,825
Materials, Contracts & Other Expenses	19,990	20,886	20,986	21,464	22,353	22,556	23,070	23,572	24,509	24,748	25,360	25,987
Depreciation, Amortisation & Impairment	8,962	9,288	9,437	9,708	9,708	9,708	9,708	9,708	9,708	9,708	9,708	9,708
Finance Costs	630	720	953	886	827	771	715	660	602	546	501	455
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	46,036	48,347	49,304	50,466	51,931	52,642	53,680	54,724	56,123	56,838	57,894	58,974
Operating Surplus / (Deficit)	1,904	(282)	(19)	126	96	808	1,043	1,364	1,464	2,440	3,049	3,663
Amounts Received Specifically for New or Upgraded Assets	3,460	6,608	-	-	-	-	-	-	-	-	-	-
Net Surplus / (Deficit)	5,123	6,326	(19)	126	96	808	1,043	1,364	1,464	2,440	3,049	3,663
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	(11,523)	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	(11,523)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	(6,400)	6,326	(19)	126	96	808	1,043	1,364	1,464	2,440	3,049	3,663

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2030

BALANCE SHEET - GENERAL FUND

Scenario: Base Case Only

	Actuals	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	5,477	690	3,230	5,881	9,350	13,564	17,486	19,192	21,594	16,182	10,291	14,903
Trade & Other Receivables	2,281	2,375	2,431	2,477	2,373	2,423	2,449	2,502	2,573	2,626	2,689	2,681
Inventories	9	10	10	11	11	11	11	12	12	12	12	13
Total Current Assets	7,767	3,076	5,671	8,369	11,734	15,998	19,946	21,705	24,179	18,821	12,992	17,596
Non-Current Assets												
Financial Assets	1,301	1,086	839	596	524	450	374	299	222	146	72	72
Equity Accounted Investments in Council Businesses	2,945	3,175	3,299	3,459	3,607	3,738	4,060	4,381	4,696	5,047	5,416	5,785
Infrastructure, Property, Plant & Equipment	673,087	699,408	696,022	692,567	688,365	683,859	679,799	678,200	676,016	682,780	690,634	688,562
Other Non-Current Assets	5,053	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	682,386	703,669	700,160	696,622	692,496	688,047	684,233	682,880	680,934	687,973	696,122	694,419
TOTAL ASSETS	690,153	706,745	705,831	704,991	704,230	704,045	704,179	704,585	705,113	706,794	709,115	712,015
LIABILITIES												
Current Liabilities												
Trade & Other Payables	6,594	3,914	4,132	4,228	4,392	4,448	4,551	4,653	4,825	4,890	5,014	5,141
Borrowings	1,000	1,413	1,370	1,336	1,373	1,345	1,400	1,458	1,182	1,219	1,265	1,313
Provisions	2,657	2,865	3,132	3,406	3,687	3,976	4,271	4,574	4,884	5,203	5,530	5,864
Total Current Liabilities	10,251	8,192	8,634	8,970	9,452	9,768	10,222	10,684	10,892	11,312	11,809	12,318
Non-Current Liabilities												
Borrowings	11,460	23,741	22,371	21,035	19,662	18,317	16,917	15,460	14,278	13,059	11,794	10,480
Provisions	310	354	387	421	456	491	528	565	604	643	683	725
Total Non-Current Liabilities	11,770	24,095	22,758	21,456	20,118	18,809	17,445	16,025	14,881	13,702	12,477	11,205
TOTAL LIABILITIES	22,021	32,287	31,392	30,426	29,570	28,577	27,668	26,709	25,773	25,014	24,286	23,523
Net Assets	668,132	674,458	674,439	674,565	674,661	675,469	676,512	677,876	679,340	681,779	684,829	688,491
EQUITY												
Accumulated Surplus	172,419	178,745	178,726	178,852	178,948	179,756	180,799	182,163	183,627	186,066	189,116	192,778
Asset Revaluation Reserves	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713
Total Equity	668,132	674,458	674,439	674,565	674,661	675,469	676,512	677,876	679,340	681,779	684,829	688,491

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2030

CASH FLOW STATEMENT - GENERAL FUND

Scenario: Base Case Only

	Actuals	Current Year	Projected Years									
	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 \$'000	2027/28 \$'000	2028/29 \$'000	2029/30 \$'000
Cash Flows from Operating Activities												
Receipts:												
Rates Receipts	35,907	37,204	38,267	39,307	40,491	41,671	42,804	43,923	45,157	46,517	47,873	49,268
Statutory Charges	2,332	2,306	2,338	2,391	2,452	2,513	2,571	2,628	2,691	2,760	2,829	2,900
User Charges	4,441	4,161	4,209	4,304	4,415	4,526	4,631	4,733	4,846	4,970	5,095	5,223
Grants, Subsidies and Contributions (operating purpose)	3,846	2,316	3,591	2,976	3,027	3,079	2,863	2,887	2,941	2,997	3,054	3,112
Investment Receipts	182	93	86	88	90	92	94	96	98	100	102	104
Reimbursements	334	674	725	741	760	779	797	815	835	857	878	900
Other	6,120	1,448	(45)	609	626	641	654	668	686	706	723	740
Payments:												
Payments to Employees	(16,660)	(17,200)	(17,629)	(18,101)	(18,728)	(19,284)	(19,856)	(20,445)	(20,956)	(21,479)	(21,958)	(22,449)
Payments for Materials, Contracts & Other Expenses	(22,683)	(21,132)	(20,793)	(21,402)	(22,237)	(22,529)	(23,003)	(23,507)	(24,387)	(24,717)	(25,280)	(25,905)
Finance Payments	(630)	(720)	(953)	(886)	(827)	(771)	(715)	(660)	(602)	(546)	(501)	(455)
Net Cash provided (or used in) Operating Activities	13,189	9,150	9,796	10,027	10,068	10,716	10,840	11,139	11,308	12,165	12,814	13,438
Cash Flows from Investing Activities												
Receipts:												
Amounts Received Specifically for New/Upgraded Assets	(2,886)	3,722	-	-	-	-	-	-	-	-	-	-
Sale of Replaced Assets	390	357	364	372	382	392	401	410	420	431	442	453
Sale of Surplus Assets	-	1,039	-	-	-	-	-	-	-	-	-	-
Repayments of Loans by Community Groups	208	203	207	247	243	72	74	76	75	77	76	74
Payments:												
Expenditure on Renewal/Replacement of Assets	(4,089)	(9,445)	(5,915)	(6,114)	(5,368)	(5,063)	(5,507)	(7,967)	(7,380)	(16,329)	(17,418)	(7,490)
Expenditure on New/Upgraded Assets	(6,879)	(22,507)	(500)	(510)	(520)	(531)	(541)	(552)	(563)	(574)	(586)	(598)
Net Cash provided (or used in) Investing Activities	(13,256)	(26,631)	(5,844)	(6,005)	(5,263)	(5,130)	(5,573)	(8,033)	(7,448)	(16,395)	(17,486)	(7,561)
Cash Flows from Financing Activities												
Receipts:												
Proceeds from Borrowings	-	13,641	-	-	-	-	-	-	-	-	-	-
Proceeds from Bonds & Deposits	4	-	-	-	-	-	-	-	-	-	-	-
Payments:												
Repayments of Borrowings	(1,130)	(947)	(1,413)	(1,370)	(1,336)	(1,373)	(1,345)	(1,400)	(1,458)	(1,182)	(1,219)	(1,265)
Net Cash Flow provided (used in) Financing Activities	(1,126)	12,694	(1,413)	(1,370)	(1,336)	(1,373)	(1,345)	(1,400)	(1,458)	(1,182)	(1,219)	(1,265)
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,193)	(4,787)	2,539	2,652	3,469	4,214	3,922	1,706	2,403	(5,412)	(5,891)	4,612
plus: Cash & Cash Equivalents - beginning of year	6,670	5,477	690	3,230	5,881	9,350	13,564	17,486	19,192	21,594	16,182	10,291
Cash & Cash Equivalents - end of the year	5,477	690	3,230	5,881	9,350	13,564	17,486	19,192	21,594	16,182	10,291	14,903

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2030

INCOME STATEMENT - GENERAL FUND

Scenario: Base Case plus Major Projects

	Actuals	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income												
Rates	36,020	37,153	38,282	39,321	40,507	41,687	42,819	43,938	45,174	46,535	47,891	49,287
Statutory Charges	2,282	2,298	2,342	2,396	2,458	2,519	2,577	2,634	2,697	2,767	2,836	2,907
User Charges	4,191	4,138	4,217	4,314	4,426	4,537	4,641	4,743	4,857	4,983	5,108	5,236
Grants, Subsidies and Contributions	3,676	2,885	2,932	2,981	3,032	3,084	2,838	2,892	2,946	3,003	3,060	3,118
Investment Income	182	84	86	88	90	92	94	96	98	100	102	104
Reimbursements	324	712	726	743	762	781	799	817	837	859	880	902
Other Income	1,189	565	576	589	604	619	633	647	663	680	697	714
Net gain - equity accounted Council businesses	76	230	124	160	148	131	322	321	315	351	369	369
Total Income	47,940	48,065	49,285	50,592	52,027	53,450	54,723	56,088	57,587	59,278	60,943	62,637
Expenses												
Employee Costs	16,454	17,453	17,929	18,409	19,044	19,608	20,188	20,785	21,305	21,837	22,325	22,825
Materials, Contracts & Other Expenses	19,990	20,886	20,986	21,549	22,470	22,746	23,337	23,919	24,897	25,181	25,898	26,623
Depreciation, Amortisation & Impairment	8,962	9,288	9,437	9,825	9,890	9,976	10,064	10,154	10,210	10,267	10,380	10,495
Finance Costs	630	720	956	897	839	785	732	683	629	681	923	1,018
Net loss - Equity Accounted Council Businesses	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	46,036	48,347	49,308	50,680	52,243	53,115	54,321	55,540	57,041	57,966	59,526	60,962
Operating Surplus / (Deficit)	1,904	(282)	(23)	(88)	(216)	335	402	548	546	1,312	1,417	1,675
Asset Disposal & Fair Value Adjustments	(241)	-	-	-	-	-	-	-	-	-	-	-
Amounts Received Specifically for New or Upgraded Assets	3,460	6,608	5,485	828	3,366	3,079	3,156	1,124	1,152	3,557	3,646	1,552
Net Surplus / (Deficit)	5,123	6,326	5,462	740	3,150	3,414	3,559	1,672	1,698	4,869	5,063	3,227
Other Comprehensive Income												
Amounts which will not be reclassified subsequently to operating result												
Changes in Revaluation Surplus - I,PP&E	(11,523)	-	-	-	-	-	-	-	-	-	-	-
Total Other Comprehensive Income	(11,523)	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income	(6,400)	6,326	5,462	740	3,150	3,414	3,559	1,672	1,698	4,869	5,063	3,227

City of Holdfast Bay (excluding Alwyndor Aged Care)
10 Year Financial Plan for the Years ending 30 June 2030

BALANCE SHEET - GENERAL FUND

Scenario: Base Case plus Major Projects

	Actuals	Current Year	Projected Years									
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS												
Current Assets												
Cash & Cash Equivalents	5,477	690	-	-	-	-	-	-	-	-	-	-
Trade & Other Receivables	2,261	2,375	2,449	2,483	2,388	2,438	2,467	2,515	2,587	2,650	2,716	2,703
Inventories	9	10	10	11	11	11	11	12	12	12	13	13
Total Current Assets	7,767	3,076	2,460	2,493	2,399	2,449	2,478	2,527	2,600	2,663	2,729	2,716
Non-Current Assets												
Financial Assets	1,301	1,086	839	596	524	450	374	299	222	146	72	72
Equity Accounted Investments in Council Businesses	2,945	3,175	3,299	3,459	3,607	3,738	4,060	4,381	4,696	5,047	5,416	5,785
Infrastructure, Property, Plant & Equipment	673,087	699,408	705,584	705,001	707,667	710,126	713,122	714,450	715,218	729,717	745,402	746,885
Other Non-Current Assets	5,053	-	-	-	-	-	-	-	-	-	-	-
Total Non-Current Assets	682,386	703,669	709,722	709,056	711,798	714,314	717,556	719,130	720,136	734,910	750,890	752,742
TOTAL ASSETS	690,153	706,745	712,182	711,549	714,196	716,764	720,035	721,656	722,736	737,573	753,618	755,459
LIABILITIES												
Current Liabilities												
Cash Advance Debenture	-	-	870	450	798	933	1,542	2,437	2,748	13,468	25,161	24,522
Trade & Other Payables	6,584	3,914	4,132	4,241	4,410	4,478	4,593	4,707	4,887	4,959	5,099	5,241
Borrowings	1,000	1,413	1,370	1,336	1,373	1,345	1,400	1,458	1,182	1,219	1,265	1,313
Provisions	2,657	2,865	3,132	3,406	3,687	3,976	4,271	4,574	4,884	5,203	5,530	5,864
Total Current Liabilities	10,251	8,192	9,504	9,433	10,268	10,731	11,807	13,176	13,701	24,849	37,055	36,941
Non-Current Liabilities												
Borrowings	11,460	23,741	22,371	21,035	19,662	18,317	16,917	15,460	14,278	13,059	11,794	10,480
Provisions	310	354	387	421	456	491	528	565	604	643	683	725
Total Non-Current Liabilities	11,770	24,095	22,758	21,456	20,118	18,809	17,445	16,025	14,881	13,702	12,477	11,205
TOTAL LIABILITIES	22,021	32,287	32,262	30,889	30,386	29,540	29,252	29,201	28,582	38,550	49,532	48,146
Net Assets	668,132	674,458	679,920	680,660	683,810	687,224	690,783	692,455	694,153	699,023	704,086	707,313
EQUITY												
Accumulated Surplus	172,419	178,745	184,207	184,947	188,097	191,511	195,070	196,742	198,440	203,310	208,373	211,600
Asset Revaluation Reserves	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713	495,713
Total Equity	668,132	674,458	679,920	680,660	683,810	687,224	690,783	692,455	694,153	699,023	704,086	707,313

