

Audit & Risk Committee Minutes

7 March 2024

Our Vision

*A City which values its heritage, cultural diversity,
sense of place and natural environment.*

*A progressive City which is prosperous, sustainable
and socially cohesive, with a strong community spirit.*

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City of
Norwood
Payneham
& St Peters

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VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.00pm

PRESENT

Committee Members Mayor Robert Bria (Presiding Member)
Cr Grant Piggott
Ms Sandra Di Blasio (Independent Member)

Staff Lisa Mara (General Manager, Governance & Civic Affairs)
Marina Fischetti (Executive Assistant, Governance & Civic Affairs)

APOLOGIES Ms Stefanie Eldridge (Independent Member)
Cr Claire Clutterham

ABSENT Nil

TERMS OF REFERENCE:

The functions of the Audit & Risk Committee include:

- (a) reviewing Annual Financial Statements to ensure that the Statements present fairly the state of affairs of the Council; and*
- (b) proposing, and providing information relevant to, a review of the Council's strategic management plans or annual business plan; and*
- (c) monitoring the responsiveness of the Council to recommendations for improvement based on previous audits and risk assessments, including those raised by the Council's External Auditor; and*
- (d) proposing, and reviewing, the exercise of powers under Section 130A of the Local Government Act 1999; and*
- (e) liaising with the Council's External Auditor in accordance with any requirements prescribed by the regulations; and*
- (f) reviewing the adequacy of the accounting, internal controls, reporting and other financial management systems and practices of the Council on a regular basis; and*
- (g) providing oversight of planning and scoping of the Internal Audit work plan; and*
- (h) reviewing and commenting on reports provided by the person primarily responsible for the Internal Audit function at least on a quarterly basis; and*
- (i) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and*
- (j) reviewing any report obtained by the Council pursuant to Section 48(1) of the Local Government Act 1999; and*
- (k) performing any other function determined by the Council or prescribed by the regulations.*

1. CONFIRMATION OF MINUTES OF THE SPECIAL MEETING OF THE AUDIT & RISK COMMITTEE HELD ON 6 DECEMBER 2023

Cr Piggott moved that the Minutes of the Audit & Risk Committee meeting held on 6 December 2023 be taken as read and confirmed. Seconded by Ms Sandra Di Blasio and carried unanimously.

2. PRESIDING MEMBER'S COMMUNICATION

Nil

3. QUESTIONS WITHOUT NOTICE

4. QUESTIONS WITH NOTICE

Nil

5. WRITTEN NOTICES OF MOTION

Nil

6. STAFF REPORTS

6.1 DRAFT 2024-2034 LONG-TERM FINANCIAL PLAN – KEY PERFORMANCE INDICATORS

REPORT AUTHOR: General Manager, Governance & Civic Affairs
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA137443
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present the updated draft Long-Term Financial Plan Key Performance Indicators for the period 2023-2024 - 2033-2034 (LTFP), to the Audit & Risk Committee for consideration and recommendation to the Council.

BACKGROUND

Section 122 of the *Local Government Act 1999* (the Act), requires the Council to prepare a Long-Term Financial Plan for a period of at least ten (10) years. In addition, the Council must undertake a review of the Long-Term Financial Plan as soon as practicable after adopting the Council's Annual Business Plan for a particular financial year.

As part of the 2023-2024 Annual Business, the Council was advised that the LTFP was required to be reviewed on the basis of the Council's decision to undertake the Payneham Memorial Swimming Centre Project.

At its meeting held on 6 December 2023, the draft *2024-2034 Long-Term Financial Plan*, was presented to the Audit & Risk Committee for consideration. Following consideration of the draft LTFP, the Committee resolved the following:

1. *That the draft 2024-2034 Long-Term Financial Plan as contained in Attachment A be received and noted.*
2. *That the Audit & Risk Committee, having considered the draft 2024-2034 Long-Term Financial Plan notes that the draft Plan indicates that the Council:*
 - *is sustainable in the long term; and*
 - *will move outside of the Key Financial Indicators targets for a limited period of time but will return to the targets within the 10 year timeline of the draft Plan.*
3. *That the Audit & Risk Committee recommends to the Council that the targets of the Key Financial Indicators are revised annually by the Audit & Risk Committee and recommendations on any revised targets are made to the Council for the Council's consideration.*

At its meeting held on 11 December 2023, the Council adopted the abovementioned recommendation of the Audit & Risk Committee.

Since that time, the Key Performance Indicators, as set out in the draft *2024-2034 Long Term Financial Plan*, have been reviewed to incorporate updated costs and other assumptions, which have been identified through the 2023-2024 First Quarter and Second Quarter Budget reviews.

A copy of the updated draft *2024 to 2034 Long-Term Financial Plan* Key Performance Indicators is contained in **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council's Strategic Management Plan, *CityPlan 2030: Shaping Our Future*, provides the framework upon which the Council's Strategic Management Plans are developed. The Council's suite of Strategic Management Plans currently incorporates *CityPlan 2030*, the LTFP, the Infrastructure and Asset Management Plans and the Annual Business Plan and Budget.

The LTFP is the primary financial management document which links the Council's Strategic Management Plans, *City Plan 2030*, Whole-of-Life Asset Management Plans and the Annual Business Plan and Budget.

FINANCIAL AND BUDGET IMPLICATIONS

The financial projections contained within the draft LTFP, provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council. The LTFP should be viewed as a guide to future actions or opportunities, which encourages the Council to consider the future impact of its decisions which are made, on the Council's long-term and on-going financial sustainability. To this end, reference is made each year to the LTFP when preparing the Annual Business Plan and Annual Budget, to ensure that the broad financial outcomes which the Council has set and agreed upon are continuing to be achieved.

EXTERNAL ECONOMIC IMPLICATIONS

This report provides updated information on the financial projections covering the period from 2023-2024 through to 2033-2034 based on the set of assumptions outlined in the Discussion section of this report.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

The draft LTFP has been prepared in accordance with the *Local Government Act 1999*.

CONSULTATION

- **Elected Members**
The draft LTFP has been considered by Elected Members and the Audit & Risk Committee at various Information Sessions and meetings. The most recent Information Session regarding the draft LTFP was held on 26 February 2024.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

The updated draft *2024-2034 Long Term Financial Plan* incorporates the following Financial Goal and Objectives which have been adopted by the Council:

Financial Goal

A City which delivers on our Strategic Outcomes by managing our financial resources in a sustainable and equitable manner.

To ensure that the Council achieves its Financial Goal, a number of Financial Outcomes and Financial Targets have been established:

Outcome 1: A Balanced budget

Council services and programs, including depreciation of infrastructure and assets, is fully funded and the costs are shared equitably between current and future ratepayers.

Outcome 2: Rate Stability

Annual rate collections are fair and equitable for our residents and ratepayers with the aim to keep rate revenue increases stable over the medium term.

Outcome 3: Infrastructure and Asset Management

Maintain Infrastructure and Assets in line with the Council’s Whole of Life Infrastructure framework to achieve the outcomes and objectives, as set out in the Council’s Strategic Plan, *City Plan 2030*.

Outcome 4: Debt Management

Prudent use of debt to invest in new long term assets to ensure intergenerational equity between current and future users.

The Financial Goal and Outcomes were reviewed to determine the on-going relevance of these objectives for the draft *2024-2034 Long Term Financial Plan*. It has been determined that these objectives continue to remain relevant and therefore form the basis for the draft Plan.

The targets set for each Outcome are contained in Table 1 below.

TABLE 1: LONG TERM FINANCIAL PLAN – FINANCIAL TARGETS

Outcome	Indicator	Description of Indicator	Target
A balanced budget	Operating Ratio	This indicator represents the percentage by which income source varies from the day-to-day operating expenditure. The ratio is calculated by measuring the Councils Operating result as a percentage of Rate Revenue, where Operating Result equals operating revenue less operating expenses (including depreciation).	0-10%
Rate stability	Rate revenue increases	Year on year increase in total rate revenue collected	Between 4% and 8%

Outcome	Indicator	Description of Indicator	Target
Infrastructure and Asset Management	Asset Sustainability Ratio	Asset Sustainability Ratio measures whether the Council is renewing or replacing existing physical assets (roads, footpaths, buildings etc.) at the same rate the stock of assets is wearing out. The ratio is calculated by measuring capital expenditure on renewal or replacement of assets, relative to the planned spend outlined in the Council's Asset Management Plans.	Between 90% and 110% on a rolling 3 year period
Debt Management	Net Financial Liabilities	A Council's indebtedness must be managed to ensure its liabilities and associated costs are met without impinging on the financial sustainability of the Council. Net Financial Liabilities ratio measures the extent of what is owed by the Council less any liquid assets (i.e. cash or receivables) of the Council are met by its Operating revenue.	≤ 100%

ASSUMPTIONS

The financial projections contained within the draft LTFP are meant to provide an indication of the Council's direction and financial capacity, rather than predicting the future financial performance and position of the Council.

The key assumptions underlying the Plan are as follows:

Maintaining existing services at current service standards

The Plan is based on a "*business as usual*" assumption, which means that the Council will continue to provide the existing services at the current service levels.

The "*business as usual*" assumption does not take into account any change in direction or service level in response to community expectations, legislative requirements or changing economic conditions.

For the purpose of developing the forward projections, the draft LTFP assumes new operational expenditure of \$1 million on average each year.

Rate Revenue

The updated Key Performance Indicators reflect Rate Revenue increases commencing at 8.0% in 2024-2025. Table 2 below sets out the assumed Rate Revenue Increases over the life of the LTFP as at February 2024.

TABLE 2: LONG TERM FINANCIAL PLAN – RATE REVENUE INCREASES

2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34
8.0%	8.0%	7.0%	6.5%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Asset Renewal and Replacement

The Key Performance Indicators for the Asset Renewal Funding Ratio has been assumed at 100% renewal, on the basis that the Council's "Whole-of-Life" Asset Management Plans are in the process of being reviewed and therefore the ratio will be reconsidered once the Plans are finalised and adopted by the Council.

Therefore, the updated Key Performance Indicators reflect an Asset Renewal Funding Ratio of 141.3% in 2024-2025 which, as set out above reflects 100% in 2028-2029 and remains at 100% through to 2033-2034.

Debt Management

Based on the principle of "intergenerational equity", the Plan assumes that the Council will borrow to fund new and upgraded assets.

The updated LTFP includes borrowings as a Cash Advance Debenture (CAD) and not a loan on the basis that a CAD provides flexibility in terms of timings associated with taking out loans.

A copy of the updated Key Performance Indicators is contained within **Attachment A**.

OPTIONS

This report is presented for information purposes only.

The Key Performance Indicators as set out in the Council's draft *2024-2034 Long Term Financial Plan* have been updated following the First 2023-2024 Budget and Second Budget Reviews.

However, further work will be undertaken in respect to the draft *2024-2034 Long Term Financial Plan* as part of the *2024-2025 Annual Business Plan and Budget*.

Following the completion of the *2024-2025 Annual Business Plan and Budget* the draft *2024-2034 Long Term Financial Plan* will be presented to the Council for adoption.

CONCLUSION

Based on the underlying assumptions contained within the draft Plan and noting that there are variations in the Key Financial Indicators over some periods in the Plan and that these Indicators return to the targets within the 10 year timeframe of the Plan, the draft Plan indicates that the Council is sustainable in the long term.

The Council's Operating Surplus Ratio, over the period of the draft Plan is forecast to grow from 0.4% to 5.6% by 2033-2034.

Rate revenue increases are stable over the life of the Plan, indicating equity between generations and that current and future ratepayers pay only for their share of the City's assets and services.

COMMENTS

Nil.

RECOMMENDATION

That the updated Key Performance Indicators as set out in draft *2024-2034 Long-Term Financial Plan* as contained in Attachment A be received and noted.

Ms Sandra Di Blasio moved:

That the updated Key Performance Indicators as set out in draft 2024-2034 Long-Term Financial Plan as contained in Attachment A be received and noted.

Seconded by Cr Grant Piggott and carried unanimously.

6.2 REVIEW OF FINANCE POLICIES

REPORT AUTHOR: General Manager, Governance & Civic Affairs
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA61370
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of the report is to present three (3) policies which have been reviewed to the Audit & Risk Committee for adoption.

BACKGROUND

Policies, Codes of Practice and Codes of Conduct are important components of a Council's governance framework. Policies set directions, guide decision making and inform the community about how the Council will normally respond and act to various issues.

When a decision is made in accordance with a Council policy or code, both the decision-maker and the community can be assured that the decision reflects the Council's overall aims and principles of action.

Accordingly, policies and codes can be used in many contexts to:

- reflect the key issues and responsibilities facing a Council;
- provide a policy context and framework for developing more detailed objectives and management systems;
- guide staff and ensure consistency in delegated and day-to-day decision-making; and
- clearly inform the community of a Council's response to various issues.

It is therefore important that policies remain up to date and consistent with any position adopted by the Council.

A review of all Finance related policies has commenced to ensure that all policies are relevant, contemporary and legislatively compliant and these will be presented to the Audit & Risk Committee for endorsement as each policy is reviewed.

The following Policies are now scheduled to be reviewed:

1. Bank Accounts (**Attachment A**);
2. Budget (**Attachment B**); and
3. Treasury Management (**Attachment C**).

Where required, the Policies have been amended to ensure that the Policies meet current standards and reflect the Council's position on the respective matters.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

DISCUSSION

Bank Accounts Policy

The *Bank Accounts Policy* is an existing Policy.

The objective of the *Bank Accounts Policy* sets out the operational frameworks in terms of the management of the Council's bank accounts.

Only minor amendments and formatting changes are recommended.

A copy of the draft *Bank Accounts Policy* is contained within **Attachment A**.

Budget Policy

The *Budget Policy* is an existing Policy.

The objective of this Policy is to document the process to be used for the preparation of the Council's Annual Budget.

With the exception of a change to the title of the staff member responsible for the Policy, no changes are recommended to the Policy.

A copy of the draft *Budget Policy* is contained within **Attachment B**.

Treasury Management Policy

The *Treasury Management Policy* is an existing Policy.

The objective of the Policy is to ensure sound management of the Council's financial transactions with regards to borrowings and investments.

With the exception of a change to the title of the staff member responsible for the Policy, no changes are recommended to the Policy.

A copy of the draft *Treasury Management Policy* is contained within **Attachment C**.

OPTIONS

The Committee can determine not to endorse the draft Policies, however as the draft Policies are required and have been prepared to meet legislative requirements, and manage particular finance matters, it is recommended that the Committee endorses the draft Policies as presented.

CONCLUSION

A comprehensive financial policy framework is essential for public accountability, transparency and consistency in Council decision making.

Policies should be supported by a comprehensive set of documented procedures detailing the specific staff responsibilities and processes to be followed to give effect to the policies and ensure that sound financial management practices are in place. Without such documented financial policies and procedures, the Council could be subject to criticism, (rightly or wrongly), that their financial management framework lacks transparency, legislative compliance or does not reflect contemporary standards.

The requirement on the Council's Auditors to provide an opinion on the adequacy of the Council's internal financial controls further emphasises the need for an explicit, clearly documented, framework of policies and procedures.

COMMENTS

To ensure compliance with Section 125 of the *Local Government Act 1999*, the Council must have in place, appropriate policies, practices and procedures, which assist the Council to carry out its activities in an efficient and orderly manner. To achieve this objective, it is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

There is no legislative requirement to consult in respect to these policies.

RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that the following be adopted:

- Bank Accounts Policy (**Attachment A**);
 - Budget Policy (**Attachment B**); and
 - Treasury Management Policy (**Attachment C**).
-

Cr Piggott moved:

1. *That the Audit & Risk Committee recommends to the Council that the following be adopted:*
 - *Bank Accounts Policy (Attachment A), as amended to include a requirement that at least five (5) staff members be appointed as Authorised Signatories;*
 - *Budget Policy (Attachment B); and*
2. *That consideration of the Treasury Management Policy (Attachment C) be deferred pending further information set out within this Policy to include references to appropriate management of debt (eg. ratio of fixed versus variable interest rates and borrowings) and that the Policy be presented at a future meeting of the Audit & Risk Committee.*

Seconded by Ms Sandra Di Blasio and carried unanimously.

6.3 FINANCIAL DELEGATIONS POLICY

REPORT AUTHOR: General Manager, Governance & Civic Affairs
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4549
FILE REFERENCE: qA61370
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present the draft *Financial Delegations Policy* to the Audit & Risk Committee for consideration and endorsement.

BACKGROUND

Councils exercise a broad range of statutory powers and functions. Most of these powers and functions can be delegated by Councils pursuant to either Section 44 of the *Local Government Act 1999* or statutory powers of delegation which are set out in other Acts relevant to Local Government.

Section 44 (2) of the *Local Government Act 1999*, provides that delegations may be made to:

- an employee of the Council; or
- the employee of the Council for the time being occupying a particular office or position.

In respect to the approval of expenditure, the delegation is limited to the expenditure of money on works, services and operations which are contained in the Council's Annual Budget Plan, as adopted by the Council.

Pursuant to Section 125 of the *Local Government Act 1999*, the Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of the Council's records.

In this regard, the Council's *Financial Delegations Policy* (the Policy), has been prepared in accordance with Section 125 of the Act.

Whilst the Policy has been in place for a number of years, the Policy was reviewed by the Audit & Risk Committee at its meeting held on 18 September 2023.

At that time, the *Schedule of Financial Delegations* formed part of the Policy.

In respect to Financial Delegations, the Act provides for the Council to delegate to the Chief Executive Officer the power to expend funds in the exercise, performance or discharge of its powers, functions or duties under the Act or any other Act. This includes not only expenditure, procurement, purchase orders, invoice processing and petty cash.

The Act provides that the Chief Executive Officer may then subdelegate the powers conferred on the position of Chief Executive Officer, including Financial Delegations, in accordance with Sections 44(4)(b) and 101 of the Act (unless otherwise prevented by legislation or a condition/limitation imposed by the Council under the delegation).

On this basis and in terms of operational efficiencies, the Financial Delegations Policy has been reviewed and updated.

A copy of the draft *Financial Delegations Policy* is contained within **Attachment A**.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

DISCUSSION

The objective of the draft *Financial Delegations Policy* to provide clear direction and a framework within which the Council is able to deliver its corporate governance outcomes in the stewardship of public resources. The draft Policy therefore seeks to deliver upon this objective by ensuring that staff who enjoy the delegation of power of expenditure, have appropriate authority to conduct their activities and that all financial delegations are within the scope of this Policy and are appropriately authorised.

As set out above, in terms of operational efficiencies the draft Policy has been amended to remove the following attachments to the Policy:

- *Financial Delegations Register* - Schedule 1; and
- *Financial Delegations Register* - Specified Transactions – Schedule 2.

The Financial Sub-delegations will be managed by the Chief Executive's office and Chief Financial Officer and will be made in relation to a particular position rather than to an individual, so that the powers and functions can be exercised by anyone holding that position from time – to time.

In terms of operational efficiencies, this means that when a new staff member commences or there is a change to a position title, the Financial Delegations can be enacted by the Chief Executive Officer and updated immediately without the need to refer the *Financial Delegations Registers* (Schedules 1 and 2), to the Committee.

In other words, Financial Delegations to staff are matters of an operational nature and do not require the approval of the Council.

OPTIONS

As the draft *Financial Delegations Policy* is required by legislation without a requirement for consultation, it is recommended that the Committee endorses the draft Policy.

CONCLUSION

A comprehensive financial policy framework is essential for public accountability, transparency and consistency in Council decision making.

Policies should be supported by a comprehensive set of documented procedures detailing the specific staff responsibilities and processes to be followed to give effect to the policies and ensure that sound financial management practices are in place. Without such documented financial policies and procedures, the Council could be subject to criticism, (rightly or wrongly), that their financial management framework lacks transparency, legislative compliance or does not reflect contemporary standards.

COMMENTS

To ensure compliance with Section 125 of the *Local Government Act 1999*, the Council must have in place, appropriate policies, practices and procedures, which assist the Council to carry out its activities in an efficient and orderly manner. To achieve this objective, it is important to ensure that the policies adopted by the Council are regularly reviewed to ensure that they reflect the current operating environment and continue to meet the Council's overall objectives.

RECOMMENDATION

That the Audit & Risk Committee recommends to the Council that the *Financial Delegations Policy* (Attachment A), be adopted.

Ms Sandra Di Blasio moved:

That the Audit & Risk Committee recommends to the Council that the Financial Delegations Policy (Attachment A), be adopted.

Seconded by Cr Piggott and carried unanimously.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
Nil

9. NEXT MEETING
Monday 22 April 2024

10. CLOSURE

There being no further business the Presiding Member declared the meeting closed at 7.44pm.

Mayor Robert Bria
PRESIDING MEMBER

Minutes Confirmed on _____
(date)