

Audit Committee Minutes

25 July 2022

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

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 MAY 2022	1
2. PRESIDING MEMBER'S COMMUNICATION	1
3. QUESTIONS WITHOUT NOTICE	1
4. QUESTIONS WITH NOTICE	1
5. WRITTEN NOTICES OF MOTION	1
6. STAFF REPORTS	1
6.1 DRAFT ANNUAL REPORT TO COUNCIL.....	2
6.2 DRAFT 2022-2023 AUDIT COMMITTEE WORK PROGRAM	5
6.3 2022-2023 ANNUAL BUSINESS PLAN AND BUDGET	7
6.4 2022-2023 INSURANCE COVERAGE AND 2021-2022 INSURANCE CLAIMS.....	14
6.5 FINANCE POLICIES	20
7. CONFIDENTIAL REPORTS	23
8. OTHER BUSINESS	23
9. NEXT MEETING	23
10. CLOSURE.....	23

VENUE Mayors Parlour, Norwood Town Hall

HOUR 7.01pm

PRESENT

Committee Members Cr John Minney (Presiding Member)
Cr Mike Stock
Ms Brigid O'Neill (Independent Member)

Staff Mario Barone (Chief Executive Officer)
Sharon Perkins (General Manager, Corporate Services)

APOLOGIES Mayor Robert Bria
Ms Sandra Di Blasio (Independent Member)

ABSENT Nil

TERMS OF REFERENCE:

The Audit Committee is responsible to facilitate:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- propose and provide information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council's assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- proposing and reviewing the exercise of powers under Section 130A of the Local Government Act 1999;
- review Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council's Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

1. CONFIRMATION OF MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON 23 MAY 2022

Cr Stock moved that the minutes of the Audit Committee meeting held on 23 May 2022 be taken as read and confirmed. Seconded by Ms Brigid O'Neill and carried.

2. PRESIDING MEMBER'S COMMUNICATION

Nil

3. QUESTIONS WITHOUT NOTICE

Nil

4. QUESTIONS WITH NOTICE

Nil

5. WRITTEN NOTICES OF MOTION

Nil

6. STAFF REPORTS

6.1 DRAFT ANNUAL REPORT TO COUNCIL

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586/A439835
ATTACHMENTS: A - C

PURPOSE OF REPORT

The purpose of this report is to endorse, the draft Annual Report, which details the activities undertaken by the Audit Committee for the year ended 30 June 2022.

BACKGROUND

The Audit Committee's 2021-2022 Work Program, requires an Annual Report to be provided to the Council which addresses the following:

- *outputs relative to the Audit Committee's Work Program and the results of a self-assessment of performance for the preceding period, including whether it believes any changes to its Terms of Reference are appropriate;*
- *any identified training needs;*
- *advising future work program proposals; and*
- *invite comment from the Council on all of the above.*

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL IMPLICATIONS

Nil

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Nil

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

The Audit Committee's 2021-2022 Work Program has been updated to include all of the activities which have been completed. A copy of the updated Program is contained in **Attachment A**.

A copy of the Draft 2021-2022 Audit Committee Annual Report (the Report) to the Council is contained in **Attachment B**. The Committee is requested to review the Report, discuss any amendments which it wishes to make to the Report and endorse the Report.

The Annual Report to the Council also requires the Audit Committee to determine whether its Terms of Reference remain appropriate. The *Statutes Amendment (Local Government Review) Act 2021* (the Act) includes a number of changes to the operations of Audit Committees and as a consequence the Committees *Terms of Reference*. The new provisions, which relate to the operations of the Audit Committees are due to come into effect by November 2023. Notwithstanding this, the Council may elect to implement the changes prior to this date.

As Committee Members are aware, staff have undertaken a review of the existing *Terms of Reference* against the new provisions relating to the operation of Audit and Risk Committees (as it will now to be referred to) and have advised that the Audit Committee's existing *Terms of Reference* and Annual Work Program, includes a number of the reform provisions and as such the impact on the Audit Committee is considered minimal, with the exception of the membership of the Committee, which will require the majority of independent members who are not members of any Council. Given that the relevant provisions of the Act are yet to come into effect and that the term of the current Audit Committee expires on 31 October 2022, there are no changes recommended to the *Terms of Reference*. A copy of the *Terms of Reference* is contained in **Attachment C**.

A report on the establishment of the new Audit and Risk Committee will be provided to the Council for consideration following the Local Government Elections in November 2022.

OPTIONS

Not Applicable.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

1. That the draft 2021-2022 Audit Committee Annual Report as contained in **Attachment B**, be endorsed and submitted to the Council.
 2. That the Audit Committee Terms of Reference as contained in **Attachment C**, be recommended to the Council for adoption.
-

Cr Stock moved:

1. *That the draft 2021-2022 Audit Committee Annual Report as contained in **Attachment B**, be endorsed and submitted to the Council.*
2. *That the Audit Committee Terms of Reference as contained in **Attachment C**, be recommended to the Council for adoption.*
3. *That the draft Terms of Reference which reflect the new provisions of the Statutes Amendment (Local Government Review) Act 2021, as they relate to the future operations of the Audit Committee, be presented for consideration at the Audit Committee meeting scheduled for 24 October 2022.*

Seconded by Ms Brigid O'Neill and carried unanimously.

6.2 DRAFT 2022-2023 AUDIT COMMITTEE WORK PROGRAM

REPORT AUTHOR: General Manager, Corporate Services
GENERAL MANAGER: Chief Executive Officer
CONTACT NUMBER: 8366 4585
FILE REFERENCE: qA98586/A439843
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of the report is to provide the Audit Committee with the Draft Work Program for the year ending 30 June 2023.

BACKGROUND

Pursuant to Section 126 of the *Local Government Act 1999* and as detailed in the Audit Committee's Terms of Reference, the Audit Committee is responsible for facilitating:

- the enhancement of the credibility and objectivity of internal and external financial reporting;
- provision of information relevant to a review of the Council's Strategic Management Plans and Annual Business Plan;
- the review and reporting on any matter relating to financial management or the efficiency and economy with which the Council manages its resources;
- effective management of financial and other risks and the protection of the Council's assets;
- compliance with laws and regulations related to financial and risk management as well as use of best practice guidelines;
- the provision of an effective means of communication between the external auditor, management and the Council;
- the review of the exercise of powers under Section 130A of the *Local Government Act 1999*.
- review of the Annual Financial Statements to ensure that they present fairly the state of affairs of the Council;
- liaising with the Council's Auditor; and
- reviewing the adequacy of accounting, internal control reporting and other financial management systems and practices of the Council on a regular basis.

RELEVANT POLICIES & STRATEGIC DIRECTIONS

Not Applicable.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this issue.

SOCIAL ISSUES

Nil

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

The Audit Committee must ensure that the Work Program addresses the statutory obligations and focuses on the adequacy of the Councils' systems and practices with respect to risk management, financial reporting, the internal control environment and other financial management systems.

The Draft 2022-2023 Work Program contained in **Attachment A** reflects the requirements to the Audit Committee's Terms of References and meets the Council's statutory requirements.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

To ensure that the requirements of the *Local Government Act 1999* and the Terms of Reference are fulfilled, the Audit Committee is required to develop a Work Program each year.

A draft Work Program, based on prior years is contained in **Attachment A**.

OPTIONS

The Committee can either endorse the Work Program (contained in **Attachment A**) or amend the document as appropriate.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the Draft 2022-2023 Audit Committee Work Program as contained in **Attachment A** be adopted.

Ms Brigid O'Neill moved:

*That the Draft 2022-2023 Audit Committee Work Program as contained in **Attachment A** be adopted.*

Seconded by Cr Stock and carried unanimously.

6.3 2022-2023 ANNUAL BUSINESS PLAN AND BUDGET

REPORT AUTHOR: Financial Services Manager
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 83664585
FILE REFERENCE: qA83739/A425583
ATTACHMENTS: A

PURPOSE OF REPORT

The purpose of this report is to present to the Audit Committee, the 2022-2023 Annual Business Plan and Budget as adopted by the Council.

BACKGROUND

Pursuant to Chapters 8,9,10 of the *Local Government Act 1999* (the Act), the Council is required to adopt both the Annual Business Plan and Annual Budget, after 31 May but before 15 August each year.

Part 2 of the Act, “*Annual Business Plans and Budgets*”, requires the Council to consider its budget in conjunction with the Council’s Annual Business Plan and adopt it following the adoption of the Annual Business Plan.

At its meeting held on 4 July 2022, the Council adopted the 2022-2023 Annual Business Plan and Budget and declared the Rates for the 2022-2023 Financial Year.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

The Council’s Long Term Strategic directions are outlined in the Councils Strategic Management Plan, *City Plan 2030 – Shaping our Future*. The 2022-2023 Annual Business Plan and Budget, sets out the proposed services and programs and initiatives for the 2022-2023 Financial Year and explains how the Council intends to finance its continuing services, programs and initiatives which are to be undertaken during the year.

The Council’s Rating Policy sets the Council’s approach to determining and collecting rates from the community.

FINANCIAL AND BUDGET IMPLICATIONS

The Budget has been prepared in line within the Council’s Budget Guidelines that were endorsed by the Council on 17 January 2022 and incorporates the decisions which have been made by the Council at its meetings held on 13 April 2022, 9 May 2022 and 21 June 2022.

The adopted Budget, is based on a Rate Revenue increase of 6.0%. With valuation growth, the Rate-in-the-Dollar has **decreased** 15.3%. Revenue attributed to new development growth (combined new assessments and improvements) is 0.99% or \$369,000.

Since the last Committee meeting held on 23 May 2022, the Council considered the Draft Budget on two occasions and endorsed the following adjustments:

- **Inclusion of the Council’s share of the operating result of Highbury Landfill Authority**

The Council endorsed the Highbury Landfill Authority Draft 2022-2023 Budget on 6 June 2022. As a Constituent Council of the Highbury Landfill Authority, the Council is required to include in its Budget, the Council’s ownership share of the Highbury Landfill Authority operating result. The Council’s ownership share is 40.4%.

The Council’s share of the Net Gain - Joint Ventures & Associates, as set out on the Statement of Comprehensive Income has increased to \$ 20,900, an increase of \$5,250 due to the recognition of the budgeted Operating Surplus from the Highbury Landfill Authority.

- **Amendment to the Council's share of the Operating result of ERA Water**

The Council endorsed the ERA Water Draft 2022-2023 Budget on 13 April 2022. ERA Water subsequently amended its draft budget, which the Council considered and endorsed on 6 June 2022. As a Constituent Council of the ERA Water, the Council is required to include in its Budget, the Council's ownership share of the ERA Water operating result. The Council's ownership share is 33.3%.

The impact of the ERA Water Revised Draft Budget is an increase in the Councils share of the Net Loss - Joint Ventures & Associates to \$ 283,700, an increase of \$108,000 due the increase in the ERA Water budgeted Operating Deficit to \$803,000, an increase of \$324,000 on the draft ERA Water Budget.

- **Increase in the Council's contribution to Cats Assistance to Sterilisation (CATS) Inc.**

CATS Inc has been managing cats within the City of Norwood Payneham & St Peters for over 30 years, with the organisation dedicated to reducing cat numbers and cat related issues.

A part of the Council's public consultation process in respect to the draft 2022-2023 Annual Business Plan, the Council received a submission from CATS Inc requesting an increase in the annual funding contribution which the Council provides to CATS Inc from \$3,000 to \$6,000. The additional funds will be used to increase the number of cats desexed. The Council endorsed the increased contribution at its meeting held on 4 July 2022.

- **Increase in Waste Management Budget**

The Council was advised on 24 June 2022, of the potential increase in disposal costs associated with the Council's kerbside recyclables. As Committee Members are aware, in developing the Draft 2022-2023 Budget, the Council's Waste Management Budget was based on the existing contract between East Waste and NAWMA (which expired on 30 June 2022, as East Waste did not exercise the three (3) year extension clause). The disposal fee under the contract was in the order of \$90 per tonne. At its meeting held on 6 June 2022, given the increase in the number of MRF's, the Council approved East Waste's request to approach the market for a one-year contract. This process was however, not completed and East Waste has re-commenced negotiations with NAWMA. East Waste has subsequently advised that subject to the approval by the NAWMA Board, an "in principle" agreement has been negotiated with NAWMA to receive and process recyclable material volumes for the next 3-month period from 1 July 2022 to 30 September 2022, at a flat fee (including transport) of \$139 per tonne. East Waste has advised that it is working to secure a longer-term proposal with NAWMA, however it is not in a position to advise on the disposal cost post 30 September 2022. The full year impact on the Council's budget of the fee increase at \$139 per tonne is \$172,000. As East Waste only has approval to enter into a one-year contract, it is considered unlikely that East Waste will be in a position to negotiate a more favourable outcome for the remainder of the 2022-2023 Financial year and as such, the Council's Waste Management Budget, is based on the assumption that the recyclables disposal cost will be \$139 per tonne for the full year.

As a result, the Council's adopted Budget is forecasting an Operating Surplus of \$862,000, which is a \$278,000 reduction of the draft Operating Surplus of \$1.140 million included in the Draft 2022-2023 Annual Business Plan and Budget considered by the Audit Committee at its meeting held on 23 May 2022 and released for public consultation.

EXTERNAL ECONOMIC IMPLICATIONS

Nil

SOCIAL ISSUES

The *Local Government Act 1999*, provides a number of measures which the Council can provide rate relief to eligible ratepayers. Relief options includes, automatic rate capping, postponements of rates, remissions and payment plans.

CULTURAL ISSUES

Nil

ENVIRONMENTAL ISSUES

Nil

RESOURCE ISSUES

Nil

RISK MANAGEMENT

The Draft Budget was prepared in absence of the 2022-2023 State Budget, which was released on 2 June 2022.

A number of components of the Councils Draft Budget are impacted upon by decisions which are made by the State Government. A number of assumptions have been made with respect to those components of the Councils Draft Budget which are influenced by the decisions of the State Government.

Following consideration of the 2022-2023 State Budget, the assumptions and other decisions upon which the Draft Budget is based, have not been materially impacted by the State Budget.

As Elected Members are aware, the Federal Government advanced 75% of the 2022-2023 Financial Assistances Grants to the Council in April 2022. The cash advance is aimed at providing Councils immediate access to funds to help manage the cumulative impacts of floods and the COVID-19 pandemic. While this decision implies that the Council will only receive one (1) quarter of the Financial Assistance Grant in 2022-2023, past practice indicates that advance payments will continue, as such the Draft Budget has been prepared on the assumption that the equivalent of four (4) quarterly payments will be received.

If the Federal Government does not advance Financial Assistance Grants payments from the 2023-2024 funding allocation, the Operating Surplus will be reduced by \$1.071 million, with a corresponding decrease in the cash surplus. Since the commencement of advancing Financial Assistance Grant Funding in 2008 (in response Global Financial Crisis), with the exception of the 2015-2016 financial year, the Federal Government has made advance payments, however it is considered unlikely that the advance of three (3) quarters will continue and that the advance payments will return to two (2) quarters, which if this does eventuate, the Operating Surplus and cash surplus will be reduced by \$435,000.

On 24 June 2022, East Waste advised that it is anticipating further increases in fuel prices, which will impact on the operational costs of East Waste. The East Waste Budget, endorsed by the Council at its meeting held on 2 May 2022 and which the Council's Waste Management Budget is based, estimated an average fuel price of \$1.55 per litre across the 2022-2023 Financial year. East Waste has since advised that it anticipates fuel prices to increase to \$2.50 per litre. If this does eventuate it will add in order of \$1 million to the East Waste operational costs, with this Council's share being estimated at \$180,000. East Waste has advised that given it is susceptible to fuel price movements, there will be a need to re-forecast their budget and potentially increase the collection charges, however, given that Constituent Councils have or are near to adopting their respective budgets, any requests for an increase in the collection charge this will be addressed through the budget review process.

Given that the impact fuel prices (which could be higher or lower) are likely to become clearer as the year progresses, coupled with the past practice of East Waste refunding collection costs which are paid by the Constituent Councils (based on the actual cost incurred), the Council's 2022-2023 Budget was not updated to reflect the potential increase in the collection charge (due to increased fuel prices), as estimated by East Waste. If fuel price increase as East Waste is anticipating and is sustained at \$2.50 cents per litre for the 2022-2023 Financial year and collection charge is increased as a consequence, the Operating Surplus, without alternative savings, will be reduced by \$180,000, with a corresponding decrease in the cash surplus.

COVID-19 IMPLICATIONS

The focus in developing the Draft 2022-2023 Annual Business Plan and Budget, has been on ensuring that the Council maintains the service standards for its existing range of services which are aimed at supporting the delivery of the Strategic Objectives outlined in the Councils' Strategic Management Plan *CityPlan 2030*.

As such, the Budget is based on the premise that the programs, services and activities that were suspended or cancelled over the last two (2) years will be delivered and does not provide for the continuation of COVID-19 financial relief, as provided in the previous two (2) financial years. The Council's *Financial Hardship Policy* provides options for ratepayers with respect to the payment of rates.

CONSULTATION

- **Elected Members**

Elected Members have been involved throughout the preparation of the 2022-2023 Annual Business Plan and Budget process and have considered the various components of the Draft 2022-2023 Annual Business Plan and Budget at meetings held on 13 April 2022, 9 May 2022 and 21 June 2022 and made "*in principle*" decisions as appropriate to arrive at the 2022-2023 Annual Business Plan and Budget.

- **Audit Committee**

The Audit Committee considered the Draft Budget at its Special Meeting held on 28 March 2022. Mayor Bria, Councillor Minney and Councillor Stock are members of the Audit Committee.

- **Community**

In line with the requirements of the Act, public submissions on the Draft 2022-2023 Annual Business Plan were sought. Fourteen (14) written submissions were received and considered by Council at its meeting held on 21 June 2022.

- **Staff**

The review of Operating Expenditure and Special Projects and the Draft Annual Business Plan process, has been completed with the involvement of the Chief Executive Officer, General Managers and the various Responsible Officers.

- **Other Agencies**

Not Applicable.

DISCUSSION

As detailed in Table 1 below, based on 6.0% increase in Rate Revenue, the Operating Surplus is \$862,000, which is based on a Recurrent Operating Surplus of \$2.025 million and an Operating Deficit relating to Operating Projects of \$1.163 million. It should be noted that the Draft Operating Surplus includes \$363,000 from the Federal Governments' *Roads-to-Recovery Grant Program*, the Council's share of the Net loss from its Regional Subsidiaries (\$263,000) and carry forward expenditure (\$213,000) relating to projects approved in prior financial years which have yet to be completed. Adjusting for the Carry Forward expenditure and the Net Loss from Regional Subsidiaries, the underlying Draft Operating Surplus for the provision of continuing services and programs and new initiatives, is projected to be \$1.338 million.

The adopted Budget will deliver a Cash Surplus of \$814,000, after principal loan repayments of \$945,000. The closing cash balance at the 30 June 2023 is projected to be \$6.912 million.

TABLE 1: 2022-2023 BUDGETED STATEMENT OF COMPREHENSIVE INCOME

	Recurrent Operating 2022-2023 \$	Operating Projects 2022-2023 \$	Capital 2022-2023 \$	Proposed 2022-2023 \$
INCOME				
Rates	39,920,982	-	-	39,920,982
Statutory charges	2,006,750	-	-	2,006,750
User charges	3,737,711	-	-	3,737,711
Grants, subsidies and contributions	2,515,869	492,298	-	3,008,167
Investment income	45,500	-	-	45,500
Other income	517,740	-	-	517,740
Net Gain- Joint Ventures & Associates	20,694	-	-	20,694
Total Income	48,765,246	492,298	-	49,257,544
EXPENSES				
Employee costs	15,974,750	108,000	-	16,082,750
Materials, contracts & other expenses	18,451,188	1,547,394	-	19,998,582
Finance costs	515,000	-	357,424	872,424
Depreciation, amortisation & impairment	11,158,733	-	-	11,158,733
Net Loss- Joint Ventures & Associates	283,360	-	-	283,360
Total Expenses	46,383,031	1,655,394	357,424	48,395,849
OPERATING SURPLUS / (DEFICIT)	2,382,215	(1,163,096)	(357,424)	861,695
Net gain (loss) on disposal or revaluation of assets	-	-	25,000	25,000
Amounts specifically for new or upgraded assets	-	-	10,024,823	10,024,823
NET SURPLUS (DEFICIT)	2,382,215	(1,163,096)	9,692,399	10,911,518

BORROWINGS

Proposed capital expenditure of \$49.641 million (inclusive of 2022-2023 carry forward projects) is proposed to be funded as follows:

- Use of depreciation recovered through rate revenue \$11.159 million.
- Grant Funding \$10.025 million.
- Long Term Borrowings \$28.457 million

In determining the timing and the level of borrowings required to fund the capital program, consideration has been given to the cash flow requirements and to intergenerational equity between current and future users (that is, an asset is funded from loan borrowings which is paid off over the life of the asset rather than raising rate revenue from current rate payers to pay for the asset). Whilst these considerations have formed part of the budget model, they will be reviewed and reconsidered before the decision to take out any borrowings.

Given the nature of the major projects, which in some cases will be delivered over a number of financial years, to minimise the interest costs and debt servicing needs, it is recommended that the Council utilise the Cash Advance Facilities in place to fund the cashflow required during the construction phases as opposed to the utilisation of the standard fixed period debenture loans.

As detailed in the Budgeted Cash Flow Statement in the Annual Business Plan and Budget, the closing cash balance is projected to be \$6.912 million at the end of the financial year, after the loan principal repayments of \$945,000.

As Committee Members are aware, the financial goal is to be a Council which delivers on its Strategic Outcomes by managing its financial resources in a sustainable and equitable manner. To ensure the Council delivers on its financial goal, the Council has committed to achieving a number of financial outcomes and targets.

The Table 2 below sets out how these are being met in the 2022–2023 Budget.

TABLE 2: FINANCIAL PERFORMANCE INDICATORS

Outcome	Indicator	LTFP Target	2022-2023 Budget	Target Met
A Balanced Budget	Operating Ratio	Between 0% and 10%	1.8%	✓
Rate Stability	Annual Rate Revenue Increase	Between 3% and 6%	6%	✓
Infrastructure & Asset Management	Asset Sustainability Ratio	Between 90% and 110% on a rolling three-year average	96.6%	✓
Debt Management	Net Financial Liabilities Ratio	Less than 75%	80.4%	✗
	Debt Servicing Ratio	Less than 15%	4.7%	✓

RATING STRATEGY

The Council, having considered the 2022-2023 Annual Business Plan and Budget, declared differential general rates, based on the Capital Value of rateable land and a Rate Revenue increase of 6.0%. Impact of the Rating Strategy adopted is detailed in Table 3.

TABLE 3: RATING STRATEGY

	2022-2023
Proposed Rate Revenue Increases	6.0%
	\$'000
Gross General Rate Revenue	\$39,574
Increase on Previous Year	\$2,231
Operating Surplus/(Deficit) after rate revenue increases	862
Residential Rate	
Rate Payable per Average Residential Property	\$1,671
Average Rate Difference	\$108
Increase from previous year	6.9%
Rate-in-the-Dollar	0.001929
Increase/(Decrease) from previous year	(15.3%)
Commercial Rate	
Rate payable per Average Commercial Property	\$2,525
Average Rate Difference	(\$124)
Increase/(Decrease) from previous year	(4.7%)
Rate-in-the-Dollar	0.002315
Increase/(Decrease) from previous year	(15.3%)
Minimum Rate	\$1,132
Percentage of Assessment on Minimum Rate	33.8%

Pursuant to Regulation 6 (ec.) of the *Local Government (Financial Management Regulations) 2011*, the Council is now required to express the increase in rate revenue for each land use, as the average change in the expected rates for the financial year (expressed as a whole number of dollars) for each land use category declared, compared to the expected rates for each category for the previous financial year. This is expressed as the Average Rate and is calculated by dividing the rate revenue by the number of assessments. Table 4 below details the Average Rate and the change for each land use category compared to the 2021-2022 financial year.

TABLE 4: AVERAGE RATE BY LAND USE (as per *Local Government (Financial Management) Regulations 2011*)

Land Use	Average Rate	Increase (Decrease)	% change
Residential	\$1,812	\$135	8.1%
Commercial	\$2,635	(\$94)	(3.4%)
Industrial	\$2,253	(\$103)	(4.4%)
Primary Production	\$1,670	(\$89)	(5.0%)
Vacant Land	\$1,631	(\$73)	(4.3%)
Other	\$3,623	\$59	1.7%
	\$1,912	\$104	5.8%

OPTIONS

Nil

CONCLUSION

Through the adoption of the Long-term Financial Plan, the Council has a clear strategy of achieving financial sustainability. Financial sustainability means having a financial position capable of meeting long term service and infrastructure levels and standards, which are acceptable to the community plus having the financial capacity to meet its financial obligations from cash generated from operations or cash reserves.

The Annual Business Plan and Budget, as contained in **Attachment A**, aims to ensure that the Council's emerging and continuing priorities are appropriately funded.

COMMENTS

If Committee Members have any questions or require clarification in relation to specific budget items, and/or any issues raised in this report, do not hesitate to contact the General Manager, Corporate Services, Sharon Perkins on 8366 4585, prior to the meeting.

RECOMMENDATION

That the report be received and noted.

Ms Brigid O'Neill moved:

That the report be received and noted.

Seconded by Cr Stock and carried unanimously.

6.4 2022-2023 INSURANCE COVERAGE AND 2021-2022 INSURANCE CLAIMS

REPORT AUTHOR: Management Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4541
FILE REFERENCE: qA98586/A440830
ATTACHMENTS: A - B

PURPOSE OF REPORT

The purpose of this report is to provide the Audit Committee with information regarding the Council's 2022-2023 Insurance Coverage and details of the insurance claims which have been made against the Council for the 2021-2022 Financial Year.

BACKGROUND

The Council's Insurance Coverage is placed with Local Government Risk Services (LGRS). LGRS was established to manage and service the unique insurance and risk management needs of Local Government in South Australia. LGRS comprises of number of self-managed funds, namely the Asset Mutual Fund, Mutual Liability Scheme and Workers compensation scheme.

Claims which are made against the Council, are assessed by the Council's Insurers, Local Government Risk Services, under one of the following insurance policies;

- Public Liability (Mutual Liability Scheme); or
- Asset Mutual Fund (includes Motor Vehicle Claims).

Both the Local Government Mutual Liability Scheme (Mutual Liability) and the Local Government Asset Mutual Fund (Asset Mutual Fund), are self-insured funds managed and operated by Local Government Risk Services. The Mutual Liability Scheme is an indemnity scheme that has been established pursuant to Schedule 1, Part 1 2(1) (a) of the *Local Government Act 1999* and provides unlimited civil liability. The Asset Mutual Fund has been established pursuant to Schedule 1, Part 1 2(1) (c) of the *Local Government Act 1999*.

It should be noted that the Mutual Liability Scheme is not a commercial insurance policy, but rather provides civil liability cover to Councils based on negligence, not merely as to whether damage or injury has occurred.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Insurance Coverage

For the 2022-2023 Financial year, the value of insurance premiums is \$1,689,565. The breakdown of premiums for each policy is set out in Table 1 below:

TABLE 1: INSURANCE PREMIUMS

Policy	Premium \$
Workers Compensation Scheme (Workers Compensation)	640,750
Mutual Liability Scheme (Public Liability Insurance)	419,537
Asset Mutual Fund (Asset Insurance)	382,996
Income Protection Fund	221,710
Journey Insurance	12,355
General & Products Liability	10,547
Personal Accident	1,670
Total	1,689,565

Both the Workers Compensation Scheme and Mutual Liability Scheme provide performance rebates based on prior year's performance of the Council's claims performance and audits and the overall performance of the funds. The performance bonuses received for the 2022-2023 financial year are \$190,304 from Workers Compensation Scheme and \$123,356 from the Mutual Liability Fund. Net of performance bonuses, the 2022-2023 insurance cost is \$1.376 million.

Insurance Claims

For the 2021-2022 financial year, the Council paid insurance excess payments of \$18,750 on claims which were finalised during the year. The excess payments relate to twelve (12) Motor Vehicle claims, one (1) Public Liability claims and nine (9) Asset claims.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Nil

RISK MANAGEMENT

Having in place appropriate insurance policies is a key element of the Council's Risk Management framework. Pursuant to Section 142 (1) of the *Local Government Act 1999*, the Council must take out and maintain insurances to cover civil liabilities.

The Council is a member of the Local Government Association Mutual Liability Scheme, which constitutes insurance for the purposes of Section 142 of the Act.

The Council insures other risks with Local Government Risk Services.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Not Applicable.
- **Other Agencies**
Not Applicable.

DISCUSSION

2022-2023 Insurance Coverage

The Council has in place the following insurance policies, which have been renewed for the 2022-2023 Financial year.

LGA Asset Mutual Fund

The Asset Mutual Fund provides coverage for Council owned properties including but not limited to, Buildings, Structures, Plant, Machinery, Contents of every description, Motor Vehicles and Mobile Plant. Cover for the Council's property and contents under the Asset Mutual Fund, are required to be at replacement value of the respective assets in a condition and construction in an "as new state".

Under the current policy, damage to roads, footpaths and kerbing infrastructure is not covered by the Asset Insurance Policy. No Council in the South Australia purchases insurance for their respective Civil Infrastructure Network. The basis for this decision is that due to the significant value of the Civil Infrastructure Network which Local Government is responsible for, the increase in premium cost would significantly outweigh the likely cost of any claim and therefore is uneconomical to cover.

The LGA Asset Mutual Fund (LGAAMF) has been providing 'Fidelity Guarantee' protection to its members since 2002, which also includes 'Computer Crime' protection, under property cover at no additional cost to Members. For 2022/2023, the LGAAMF no longer provides 'Fidelity Guarantee' and 'Computer Crime', via property cover. To ensure that the Councils are protected adequately, the LGAAMF has provided a 'Crime' policy for 2022-2023. The new Policy combines the 'Fidelity Guarantee' and 'Computer Crime' components into one coverage. Given the increasing occurrence of computer crime, the Council has elected to take out the 'Crime' cover. It should be noted that the deduction for the Crime Policy is \$25,000.

Income Protection Fund

The Income Protection Fund provides Income Protection and Capital benefits coverage to the City of Norwood, Payneham & St Peters for and on behalf of staff. The scope of the cover under this Policy includes;

- Capital Benefits for Death and Permanent Total Disablement (Accidents other than Journey claims); and
- weekly benefits for All Illness or Injury (not covered by the Workers Compensation Scheme).

General and Products Liability

The General & Products Policy provides coverage to the City of Norwood, Payneham & St Peters on behalf of:

- all uninsured *ad hoc* or occasional hirers of Norwood Concert Hall and *other* Council owned or controlled facilities;
- all regular user groups (as declared) of Council owned or controlled facilities; and
- skip bins placed on Council land;

for Death or Personal Injury and Loss or Damage to Property happening during the Period of Insurance and caused by an occurrence in connection with the hire of the Council facility.

It should be noted that the General and Products Liability for ad-hoc hirers and declared regular hirers, is only available to hirers who would not otherwise have liability insurance, (i.e. small community groups, private hires such as family gatherings).

Additional cover is also provided to the Staff Social Club, participants of the Norwood Christmas Pageant and buskers who are permitted to operate within the City and who would not otherwise have liability insurance.

Personal Accident

Personal Accident Insurance provides coverage for Death and Total or Partial Disablement for the Insured Parties listed below, whilst engaged in any activity directly or indirectly connected with or on behalf of the City of Norwood, Payneham & St Peters (i.e. undertaking official duties) including travel to and/or from any such activity. Persons covered by the Policy are:

- a. Elected Members and their accompanying Partners/Spouses.
- b. Employees and their accompanying Partners/Spouses, (excluding claims where the employee is entitled to benefits under any Workers Compensation legislation)
- c. Volunteers whilst engaged in any voluntary work directly or indirectly connected with or on behalf of the Council, including individual members of any Trust or Committee formed by the Council.
- d. Persons whilst engaged in any Government Labour Market, Training or Job Creation Projects.
- e. Members of the Council's Development Assessment Panel and Audit Committee.

Journey Injury

Journey Injury Insurance provides coverage for Bodily Injury to Employees whilst engaged in a journey to and from their place of residence and place of work and between a place of training and place of work. The cover has been extended to provide coverage for Bodily Injury to Employees for private travel, whilst they are driving or riding as a passenger in a registered motor vehicle or motorcycle, bicycle or wheelchair on a public thoroughfare; or riding as a fare paying passenger in any form of public transport including but not limited to trains, trams, buses and taxis or any properly licensed aircraft travelling over recognised air routes.

A summary of each insurance policy is contained in **Attachment A**.

Public Liability

The Council is a member of the Local Government Mutual Liability Fund. This covers the Council's risk associated with people tripping on footpaths, falling trees, etc. This cover is unlimited and the policy is an all Civil Liability cover and takes into account public liability, professional indemnity, director and officer indemnity and any other action in which the Council may be sued. The Local Government Association Mutual Liability Scheme (LGAMLS) is not a commercial insurance policy, but provides civil liability cover to Councils based on negligence, not merely as to whether damage or injury has occurred.

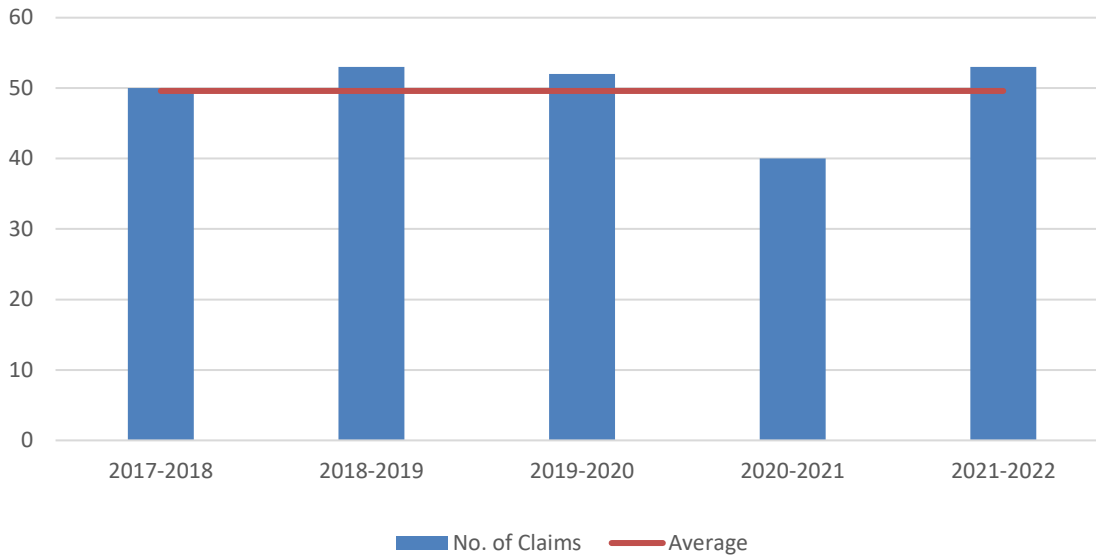
Workers Compensation

The Council is a member of the Local Government Workers Compensation Scheme. This is a self-funded Scheme which provides cover for employees injured in a work related accident.

2021-2022 Insurance Claims

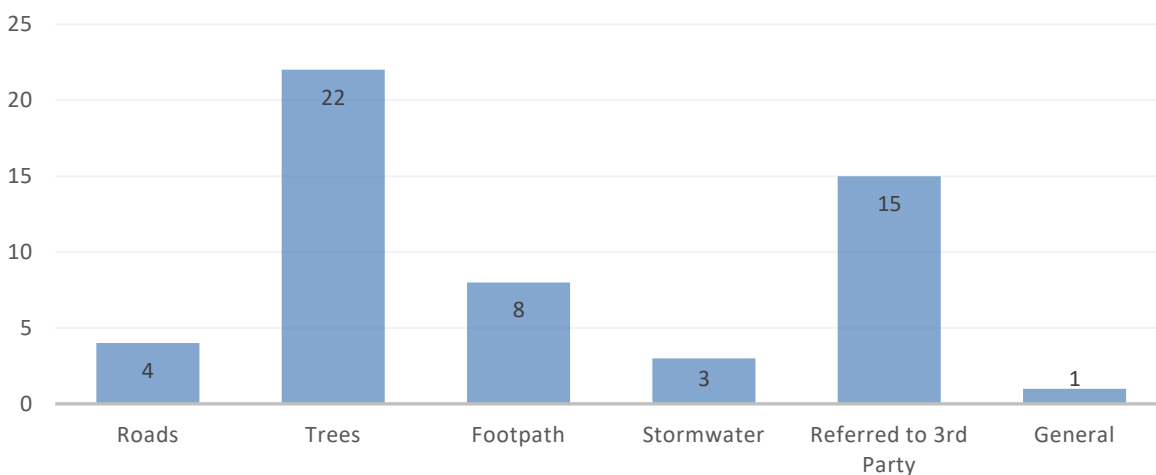
For the 2021-2022 financial year, fifty-three (53) claims were lodged against the Council under the Mutual Liability Scheme. As illustrated in Figure 1 below, the number of claims lodged in 2021-2022 is slightly more than the five (5) year average of 50 claims.

FIGURE 1: NUMBER OF PUBLIC LIABILITY CLAIMS



The nature of the claims, is illustrated in Figure 2 below. For the 2021-2022 Financial year, the increase in the number of claims has been driven by claims which were referred to third parties (ie. individuals or organisations, other than the Council) and falls and damage which is alleged to have been caused by street trees.

FIGURE 2: NATURE OF CLAIMS FOR 2021-2022



It should be noted, that Councils are afforded immunity from civil liability under the *Civil Liability Act 1936*. Pursuant to Section 42 of the *Civil Liability Act 1936*, a road authority is not liable in tort for failure to maintain, repair, or renew a road or to take action to avoid or reduce the risk of harm that results from the failure to maintain, repair or renew a road. The definition of a road also includes bridges, alleys, laneways, carparks, footpaths and any structure associated with a road. In this instance, Local Government can claim immunity for public liability claims that are associated with the Council's roads, footpaths and kerbs. Unless the loss is a result of negligence on the Council's behalf, the Council will claim the immunity which is afforded by the Act.

In addition, the *Local Government Act 1999*, provides Councils with immunity from liability for damage and loss to property caused by street trees (or trees on reserves). Pursuant to Section 245 of the *Local Government Act 1999*, the Council is not liable for damage which results from planting a tree in a road or the existence of a tree growing in the road. Having said that, if the Council has been made aware of a risk of damage that a street may pose and the Council fails to take reasonable action, the Council may be liable for damage and or loss.

Of the claims which have been lodged during 2021-2022, thirty-three (33) claims were denied, with twenty-one (21) being denied through the application of Section 245 of the *Local Government Act 1999* and eleven (11) denied under Section 42 of the *Civil Liability Act 1936*. Of the remaining twenty-one (21) claims, fifteen (15) claims were referred to third parties as the claim either related to damage or loss that occurred on non-Council owned property, or was caused by persons other than the Council, (i.e. contractors engaged by the Council), one (1) was denied through the application of Australian Road Rules for line marking. One (1) claim was settled for a damage to property resulting from a stormwater drain.

Four (4) claims are still in the process of being investigated and assessed.

Details of the claims are contained in **Attachment B**.

With respect to claims under the Asset Mutual Fund, twenty-eight (28) claims have been made. The breakdown of the claims is detailed in Table 2 below;

TABLE 2: ASSET MUTAL FUND CLAIMS

Nature of Claim	Number of Claims
Damage or loss to Council owned Property	8
Motor Vehicle Claims	
Collided with Stationary Object (i.e. pole, gate etc.)	3
Sideswiped by third party vehicle	2
Collision with third party vehicle	7
General	8

OPTIONS

Not Applicable.

CONCLUSION

Nil

COMMENTS

Nil

RECOMMENDATION

That the report be received and noted.

Ms Brigid O'Neill moved:

That the report be received and noted.

Seconded by Cr Stock and carried unanimously.

6.5 FINANCE POLICIES

REPORT AUTHOR: Accountant
GENERAL MANAGER: General Manager, Corporate Services
CONTACT NUMBER: 8366 4585
FILE REFERENCE: fA16462/A397771
ATTACHMENTS: A - H

PURPOSE OF REPORT

The purpose of this report is to present finance related policies which have been reviewed to the Audit Committee, for consideration and endorsement prior to being presented to the Council for adoption.

BACKGROUND

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.

The 2021-2022 Audit Committee Work Program requires the Audit Committee to review the appropriateness of the range and content of the Council's financial policies and practices.

RELEVANT STRATEGIC DIRECTIONS & POLICIES

Not Applicable.

FINANCIAL AND BUDGET IMPLICATIONS

Not Applicable.

EXTERNAL ECONOMIC IMPLICATIONS

Not Applicable.

SOCIAL ISSUES

Not Applicable.

CULTURAL ISSUES

Not Applicable.

ENVIRONMENTAL ISSUES

Not Applicable.

RESOURCE ISSUES

Not Applicable.

RISK MANAGEMENT

Documentation of policies relating to the Council's financial transactions improves transparency and ensures consistent treatment over subsequent reporting periods unless Accounting Standards or legislation changes.

CONSULTATION

- **Committee Members**
Not Applicable.
- **Community**
Not Applicable.
- **Staff**
Nil
- **Other Agencies**
Not Applicable.

DISCUSSION

In accordance with the Finance Policy Timetable, a review a number of policies, as contained in **Attachment A to C**, has been undertaken. Following the review, the amendments to the policies, as detailed in Table 1 below, are presented to the Committee for consideration and recommendation to the Council for adoption, subject to any amendment which may be considered appropriate by the Audit Committee.

TABLE 1: PROPOSED POLICY AMMENDMENTS

Policy	Details of Proposed Amendment
Rate Rebates on Council Land Leased or Licenced (Attachment A)	No changes recommended.
Rate Rebate Policy (Attachment B)	No changes recommended
Asset Capitalisation and Depreciation Policy and Policy Guidelines (Attachment C)	No changes recommended.
Fringe Benefits Tax Policy (Attachment D)	Minor administrative changes to reflect change in position titles
Petty Cash Policy (Attachment E)	Minor administrative changes to reflect change in position titles
Bank Accounts Policy (Attachment F)	Minor administrative changes to reflect change in position titles
Prudential Management Policy (Attachment G)	Update the project value for which a Prudential Management Report is required from \$4.7 million to \$5.1 million.
Procurement Policy & Guidelines (Attachment H)	Update to Policy Guidelines to include reference to additional electronic submission options for Select Tenders.

OPTIONS

The Policies can be recommended to the Council for adoption with or without amendment.

CONCLUSION

To ensure compliance with Section 125 of the Act, 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. 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.

COMMENTS

Nil

RECOMMENDATION

1. That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended:
 - Rate Rebates on Council Land Leased or Licenced (**Attachment A**);
 - Rate Rebate Policy (**Attachment B**); and
 - Asset Capitalisation and Depreciation Policy and Policy Guidelines (**Attachment C**).
 2. That the Audit Committee notes that the following policies have been reviewed and notes that minor amendments are recommended:
 - Fringe Benefits Tax Policy (**Attachment D**);
 - Petty Cash Policy (**Attachment E**);
 - Bank Accounts Policy (**Attachment F**);
 - Prudential Management Policy (**Attachment G**); and
 - Procurement Policy & Guidelines (**Attachment H**).
 3. That the Audit Committee recommends to the Council that the following policies be adopted:
 - Rate Rebates on Council Land Leased or Licenced (**Attachment A**);
 - Rate Rebate Policy (**Attachment B**);
 - Asset Capitalisation and Depreciation Policy and Policy Guidelines (**Attachment C**);
 - Fringe Benefits Tax Policy (Attachment D);
 - Petty Cash Policy (**Attachment E**);
 - Bank Accounts Policy (**Attachment F**);
 - Prudential Management Policy (**Attachment G**); and
 - Procurement Policy & Guidelines (**Attachment H**).
-

Cr Stock moved:

1. *That the Audit Committee notes that the following policies have been reviewed and notes that no amendments are recommended:*
 - *Rate Rebates on Council Land Leased or Licenced (**Attachment A**);*
 - *Rate Rebate Policy (**Attachment B**); and*
 - *Asset Capitalisation and Depreciation Policy and Policy Guidelines (**Attachment C**).*
2. *That the Audit Committee notes that the following policies have been reviewed and notes that minor amendments are recommended:*
 - *Fringe Benefits Tax Policy (**Attachment D**);*
 - *Petty Cash Policy (**Attachment E**);*
 - *Bank Accounts Policy (**Attachment F**);*
 - *Prudential Management Policy (**Attachment G**); and*
 - *Procurement Policy & Guidelines (**Attachment H**).*
3. *That the Audit Committee recommends to the Council that the following policies be adopted:*
 - *Rate Rebates on Council Land Leased or Licenced (**Attachment A**);*
 - *Rate Rebate Policy (**Attachment B**);*
 - *Asset Capitalisation and Depreciation Policy and Policy Guidelines (**Attachment C**);*
 - *Fringe Benefits Tax Policy (Attachment D);*
 - *Petty Cash Policy (**Attachment E**);*
 - *Bank Accounts Policy (**Attachment F**);*
 - *Prudential Management Policy (**Attachment G**); and*
 - *Procurement Policy & Guidelines (**Attachment H**).*

Seconded by Ms Brigid O'Neill and carried unanimously.

7. CONFIDENTIAL REPORTS
Nil

8. OTHER BUSINESS
Nil

9. NEXT MEETING
Monday 24 October 2022

10. CLOSURE

There being no further business the Presiding Member declared the meeting closed at 8.12pm.

Cr John Minney
PRESIDING MEMBER

Minutes Confirmed on _____
(date)