

# Audit & Risk Committee Agenda & Reports

**20 May 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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City of  
Norwood  
Payneham  
& St Peters

15 May 2024

## To all Members of the Audit & Risk Committee

### Committee Members

- Mayor Robert Bria (Presiding Member)
- Cr Grant Piggott
- Cr Claire Clutterham
- Ms Stefanie Eldridge (Independent Member)
- Ms Sandra Di Blasio (Independent Member)

### Staff

- Mario Barone (Chief Executive Officer)
- Lisa Mara (General Manager, Governance & Civic Affairs)
- Natalia Axenova (Chief Financial Officer)
- Skye Grinter-Falzun (Manager, Chief Executive's Office)

### NOTICE OF MEETING

I wish to advise that pursuant to Sections 87 and 88 of the *Local Government Act 1999*, the next Ordinary Meeting of the Audit & Risk Committee, will be held in the Meeting Room 3 (Upper Level), 175 The Parade, Norwood, on:

**Monday 20 May 2024, commencing at 7.00pm**

Please advise Lisa Mara on 8366 4549 or email [lmara@npsp.sa.gov.au](mailto:lmara@npsp.sa.gov.au), if you are unable to attend this meeting or will be late.

A light meal will be available from 6.30pm.

Yours faithfully



Mario Barone  
**CHIEF EXECUTIVE OFFICER**

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City of  
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**VENUE** Meeting Room 3 (Upper Level), 175 The Parade, Norwood

**HOUR**

**PRESENT**

**Committee Members**

**Staff**

**APOLOGIES**

**ABSENT**

**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 AUDIT & RISK COMMITTEE MEETING HELD ON 22 APRIL 2024**

**2. PRESIDING MEMBER'S COMMUNICATION**

**3. QUESTIONS WITHOUT NOTICE**

**4. QUESTIONS WITH NOTICE**  
Nil

**5. WRITTEN NOTICES OF MOTION**  
Nil

**6. STAFF REPORTS**

## 6.1 REVIEW OF FINANCE POLICIES

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

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### PURPOSE OF REPORT

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

### 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. Asset Impairment (**Attachment A**);
2. Asset Revaluation (**Attachment B**);
3. Budget Review (and Budget Review Guidelines) (**Attachment C**); and
4. Treasury Management (**Attachment D**).

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

### **Asset Impairment Policy**

The *Asset Impairment Policy* is an existing Policy.

The objective of the *Asset Impairment Policy* is to provide direction to Council staff in managing the financial records and accounts and when preparing the Financial Statements.

Only minor amendments and formatting changes are recommended to the draft Policy.

A copy of the draft *Asset Impairment Policy* is contained within **Attachment A**.

### **Asset Revaluation Policy**

The *Asset Revaluation Policy* is an existing Policy.

The objective of this Policy is to document the process and timeframes to be used for the review and revaluation of Council assets.

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 *Asset Revaluation Policy* is contained within **Attachment B**.

### **Budget Review Policy & Budget Review Guidelines**

The *Budget Review Policy* is an existing Policy and *Budget Review Guidelines* is an existing Guideline.

The *Budget Review Policy* and *Budget Review Guidelines* provide the framework for the reporting performance against the Council's Adopted Budget.

From a more practical approach and to avoid "doubling up" between the documents, the Policy and Guidelines have been combined and are now presented as one (1) document.

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

### **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.

The draft *Treasury Management Policy* was presented to the Audit & Risk Committee at its meeting held on 7 March 2024. Following consideration of the draft Policy the Committee resolved the following:

*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.*

The draft Policy has been updated in accordance with the Committee's decision as set out above and as such includes a new section in respect to Borrowings.

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

## 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:

- Asset Impairment Policy (**Attachment A**);
- Asset Revaluation Policy (**Attachment B**);
- Budget Review Policy (**Attachment C**); and
- Treasury Management Policy (**Attachment D**).

# **Attachment A**

## **Review of Finance Policies**

### **Asset Impairment Policy**







City of  
Norwood  
Payneham  
& St Peters

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**NAME OF POLICY:** Asset Impairment

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**POLICY MANUAL:** Finance

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## BACKGROUND

Section 11(1) of the *Local Government (Financial Management) Regulations 2011* (the Regulations), requires a Council to “ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards”.

In addition, Part 4 Section 13 of the Regulations requires that the Financial Statements of a Council “must be in accordance with the requirements set out in the Model Financial Statements” and under Part 1 Section 4 b (4) of the Regulations, the approval of the Minister is required for any alteration to the Model Financial Statements.

According to AASB 136 Impairment of Assets (AASB 136), “if, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount”.

This Policy has been prepared by the Council in order to provide direction to Council staff in managing the financial records and accounts and when preparing the Financial Statements.

Separate Asset Accounting Policies have been prepared for:

- Asset Capitalisation & Depreciation;
- Asset Revaluation

## KEY PRINCIPLES

This Policy refers to and is based upon the requirements of the Regulations and AASB 136.

## DEFINITIONS

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

Value in Use: The present value of the future cash flows expected to be derived from an asset.

Carrying Amount: The amount at which an asset is recognised after deducting any accumulated depreciation (amortisation) and accumulated impairment losses.

Recoverable Amount: The higher of its fair value less cost to sell and its value in use.

Fair Value Less Cost to Sell: The amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

## POLICY

1. The Australian Accounting Standards require the Council to assess, at each reporting date (30 June each year), whether there is any indication that assets under its control may be impaired (i.e. the assets will not last its useful life or deliver economic benefits).

If any such indication exists, the Council shall estimate the recoverable amount of the asset.

In determining if an asset is impaired, the Council will consider, as a minimum, the following:

a) External sources of information

- during the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- significant changes with an adverse effect on the Council have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Council operates or in the market to which an asset is dedicated; and
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

b) Internal sources of information

- evidence available of obsolescence or physical damage of an asset;
- significant changes with an adverse effect on the Council have taken place during the period, or are expected to take place;
- the manner in which asset used or expected to be used in the future; and
- an increase in unplanned maintenance expenditure.

2. Recognition of Impairment Loss

Where the *carrying amount* of an asset exceeds its *recoverable amount*, the Council will estimate the *recoverable amount* and recognise the *impairment loss* in the Council's Annual Financial Statements.

If the asset has been revalued previously, the impairment loss will be offset against the Revaluation Reserve to the amount available in the Reserve.

Should circumstances change the impairment loss can be reversed in the subsequent years.

## REVIEW PROCESS

This Policy will be reviewed within 3 years of the adoption date of the Policy or when a change in the accounting standard or legislation occurs beforehand.

## INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

## ADOPTION OF THE POLICY

This Policy was originally adopted by the Council on 20 January 2009 and has been reviewed regularly (every 3 years), since that time.

This Policy was endorsed by the Audit & Risk Committee on 2024.

This Policy was adopted by the Council on 2024.

## TO BE REVIEWED

May 2027

# **Attachment B**

## **Review of Finance Policies**

### **Asset Revaluation Policy**





City of  
Norwood  
Payneham  
& St Peters

**NAME OF POLICY:** Asset Revaluation

**POLICY MANUAL:** Finance

## BACKGROUND

Section 11(1) of the *Local Government (Financial Management) Regulations 2011* (the Regulations), requires a Council to “ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards”.

According to the Accounting Standard *AASB 116 Property, Plant and Equipment* (AASB 116), “an entity shall choose either the cost model or revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.

This Policy has been prepared for the purposes of providing direction to Council staff in managing the financial records and accounts and when preparing the Annual Financial Statements.

## KEY PRINCIPLES

This Policy refers to [and is based upon the requirements of](#) the Regulations, AASB 116 and AASB 13 *Fair Value Measurement* (AASB 13).

## POLICY

The Council will review and revalue assets in accordance with the timeframes set out in Table 1 below.

**TABLE 1: ASSET REVALUATION TIMEFRAME**

Assets Class	Measurement after Recognition	Revaluation Frequency	
		Independent Valuations	Internal Valuations
Land	Revaluation Model	Every 5 years	Annually by an appropriate index
Building & Other Structure	Revaluation Model	Every 5 years	Annually by an appropriate index
Plant & Equipment	Cost Model	Not required	Not required
Furniture & Fittings	Cost Model	Not required	Not required
Infrastructure -Assets	Revaluation Model	Every 5 years	Annually by an appropriate index
Library Books	Cost Model	Not required	Not required
Open Space Assets	Revaluation Model	Every 5 years	Annually by an appropriate index

Revaluation of Assets will be undertaken by Asset Class over a rolling five (5) year period.

All assets within an asset class will be revalued at the same time in accordance with [the requirements of](#) AASB 116 and AASB 13.

### Initial Revaluation

- If the *carrying amount* of a *class of asset* is increased as a result of the initial revaluation, the net revaluation increase shall be credited directly to Equity, on the Statement of Financial Position, under the heading of Asset Revaluation Reserve.
- If the *carrying amount* of a class of asset is decreased as a result of initial revaluation, the net revaluation decrease shall be debited directly to the Statement of Comprehensive Income.

### Subsequent Revaluation

- If the *carrying amount* of a class of asset is increased as a result of subsequent revaluation, the net revaluation increase shall be recognised in the Statement of Comprehensive Income to the extent that it reverses a net revaluation decrease of the same class of assets previously recognised in the Statement of Comprehensive Income.
- If the *carrying amount* of a class of asset is decreased as a result of subsequent revaluation, the net revaluation decrease shall be recognised in Equity to the extent that it reverses a net revaluation increase of the same class of assets previously credited into the Asset Revaluation Reserve.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment shall be offset against one another within that class but shall not be against assets in different asset classes. For example, a revaluation increase in Building Assets cannot be offset against a revaluation decrease of Civil Infrastructure Assets.

The useful life and depreciation method applied to an asset shall, be reviewed at least at the end of each annual reporting period and if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the useful life or depreciation method shall be adjusted to reflect the changed pattern. Such a change shall be accounted for as a Change in an Accounting Estimate in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

### DEFINITIONS

**Cost Model:** After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

**Revaluation Model:** After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

**Class of Assets:** A class of property, plant and equipment is a grouping of assets of a similar nature and use in an entity's operations.

**Depreciation:** The systematic allocation of the depreciable amount (cost less residual value) of an asset over its useful life.

**Impairment Losses:** The amount by which the carrying amount of an asset exceeds its recoverable amount.

**Carrying Amount:** The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

**Fair Value:** The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Replacement Cost. The cost measured by reference to the lowest cost as which the gross future economic benefits of that asset could currently be obtained in the normal course of business.

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

## REVIEW PROCESS

This Policy will be reviewed within 36 months of the adoption date of the Policy or in event of any significant change in legislation or Accounting Standards.

## INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

## ADOPTION OF THE POLICY

~~This Policy was endorsed by the Audit Committee on 11 December 2008.~~

This Policy was originally adopted by the Council on 20 January 2009 and has been reviewed on a regular basis (every 3 years), since that time.

~~This Policy was endorsed by the Audit Committee on 27 July 2015.~~

~~This Policy was adopted by the Council on 3 August 2015.~~

~~This Policy was endorsed by the Audit Committee on 23 July 2018.~~

~~This Policy was adopted by the Council on 6 August 2018.~~

~~This Policy was endorsed by the Audit Committee on 10 August 2021.~~

~~This Policy was adopted by the Council on 6 September 2021.~~

This Policy was endorsed by the Audit & Risk Committee on 2024.

This Policy was adopted by the Council on 2024.

## TO BE REVIEWED

July 2024

May 2027

# **Attachment C**

## **Review of Finance Policies**

### **Budget Review Policy and Budget Review Guidelines**





City of  
Norwood  
Payneham  
& St Peters

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**NAME OF POLICY:** Budget Review Policy

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**POLICY MANUAL:** Finance

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## BACKGROUND

Pursuant to Regulations 9 and 10 of the *Local Government (Financial Management) Regulations 2011*, the Council must:

- reconsider its Budget at least twice a year between 30 September and 31 May (both dates inclusive) in the relevant financial year. The report to be considered by the Council, must show a revised forecast of its Operating and Capital investment activities for the relevant financial year compared with the estimates for those activities set out in the Budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances; and
- between 30 November and 15 March (both dates inclusive) in the relevant financial year, the Council must consider a report showing a revised forecast of each item shown in its Budgeted financial statements for the relevant financial year, compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements, including revised forecasts for the Council's Operating Surplus Ratio, Net Financial Liabilities Ratio and Asset Renewal Ratio compared with the estimates set out in the Adopted Budget.

## DISCUSSION

A Budget Review provides an opportunity to amend the previously Adopted (or amended) Budget. Changes to a budget may be required as further information is received during the year. Reasons for amending the Budget include but are not limited to:

- different services, programs and facilities expected by the Community;
- additional funding received to undertake new or extended services, programs or facilities;
- Projects, services or programs which are delayed or held in abeyance due to lack of resources; and
- ad-hoc adjustments as required.

## Budget Review Considerations

The factors to be taken into consideration when undertaking a Budget Review include:

- commitment to financial sustainability by ensuring that the adopted financial indicator targets are met and aligned to the expectations contained in the Council's Long-Term Financial Plan;
- consistency with the Council's strategic directions (*i.e CityPlan 2030: Shaping Our Future*);
- accountability and transparency in the decision making process;
- providing value for money for the services that are provided the Council; and
- maintaining the budget allocated to each functional activity and project type.



## **Requests for Budget Variations**

Prior to requesting an increase in budget (funds) allocation, Responsible Officers must consider opportunities to either increase revenues or reduce expenditure to offset the variation (increase) which is being requested.

Responsible Officers must provide reasons to justify any variation that is being sought, taking into account the impact on the continued provision of the Council's services and activities and/or the impact on the delivery of a project should the budget variation not be approved.

### **Approval of Variations outside the scope of the Budget**

The Council's approval must be sought and obtained before commitments are made that would result in expenditure beyond the approved budget limits.

When considering a request for a revision to the budget, the Council will consider the impact which the approval would have on the achievement of the financial indicator targets established in the Council's Adopted Budget and Long-Term Financial Plan. The Council will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation which is sought and the merit of so doing.

### **Approval of variations within the scope of the Budget**

Where circumstances warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may authorise budget variations that are within the scope of approved limits for budget items, providing those variations made do not:

- in aggregate exceed the budget allocation for that function/activity/project outlined in the Adopted or Approved Revised Budget;
- materially impact on the quality, quantity, frequency, range or level of service previously provided for or intended in the original budget allocation; and
- impact on any proposals which the Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in the Adopted Budget.

Whenever such amendments are made, the Budget Update must include information explaining the rationale for the decision.

### **Carry Forward of Project Expenditure**

Funding approval for budgeted and approved Projects which are not completed at the end of any financial/budget year, will be forfeited unless approval to carry-over the activity and associated budget allocation is approved by the Council.

Any request to carrying forward unspent Project funds, must clearly identify whether the scope of the project and its associated funding quantum, is proposed to be varied from that previously approved and if so, the reasons for the variation.

The actual Carried Forward funds which are available for Capital Projects and major Operating Projects that are committed or underway but not completed at the end of a financial year, will be considered and approved to be carried forward as part of the First Budget Update in the following financial year.

Identifiable projects that have not or will not commence in the year that they have been budgeted for, should be re-evaluated against other competing priorities and where warranted included in the budget for the following year at the time of its adoption or treated separately as a "Carry Forward" in the First Budget review of the following financial year. The adoption of any Carry Forward projects is at the discretion of the Council.

Where projects have been completed for less than the approved Budget, excess funds are not eligible to be carried forward to be applied against other approved projects.

Unexpended budget allocations for Recurrent Operating activities and services will not be carried forward to the following financial year.

## **POLICY**

1. The Council's Budget Reviews will be prepared to ensure compliance with the *Local Government Act, 1999* and the *Local Government (Financial Management) Regulations, 2011*.
2. In preparing Budget Reviews, reference must be given to the Council's Adopted Annual Budget.
3. A Budget Update report is to be prepared and included in the Agenda of the Ordinary Meeting of the Council twice a year, between 30 September and 31 May (both dates inclusive) in the relevant financial year.
4. A Mid-Year Review report will be prepared and included in the Agenda of the Ordinary Meeting of Council between 30 November and 15 March (both dates inclusive) in the relevant financial year.
5. The Chief Executive Officer, Chief Financial Officer, General Managers and Manager, Chief Executive's Office may approve Budget variations within the scope of the approved budget allocations without obtaining Council approval.
6. Justification for Budget variations outside the scope of the approved budget allocations, must be provided by Responsible Officers.
7. Budget variations outside the scope of the approved budget allocations, must be approved by the Council.
8. Un-expended Budgets associated with approved capital and operating projects which have not been completed, included in the budget for the previous year, may be carried forward as part of the First Budget Review to the following financial year. Un-expended budgets for completed capital and operating projects are not carried forward to new budget years.

## **REVIEW PROCESS**

This Policy will be reviewed within 24 months from the date on which the Policy was adopted.

## **INFORMATION**

The contact officer for further information at the City of Norwood Payneham & St Peters is the Council's Chief Financial Officer, telephone 8366 4548.

## **ADOPTION OF THE POLICY**

This Policy was originally adopted by the Council on 1 June 2015 and has been reviewed on a regular basis (biannually), since that time.

This Policy was reviewed by the Audit & Risk Committee on	2024.
This Policy was adopted by the Council on	2024.

## **TO BE REVIEWED**

May 2026



City of  
Norwood  
Payneham  
& St Peters

**NAME OF POLICY:** Budget Review Policy Guidelines

**POLICY MANUAL:** Finance

### To be read and applied in conjunction with the Budget Review Policy

#### PURPOSE

These guidelines are aimed at providing clear direction to Responsible Officers in respect to amending and reporting performance against the Council's Adopted Budget.

~~These guidelines are to be applied in conjunction with the Council's Budget Review Policy.~~

#### DISCUSSION

The ~~purpose of the intention of~~ the Budget Review Policy Guidelines ~~is are~~ to provide management and staff with a framework to operate within in respect to the following:

- the content, timing and process to be followed for reporting to Council on its performance against budget to ensure the Council meets its legislative requirements set out in the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*;
- the scope and conditions associated with the approving budget variations; and
- the process required to be followed as well as general guidelines in respect to the carrying forward of expenditure associated with projects included in the budget for the previous year.

#### GUIDELINES

##### Budget Review Considerations

The factors to be taken into consideration when undertaking a Budget Review include:

- commitment to financial sustainability by ensuring that the adopted financial indicator targets are met;
- consistency with Council's strategic directions (*i.e CityPlan 2030: Shaping Our Future*);
- accountability and transparency in the decision making process;
- providing value for money for the services provided the Council; and
- maintaining the budget allocated to each functional activity and project type.

##### Timing of Reviews

A Budget Update report, which is prepared by the Council's Finance Section is to be included in the Agenda of the Ordinary Meeting of Council in the months of December and May each year.

The report will highlight at summary level, budget activity for the year-to-date, original and revised budget information and include the latest revised forecast of expected budget results for the year.

The report will include data presented in the format similar to Figure 1.1 contained in Attachment A to these Guidelines and include an explanation of any proposed budget variations that have not previously been approved.

A Mid-Year Review report, which is prepared by the Finance Section is to be included in the Agenda of the Ordinary Meeting of Council in the month of March each year.

### **Requests for Budget Variations**

Prior to requesting an increase in budget (funds) allocation, Responsible Officers must consider opportunities to either increase revenues or reduce expenditure to offset the variation (increase) which is being requested.

Responsible Officers must provide reasons to justify any variation being sought, taking into account the impact on the continued provision of the Council's services and activities and/or the impact on project delivery should the budget variation not be approved.

Requests for Budget Variations are to be entered into the Council's Budget Module, *B/S*, by the relevant Responsible Officer.

### **Approval of Variations outside the scope of the Budget**

The Council's approval must be sought and obtained before commitments are made that would result in expenditure beyond the approved budget limits.

When considering a request for a revision to the budget, the Council will consider the impact which the approval would have on the achievement of the financial indicator targets established in Council's Adopted Budget. The Council will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating or capital nature as appropriate) to offset the variation which is sought and the merit of so doing.

### **Approval of variations within the scope of the Budget**

Where circumstances warrant (e.g. for reasons of urgent necessity), the Chief Executive Officer may authorise budget variations that are within the scope of approved limits for budget items, providing those variations made do not:

- in aggregate exceed the budget allocation for that function/activity/project outlined in the Adopted or Approved Revised Budget;
- materially impact on the quality, quantity, frequency, range or level of service previously provided for or intended in the original budget allocation; and
- impact on any proposals which the Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in the Adopted Budget.

Whenever such amendments are made, the Budget Update must include information explaining the rationale for the decision.

### **Carry Forward of Project Expenditure**

Funding approval for budgeted Projects which are not completed at the end of any budget year, will be forfeited unless approval to carry-over the activity and associated budget allocation is approved by the Council.

The scope and funding requirements for Capital Projects and major Operating Projects that are committed or underway but not anticipated to be completed at the end of a financial year is to be reviewed and identified as part of the Third Budget Update in order to be considered as Carry Forward expenditure within the following years Annual Budget.

Initial requests to Carry-forward unspent Project funds will be approved "in principle" as part of the Third Budget Update which is to be presented to the Council at its May Ordinary Council Meeting.

Any request to carrying forward unspent Project funds must clearly identify whether the scope of the project and its associated funding quantum is proposed to be varied from that previously approved and if so, the reasons for the variation.

The actual Carried Forward funds which are available for Capital Projects and major Operating Projects that are committed or underway but not completed at the end of a financial year, will be considered and approved to be carried forward as part of the First Budget Update in the following financial year.

Identifiable projects that have not or will not commence in the year that they have been budgeted for should be re-evaluated and where warranted included in the budget for the following year at the time of its adoption. It's adoption, however is at the discretion of the Council.

Capital projects that have not commenced in in the financial year it was scheduled to commence, will be considered against other competing priorities in determining the content of the budget for the following year rather than treated separately as 'carried forwards'.

Where projects have been completed for less than the approved Budget, excess funds are not eligible to be carried forward to be applied against other approved projects.

Unexpended budget allocations for Recurrent Operating activities and services will not be carried forward to the following financial year.

## REVIEW PROCESS

This Guideline will be reviewed within 24 months from the date on which the Guideline was adopted.

## INFORMATION

The contact officer for further information at the City of Norwood Payneham & St Peters is [the Council's General Manager, Corporate & Community Services Chief Financial Officer](#), telephone 8366 45854548.

## ADOPTION OF THE GUIDELINE

~~This Guideline was endorsed by the Audit Committee on 25 May 2015.~~

~~This Guideline was adopted by the Council on 1 June 2015.~~

~~This Guideline was endorsed by the Audit Committee on 24 October 2016.~~

~~This Guideline was adopted by the Council on 7 November 2016.~~

~~This Guideline was endorsed by the Audit Committee on 22 October 2018.~~

~~This Guideline was adopted by the Council on 5 November 2018.~~

~~This Guideline was endorsed by the Audit Committee on 22 October 2018.~~

~~This Guideline was adopted by the Council on 5 November 2018.~~

~~This Guideline was endorsed by the Audit Committee on 26 October 2020.~~

~~This Guideline was adopted by the Council on 2 November 2020.~~

~~This Guideline was endorsed by the Audit Committee on 24 October 2022.~~

~~This Guideline was adopted by the Council on 7 November 2022.~~

This Guideline was originally adopted by the Council on 1 June 2015 and has been reviewed on a regular basis (annually/biannually) since that time.

This Guideline was endorsed by the Audit & Risk Committee on \_\_\_\_\_ 2024.

This Guideline was adopted by the Council on \_\_\_\_\_ 2024.

## TO BE REVIEWED

~~October-May 20264~~

# **Attachment D**

## **Review of Finance Policies**

### **Treasury Management Policy**





**NAME OF POLICY:** Treasury Management

**POLICY MANUAL:** Finance

## BACKGROUND

The *Local Government Act 1999*<sup>1</sup> requires Councils to have a long-term financial planning focus to ensure financial sustainability. This, and a requirement to use accrual accounting, have been catalysts for changes in Local Government treasury management practices.

Treasury management refers to the way in which borrowings are raised and cash and investments are managed. In addition to changes in the level of borrowings and changes in interest rates, a Council's treasury management practices<sup>1</sup> also can have a significant effect on its interest costs. Councils have flexibility with-in respect to the maturity of their borrowings (i.e. when borrowings are scheduled for repayment) and, more importantly, how frequently the interest rate on an individual borrowing is re-set.

This flexibility enables Councils to manage their interest rate exposures in a deliberate fashion.

Regardless of the level of a Council's borrowings, each Council undertakes treasury management to minimise interest costs, in a risk averse manner, over the medium to longer term.<sup>1</sup>

~~The~~ This Treasury Management Policy aims to ensure sound management of the Council's financial transactions with regards in respect to borrowings and investments. ~~#~~ The Policy underpins the Council's decision-making regarding the financing of its operations as documented in its Long-Term Financial Plan, Annual Business Plan and Budget and projected and actual cash flow receipts and outgoings.

## Requirements of the Local Government Act 1999

Sections 134, 139 and 140 of the *Local Government Act 1999*, set out the following in respect to borrowings and investments:

### Section 134 – Borrowings and Related Financial Arrangements

- (1) *A council may borrow money and obtain other forms of financial accommodation.*
- (2) *A borrowing may take any form considered appropriate by the council, including through the use of an overdraft or finance lease.*
- (3) *A council may enter into financial arrangements for the purpose of managing, hedging or protecting against movements in interest rates or other costs of borrowing money, including—*
  - (a) *interest rate swaps;*
  - (b) *forward interest rate agreements;*
  - (c) *interest rate options;*
  - (d) *other prescribed arrangements.*

<sup>1</sup> LGA Financial Sustainability Program – [www.lga.sa.gov.au/FSP](http://www.lga.sa.gov.au/FSP)

- (4) *However, a council must not enter into a financial arrangement under subsection (3) unless or until—*
- (a) *the council has obtained and considered independent and impartial advice about the proposed financial arrangements and the appropriate risk-management policies, controls and systems that should be in place from a person whom the council reasonably believes to be competent to give the advice; and*
  - (b) *the council has adopted risk-management policies, controls and systems by a resolution passed by at least a two-thirds majority of the members of the council.*

### **Section 139 – Investment Powers**

- (1) *A council may invest money under its control.*
- (2) *A council must, in exercising its power of investment—*
- (a) *exercise the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons; and*
  - (b) *avoid investments that are speculative or hazardous in nature.*
- (3) *Without limiting the matters that a council may take into account when exercising its power of investment, a council must, so far as may be appropriate in the circumstances, have regard to—*
- (a) *the purposes of the investment;*
  - (b) *the desirability of diversifying council investments;*
  - (c) *the nature of and risk associated with existing council investments;*
  - (d) *the desirability of maintaining the real value of the capital and income of the investment;*
  - (e) *the risk of capital or income loss or depreciation;*
  - (f) *the potential for capital appreciation;*
  - (g) *the likely income return and the timing of income return;*
  - (h) *the length of the term of a proposed investment;*
  - (i) *the period for which the investment is likely to be required;*
  - (j) *the liquidity and marketability of a proposed investment during, and on the determination of, the term of the investment;*
  - (k) *the aggregate value of the assets of the council;*
  - (l) *the likelihood of inflation affecting the value of a proposed investment;*
  - (m) *the costs of making a proposed investment;*
  - (n) *the results of any review of existing council investments.*
- (3) *Without limiting the matters that a council may take into account when exercising its power of investment, but subject to the operation of subsection (3), a council may, so far as may be appropriate in the circumstances, have regard to—*
- (a) *the anticipated community benefit from an investment;*
  - (b) *the desirability of attracting additional resources into its local community.*
- (5) *A council may obtain and consider independent and impartial advice about the investment of funds or the management of its investments from a person whom the council reasonably believes to be competent to give the advice.*

### **Section 140 – Review of Investments**

*A council must, at least once in each year, review the performance (individually and as a whole) of its investments.*



## OBJECTIVE

The ~~is~~ objective of this Policy provides a framework to ensure that:

- funds are available as required to support approved outlays;
- interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly and prudentially managed; and
- the net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

## POLICY

### Treasury Management Strategy

The Decisions in respect to the Council's Capital and Operating expenditure ~~decisions~~ are made on the basis of the following:

- identified community need and benefit relative to other expenditure options;
- cost effectiveness of the proposed means of service delivery;
- affordability of proposals having regard to the Council's long-term financial sustainability and the Council's Net Financial Liabilities, Debt Servicing and Interest Cover ratios;
- borrowing funds in accordance with the requirements set out in its annual budget and projections in its Long-Term Financial Plan (LTFP);
- invest any funds that are not immediately required to meet approved expenditure with the Local Government Finance Authority and/or the ANZ Bank, in accounts which will generate the best return for the time the funds are projected to be available; and
- where excess funds are expected to be available for a considerable period of time as identified in the LTFP, consideration is to be given to reduce the level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.

### Borrowings

~~The purpose of this~~ This policy is to establish ~~establishes~~ guidelines for determining the most appropriate and prudent borrowing option for the Council's financing needs. The Council has an option of its borrowing arrangements using financial instruments such as Cash Advance Debenture (CAD) or Traditional Loan (Loan) provided by the Financial Institution. This policy aims to ensure that borrowing decisions are made strategically, considering factors such as cost, risk, and suitability to the Council's financial objectives.

The Council recognises that borrowing is an essential tool for financing operations, investments, and growth initiatives. The following principles will guide the determination of borrowing options:~~The Council will borrow on a long-term basis to fund Capital Expenditure only (i.e. Fixed Assets).~~

~~The term of the borrowing will not exceed the useful life of the asset which is being funded.~~

- Financial Needs Assessment. The Council will borrow on a long-term basis to fund Capital Expenditure only (i.e. Fixed Assets). The maximum value of borrowings will be determined with reference to the Annual Capital Works Program as part of the Annual Budget setting process and Long-Term Financial Plan. Before considering borrowing options, the Council staff will conduct an assessment of its financial needs, including capital requirements for investments and strategic initiatives. Borrowing decisions will be guided by the principle of financial sustainability, ensuring that the Council's debt levels remain manageable and sustainable over the long term. These would be measured by Financial Indicators such as Net Financial Liabilities, Debt Servicing and Interest Cover Ratios. Borrowing options will be selected in a manner that supports the Council's ongoing financial health and resilience.
- Cost-Benefit Analysis. Borrowing options will be evaluated based on a comprehensive cost-benefit analysis, considering factors such as interest rates (i.e. fixed or variable options), fees, repayment terms, and overall cost of capital as well as its useful life. The term of the borrowing will not exceed the useful life of the asset which is being funded. The option offering the most favourable terms and lowest cost will be preferred, provided it aligns with the Council's risk tolerance and financial goals.

- Risk Management. Risk considerations, including interest rate risk, will be carefully evaluated when selecting borrowing options. In order to spread its exposure to movements in interest rates, the Council staff will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity range and will consider the best option available at the time (i.e. variable or fixed rate options). Independent ~~a~~Advice will be sought from the Local Government Financing Authority (LGFA) for the consideration of the ~~various borrowing options set up.~~ The Council staff will strive to maintain an appropriate balance between risk and return, taking into account its financial stability and ability to service debt obligations. When required, ~~the~~ Council staff will take out long-term borrowings with the Local Government Financing Authority (LGFA). Borrowing from other financial institutions must be authorised by the Council.
- Transparency and Accountability. Borrowing decisions will be transparent, accountable, and subject to appropriate oversight. Clear documentation, including borrowing proposals as part of Budget preparation and adoption, loan agreements, and Council's approval and endorsement, will be maintained to ensure accountability and compliance with Council's policies and procedures.
- Evaluation and Review. ~~The~~ Council staff will periodically review and evaluate its borrowing options to ensure ~~they~~~~that~~ ~~these~~ remain aligned with evolving financial needs, market conditions, and strategic priorities. Adjustments to borrowing strategies may be made as necessary to optimise financing outcomes and mitigate risks. The Council's Chief Financial Officer (CFO) will be responsible for overseeing the implementation of this policy and ensuring compliance with its provisions. ~~The~~ Chief Executive Officer (CEO) and Chief Financial Officer (CFO), will be engaged and authorised in the borrowing decision-making process as appropriate up to the annual maximum value which is set by the Council.
- ~~Each year, as part of the Annual Budget setting process and with reference to the Annual Capital Works Program, the Council will determine the maximum value of borrowings for the given financial year.~~
- ~~In determining the maximum value of borrowings for a given financial year, the Council will consider the impact of the borrowings on the forecast Not Financial Liabilities, Debt Servicing and Interest Cover ratios, as set out in the Council's LTFF.~~
- ~~The Council will take out long-term borrowings with the Local Government Financing Authority.~~
- ~~Borrowing from other financial institutions must be authorised by the Council.~~
- ~~The Council will utilise the Cash Advance Debenture facility to borrow for short-term cash flow deficits.~~
- ~~The Chief Executive Officer and Chief Financial Officer are authorised to enter into long term borrowing arrangements (in line with this Policy and the Act), up to the annual maximum value which is set by the Council.~~

### Interest Rate Risk Exposures

~~In order to spread its exposure to movements in interest rates, the Council will aim to have a variety of maturity dates on its fixed interest rate borrowings over the available maturity range and will consider the best option available at the time (i.e. variable or fixed rate options).~~

### Investments

Funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, will be invested. The balance of funds held in any operating bank account that is held by the Council, shall will be kept at a level that is no greater than the amount which is required to meet the immediate working capital requirements.

Funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments, the term should not exceed a point in time where the funds otherwise could be applied to cost-effectively either defer the need to raise a new borrowing or reduce the level of the variable interest rate borrowing facility.



**7. CONFIDENTIAL REPORTS**

## 7.1 COUNCIL RELATED MATTER

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### RECOMMENDATION 1

That pursuant to Section 90(2) and (3) of the *Local Government Act 1999*, the Council orders that the public, with the exception of the Council staff present, be excluded from the meeting on the basis that the Council will receive, discuss and consider:

- (a) information the disclosure of which would involve the unreasonable disclosure of information concerning the personal affairs of any person (living or dead).

and the Council is satisfied that, the principle that the meeting should be conducted in a place open to the public, has been outweighed by the need to keep the receipt/discussion/consideration of the information confidential.

### RECOMMENDATION 2

Under Section 91(7) and (9) of the *Local Government Act 1999*, the Council orders that the report, discussion and minutes be kept confidential for a period not exceeding five (5) years and that this order be reviewed every twelve (12) months.

8. **OTHER BUSINESS**  
(Of an urgent nature only)

9. **NEXT MEETING**  
Monday 22 July 2024

10. **CLOSURE**