



NOTICE OF MEETING

TO: Chairperson: Mr Peter Brass
Deputy Chairperson: Mr Peter Fairlie-Jones
Members: Mayor Karen Redman
Councillor Beverley Gidman
Councillor Paul Koch

NOTICE is hereby given pursuant to the provision of Section 87 (4) of the Local Government Act, 1999, that the next **Audit Committee** meeting of the **Town of Gawler** will be held in the Conference Room, Town of Gawler Administration Centre 43 High Street, Gawler East on **Wednesday 11 April 2018** commencing at **7.00pm**.

A copy of the Agenda for the above meeting is supplied as prescribed by Section 87(8) of the said Act.

A handwritten signature in blue ink, appearing to read "Paul Horwood", written over a horizontal line.

.....
Paul Horwood
Manager Finance & Corporate Services
6 April 2018

Meeting of the Town of Gawler Audit Committee to be held on 11 April 2018 at 7.00pm in the Conference Room, Town of Gawler Administration Centre, 43 High Street, Gawler East.

AGENDA

1. Statement of Acknowledgement

Chair *We would like to acknowledge this land that we meet on today is the traditional lands for the Kurna people and that we respect their spiritual relationship with their country. We also acknowledge the Kurna people as the custodians of the greater Adelaide region and that their cultural and heritage beliefs are still as important to the living Kurna people today.*

2. Attendance Record

- 2.1 Roll Call
- 2.2 Apologies
- 2.3 Motions to Grant Leave of Absence
- 2.4 Leave of Absence
- 2.5 Non-attendance

3. Confirmation of Minutes

Audit Committee Meeting – 19 February 2018

Special Audit Committee Meeting – 28 March 2018

4. Business Arising from Minutes

5. Notices of Motion Nil

6. Questions on Notice Nil

7. Reports

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| 8. Items Previously Listed for Discussion | Nil |
| 9. Correspondence | |
| 10. Chairman's Report & Elected Members Reports (Delegates or Representatives) | Nil |
| 11. Questions Without Notice | |
| 12. Motions Without Notice | |
| 13. Items for Discussion at Future Meetings | |
| 13.1 - Asset Management Systems | |
| 14. Confidential Reports | |
| 14.1 - Dean Newbery & Partners – Interim External Audit Management Letter – 2017/18 | |
| 15. Closure | |
| 16. Next Ordinary Meeting | TBA, 2018 |

REPORTS BY OFFICERS

| | |
|--|---|
| Item Number | 7.1 |
| Title | LONG TERM INFRASTRUCTURE AND ASSET MANAGEMENT PLAN UPDATE |
| Date | 11 April 2018 |
| Author(s) | Paul Horwood, Manager – Finance & Corporate Services Sam Dilena, Manager Infrastructure & Engineering Services |
| Reference | CC10/2405; CR18/14553; CR18/16375 |
| Previous Motion | NIL |
| Attachment/s Under Separate Cover | 1. Long Term Infrastructure & Asset Management Plan 2018/19 – 2027/28 |

Sam Dilena will be in attendance at this meeting to assist the Committee in its deliberations on this matter.

OFFICER'S RECOMMENDATION

Item 7.1 – Long Term Infrastructure and Asset Management Plan Update (CC10/2405)

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the Long Term Infrastructure & Asset Management Plan update, particularly in respect to the following matters:

- 1) ...
- 2) ...

BACKGROUND

The Long Term Infrastructure & Asset Management Plan (IAMP) identifies capital investment funding required, over a ten (10) year horizon, relative to the replacement/renewal of Council's \$200m+ stock of infrastructure, property, plant and equipment assets. In this regard, the funding required over the ten year horizon is determined based on the replacement/renewal of assets at the earlier end of their identified useful or economic lives – with such lives, in turn, informed by either Council's various service standards, past experience, or accepted industry guidelines / standards.

Further to this, the IAMP also charts and informs identified potential investment in new/upgraded assets. Such investment, which is more of a 'discretionary' nature when compared to the replacement/renewal of existing assets, is informed by either external grant funding secured (recent examples being funding secured for the Civic Centre and Walker Place precinct redevelopments), various infrastructure deeds with developers (which may outline various future agreed infrastructure commitments from Council), various independent management plans (e.g. the Gawler Open Space Sport & Recreation Plan), or Council's own longer term aspirations.

A copy of the draft IAMP is provided as ***Attachment 1***.

COMMENTS/DISCUSSION

The IAMP separates identified long term capital funding for asset management between 'Replacement/Renewal' and 'New/Upgraded' assets.

Within the industry, capital expenditure on the 'Replacement/Renewal' of assets is effectively deemed as 'non-discretionary' capital expenditure, on the basis that it is expenditure required to maintain existing assets in a fit-for-purpose condition, based on identified service standards (e.g. service standards (and associated useful lives) will dictate the frequency of resealing a sealed road or replacing an item of heavy road-making equipment).

Consequently, unless Council determines to amend service standards for a particular class of assets, then the funding for replacement/renewal of existing assets identified in the IAMP should consistently be awarded priority funding (over and above the investment in new/upgraded assets) in relation to Council's annual capital works program deliberations considered as part of the annual budget.

Capital funding for the replacement/renewal of existing assets, if undertaken at the appropriate time within the asset life cycle (i.e. at the identified end of useful life of an asset) will invariably lead to only a very nominal increase in Council's recurrent asset maintenance costs. Typically, for a Council with a recurring operating break-even or minor operating surplus, the capital investment in the replacement/renewal of existing assets should be able to be predominantly funded from recurrent revenue (i.e. from cash proceeds equivalent to the value of annual depreciation expense).

Conversely, capital expenditure on 'New/Upgraded' assets is effectively deemed as 'discretionary' capital expenditure, which immediately leads to increased and new asset maintenance costs (including depreciation). Typically, for a Council with a recurring operating break-even or minor operating surplus, the capital investment in the purchase or construction of new/upgraded assets will need to be funded from the Council's own accumulated internal cash reserves, external borrowings, external grant funds, or a combination thereof. The funding mix between internal cash reserves and external borrowings will naturally be subject to the financial position of the Council at the time. In this regard, Council has first exhausted its own internal cash reserves (consistent with its Treasury Management Policy) prior to the current transition of a reliance of external borrowings to part fund Council's investment in new/upgraded assets.

Independent condition assessments have recently been undertaken relative to Road, Footpath, and Kerb & Gutter assets, Building assets, and Open Space built assets.

The condition assessments for Road, Footpath, and Kerb & Gutter assets were completed immediately prior to compiling the 2016/17 Financial Statements, such that the revised asset valuations that emanated as a result were incorporated within the 2016/17 Financial Statements. Further to this, the revised valuations, and associated depreciation adjustments, have subsequently informed the 2017/18 budget relative to depreciation. Assessments regarding the need for any increased capital investment in the replacement/renewal of such assets is still being considered by the Administration and will be the basis of a future report to the Audit Committee. It is envisaged that any capital and/or maintenance funding implications will be considered within the next annual update of the IAMP, to then inform the next annual update of the Long Term Financial Plan and subsequently the 2019/2020 budget.

Similarly, more recent work undertaken this financial year regarding a condition assessment of building and open space assets will also be the subject of a future report

to the Audit Committee. Again, any financial consequences as a result of the condition assessments pertaining to the replacement/renewal or recurrent maintenance of these existing assets will be considered within the next annual update of the IAMP, to then inform the next annual update of the Long Term Financial Plan (LTFP).

COMMUNICATION (INTERNAL TO COUNCIL)

Team Leader – Asset Planning
Team Leader – Finance
Team Leader – Property & Procurement
Senior Assets Engineer
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Nil

POLICY IMPLICATIONS

Asset Management Policy
Light Fleet, Plant & Heavy Vehicle Replacement & Management
Asset Capitalisation

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 Strategic Management Plans

FINANCIAL/BUDGET IMPLICATIONS

The draft updated IAMP provides for a total capital works program of \$92.855m over the 2018/19 – 2027/28 horizon. This includes:

- \$62.044m investment in the purchase/construction of new/upgraded assets (average \$6.2m p.a.)
- \$30.811m investment in the replacement/renewal of existing assets (average \$3.1m p.a.)

The \$62.044m of new/upgraded assets is heavily influenced by key factors such as:

- the current Civic Centre redevelopment (scheduled for completion during 2018/19)
- the proposed Walker Place redevelopment (2019/20 – 2020/21)
- the proposed future expansion of Karbeethan Reserve (2021/22)
- the proposed linkage of the Jack Bobridge and Stuart O'Grady bike paths (2019/20) (subject to grant funding being received)
- \$350k annual provision for new footpaths
- \$1.5m provision (over the life of the plan) for implementation of indicative works outlined in the Gawler Open Space Sport & Recreation Plan
- The upgrade of various road infrastructure assets, in the latter years of the plan, relating to the Gawler East Development area (some of which will be part or wholly funded from developer contributions).

Whilst the IAMP is used to inform the LTFP, as is the requirement under the Local Government Act 1999, a subsequent assessment must then be made as to what financial implications, if any, consolidation of the capital funding requirements outlined in the IAMP has on the long term financial sustainability of the Council.

To this end, the separate report presented to this meeting relating to the draft Long Term Financial Plan update (refer separate agenda report 7.2) explores the implications that consolidation of the IAMP would have on Council's key financial ratios.

At the 27 March 2018 Council meeting, the following resolution was passed (extract):

*Moved by Deputy Mayor I Tooley
Seconded by Cr K Fischer
Motion No: 2018:03:78*

(extract of minutes relating to Murray Street (Stage 6) project works)

That Council:

3. Endorses a further \$0.95 million be allocated (to be sourced through deferral of Capital Works from 2018/19 Budget deliberations) to the project budget in the 2018/19 year for the delivery of the 'Roadworks Section North' as the committed scope for the project. It is noted that this component and the potential additional section south, if Federal Government funding is successful, would require the potential allocation of an additional \$0.6 million from deferral of Capital Works in the 2018/19 year.

Further to this, at the 3 April 2018 Special Council meeting the following resolution was passed:

*Moved by Cr K Fischer
Seconded by Deputy Mayor I Tooley
Motion No: 2018:04:98*

1. That Council incorporates the alterations and potential savings to 2018/19 Draft Budget as identified in the documents tabled, 2018/19 New Initiatives Bids Budget Analysis and Capital Works Program 2018/19.

Minute No: 2018:04:98 above reflected 2018/19 capital expenditure savings/deferrals of \$1.417m (as previously outlined to Elected Members on 14 March 2018) and \$1.42m – noting that the latter savings of \$1.42m was in direct response to the requirement to allocate an additional \$950k towards works associated with Murray Street (Stage 6) in accordance with the earlier Motion No:2018:03:78 above.

The financial consequences of the above resolutions have been incorporated in the updated IAMP now presented.

As noted in this report, recent condition assessments undertaken relative to Road, Footpath, Kerb & Gutter, Building and Open Space assets will be used to inform the next annual update of the IAMP during the 2018/19 financial year. Any financial consequences culminating from such assessments will subsequently then also inform the next annual update of the LTFP during the 2018/19 financial year.

COMMUNITY PLAN

Objective 2.1: Physical and social infrastructure to service our growing population and economy

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

| | |
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| Item Number | 7.2 |
| Title | LONG TERM FINANCIAL PLAN UPDATE |
| Date | 11 April 2018 |
| Author(s) | Paul Horwood, Manager – Finance & Corporate Services |
| Reference | CC17/881; CR18/13172 |
| Previous Motion | NIL |
| Attachment/s Under Separate Cover | NIL |

OFFICER'S RECOMMENDATION

Item 7.2 – Long Term Financial Plan Update (CC17/881)

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the update of the Long Term Financial Plan, particularly in respect of the following matters:

- 1) ...
- 2) ...

BACKGROUND

The Long Term Financial Plan (LTFP) is updated on an annual basis, consistent with the requirements of Section 122 (Strategic Management Plans) of the *Local Government Act 1999* ('the Act').

To this end, the annual review process commenced with an initial 'high-level' workshop with Elected Members on 19 December 2017, which was followed by a more detailed analysis (including discussion regarding the key modelling assumptions on which the long term operational estimates were based) at a subsequent workshop held on 26 February 2018.

The purpose of this report is to provide the Audit Committee with an update on the annual review process of the LTFP, with feedback from the Committee to then be provided to Council at the 17 April 2018 Special Council meeting at which the LTFP will next be considered.

COMMENTS/DISCUSSION

The LTFP is compiled based on various key operating revenue / expenditure modelling assumptions and identified capital funding requirements outlined in the Long Term Infrastructure and Asset Management Plan (IAMP) (pertaining to both the replacement/renewal of existing assets and the purchase/construction of new/upgraded assets).

Consequently, the LTFP is informed by the IAMP, consistent with the requirements of Section 122 (1b) of the Act.

Naturally, in instances where, upon consolidation of the indicative capital funding requirements disclosed in the IAMP, the LTFP long-term projections are deemed to be financially unsustainable, then Council will need to review the calculation assumptions of the IAMP relating to asset replacement/renewal (e.g. by reviewing asset service standards that inform asset replacement schedules or deferring capital projects to a subsequent financial year) and/or reviewing the discretionary nature of the investment in new/upgraded assets. Details regarding the financial outcomes on the LTFP following the consolidation of the IAMP funding requirements are detailed below under 'Capital Expenditure'.

In relation to the operating revenue and expenditure forward estimates, the following key assumptions are outlined below:

Operating Result forward estimates – Key Assumptions

As part of the assessment of key annual incremental assumptions, the following factors have been taken into consideration:

- Local Government Price Index – 2.9% (December 2017)
- Consumer Price Index (Adelaide) – 2.3% (December 2017)
- Reserve Bank of Australia (RBA) inflation target 2-3% (*Source: RBA website February 2018*)
- Estimate of 2.25% inflation rate for 2018/19 (*Source: RBA Statement on Monetary Policy (Feb 2018)*)

1) Rates Revenue

- 3% p.a. increase in General rate revenue from existing ratepayers
- 1% 'new' General rate revenue from growth in 2018/19 (based on current property data), then reverting to 2% in subsequent years
- 3% p.a. increase in revenue from Separate Rates (i.e. State Government NRM levy and Gawler Business Development Group)
- 4% p.a. increase in revenue from the Waste Management Service Charge, which includes 'new' revenue each year from new waste bins serviced in new residential land divisions.

Council's have been advised that State Government imposed Local Government Rate Capping, which was a pre-election platform of the recently elected State Liberal Party, will not be applicable to the 2018/19 rating year. There may, however, be material financial consequences on future years if the 3% annual increase in General Rate revenue for existing ratepayers exceeds a rate cap amount.

Indeed, updating the LTFP with 1% new General Rate revenue from growth in 2018/19 (compared to the previous estimate of 2%) would alone culminate in additional revenue foregone in the order of \$2.5m over the 10 year LTFP horizon, noting that 1% of General rate revenue currently equates to \$200k.

Staff are aware of a number of residential land divisions in the 'pipeline', which unfortunately are not expected to have new property titles created sufficiently in time for inclusion within the adoption of the 2018/19 Rates in late June 2018.

2) Statutory Charges Revenue

- 2% p.a. increase in all revenue streams, including dog registrations, development application fees, property search fees, and parking expiations.

In many instances, the actual fee levied is determined by State Government legislation. Further to this, in some instances the amount of revenue actually received is outside of Council's immediate control (e.g. where revenue is based on number of development applications received or property search requests).

3) User Charges Revenue

- 2% p.a. increase in all revenue streams, including property leases and rentals (most of which are aligned to annual movements in the CPI index)

New revenue will be received during the 2018/19 financial year from the commencement of the Business Innovation Hub, which will commence operations on completion of the Civic Centre redevelopment in early 2019. The revenue estimate for 2018/19 (i.e. April-June 2019) from the Hub is estimated at \$20k, increasing to \$70k in 2019/20 upon a full year's operations.

4) Grants, Subsidies & Contributions

- 2% p.a. increase in operating grants (e.g. Financial Assistance / Local Roads Grant, Library operating grant, Home Assistance Scheme grant) and developer contributions towards Open Space, Stormwater Drainage, Carparking, etc.
- 'Roads to Recovery' grant ceasing in 2020/21 (as noted in 2017 Federal budget papers)
- \$150k Supplementary Road funding being received in 2017/18 and 2018/19 (as noted in 2017 Federal Budget papers)
- Per new allotment developer contributions towards Gawler East development being received based on indicative allotment yields (offset by associated annual repayments to State Government towards the Gawler East Link Road)

5) Investment Income

As Council has effectively utilised its own internal cash reserves for previous capital works, the Council has transitioned to an ongoing reliance on the Cash Advance Debenture (overdraft) facility with the Local Government Finance Authority (LGFA) to fund a component of its annual capital works programs.

Consequently, it is estimated that only nominal interest will be received over the life of the LTFP, comprising modest interest on Council's working account with the National Australia Bank, the annual bonus received from the LGFA, and internal interest on various internal equity reserves.

6) Reimbursements / Other Income

- 2% p.a. increase in reimbursements / other revenue streams

However, the plan forecasts a reduction in revenue for 2018/19, based on 'one-off' revenue items received during the 2017/18 financial year.

7) Employee Costs

- Employee Costs increase (for existing staff) of 2.5% p.a. over life of existing Enterprise Bargaining Agreements (until 2018/19); 2.0% thereafter
- \$345k for new/increased staffing positions in 2018/19 (4.0FTE)
- Increase of 2.0FTE for each year of the Plan thereafter – in recognition of the impact of ongoing rapid population / property growth factors and increased open space management.

8) Materials, Contracts & Other Expenses

- Increase in Waste Management costs of 4% p.a. (including growth due to ongoing expansion of service to new development areas), offset by matching increase in Waste Management Service Charge revenue
- Increase in Water consumption costs of 4% (including allowance for the quantity of new reserves being acquired within various residential land developments). Significant efforts are being directed to reduce the quantity of irrigated open space areas as and where possible
- Increase in Fuel / Electricity costs of 2% p.a., noting that various 2018/19 Capital Budget bids to be considered will aim to reduce Council's power consumption/costs
- Increase in Open Space Management costs based on future annual cost increases reported to Council (refer report to IES Committee in Feb 2018) – the respective new indicative costs for each year then compounded annually over the life of the Plan
- Cyclic cost of periodic Council elections (\$85k in 2018/19)
- Allowance for new operational costs following completion of Civic Centre redevelopment (i.e. Business Innovation Hub, Cultural Heritage Centre, etc.)
- Reimbursements to the State Government towards the cost of Gawler East Link Road (\$2.4m lump sum payment in 2019/20 following practical completion; \$500k from Springwood in 2020/21; remaining contributions equal to value of developer contributions received each year)
- Sundry Projects Fund provision of \$50k p.a. (noting that Council has recently agreed to reduce the draft 2018/19 budget allocation from \$100k to \$50k)
- New Initiatives funding of \$200k in 2018/19, then indexed by 2.0% p.a.
- Increase in other Contracts & Materials of 2% p.a.

9) Finance Costs

- Plan provides for loan funding continuing to be sourced from the short-term variable interest rate overdraft facility with the LGFA – i.e. no fixed interest rate, long-term loans provided for (noting the fixed-interest long-term Debenture Loan rate is currently 4.55%, which is actually higher than the existing short-term variable CAD interest rate of 3.75%). The key benefit of this approach continues to be that overdraft debt can be repaid at any time as cashflow permits, thereby minimising net interest costs.
- However, Council may wish to consider 'locking-in' some of the overdraft should interest rates materially increase (noting that interest rates have been stable for an extended period, with the CAD variable interest rate of 3.75% being unchanged since August 2016)
- This funding approach is consistent with the Treasury Management Policy position of transitioning not less than 30% of gross debt to variable interest rate borrowings (as at 31 March 2018, variable interest rate debt equated to 52% of Council's total debt of \$13.975m)

- Given planned major increase in debt (whilst still maintaining Net Financial Liabilities Ratio <100%), Finance Costs will materially increase in the short to medium term

A recent example of the benefits of Council's treasury management approach is the \$1m funding recently received from the State Government towards the future Walker Place precinct redevelopment. Whilst under the terms of the funding agreement Council must accrue interest on the unspent funds (at an interest rate of 1.5%, based on the existing 24hr Call investment rate with the LGFA), the fact that Council is able to immediately reduce its debt by this amount (upon which Council is incurring an interest rate of 3.75%) means that Council will automatically realise net interest savings of \$5,600 for the April-June 2018 period from this transaction alone.

10) Depreciation

- Increase in Buildings depreciation expense post construction of Civic Centre redevelopment
- Estimated new depreciation of \$500k for Gawler East Link Road upon completion of the road in 2019
- Excluding the above, the LTFP provides for an increase of 2% p.a. in the depreciation of buildings, equipment, and other assets, and a 5% p.a. increase in depreciation of infrastructure assets.
- The 5% p.a. increase in infrastructure assets provides for depreciation of new assets received each year as part of new residential land developments (e.g. roads, footpaths, stormwater drainage, etc.) in addition to new depreciation from new and/or upgraded assets (e.g. upgraded assets resulting from Walker Place precinct redevelopment)

Consistent with recent reporting to Council, ongoing consideration needs to be given to the impact of future depreciation increases as a direct result of increased capital works programs due to external grant funding secured (e.g. should Council be successful in securing Federal Government funding for the Walker Place redevelopment, in addition to the \$1m State Government funding already secured, then the depreciable capitalised amount on completion of the project will be in the order of \$3.4m).

11) Net Gain/Loss – Equity Accounted Council Businesses

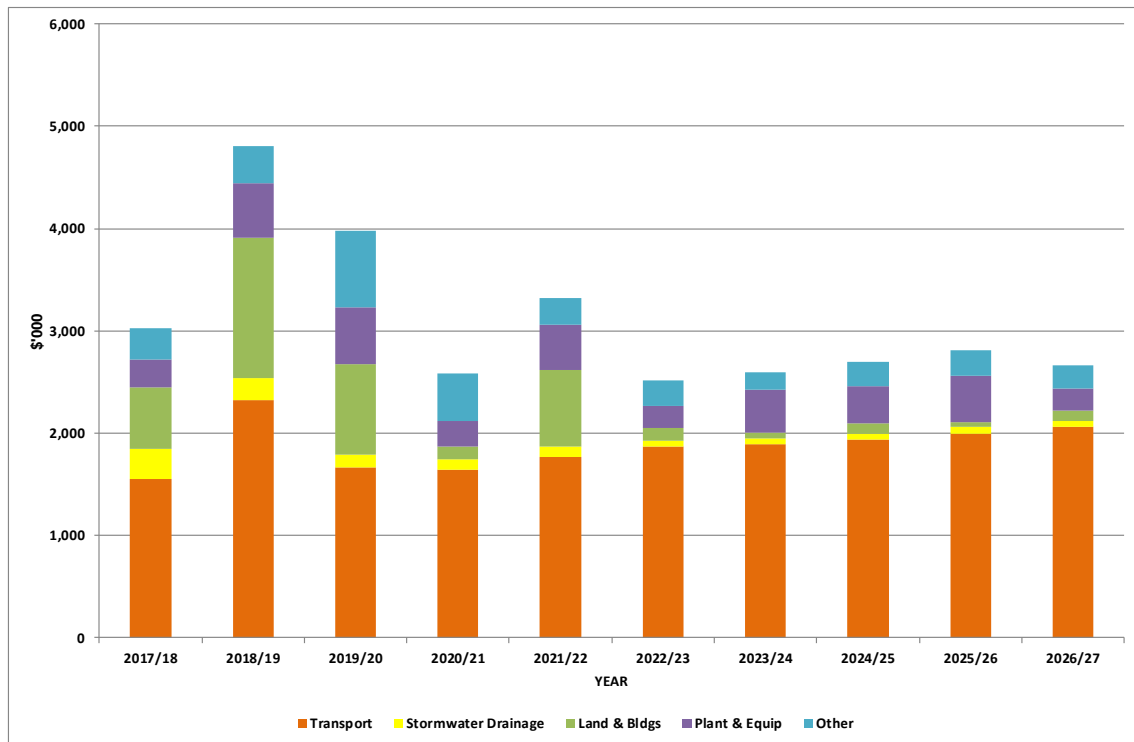
The estimated net gains disclosed in the forward estimates is based on the long term financial plan estimates provided by the Northern Adelaide Waste Management Authority (NAWMA). Council's equity share in NAWMA is 9.3%.

Capital Expenditure

As noted earlier, the capital expenditure included in the LTFP forward estimates is sourced and informed from the identified asset management funding disclosed in the IAMP.

The identified capital funding requirement disclosed in the IAMP (which has been separately tabled to this meeting as agenda item 7.1), is outlined within Graphs 1 and 2 below (split between replacement/renewal and new/upgraded assets).

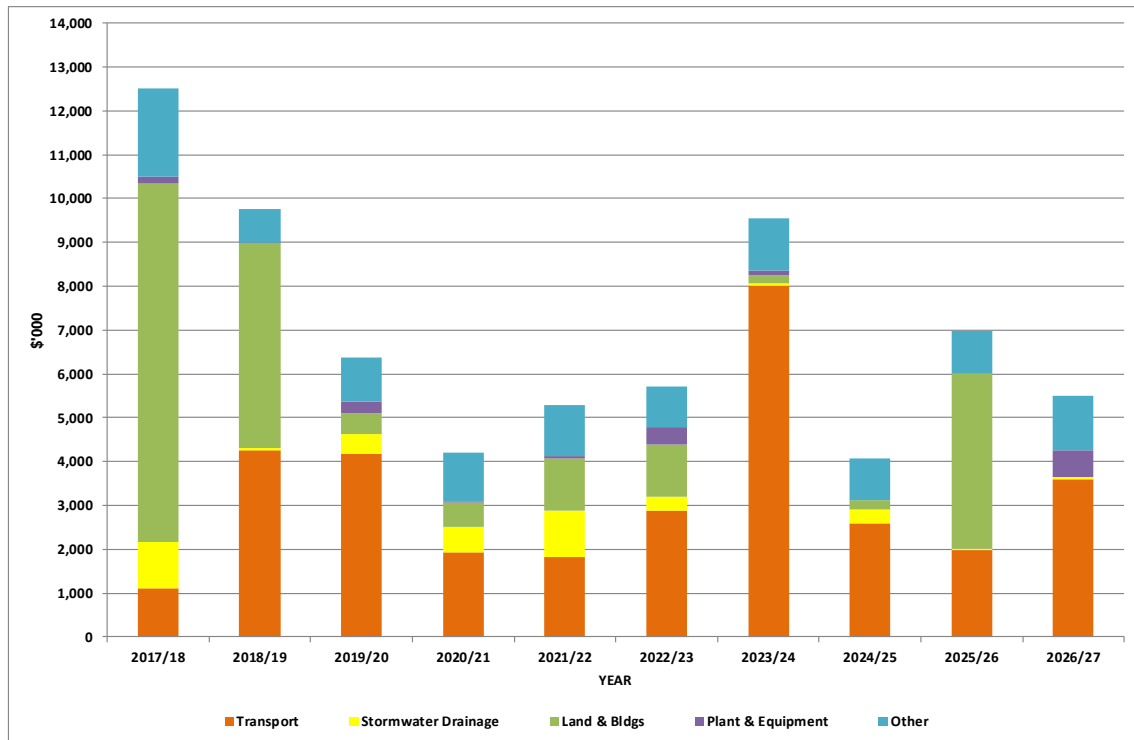
Graph 1 – Capital Expenditure (Asset Replacement / Renewal) 2017/18 – 2026/27



*Total investment of \$31m

**2018/19 includes \$1.031m towards Gawler Bridge rehabilitation and \$300k towards Gawler Sport & Community Centre roof replacement

Graph 2 - Capital Expenditure (New/Upgraded Assets) 2017/18 – 2026/27



*Total investment of \$70m

** 2017/18 and 2018/19 includes Civic Centre redevelopment

***2023/24 includes roadworks associated with Gawler East development (part funded from per new allotment contributions from developers within the Gawler East development area)

In terms of Council's annual capital works program, priority funding should always be provided towards the replacement/renewal of existing assets (which do not invariably trigger increased maintenance or depreciation costs) ahead of the investment in new/upgraded assets (which do lead to new and increased maintenance and depreciation costs).

Consequently, should a Council's projected long term financial forecasts suggest that the asset investment funding identified in the LTFP is not financially sustainable (due to the estimated impact on Council's key financial indicator ratios), then it is appropriate for the Council to reduce and scale back, where possible, the level of future investment in new/upgraded assets.

As separately reported within the IAMP update to this meeting (refer agenda item 7.1), extensive work has been done in recent times regarding validating asset condition assessments for transport, building, and open space assets. The results of these condition assessments has only recently been completed and, further to the verbal report made at a previous Audit Committee meeting, will now be considered towards informing the next annual update of the IAMP. As a result, any adjustment to asset management funding required will be incorporated in the 2018/19 IAMP update, which will then inform the 2018/19 update of the LTFP. At this initial stage, it is envisaged that the outcome will dictate that an increase in asset replacement/renewal funding will likely be required. The outcomes of the asset condition assessments will be the basis of a future report to an Audit Committee meeting in 2018/19.

Capital Revenue

The LTFP update incorporates the following capital revenue items:

- Continuation of Federal Government funding towards the Civic Centre redevelopment (to date, \$1.95m of the \$5.7m secured funding has been received)
- \$600k for Murray Street – Stage 6 works
- \$660k for Gawler Bridge rehabilitation works
- \$2.688m towards the redevelopment of the Walker Place precinct (\$1m of which has recently been received from the State Government)
- \$641k for the Bikeways Connection Project
- \$5.9m from developers towards future traffic interventions (within existing roads) as part of the Gawler East development (associated developer contributions towards social/community infrastructure are deemed to be recurrent, not capital, revenue).

Financial Indicators

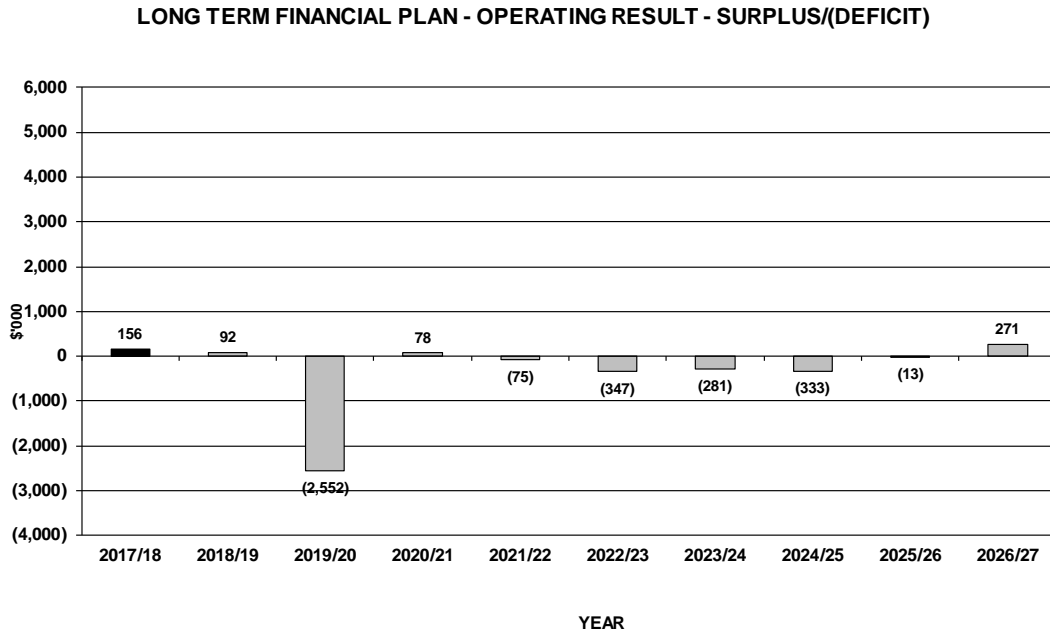
1) Operating Result

Based on the above assumptions, the operating result and operating ratio forward estimates are outlined in Graphs 3 and 4 below. These results are based on the various operating modelling assumptions outlined within this report and incorporation of the asset management funding disclosed in the initial draft IAMP (as separately tabled to this meeting as agenda item 7.1).

The projected future operating outcomes are further informed by the identified recurrent budget savings of \$221,000, which were tabled to the 3 April 2018 Special Council meeting. At this meeting, the Council resolved to incorporate such expenditure savings into the draft 2018/19 budget.

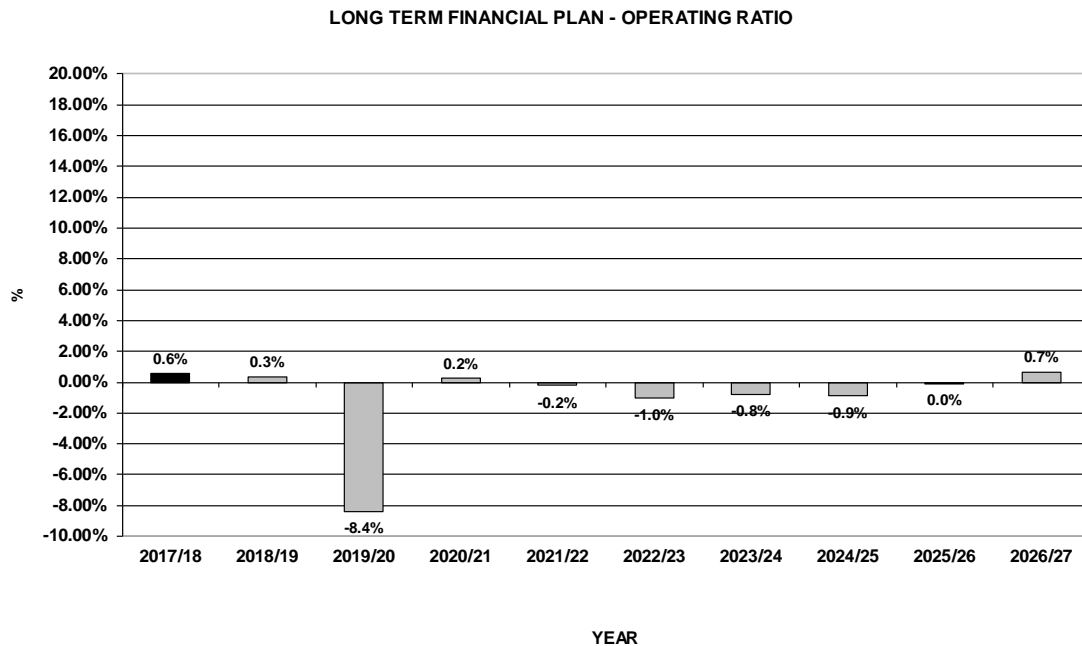
The operating ratio measures the operating result as a percentage of Council's annual recurrent revenue, with Council's policy position being that a 0-10% surplus be achieved over any five year rolling period.

**Graph 3 – Operating Result: Surplus/(Deficit) forward estimates 2017/18 – 2026/27
(incorporating consolidation of initial IAMP)**



* 2017/18 based on 3rd Qtr Budget review separately tabled to this meeting (refer agenda item 7.3). No change in result compared to 2nd Qtr Budget review
 **2019/20 includes 'one-off' \$2.4m lump sum payment due to State Government on completion of the Gawler East Link Road

**Graph 4 – Operating Ratio forward estimates 2017/18 – 2026/27
(incorporating consolidation of initial IAMP)**



* 2017/18 based on 3rd Qtr Budget review separately tabled to this meeting (refer agenda item 7.3). No change in result compared to 2nd Qtr Budget review

***2019/20 includes 'one-off' \$2.4m lump sum payment due to State Government on completion of the Gawler East Link Road*

****Council policy that ratio result be between 0-10% during any five year rolling period.*

At the 28 March 2018 Special Audit Committee meeting, the tabled 'revised' draft 2018/19 operating budget reflected an operating surplus of \$68k, compared to the then LTFP estimate of \$242k (both incorporating 2% new Rate revenue from growth).

However, consistent with the discussion at that meeting, and the subsequent Council resolution made at the 3 April 2018 Special Council meeting, the new Rate revenue from growth for 2018/19 has been reduced from 2% to 1% in both the draft 2018/19 budget and the modelling within the LTFP (translating to a reduction in revenue of \$200k).

Taking this into consideration (in addition to identified expenditure savings tabled at the 3 April 2018 Special Council meeting), the draft 2018/19 recurrent budget now reflects an operating deficit of \$68k, whereas the updated LTFP now reflects a nominal 2018/19 operating surplus of \$92k (as disclosed in Graph 3 above). As a result, there is currently an unfavourable variance of \$160k between the 2018/19 draft budget and associated LTFP estimate results.

Note: It was incorrectly reported to the 3 April 2018 meeting that 1% of new Rate revenue foregone would equate to \$100k. The correct value of \$200k Rate revenue foregone for 2018/19 has now been incorporated within the financial data tabled within this report.

Given that the 1% new Rate revenue foregone in 2018/19 equates to compounded lost revenue in the order of \$2.5m over the life of the LTFP, there has been an immediate adverse effect on the estimated operating ratios results disclosed within Graphs 3 and 4 above, to the extent that the LTFP projects that, based on the various modelling assumptions outlined and incorporation of the asset funding identified in the IAMP, Council would realise minor operating deficits between 2021/22 and 2025/26 – such that the policy target of achieving an operating surplus over any five year rolling period would not be achieved at certain stages over the life of the LTFP.

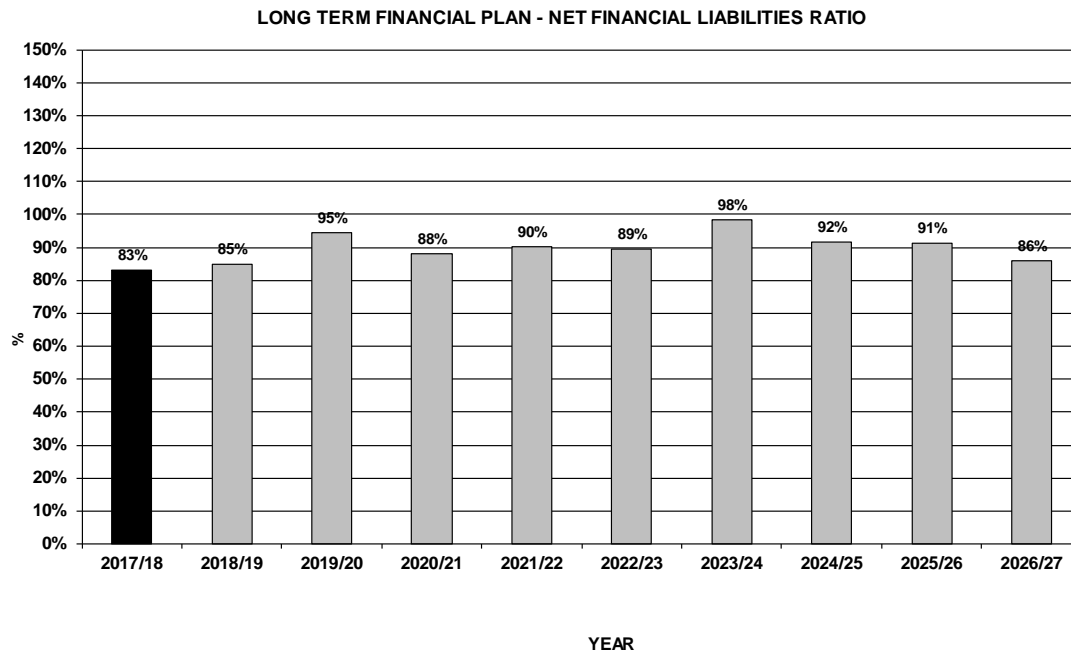
A further update of the draft 2018/19 recurrent budget will be tabled to the Special Council meeting to be held on 17 April 2018.

2) Net Financial Liabilities Ratio

The Net Financial Liabilities (NFL) Ratio measures Council's net financial liabilities (i.e. Council's total liabilities (e.g. debt, employee leave entitlements, etc.) less current assets) as a percentage of Council's annual recurrent revenue. Council's policy position, and the widely accepted industry view, is that the ratio result not exceed 100% - i.e. that Council's net financial liabilities do not exceed annual operating revenue.

The results within Graph 5 below are based on the various operating modelling assumptions outlined within this report and incorporation of the asset management funding disclosed in the initial draft IAMP (as separately tabled to this meeting as agenda item 7.1).

**Graph 5 – Net Financial Liabilities Ratio estimates 2016/17 – 2026/27
(incorporating consolidation of initial IAMP)**



**2017/18 result per 2nd Qtr Budget Review adopted by Council in February 2018*

***Council policy that ratio not exceed 100%*

Similar to the operating ratios, the Net Financial Liabilities Ratio has also been adversely affected by the \$200k reduction in 'new' General rate revenue for 2018/19 (which compounds to approximately \$2.5m over the life of the LTFP).

As a result, the update of the LTFP now forecasts the Net Financial Liabilities ratio peaking at 98% in 2023/24, and remaining at 85% or above over the life of the LTFP.

Given Council's policy position of maintaining the Net Financial Liabilities below 100%, the LTFP forecasts no effective capacity for any additional new loan borrowings, to fund either unforeseen or emergency capital works.

3) Asset Sustainability Ratio

This ratio measures the actual expenditure on asset replacement/renewal as a percentage of the associated identified funding disclosed in the IAMP. Council's policy position is that the ratio result be maintained at between 90-100% each year.

Given that the LTFP has been informed by the IAMP, the forward estimates each year are 100%. Council's recent results has been a ratio result of 97% (2015/16) and 99% (2016/17).

It is clearly evident from Graph 5 above that, based on the operating modelling assumptions contained within this report and the indicative capital funding disclosed in the initial IAMP that, despite the NFL ratio estimates being within Council's policy threshold of 100%, Council would have very limited future borrowing capacity over the life of the LTFP. Indeed, the graph indicates there would be instances where the ratio result would be peaking at very close to the policy threshold of 100% (i.e. 98% in 2023/24).

Given:

- 1) the need to have some borrowing capacity for future unforeseen or emergency capital works (noting that considerable immediate capital expenditure was required as a result of the major flooding event of September 2016); and
- 2) the potential likelihood that recent asset condition assessments may trigger the need for increased asset replacement/renewal investment; and
- 3) the potential future impact of State Government imposed rate capping,

the Administration is of the view that Council will need to reduce and/or defer the level of discretionary capital expenditure in the purchase and/or construction of new/upgraded assets over the life of the IAMP. A reduction in such expenditure would also then culminate in a flow on reduction in increased depreciation, maintenance and financing costs, thereby improving both the Net Financial Liabilities and Operating ratios forecasts.

In this regard, at the 3 April 2018 meeting, Council agreed to incorporate capital expenditure savings/deferrals of \$1.417m (as previously outlined to Elected Members on 14 March 2018) and \$1.42m – noting that the latter savings of \$1.42m was in direct response to the requirement to allocate an additional \$950k towards works associated with Murray Street (Stage 6). Consequently, net capital savings of \$1.887m (i.e. \$1.417m + \$1.42m - \$950k) have now been included in the draft IAMP and LTFP (as tabled to this meeting) and the draft 2018/19 budget.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team
Team Leader - Finance
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Community consultation on the updated Long Term Financial Plan will be undertaken in conjunction with the consultation of the 2018/19 Annual Budget / Business Plan during 2-25 May 2018.

The consultation is proposed to include:

- Advertisement in the 2 May 2018 edition of The Bunyip, advising of the consultation period and consultation mechanisms
- Regular posts on social media
- Post on 'Latest News' on Council website
- 'Your Voice' Gawler
- Pull-up banners and A3 posters at key Council sites

Feedback received during the consultation period will then be considered by Council at a Special Council meeting scheduled on 5 June 2018.

POLICY IMPLICATIONS

Budget Management Policy
Treasury Management Policy
Funding Policy
Asset Capitalisation Policy
Depreciation Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 122 - Strategic Management Plans

FINANCIAL/BUDGET IMPLICATIONS

The annual budget provides the necessary funding mechanism to implement numerous objectives outlined in Council's Community Plan. The Long Term Financial Plan considers this in the context of a 10 year horizon.

The financial implications of the draft Long Term Financial Plan are outlined in the body of this report.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

| | |
|--|---|
| Item Number | 7.3 |
| Title | 2017/18 3rd QUARTER BUDGET REVIEW (AS AT 31 MARCH 2018) |
| Date | 11 April 2018 |
| Author(s) | Paul Horwood, Manager – Finance & Corporate Services Tony Amato, Team Leader Finance |
| Reference | CC17/817; CR18/10729; CR18/17601 |
| Previous Motion | Council, 28/02/2017, Motion No: 2017:02:44 |
| Attachment/s Under Separate Cover | 1. 2017/18 3rd Quarter Budget Review (March 2018) |

OFFICER'S RECOMMENDATION

Item 7.3 – 2017/18 3rd Quarter Budget Review (as at 31 March 2018) (CC17/817)

That the Audit Committee recommends to Council the endorsement of the 2017/18 3rd Quarter Budget Review (as at 31 March 2018), which details an anticipated unchanged end of financial year underlying operating surplus of \$915,000.

BACKGROUND

The 2017/18 3rd Quarter Budget Review (31 March 2018) is presented to the Audit Committee for endorsement prior to consideration by Council at the 24 April 2018 meeting.

This reporting process reflects Council's request that all quarterly budget reviews be considered and endorsed by the Audit Committee prior to presentation to Council.

COMMENTS/DISCUSSION

Statement of Comprehensive Income

1) Operating Surplus / (Deficit)

Based on budget variations included in the report, the revised estimated underlying operating surplus is unchanged at \$915k. Consequently, the actual estimated operating surplus of \$156k (after excluding the 2017/18 Federal Government grant advance payment received in June 2017) is also unchanged.

Major operating budget variations (net \$0) included in this review are listed hereunder:

- \$97k *increase* in contract costs due to the transfer of street lighting electricity pole upgrade / maintenance costs from capital to recurrent as the poles are not owned by Council and can consequently not be capitalised as a Council asset;
- \$30k *deferral* of Town Services Open Space Maintenance Resource Strategy to 2018/19;
- \$27k net *increase* in Rates revenue primarily due to valuation objections less than anticipated;
- \$22k *decrease* in finance costs (overdraft fees) based on revised cashflow projections (primarily due to deferred expenditure to 2018/19 financial year);

- e) \$22k *decrease* in various rebates/claims received;
- f) \$20k *decrease* in unregistered dog expiations, based on number of dogs registered;
- g) \$17k *increase* in Supplementary Road Grants received.

Consistent with the intent of Council's Budget Management Policy, the recurrent operating budget has been reviewed by staff on the basis of absorbing any identified expenditure increases from within the overall existing budget.

2) Physical resources received free of charge

As previously reported to the Audit Committee, based on current property data it is anticipated that the rate of 'new' Rate revenue growth for the 2018/19 financial year will be in the order of 1%, instead of the recent trend of 2%. It is further noted that it is expected that this will be a 'timing' issue, with the consistent recent trend of 2% being restored from the 2019/20 financial year.

In this context, this review provides for a reduction (from \$5m to \$3.2m) in the estimated value of new infrastructure assets to be received from developers as part of ongoing residential land developments. This is solely based on the current expectation of reduced road lengths, etc., being created this financial year.

Given such assets are received 'free of charge', the estimated \$1.8m asset valuation reduction will have no bearing on Council's cash position or Net Financial Liabilities Ratio as at 30 June 2018. The only material direct financial consequence resulting from this will be a nominal reduction in depreciation expense for the 2018/19 financial year (in the order of \$30k), which will be reflected in the next 2018/19 draft budget update presented to Council.

Capital Expenditure Budget

The review presented is further influenced by proposed variations to the Capital Works budget (\$1.134m reduction), which incorporates the following key items:

- a) \$1.251m *decrease* due to various projects deferred to the 2018/19 financial year (refer Section B of Appendix 2);
- b) \$42k *increase* relating to the Construction of the New Dog Park due to agreed increased design scope (funded from other capital project savings, consistent with Council resolution at the 27 March 2018 Council meeting – refer Section D of Appendix 2);
- c) \$48k *decrease* relating to various identified project savings;
- d) \$97k *decrease* due to the transfer of street lighting electricity pole upgrade / maintenance costs from capital to recurrent as the poles are not owned by Council and can consequently not be capitalised as a Council owned asset;
- e) \$220k *increase* due to incorporation of funding received regarding State Government 'Fund My Neighbourhood' projects (i.e. \$150k for Gawler Oval Grandstand Shelter and \$70k for Recreation facilities at the new Dog Park)

Further details and explanations regarding the Quarterly Budget Review are provided within the separate report provided as **Attachment 1**.

This 3rd quarter budget review of the 2017/18 financial performance will be tabled to Council on 24 April 2018.

COMMUNICATION (INTERNAL TO COUNCIL)

Executive Management Team
Manager Finance & Corporate Services
Financial Accountant

CONSULTATION (EXTERNAL TO COUNCIL)

Nil

POLICY IMPLICATIONS

Budget Management Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 - Section 123 Annual business plans and budgets
Local Government (Financial Management) Regulations 2011 Part 2 (9)

FINANCIAL/BUDGET IMPLICATIONS

The operating budget variations detailed in this report are estimated to result in an unchanged underlying operating surplus for 2017/2018 of \$915,000.

Financial Indicators

The key financial indicators (i.e. Operating Surplus Ratio, Net Financial Liabilities Ratio and the Asset Sustainability Ratio) have been impacted as per Table 1 below.

Table 1 – Financial Indicators 2017/18

| Indicator | 2017/18 Adopted Budget | 2017/18 1 st Qtr Review | 2017/18 2 nd Qtr Review | 2017/18 3 rd Qtr Review | Council Policy Target | Estimate within Policy Target |
|---------------------------------|------------------------------|--|--|--|-----------------------------|--|
| Operating Ratio | -0.3% | -0.3% | 0.6% | 0.6% | 0-10% | ✓ |
| Adjusted Operating Ratio | 2.4% | 2.4% | 3.3% | 3.3% | 0-10% | ✓ |
| Net Financial Liabilities Ratio | 83% | 81% | 85% | 83% | 0-100% | ✓ |
| Asset Sustainability Ratio | 153% | 165% | 146% | 122% | 90-100% | Exceeds target |

The slight reduction in the estimated Net Financial Liabilities Ratio is due to the deferral of various capital works projects to the 2018/19 financial year.

Whilst recent increases in the Net Financial Liabilities ratio have been provided for within Council's Long Term Financial Plan, Council will need to continue to be vigilant in its future financial planning deliberations (most notably during upcoming Long Term Financial Plan discussions), to ensure that the ratio result is maintained within Council's policy target position.

Balance Sheet

Due to the deferral of \$1.134m of capital works to the 2018/19 financial year, and the recent receipt of \$1.006m State Government funding towards the future Walker Place precinct redevelopment, there is an estimated decrease of \$2.4m in the value of loan borrowings required for the 2017/18 financial year (as reflected in the Cashflow Statement).

Conversely, there is an increase of \$1.8m in the estimated value of funding received in advance as at 30 June 2018 (which is included as a liability under 'Trade and Other Payables' in the balance sheet). This predominantly relates to grant funding received in advance relating to the future Walker Place precinct redevelopment (\$1.006m) and Murray Street (Stage 6) works (\$600k).

COMMUNITY PLAN

Objective 5.2: To be a 'best practice' Local Government organisation

REPORTS BY OFFICERS

| | |
|--|---|
| Item Number | 7.4 |
| Title | GAWLER EAST DEVELOPMENT – INFRASTRUCTURE FUNDING POLICY |
| Date | 11 April 2018 |
| Author(s) | Paul Horwood, Manager – Finance & Corporate Services |
| Reference | CC10/407; CR18/6347; CR17/52493 |
| Previous Motion | NIL |
| Attachment/s Under Separate Cover | 1. Draft Policy: Gawler East Development – Infrastructure Funding |

OFFICER’S RECOMMENDATION

Item 7.4 – Gawler East Development – Infrastructure Funding Policy (CC10/407)

That the Audit Committee recommends to Council:

- 1) The adoption of the Gawler East Development – Infrastructure Funding Policy**
- 2) That it notes a corresponding procedure and process flowchart is also being formulated by Council’s administration which will ensure the appropriate implementation of the Policy.**

BACKGROUND

In 2010, the Minister of Planning rezoned approximately 400ha of land in Gawler East as residential land. This land is contained in the Residential (Gawler East) and Residential Hills Zones of the Council’s current Development Plan. It is estimated that in excess of 3,000 new dwellings will be constructed in the Gawler East Development Area over time.

Naturally, there will need to be a significant level of infrastructure provided in the Gawler East Development Area to facilitate its orderly development and to meet quality of life issues for future residents. It is intended that developers will partially fund the provision of the infrastructure on the ‘beneficiary pays’ principle.

Currently, it is estimated that the following key infrastructure will be required over the life of the Gawler East Development Area:

| | |
|---|----------------|
| • Gawler East Link Road (GELR) | \$54.4m |
| • Associated GELR roadworks (deferred) | \$2.4m |
| • Community Infrastructure | \$7.6m |
| • Traffic interventions (on existing roads) | <u>\$15.7m</u> |
| TOTAL | \$80.1M |

The State Government has previously committed up to \$55m to 'bankroll' the construction of the GELR, construction of which is likely to commence later this calendar year.

As part of the Gawler East Link Road Deed executed with the Minister for Transport and Infrastructure in May 2017, Council is committed to contributing \$8.167m towards the cost of the GELR – all of which will be recovered by developers as the direct beneficiaries of the infrastructure to be provided.

The funding proposition developed by Council to secure such contributions from developers, to be received over time as development occurs, is based on funding being secured by the primary means of deeds of agreement entered into with developers. The format of the deeds is soon to be presented to Council for endorsement, following which it will be forwarded to all related developers for subsequent execution.

Further, as a secondary financial security mechanism, should deeds of agreement not eventuate, the Council has elected to apply a number of Separate Rates across the Gawler East Development Area. The Separate Rates applied are then immediately automatically postponed, pending future development occurring within the associated land which will act as a trigger for the developer contribution being required. Should a deed of agreement have been entered into with the property developer, then the financial contribution from the developer would be sought in accordance with the deed. However, if a deed of agreement has not been reached, or the contribution payable under the deed is not forthcoming, then this would be the trigger for Council revoking the postponement of the Separate Rates as the Council's financial security mechanism to secure the financial contribution from the property developer.

The Separate Rates, established from the 2017/18 financial year, will effectively guarantee the associated developer contributions required, thereby negating for developers the need for costly bank guarantees.

Consequently, the Separate Rates now applied across the Gawler East Development Area have been simply introduced as a financial security mechanism for Council, to ensure that appropriate financial contributions are received from developers, as beneficiaries of the associated infrastructure to be provided, over the life of the Gawler East Development Area as development unfolds.

This funding proposition was widely communicated with affected ratepayers / developers in 2017, prior to the application of the Gawler East Separate Rates from the 2017/18 financial year.

Given the magnitude of the value of infrastructure to be provided (i.e. \$80m), and the extended life over which it will be provided (estimated at between 10-20 years), it is important that Council has appropriate policies and procedures in place, guiding the consistent application of operational matters associated with development within the Gawler East Development Area.

From a financial context, the purpose of this report is to provide policy guidance pertaining to the accounting treatment of external contributions received towards various infrastructure development within the Gawler East Development Area, and to also provide clarity regarding the application of associated Separate Rates.

COMMENTS/DISCUSSION

Given the long-term life of development that will progressively occur within the Gawler East Development Area, earmarked to be up to 20 years (possibly more depending on market forces), it is important that Council has appropriate policies and procedures in place to ensure a consistent approach is undertaken relative to securing developer contributions required.

To this end, the *Gawler East Development – Infrastructure Funding* policy has been developed, a copy of which is provided as **Attachment 1** to this report.

Further to this, given the intricate complexities of the matter together with the across-Department activities required, a process flowchart and associated administrative procedure are also being prepared, that will articulate the administrative processes and procedures applicable to this Policy.

COMMUNICATION (INTERNAL TO COUNCIL)

Chief Executive Officer
Manager Development, Environment & Regulatory Services
Acting Manager Infrastructure & Engineering Services
Governance staff
Team Leader – Development Services
Team Leader – Asset Planning
Team Leader – Finance
Rates Officers

CONSULTATION (EXTERNAL TO COUNCIL)

Skilmar Systems Pty. Ltd.

POLICY IMPLICATIONS

New policy.

STATUTORY REQUIREMENTS

The following sections of the *Local Government Act 1999*:

Section 124 Accounting records to be kept
Section 125 Internal Control policies
Section 154 Separate Rates

FINANCIAL/BUDGET IMPLICATIONS

Following the extensive community consultation undertaken with affected landholders and developers during early 2017, Council has introduced and applied Separate Rates across the Gawler East Development Area from the 2017/18 financial year. The value of the Separate Rates applied, and then immediately postponed, for the 2017/18 financial year is \$19.964m.

The value of the Separate Rates to be applied will be reviewed each year, based on infrastructure construction costs prevailing at the time of the review (which will be informed by various data, including ABS construction indices) and also associated developer contributions that have been received during the preceding financial year

(which will reduce the value of the Separate Rates to be applied – given that the per new allotment contributions (secured via the Separate Rates) only need to be paid once upon development occurring).

The identified \$80m of infrastructure to be provided over the life of the Gawler East Development has effectively now been encapsulated into Council's Long Term Infrastructure & Asset Management Plan and Council's Long Term Financial Plan. The estimated timing of such works has been informed by either separate reports previously presented to Council regarding the delivery of the GELR and/or the estimated rate of future development growth within the Gawler East Development Area (noting that the actual final rate of development will be ultimately determined by market forces outside of Council's immediate control).

Further to this, estimated developer contributions to be received, based on a per new allotment basis, have also been incorporated into the Long Term Financial Plan, again based on indicative rates of development growth.

The financial risks to Council associated with the \$80m infrastructure proposition are extensively mitigated by the following factors:

- 1) The \$2.4m payment required from Council on practical completion of the GELR, being towards the upgrade of Potts Road, has previously been provided for within the Long Term Financial Plan as part of Council's programmed future capital works, irrespective of the GELR construction works occurring;
- 2) The annual per new allotment contributions payable to the State Government, as part of their return on investment in 'bankrolling' the \$54.4m GELR, will only become payable as contributions are actually received – i.e. if no developer contributions are received then no associated contribution from Council will be payable. Consequently, the financial risk in this regard is being borne by the State Government; and
- 3) Developer contributions that will be required over the life of the Gawler East Development are financially secured via the application of the Separate Rates. Thus, if the developer contribution is not secured via the primary funding mechanism (i.e. a deed of agreement with the developer), then the postponement of the associated Separate Rates will be revoked and the Separate Rates will then consequently become due and payable as a charge against the land.

As part of the new General Ledger implemented from 1 July 2017, Finance staff have created appropriate general ledger accounts to enable accurate and transparent accounting and reporting of transactions associated with the Gawler East Development – Infrastructure Funding policy.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

| | |
|--|---------------------------------------|
| Item Number | 7.5 |
| Title | DRAFT 2018/19 FEES AND CHARGES |
| Date | 11 April 2018 |
| Author(s) | Tony Amato, Team Leader – Finance |
| Reference | CC10/2028; CR18/11245; CR18/14893 |
| Previous Motion | NIL |
| Attachment/s Under Separate Cover | 1. Draft 2018/19 Fees & Charges |

OFFICER'S RECOMMENDATION

Item 7.5 – Draft 2018/19 Fees and Charges (CC10/2028)

That the Audit Committee recommends to Council that it consider the feedback from this Committee regarding the draft 2018/19 Fees and Charges.

BACKGROUND

Council's Fees and Charges needs to be reviewed on an annual basis, as of 1 July each year.

The purpose of this report is for the Audit Committee to provide feedback to Council regarding the proposed fees and charges for the 2018/2019 financial year.

A copy of the proposed 2018/19 Fees and Charges is provided as **Attachment 1**.

COMMENTS/DISCUSSION

The proposed fees and charges have been based on, and are consistent with, associated revenue targets identified in the draft 2018/19 budget. Where appropriate, the fee increases have been maintained at between 2-3%, which is generally in line with estimated changes in the Consumer Price Index (CPI) and which will also ensure that existing cost recovery rates are maintained.

In addition, there have been significant changes to several fees and charges classifications proposed for 2018/19.

As from 1 July 2018, dog registrations across the State will be managed by the Dog & Cat Management Board. Accordingly, many of the associated fees and charges have been changed mainly as a result of the simplification and centralisation of the processes and consolidation of classifications.

The Gawler Home Assist Program has mainly increased contractor fees and charges to increase revenue so that additional community services can be provided on a subsidised basis. This would achieve required funding outputs which is reported via the funding acquittal process. Some costs have been reduced to better reflect market rates and changes in suppliers.

Library fees and charges have predominantly remained unchanged from the previous year although some new charges have been introduced for the provision of various kits and related services.

Cemetery fees and charges have generally increased in line with consumer price index increases.

In addition to the above specific changes, other minor and/or appropriate business oriented \$ increases / decreases have been made which, generally due to their small \$ amounts, have resulted in percentage increases / decreases above / below CPI. This situation mainly relates to the Gawler Aquatic Centre and for the provision of general council documents.

On completion of the Civic Centre redevelopment in early 2019, there will be fees applied towards the use of the various facilities encapsulated therein – e.g. Business Innovation Hub, Multi-Functional Space, meeting rooms, etc. The proposed fee structure for such facilities is currently being developed, and will be included in a future report for Council's consideration.

This report excludes various fees set by State Government regulation (e.g. Development fees, various Expiation fees, etc.).

COMMUNICATION (INTERNAL TO COUNCIL)

Relevant Budget / Council Managers and Team Leaders

CONSULTATION (EXTERNAL TO COUNCIL)

NIL

POLICY IMPLICATIONS

Policy 6.5: Funding Policy

STATUTORY REQUIREMENTS

Section 188 of the *Local Government Act 1999*

FINANCIAL/BUDGET IMPLICATIONS

The proposed fees have been determined consistent with related revenue targets contained within the 2018/19 draft budget.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

Objective 5.3: Deliver ongoing effective and efficient services, including support for regional collaboration

REPORTS BY OFFICERS

| | |
|--|---|
| Item Number | 7.6 |
| Title | 2017/18 AUDIT COMMITTEE WORKPLAN PROGRESS REPORT |
| Date | 11 April 2018 |
| Author(s) | Sara Preece, Personal Assistant to Manager Finance & Corporate Services |
| Reference | CC13/234; CR18/13173; CR18/13174 |
| Previous Motion | Audit Committee, 23/08/2017, Motion No: AC:2017:08:39 |
| Attachment/s Under Separate Cover | 2017/18 Audit Committee Workplan Progress Report |

OFFICER'S RECOMMENDATION

Item 7.6 – 2017/18 Audit Committee Workplan Progress Report (CC13/234)

That the Audit Committee notes the 2017/18 Audit Committee Workplan Progress Report.

BACKGROUND

The 2017/18 Audit Committee Workplan was tabled and endorsed at the 23 August 2017 Committee meeting.

The purpose of this report is to provide an update of progress of actions identified in the Workplan.

COMMENTS/DISCUSSION

Progress comments are provided within **Attachment 1**.

COMMUNICATION (INTERNAL TO COUNCIL)

Manager Finance & Corporate Services

CONSULTATION (EXTERNAL TO COUNCIL)

Nil

POLICY IMPLICATIONS

Nil

STATUTORY REQUIREMENTS

Local Government Act 1999 Section 126 - Audit committee

FINANCIAL/BUDGET IMPLICATIONS

Nil

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

| | |
|--|---|
| Item Number | 7.7 |
| Title | DEBTOR ANALYSIS REPORT AS AT 31 MARCH 2018 |
| Date | 11 April 2018 |
| Author(s) | Tony Amato, Team Leader Finance Joanne Glazbrook, Finance Officer Chris Purdam, Rates Support Officer |
| Reference | CC18/90; CR18/13180 |
| Previous Reference/ Motion | Audit Committee, 30/5/2017, Motion No: AC:2017:05:33 Council, 28/2/2017, Motion No: 2017:02:58 |
| Attachment/s Under Separate Cover | NIL |

OFFICER'S RECOMMENDATION

Item 7.7 – Debtor Analysis Report as at 31 March 2018 (CC18/90)

That the Audit Committee recommends to Council that the Debtor Analysis Report as at 31 March 2018 be noted.

BACKGROUND

The provision of a quarterly Debtor Analysis Report in accordance with the Audit Committee Workplan.

COMMENTS/DISCUSSION

Rates Debtors Analysis

As at 31 March 2018, rates in arrears amounted to \$1,087,498.94. This represents 4.50% of the total rate revenue for the year, which is slightly above the 2017/18 Annual Budget/Business Plan aspirational target of 4% for 30 June 2018.

Table 1 below outlines recent history relating to the value of outstanding Rate Debtors.

Table 1 – Value of outstanding Rates Debtors 30/6/2013 – 31/03/2018

| Date | Outstanding Rate Debtors \$ | % of Rate Revenue for year | % Movement in \$ outstanding from previous financial year |
|-------------|--|---------------------------------------|--|
| 31/03/2018 | 1,087,499 | 4.50 | +49.3 |
| 31/01/2018 | 900,302 | 4.17 | +23.6 |
| 31/10/2017 | 800,888 | 3.71 | +9.9 |
| 30/06/2017 | 728,196 | 3.53 | -5.4 |
| 30/06/2016 | 770,336 | 3.95 | -17.6 |
| 30/06/2015 | 923,512 | 4.97 | +23.3 |
| 30/06/2014 | 748,927 | 4.36 | -7.4 |
| 30/06/2013 | 808,792 | 5.04 | -15.8 |

It is important to note that the percentage of rate debts outstanding can be subject to fluctuation during a particular financial year, based on quarterly payments cycles and also cyclic debt recovery processes applied during each financial year.

Key elements of Council's strategy to reduce the value of outstanding rates debtors is primarily guided by Council's Debtor Management Policy (Policy 6.11), the main aspects of which are:

- a) Reminder letters sent after each quarterly instalment cycle;
- b) Regular liaison with Council's Debt Collection agency;
- c) Encouraging ratepayers who are experiencing financial difficulty to enter into a formal payment arrangement plan; and
- d) Implementation of new payment options such as Direct Debit, BPay View and Ezybill.

The Direct Debit option was made available in August 2015, with 279 agreements now in place. Direct debits are made available on a monthly or quarterly basis. Separate to this, payment arrangements can also be made on a weekly / fortnightly / monthly basis. As at 31 March 2018, 743 Payment Arrangements were in place (this represents 6.5% of total rateable properties). Application forms for both Direct Debit and Payment Arrangements can be downloaded from Council's website.

As of October 2017, Council has introduced Ezybill (email) as an available method of delivery for quarterly instalment rates notices. Ratepayers simply need to register with Ezybill, create an account and register each of their Assessments to start receiving their notices by email. Receiving rates notices electronically will make it easier and more convenient for ratepayers to manage their payments, save paper and reduce waste and costs. To date, there has been 445 registrations for this service (approx. 3.9% of rateable properties).

Anecdotally, staff are continuing to notice increasing numbers of ratepayers incurring financial difficulties due to various reasons including reduced hours, redundancies and increased living costs. Consequently, such circumstances are taken into consideration when negotiating payment / direct debit arrangements.

Unfortunately, there are invariably a small number of ratepayers who do not respond to repeated requests for payment or negotiate payment arrangements. To cater for such instances, and as a measure of last resort, the Council has the legislative ability to commence proceedings for the sale of property due to non-payment of Rates, in instances where Rates have been outstanding for 3 years or more.

Sale of properties for non-payment of rates update

In February 2016, there were three properties that were identified as having rates outstanding for longer than three (3) years. At that time, Council approved the commencement of sale of property proceedings for such properties. For two of these properties the rates were subsequently paid in full. For the remaining property, staff have sought quotes from three (3) different real estate agents for the public auction of the property.

In November 2017, there were a further twelve properties that were identified and approved by Council to commence sale proceedings for non-payment of rates (rates outstanding for longer than three (3) years). Of these twelve properties the following actions have occurred:

- one property has been sold by the Mortgagee and rates paid in full;

- one property has had the rate arrears paid in full by the Mortgagee;
- a second property is also looking to have the rate arrears paid in full by the Mortgagee;
- one property owner has made contact with staff to advise they are attempting an application for early Superannuation release to pay the rate arrears;
- one property owner has made contact with staff to advise they are in the process of listing the property for sale and applying for a loan to pay the rate arrears;
- one property is being transferred into another ownership and rates will be paid in full in when this occurs (approx 1 month);

For the remaining six properties, Section 184 Notices will soon be prepared and served to commence the formal sale proceedings.

Sundry Debtors Analysis

An analysis of sundry debtors (i.e. excluding rates debtors) as at 31 March 2018 is disclosed in Table 2 below.

Table 2 – Sundry Debtors Analysis as at 31 March 2018

March 2018

| Debtor Category | Note | >90 days | 60-90 days | 30-60 days | Current | TOTAL |
|---------------------------|------|-----------------|------------------|------------------|-------------------|-------------------|
| Rent | | | \$ 11,916 | \$ 4,044 | \$ 21,123 | \$ 37,083 |
| Cemetery fees | | \$ 492 | | \$ 1,847 | \$ 8,745 | \$ 11,084 |
| Sports & Community Centre | | | | \$ 1,401 | \$ 8,054 | \$ 9,455 |
| Developer Contributions | | | | \$ 5,596 | \$ 396 | \$ 5,992 |
| Library | | | | | \$ 96 | \$ 96 |
| Health Inspections | | | | | \$ 60 | \$ 60 |
| Utilities | | \$ 29 | | \$ 1,006 | \$ 38 | \$ 1,073 |
| Searches | | | | | | \$ - |
| Inflammable Undergrowth | | \$ 144 | | \$ 1,085 | | \$ 1,229 |
| Grants | 1 | | | | \$ 162,019 | \$ 162,019 |
| Nawma | | | | | | \$ - |
| Visitor Centre | | | | | | \$ - |
| Others | 2 | \$ 1,440 | | \$ 2,800 | \$ 10,965 | \$ 15,205 |
| TOTAL | | \$ 2,105 | \$ 11,916 | \$ 17,779 | \$ 211,496 | \$ 243,296 |

| | | | | | | |
|---------------------------------|--|----|----|-----|-----|------|
| % of \$ Outstanding | | 1% | 5% | 7% | 87% | 100% |
| Debtor Management Policy target | | 4% | 6% | 20% | 70% | 100% |

Note 1 - \$77,000 - Dept of Premier & Cabinet- Fund My Neighbourhood - Dog Park Recreational Facilities

Note 1 - \$85,019 - Dept of Plan. Transport & Infrastructure - Open Space Funding - Nature Play area (Willaston)

Note 2 - \$1,440 - Insurance claim, payment expected in April

COMMUNICATION (INTERNAL TO COUNCIL)

Team Leader, Property & Procurement

CONSULTATION (EXTERNAL TO COUNCIL)

Dun & Bradstreet; Milton Graham Lawyers
Birtsos Legal

POLICY IMPLICATIONS

Debtor Management Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 - Chapter 10 Rates and Charges

FINANCIAL/BUDGET IMPLICATIONS

Staff are cognisant of the need to ensure that there are appropriate procedures in place towards ensuring outstanding debts are collected in a timely manner – this approach being the catalyst behind the development and adoption of the Debtor Management Policy in 2012.

Prompt payment by debtors will maximise Council's cashflow and minimise its net interest costs.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

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|--|---|
| Item Number | 7.8 |
| Title | STRATEGIC RISK REVIEW AND RISK FRAMEWORK UPDATE |
| Date | 11 April 2018 |
| Author(s) | Tony Amato, Team Leader – Finance Nathan Hall, WHS / Risk Management Officer |
| Reference | CC10/2632; CR18/13183; CR18/6348 |
| Previous Motion | Audit Committee, 2/06/2016, Motion No: AC:2015:06:23 |
| Attachment/s Under Separate Cover | 1. Updated Project Scope |

OFFICER'S RECOMMENDATION

Item 7.8 – Strategic Risk Review and Risk Framework Update (CC10/2632)

That the Audit Committee recommends to Council that the Strategic Risk Review & Risk Framework Update report be noted.

BACKGROUND

An update report regarding this matter was tabled to the 19 February 2018 Audit Committee meeting, at which the following resolution was passed:

*Moved by Mayor K Redman
Seconded by Mr P Fairlie-Jones
Motion No: AC:2018:02:06*

That the Audit Committee recommends to Council that the:
1. Strategic Risk Review & Risk Framework Update be noted;
2. Audit Committee be involved in the Risk Review Planning and the Risk Framework project with key milestone reports presented for consideration.

A copy of the updated project scope, reflecting the Audit Committee's involvement, has been provided as **Attachment 1** to this report.

The purpose of this report is to provide the Committee with a further update regarding the progress of this initiative.

COMMENTS/DISCUSSION

The first workshop with Council's Leadership Group and representatives from the Local Government Association Workers Compensation Scheme (LGAWCS) has been scheduled for the 9th April 2018, to identify Council's strategic risks including current controls. This will then be followed by a workshop with Elected Members and the Audit committee late April/early May 2018.

Council staff have worked with the LGAWCS to develop templates for the Risk Management Framework these include:

- Key Definitions
- Qualitative Measures of Consequences
- Risk Categories
- Risk Tolerance
- Risk Matrix
- Risk Register

These templates will be finalised in the first workshop with the Audit committee.

COMMUNICATION (INTERNAL TO COUNCIL)

Manager – Finance & Corporate Services

CONSULTATION (EXTERNAL TO COUNCIL)

Local Government Association Workers Compensation Scheme

POLICY IMPLICATIONS

Internal Control Policy

STATUTORY REQUIREMENTS

Local Government Act 1999 - Section 125 Internal Control Policies

Local Government Act 1999 - Section 129 Conduct of Audit

Local Government (Financial Management) Regulations 2011

FINANCIAL/BUDGET IMPLICATIONS

A budget amount of \$20,000 was previously included in the 2017/18 approved budget to undertake the internal audit risk review program.

As previously reported, a project opportunity arose whereby this work is now able to be completed with assistance and guidance provided by Local Government Risk Services at no cost.

The previous budget allocation of \$20,000 was subsequently declared as a budget saving in the 2017/18 2nd Quarter Budget Review adopted by Council in February 2018.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

REPORTS BY OFFICERS

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|--|---|
| Item Number | 7.9 |
| Title | 2016-2017 TREASURY MANAGEMENT REVIEW |
| Date | 11 April 2018 |
| Author(s) | Erin McGarry – Financial Accountant |
| Reference | CC18/294; CR18/14240 |
| Previous Motion | NIL |
| Attachment/s Under Separate Cover | NIL |

OFFICER'S RECOMMENDATION

Item 7.9 – 2016-2017 Treasury Management Review (CC18/294)

That the Audit Committee recommends to Council that the 2016-2017 Treasury Management Review be noted.

BACKGROUND

Pursuant to Section 140 of the Local Government Act 1999, and in accordance with the Treasury Management Policy (Policy 6.4), Council must undertake an annual performance review of its treasury management performance.

The purpose of this report is to provide a review of Council's treasury management for the 2016/17 financial year.

COMMENTS/DISCUSSION

1) Debt Management

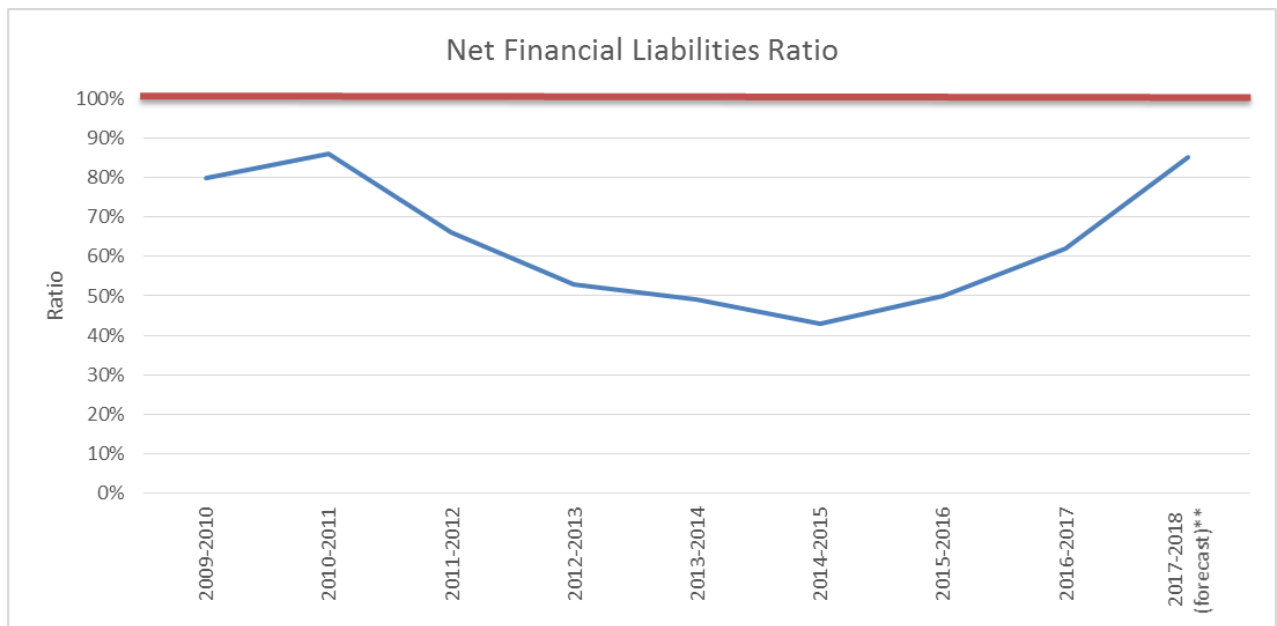
During the 2016-2017 financial year, Council increased the limit of its Cash Advance Debenture facility (CAD) with the Local Government Finance Authority by \$10m, to assist with funding the Civic Centre redevelopment and other major capital works programs. The advantage of utilising a variable interest rate CAD facility, rather than a fixed interest rate/term debenture loan, is that Council is able to repay the CAD at any time and will only pay interest on what Council actually draws down. Consequently, the CAD facility essentially acts as a bank overdraft. Consistent with accepted best-practice treasury management principles, this is the most cost effective way of reducing net interest expense. As per Council's Treasury Management Policy, the loan portfolio mix is reviewed on an annual basis.

Given the ongoing utilisation of the CAD borrowing facility during the 2016/17 financial year, any surplus cash funds received during periods of peak cash inflows were immediately applied towards debt reduction in accordance with Council's Treasury Management policy. Council's level of debt is represented using the Net Financial Liabilities (NFL) ratio. The ratio is defined as total liabilities less financial assets (excluding equity accounted investments in Council business) as a percentage of total operating revenue.

Council's policy position, and the widely accepted Local Government industry view, is that the Net Financial Liabilities ratio result should not exceed 100% - whereby the level of net financial liabilities does not exceed Council's operating revenue. The lower the percentage, the more capacity Council will have to borrow additional funds towards the investment of new and/or upgraded fixed assets (noting that investment in the replacement/renewal of existing assets should ideally be funded from recurrent revenue).

Graph 1 below outlines Council's NFL ratio since 2009/10.

Graph 1 –Net Financial Liabilities Ratio



The red line in the graph above indicates Council's NFL policy threshold

*** The 2017-2018 forecast result is reported in the January 2018 2nd Qtr. Budget Review*

The recent increase in the NFL ratio has been planned, consistent with Council's long term financial estimates. However, ongoing prudent financial and budget management will be required to ensure that the ratio result remains within the policy threshold.

The Treasury Management policy also dictates (Clause 4.7 section (a)) that details regarding Council's loan portfolio will be disclosed within the Treasury Management Performance Review. To this end, details of the loan portfolio are outlined in **Tables 1 & 2** below:

Table 1 – Summary of Loan Liabilities as at 30 June 2017

| Debenture Ref. | Settlement Date | Maturity Date | Amount Borrowed | Interest Rate | Balance Outstanding | Type of Loan | Notes |
|----------------|-----------------|---------------|-----------------|---------------|---------------------|--------------------|--|
| 89 | 16/06/2003 | 16/06/2018 | 145,000 | 5.65% | \$ 13,872.38 | Fixed Interest | Community Loan - Karbeethan Sporting Association |
| 91 | 16/06/2003 | 16/06/2018 | 25,000 | 5.65% | \$ 2,391.70 | Fixed Interest | Community Loan - Neighbourhood House |
| 97 | 15/06/2007 | 15/05/2023 | 3,000,000 | 7.88% | \$ 1,622,020.31 | Fixed Interest | Capital Expense Funding |
| 99 | 16/03/2009 | 16/03/2024 | 3,000,000 | 4.90% | \$ 1,675,155.82 | Fixed Interest | Capital Expense Funding |
| 100 | 15/01/2010 | 15/01/2025 | 3,000,000 | 6.80% | \$ 1,962,792.43 | Fixed Interest | Capital Expense Funding |
| 102 | 15/02/2011 | 15/02/2026 | 3,000,000 | 6.85% | \$ 2,144,564.73 | Fixed Interest | Capital Expense Funding |
| Gawl CA96 | 15/06/2007 | | 1,687,754 | Variable | \$ 867,685.00 | Variable Interest* | Cash Advance Facility |
| Gawl CA101 | 28/04/2010 | | 2,000,000 | Variable | \$ 1,250,369.15 | Variable Interest* | Cash Advance Facility |
| Gawl CA103 | 15/09/2016 | | 100,000 | Variable | \$ 100,000.00 | Variable Interest* | Gawler Bowling Club - Cash Advance Facility |
| Gawl CA104 | 17/10/2017 | | 4,400,000 | Variable | \$ - | Variable Interest* | Cash Advance Facility |
| Gawl CA105 | 17/10/2017 | | 5,600,000 | Variable | \$ 2,424,478.23 | Variable Interest* | Cash Advance Facility |
| | | | 25,957,754 | TOTAL | \$12,063,329.75 | | |

*Current interest rate is 3.75%, which has remained unchanged since August 2016. This rate is currently lower than long-term fixed-interest Debenture facility of 4.55%

As noted in **Table 1** above, Council is scheduled to fully repay two of the loans listed by the end of the 2017/2018 financial year (i.e. Loans 89 & 91).

On 27 June 2017, Council adopted a revision to the Loan Type Portfolio Targets disclosed within the Treasury Management Policy to assist Council staff in its decision-making for any future borrowings and/or changes to current loans. As per **Table 2** below, Council's current loan portfolio was within the policy targets as at the reporting date.

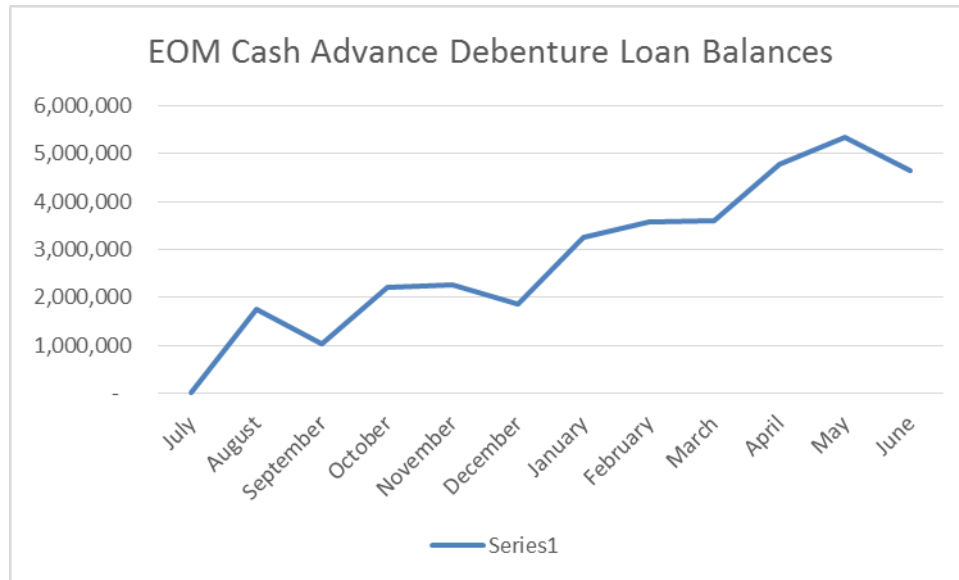
Table 2 – Summary of Loans by Loan Type as at 30 June 2017

Portfolio Loan Types

| Type of Loan | Loan Portfolio Target | % of Loan Principal Outstanding as at 30/06/2017) |
|---------------------------------|-----------------------|---|
| Fixed Interest - Credit Foncier | Min 25% | 62% |
| Variable Interest | Min 30% | 38% |

Graph 2 below outlines the monthly balances for the Cash Advance Debenture facilities during the reporting period. The graph illustrates how, during periods of peak cash inflows, Council is able to minimise its net interest costs.

Graph 2 – Cash Advance Debenture monthly balances 2016-17



2) Investments

Developer Contributions – Southern Urban Areas

Due to Council transitioning to an ongoing reliance on its overdraft facility with the LGFA, and consistent with the treasury management principles enshrined in Council's Treasury Management Policy, at the start of the reporting period Council internally borrowed from this investment fund. These funds, whilst no longer being held in a separate investment fund, still accrue interest and are still reported to the various developers as amounts held by Council to be spent on projects as per the associated Infrastructure Delivery Deed.

This accounting treatment reduces Council's net interest costs. Internal transactions are recorded to capture investment interest that Council would have otherwise earned if the developer contribution funds amount was still separately invested. This valid and appropriate accounting treatment, towards minimising net interest costs, saved Council \$32K in interest payable during the reporting period.

24Hr Call Investments

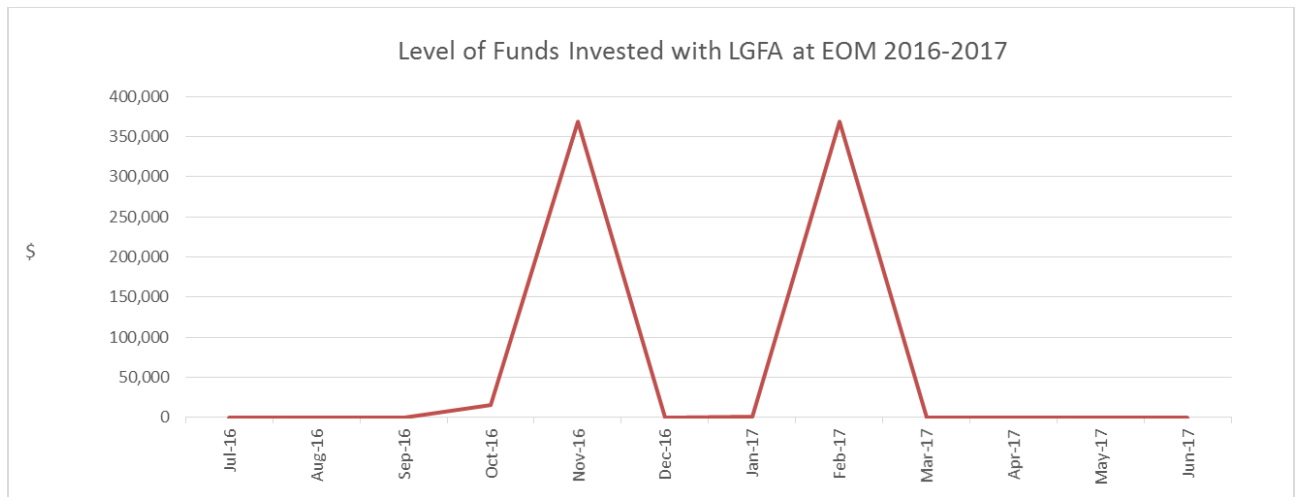
In the 2016-2017 financial year, Council entered a period where it was heavily reliant on the CAD Facility and as a result was not in a position during the year to invest excess funds. The only amounts reported in **Graph 3** (below) were funds paid direct into this account such as:

- Financial Assistance Grant paid by Federal Government
- The annual bonus distribution from the LGFA to Councils, allocated by debenture loan / investment holdings (this equated to \$15K in 2016/2017)
- Quarterly interest payments

These amounts received were then transferred to offset CAD balances at the earliest opportunity. In the 2017-2018 financial year, Council staff have organised for the Local

Government Finance Authority (LGFA) to use the amounts that would normally be paid directly into this account to be instead directly paid against existing CAD balances.

Graph 3 – Level of Funds Invested

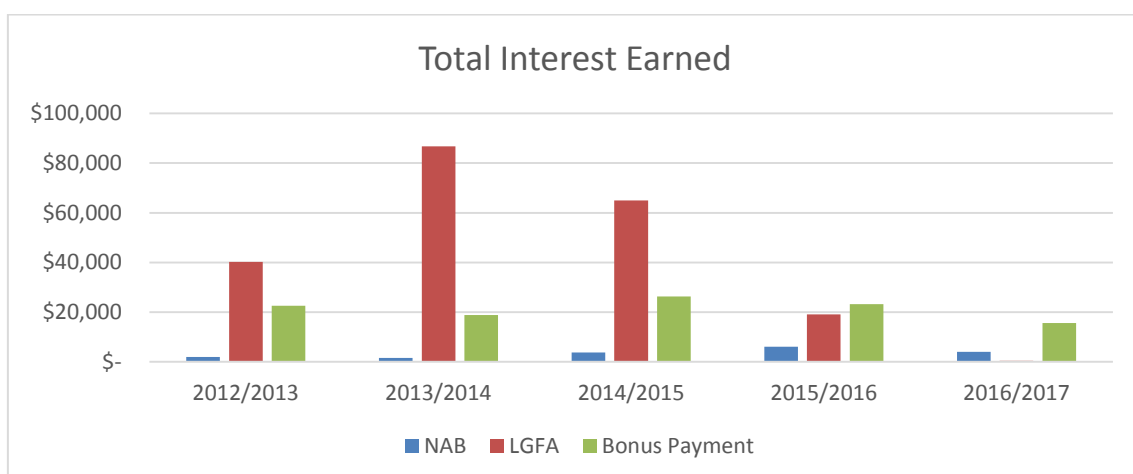


Whilst the ability to invest additional funds was negligible, Council remained committed to using the LGFA for any investments for the reasons listed below:

- Annual bonus distribution to Councils allocated by debenture loan / investment holdings (this equated to \$15K in 2016/2017);
- The annual contribution made by the LGFA to the Local Government Research and Development Fund;
- Ease of making transactions; and
- The commitment of the LGFA to the Local Government Association and the Local Government sector generally.

Graph 4 below shows how investment activity has substantially reduced in recent years as Council has transitioned to an ongoing reliance on CAD facilities.

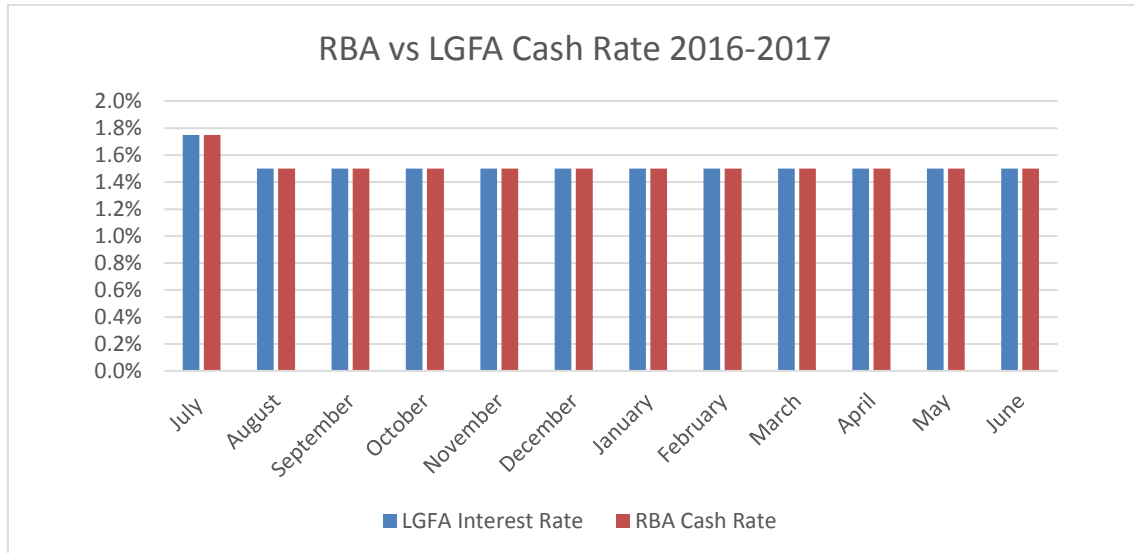
Graph 4 – Total Interest Earned by Financial Institution



Graph 5 below compares the rate of return on investments to the official Reserve Bank

cash rate. The graph indicates that the LGFA's rate of return on council's investments is consistent with the Reserve Bank official cash rate.

Graph 5 – Investment Performance vs Benchmark



COMMUNICATION (INTERNAL TO COUNCIL)

Team Leader – Finance
Manager – Finance and Corporate Services

CONSULTATION (EXTERNAL TO COUNCIL)

Local Government Finance Authority
National Australia Bank

POLICY IMPLICATIONS

Council Policy 6.4 – Treasury Management Policy

STATUTORY REQUIREMENTS

Section 140 of the Local Government Act 1999

FINANCIAL/BUDGET IMPLICATIONS

Loan repayments (comprising both principal and interest) and investment income are provided for in the annual operating budget, based on projected cashflow forecasts.

COMMUNITY PLAN

Objective 5.2: Be recognised as a 'best practice' Local Government organisation

CONFIDENTIAL REPORTS BY OFFICERS

| | |
|-----------------------------------|---|
| Item Number | 14.1 |
| Title | DEAN NEWBERY & PARTNERS – INTERIM EXTERNAL AUDIT MANAGEMENT LETTER - 2017/18 |
| Date | 11 April 2018 |
| Author(s) | Tony Amato – Team Leader Finance |
| Reference | CC17/775; CR18/12391; CR18/15866 |
| Previous Reference/ Motion | NIL |

In accordance with Sections 83(5) and 84(6) of the Local Government Act, 1999 – the Chief Executive Officer considers that this item may be considered in confidence by the Committee on the grounds set out below (and therefore will remain confidential until the Committee resolves how this item is to be classified).

A further written report will be considered by Members at the Meeting after the following recommendation is carried.

OFFICER'S RECOMMENDATION

Item 14.1 – Dean Newbery & Partners – Interim External Audit Management Letter – 2017/18 (CC17/775)

That:

1. Pursuant to Sections 90(2) and 90(3)(e) of the Local Government Act 1999 (the Act), the Audit Committee orders that the public be excluded from attendance at that part of this meeting relating to Item 14.1, excepting the following persons:

- Chief Executive Officer
- Manager Finance & Corporate Services
- Team Leader Finance
- Financial Accountant

to enable the Council to consider Item 14.1 in confidence on the basis the Council considers it necessary and appropriate to act in a meeting closed to the public (excepting those persons listed above) in order to receive, discuss or consider in confidence the following information or matter relating to Item 14.1:

- (e) matters affecting the security of the council, members or employees of the council, or council property, or the safety of any person;

Specifically, the present matter relates to the External Audit Management Report

2. Accordingly, on this basis, the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or matter confidential.