TheBarossaCouncil

MINUTES OF THE MEETING OF AN AUDIT AND RISK COMMITTEE
held on Wednesday 21 June 2023 commencing at 4.06pm
in the Council Chambers, 43-51 Tanunda Road, Nuriootpa.

MINUTES

1. AUDIT AND RISK COMMITTEE

1.1 Welcome
By Mr Brass – meeting declared open

1.2 Members Present

Mr Peter Brass, Mrs Ellen Ewing, Mr Ian Swan, Crs Heidi Thompson and Bruce Preece

1.3 Leave of Absence

Nil

1.4 Apologies for Absence

Nil

1.5 Minutes of previous meetings – for confirmation:

MOVED Mr Swan

That the Minutes of the Audit Committee held on Tuesday 7 March 2023 at 4.00pm, as circulated, be confirmed as true and correct records of the proceedings of those meetings.

SECONDED Cr Preece **CARRIED AC 2022-26/4**

2. MATTERS FOR INFORMATION

2.1 Review of Community Plan

2.2 Audit Plan June 2023 Update

2.3 Barossa growth and character planning

2.4 Nuriootpa Centennial Park Authority - Audit and Risk Committee Minutes

2.5 Adopted 2022/23 Quarterly Budget Update as at 31 March 2023

2.6 Report on Interim Report of Audit Finding

2.7 Lease, Licence and Hire Permit Policy

2.8 Quarterly Risk Management Report - Quarter 3 2022-2023

The Audit Plan was discussed and the Chair requested further information on the annual committee review processes, this will be provided in July 2023.

The Chair sought a briefing from Councils External Auditor on the Interim Audit Findings. Mr Muhlhausler, Director, Galpins and Council External Audit addressed the committee on the findings. The two main matters discussed were the status of the asset management planning and bank reconciliation work and was satisfied the risks are being appropriately managed and addressed. The External Auditor also expressed the professional and details approach of Council to the audit and commended staff. Cyber Security was also discussed and a briefing will be provided in detail at the next Audit and Risk Committee meeting.

3. DEBATE AGENDA

3.1
UPDATED CORPORATE PLAN 2023-2027
23/30664

MOVED Cr Preece

That Audit and Risk Committee receive Corporate Plan Update and any feedback provided by the Audit and Risk Committee be considered in the next update phase.

SECONDED Mr Swan **CARRIED AC 2022-26/5**

PURPOSE

To table the updated plan for information and review.

REPORT

The Corporate Plan is a living plan that strives to:

- Align Councils strategic aspirations and policies to administrative actions.
- Articulate the services and service levels provided.
- Be informative to community, Council and our staff and volunteers who deliver the on ground strategic actions and business as usual activities
- Be measurable, accountable and transparent.
- Be flexible and able to pivot when needed.

A corporate planning framework has been developed to align the Community Plan with the operational aspects of the organisation, as shown below.

The Corporate Plan has been built around Council's Service Areas, setting out the high-level strategic actions and service area actions.

Supporting the Corporate Plan is our annual business plan and budget and our administrative and directorate level Service and Work Plans. The system is completed by having a feedback loop which includes:

- Executive and employee performance and accountability systems.
- Reporting processes, some of which are still in development for this plan, and other well embedded such as our financial and non-financial reporting requirements under the annual reporting and annual business plan and budgeting requirements.
- Annual review of the Corporate Plan.

The Corporate Plan is now nearing an appropriate level of maturity, having commenced the model in 2016 after the adoption of the Community Plan. The current Corporate Plan has been consulted on through the management team and significant rewrites have been undertaken. Further work has been undertaken to align the plan to a more contemporary management framework known as ESG, Environment, Social and Governance. A model that explores a balance of strategy and outcomes against these three lenses.

The Corporate Plan's maturity will see the Executive Leadership Team focusing on strategic and operational reporting updates and in the next cycle of budget development using the Corporate Plan to drive budget settings and initiatives. The plan in its next review cycle will also align to the reviewed Community Plan, with that review currently underway.

Four-Year Rolling Strategic Actions

Previous versions of the Corporate Plan have covered a static four-year plan. The new format encompasses four-year rolling strategic actions. This part of the plan is to be reviewed and updated each year to identify future projects/initiatives that may have budgetary considerations.

These actions are generally time bound projects that are identified through other internal strategies and plans, or emerging issues prioritised by Council.

Services and Service Levels – Business As Usual
The plan articulates the services and associated levels of service provided by Council to the community through the component of the business-as-usual activities under the area of outputs. These services and service levels have been shaped by Council historical decision making, legislative requirements and general activity outcomes. These services and service levels underpin most outputs and outcomes of Council. This component of the plan is reviewed and updated each year based on any changes approved by Council or legislation.

The Corporate Plan is tabled at Attachment 1 for information and as outlined will be updated on an annual basis.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Updated Corporate Plan

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan
6.1. Ensure that the community has access to information regarding the discussions held and decisions made by Elected Members.

Legislative Requirements
Nil

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

The plan addresses risk through a planned approach to service delivery and strategic actions.

The financial and resources requirements are embedded within the organisation through this plan and the budget and long term financial plan.

COMMUNITY ENGAGEMENT

Not applicable

3.2
<u>VARIOUS POLICY UPDATES SINCE PRIOR AUDIT AND RISK COMMITTEE MEETING</u>
23/30678

MOVED Mr Swan

That Audit and Risk Committee receive and note the Policy updates and any feedback provided by the Audit and Risk Committee be considered in the next review phase.

SECONDED Ms Ewing **CARRIED AC 2022-26/6**

PURPOSE

To table the updated Policies for information and review.

REPORT

There have been various risk and financial related policy updates conducted since the last meeting of the Committee they are now tabled for information and comment.

Any comments of a material nature will be incorporated into future updates.

The updates have been reviewed and consulted upon with relevant officers and tabled for Council approval at their ordinary meetings of 16 May and 20 June 2023.

<u>Asset Management Policy</u>

The Policy has been reviewed after considering the need for Policy direction and commitment, relevant industry documents and guidelines and the following main changes have been made:

1. Simplification of the Policy as a policy statement and driving improvement through asset management strategic planning.
2. Reflection of the need to continually ensure decisions are made on need and evidence-based decision making.

The Policy is at <u>Attachment 1</u> for members review and consideration.

<u>Disposal of Land and Other Assets Policy</u>

Revised policy is attached at <u>Attachment 2</u>.

The policy has been reviewed to simplify and adjust with minor legislative changes and learnings over the past years in disposing of minor and other assets like vehicles, were recently we have been using mechanism like public auction is achieving much better returns than traditional trade-ins.

The Policy has also been updated in the new Policy template form.

Most assets disposed of are minor such as library books, vehicles, computer equipment or office furniture.

The decision-making structure of the Policy is the main simplification through the clear use of tabular processes under 3.6. Other changes include ensuring linkages to delegations and alignment when disposal methodology chosen by an officer and is align to the principles of Council's procurement framework to assist in application of market approaches for disposal.

Annual Business Plan and Budget Policy Review

Revised policy is attached at Attachment 3.

The policy has been reviewed to simplify components.

The main amendment is to streamline the budget adjustment and production processes and reduce some prescription around annual budgeting processes with the view going forward to design the process as undertaken this year and determined by Council in January of each year.

In summary the changes are:

1. Removal of processes-based content and minor definition changes.

2. Simplification of budget review processes to focus on the service level costs (in the financial systems known as functional levels) rather than individual line costs. This means, if the Policy is supported, budget reviews will require review at the service (functional) level not each of the budget lines. The outcome of this Policy change is if overall costs to provide a service are in accordance with the budget no changes is required whereas at present the Policy needs adjustments undertaken at each cost line. There are many 10,000's of cost lines in the budget, but only 81 service (functional) levels. For instance, at present if your contractor's budget is over and materials is under a budget adjustment is normally required to align the expenditure, this effectively achieves nothing in terms of budget management. In this model you will not need to alter the budget if the bottom line is tracking within the budget for the service. Council adopts the budget at the global level for the services set. This Policy direction has no impact on service provision, budget management or financial risk and will reduce a significant amount of budget adjustments and produce efficiencies for budget managers and Financial Services.

3. Simplification of budget amendments between the quarterly reviews and delegations to CEO to reduce administrative burden when budget changes are neutral or beneficial to the budget bottom line, currently this is restricted.

4. Simplification of the "new initiatives" type processes consistent with recent years of activity with an initial process to filter requests before undertaking the analysis under the Prudential Management Policy (namely the DDR - Due Diligence Report requirements and Business Activity Test assessment).

It is acknowledged further work is required on the budget production processes and new initiatives. However, with significant reform in the financial systems and services underway including a new budget module further work will be done in the next 12 months to achieve savings, efficiencies, and improvements. The supporting process for this Policy will be updated accordingly under delegation.

Non-Current Asset Accounting Policy

Revised policy is attached at Attachment 4.

The policy has been reviewed to simplify it with the main amendment to introduce modern allocation when they are renewed or upgraded, with a new Policy basis and guideline to better reflect the nature of the expenditure. This is consistent with accounting standards and practices in local government.

Previously the Policy did not provide a basis for allocating expenditure on an asset where it had the traits of renewing it but also upgrading it. This Policy position results in any expenditure with has any aspect of upgrade (even if its say 10% of the actual spent) having to be allocated fully to upgraded assets. Whilst this sounds immaterial it means all expenditure is reflected in the financial accounts and disclosures of Council as an upgraded asset. Council is required to report against legislated financial indicators, one of which is are we maintaining and renewing our assets at a reasonable rate. Whilst the current Policy position meets Accounting Standards it does not accord with best practice and ultimately results in understanding the asset renewal rate in the reporting against the legislated performance indicators.

For instance, if Council decides (as it has in this year's 22-23 budget and the next four years budgets) to upgrade a gravel standard road to a sealed road all the costs are reported as new and upgrade costs. But the true on-ground practicality is a large component of the costs are actually renewal the existing surface, drainage and the like; the upgrade component is any new drainage and the new seal on top, roughly between 33-66% of the cost, depending on the project. Fundamentally however it performs same service, transport, however at a higher service level.

Another common example of this issue is building work. Let's say Council renews a toilet, but while we are doing the work we would most likely upgrade it to include change tables, unisex toilets and upgrading the toilets to water sensitive design. This would have to be reflected under the current Policy again as an upgrade, yet it is fundamentally providing the same service and the cost of the upgrade components in this case are minimal.

Playgrounds, clubrooms, change rooms, playing surfaces, pipes, pumps the list can go on and, in many instances, the work undertaken has an aspect of the cost being renewing a current asset and thus the service level. A component at times is new and upgrade expenditure to to cater for expanding population, or ladies sport, or modern environmental standards or expectations of community for instance.

In these examples the allocation of costs to renewal and upgrade is important to reflect the true nature of the asset investments and to ensure we are meeting targets to ensure existing infrastructure is maintained and replaced. The impact in the Annual Financial Statements of the proposed Policy positions will be:

1. Greater recognition of the allocation of funds to renewing our asset base versus upgrading the asset base rather than it all going to upgrading.

2. Reallocating expenditure in the Cash Flow Statement to reflect the actual on ground nature of renewal and upgraded asset costs.

3. Impact the asset renewal funding ratio reported in note 15 which measures the rate overtime we are maintaining our asset base a critical measure in Local Government given the level of asset we are responsible for noting we have met or exceeded the targets for the last three years and this change will increase the ratio outcome.

4. Impact the allocation of expenditure in Note 7 (reflects changes to our non-current assets), Note 16 (uniform presentation of finances) which reflects the changes to our non-current assets and expenditure allocation on assets.

Clause 3.3.3 and Table 1 provide the policy basis for officers to make the allocation of expenditure across renewal and upgrade to address this situation.

Other changes are minor and reflect updates to legislative cross references, definition updates and allocation of internal costs to assets expenditure. The Asset Classification Schedule was a separate administrative document that supports the accounting for assets. It has been incorporated back into the Policy, so it is clear to Council what the types of assets we manage are and the ranges or useful life, revaluation cycle and methodology. Whilst it rarely occurs it is recommended for administrative efficiency that Council authorise the Chief Executive Officer to amend the schedule, if necessary, in consultation with the Manager Financial Services, Auditor and the Audit and Risk Committee and not require amendments to the schedule to come back to Council.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1	Asset Management Policy
Attachment 2	Disposal of Land and Other Assets Policy
Attachment 3	Annual Business Plan and Budget Policy
Attachment 4	Non-Current Asset Accounting Policy

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan
6.1. Ensure that the community has access to information regarding the discussions held and decisions made by Elected Members.

Legislative Requirements
Various outlined in the Policy documents where applicable.

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

The plan addresses risk through a planned approach to service delivery and strategic actions.

The financial and resources requirements are embedded within the organisation through this plan and the budget and long term financial plan.

COMMUNITY ENGAGEMENT

Not applicable.

3.3
DRAFT ANNUAL BUDGET AND BUSINESS PLAN 2023/2024 INCORPORATING THE LONG TERM FINANCIAL PLAN 2023/2024 - 2032/2033 - FOR CONSULTATION
23/31041

MOVED Ms Ewing

That Audit and Risk Committee receive and note the report on the draft Annual Budget and Business Plan 2023/24, incorporating the annual review of the Long Term Financial Plan 2023/24 to 2032/33.

SECONDED Mr Swan **CARRIED AC 2022-26/7**

PURPOSE

Council, at a Special Meeting held 7 June 2023, endorsed the draft Annual Budget and Business Plan 2023/24 incorporating the Long-Term Financial Plan (LTFP) 2023/24 to 2032/33 for public consultation.

A copy of the document is provided in Attachment 1.

REPORT

Discussion
The Annual Budget and Business Plan (AB&BP) 2023/24 incorporates the Long Term Financial Plan (LTFP) 2023/24 to 2032/33 in the one document, but is divided under separate sections.

The financial information contained in this document has been prepared in accordance with Council's Budget and Business Plan and Review Policy and associated processes.

The formulation of the draft budget incorporates the work of numerous Council officers and teams (following an adopted timeline) which includes:
- budget preparation and input by budget managers
- checking and refining of data input, preparation of general budgets including utilities, depreciation, employee costs etc by the Finance officers
- review and approval by the Corporate Management Team.

This work results in the Finance staff collating, checking, reconciling, and finally preparing a draft budget and long term plan for Council consideration.

The input from Council is gained by holding workshops where discussions and decisions at Council meetings for various parts of the budget preparation and process, provides a direction for officers to prepare the draft budget.

For a breakdown of the significant items for the operating and capital budgets, the LTFP, refer to the Minutes of the Special Council Meeting in Attachment 2.

Summary and Conclusion

Council has reviewed its financial parameters for the LTFP, including the indexation used for forward projections on income and expenditure.

As noted in the Financial Considerations section of this report and the AB&BP, this financial analysis highlights that all KPI's are within the target ranges and Council attains a financially sustainable position within the 10 year period of the LTFP.

With the inclusion of TBP grant funding and loan financing, Council has the capacity to undertake TBP asset construction, operational costs and other minor additional projects.

Consideration of other major works in future years will require a full review of the LTFP and as required, Due Diligence Reporting processes to check financial sustainability.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Draft Annual Budget and Business Plan 2023-2024 - for Consultation
Attachment 2 Special Council Meeting Minutes - 7 June 2023

Supporting references

Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Community Plan

How We Work - Good Governance

Corporate Plan

6.1. Ensure that the community has access to information regarding the discussions held and decisions made by Elected Members.

6.16. Provide contemporary internal administrative and business support services in accordance with mandated legislative standards and good practice principles.

Legislative Requirements

Local Government Act 1999

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Financial

The adoption of the Budget is required between 1 June and 31 August. To meet this timeline, the adoption of the draft public consultation document preferably should start in May, public consultation started 14 June 2023.

For a breakdown of the Financial Sustainability and indicators refer to the Minutes of the Special Council Meeting in Attachment 2.

COMMUNITY ENGAGEMENT

The public consultation period will be held from 14 June to 4 July 2023. Council will hold a public meeting on the 5 July 2023 at 5.30pm providing one hour for members of the public to ask questions and make submissions in relation to the AB&BP and annual review of the LTFP. All submissions will be considered at a Special Council meeting date to be set.

Submissions will also be accepted by the following methods:

- via Council's engagement platform at yoursay.barossa.sa.gov.au,
- via Facebook facebook.com/thebarossacouncil,
- via email barossa@barossa.sa.gov.au, or
- in writing.

The LTFP is incorporated with the AB&BP to ensure the two Plans align. This enables the community to be involved in the short and long term planning of Council's Budget.

4. CONFIDENTIAL AGENDA

Nil

5. URGENT OTHER BUSINESS

Nil

6. NEXT MEETING

To be determined.

7. CLOSURE

Mr Brass declared the meeting closed at 5.09pm.

Confirmed at Audit and Risk Committee Meeting on

Date: 27/9/23 Chair: [signature]