The Barossa Council

MINUTES OF THE MEETING OF AN AUDIT AND RISK COMMITTEE

held on Wednesday 19 March 2025 commencing at 3:06pm
in the Peramangk Room (Committee Room), 43-51 Tanunda Road, Nuriootpa.

M I N U T E S

1. ATTENDANCE RECORD

1.1 Members Present

Peter Brass, Ian Swan, Wendy Haydon, Christine Hahn and David Paprzycki

Apologies

Nil

Not Present

Nil

Leave of Absence

Nil

Due to the establishment of the new Terms of Reference and appointees to the Audit and Risk Committee the Chief Executive Officer assumed the Chair and welcomed members.

4.1 APPOINTMENT OF ACTING CHAIRPERSON AND NOMINATIONS FOR PRESIDING MEMBER
25/21047

The Chief Executive Officer conducted the nominations process for the appointment of a Presiding Member.

Ms Hahn nominated Mr Brass.

No other nominations were received.

There being no other nominations Mr Brass was appointed, pending Council approval as the Chairperson of the Audit and Risk Committee.

MOVED Ms Hahn

That Audit and Risk Committee:

1. Appoint Peter Brass as Acting Chairperson of the committee for the duration of the meeting.
2. Nominate Peter Brass as Presiding Member (Chairperson) to then be approved by resolution of Council.

SECONDED Mr Paprzycki **CARRIED AC 2022-26/30**

Mr Brass assumed the Chair.

PURPOSE

To appoint an acting Chairperson for the Committee.

REPORT

Background
The term for the Chair of the Audit and Risk Committee concluded on 27 January 2025. A chair is yet to be appointed by Council.

Introduction
As its first item of business, the Committee will need to appoint an Acting Chairperson.

Martin McCarthy, Chief Executive Officer will assume the Chair, appoint Peter Brass as Acting Chairperson and call for nominations for the Presiding Member (Chairperson).

Nominations are not required to be seconded and may include self-nomination.

Discussion
As per clause 5.2.4 of the Terms of Reference, the Committee shall at its first meeting or at its first meeting following the Periodic Election, nominate a Chairperson who shall be chosen from the independent members.

Summary and Conclusion
The Committee is to appoint a Chairperson in accordance with the Terms of Reference. The nomination must be approved by resolution of Council.

Should there be more nominations than required then all voting will be by secret ballot as per Councils Code of Practice for Meeting Procedures.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Nil

Supporting references
Terms of Reference of the Audit and Risk Committee

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan
BS4 Council and Committees - Provision of support to Council and Committees through the provision of required information, agendas, and minutes. Council and Committees are provided with support to enable informed decisions

Legislative Requirements
Nil

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Nil

COMMUNITY ENGAGEMENT

Not required.

2. CONFIRMATION OF PREVIOUS MINUTES

2.1 Minutes of previous meetings – for confirmation:

MOVED Mr Swan

That the Minutes of the Audit and Risk Committee held on Monday 25 November 2024 at 5:00pm and the Special Audit and Risk Committee meeting held on Monday 25 November 2024 at 5.00pm, as circulated, be confirmed as true and correct records of the proceedings of those meetings.

SECONDED Mr Brass **CARRIED AC 2022-26/31**

2.2 Matters arising from previous minutes

2.2.1 OUTCOME OF GOVERNANCE STRUCTURE FEEDBACK
24/109852

As determined by the Committee, Council was presented the feedback on the proposed Audit and Risk Committee Governance Structure at its November 2024 meeting.

Council has elected to continue with a fully independent committee. The structure and feedback after 1 year of operation will be reviewed again through the annual committee survey process and presented to Council.

Recruitment for a further member is underway along with normal processes for one of the existing members and the independent chair, with these two later positions concluding their current appointment on 27 January 2025.

SUPPORTING REFERENCES

Nil

2.2.2 UPDATE ON STATUS OF 2023-24 EXTERNAL AUDIT FINDINGS
25/20460

At the 30 September 2024 meeting a report on the interim 2023-24 audit findings from our external auditor, Galpins Accountants, Auditors and Business Advisors, was tabled. Nine findings were identified by Galpins, with the following risk ratings attached to those findings:

High – two
Moderate – six
Low - one

Refer to Attachment 1 for a copy of this report.

The audit completion report provided by Galpins Accountants, Auditors and Business Advisors to accompany the Barossa Council's 2023-24 annual financial statements, tabled at the 25 November 2024 meeting, also included three moderate rated audit findings. Refer to Attachment 2 for a copy of this report.

Attachment 3 provides an update on the status of these external audit findings as at March 2025 for your information and noting.

SUPPORTING REFERENCES

Nil

3. MATTERS FOR INFORMATION

3.1 ANNUAL SELF-ASSESSMENT OF COMMITTEE PERFORMANCE

3.2 ENTERPRISE RISK AND SAFETY REPORT - JULY TO DECEMBER 2024

4. DEBATE REPORT

4.1 PLEASE SEE PAGE 2025/1

4.2 CREDIT CARD STATEMENT REVIEW
25/20430

MOVED Ms Haydon

That the Audit and Risk Committee, having reviewed the transactions, receive and note the information.

SECONDED Ms Hahn **CARRIED AC 2022-26/32**

PURPOSE

For the Audit and Risk Committee to review and acknowledge the credit card transactions that have been incurred by the Mayor and Chief Executive Officer (CEO).

REPORT

As per the recommendations of The Barossa Council's external auditors, the credit card transactions of the Mayor and CEO are to be provided to the Audit and Risk Committee for review.

The attachment details the transactions that have occurred between the period 19th September 2024 and 10th March 2025. Further questions about any particular transaction can be addressed at the meeting.

Like with any of Council's expenditure, credit card purchases are made in accordance with Council's Procurement Policy and aligned to approved budgets.

The previous update on the Mayor and CEO's credit card expenditure covered the period between 13th June 2024 to 18th September 2024 and was reviewed by the Audit and Risk Committee at the 30th September 2024 meeting. It is our intention to provide an update on credit card transactions of the Mayor and CEO on a quarterly basis.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Credit Card Transactions Summary

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Legislative Requirements
Nil

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Procurement Policy

COMMUNITY ENGAGEMENT

Expenditure in accordance with adopted budgets 2024/2025.

4.3 BUDGET REVIEW - QUARTER 2 FOR THE 2024-25 FINANCIAL YEAR AS AT 31 DECEMBER 2024
25/20538

MOVED Mr Swan

That Audit and Risk Committee having reviewed the revised budget receive and note the updated quarter 2 forecasts and results as at 31 December 2024 as presented at the Attachment

SECONDED Ms Hahn **CARRIED AC 2022-26/33**

PURPOSE

To review the updated budget as at 31 December 2024.

REPORT

<u>*Background*</u>
On a quarterly basis the budgets of Council are to be reviewed in accordance with the *Local Government Act 1999* and associated regulations.

Budget managers undertake a review of all budget lines and adjust where budgets are trending over or under budget and where changes are required for capital programs or new or changed funding conditions.

<u>*Discussion*</u>
The reports provide information on the financial position of Council, containing budget update reports, variations and restated financial statements as normally presented. This quarter's report has also been reviewed to improve its readability and to provide improved information related to the operating, functional and capital budget. New information is provided on more detailed operational and functional budget performance as at 31 December 2024 and a revised capital budget report that directly aligns to the format of the adopted capital budget in the annual business plan and budget document.

At this time in the financial year the predicted borrowings for the year are $23.5M significantly down from the first budget review and adopted budget.

The revised budget indicates continued alignment with the deliverables of the business plan and the operating and capital budget outcomes improve Council's cash position by over $1M.

Summary and Conclusion
The review has been completed and is ready for Council consideration and endorsement.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Q2 Budget Update 2024-25 as at 31 December 2024

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan
BS6 Finance - Transparency and accountability regarding Council activity and expenditure. Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting
BS7 Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

Legislative Requirements
Section 122 of the Local Government Act 1999
Section 123 of the Local Government Act 1999
Regulation 9 of the Local Government (Financial Management) Regulations 2011

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

The reports provide the best up-to-date estimates of financial and resource estimates to achieve the annual business plan and strategies set by Council and the stability of Council's long term financial position and operations.

COMMUNITY ENGAGEMENT

Community consultation was part of the original 2024-25 budget adoption process in June 2024.

4.4 UPDATED LONG TERM FINANCIAL PLAN - 2023-24 TO 2033-34
25/20547

MOVED Mr Paprzycki

That Audit and Risk Committee having reviewed the updated Long Term Financial Plan for the 2023-24 to 2033-34 period receive and note the report.

SECONDED Ms Haydon **CARRIED AC 2022-26/34**

PURPOSE

To review a further updated to the Long Term Financial Plan (LTFP) for the 2024-2025 to 2033-2034 years.

REPORT

Background
Whilst it is not required to update the LTFP regularly, due to material changes since the past adoption and significant expenditure projections in this years and next budget necessitating large borrowings, the administration is undertaking regular performance comparison and analysis and updates to ensure detailed assessment of decisions being taken are sustainable.

Introduction
The LTFP is normally reviewed annually, however due to the nature of the current budget and material changes already endorsed, or proposed within the updates provided to Council, it was deemed necessary to update the plan to ensure Council and the Audit and Risk Committee has the full picture of the current and long-term budget. The purpose of the reviews, notwithstanding it was recently reviewed and adopted in June, is to reflect material changes to date, to ensure a revised budget position can support anticipated changes and the future estimates remain sound at this early stage of the budget cycle and is good prudential management practice.

The LTFP, along with normal monthly budget management, is being closely monitored and remodelled due to the significant investment program this year to ensure the best and most accurate information is used for modelling and maintenance of service delivery and funding and treasury management.

It is not anticipated that a further update will be undertaken until the quarter 2 budget amendments are completed in February 2024.

Discussion

Update August and September 2024
The revised and updated LTFP's where tabled with the Audit an Risk Committee at its September meeting. These updates reflected the following material changes.

- Recently announced financial assistance grants resulting in an increase of approximately $149,730, all related to the general-purpose grant. Road grants were practically on budget, being a variance of $543 this financial year, this is not material in the annual accounts, however in the LTFP it is.
- Recently announced road to recovery funding for the 2024-2029 program resulting in a small increase this year of $21K and $139K over the 5-year program, this is not material in either the annual accounts or LTFP but as it was being updated it was incorporated into the modelling.
- All amendments approved by Council to the end of the August meeting including a more accurate provision for resourcing and structural changes approved at the August 2024 meeting.
- Ongoing active management of our treasury needs continues to result in savings in interest payments and these have been reflected in the model.
- The cash flow statements presented as part of the modelling to the August 2024 meeting had an error in allocation before sale of surplus assets and grants

received for capital works, whilst this had little impact on the actual outcomes this has been corrected.

- Concordia planning which is cost neutral with a grant received paying 100% of those costs ($399,746 grant and expenditure).
- Nuriootpa Bowling Club tree removal and footpath works ($60,000).
- Barossa Creative Industry Centre preliminary works and ongoing service provision needs ($100,000).
- Legal costs associated with a Supreme Court matter ($7,000).
- Restructure of Corporate Services and Business Innovation Directorate.
- Barossa Park – Lyndoch Recreation Park works.
- Neldner Street sealing.
- Cyber security investment needs estimated at $27K.
- Business continuity plan and disaster recovery planning updates estimated at $10,000.
- Barossa Creative Industries Centre estimated at 10% base increase due to passage of time for grant assessment and escalation of costs however later spending of those costs due to delays in the grant assessment and funding agreement.

Update as at 2 January 2025

In support of a decision to proceed with the investment of $17.1M into the Barossa Creative Industries Centre (BCIC) post funding agreement with the Commonwealth and the latest design and costing estimates, and the project being material a further update was undertaken and approved by Council at its January 2025 meeting.

This update provided the best available information at the time with revised estimates for this project and the Barossa Park – Lyndoch project being two very significant investments. Prudential reports have been done that cover the projects also. The Audit and Risk committee sort an update of the plan post the quarter 2 update, this has not been undertaken at this time as the 6 January 2025 caters for material changes and resources are now devoted to the 2025-26 budget development and new Long Term Financial Plan.

In detail the January 2025 update has catered for the following factors.

As with Barossa Park development the long-term financial plan is being updated regularly in order to manage the budget impacts on the long-term sustainability of the organisation. Therefore, an updated plan has been developed with as many known conditions at early January 2025 as possible including lower inflation and escalation factors than originally anticipated, decisions of Council up to and including December 2024 and the revised estimates for this project.

The updated plan is at Attachment 1 the major changes are:

- With the adoption of the new Infrastructure and Asset Management Plan and supporting system KPI 4 Asset Renewal Funding Ratio is now presented using the plans estimated required spending to maintain assets at the policy approved level.
- The plan has been updated for a lower inflationary period for the 2025-26 and future years as predicted by the RBA of Australia, with most escalations now placed at the mid-range of the RBA's preferred rate of inflation being 2 to 3% and therefore 2.5% has been applied to the model except for capital

expenditure, water, power and insurance costs which have been placed at the upper limit of the inflation target range of 3% and wages and salaries at 3%. There has been no change to the rates and service cost escalation rates.

- An additional $320,000 in depreciation has been added to the 2024-25 budget estimates which has been recalculated from the 2023-24 financial year result.
- Updated estimates for borrowings of the plan, which based on current estimated timing of payments being later than original expected for the BCIC, strong cash flow management especially with Barossa Park, current projections for the operating and capital budget will result in similar (but marginally less) borrowings as forecast at the beginning of the year but stretched over 3 financial years instead of 2. The main contributors to net financial liabilities ratio, one of the key financial sustainability ratios, is revenue amount and borrowings amount. With borrowings deferred and revenue growing it means the net financial liabilities ratio has reduced from 92.9% to 77.8% for the 2024-25 financial year.
- Net financial liabilities peaks in 2025-26 at 89.8% compared to 93.7% in the same year.
- Operating position of Council over the 10-year plan has improved from $9.393M surplus to $10.318M surplus. Noting the next two financial years will continue to run moderate to small operating deficits.
- Borrowings peak at $41.168M in 2025-26 which is compared to the original estimates of $43.120M in the same year.
- Asset sustainability ratio reduced with the average over the 10-year plan (measured against depreciation) of 103.5% which is compared to the original estimates of 108.4%. The measurement against the infrastructure and asset management plan, the updated KPI which aligns with the legislative standard, is 130.5%.

The LTFP is showing all indicators being within set and legislative standards for the 2024-25 year and the whole of the plan overall, the financial position and sound health of the organisations finances based on current service levels and adopted Council policy positions.

Summary and Conclusion
A further review and update of the LTFP has been undertaken to reflect material updates and is presented for the Committees review.

ATTACHMENTS OR OTHER SUPPORTING REFERENCES

Attachment 1 Long Term Financial Plan Update as at 2 January 2025

Supporting references
Nil

COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS

Corporate Plan
BS6 Finance - Transparency and accountability regarding Council activity and expenditure. Provision of organisational performance report (outcomes), activity report (outputs), a range of statutory reporting (e.g. public health, tax, superannuation), financial reporting
BS7 Governance - Provision of governance advice and support in the discharge of legislative responsibilities for policy development, delegations and

authorisations, internal review of Council decisions, delegations and authorisations, Native Title claims

Legislative Requirements

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

General summarised outcomes are in the body of the report. All indicators of financial sustainability remain within or better than the key performance indicator standards.

The following tables outline the state of the long-term financial plan and financial sustainability of Council from the updated modelling.

2024-25 Original Budget	Approved LTFP and Original Budget $'000	Revised LTFP $'000	Change – Positive / (Negative) $'000	Indicator
Operating Surplus / (Deficit)	(437)	(704)	(267)	
Borrowings at 30 June 2025	40,605	33,191	7,414	
Net Cash at 30 June 2025	39	58	5	
Operating Surplus Ratio 3 Year rolling	0.0%	(0.7)%	(0.7)%	
Net Financial Liabilities	93.6%	77.8%	15.8%	
Asset Renewal Funding Ratio – Using Depreciation	129.4%	121.7%	(3.9%)	
Asset Renewal Funding Ratio – Using Infrastructure and Asset Management Plan Forecast	N/a	150.2%	N/a	

* Adjusted operating surplus represents the true underlying operating result for council when removing once of adjustments for advanced payment of Financial Assistance Grants for the 2023-24 year paid in the 2022-23 financial year and the impact of revaluation of asset impacts to the operating result from Council subsidiaries. This is calculated as follows:

	$'000
Operating Surplus / (Deficit)	($1,139)
Add Revenue (from Financial Assistance Grants) received and accounted for in the 2022-23 accounts that would normally be in 2023-24 accounts	$2,084
Adjusted Operating Surplus / (Deficit)	**$945**

10 Year Long Term Financial Plan	**Approved LTFP $'000**	**Revised LTFP $'000**	**Change – Positive / (Negative) $'000**	**Indicator**
Operating Surplus / (Deficit) - Cumulative Result at 30 June 2034	9,393	10,318	925	
Borrowings at 30 June 2034	6,727	5,145	1,582	
Net Cash at 30 June 2034	17	75	58	
Operating Surplus Ratio 3 Year rolling at 30 June 2034	3.1%	3.8%	0.7%	
Net Financial Liabilities at 30 June 2034	18.8%	16.4%	2.4	
Asset Renewal Funding Ratio – Ave – Using Depreciation	104.4%	108.4%	4.0%	
Asset Renewal Funding Ratio – Ave – Using Infrastructure and Asset Management Plan Forecast	N/a	132.5%	N/a	

COMMUNITY ENGAGEMENT

Nil required or recommended.

5. CONFIDENTIAL AGENDA

Nil

6. URGENT OTHER BUSINESS

The Chair expressed the Committees thanks and appreciation to members Ellen Ewing, Cr Heidi Thompson and Cr John Angas who have concluded their terms. It was also noted that correspondence has been sent to Ellen from Council thanking her for her contributions to the Audit and Risk Committee

Chief Executive Officer provided an overview of strategic activity including

- The Big Project
- Enterprise Technology including customer interface
- Investment strategy for social and economic benefit
- Concordia development resourcing
- Boundary Realignment
- Business Planning recent review of Corporate and Community Plans
- Smart Reporting Opportunities
- Enterprise Agreement negotiations
- Activation of the Events Team & social planning integration governance framework.

7. NEXT MEETING

To be determined.

8. CLOSURE

The Chairperson declared the meeting closed at 4:12pm.

Confirmed at Audit and Risk Committee Meeting on

Date:…………………………….   Chairperson…………………………….